BEYOND THE NEW HORIZON

ANNUAL REPORT 2012

OCBC Bank

Contents

Our Purpose

We help individuals and businesses across communities achieve their aspirations by providing innovative financial services that meet their needs.

Our Values

Customers

We listen to our customers and understand their needs. We build enduring relationships with them by delivering superior products and quality service.

People

We treat each other fairly and with respect. We support our colleagues and invest in their development to help them realise their full potential. We recognise and reward outstanding performance.

Teamwork

We, as team members, actively support each other across the organisation as we work towards our common purpose. As individuals, we expect total responsibility from ourselves.

Integrity

Fair dealing is the basis of our business. We assume everything we do is in full public view.

Prudent Risk Taking

We are prudent risk takers because our customers rely on us for safety and soundness.

Effectiveness

We actively invest in infrastructure, process improvement and skills to lower our delivery costs. We do the right things right the first time, on time, every time.

The successful execution of our strategy over the years has reinforced OCBC's reputation as one of the most admired financial services groups in the region. In today's rapidly changing financial landscape, we need to continue to relentlessly look beyond the new horizon to prepare and position ourselves for future growth, even as we remain firmly rooted in the core foundations of our strategy. We will deliver enhanced shareholder value by:

- Building and expanding enduring customer relationships; as the market becomes more sophisticated and our customers' financial needs evolve, we must listen and understand what matters most to them – from delivering suitable and efficient services, to sharing of market knowledge and provision of financial advice.

- Devoting additional resources to higher growth economies of Malaysia, Indonesia and Greater China where we have invested and built a strong foundation.

- Creating an integrated wealth management platform for our private banking and affluent customers across the region, increasing inter-country connectivity through increased network collaboration for our commercial clients, and broadening our capital markets and corporate finance capabilities.

- Extracting greater value and efficiency from our Group franchise by capitalising on the investments we have already made in various infrastructure builds; while also strengthening the robustness of our technology foundation to serve our customers even better.

- Investing in our people for high performance and enhancing our talent programmes; empowering them with skills and knowledge that meet the future needs of our customers.

We are confident that this holistic approach which looks beyond the immediate horizon will generate superior returns for our shareholders, allow differentiated value propositions to be developed for our customers, and attract talented people to join our workforce.

The OCBC brand today stands for safety and strength. We are one of the best capitalised banks globally and are among the select few banks in the world to have maintained AA credit ratings. Bloomberg Markets magazine has also ranked us as the world's strongest bank for the second consecutive year. With the competitive advantages inherent in a strong brand, we enter the new year with confidence.

2012 was a challenging year for the industry, characterised by uncertain and volatile financial markets. The pace of recovery in the United States, the heightened concerns about a sovereign debt-crisis in Europe and slowing growth in emerging economies weighed heavily on the global economy, even as the regulatory environment for financial institutions became increasingly demanding.

Despite the difficult operating environment, we achieved record earnings through business growth and effective risk management. We took measured steps to strengthen our balance sheet, as reflected in strong capital ratios, a high level of liquidity and sound asset quality.

PERFORMANCE REVIEW

We are pleased to report record results for the financial year 2012, driven by a combination of record net interest income, fee income, net trading income as well as significantly higher insurance income contributions. Our Group net profit after tax grew by 73% to S$3.99 billion, compared to S$2.31 billion in 2011. Excluding the gains from the divestment of our non-core assets, our core net profit after tax rose 24% to S$2.83 billion. Based on core earnings, our return on equity improved to 12.5% from 11.1%, while our earnings per share rose 22% to 79.1 cents from 64.8 cents in 2011.

Net interest income grew 10% to S$3.75 billion, breaking the previous year's record of S$3.41 billion. This was the result of robust asset growth, partly reduced by a 9 basis-point decline in net interest margin due to the continued low interest rate environment, limited gapping opportunities and the re-pricing of mortgage loans in response to market competition. Our average balance of non-bank customer loans grew 15% year-on-year across various industry sectors in Singapore and key overseas markets.

Non-interest income, excluding divestment gains, rose 31% to S$2.90 billion, up from S$2.21 billion a year ago, underpinned by higher fees and commissions, strong trading gains and an increase in insurance income. Wealth management, loan-related and trade-related income growth produced record fees and commissions of S$1.20 billion. Net trading income increased to S$515 million, as compared to S$217 million in 2011, largely from securities and derivatives trading. Profit from life assurance enjoyed healthy gains, rising 81% to S$692 million from S$383 million a year ago, boosted by strong investment performance and higher underwriting profits. During the year, the Group reported divestment gains of S$1.32 billion (S$1.17 billion post-tax), primarily from the sale of its stakes in Fraser and Neave, Limited ("F&N") and Asia Pacific Breweries Limited ("APB").

Against total core income of S$6.65 billion, which grew 18%, our operating expenses rose 11% to S$2.70 billion from S$2.43 billion the previous year. Total staff cost increased 14% to S$1.65 billion, on account of higher base salaries and incentive compensation associated with strong business volumes. Staff strength grew 8% to support business growth, with over half of the increase coming from our overseas markets. Cost-to-income ratio (excluding divestment gains) improved to 40.6% from 43.2% a year ago, as core income growth outpaced the increase in expenses. Operating profit rose 24% to S$3.95 billion.

The Group's asset quality improved and coverage ratios remained strong. The non-performing loan ratio improved to 0.8% from 0.9%, with total cumulative allowances representing 142% of non-performing assets (which include assets other than loans), as compared to 107% a year ago. Net allowances of S$271 million were 23% higher against S$221 million in 2011.

We remain one of the best capitalised banks in the world, with Tier 1 and total adequacy ratios of 16.6% and 18.5% respectively, as of 31 December 2012. These ratios were higher than the levels in 2011 and well above the regulatory minima of 6% and 10% respectively. Our Core Tier 1 ratio, which excludes Tier 1 preference shares, rose to 12.8% from 11.4% the previous year.

Our key subsidiaries contributed positively to the Group's overall results. Great Eastern Holdings 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 was a record S$768 million, considerably higher than 2011's S$386 million, thanks to robust growth in underwriting profit, higher net investment income and bigger mark-to-market gains. Great Eastern Holdings' underlying insurance business continued to register sound growth, with new

business weighted premiums increasing 5% from a year ago, led by increased demand for regular premium products. The Group's bancassurance channel also reported strong growth across our key markets, benefiting from our focus on close collaboration within the Group. Great Eastern Holdings' contribution to the Group's core net profit after tax, excluding divestment gains and after deducting amortisation of intangible assets and non-controlling interests, grew 109% to S$622 million, from S$297 million in 2011, representing 22% of the Group's full year core earnings.

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

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

Bank of Singapore continued its strong growth momentum, with assets under management ("AUM") rising 35% to US$43 billion (S$52 billion), from US$32 billion (S$41 billion) in 2011. Its earnings assets base, which includes loans, increased 31% to US$52 billion (S$63 billion) as compared to US$40 billion (S$52 billion) a year ago. Broad-based asset growth was achieved across its major markets in Asia and the Indian subcontinent, and it was particularly successful in attracting substantial assets from new customers in Europe and the Middle East.

In addition to this year's financial performance, we are particularly proud to have been named as

- World's Strongest Bank: Bloomberg Markets
- One of the World's 50 Safest Banks: Global Finance
- Bank of the Year 2012, Singapore: The Banker
- Best Managed Board (Market Capitalisation of S$1 billion & above) – Gold Award: Singapore Corporate Awards

DIVIDENDS

The Board places strong emphasis on providing investors with a steady and predictable dividend stream, at the same time enhancing long-term returns to shareholders through re-investing divestment proceeds into core banking activities after capital requirements have been taken into account. Consistent with this approach, the Board has recommended a final tax-exempt dividend of 17 cents per share, bringing the full year 2012 dividend to 33 cents, an increase from the previous year's 30 cents. This translates to a 40% payout ratio.

BEYOND THE NEW HORIZON

The financial services industry has undergone significant transformation in the post-crisis years. As we position for future growth beyond the new horizon, we will stay focused on serving our customers. We strongly believe that our strategy of deepening customer relationships, expanding our regional presence in countries with higher growth economies, developing our people and deriving greater strategic value from the Group franchise and joint venture investments will reap higher sustainable returns for our shareholders.

Staying focused on customers

Serving our customers is at the heart of our business and we work hard to build strong and deep relationships with them. With the market becoming increasingly more sophisticated and as their financial needs evolve, we must listen and understand what matters most to them, and constantly explore better ways to deliver superior service and a differentiated experience.

We were the first bank in Singapore to offer full service Sunday Banking. With 20 Sunday Banking branches islandwide, we offer the widest weekend banking network in Singapore. We celebrated our sixth anniversary of Sunday Banking by improving the Sunday banking experience for our customers, which included branch makeovers and an expanded range of children's activities. Our award-winning "FRANK by OCBC" programme, launched in 2011 and designed for the Gen-Y customer segment – youths and young working adults – opened its fourth store this year. In Malaysia, as part of our efforts to achieve greater customer outreach, OCBC Al-Amin unveiled the country's first standalone seven-day-a-week Islamic banking branches offering extended evening operating hours. A pioneer of mobile phone banking and trading applications in Singapore, we continued to improve our online and mobile banking platforms in order to offer a better customer experience. We have also made significant strides in simplifying the way our documents are presented to customers.

The Group cemented its number one position in bancassurance market share in Singapore, as we continued our highly successful collaboration with our insurance subsidiary, Great Eastern Holdings. We unveiled the Mortgage Protector Advantage plan, unique in Singapore as the only mortgage insurance plan with a refundable premium feature. Another innovative product introduced was the *CashFlo* credit card, the first automated instalment payment card in Singapore. We continued to deepen our successful partnership with the National Trades Union Congress ("NTUC"). In collaboration with NTUC Link and NTUC Fairprice, the largest supermarket chain in Singapore, we re-launched our highly successful and popular *Plus!* credit cards and opened more than 100,000 new accounts during the year. Further complementing the broad range of financial services and products offered to NTUC union members and the wider community was the opening of our second *Plus!* Lite branch within the FairPrice Xtra hypermarket at Changi Business Park. For corporate customers, we launched our Community Banking proposition, offering enterprises in Singapore a unique set of banking services tailored to their stage of growth. As a leading provider of cash management services in Singapore and Malaysia, we continue to deliver new products and services to our customers.

In Singapore, we introduced several innovative products such as integrated renminbi trade solutions, while in Malaysia we rolled out *OCBC SME Access*, a current account bundled with cash management solutions that offers small and medium enterprises attractive rates as well as the convenience of 24-hour account access.

Growing and strengthening the Group's reach and capability

The unique strength of our Group's franchise has been a defining feature of OCBC's ongoing success that differentiates us from the competition. We will continue to deepen our presence and capability in Malaysia, Indonesia and Greater China, while pursuing opportunities in other markets.

OCBC Malaysia has maintained its position as one of the country's leading foreign banks by assets, loans and deposits. We have one of the largest networks among the foreign banks and we continue to expand our reach to provide greater convenience to our customers. During the year, we opened 4 branches, including 3 OCBC Al-Amin Bank *Xpres* branches, which were the first standalone Islamic banking branches in Malaysia to operate till 10pm daily, seven days a week.

Indonesia performed strongly as we widened our capabilities in wholesale corporate banking, grew the emerging business segment, and drove branch network performance to a higher level of efficiency. To meet the growing financial needs of customers, we are also leveraging our network to expand the wealth management platform; towards this end, we have developed a wide suite of bancassurance products in partnership with Great Eastern Holdings. During the year, we acquired an 80% stake in PT Transasia Securities, a securities brokerage business, to create an added platform for our expanding wealth management franchise in Indonesia.

In China, we are now represented in 8 cities, with a network of 16 branches and sub-branches, well-placed to bridge the increasing business opportunities between China and the region. We established a China Business Office in Singapore to support our Chinese customers as they venture into Singapore and the region, facilitating their cross-border trade, treasury and capital flows, and investment banking activities. Within Greater China (including Hong Kong and Taiwan), we have significantly expanded our corporate and wealth management customer base. As renminbi internationalisation continues, we expanded the scope of our banking solutions to meet customer demands. We will take full advantage of our strategic partnerships with Bank of Ningbo and Avic Trust in areas such as new product development and cross-border collaboration. Greater China is a major focus for us as we extend our reach in higher growth economies. Our earnings from Greater China grew 35% from a year ago and we expect to record an increasingly higher proportion of overseas earnings from our Greater China customers.

Elsewhere in ASEAN, we are actively reviewing emerging opportunities within the broader Indo-China region. We are particularly positive on the economic potential of Myanmar. Given the growing economic and trade links between Singapore and Myanmar, we are well-positioned to offer a range of banking services as our customers' needs evolve.

To capture the growing movement of wealth, trade and capital flows at home and abroad, we will continue to put to best use our network and full range of universal banking services. As our customers expand globally, we align ourselves internally to serve them as a single relationship across markets. There has been a substantial increase in business as a result. We are also expanding the scale and capabilities of our corporate finance and capital markets teams to offer a better product proposition.

It is useful to stress the utmost importance we place on extracting value that comes from collaboration within the Group. Synergies from closer collaboration between various parts of the Group will continue to bring benefits to both the Group and customers. In addition, our relentless efforts in streamlining processes and investing in new technology have continued to generate significant productivity and efficiency gains. During the year, we completed the deployment of a new core banking system in Malaysia, which moved us closer towards our objective of having a common banking platform across Singapore and Malaysia. This is scheduled for implementation in the third quarter of 2013. We have also introduced a common risk management platform in China and Hong Kong, enhanced security measures for credit cards and online banking transactions, and introduced an automated credit and debit card approval system that reduced approval times by as much as 85%. On top of the productivity and efficiency gains, these efforts have further enhanced the customer experience in banking with us.

Investing in our people

We recognise that it is our people who contribute to the Group's success; after all, banking is all about people. We are united by our core values, which foster a culture of collaboration across the Group's geographies and businesses. Our high levels of employee engagement scores exceed benchmarks, a proof of our commitment to making OCBC an employer of choice where people can realise their full potential. A key area of focus is the identification and development of talent. We expanded our talent management programmes, focusing on aligning leadership development with business needs. Our learning and development programme will be given a significant boost with the opening of the OCBC Campus in the first half of 2013. This city campus, a first for a Singapore financial institution, will centralise our Group-wide learning facilities, serving also as a platform for our employees to learn and exchange ideas. As part of our ongoing work-life balance initiatives, we introduced the Primary School Leaving Examination Leave Accommodation and Career Break schemes, the first bank in Singapore to do so. Similar schemes will be introduced to other Group entities over time.

Corporate Social Responsibility

We have expanded our staff volunteer programme to allow our people to reach out further into the community. In addition to supporting under-privileged children, the programme has been extended to cover families, education, the environment and humanitarian efforts. Employees are now able to take one working day off a year to participate in volunteer activities. With these changes, our employees' community work participation rates in Singapore have risen. This year 1,600 employees volunteered in community work programmes with a combined total of 8,000 work hours recorded. This participation rate was much higher than 2011, when 600 employees put in 1,300 hours of volunteer community work.

LOOKING AHEAD WITH CONFIDENCE

Entering 2013, we expect the global economy to post low-to-moderate growth. While the US economy is showing mixed signals of a mild recovery, the deep-seated problems in Europe are unlikely to be resolved in the near-term. China has recently shown signs of steady growth resuming at the 8% level. South East Asia, including Singapore, Malaysia and Indonesia, is expected to see slightly higher growth this year from more resilient domestic demand and satisfactory economic fundamentals. Interest rates are expected to remain low, with major central banks anticipated to maintain liberal monetary policies. Regulatory requirements, particularly in the areas relating to capital, funding and liquidity, will increase, and the financial sector will consequently face higher regulatory and compliance costs.

While the outlook continues to be challenging, our financial strength and diversified business give us the flexibility and clear competitive advantage to gain market share and pursue new opportunities. In all our efforts, we will be mindful to keep a sound balance between organic and inorganic growth – whether geographic or business-driven – and maintain a prudent approach to risk, while ensuring that our infrastructure, particularly the robustness of our technology platforms, are able to fully support growth.

We are confident that we are well-placed to deliver superior value to our customers, shareholders and employees in the year ahead.

ACKNOWLEDGEMENTS

In closing, we would like to thank our Board members for their advice and guidance during the year. Our heartfelt thanks also go to our dedicated staff and management for their untiring efforts in serving our customers. Most of all, we wish to express our deep appreciation to all our customers and shareholders for their loyalty, trust and support.

CHEONG CHOONG KONG
Chairman

15 February 2013

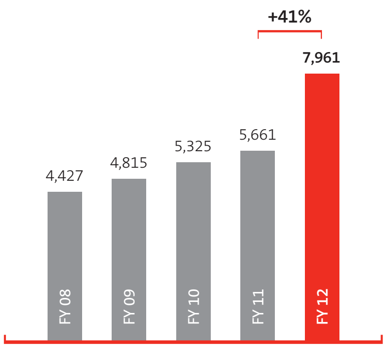
SAMUEL N. TSIEN
Group Chief Executive Officer

Financial Highlights

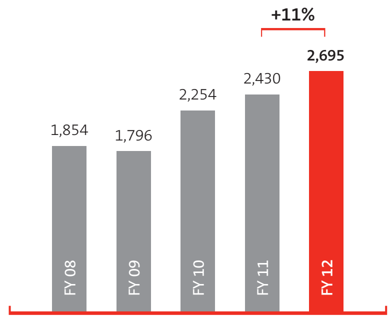
Group Five-Year Financial Summary

Financial year ended 31 December	**2012**	2011	2010	2009	2008
Income statements (S$ million)					
Total income	**7,961**	5,661	5,325	4,815	4,427
Operating expenses	**2,695**	2,430	2,254	1,796	1,854
Operating profit	**5,266**	3,231	3,071	3,019	2,573
Amortisation of intangible assets	**60**	61	55	47	47
Allowances for loans and impairment of other assets	**271**	221	134	429	447
Profit before tax	**4,962**	2,955	2,880	2,543	2,085
Profit attributable to equity holders of the Bank	**3,993**	2,312	2,253	1,962	1,749
Cash basis profit attributable to equity holders of the Bank (1)	**4,053**	2,373	2,308	2,009	1,796
Balance sheets (S$ million)					
Non-bank customer loans (net of allowances)	**142,376**	133,557	104,989	80,876	79,808
Non-bank customer deposits	**165,139**	154,555	123,300	100,633	94,078
Total assets	**295,943**	277,758	229,283	194,300	181,385
Assets, excluding life assurance fund investment assets	**243,672**	228,670	181,797	151,223	142,508
Total liabilities	**267,242**	252,368	205,638	172,521	162,825
Ordinary shareholders' equity	**22,909**	20,675	18,894	17,075	13,978
Total equity attributable to the Bank's shareholders	**25,804**	22,571	20,790	18,971	15,874
Per ordinary share					
Basic earnings (cents)	**113.1**	65.8	66.1	59.4	54.6
Cash earnings (cents) (1)	**114.8**	67.6	67.8	60.9	56.1
Net interim and final dividend (cents) (2)	**33.0**	30.0	30.0	28.0	28.0
Net asset value (S$)					
Before valuation surplus	**6.68**	6.02	5.66	5.29	4.51
After valuation surplus	**7.95**	7.04	7.09	6.33	5.18
Ratios (%)					
Return on ordinary shareholders' equity	**17.9**	11.3	12.1	12.2	11.8
Return on assets (3)	**1.69**	1.11	1.32	1.35	1.23
Dividend cover (times)	**3.43**	2.17	2.18	2.09	1.95
Cost to income	**33.8**	42.9	42.3	37.3	41.9
Capital adequacy ratio (4)					
Tier 1	**16.6**	14.4	16.3	15.9	14.9
Total	**18.5**	15.7	17.6	16.4	15.1

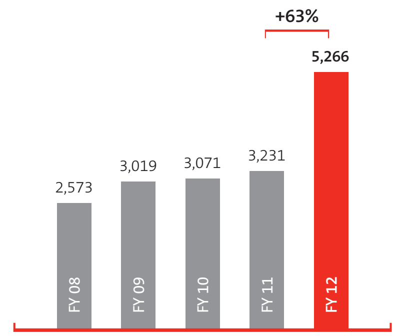
(1) Excludes amortisation of intangible assets.
(2) The Group's dividends are on a tax exempt basis.
(3) The computation of return on average assets does not include life assurance fund investment assets.
(4) 2008 to 2012 capital adequacy ratios are computed under the Basel II framework, in accordance with MAS Notice 637 to Banks.



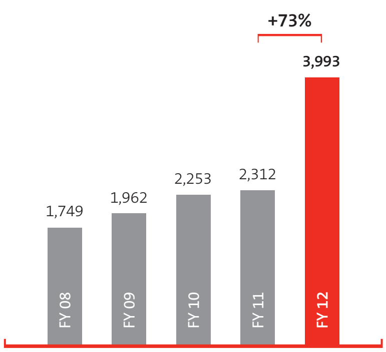
Total Income (S$ million)



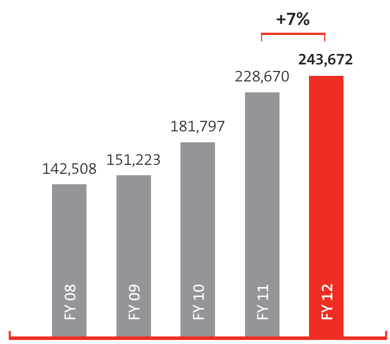
Operating Expenses (S$ million)



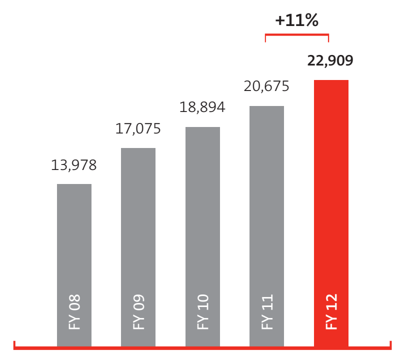
Operating Profit (S$ million)



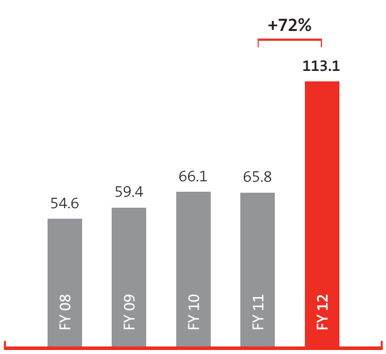
Profit Attributable to Equity Holders of the Bank (S$ million)



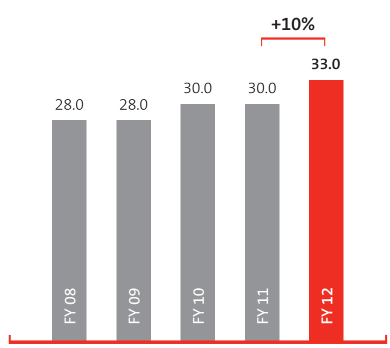
Assets, Excluding Life Assurance Fund Investment Assets (S$ million)



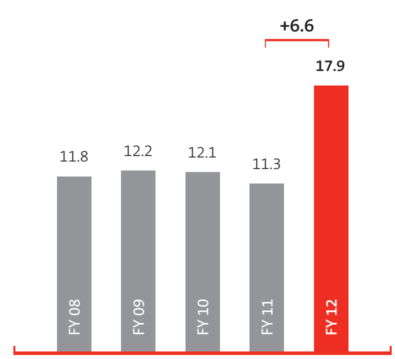
Ordinary Shareholders' Equity (S$ million)



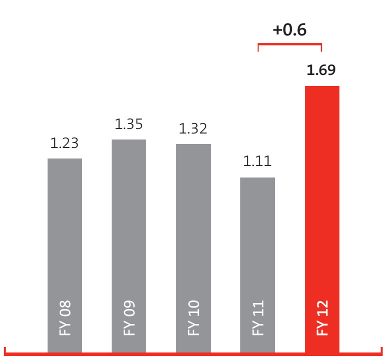
Basic Earnings Per Share (cents)



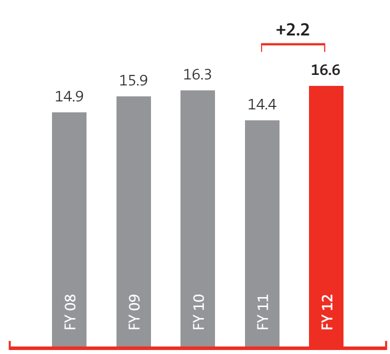
Net Dividend Per Share (cents)



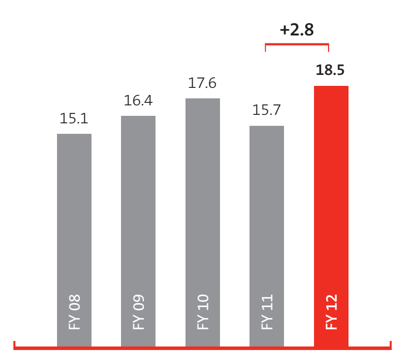
Return on Ordinary Shareholders' Equity (%)



Return on Assets (%)



Tier 1 CAR (%)



Total CAR (%)

DR CHEONG CHOONG KONG
Chairman

Dr Cheong was first appointed to the Board on 1 July 1999 and last re-appointed as a Director on 25 April 2012. On 1 July 2003, he was appointed Chairman, after having served as Vice Chairman from 26 March 2002 to 30 June 2003. Dr Cheong brings with him a wealth of experience gained in his extensive career, including 29 years at Singapore Airlines Ltd, where he last held the position of Deputy Chairman and Chief Executive Officer. He is a Director of several companies, including Great Eastern Holdings Ltd. Dr Cheong holds a Bachelor of Science with First Class Honours in Mathematics from the University of Adelaide and a Master of Science and PhD in Mathematics and (Honorary) Doctor of Science from the Australian National University. Age 71.

MR BOBBY CHIN

Mr Chin was first appointed to the Board on 1 October 2005 and last re-elected as a Director on 25 April 2012. He is presently a Member of the Council of Presidential Advisers of the Republic of Singapore and Deputy Chairman of NTUC Enterprise Co-operative Ltd. He serves on the board of several listed companies, including Singapore Telecommunications Ltd and Sembcorp Industries Ltd. He is also a Board Member of Singapore Labour Foundation. Mr Chin was formerly the Managing Partner of KPMG Singapore, from which he retired in 2005 after a 30-year career. Mr Chin holds a Bachelor of Accountancy from the University of Singapore, is an Associate Member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Institute of Certified Public Accountants of Singapore. Age 61.

MR DAVID CONNER

Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 16 April 2010. He was Group Chief Executive Officer of OCBC Bank from 15 April 2002 to 14 April 2012. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He serves as a Member of the Board of Trustees of the Singapore University of Technology and Design and Washington University in St Louis, and Council Member of Singapore Institute of Directors and Singapore Symphony Orchestra Council. Mr Conner holds a Bachelor of Arts from Washington University in St Louis and a Master of Business Administration from Columbia University. Age 64.

MRS FANG AI LIAN

Mrs Fang was first appointed to the Board on 1 November 2008 and last re-elected as a Director on 25 April 2012. She is presently the Chairman of Great Eastern Holdings Ltd and a Director of several companies, including Singapore Telecommunications Ltd, Metro Holdings Ltd, Banyan Tree Holdings Ltd and MediaCorp Pte Ltd. She also serves as a Member of several institutions, including the Board of Trustees of the Singapore University of Technology and Design. Mrs Fang was formerly Chairman of Ernst & Young, from which she retired after a 34-year career. She is a Fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Singapore, and a Member of the Malaysian Institute of Certified Public Accountants. Age 63.

MR LAI TECK POH

Mr Lai was first appointed to the Board on 1 June 2010 and elected as a Director on 15 April 2011. He served more than 20 years in OCBC Bank in several senior capacities, including Head of Corporate Banking, Head of Information Technology & Central Operations and Head of Risk Management. He was Head, Group Audit prior to retiring in April 2010. Before joining OCBC Bank, he was Managing Director of Citicorp Investment Bank Singapore Ltd and had served stints with Citibank, N.A. in Jakarta, New York and London. He is presently a Director of AV Jennings Ltd, WBL Corporation Ltd, OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad, and a Commissioner of PT Bank OCBC NISP Tbk. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore. Age 68.

MR LEE SENG WEE

Mr Lee was first appointed to the Board on 25 February 1966 and last re-appointed as a Director on 25 April 2012. He was Chairman of OCBC Bank from 1 August 1995 to 30 June 2003, and continues to serve on the Board Executive Committee and the Board Nominating Committee. He is presently Chairman of the Board of Trustees of the Temasek Trust and a Director of several companies, including Great Eastern Holdings Ltd, Lee Rubber Group Companies and Lee Foundation. Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario. Age 82.

DR LEE TIH SHIH

Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 15 April 2011. He is presently an Associate Professor at the Duke University Medical School in Durham, USA and Duke-NUS Graduate Medical School in Singapore. He has previously served in senior positions at both OCBC Bank and the Monetary Authority of Singapore (MAS). He is a Director of Lee Foundation and several Lee Rubber Group Companies. Dr Lee graduated with MD and PhD degrees from Yale University. He also holds a Master of Business Administration with Distinction from Imperial College, London. Age 49.

MR COLM MCCARTHY

Mr McCarthy was first appointed to the Board on 1 November 2008 and last re-elected as a Director on 25 April 2012. He served for 29 years with Bank of America where he last held the position of President, Bank of America, Asia, from 2001 to 2008. He had held various key positions in Bank of America, including Chief Executive Officer of Singapore, Head of South Asia and Head of Southeast Asia, and was a Board Member of Bank of America's legal entities in Singapore, Malaysia, Hong Kong and Japan. He is presently a Director of Bank of Singapore Ltd, Wheelock Properties (S) Ltd and The Irish Chamber of Commerce Singapore. He holds a Bachelor of Commerce and a Master of Business Studies from University College Dublin. Age 55.

PROFESSOR NEO BOON SIONG

Professor Neo was first appointed to the Board on 1 January 2005 and last re-elected as a Director on 16 April 2010. He is presently a Professor at the Nanyang Business School in Nanyang Technological University, Singapore, and serves as a Director of k1 Ventures Ltd and Keppel Telecommunications & Transportation Ltd. He holds a Bachelor of Accountancy with Honours from the National University of Singapore, and a Master of Business Administration and PhD from the University of Pittsburgh. Age 55.

DATO' OOI SANG KUANG

Dato' Ooi was first appointed to the Board on 21 February 2012 and elected as a Director on 25 April 2012. He was Special Advisor in Bank Negara Malaysia (BNM) until he retired on 31 December 2011. Prior to this, he was Deputy Governor and Member of the Board of Directors of BNM, from 2002 to 2010. Dato' Ooi is presently the Chairman of Cagamas Berhad (the national mortgage corporation in Malaysia) and its subsidiaries, Malaysian Electronic Clearing Corporation Sendirian Berhad (subsidiary of BNM), and Deputy Chairman of OCBC Bank (Malaysia) Berhad. He serves on the board of several companies, including OCBC Al-Amin Bank Berhad. He holds a Bachelor of Economics with Honours from the University of Malaya and a Master of Arts (Development Finance) from Boston University, USA, and is a Fellow Member of the Institute of Bankers Malaysia. Age 65.

MR QUAH WEE GHEE

Mr Quah was first appointed to the Board on 9 January 2012 and elected as a Director on 25 April 2012. He is presently an Advisor to the Government of Singapore Investment Corporation Pte Ltd (GIC)'s Executive Committee and Investment Review Committee. He is also Chairman of its India and Natural Resources Business Groups, and a Director of GIC Asset Management Pte Ltd. He also serves as a Director of several companies, including EDBI Pte Ltd, Great Eastern Life Assurance Co Ltd, Singapore Exchange Ltd and Singapore Labour Foundation, the Chairman of SLF Strategic Advisers Pte Ltd, Ministry of Health Holdings Pte Ltd's Investment Committee, and a member of the Board of Trustees of Singapore University of Technology and Design. He holds a Bachelor of Engineering (Civil Engineering) from the National University of Singapore, is a Chartered Financial Analyst, and Alumni Member of the Stanford Graduate Business School. Age 51.

MR PRAMUKTI SURJAUDAJA

Mr Pramukti was first appointed to the Board on 1 June 2005 and last re-elected as a Director on 15 April 2011. He has been with PT Bank OCBC NISP Tbk for 23 years, holding key positions, including President Director, and is presently President Commissioner of the bank. Mr Pramukti holds a Bachelor of Science (Finance & Banking) from San Francisco State University, a Master of Business Administration (Banking) from Golden Gate University and has participated in Special Programs in International Relations at the International University of Japan. Age 50.

DR TEH KOK PENG

Dr Teh was first appointed to the Board on 1 August 2011 and elected as a Director on 25 April 2012. He was President of GIC Special Investments Pte Ltd, the private equity arm of GIC. Prior to this, he was concurrently Deputy Managing Director of the MAS and Deputy Managing Director of GIC. He began his career at the World Bank under the Young Professionals Program in Washington DC. Dr Teh is presently a Director of GIC Special Investments Pte Ltd, China International Capital Corporation Ltd, Ascendas Pte Ltd and Sembcorp Industries Ltd. He is also a Member of the Governing Board of the Lee Kuan Yew School of Public Policy, Board of Trustees of National University of Singapore, The Trilateral Commission, and Asia and Pacific Department Advisory Group of International Monetary Fund. He holds a First Class Honours in Economics at La Trobe University, Melbourne, a Doctorate in Economics at Nuffield College, Oxford University, England, and attended the Advanced Management Program at the Harvard Business School. Age 65.

Strategy & Capital Committee Members

MR SAMUEL N. TSIEN
Group Chief Executive Officer

Mr Samuel N. Tsien was appointed Group Chief Executive Officer on 15 April 2012. He joined OCBC Bank in July 2007 as Senior Executive Vice President, managing the Group's corporate and commercial banking business. In 2008, he assumed the position as Global Head of Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 35 years of banking experience. In 2006, he became the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. He served as Bank of America's Head of Asia Credit Risk Management for the commercial and retail banking group before that. Mr Tsien is presently Chairman of OCBC Bank (China) Ltd and Singapore Island Bank Ltd, and a Commissioner of PT Bank OCBC NISP Tbk. He also serves as a Director of several companies in the OCBC Group, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad, OCBC Al-Amin Bank Berhad and Bank of Singapore. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles ("UCLA"). Age 58.

MR CHING WEI HONG
Chief Operating Officer

Mr Ching Wei Hong was appointed Chief Operating Officer on 15 April 2012. In addition to Global Consumer Financial Services which he has oversight of since May 2010, he is responsible for the Group Operations & Technology, Group Legal & Regulatory Compliance, Group Corporate Communications, Group Customer Experience, Group Quality & Service Excellence and OCBC Property Services functions of the Bank. Mr Ching is also Chairman of Bank of Singapore, OCBC Securities and Lion Global Investors. As Head of Global Consumer Financial Services, he is responsible for building our consumer banking business in our key markets and expanding our wealth management franchise. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr Ching has more than 27 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. Age 53.

MR DARREN TAN SIEW PENG
Chief Financial Officer

Mr Darren Tan Siew Peng was appointed Executive Vice President and OCBC Bank's Chief Financial Officer in December 2011. As CFO, he oversees financial, regulatory and management accounting, capital management, corporate development and investor relations. He joined OCBC Bank in March 2007 as Head of Asset Liability Management in Global Treasury and assumed the role of Deputy Chief Financial Officer in May 2011. Prior to joining OCBC, Mr Tan worked for 13 years in the Government of Singapore Investment Corporation ("GIC") with his last position in GIC as Head of Money Markets. He graduated with First Class Honours in Accountancy from Nanyang Technological University and is a Chartered Financial Analyst. Age 42.

MR LINUS GOH TI LIANG
Global Commercial Banking

Mr Linus Goh Ti Liang joined OCBC Bank in April 2004 as Executive Vice President and Head of International. In April 2012, he was appointed Head of Global Commercial Banking where he has global responsibility for the bank's commercial and institutional banking businesses. In addition to enterprise banking and financial institutions, which he has managed since August 2008, Mr Goh assumed oversight for the bank's transaction banking business. Mr Goh has over 26 years of banking experience, including 17 years at Citibank, N.A. Singapore, where he held several senior management positions overseeing corporate banking, financial institutions, e-business and transaction banking. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from the National University of Singapore. Age 50.

MR GILBERT KOHNKE
Group Risk Management

Mr Gilbert Kohnke was appointed Executive Vice President and Head of Group Risk Management in September 2005. As Chief Risk Officer, he covers the full spectrum of risk, including Credit, Information Security, Liquidity, Market and Operational risk management. Jointly reporting to both the Chief Executive Officer and the Board Risk Management Committee of OCBC Bank, he has been leading the change in redefining the risk management approaches used by OCBC Bank in a Basel II and post Global Financial Crisis Basel III world. He has over 24 years of banking experience. Prior to joining OCBC Bank, he was Head of Risk Management for Asia at Canadian Imperial Bank of Commerce ("CIBC"), and subsequently, Head of European Portfolio Management of CIBC based in London. He holds a Bachelor of Arts in Economics from the University of Western Ontario, a Bachelor of Commerce in Accounting from the University of Windsor, Ontario and a Master of Business Administration from the University of Hawaii. Age 54.

MR LAM KUN KIN
Global Treasury and Investment Banking

Mr Lam Kun Kin was appointed Head of Global Treasury in January 2007 and Senior Executive Vice President in April 2011. He has global responsibility for OCBC Bank's financial market businesses and asset liability management in Singapore, Malaysia, Indonesia and six other overseas centres. Since February 2012, he also has additional responsibility of overseeing the Bank's Global Investment Banking. Mr Lam has more than 26 years of banking and investment management experience covering global fund management, global markets sales & trading and Asian financial market businesses. He has held various senior management positions in the Government of Singapore Investment Corporation, Citibank, N.A. and Temasek Holdings. Prior to joining OCBC Bank, he was Managing Director of Asia Financial Holdings, a subsidiary of Temasek Holdings. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and is a Chartered Financial Analyst. Age 50.

MR GEORGE LEE LAP WAH
Global Corporate Banking

Mr George Lee Lap Wah was appointed Executive Vice President in August 2005 and is currently Head of Global Corporate Banking. Before assuming this role, he was Head of Group Investment Banking from 2002. Mr Lee has more than 34 years of banking experience and has held senior level positions in Credit Suisse First Boston, Credit Suisse Singapore and Security Pacific National Bank. Mr Lee holds a Bachelor of Business Administration with Honours from the University of Singapore and is a Chartered Financial Analyst. Age 60.

MR LIM KHIANG TONG
Group Operations and Technology

Mr Lim Khiang Tong joined OCBC Bank in September 2000 as Chief Technology Officer of finatiQ.com and was transferred to OCBC Bank, assuming the role of Head of IT Management in January 2002. He was appointed Executive Vice President in December 2007 and Head of Group Operations and Technology in May 2010. He oversees OCBC Bank's regional processing centres and technology operations, driving for productivity gains and lower unit costs by instilling a quality culture and leveraging on the synergy from cross border processing hubs in Singapore and Malaysia. Mr Lim has more than 23 years of information technology experience, including regional infrastructure implementation, service management, technology strategy development, project management and systems support. He holds a Bachelor of Science (Computer Science & Economics) from the National University of Singapore. Age 52.

MS CYNTHIA TAN GUAN HIANG
Group Human Resources

Ms Cynthia Tan Guan Hiang was appointed Executive Vice President in April 2005. Being Head of Group Human Resources, she is responsible for the management as well as training and development of our human capital. Ms Tan has over 28 years of experience in this field, having held senior level positions in DFS Ventures, Mentor Graphics, Apple Computer and National Semiconductor. She was also a former lecturer in Business Studies at Ngee Ann Polytechnic. She holds a Masters in Business Administration from the University of Hull, UK. Age 62.

The members of the Strategy & Capital Committee are also members of OCBC Bank's Management Committee.

Other Management Committee Members

MR JEFFREY CHEW
Director and CEO, OCBC Bank Malaysia

MR GAN KOK KIM
Global Investment Banking –
Global Treasury and Investment Banking

MS GOH CHIN YEE
Group Audit

MR RENATO DE GUZMAN
Chief Executive Officer, Bank of Singapore

MR ANTHONY JOHNSON
Group Customer Experience

MS KNG HWEE TIN
CEO, OCBC Bank China

MS KOH CHING CHING
Group Corporate Communications

MR DENIS MALONE
Group Operations –
Group Operations & Technology

MR NA WU BENG
Deputy President Director, OCBC NISP

MR NEO BOCK CHENG
Global Transaction Banking

MR VINCENT SOH
Group Property Management

MR DENNIS TAN
Consumer Financial Services Singapore & Group Premier Banking – Global Consumer Financial Services

MRS TENG SOON LANG
Group Quality & Service Excellence

MR PETER YEOH
Group Secretariat

MS LORETTA YUEN
Group Legal and Regulatory Compliance

In February 2011, we announced New Horizons III, our five-year strategy for 2011 to 2015.

This strategy continues the broad direction, and builds on the successes, of our New Horizons (2003-2005) and New Horizons II (2006-2010) strategies. Under New Horizons, we transformed and integrated our Malaysia operations, and expanded our regional network through strategic investments in Indonesia and China. Under New Horizons II, we improved our market position in Singapore and Malaysia, and strengthened our presence in Indonesia and China. We also expanded our wealth management franchise across multiple product and distribution platforms and customer segments.

The New Horizons III strategy focuses on four key elements:

BUSINESS SCORECARD

We will continue our disciplined approach to driving performance improvement through a business scorecard, focusing on customers, products, risk management, productivity, people and shareholder value. The main areas of focus include the strengthening of our market position in Singapore, continuing to enhance our customer and product capabilities, including the wealth management platform of OCBC Bank, Great Eastern Holdings, Lion Global, Bank of Singapore, OCBC Securities and PacificMas, extending our risk management and capital management capabilities across our Group, and continuing to strengthen employee engagement.

CUSTOMER EXPERIENCE

We will continue to focus on delivering a superior and differentiated customer experience in order to gain a sustainable competitive advantage. The key elements include leveraging customer insights to develop and implement superior customer value propositions, focusing on quality and investing in customer experience delivery capabilities across our Group.

DEEPER PRESENCE IN MALAYSIA, INDONESIA & GREATER CHINA

Outside our home market, we plan to remain focused on deepening our presence and driving growth in Malaysia, Indonesia and Greater China. We expect to continue to expand our distribution capabilities and strive to expand market share in Malaysia, including Islamic banking and Takaful insurance. In Indonesia, we intend to build on the enlarged OCBC NISP franchise (following the merger of our two subsidiaries in Indonesia) to invest and grow more effectively through a single business presence. In China, we plan to expand our business through closer integration of our operations across Greater China, including Hong Kong and Taiwan, and building our private banking business through Bank of Singapore.

LEVERAGING GROUP SYNERGIES

We plan to differentiate ourselves by further leveraging potential synergies among the entities within our Group, which include OCBC Malaysia, OCBC Al-Amin, OCBC NISP, OCBC China, Great Eastern Holdings, Lion Global, Bank of Singapore, OCBC Securities and PacificMas. We will seek to broaden relationships with our various sets of customers by increasing cross-selling and customer referrals across our Group, and we will enhance operational effectiveness by coordinating the development and deployment of common corporate resources. We will also continue to balance organic growth with selective acquisitions that fit our overall franchise.

2012 Business Scorecard

CUSTOMERS

- Expanded consumer customer base by 7% while growing OCBC Premier Banking customer base by 24%
- Increased assets under management ("AUM") for high net worth individuals by 35% and earning assets base ("EAB") by 31%
- Expanded SME customer base by 14%
- Named Best SME Bank (Working Capital Management) in Singapore and Malaysia by The Asset
- Bank of Singapore named Best Private Bank Singapore by FinanceAsia and Best Private Wealth Management Bank in Singapore and South East Asia by Alpha Southeast Asia

PRODUCTS

- Launched 137 new products, accounting for 8% of total revenue
- Awarded Best Trade Finance Solution in Singapore and Malaysia by The Asset
- Topped the Thomson Reuters LPC 2012 mandated arranger league table for Singapore syndicated loans
- Ranked top three underwriters in the Bloomberg 2012 league table for Singapore dollar bonds
- Ranked Overall Best for Credit and Interest Rates in Singapore and Best for Interest Rates Product and Sales in Indonesia in Asiamoney Fixed Income Poll 2012
- Named Best Bank for Overall FX Services in Singapore and Malaysia in Asiamoney FX Poll 2012
- Topped the ranking for SGD- and MYR-denominated currency products in AsiaRisk's Corporate Rankings 2012
- "FRANK by OCBC" received the BAI-Finacle Global Banking Innovations Award, Retail Banking Award by Asian Banking & Finance, and Innovation Award by Financial Insights
- Lion Global Investors won three awards at the Lipper Fund Awards 2012 (Singapore and Taiwan)

RISK MANAGEMENT

- Refined and expanded internal ratings framework with significant Risk Weighted Assets ("RWA") optimisation, and adopted the Internal Ratings Based ("IRB") approach for 84% of credit portfolios for Basel II Pillar 1
- Improved internal capital adequacy assessments with expanded coverage and more refined methodologies for Basel II Pillar 2
- Published additional disclosures on risk and capital management for Basel II Pillar 3
- Implemented Basel III requirements for credit risk and ready for cut-over in January 2013
- Achieved further reduction in non-performing loans ("NPL") ratio, to 0.8%
- Ranked the World's Strongest Bank by Bloomberg Markets for the second consecutive year
- Rated 14th safest bank globally by Global Finance

PRODUCTIVITY

- Improved productivity by 6% in Singapore and Malaysia
- Reduced variable unit processing cost by 2% in Singapore and Malaysia
- Hubbed additional processes to Malaysia, with total cumulative savings of S$60 million since 2005
- Executed another ten cross-functional process improvement projects, resulting in more than S$39.5 million in potential margin improvements

PEOPLE

- Improved employee engagement score for the tenth year since 2002
- Maintained employee share ownership at above 50%
- Maintained average training days per employee at above six days for the seventh consecutive year, exceeding target of five days
- Implemented PSLE Leave Accommodation and Career Break Leave schemes as part of work-life integration programme

SHAREHOLDER VALUE

- Achieved ROE of 12.5% and cash ROE of 12.8%
- Achieved core EPS of 79.1 cents per share in 2012, an increase of 22% from 64.8 cents in 2011
- Increased dividend to 33 cents per share with total dividend payout at 40% of core earnings

2012 Business Scorecard

CUSTOMER EXPERIENCE

- Implemented new customer satisfaction trackers and online dashboards to improve customer experience
- Trained 400 employees on customer focus, making our banking services easier to use, clear writing and design-led thinking, and 112 employees in quality principles
- Received the Chrissie Maher Award from the Plain English Campaign in UK for commitment and continuous effort in using plain English in product documents

INTERNATIONAL EXPANSION

Malaysia

- Added one conventional branch in Cheras and three new OCBC Al-Amin branches in strategic urban locations, bringing total network to 31 conventional branches and eight Islamic Banking branches

Indonesia

- Rolled out the Emerging Business model to 34 regional cities across Indonesia
- Strengthened treasury capabilities
- Leveraged Group resources to enhance systems and processes
- Strengthened regional cross-sell and business collaboration

China

- A new branch in Shaoxing, Zhejiang Province will be opened in 2013 after regulatory approval is given
- Strengthened capabilities across different businesses, including treasury, corporate banking and consumer financial services
- Leveraged Group network to grow cross-border Renminbi businesses
- Deepened customer relationships with local Chinese companies to build the offshore business

Vietnam

- Maintained strong revenue growth through successful penetration of the top tier state-owned-enterprises and network clients

LEVERAGING ON GROUP SYNERGIES

- Sustained cross-sell momentum among Group entities to broaden customer relationships
- Continued to implement a regional customer framework to serve OCBC Premier Banking customers across Singapore, Malaysia, Indonesia and China
- Established shared infrastructures such as an enterprise data warehouse
- Introduced Global Internal Job Posting programme to enable employees of Group entities to apply for jobs in different countries and businesses

The strong performance of our core businesses in the Group and effective risk management helped us to deliver a set of record earnings. Despite the difficult operating environment, we achieved healthy growth across all customer segments in Singapore and our key overseas markets as we remained firmly focused on serving our customers with superior service and a differentiated experience. We continued to deepen our presence and capabilities in Malaysia, Indonesia and the Greater China region, with these countries contributing increasingly to the Group's overall results. The synergies arising from the close collaboration between our various businesses continued to deliver strategic value to the Group franchise, reaping higher sustainable returns to our shareholders.

GLOBAL CONSUMER FINANCIAL SERVICES

In another year marked by market volatility and low interest rates, our consumer banking business delivered a commendable set of operating results. Revenue grew 11% to S$1.3 billion, driven by robust loan growth as well as higher fees and commissions income from the sale of bancassurance products and unit trusts. Profit before tax improved 3% to S$448 million. The strong results reflected the good traction that we gained from further expanding our consumer franchise, as we grew our overall retail customer base by 7%.

Total consumer loans grew by 16%, underpinned by growth in our home loans portfolio. Home loans grew 17% in Singapore and 26% in Malaysia. There was also strong demand from our more affluent customers in Singapore and Malaysia to finance their purchase of residential properties in London and Australia, with such loans doubling in Singapore and increasing by more than four times in Malaysia.

Total unsecured loans, comprising credit card roll-over balances and personal lines of credit, increased 14%. In Singapore, new credit card launches and the repositioning of several popular credit cards such as the *NTUC Plus*! cards led to a 10% increase of our card holder base. In Malaysia, revenues from our Shariah-compliant personal loan product, "Cash Financing-i" surged by 67%. We grew our total deposits by 11% across our regional network. Notably, our current account and savings account balances grew 11% in Singapore and 18% in Malaysia, while term deposits grew two-fold in China.

On the wealth management front, we continued to work together with Great Eastern to successfully retain our pole position in bancassurance for the 12th consecutive year, with a commanding market share of 34%. Total fees and commissions from our bancassurance products, unit trusts and other investment products rose 22% in Singapore and 30% in Malaysia. In Singapore, we launched Mortgage Protector Advantage, the first premium-refundable mortgage insurance plan that refunds our customers their premiums if no claim is made by the end of the policy term. We also launched several new unit trust funds in Singapore and Malaysia, which helped to more than double our unit trust sales volumes in both countries. In China, we launched six new funds, resulting in a five-fold increase in unit trust sales volumes.

We strengthened our engagement with our Premier Banking customers by providing them with advisory services through our Wealth Panel, by increasing our marketing activities, and by enhancing the customer experience in our 45 Premier Banking Centres. Our Premier Banking customer base grew 20% in Singapore, 33% in Malaysia, and 14% in China, while total assets under management increased by over S$3 billion, resulting in a 27% increase in revenue from this customer segment.

We continued to build on the success of FRANK by OCBC, our increasingly popular banking programme aimed at youths and young working adults. We opened our fourth FRANK by OCBC store at the Singapore Polytechnic together with the launch of a structured internship programme for the students. Total customer base grew four-fold.

To provide a superior online banking experience, we made several upgrades to our mobile banking and internet banking platforms. In March 2012, we launched the first iPad application where customers could create their own home loan fact sheets that illustrated the financial impact of different home loan interest rates, loan amounts and tenures. Customers found the application easy to use and helpful in making their home purchase and financing decisions. We introduced the "Pay Any Card" functionality on our mobile and internet banking platforms, allowing account holders to pay the bills for the widest range of credit cards issued by other banks. In June 2012, we launched a new internet banking function that enabled customers to set up SMS or email alerts for various types of transactions. In October 2012, we introduced a new Internet banking application for our customers to open fixed deposit, savings and current accounts online. In November 2012, we enabled credit and debit card application via internet banking. With the enhanced online capabilities, we grew our mobile banking customer base by 75% and Internet banking customer base by 33%.

We opened our second Plus! Lite branch at the Changi Business Park, adding to our existing network of more than 460 retail banking outlets – 57 in Singapore, 39 in Malaysia, 16 in China, and more than 350 in Indonesia through our banking subsidiary, OCBC NISP. In Singapore, we have the largest number of customer service centres for affluent customers with 14 Premier Banking Centres, and we have the most branches offering full service Sunday Banking with 20 of such branches.

Learning from the successful cross-sell partnership of home loans with Great Eastern in Malaysia, we put in place a similar process in Singapore, and trained more than 300 Great Eastern insurance agents here to sell OCBC home loans to their policy holders.

As part of the OCBC Children Development Account ("CDA") programme in Singapore, we worked with the Ministry of Social and Family Development to launch the OCBC CDA Starter Scheme. The Scheme was aimed at helping 2,500 low-income families to save, and we offered to match each S$50 deposit made by a family with a S$100 contribution. In all, we expect to contribute S$250,000 to the Scheme.

Our commitment to differentiate ourselves from the competition by delivering a superior customer experience through well-thought-through designs, attracted much attention from the industry in Singapore. In its 2012 "Customer Loyalty in Retail Banking" report, *Bain & Company* wrote that OCBC "commanded a wide lead with a net promoter score of 15%" among eight banks surveyed in Singapore. The report cited "innovations on several fronts including a light branch format, Sunday banking hours and extended Saturday hours". We were recognised as the "Bank of the Year 2012 in Singapore" by *The Banker* for making "significant improvements to [our] products and services so that the banking lives of Singaporeans have been made easier". *The Plain English Campaign* in UK awarded OCBC the Chrissie Maher Award; the first time the award was given to any bank worldwide, for our efforts to use Plain English in our marketing and loan documents. Our paperless account opening project 'ROME' received the Process Excellence in Account Opening award from *Banking & Payments Asia Trailblazers Awards*. FRANK by OCBC continued to receive several accolades during the year, including the Excellence in Product and Service Innovation in the *BAI-Finacle Global Banking Innovation Awards*, Channel Excellence in Branch Banking by *Banking and Payments Asia Trailblazers*, Best New Card Campaign of the Year by *Smart Card Awards Asia*, Branch Innovation of the Year by *Asian Banking and Finance*, and the Most Innovative in Customer Experience by *IDC Financial Insights*. 267 of our staff in Singapore received SPRING Singapore's Excellence Service Award for outstanding service, with 82 receiving the top Star Award.

In Malaysia, our OCBC Titanium Credit Card won the Credit Card Initiative of the Year Award by the *Asian Banking & Finance Retail Banking*.

GLOBAL CORPORATE BANK

Our Global Corporate Bank registered a 10% increase in revenue to S$2.3 billion, led by strong net interest income and fee income growth. Net profit before tax rose 17% to S$1.6 billion. Our core markets of Singapore and Malaysia continued to be significant revenue contributors on the back of strong loan growth in both countries. Lending activities in other overseas markets also increased significantly.

We participated in several sizable corporate banking transactions which included our appointment as one of the Coordinating Banks, Bookrunner and Mandated Lead Arrangers in the S$3.3 billion 5-year term loan to International Beverage Holdings Limited, a member of the Thai Beverage Public Company Limited; the S$2.6 billion term loan and revolving credit facilities to YTL PowerSeraya Pte Limited; the S$1.6 billion 10-year club project finance facility to SP PowerAssets Limited for the construction of two underground transmission cable tunnels; and the US$600 million 7-year term loan and revolving credit facility secured by seven vessels under the "Star Cruises" brand, to Genting Hong Kong Limited.

In September 2012, we set up our China Business Office to support the treasury and investment banking needs of large Chinese state- and privately-owned companies expanding into Singapore and other parts of Asia.

In the small and medium-sized ("SME") business segment in Singapore, we maintained our leading position by being the main bank of choice to our customers, providing them with sound advice as well as appropriate financial products and services to support their growth. Loans for overseas expansion saw a significant increase, making up 20% of our total loan portfolio. We simplified the equipment loan application, approval and disbursement process, thereby reducing the end-to-end turnaround time by 65%. As a result, we saw a 20% average month-on-month increase in applications as compared to the previous year. In September 2012, we set up two dedicated teams of relationship managers – one at our Ubi Business Banking Centre and the other at our Jurong Business Banking Centre – to serve the SMEs located in those areas.

Our leadership position in the SME business segment was affirmed by the industry when we were named Best SME Bank Singapore by *Global Banking & Finance Review 2012*, Best in SME Banking by *The Asian Banker Excellence* and – for a second time – the ASEAN SME Bank of the Year by *Asian Banking & Finance Retail Banking*.

Global Transaction Banking

Our Global Transaction Banking division reported healthy growth in our cash management and trade finance businesses. We secured a significant number of new cash management and trade finance mandates across Singapore, Malaysia and China, contributing to 19% growth in total revenue. We grew our Velocity@ocbc customer base by 19% in Singapore, 30% in Malaysia and 34% in China. Revenue from our trade finance business in Singapore registered 25% growth. The Renminbi's rising popularity as an alternative funding currency meant increased demand for Renminbi-denominated trade financing, while we stepped up our efforts to support the global commodities trading industry.

We were widely recognised by the industry in 2012 for our improved transaction banking capabilities. We were named the Best SME Bank (Working Capital Management) in Singapore by *The Asset*. *The Asset* also lauded us for having the Best Cash Management Solution in Singapore and the Best Trade Finance Solution in Malaysia. We received the inaugural *Asian Banking & Finance Wholesale Banking Awards* for Domestic Cash Management Bank of the Year and Domestic Trade Finance Bank of the Year in Singapore. Other awards included Best Domestic Cash Management Bank (Singapore) by *The Asian Banker*, Best Cash Management Bank in Singapore by *Alpha Southeast Asia*, Best Trade Finance Bank in Singapore by *The Corporate Treasurer* and Best Trade Finance Bank in Singapore by *Global Trade Review*.

GLOBAL TREASURY & INVESTMENT BANKING

Our Global Treasury division achieved another record year of financial results. Total revenue grew 17% to S$1.2 billion, led by increased treasury activities in our overseas markets outside Singapore. Singapore remained the largest revenue contributor, with a steady growth rate of 14%. Revenue generated by our treasury centre in Malaysia grew 27%, while revenue grew 20% on a combined basis in the other overseas markets. Pre-tax profit grew 21% to S$858 million.

We continued to invest in upgrading our infrastructure and improving our processes to meet the requirements of global regulatory changes such as the Basel III bank capital rules, the US Dodd-Frank Wall Street Reform and Consumer Protection Act, and the series of measures to reform the over-the-counter ("OTC") derivatives market agreed by the Group of 20 nations.

In recognition of our excellent customer service and product innovation, and our in-depth knowledge of Asian markets, we topped the rankings in several Asian polls for various Asian local currency treasury products. In the *AsiaMoney Fixed Income Poll 2012*, we were ranked Overall Best for Credit and Interest Rates in Singapore, and the Best for Interest Rates Product and Sales in Indonesia. In the *AsiaMoney FX Poll 2012*, we were named Best Bank for Overall FX Services in Singapore and Malaysia. We also topped *AsiaRisk's Corporate Rankings 2012* for SGD and MYR-denominated currency products, and *AsiaRisk's Institutional Rankings 2012* for SGD, MYR and THB-denominated interest rate products.

Global Investment Banking

Our Singapore Capital Markets team performed well in 2012. We topped the Thomson Reuters LPC 2012 mandated arranger league table for Singapore syndicated loans, with US$4.51 billion from 35 deals, and achieved a market share of 13.6%. We also ranked among the top three in the Bloomberg 2012 mandated arranger league table for Singapore syndicated loans, achieving a loan volume credit of US$4.54 billion for 33 deals completed, representing a market share of 11.8%.

Notable deals we arranged included financing Marina Bay Sands for its corporate funding needs, MGP Raffle for the financing of its real estate investments, and M+S Pte Ltd for the development of its Marina South and Ophir-Rochor property sites.

We were ranked among the top three underwriters in the Bloomberg 2012 league table for Singapore dollar bonds. Key transactions included bond issuances for foreign issuers Central China Real Estate (China), VTB Bank (Russia) and Wing Tai Properties (Hong Kong). Supporting Singapore enterprises, we helped raise funds from the debt capital market for Ascott Capital Ltd, Keppel Corporation, Keppel Land, Mapletree Commercial Trust and Neptune Orient Lines. We were the lead manager for Genting Singapore's first retail perpetual bond issue.

Our Singapore Corporate Finance team continued to be active in providing equity capital market and advisory services to our business customers. We were ranked among the top ten in the Bloomberg 2012 underwriters' league table for Singapore equity offerings. Key transactions included the IPOs of Global Premium Hotels and Far East Hospitality Trust, which raised approximately S$770 million in total. *The Asset* named Far East Hospitality's IPO the Best Mid Cap Equity/Best REIT deal. On the mergers & acquisition front, we were advisers to Ezra Holdings for the spinning-off of Triyards on the Singapore Exchange Mainboard, and to Spei Holdings for its general takeover of Hup Soon Global.

2012 marked the fifth year of our sponsorship of the Emerging Enterprise Awards, organised by the Business Times Singapore to recognise outstanding small businesses. Since the start of this sponsorship in 2008, our Global Investment Banking division has extended more than S$2 million in interest-free loans to 16 Singapore companies to help them grow their businesses.

In Malaysia, we continued to provide a full range of investment banking solutions to our business customers. We arranged several foreign currency syndicated loans for government-linked and government provident funds, to fund their investments in real estate outside the country.

Other notable loan syndication transactions during the year included a US$240 million project finance facility for a joint venture between Malaysia's MISC Berhad and Vietnam's Petroleum Technical Services Corporation – to acquire, convert, install, commission and charter a floating production, storage and offloading vessel – and a dual-currency account receivable purchase financing package of up to RM750 million for a subsidiary of Astro Malaysia Holdings Berhad, to purchase receivables from its local and foreign vendors. We were the joint lead manager for several benchmark Malaysian capital market transactions, including Genting Capital Berhad's RM2 billion MTN programme, and Tanjung Bin Energy's RM3.3 billion Sukuk issuance. We provided advisory and financing solutions to fund the privatisation of Leader Universal Holdings Berhad, a wire and cable producer based in Penang.

We were the co-lead manager for the global institutional tranches in the listings of Astro Malaysia Holdings Berhad and IHH Healthcare Berhad. Astro Malaysia Holdings Berhad is a leading integrated consumer media entertainment group in Malaysia and Southeast Asia, while Healthcare Berhad is an international provider of healthcare services.

OCBC MALAYSIA

The Malaysian economy, supported by strong domestic demand, remained resilient in 2012 despite challenging global conditions. With the strong demand for home loans and business loans remaining stable, OCBC Malaysia grew its total loans by 12% to MYR48 billion (S$19 billion), and registered a 4% increase in net profit to MYR811 million (S$328 million).

OCBC Malaysia continued to be ranked among the largest foreign banks by assets, deposits, loans and branch network size. We opened one conventional banking branch in Cheras and three Islamic banking kiosks, which were branded OCBC Al-Amin Xpres branches, bringing our total branch network to 31 conventional banking branches and eight Islamic banking branches. Our Cheras branch in Selangor was the largest of our 11 branches in the Klang Valley. The three new OCBC Al-Amin Xpres branches were also the country's first dedicated Islamic banking branches to open for full banking services at night and on weekends. Fitted with machines for banking transactions, staffed by a team of personal financial consultants for investment sales and enquiries, and located in popular residential and commercial areas, these kiosks offer Islamic banking services from 10 am to 10 pm daily, seven days a week, compared to full-service Islamic banking branches that open from 9:30 am to 4 pm.

We introduced several new investment products during the year, achieving total investment sales in excess of MYR2 billion. We were the first financial institution in Malaysia to introduce new credit-linked structured investment products for retail investors looking for stable yields. This product pays regular coupons unless the components of an underlying basket of blue-chip companies default on their debts. We sold a range of bonds in the secondary market that were denominated in foreign currencies like the Australian Dollar, Singapore Dollar, Renminbi and New Zealand Dollar. We introduced six new structured warrants covering stocks of listed companies in a wide range of industries – from construction, financial services and gaming to plantations and rubber products.

Following the successful launch of our MYR-denominated home loan for the purchase of Australian residential properties located in Sydney and Melbourne in 2011, we rolled out home loan packages for residential properties in Perth in 2012. OCBC Al-Amin introduced Business Cash-i, an unsecured term loan for business customers who require short- to medium-term financing to support business growth.

OCBC Malaysia received several awards in 2012. These included Best Cash Management Solution in Malaysia, Best Trade Finance Solution (Islamic) in Malaysia and Best SME (Working Capital) Bank in Malaysia – all bestowed by *The Asset*. Our Consumer Financial Services division received the Credit Card Initiative of the Year-Malaysia commendation award from *Asian Banking & Finance*.

BANK OCBC NISP

Bank OCBC NISP maintained its ranking as Indonesia's seventh-largest foreign bank in terms of assets. Total assets grew 32% to IDR79 trillion (S$10 billion), driven by strong loan and deposit growth. Total loans increased by 28%, with consumer loans accounting for 24% of the loans outstanding and SME loans contributing 35%. Asset quality remained healthy, with a low net non-performing loans ratio of 0.4%. Deposits rose 28% to IDR61 trillion (S$8 billion).

Bank OCBC NISP's network comprises 350 branches and offices, along with 695 ATMs. Its internet banking service for individuals and businesses, which was launched in 2010, saw good growth. The number of internet banking users increased by 87% while the total transaction volume rose 70%.

Synergies gained from collaboration with the OCBC group of companies garnered positive results. As a result of working closely with Great Eastern Holdings, bancassurance revenue increased by

25%. Bank OCBC NISP worked with OCBC's Capital Markets unit to complete six syndicated loan deals, taking the role of the lead-arranger or a co-lead arranger.

Several initiatives were implemented to increase productivity across Bank OCBC NISP. One key initiative was the enhancement of the corporate customer information system to capture more details about the customers. The insights that were gleaned from the information enabled Bank OCBC NISP's relationship managers to structure relevant financial solutions for their customers' business needs. On-going efforts to improve productivity resulted in a 6% increase in revenue per employee, and a 10% increase in net profit after tax per employee.

Bank OCBC NISP was named Indonesia's Domestic Retail Bank of The Year 2012 by *Asian & Banking Finance*. It received the Enterprise Risk Management Award, the Best Human Capital Award and the Best Corporate Governance Award from *Business Review*. It was commended for having the Best Corporate Governance 2012 by *Investor Magazine*, and named the Most Trusted Company by the Indonesian Institute for Corporate Governance. Its 2011 annual report was ranked among the top three financial institution annual reports by the Ministry of Finance, the Capital Market and Financial Institution Supervisory Agency, Indonesia Stock Exchange, Bank Indonesia, the National Committee of Governance Policy and the Association of Indonesian Accountants.

OCBC CHINA

Against a backdrop of a slowing Chinese economy and weakened business confidence in 2012, OCBC China delivered a smaller increase in revenue to RMB1 billion (S$197 million) compared to a year ago. It closed the year with total assets of RMB50.4 billion (S$10 billion), and operating profit of RMB391 million (S$77 million).

Non-bank customer loans fell by 5.1% due to a decline in loan demand in China. Total deposits – comprising corporate and customer deposits – remained healthy, comfortably meeting the regulatory Loan Deposit Ratio of 75%. Our NPL ratio remained low at 0.5%.

We continued to support our business customers from Singapore, Malaysia, Indonesia, Taiwan and Hong Kong expanding into China, and local Chinese companies expanding into these countries, with relevant financial products and services, particularly our cross-border Renminbi trade financing facility.

We introduced 13 new Qualified Domestic Institutional Investors ("QDII") funds investing in global equities and bonds which were well-received by our retail customers, tripling the total sales volume of QDII products.

OCBC China has a total of 16 branches and sub-branches in Shanghai, Beijing, Xiamen, Tianjin, Chengdu, Guangzhou, Chongqing and Qingdao. A new main branch in Shaoxing, Zhejiang Province will be opened in 2013 after regulatory approval is given. We installed our first two automated teller machines in Shanghai, in the Daning and Luwan sub-branches.

BANK OF SINGAPORE

Bank of Singapore registered strong revenue growth of 34%, further strengthening our private banking business franchise. Our cost-income ratio remained among the lowest in the industry globally. Assets under management ("AUM") grew 35% to US$42.6 billion while the earning assets base ("EAB") grew 31% to US$51.8 billion. While AUM growth continued to be broad-based across our major markets of Southeast Asia, the Philippines, Greater China and the India sub-continent, we managed to attract substantial assets from high net worth individuals residing outside these regions. We achieved another record of US$7.4 billion in net new money received, exceeding last year's US$6.5 billion.

Our discretionary portfolios, the most objective measure of overall performance, delivered returns for our private banking clients that exceeded industry benchmarks. Our fixed income portfolio mandates produced a return of between 15% to 20% in US dollar terms while our Singapore equity portfolio mandates yielded a 30% return in SGD dollar terms. We secured new customer mandates that increased the AUM for our discretionary portfolio management service by 80%.

We continued to attract talented private bankers from well-established global private banks. Staff strength increased 14% to more than 970, of whom 55% were client-facing.

Bank of Singapore continued to garner industry recognition in 2012 for its sound business model and good investment performance for our customers. We were again named the Best Private Bank in Singapore by both *Asian Private Banker* and *FinanceAsia*. We were named the Best Private Wealth Management Bank in Southeast Asia and Singapore by *Alpha Southeast Asia*.

GREAT EASTERN HOLDINGS

Great Eastern Holdings delivered net profit after tax for the year of S$1.2 billion, which included divestment gains of S$422 million. Excluding the divestment gains, its net profit rose to a record S$768 million, significantly higher than the S$386 million in 2011. Its solid performance was underpinned by the robust growth in underwriting profit as well as the higher net investment income and mark-to-market gains. Great Eastern Holdings' underlying insurance business continued to register sound growth, with new business weighted premiums increasing 5% to S$837 million from a year ago, driven by increased demand for regular premium products, while new business embedded value for 2012 was S$353 million.

More details on Great Eastern Holdings' financials and business operations can be found in its published annual report.

PARTNER BANKS

Bank of Ningbo, China

We continued to deepen our collaboration with Bank of Ningbo ("BON") in the area of product and business development, which included expanding our bilateral businesses in forward swaps, structured deposits, interest rate swaps, letter of credit discounting, foreign exchange settlement, and overseas inter-bank refinancing.

BON reported a strong set of financial results. Net profit in 2012 was RMB4.1 billion (S$803 million) an increase of 25% from a year ago. Total loans as at 31 December 2012 was 18% higher compared to a year ago, driven by healthy loan demand and BON's business expansion in key cities in China. Its nationwide network increased from 146 to 173 branches and sub-branches as at 30 September 2012, covering the cities of Ningbo, Suzhou, Shanghai, Hangzhou, Nanjing, Shenzhen, Wenzhou, Beijing and Wuxi.

VP Bank, Vietnam

VP Bank increased its charter capital from VND5,050 billion to VND5,770 billion through the distribution of scrip dividends and bonus shares. We were allotted 10.7 million new shares, enabling us to maintain our stake at approximately 15%. VP Bank has a network of more than 200 branches and offices in Vietnam.

GROUP OPERATIONS & TECHNOLOGY

Group Operations and Technology division continued to streamline processes to raise productivity and improve the quality of our service delivery. Investments were made in new technology and maintenance capabilities to increase our technology's effectiveness and efficiency.

We completed 59 process re-engineering projects during the year that significantly improved our service delivery, reaping more than S$3.5 million in annualised savings across Singapore, Malaysia, China and Indonesia.

These projects included:

- Deployment of a new core banking system at OCBC Malaysia, as part of our efforts to have one common core banking platform across Singapore and Malaysia.
- Implementation of an automated application approval system that reduced the approval time for credit cards by 66% and for debit cards by 85%.
- Enhancement of security measures for credit cards and online banking transactions that included the need to activate new and replacement credit cards using our Internet Banking platform, the issuance of new hardware tokens, and the introduction of two-factor authentication for approving online transactions.
- Implementation of a common technology platform for Group Risk Management in China and Hong Kong, for the analysis and reporting of liquidity, interest rate risk and net interest income as well as for enhancing the monitoring and management of interest rate risk.

GROUP QUALITY & SERVICE EXCELLENCE

We continued to strive for excellence in improving business processes across different group entities in Singapore, Malaysia, China and Indonesia. We executed ten new cross-functional process transformation projects that will benefit our retail, business and private banking customers, and contribute potential margin improvements of more than S$39.5 million.

We further trained 112 new Quality Leaders to drive quality and process improvements across the OCBC Group.

GROUP CUSTOMER EXPERIENCE

We continued to improve our customers' experience through harvesting customer insights and applying design-led methodology to improve products and services, marketing materials, customer correspondence and service touch points.

The redesigned www.ocbc.com website was launched in May 2012, featuring easier and simpler navigation as well as added screens for new services. We improved the clarity of our Financial Needs Analysis documents as well as application forms for our customers. Our design team supported the ongoing physical transformation of our branches in Singapore, Malaysia and China.

We strengthened our research capabilities to track the quality of our services across our key customer touch-points, the efficacy of our marketing campaigns and the progress of our new product launches.

To accelerate our efforts to deliver excellent customer experience to our customers, 400 employees in the product development and management teams, marketing teams and operations units were trained in making our banking services easier to use, customer-centricity and design-led thinking.

GROUP PROPERTY MANAGEMENT

Our office and residential investment properties, with an aggregate net lettable area of more than two million square feet, remained at full or near-full occupancy in 2012.

The redevelopment of the former Specialists' Shopping Centre and Hotel Phoenix site at Orchard Road, which commenced in July 2010, progressed well. The new development's architecture featured a glass overhead bridge, which would be the first pedestrian bridge across the Orchard Road. The bridge structure was successfully hoisted into place in December 2012. About 70% of the available retail space at the shopping complex in the development has been leased.

In Singapore, we completed the refurbishment of 13 existing OCBC Bank branches and added nine new ones, including one FRANK by OCBC branch and one Plus! Lite branch located at UE Biz Park. We upgraded 35 off-site ATMs and three off-site e-lobbies.

We completed three major premise fit-out works – for Great Eastern Holdings' backroom office in Alexandra Technopark, its training centre, GE Centre, and Banking Computer Services' cheque-clearing office at Wearnes Building.

In May 2011, we received the Building and Construction Authority's Green Mark Gold Award for OCBC Centre as well as the adjoining OCBC Centre South. In 2012, we received a similar award for OCBC Centre East, the other annex building that adjoins OCBC Centre along Phillip Street. These awards recognised our continued efforts to promote sustainability in our built environment regardless of the age of the buildings we own.

Installation of LED light bulbs on the façade of OCBC Centre in Singapore to enhance the architectural identity of the building was completed in February 2013. We can now use the flat surface of the building as a canvas for interesting lighting displays. During the period when we were installing the lighting, we gave several young Singapore artists the opportunity to showcase their works on the hoarding erected as part of the safety measures for the installation work.

GROUP HUMAN RESOURCES

We increased our Group headcount by 7.5% to 24,628 – primarily in Singapore, Malaysia and Indonesia, reflecting our strategy of deepening our presence in these core markets.

We ran our annual Aon Hewitt Employee Engagement Survey for a tenth time in 2012, which saw an employee participation rate of 99.2%. Our overall engagement score increased by two percentage points, recording another year of high employee engagement at OCBC. This score is within Hewitt's High Performance/Best Employer Range and above the Global Financial Norm engagement score.

Employee development remained a key focus in 2012. We maintained the average man-days of training per employee at above six days for the seventh consecutive year, once more exceeding our target of five days. To make it easier for our employees to attend training, we increased the proportion of online learning courses in relation to our total number of learning courses to 35%, from 28% in 2011.

We launched the Global Internal Job Posting programme in October 2012, enabling employees to apply for jobs beyond their home countries. This launch followed the success of the Internal Job Posting program within each country. More than 25% of our vacancies in 2012 were filled by internal candidates via the Internal Job Posting Program. We also rolled out an online career portal that served as a one-stop resource centre, where employees could use self-assessment tools to understand their strengths and weaknesses, as well as appropriate careers for them. They could also find out more about the various banking roles within OCBC, and learn from the sharings by senior management team members.

As part of our ongoing efforts to enhance our employee work-life balance programme, we introduced our Primary School Leaving Examination ("PSLE") Leave Accommodation and Career Break schemes – both firsts in the financial industry. Under the PSLE scheme, employees whose children are sitting for the PSLE examination in Singapore (or its equivalent in other countries) can carry over 15 days of leave from the previous year to help their children prepare. Under the Career Break scheme, employees can take up to three consecutive months of unpaid sabbatical leave while remaining covered by the company's medical insurance plans.

Our employee share ownership schemes continued to record a high participation rate. 62% of bank employees were OCBC shareholders (including share options and deferred shares) at the end of 2012.

At the Singapore Children's Society 60th Anniversary Gala Dinner held in November 2012, we were presented with a token of appreciation of our ten-year support for the children. Prime Minister Lee Hsien Loong presented the token to our Chairman, Dr Cheong Choong Kong (second from right) and our Group CEO, Samuel Tsien (first from right).

CARING FOR OUR COMMUNITY

We have been giving back to the communities in which we prosper in as many ways as we can. Our community initiatives are centred on two themes – nurturing children and young adults, and promoting education.

In Singapore, we continued to support the Singapore Children's Society ("SCS") as our Community Partner, a role we have held since 2004. By the end of 2013, our contributions to the SCS will amount to a total of S$5 million. Most of our donations helped to cover the costs of running programmes to develop the children's emotional, intellectual, social and physical skills. The rest went towards funding the operating costs of running Sunbeam Place. Located in Hong San Terrace, Sunbeam Place is a stay-in facility that offers a safe and home-like environment for more than 70 abused and neglected children aged between two and 18 years. In recognition of our years of support in the form of cash donations and our employees' volunteer efforts, the SCS presented its top philanthropy award – the inaugural Koh Eng Kheng Benefactor Award – to us in September 2012.

In China, our philanthropic effort has been centred around the Shanghai Soong Ching Ling Foundation ("SSCLF"). It is a partnership we started in 2007, shortly after we locally incorporated OCBC China. Through the SSCLF, we offer financial assistance to needy students to pursue their studies through the Shanghai Soong Ching Ling Scholarship ("SSCLS") under the SSCLS-OCBC Fund. As at the end of 2012, we had helped a total of 448 needy students across different parts of China to pursue their studies. Over the years, the demand for scholarships has declined because the Chinese government waived the school fees for primary and middle school education. Furthermore, as the Chinese economy progresses, children in most families are now well provided for and require less financial assistance. Bearing this in mind, we redirected the focus of our community efforts to a neglected segment – the children of migrant workers who come from the outlying provinces of China to work in the bigger cities.

To help the children of these migrant workers gain confidence and learn relevant life skills, we developed a programme – the OCBC China Little Debate – in 2011. We channelled part of our donation

Distributing food essentials to residents after building a community hall and amenities at Kampong Pos Slim Village in Perak, Malaysia.

Our volunteers helped clean the homes of elderly residents living in rental blocks in Chai Chee Avenue, Singapore.

Our Group CEO Samuel Tsien receiving the inaugural Koh Eng Kheng Benefactor Award from President Tony Tan Keng Yam, Patron-in-Chief of the Singapore Children's Society.

OCBC China donated computers and other electronic equipment to students of Ziluolan Primary School.

to SSCLF to training selected children from 12 schools that are attended by children of migrant workers, for a series of inter-school debates. Over an eight-week period, the children were taught skills in critical thinking, presentation and delivery before participating in various rounds of debates. The top two teams that emerged from the final round of the OCBC China Little Debate visited Singapore with their teachers as part of their reward. Among other things, they attended English and Mathematics classes with students from Holy Innocents' Primary School, and visited the Bank's main branch at the OCBC Centre to understand the day-to-day operations in a branch. The highlight of the trip for the children was the opportunity to cycle in the Mighty Savers Kids' Ride at the OCBC Cycle Singapore 2012.

In 2012, 140 children from 16 schools participated in the second instalment of OCBC China Little Debate. The winning teams were selected in November 2012 in the final round of debates held at the Singapore Consulate-General in Shanghai. The children and their teachers will be visiting Singapore in April 2013 as part of their reward. Following the success of the first and second runs of the OCBC China Little Debate, we announced a six-year partnership with the SSCLF to develop the OCBC China Little Debate as a community platform to help the children of migrant workers in Shanghai.

STAFF DONATIONS

In Singapore, apart from our corporate donations, our employees also helped to raise funds for several charities. The SCS received close to S$3,000 that was raised by colleagues from our Global Corporate Bank division through the sale of second-hand items at the SCS Walk for Our Children event.

Our colleagues from our Group Human Resources division continued to support The Straits Times School Pocket Money Fund ("STSPMF") in Singapore with a donation of S$23,000. The amount was raised through contributions received from their performance of the traditional Lunar New Year Lion Dance at various OCBC and Great Eastern departments. The division raised another S$60,000 through its annual Food Charity Fair for the children of the St Andrew's Autism Centre.

Corporate Social Responsibility

Presenting story books to students at the House of Joy, an orphanage in the Klang Valley, Malaysia.

At Willing Hearts in Singapore, it was all hands on deck, as we prepared food for over 2,500 needy families.

Participants of the Professional Criterium segment of OCBC Cycle Singapore 2012. Australian Robbie McEwen, the 12-stage winner of the Tour de France, took the first prize.

More than 365,000 people have visited the OCBC Skyway at Gardens by the Bay in Singapore since its official opening in June 2012.

Our Group Treasury and Investment Banking divisions raised S$100,000 by holding an auction at their combined Dinner and Dance. The funds were donated to ChildAid 2012, an annual charity event organised by the Singapore Press Holdings to raise funds for the STSPMF and The Business Times Budding Artists Fund.

In October 2012, colleagues from our Group Operations & Technology division in Singapore and Malaysia travelled to Perak, Malaysia to undertake a community development initiative at Kampong Pos Slim Village. The 70-strong team worked with the villagers to build a community hall and amenities. The volunteers also distributed essential food items to 70 Orang Asli families, and served meals to the villagers. The project was funded by money raised at a food fair organised by the division.

Our staff volunteers from our China subsidiary held the OCBC China Day on 22 September 2012, where they sold homemade cakes, second-hand books and toys, and brand new items such as bags, tea and wine to raise funds for the SSCLF. The total amount raised was donated to the Foundation.

STAFF VOLUNTEER PROGRAMME

In 2012, we expanded our staff volunteer programme to accommodate employees who have a heart for causes other than helping under-privileged children. We added five new categories – families (including the elderly), education, the environment, cycling and humanitarian efforts – to the programme. The change was the result of feedback from employees who wanted to reach out to the wider community, in addition to volunteering with the SCS and associated activities. Employees who volunteered during their usual work hours were given time off, up to a maximum of one working day per year.

With the change in our staff volunteer programme, we saw an increase in volunteer activities within OCBC and across geographies. In Singapore, 1,600 employees spent 8,000 hours engaging in community work in 2012, an increase from 600 employees who contributed 1,300 hours in 2011. The number of events organised increased three-fold, compared to 2011.

Close to 11,000 cyclists participated in OCBC Cycle Singapore 2012.

Little debaters from Meilin Primary School, expressing their views at OCBC Little Debate 2012 which took place at the Singapore Consulate-General in Shanghai.

The champions from Shanghai's Meilin Primary School, beaming with joy.

Children had the privilege of cycling along closed roads at the Kids' Ride category of OCBC Cycle Malaysia 2013.

The ever popular folding bicycles made their debut at the 24-kilometre Foldies Community Ride at OCBC Cycle Malaysia.

Our employees continued to volunteer at the SCS, organising activities ranging from a graffiti-painting session at Sunbeam Place, art and craft lessons to hone the children's creative talents, prawning excursions and educational visits to the park, to sporting activities such as bowling and kite-flying.

We work with the South East Community Development Council ("SECDC") to engage families and the elderly. In 2012, more than 260 staff volunteers spent 888 hours interacting with elderly residents living in rental flats in Chai Chee and Dakota Crescent. We helped them clean and paint their homes, had meals with them, and distributed daily necessities. Because of our repeated visits to the same estates, the residents even began to recognise our volunteers.

In 2012, we started a mentorship programme for at-risk youth, partnering Regent Secondary School in Choa Chu Kang. Aimed at helping students who need direction on their career choices as well as motivation to do well at school, the programme involved students interacting with our volunteers, and shadowing them at work over a three-day period. Through the close interaction with their mentors, the students gained a better understanding of the values of integrity and team work, and appreciated the importance of studying. Volunteers from the Global Corporate Bank division shared with the students their personal stories of succeeding despite their family circumstances. The team also taught the students the importance of good values such as punctuality, respect and integrity, through a skit.

We continued our support for Willing Hearts, a 100% volunteer-based non-profit organisation that operates a soup kitchen which supplies simple and nutritious meals to more than 2,500 needy families in Singapore daily. Our staff volunteers have been helping out at the soup kitchen since late 2011. To date, 880 volunteers have contributed 4,700 hours in the preparation and delivery of food to these families. Volunteers from the Global Consumer Financial Services division also raised S$33,000, to purchase better quality food supplies for the beneficiaries.

In Malaysia, more than 170 employees participated in 13 programmes in 2012. The volunteer activities included setting up mini libraries in five orphanages across Malaysia, purchasing food items to prepare meals at the Kechara Soup Kitchen, and distributing them to the homeless and needy in the Klang Valley.

In China, our volunteers visited Ziluolan Primary School in September and Zhijian Primary School in October and donated eight computers and a printer for the students. For the third consecutive year, OCBC China received the Foreign Bank Best Corporate Social Responsibility Award from the *National Business Daily*.

SUPPORTING EDUCATION

We continued to encourage the pursuit of academic excellence by awarding bond-free scholarships to outstanding young adults from Singapore, Malaysia and China to pursue tertiary education in Singapore and Malaysia.

Over the years, more than 600 scholarships have been awarded. Recognising the importance of the arts, we awarded – for the first time – two music scholarships for the recipients to study at the Nanyang Academy of Fine Arts ("NAFA") in 2012.

THE OCBC SKYWAY AND OCBC GARDEN RHAPSODY

We celebrated our 80th anniversary in 2012. To mark the occasion, we sponsored two permanent features in the Gardens by the Bay, Singapore's latest iconic park development project located in the Marina Bay area. The OCBC Skyway is a 128-metre aerial walkway that is suspended between two supertrees. At a height of 22 metres, visitors can enjoy a good view of the Gardens and the Marina Bay area. They can also enjoy the OCBC Garden Rhapsody, a scintillating light and sound show that comes on twice every evening. Since the official opening of Gardens by the Bay in June to December 2012, more than 365,000 people have visited the OCBC Skyway.

ENGAGEMENT WITH THE COMMUNITY – THE OCBC CYCLE SERIES

2012 was the fourth year of our sponsorhip of OCBC Cycle Singapore, the mass cycling event aimed at promoting an active lifestyle, engaging with the community, and encouraging staff bonding within the OCBC group of companies.

Interest in cycling as a sporting activity continued to grow in Singapore. As a result, we received very good response to the event – close to 11,000 cyclists took to closed roads from 2 to 4 March 2012. 983 of our employees participated, and in the spirit of group synergy, more than 380 OCBC and Great Eastern employees also participated in the Corporate Challenge.

To encourage participants to give back to the community, riders could choose to raise funds among their friends and relatives for two identified charities. More than S$76,000 was raised to support the Dover Park Hospice ("DPH") and the SCS.

Over 70 professional cyclists from around the world took part in the Professional Criterium held on 2 March 2012. A race designated by Union Cycliste International ("UCI"), the international governing body for cycling, the event attracted well-known cyclists such as Australian Robbie McEwen and Italian Omar Bertazzo. Loh Sea Keong, Goh Choon Huat, Ho Jun Rong, Haidar Anauar and Vincent Ang, from the OCBC sponsored cycling team had the opportunity to compete with the best cyclists in the world. Robbie McEwen, the 12-stage winner of the Tour de France, took the first prize of US$12,500.

In January 2012, the professional cycling team sponsored by OCBC was awarded the Continental Team licence by UCI. The OCBC Singapore Cycling Team was renamed OCBC Singapore Continental Cycling Team to reflect its new professional status. Since then, the team has participated and performed commendably in a number of professional cycling races held in Langkawi, Thailand, Philippines, Borneo, Azerbaijan, Japan, East Java, Brunei, Hokkaido, as well the Singapore National Cycling Championships.

In January 2013, the OCBC Singapore Continental Cycling Team was unveiled for the new season that started in February. The team comprises seven Singaporeans, two Malaysians, one Thai and one Dutchman. The team's goal for the new season is to have a Singaporean cyclist on the podium of any race that the team competes in – a feat no Singaporean has achieved before.

Following the success of OCBC Cycle Malaysia, which was launched in 2011, we held our second event at the Kuala Lumpur City Centre between 18 and 20 January 2013. Two new categories were added to the programme – the Junior Challenge, a 30-minute ride for children aged 10 to 12 years, and the 24-kilometre Foldies Community Ride for enthusiasts of the popular folding bicycle. More than 5,300 participated in the eight-category event. Anuar Manan from the Malaysian National Team outrode 50 professional cyclists from Australia, Indonesia and Singapore, and was crowned the winner. Loh Sea Keong, Ryan Chan, Thomas Rabou and Loh Ji Wen of the OCBC Singapore Continental Cycling Team also competed in the race.

PARTNERING LIKE-MINDED ORGANISATIONS

We are a pioneer member of the Singapore Compact for CSR, and have been a signatory to the United Nations Global Compact since 2006.

The Singapore Compact functions as a national society in furthering the CSR movement in Singapore through ongoing dialogues, training, collaboration and practical project implementation.

OCBC supports the ten principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Banking (Corporate Governance) Regulations 2005, Banking (Corporate Governance) (Amendment) Regulations 2010 and corporate governance guidelines issued by the Monetary Authority of Singapore ("MAS"). It also observes the Singapore Exchange Securities Trading Ltd's Code of Corporate Governance 2012 (the "Code"), although the Code has yet to be applicable to the Bank's annual report.

BOARD OF DIRECTORS

Board Composition and Independence

An independent Director in OCBC Bank is one who is independent from management, substantial shareholder, business relationship with the Bank, and has not served for more than 9 years on the Board. The Board at present comprises 13 Directors, of whom, seven are independent Directors. They are Mr Bobby Chin, Mrs Fang Ai Lian, Mr Colm McCarthy, Professor Neo Boon Siong, Dato' Ooi Sang Kuang, Mr Quah Wee Ghee and Dr Teh Kok Peng.

Mr Lee Seng Wee and Dr Lee Tih Shih are not independent from substantial shareholder, but deemed independent from management and business relationships. The Chairman, Dr Cheong Choong Kong ("Dr Cheong"), although a non-executive Director, is deemed not independent because he has served more than 9 years on the Board and has a business relationship with the Bank, i.e. his appointment as consultant under an agreement with OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, during the financial year under which he was entitled to certain payments and benefits (details of which are provided in the Directors' Report). Mr David Conner, Mr Lai Teck Poh and Mr Pramukti Surjaudaja are not independent from management. Mr David Conner was the Bank's Chief Executive Officer ("CEO") until his retirement in April 2012. Mr Lai Teck Poh was a former executive of the Bank who retired in April 2010. (A director who has been employed by the Bank in any of the preceding three financial years is deemed to be non-independent from management). Mr Pramukti Surjaudaja has an immediate relative, a sister, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP Tbk.

The roles of the Chairman and the CEO are separated, which is consistent with the principle of instituting an appropriate balance of power and authority. The Board has not appointed a Lead Independent Director because the Chairman and CEO are already separate persons and the Chairman, a non-executive Director, performs an effective check and balance on management. The Nominating Committee, which assesses the performance of the Directors, including the Chairman, is also chaired by an independent Director. The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agenda; ensuring that Directors receive accurate, timely and clear information; ensuring effective communication with shareholders; encouraging constructive relations between the Board and Management; facilitating the effective contribution of non-executive Directors; ensuring constructive relations between the executive Director, if any, and non-executive Directors; and, promoting high standards of corporate governance.

The Board identifies the skills that it collectively needs to discharge its responsibilities effectively, and steps are taken to improve effectiveness, where necessary. It is assessed that the members of the Board as a group provide skills and competencies to ensure the effectiveness of the Board and its committees. These include banking, insurance, accounting, finance, law, strategy formulation, business acumen, management experience, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors' professional qualifications and background can be found on pages 180 to 184.

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank's Articles of Association provide for the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by the MAS. Given the size of the Bank, its business complexity and the number of board committees, the Board considered that an appropriate board size is between 12 and 14 members.

Board Conduct and Responsibilities

The Board is elected by the shareholders to supervise the management of the business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interest of the shareholders as a whole while taking into account the interests of other stakeholders. Broadly, the responsibilities of the Board include the following:

- reviewing and approving overall business strategy, as well as organisation structure, developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee, the quality of the risk management processes and systems;
- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;

- overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;
- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;
- ensuring that the necessary human resources are in place for the Bank to meet its objectives, as well as appointing and removing executive officers, as deemed necessary;
- reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- establishing corporate values and standards, emphasising integrity, honesty and proper conduct at all times with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- overseeing, through the Remuneration Committee, the design and operation of an appropriate remuneration framework, and ensuring that the remuneration practices are aligned and in accord with the remuneration framework;
- providing a balanced and understandable assessment of the Bank's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- ensuring that obligations to shareholders and others are understood and met;
- maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken;
- identifying the key stakeholder groups, recognising that perceptions affect the company's reputation; and
- considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The non-executive Directors on the Board constructively challenge and help develop proposals on strategy, and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They meet during the year, without the presence of management, to discuss the effectiveness of management.

In 2012, the Board and its committees held a total of 38 meetings. Prior to each meeting, members are provided with timely and complete information to enable them to fulfill their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Board and its committees have unfettered access to information which the Bank is in possession of and to the Bank's senior management and company secretary. The Directors, in addition, could take independent professional advice from legal firms at the Bank's expense. The role of the company secretary is defined. He attends all board meetings and ensures that board procedures and applicable regulations are complied with. Under the direction of the Chairman, he ensures good information flows within the Board and its committees and between senior management and non-executive Directors, as well as facilitates orientation of new Directors and professional development of Directors, as required. The appointment and removal of the company secretary is considered to be a matter for the Board as a whole.

Board Development

The Nominating Committee reviews and makes recommendations on training and development programme for the Directors. The Directors receive appropriate development on a continuing basis, to perform their roles on the Board and its committees. This, among other subjects, includes updates on regulatory developments, new business and products, accounting and finance, corporate governance, and risk management, which are provided by subject-matter experts from within and outside the Bank. The Directors will participate in external courses, as and when needed. When deciding on the development to be provided, the skills required at the Board and its committees are taken into account.

A separate programme is established for new Directors. This focuses on introductory information, briefings by senior executives on their respective areas and participation in external courses, where relevant. The Bank funds the training and development programmes that it arranges for existing and new Directors.

Board Performance

The Board has an annual performance evaluation process, carried out by the Nominating Committee, to assess the effectiveness of the Board, Board Committees and each Director's contribution. AoN Hewitt Singapore Pte Ltd is engaged to administer the process, provide industry benchmarks and maintain confidentiality of results. The purpose of the evaluation process is to increase the overall effectiveness of the Board.

The Directors participate in the evaluation. Each Director evaluates the performance of the Board and Board Committees and conducts a peer assessment of the other Directors. The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively by the Nominating Committee to discuss improvements with the Board and ensure that each Director remains qualified for office. The Chairman acts on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation of Directors, in consultation with the Nominating Committee.

Directors are expected to set aside adequate time for their oversight of matters relating to the Bank. The Bank has guidelines on meeting attendance and the extent of other appointments that a Director could assume. The Nominating Committee, based on the guidelines established, assesses annually each Director's attendance record and degree of participation at meetings. In respect of other appointments, it takes into account, among various factors, the nature of the appointment (full-time or otherwise), number of meetings to attend, complexity of organisation, and degree of participation in sub-committees. Generally, a Director who has full time employment in any organisation, shall have appointments in no more than 3 other listed companies, while a Director who has no full time employment, shall have appointments in no more than 6 other listed companies.

BOARD COMMITTEES

Executive Committee

The Executive Committee comprises Dr Cheong Choong Kong (Chairman), Mr Bobby Chin, Mr David Conner, Mr Colm McCarthy and Dr Teh Kok Peng. A majority of the Committee, i.e. Mr Bobby Chin, Mr Colm McCarthy and Dr Teh Kok Peng, are independent Directors.

The Committee has written terms of reference that describe the responsibilities of its members.

The Executive Committee oversees the management of the business and affairs of the Bank and the Group, within the parameters delegated by the Board. It reviews the Bank's policies, principles, strategies, values, objectives and performance targets. These include investment and divestment policies. It also endorses such other matters and initiates any special reviews and actions as appropriate for the prudent management of the Bank.

Nominating Committee

The Nominating Committee comprises Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Mr Lee Seng Wee, Professor Neo Boon Siong and Dato' Ooi Sang Kuang. A majority of the Committee, i.e. Mrs Fang Ai Lian, Professor Neo Boon Siong and Dato' Ooi Sang Kuang, are independent Directors.

The Committee has written terms of reference that describe the responsibilities of its members.

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank. It plans for board succession and ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes review of all nominations for the appointment, re-appointment, election or re-election of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee and Risk Management Committee of the Bank. The Nominating Committee is also charged with determining annually whether or not a Director is independent, capable of carrying out the relevant duties and qualified to remain in office. It also reviews nominations for senior management positions in the Bank, including the CEO, Chief Operating Officer, Chief Financial Officer and Chief Risk Officer. The Nominating Committee makes recommendations to the Board on all such appointments.

The Nominating Committee establishes annually the profile required of Board members, having regard to the competencies and skills required at the Board, and makes recommendations to the Board on appointment of new Directors, when necessary. When the need for a new Director is identified, the Nominating Committee will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Nominating Committee may engage external search consultants to search for the Director. The Board reviews the recommendation of the Nominating Committee and appoints the new Director, subject to the approval of MAS. In accordance with the Bank's Articles of Association, the new Director will hold office until the next AGM, and if eligible, the Director can stand for re-election.

Audit Committee

The Audit Committee comprises Mr Bobby Chin (Chairman), Mr Colm McCarthy, Dato' Ooi Sang Kuang and Dr Teh Kok Peng. All the Committee members are independent Directors and have accounting or related financial management expertise and experience.

The Audit Committee performs the functions specified in the Companies Act, the Code, the SGX-ST Listing Manual, and the MAS' corporate governance regulations and guidelines.

The Committee has written terms of reference that describe the responsibilities of its members. The Board approved the terms of reference of the Audit Committee. The Committee may meet at any time but no less than four times a year. It has full access to, and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The Audit Committee members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. The Audit Committee also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance.

The Audit Committee reviews the Bank's whistle blowing policy as well as any concerns, including anonymous complaints, which staff may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed up. It meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the head of internal audit on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a regular basis. The Board is updated on these reports. The Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors are compatible with maintaining the independence of the external auditors. The aggregate amount of fees paid to the external auditors for financial year 2012, and breakdown of total fees paid for audit and non-audit services, respectively, are shown in the Notes to the Financial Statements.

In respect of the 2012 financial year, the Audit Committee

(a) has reviewed the audited financial statements with management, including discussions of the quality of the accounting principles applied and significant judgments affecting the financial statements;

(b) has discussed with the external auditors the quality of the above principles and judgments;

(c) believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditors.

Where appropriate, the Audit Committee has adopted relevant best practices set out in the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee.

Internal Audit Function

The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the effectiveness of the internal audit function. In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Banking Group's system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Group Audit reports on the adequacy of the system of internal controls to the Audit Committee and management, but does not form any part of the system of internal controls. Group Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit has implemented risk-based audit processes. Audit work is prioritised and scoped according to an assessment of risk exposures, including not only financial risks, but operational, compliance and strategic risks as well.

The work undertaken by Group Audit includes the audit of the Group's system of internal controls over its key operations (including overseas branches), review of security and access controls for the Group's key computer systems, review of control processes within and around new products and system enhancements, and review of controls over the monitoring of market, liquidity, and credit risks. Group Audit also participates in major new system developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis. It also ascertains that the internal controls are adequate to ensure prompt and accurate recording of transactions and proper safeguarding of assets, and that the Bank complies with laws and regulations, adheres to established policies and takes appropriate steps to address control deficiencies.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Group Audit is staffed with individuals with the relevant qualifications and experience and reports functionally to the Audit Committee and administratively to the CEO, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. Currently, the number of internal audit staff is 138 in the division (and 219 in the Group). The division is organised into departments that are aligned with the structure of the Bank. The Audit Committee approves the appointment, removal and remuneration of the Head of Group Audit.

Internal Controls

The Board has received assurance from the CEO and Chief Financial Officer on the effectiveness of the Bank's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational and compliance controls and risk management systems, were adequate as at 31 December 2012, to address the risks which the Group considers relevant and material to its operations.

The system of internal controls provides reasonable, but not absolute, assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Remuneration Committee

The Remuneration Committee comprises Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Dr Lee Tih Shih, Professor Neo Boon Siong and Mr Quah Wee Ghee. A majority of the Committee, i.e. Mrs Fang Ai Lian, Professor Neo Boon Siong and Mr Quah Wee Ghee, are independent Directors. All the Committee members are well versed with executive compensation matters, given their extensive experience in senior corporate positions and major appointments.

The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee recommends to the Board a framework for determining the remuneration of the directors and executive officers, and reviews the remuneration practices to ensure that they are aligned with the approved framework. It also recommends the remuneration and fees of non-executive Directors as well as the compensation of executive Directors, if any, and is empowered to review the human resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries, as well as the remuneration of senior executives. It reviews the Bank's obligations arising in the event of termination of the contracts of service of executive directors, if any, and key management personnel, to ensure such contracts contain fair and reasonable termination clauses which are not overly generous and avoids rewarding poor performance. In addition, it administers the various employee share ownership schemes. The Remuneration Committee, if necessary, will seek independent expert advice from outside the Bank on remuneration matters. It ensures that existing relationships, if any, between the Bank and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. In its deliberations, the Remuneration Committee takes into account remuneration principles, practices and standards that may be specified by the MAS from time to time.

Risk Management Committee

The Risk Management Committee, which supports the Board in performing its risk oversight responsibilities, comprises Mr Lai Teck Poh (Chairman), Dr Cheong Choong Kong, Mr David Conner, Mr Colm McCarthy, Mr Quah Wee Ghee and Mr Pramukti Surjaudaja. All the Committee members are non-executive Directors. Members of the Committee have relevant technical financial sophistication in risk disciplines or business experience.

The Committee has written terms of reference that describe the responsibilities of its members.

The Committee reviews the overall risk management philosophy, guidelines and major policies for effective risk management, including the risk profile, risk tolerance level and risk strategy. The Committee reviews the scope, effectiveness and objectivity of Group Risk Management and the risk reports that monitor and control risk exposures. It also oversees the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis, including ensuring the adequacy of risk management practices for material risks.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2012

	Board [2]		Executive Committee			Audit Committee		
Name of Director	Scheduled Meeting		Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting		Ad hoc Meeting
	Held [1]	Attended	Held [1]	Attended	Attended	Held [1]	Attended	Attended
Cheong Choong Kong	10	10	6	6	1	–	–	–
Bobby Chin	10	10	6	6	1	6	6	2
David Conner [2]	9	9	6	6	1	–	–	–
Fang Ai Lian	10	10	–	–	–	–	–	–
Lai Teck Poh [3]	10	10	–	–	–	–	–	–
Lee Seng Wee [4]	10	10	1	1	–	–	–	–
Lee Tih Shih	10	10	–	–	–	–	–	–
Colm McCarthy [5]	10	10	5	5	1	6	6	2
Neo Boon Siong [6]	10	10	–	–	–	2	2	–
Ooi Sang Kuang [7]	7	7	–	–	–	4	4	2
Quah Wee Ghee [8]	10	10	–	–	–	–	–	–
Pramukti Surjaudaja [2]	7	7	–	–	–	–	–	–
Teh Kok Peng [9]	10	10	5	5	1	4	4	2
Patrick Yeoh [10]	3	3	1	1	–	–	–	–

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2012 (continued)

Name of Director	Nominating Committee – Scheduled Meeting – Held [1]	Nominating Committee – Scheduled Meeting – Attended	Nominating Committee – Ad hoc Meeting – Attended	Remuneration Committee – Scheduled Meeting – Held [1]	Remuneration Committee – Scheduled Meeting – Attended	Remuneration Committee – Ad hoc Meeting – Attended	Risk Management Committee – Scheduled Meeting – Held [1]	Risk Management Committee – Scheduled Meeting – Attended
Cheong Choong Kong	2	2	1	2	2	2	6	6
Bobby Chin	–	–	–	–	–	–	–	–
David Conner [2]	–	–	–	–	–	–	6	6
Fang Ai Lian	2	2	1	2	2	2	–	–
Lai Teck Poh [3]	1	1	–	–	–	–	6	6
Lee Seng Wee [4]	2	2	1	–	–	–	–	–
Lee Tih Shih	–	–	–	2	2	2	–	–
Colm McCarthy [5]	–	–	–	–	–	–	6	6
Neo Boon Siong [6]	2	2	1	2	2	2	–	–
Ooi Sang Kuang [7]	1	1	1	–	–	–	–	–
Quah Wee Ghee [8]	–	–	–	1	1	1	4	4
Pramukti Surjaudaja [2]	–	–	–	–	–	–	6	6
Teh Kok Peng [9]	–	–	–	–	–	–	–	–
Patrick Yeoh [10]	–	–	–	–	–	–	2	2

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Includes Non-executive Director (NED) and Board Strategy Meetings. Mr Pramukti Surjaudaja does not attend NED meetings. Mr David Conner attends NED meetings with effect from 15 April 2012.
(3) Stepped down as a Member of Nominating Committee on 25 April 2012.
(4) Officially appointed as Observer of Executive Committee on 25 April 2012.
(5) Appointed a Member of Executive Committee on 25 April 2012.
(6) Stepped down as a Member of Audit Committee on 25 April 2012.
(7) Appointed to the Board on 21 February 2012, and a Member of Nominating and Audit Committees on 25 April 2012.
(8) Appointed to the Board on 9 January 2012, and a Member of Remuneration and Risk Management Committees on 25 April 2012.
(9) Appointed a Member of Executive and Audit Committees on 25 April 2012.
(10) Stepped down from the Board, Executive and Risk Management Committees on 25 April 2012.

The Bank's Articles of Association provide for Directors to participate in Board and Board Committee meetings by means of conference telephone, video conferencing or audio visual equipment.

REMUNERATION POLICY

Employees' Remuneration

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain quality staff globally. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Bank, and do not give rise to conflicts between the objectives of the Bank and the interests of individual Directors and key executives.

The total compensation packages for employees comprises basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach. Where relevant, financial measurements, adjusted for the various types of risk (such as market, credit and operational risks), include, if appropriate:

(a) Operating efficiency measures which include revenue, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit costs.

(b) Economic efficiency measure such as cost of capital. Capital is attributed to each business based on the amount of risk-weighted assets used and the return on capital.

(c) Liquidity is factored into the performance measurement of each business through the application of liquidity premiums charged or credited according to the behavioural maturity of each type of asset and liability booked.

There were no significant changes to the above measures during 2012.

Each business unit has its own performance measures that match their functions and objectives and these objectives are consistent with the Group's risk appetite. In the determination of remuneration of senior executives, risk and control indicators are taken into account when assessing business performance. Executives are remunerated based on their own performance measures, while taking into account market compensation data for their respective job roles.

The performance of risk and compliance functions is measured independently of the businesses they oversee. Employees in these functions are assessed based on the achievement related to their respective performance measures. Market compensation data on risk and compliance functions is also taken into account for remuneration.

In determining the composition of compensation packages, the Bank takes into account the time horizon of risk and includes in the total compensation for executives, a significant portion of deferred payment in the form of deferred shares and share options. To ensure that its remuneration packages are competitive, the Bank regularly reviews salary ranges and benefits packages based on market data provided by recognised consultants who conduct surveys of comparative groups in the financial sector.

The determination of the Bank's variable bonus pool is fully discretionary and the factors taken into consideration include the Bank's performance, market conditions and competitive market practices.

The Bank adopts a performance-driven approach to compensation. Compensation packages are linked to personal performance, the performance of the organisational function as a whole and the overall performance of the Bank. Compensation is reviewed each year based on information from market surveys provided by reputable management consultants.

As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. In 2009, the Financial Stability Forum (FSF) developed principles and implementation standards for Sound Compensation Practices for significant financial institutions. The Remuneration Committee made changes to the Bank's compensation structure in 2011 to increase the proportion of deferred remuneration component for senior executives. While the Bank's compensation practices largely meet the FSF principles and implementation standards, the Bank continues to review its compensation practices to comply with the required standards on an ongoing basis.

The Bank has identified a group of senior executives whose authorities and actions are deemed to have a major influence on the long term performance of the Bank. This group comprises "senior management" (the CEO and his direct reports) and "material risk takers" (employees of Senior Vice President rank and above). The Board approves the compensation of employees who are direct reports to the CEO and Chief Operating Officer and are of at least Senior Vice President rank, and the Remuneration Committee approves the compensation of all other senior executives of at least Senior Vice President rank.

The remuneration practices for staff in bargainable positions are established through negotiation with the Bank's unions.

The Bank's remuneration policy is also applied to all OCBC overseas branches and the following subsidiaries:

- OCBC Management Services Pte Ltd
- OCBC Securities Pte Ltd
- OCBC Investment Research Pte Ltd
- OCBC Trustee Ltd
- e2 Power Pte Ltd
- e2 Power Sendirian Berhad
- OCBC Bank (Malaysia) Berhad
- OCBC Al-Amin Bank Berhad
- OCBC Bank (China) Ltd

Directors' Remuneration

The Remuneration Committee recommends the remuneration for executive Directors, if any, and non-executive Directors of the Bank. The remuneration for non-executive Directors is subject to shareholders' approval at the AGM.

Compensation of Non-Executive Directors

OCBC's remuneration for non-executive Directors is intended to attract capable individuals to the Board, as well as retain and motivate them in their roles as non-executive Directors. It aligns their interest to those of shareholders, is competitive in the region and recognises individual contributions.

The Remuneration Committee has considered market practices for non-executive director compensation and on its recommendation, the Board has decided to adopt the following fee structure to compute the fee for each non-executive Director of the Bank:

- annual board chairman fee of S$1,800,000;
- annual retainer fee of S$45,000;
- annual committee chairperson fee of S$60,000 for Audit, Risk Management and Executive Committees, and S$30,000 for Nominating and Remuneration Committees;
- annual committee member fee of S$30,000 for Audit, Risk Management and Executive Committees, and S$15,000 for Nominating and Remuneration Committees (committee chairpersons are not awarded these fees); and
- attendance fee of S$3,000 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognise their commitment and time spent in attending each meeting.

The annual board chairman fee is S$1,800,000 per annum with effect from 1 July 2012. This fee, together with other directors' fees, will be tabled for shareholders' approval at the Annual General Meeting. Dr Cheong, as the board chairman, will be entitled to S$900,000 of this fee for the financial year 2012. This is half of the annual amount as the fee is effective only from 1 July 2012. The total remuneration for Dr Cheong in 2012 is S$2,576,000 (2011: S$2,950,000) as disclosed in the directors' remuneration table on page 36. This total remuneration includes the chairman fee, board committees' fees, meeting attendance fees, as well as remuneration to oversee and supervise strategic planning in respect of customer service, talent identification, and the development and succession of senior management under a consultancy contract. The consultancy contract expired and ceased on 30 June 2012.

The previous year, shareholders approved the grant of 6,000 remuneration shares to each non-executive Director. The remuneration shares align the interest of non-executive Directors with the interest of shareholders. At the Remuneration Committee's recommendation, the Board has decided to continue with the grant of 6,000 new ordinary shares to each non-executive Director. Any non-executive Director who has served less than a full annual term with the Board will be awarded shares, pro-rated on the basis of the term he has served as non-executive Director in the financial year. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2013. Mr David Conner is not eligible to receive Directors' fees and remuneration shares for the period when he was an executive Director of the Bank.

Under the OCBC Share Option Scheme 2001, the Remuneration Committee also has the discretion to grant share options to non-executive Directors in recognition of their contributions.

Compensation of Executive Directors

The compensation plan for the executive Directors, if any, is formulated and reviewed by the Remuneration Committee to ensure that it is market competitive and that the rewards commensurate with their contributions. The compensation package comprises basic salary, benefits-in-kind, performance bonus, incentive bonus, share options, share awards and compensation in the event of early termination where service contracts are applicable. Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Share Option Scheme 2001, the guidelines on granting of share options to executive Directors are similar to those for the executives of the Bank. Following Mr David Conner's retirement as CEO in April 2012, there is currently no executive director on the Board. As announced to the Singapore Stock Exchange in April 2012, 488,029 OCBC ordinary shares were released to Mr David Conner as entitlement upon completion of his employment contract.

Remuneration of Directors' or CEO's Immediate Family

None of the Directors or CEO had immediate family members who were employees of the Bank and whose personal annual remuneration exceeded S$50,000.

Remuneration of Top 5 Key Management Personnel in 2012

The Code recommends the disclosure of the individual remuneration of the Bank's top five key management personnel as well as their aggregate remuneration. The Board considered this matter carefully and has decided against such disclosure for the time being. It was felt that the disadvantages of disclosure will outweigh the benefits unless such disclosure is standard business practice.

The Bank does not provide any termination, retirement and post-employment benefits to its top five key management personnel.

DIRECTORS' AND CEO'S REMUNERATION IN 2012

Name	Total Remuneration (S$'000)	Salary and Fees (S$'000) [d]	Performance-Based Remuneration: Bonuses (S$'000)	Performance-Based Remuneration: Value of Share Options Granted (S$'000) [a]	Performance-Based Remuneration: Value of Deferred Share/ Share Awards Granted (S$'000)	Other Benefits (S$'000) [b]	Value of Remuneration Shares Awarded (S$'000) [c] [d]	Options Granted (No.)	Acquisition Price	Exercise Period
Directors:										
Bobby Chin	272	210	–	–	–	–	62	–	–	–
Fang Ai Lian	218	156	–	–	–	–	62	–	–	–
Lai Teck Poh	216	154	–	–	–	–	62	–	–	–
Lee Seng Wee	192	130	–	–	–	–	62	–	–	–
Lee Tih Shih	164	102	–	–	–	–	62	–	–	–
Colm McCarthy	289	227	–	–	–	–	62	–	–	–
Neo Boon Siong	204	142	–	–	–	–	62	–	–	–
Ooi Sang Kuang	173	120	–	–	–	–	53	–	–	–
Quah Wee Ghee	187	127	–	–	–	–	60	–	–	–
Pramukti Surjaudaja	176	114	–	–	–	–	62	–	–	–
Teh Kok Peng	218	156	–	–	–	–	62	–	–	–
Patrick Yeoh	82	63	–	–	–	–	19	–	–	–
Cheong Choong Kong [e]	2,576	1,670	375	375	–	94	62	452,025	S$10.302	15/03/2014 to 13/03/2018
David Conner [f]	5,981	556	575	–	4,719	87	44	–	–	–
CEO:										
Samuel Tsien [g]	5,545	1,117	1,803	790	1,743	92	–	951,663	S$10.302	15/03/2014 to 13/03/2023

DIRECTORS' AND CEO'S REMUNERATION IN 2012 (continued)

Notes:

(a) Share option was valued using the Binomial valuation model.

(b) Represents non-cash component and comprises club and car benefits and employer's contribution to CPF.

(c) Value of remuneration shares was estimated based on closing price of ordinary shares on 13 March 2013, i.e. S$10.25.

(d) Fees and remuneration shares for NED refer to those for 2012 financial year that are subject to approval by shareholders at the AGM in April 2013.

(e) Comprises payments and benefits under an agreement with OCBC Management Services Pte Ltd up to 30 June 2012 (details are provided in the Directors' Report) and chairman fee (with effect from 1 July 2012), board fees, and remuneration shares for NED.

(f) Comprises compensation under his employment contract as CEO for period from 1 January to 14 April 2012, compensation as NED for period from 15 April to 31 December 2012, and announced to the Singapore Exchange Securities Trading Ltd on 17 April 2012, 488,029 OCBC ordinary shares on completion of employment contract.

(g) Comprises compensation under his employment contract as CEO commencing 15 April 2012, as well as compensation when he was Senior Executive Vice President from 1 January 2012 to 14 April 2012.

SHARE SCHEMES

OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 (the "Scheme"), which was implemented in 2001, has been extended for another 10 years from 2011 to 2021, as approved by the shareholders.

The Scheme seeks to inculcate in all participants a stronger and long term sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. It forms a substantial part of senior executives' variable compensation and serves to align the Bank's compensation with the sustained long term performance of the Bank. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Manager and above and any Group Executive Director selected by the Remuneration Committee, as well as non-executive Directors of the Group, are eligible to participate in the Scheme.

The cumulative total number of ordinary shares to be issued by the Bank in respect of options granted under the Scheme cannot exceed 10% of the Bank's total number of issued ordinary shares.

The acquisition price for each ordinary share in respect of which the option is exercisable shall be determined by the Remuneration Committee to be a price equal to the average of the last dealt price of the shares for the five consecutive trading days immediately prior to the offering date. No options were granted at a discount since the commencement of the Scheme.

The validity period of the options is subject to prevailing legislation applicable on the date of grant. Based on current legislation, options granted to Group Executives are exercisable up to 10 years, while options granted to non-executive Directors are exercisable up to five years. The options may be exercised after the first anniversary of the date of the grant, in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant of the respective options. The Committee has adopted the following vesting schedule:

Vesting Schedule

Vesting Schedule	Percentage of shares over which an option is exercisable
On or before the first anniversary of the date of grant	Nil
After the first anniversary but on or before the second anniversary of the date of grant	33%
After the second anniversary but on or before the third anniversary of the date of grant	33%
After the third anniversary but before the date of expiry of the exercise period	34%

These options will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined by the Remuneration Committee. Shares granted on exercise of options are allocated from treasury shares or from the issue of new ordinary shares by the Bank.

All awards are subject to cancellation if it is determined that they were granted on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Bank's risk profile/rating.

OCBC Deferred Share Plan

The OCBC Deferred Share Plan ("Plan") aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives to the sustained business performance of the Bank. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee are eligible to participate in the Plan. In 2012, the participants are executives of the Bank, selected overseas locations and subsidiaries.

There are 2 different types of deferred share awards:

(a) Share awards, which are granted annually to eligible executives who are paid variable performance bonus of S$70,000 and above. The share awards form 20% to 40% of their total variable performance bonus for the year. Half (50%) of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

(b) In addition to the above, senior executives are also granted deferred share awards as part of their long term incentive compensation. The whole award vests after three years.

Shares granted are allocated from treasury shares or acquired from the market in accordance with guidelines established under the Plan. The unvested deferred share grants will be adjusted to take into account dividends declared by the Bank. The additional shares granted in respect of this adjustment are also acquired from the market in accordance with guidelines established under the Plan.

The awards will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

All awards are subject to cancellation if it is determined that they were granted on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Bank's risk profile/rating.

During the financial year, an aggregate of 4,909,931 ordinary shares were granted to eligible executives of the Group pursuant to the Plan.

OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESPP") was implemented in 2004 for all employees of the Group, including executive Directors. It was implemented to inculcate in all participants a stronger and more lasting sense of identification with the Group.

The ESPP is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll and/or CPF funds. The employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions. As a further incentive to employees to enrol in the ESPP, the Bank pays interest on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date. Shares granted on conversions in accordance with the rules of the ESPP are allocated from treasury shares or from the issue of new ordinary shares by the Bank.

The aggregate number of new ordinary shares issued by the Bank pursuant to the Scheme and the ESPP cannot exceed five per cent of the Bank's total number of issued ordinary shares.

ADDITIONAL INFORMATION

Guaranteed Bonuses, Sign-on Awards, Severance Payments and Variable Remuneration

Category	Senior Management	Material Risk Takers
Number of guaranteed bonuses	0	5
Number of sign-on awards	0	0
Number of severance payments	0	0
Total amounts of above payments made for the financial year ($'000)	0	1,052
Number of employees	13	75
Number of employees that received a variable remuneration	13	72

Breakdown of Remuneration Awarded in Current Financial Year

		Senior Management		Material Risk Takers	
Category		Unrestricted %	Deferred %	Unrestricted %	Deferred %
Fixed remuneration	Cash-based	29	0	49	0
	Shares and share-linked instruments	0	0	0	0
	Other forms of remuneration	0	0	0	0
Variable remuneration	Cash-based	40	0	31	1
	Shares and share-linked instruments	0	31	0	19
	Other forms of remuneration	0	0	0	0
	Total	**100**		**100**	

Breakdown of Long-term Remuneration Awards

Category	Senior Management %	Material Risk Takers %
Change in deferred remuneration awarded in current financial year	-34	16
Change in amount of outstanding deferred remuneration from previous financial year	-33	23
Outstanding deferred remuneration (breakdown):		
Cash	0	1
Shares and share-linked instruments	100	99
Other forms of remuneration	0	0
Total	**100**	**100**
Outstanding deferred remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	100	99
Reductions in current year due to ex-post adjustments (explicit[1])	0	0
Reductions in current year due to ex-post adjustments (implicit[2])	0	0
Outstanding retained remuneration (performance adjustments):		
Of which exposed to ex-post adjustments		
Reductions in current year due to ex-post adjustments (explicit)	N.A.	N.A.
Reductions in current year due to ex-post adjustments (implicit)		

1 Examples of explicit ex-post adjustments include malus, clawbacks or similar reversals or downward revaluations of awards.

2 Examples of implicit ex-post adjustments include fluctuations in the value of shares or performance units.

COMMUNICATION WITH SHAREHOLDERS

OCBC Bank recognises the importance of communicating regularly and effectively with its shareholders so that they can better understand its operations, strategies and directions. One of the key roles of the Group's Corporate Communications and Investor Relations Units is to keep the market and investors apprised of the Group's major corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. In addition, shareholders and the public can access the Group's media releases, financial results, presentation materials used at briefings and other corporate information on the Bank's website.

The Bank has an investor relations policy approved by the Board. Shareholders are given the opportunity to participate effectively at OCBC Bank's AGMs and EGMs, where they can ask questions and communicate their views. They are allowed to vote in person or by proxy. The Bank's Articles of Association allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. It also allows investors, who hold shares through nominees such as CPF and custodian banks to attend AGM as observers when they comply with prescribed procedures for attendance. To ensure authenticity of shareholder identity and other related security issues, the Bank currently does not allow voting in absentia by mail, email or fax. Since 2011, the Bank has conducted electronic poll voting for all the resolutions passed at the AGM and EGM, for greater transparency in the voting process. Following the meetings, it announces the detailed results of the votes, showing the number of votes cast for and against each resolution and the respective percentages.

The Bank provides for separate resolutions at general meetings on each substantially separate issue. It does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

The Company Secretary prepares minutes of general meetings, which reflect responses from the Board and Management to queries and comments from shareholders. The minutes are available to shareholders upon their request.

The Directors as well as the external auditors are present at these meetings to address any relevant queries raised by shareholders.

RELATED PARTY TRANSACTIONS

OCBC Bank has established policies and procedures on related party transactions. These include definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring the transactions. The Audit Committee reviews material related party transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions of related party lendings are not more favourable than those granted to non-related obligors under similar circumstances. The Bank also complies with the SGX-ST Listing Manual on interested person transactions.

ETHICAL STANDARDS

The Bank has adopted the SGX-ST Listing Manual's guidelines on dealings in securities and has a policy against insider trading. Directors and officers are prohibited from dealing in the securities of the Bank during the period commencing two weeks before the announcement of the Bank's quarterly or half-yearly financial results, and one month before the announcement of year-end results ("black-out" period) and at any time they are in possession of unpublished material price-sensitive information. The Bank will notify Directors and employees of the commencement date for each black-out period. The policy also states that employees are not to deal in the Bank's securities on short-term considerations. Employees are also instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

The Bank's insider trading policy also includes instructions pertaining to dealings in the listed securities of customers of the Group.

Additional Information Required Under the SGX-ST Listing Manual

1. INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2012 S$'000	Aggregate value of all interested person transactions during the financial year under review conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 2012 S$'000
Dasar Sentral (M) Sdn Bhd, a company wholly owned by Lee Rubber Company (Pte) Limited, an associate of Mr Lee Seng Wee, director of OCBC Bank		
- Lease of its premises at Wisma Lee Rubber, Kuala Lumpur, to OCBC Bank (Malaysia) Berhad	634	–
PT Udayawira Utama, a company owned by Mr Pramukti Surjaudaja, director of OCBC Bank		
- Lease of its premises at OCBC NISP Tower, Jakarta, to PT Bank OCBC NISP Tbk	1,499	–
Dr Cheong Choong Kong	See below [1]	

[1] The agreement 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, had expired and ceased on 30 June 2012. Please see "Directors' Contractual Benefits" in the Directors' Report for details of payments made to Dr Cheong during the financial year under review.

2. MATERIAL CONTRACTS

Since the end of the previous financial year, no material contract involving the interest of any Director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiary companies, and no such contract subsisted as at 31 December 2012.

3. APPOINTMENT OF AUDITORS

The Group has complied with Rules 712, 715 and 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

Capital Management

(This section forms an integral part of OCBC's audited financial statements)

CAPITAL POLICY

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, OCBC targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. OCBC actively manages its capital composition to achieve an efficient mix of different capital instruments in order to optimise its overall cost of capital.

CAPITAL MONITORING AND PLANNING

OCBC Group's capital is closely monitored and actively managed to ensure that there is sufficient capital to support business growth, and to pursue strategic business and investment opportunities that will create value for our stakeholders, while taking into consideration the Group's risk appetite. OCBC Group's internal capital adequacy assessment process ("ICAAP") involves a comprehensive assessment of all material risks that the Group is exposed to and an evaluation of the adequacy of the Group's capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's capital adequacy over a 3-year period. This process takes into consideration OCBC's business strategy, operating environment, target capital ratios and composition, as well as expectations of its various stakeholders. In addition, capital stress tests are also conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios and evaluate how the Group can continue to maintain adequate capital under such scenarios.

Within OCBC Group, excess capital will be centralised as far as possible in order that the Bank can hold all excess capital at parent level to ensure easy deployment across the Group. Whilst the transfer of capital resources within the Group is generally subject to regulations in local jurisdictions, where applicable, OCBC has not faced significant impediments on the flow of capital within the Group.

CAPITAL INITIATIVES

The following significant capital initiatives were undertaken by the Group during the financial year ended 31 December 2012:

Tier 1 Capital

- Issue of S$1 billion non-cumulative non-convertible Class M preference shares by OCBC Bank on 17 July 2012.

Tier 2 Capital

- Redemption of S$225 million subordinated notes by OCBC Bank on 28 November 2012.
- Issue of US$1 billion subordinated notes by OCBC Bank on 11 September 2012.
- Redemption of MYR400 million subordinated bonds by OCBC Malaysia on 30 November 2012.
- Issue of MYR600 million subordinated bonds by OCBC Malaysia on 15 August 2012.

Others

- Rights issue of IDR1.5 trillion completed by OCBC NISP on 15 June 2012.

DIVIDEND

Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on at least a half-yearly basis. For the financial year ended 31 December 2012, the Board of Directors has recommended a final dividend of 17 cents per share. This brings the full year 2012 dividend to 33 cents per share, or an estimated total dividend payout of S$1,133 million, representing 40% of the Group's core net profit of S$2,825 million (2011: total dividend payout of S$1,024 million, representing 45% of the Group's core net profit of S$2,280 million).

SHARE BUYBACK AND TREASURY SHARES

Shares purchased under the share buyback programme are held as treasury shares. These are recorded as a deduction against share capital, and may be subsequently cancelled, sold or used to meet delivery obligations under employee share schemes. We commenced our fourth S$500 million share buyback programme in July 2012. During the financial year ended 31 December 2012, the Bank purchased 18.2 million of its ordinary shares for S$162 million, while 12.0 million treasury shares were delivered to meet obligations under its employee share schemes.

CAPITAL ADEQUACY RATIOS

Under the Basel II capital standards, OCBC was required by MAS to maintain minimum Tier 1 and total capital adequacy ratios of 6% and 10%, respectively, at the Bank and Group levels. In addition, our banking operations in jurisdictions outside Singapore are subject to local requirements. OCBC and each of its regulated banking entities were in compliance with the minimum capital requirements throughout the financial period.

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2012 on a Basel II basis. The capital adequacy ratios were determined in accordance with the requirements of the MAS Notice 637 dated 14 December 2007, which included the definitions for Tier 1 and Tier 2 capital, the deductions required (mainly for goodwill, intangible assets, and capital investments in associates and insurance subsidiaries), as well as the methodologies available for computing risk-weighted assets. A description of the key terms and conditions of the capital instruments included within eligible total capital can be found in Notes 13, 16 and 21 of the financial statements, and the approaches adopted by OCBC for the computation of risk-weighted assets can be found in the "Basel II Pillar 3 Risk Disclosure" chapter.

$ million	2012	2011
Tier 1 Capital		
Ordinary shares	**7,057**	7,127
Preference shares	**2,896**	1,896
Innovative Tier 1 capital instruments	**2,059**	2,062
Disclosed reserves	**14,935**	12,391
Non-controlling interests	**835**	749
	27,782	24,225
Goodwill / others	**(3,877)**	(4,009)
Deductions from Tier 1 capital	**(2,314)**	(1,604)
Eligible Tier 1 Capital	**21,591**	18,612
Tier 2 Capital		
Subordinated term notes	**4,418**	3,343
Revaluation surplus on available-for-sale equity securities	**236**	361
Others	**168**	140
Deductions from Tier 2 capital	**(2,303)**	(2,270)
Eligible Total Capital	**24,110**	20,186
Credit	**106,169**	104,546
Market	**14,431**	15,817
Operational	**9,047**	8,144
Risk Weighted Assets	**129,647**	128,507
Tier 1 capital adequacy ratio	**16.6%**	14.4%
Total capital adequacy ratio	**18.5%**	15.7%

Insurance subsidiaries of Great Eastern Holdings ("GEH") were not consolidated for the computation of the above capital adequacy ratios, as per the requirements of MAS Notice 637. Capital investments in these insurance subsidiaries were deducted from OCBC's Tier 1 and Tier 2 capital, and their assets were excluded from the computation of OCBC's risk-weighted assets. GEH's insurance subsidiaries are subject to capital requirements prescribed in the insurance regulations of the jurisdiction in which they operate. As of 31 December 2012, the capital adequacy ratios of GEH's insurance subsidiaries in Singapore and Malaysia were well above the minimum regulatory requirements of 120% and 130%, respectively.

REGULATORY CHANGE

On 14 September 2012, the MAS published a new MAS Notice 637 to implement the Basel III capital standards in Singapore. The implementation of the Basel III capital standards will be phased in between 1 January 2013 and 1 January 2019.

Risk Management

(This section forms an integral part of OCBC's audited financial statements)

DEVELOPMENTS IN 2012

The 2012 global economy was characterised by slowing growth in China and other emerging economies, concerns over the European sovereign debt-crisis, heightened political discord in the Middle East, as well as political stalemate over the US fiscal cliff. There were also more frequent territorial disputes and claims over islands in the South China Sea.

Against this uncertain backdrop, OCBC Group stayed focused on serving and building sustainable relationships with our customers. During the year, we continued to deepen our presence in Singapore, Malaysia, Indonesia and Greater China across all our business sectors and also selectively expanded outside our core markets.

Within our core markets, we were mindful of the potential impact of prolonged low interest rates on asset prices and recognised that our operating environment, and the way we deal with our customers, will be affected by heightened fiduciary responsibilities and enhanced regulatory requirements such as Basel III. These developments, including meeting new liquidity rules, will raise overall costs. In 2012, we further broadened our funding sources and currency mix to align with our portfolio funding requirements. Our asset quality remained sound while our capital ratios were comfortably positioned to meet Basel III capital expectations.

OCBC Group has a formal emerging risk identification and management process which includes stress testing vulnerabilities in our loan portfolio, and which provide deeper insights to craft appropriate origination and risk mitigation strategies. We also remain watchful over possible contagion effects from the US and Europe, as well as volatility in regional capital flows. Looking ahead, we also see new regional market opportunities under the ASEAN Free Trade Area ("AFTA") and are confident that OCBC Group is well-placed to capitalise on such opportunities.

RISK MANAGEMENT IN OCBC GROUP

At OCBC Group, we believe that sound risk management is essential to ensuring success in our risk-taking activities. Our philosophy is to ensure risks and returns remain consistent with our established risk appetite. To achieve this, we regularly refine our risk management approaches to ensure we thoroughly understand the risks we are taking to identify any emerging portfolio threats at an early stage, and to develop timely and appropriate risk-response strategies.

The key elements of OCBC Group's enterprise-wide risk management strategy are:

- **Risk appetite** – The Board of Directors approves the Group's risk appetite, and risks are managed in alignment with the risk appetite. Risk-taking decisions must be consistent with strategic business goals and returns should compensate for the risk taken.
- **Risk frameworks** – The Group's risk management frameworks for all risk types are documented, comprehensive, and consistent.
- **Holistic risk management** – Risks are managed holistically, with a view to understand the potential interactions among risk types.
- **Qualitative and quantitative evaluations** – Risks are evaluated both qualitatively and with appropriate quantitative analyses and robust stress testing. Risk models are regularly reviewed to ensure they are appropriate and effective.

The Board of Directors and senior management provide the direction to the Group's effective risk management that emphasises well-considered risk-taking and proactive risk management. This is reinforced with appropriate risk management staff, ongoing investments in risk systems, regular review and enhancement of risk management policies and procedures for consistent application, overlaid with a strong internal control environment throughout the Group. Accountability for managing risks is jointly owned among customer-facing and product business units, dedicated functional risk management units, as well as other support units such as Operations and Technology. Group Audit also provides independent assurance that the Group's risk management system, control and governance processes are adequate and effective. Rigorous portfolio management tools such as stress testing and scenario analyses identify possible events or market conditions that could adversely affect the Group. These results are taken into account in the Group's capital adequacy assessment.

The discussion in this risk management chapter covers the risk management practices, policies, and frameworks of OCBC Group, and does not cover Great Eastern Holdings ("GEH") and PT Bank OCBC NISP Tbk ("NISP"). Group management collaborates with GEH and NISP on aligning their risk management infrastructure to Group standards through knowledge transfer and training assistance, and to ensure the risk practices are appropriate for their businesses. GEH and NISP are listed on Singapore Exchange and Indonesia Stock Exchange, respectively. As listed companies, GEH and NISP publish their own annual reports, which contain information on their risk management frameworks and practices (refer to Note 39 in the Group's Financial Statements for information on GEH's risk management).

All banking subsidiaries, including Bank of Singapore, are required to implement risk management policies that conform to Group standards. Approving authority and limit structures are consistent with Head Office to ensure accountability and effective risk management.

RISK GOVERNANCE AND ORGANISATION

The Board of Directors establishes the Group's risk appetite and risk principles. The Board Risk Management Committee is the principal Board committee that oversees the Group's risk management. It reviews and approves the Group's overall risk management philosophy, risk management frameworks, major risk policies, and risk models. The Board Risk Management Committee also oversees the establishment and operation of the risk management systems, and receives regular reviews as to their effectiveness. The Group's various risk exposures, risk profiles, risk concentrations, and trends are regularly reported to the Board of Directors and senior management for discussion and appropriate action.

The Board Risk Management Committee is supported by Group Risk Management Division, which has functional responsibility on a day-to-day basis for providing independent risk control and managing credit, market, operational, liquidity, and other key risks. Within the division, risk officers are dedicated to establishing Group-wide policies, risk measurement and methodology, as well as monitoring the Group's risk profiles and portfolio concentrations. The Group's risk management and reporting systems are designed to ensure that risks are comprehensively captured in order to support well-considered decision making, and that the relevant risk information is effectively conveyed to the appropriate senior management executives for those risks to be addressed and risk response strategies to be formulated. To ensure the objectivity of the risk management functions, compensation of risk officers is determined independently of other business areas and is reviewed regularly to ensure compensation remains competitive with market levels.

Credit officers are involved in transaction approvals, and personal approval authority limits are set based on the relevant experience of the officers and portfolio coverage. Representatives from the division also provide expertise during the design and approval process for new products offered by the Group. This ensures that new or emerging risks from new products are adequately identified, measured, and managed within existing risk systems and processes.

Various risk management committees have been established for active senior management oversight, understanding, and dialogue on policies, profiles, and activities pertaining to the relevant risk types. These include the Credit Risk Management Committee, the Market Risk Management Committee, the Asset and Liability Management Committee, and the Operational Risk and Information Security Committee. Both risk-taking and risk control units are represented on these committees, emphasising shared risk management responsibilities. Group Audit conducts regular independent reviews of loan portfolios and business processes to ensure compliance with the Group's risk management frameworks, policies, processes, and methodologies.

BASEL REQUIREMENTS

OCBC Group has implemented Monetary Authority of Singapore ("MAS") Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore. MAS Notice 637 adopts the Basel Committee on Banking Supervision's proposal on "International Convergence of Capital Measurement and Capital Standards," commonly referred to as Basel II.

In September 2012, MAS Notice 637 was revised to incorporate changes to further raise the quality of regulatory capital base and to enhance risk coverage under Basel III. This revised framework, effective from January 2013, builds on the Basel II framework but places greater emphasis on common equity and capital buffers, as well as strengthens the capital treatment for securitisation, trading book and counterparty credit risk. As part of enhanced public disclosures on risk profile and capital adequacy required under MAS Notice 637, the Group has made additional disclosures since 2008. Please refer to the OCBC Group Basel II Pillar 3 Risk Disclosure section in the annual report for more information.

The Group has adopted the Foundation Internal Ratings-Based ("F-IRB") approach and supervisory slotting criteria to calculate credit risk-weighted assets for major non-retail portfolios, and the Advanced Internal Ratings-Based ("A-IRB") approach for major retail and small business lending portfolios. Other credit portfolios are on the standardised approach ("SA") and they will be progressively migrated to the internal ratings-based approaches. The regulatory capital to be set aside for credit risk-weighted assets depends on various factors, including internal risk grades, product type, counterparty type, and maturity.

The Group has adopted the standardised approaches for market risk and operational risk. Market risk-weighted assets are marked to market and are risk weighted according to the instrument category, maturity period, credit quality grade, and other factors. Operational risk-weighted assets are derived by applying specified beta factors or percentages to the annual gross income for the prescribed business lines in accordance with regulatory guidelines. Initiatives are in place to move toward Internal Model Approach for market risk.

The Group has also established an Internal Capital Adequacy Assessment Process ("ICAAP"). Capital adequacy assessments and plans, incorporating stress test results, are submitted annually to MAS.

Implementing the Basel framework is an integral part of our efforts to refine and strengthen, as well as to ensure our management of risks is appropriate for the risks we undertake. Group management remains vigilant to ongoing industry and regulatory developments, including risk-adjusted compensation and higher liquidity and capital requirements that are being established.

CREDIT RISK MANAGEMENT

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet their contractual obligations. As our primary business is commercial banking, the Group is exposed to credit risks from loans to retail, corporate, and institutional customers. Trading and investment banking activities, such as trading of derivatives, debt securities, foreign exchange, commodities, securities underwriting, and settlement of transactions, also expose the Group to counterparty and issuer credit risks.

The Group seeks to take only credit risks that meet our underwriting standards. We seek to ensure that risks are commensurate with potential returns that enhance shareholder value.

Credit Risk Management Oversight and Organisation

The Credit Risk Management Committee is the senior management committee that supports the CEO and the Board Risk Management Committee in managing the Group's overall credit risk exposures, taking a proactive view of risks and to position the credit portfolio. The Credit Risk Management Committee also reviews the Group's credit risk philosophy, framework, and policies, and aligns credit risk management with business strategy and planning. The Credit Risk Management Committee recommends credit approval authority limits, reviews the credit profile of material portfolios, and recommends actions where necessary to ensure that credit risks remain within established risk tolerances.

Within Group Risk Management Division, Credit Risk Management ("CRM") departments have functional responsibility for credit risk management, including formulating and ensuring compliance with Group-wide risk policies, guidelines, and procedures. Other Group Risk departments are responsible for risk portfolio monitoring, risk measurement methodology, risk reporting, risk control systems, and remedial loan management. Group Risk units also conduct regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the Board of Directors, Board Risk Management Committee, and the Credit Risk Management Committee in a timely, objective, and transparent manner. These reports include various credit risk aspects such as portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio and geography. Such reporting allows senior management to identify adverse credit trends, formulate and implement timely corrective action, and ensure appropriate risk-adjusted decision making.

Credit Risk Management Approach

Our credit risk management framework includes comprehensive credit risk policies for approval and management of credit risk, as well as methodologies and models to quantify these risks in a consistent manner. While Group policies set our minimum credit risk management standards, the key to our success lies also in the experience and sound judgement of our credit officers and embedded regular credit review process. The internal audit review also provides an independent assessment of the effectiveness and adequacy of our credit risk management practices.

Credit underwriting criteria are regularly updated to reflect prevailing economic conditions in our key markets. In addition, we remain selective in purchasing debt securities. Portfolio reviews and stress tests are conducted regularly to identify any portfolio vulnerabilities. Fair dealing is an integral part of OCBC's core corporate values: credit extensions are only offered after a comprehensive assessment of the borrower's creditworthiness, as well as the suitability and appropriateness of the product offering.

Lending to Consumers and Small Businesses

Credit risks for the consumer and small business sectors are managed on a portfolio basis. Such products include mortgages, credit cards, auto loans, commercial property loans, and business term loans. Loans are underwritten under product programmes that clearly define the target market, underwriting criteria, terms of lending, maximum exposure, credit origination guidelines, and verification processes to prevent fraud. The portfolios are closely monitored using MIS analytics. Scoring models are used in the credit decision process for some products to enable objective risk evaluations and consistent decisions, cost efficient processing, and behavioural score monitoring of expected portfolio performance.

Lending to Corporate and Institutional Customers

Loans to corporate and institutional customers are individually assessed and approved by experienced risk officers. Credit officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support. Credit extensions are guided by pre-defined target market and risk acceptance criteria. To ensure objectivity in credit extensions, co-grantor approvals – or joint approvals – are required from both the business unit as well as credit risk managers from the credit risk function.

Lending to Private Banking Customers

With the acquisition of Bank of Singapore, OCBC has taken a strategic step towards becoming a leading player in private banking and wealth management across Asia. The Bank of Singapore is now an integral part of OCBC, and credit extensions to our wealth management clients are subject to the same standards of comprehensive credit assessment, margin requirements, as well as continuous risk monitoring, where joint approval from the business and risk unit also ensures objectivity in credit extension. Loan advance rates are dependent on the liquidity, volatility and diversification of the collateral portfolio. Credit exposures that are secured by marketable securities are subject to daily valuation and independent price verification. Other key collateral categories include residential real estate; predominantly in Singapore, Hong Kong and London, as well as assigned life insurance policies of investment grade rated Insurance companies.

Credit Risk from Investment or Trading Activities

Counterparty credit risks from our trading, derivative, and debt securities activities are closely monitored and actively managed to protect against potential losses in replacing a contract if a counterparty defaults. Counterparty credit limits are established for each counterparty following an assessment of the counterparty's creditworthiness in accordance with internal policies, as well as the suitability and appropriateness of the product offering. Credit exposures are also controlled through independent monitoring and reporting of excesses and breaches against approved limits and risk mitigation thresholds.

The Group has limited exposure to asset-backed securities and collateralised debt obligations and is not active in securitisation activities.

Internal Credit Rating Models

Internal credit rating models are an integral part of OCBC Group's credit risk management, decision-making process, and regulatory capital calculations. These internal rating models and the parameters – probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") – are used in limit setting, credit approval, monitoring, reporting, remedial management, stress testing, and internal assessment of the adequacy of capital and provisions.

An internal ratings framework has been established to govern the development and validation of rating models and the application of these models. Approval for the models and annual validation tests rests with the Credit Risk Management Committee or Board Risk Management Committee, depending on the materiality of the portfolios. All models are subject to independent validation before implementation to ensure that all aspects of the model development process have been satisfied. The models are developed with active participation by credit experts from risk control and business units. In addition, they are subject to annual review or more frequent monitoring and independent validation to ensure that they are performing as expected, and that the assumptions used in model development remain appropriate. All rating models are also assessed against regulatory requirements to ensure that they are fit to be used for regulatory purposes.

The Group's internal risk grades are not explicitly mapped to external credit agency ratings. Nevertheless, our internal risk grades may correlate to external ratings in terms of the probability of default ranges as factors used to rate obligors would be similar; an obligor rated poorly by an external rating agency is likely to have a weaker internal risk rating.

A-IRB for Major Retail Portfolios

For regulatory capital requirements, the Group has adopted the Advanced Internal Ratings-Based ("A-IRB") approach for major retail portfolios, including residential mortgages, credit cards, auto loans, as well as small business lending. Internal rating models, developed from internal data, are used to estimate PD, LGD, and EAD parameters for each of these portfolios. Application and behaviour scorecards are used as key inputs for several retail PD models. Product, collateral, and geographical characteristics are major factors used in the LGD and EAD models.

F-IRB for Major Non-Retail Portfolios

The Group's major non-retail portfolios are on the Foundation Internal Ratings-Based ("F-IRB") approach for regulatory capital requirements. Under this approach, internal models are used to estimate the PD for each obligor, while LGD and EAD parameters are prescribed by MAS. These PD models are statistically based on expert judgement models that make use of quantitative and qualitative factors to assess an obligor's repayment capacity and are calibrated to expected long-term average one-year default rate over an economic cycle. Expert judgement models are typically used for portfolios where there are a low number of internal default observations. These models are developed with credit experts who have in-depth experience with the specific portfolio being modelled. The models also comply with the regulatory criteria for parameterisation. For major specialised lending portfolios, risk grades derived from internal models are mapped to the five supervisory slotting categories as prescribed in MAS Notice 637. The risk weights prescribed for these slotting categories are used to determine the regulatory capital requirements for such exposures.

IRB Approach for Securitisation Exposures

The credit risk weighted assets for securitisation exposures are computed using the ratings-based method for such exposures as prescribed by MAS Notice 637.

Standardised Approach for Other Portfolios

Other credit portfolios, such as private banking and exposures to sovereigns are under the standardised approach, and will be progressively migrated to the ratings-based approaches. Under this approach, regulatory prescribed risk weights based on asset class and external ratings from approved credit rating agencies, where available, are used to determine the risk weighted assets and regulatory capital. Approved external rating agencies include Standard & Poor's, Moody's, and Fitch.

Credit Risk Control

Credit Risk Mitigation

Transactions are entered into primarily on the strength of a borrower's creditworthiness, ability to repay, and repayment sources. To mitigate credit risk, the Group accepts collateral as security, subject to Group policies on collateral eligibility. Types of collateral include cash and marketable securities; residential and commercial real estate; vessels, aircraft, and automobiles; and other tangible business assets such as inventory and equipment.

The value of collateral is prudently assessed on a regular basis, and valuations are performed by independent appraisers. Appropriate discounts are applied to the market value of collateral, reflecting the quality, liquidity, volatility, and collateral type. The loan-to-value ratio is an important factor in secured lending decision. OCBC Group also accepts guarantees from individuals, corporates, and institutions as a form of support.

To mitigate counterparty credit risk, financial collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions in accordance with internal policies on collateral eligibility. A discount is normally applied on the collateral to cover potential adverse market volatility and currency risk. The collateral agreement typically includes a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed the agreed threshold amount. Master agreements, such as those from International Swaps and Derivatives Agreement ("ISDA"), are also used and these allow for close out netting if either counterparty defaults. For derivative contracts, the total credit exposure of the contract is the mark-to-market value plus the estimate of the potential credit exposure over the remaining term of the contract. The Group calculates such exposures and uses statistical modelling tools to estimate the potential worst-case scenario.

Some netting and collateral agreements may contain rating triggers, although the thresholds in the majority of our agreements are identical in the event of a one-notch rating downgrade. Given the Group's investment grade rating, there is minimal increase in collateral required to be provided to our counterparties if there is a one-notch downgrade of our credit rating.

Managing Credit Risk Concentrations

Credit risk concentrations exist in lending to single customer groups, borrowers engaged in similar activities, or diverse groups of borrowers that could be affected by similar economic or other factors. To manage these concentrations, exposure limits are established for single borrowing groups, counterparties, industry segments, countries, and cross-border transfer risks. Limits are aligned with the Group's business strategy and resources, and take into account the credit quality of the borrower, available collateral, regulatory requirements, and country risk ratings. Limits are typically set taking into consideration factors such as impact on earnings and capital as well as regulatory constraints.

While we are steadily diversifying our exposure regionally, our credit risk concentrations remain significant in our traditional home markets of Singapore and Malaysia. In terms of industries, we have a significant exposure to the real estate market in Singapore. This is supported by dedicated specialist teams in origination as well as credit risk management. Particular attention is paid to borrower and collateral quality, project feasibility, and emerging market conditions. Regular stress tests are performed on the portfolio.

The Bank is in compliance with Section 35 of the Banking Act, which limits its exposure to real estate in Singapore to not more than 35% of its total eligible loan assets.

Remedial Management

The Group has been able to anticipate areas of potential weakness at an early stage through the regular monitoring of the credit quality of our exposures, with an emphasis on a proactive and forward-looking approach to early problem recognition. We value long-term relationships with our customers by working closely with them at the onset of their difficulties. Applying specialist remedial management techniques even before the loan becomes non-performing allows us to maintain sound asset quality and promote customer loyalty and retention.

Loans are categorised as "Pass" or "Special Mention", while non-performing loans ("NPLs") are categorised as "Substandard", "Doubtful", or "Loss" in accordance with MAS Notice 612. These indicators allow us to have a consistent approach to early problem recognition and effective remedial management.

OCBC Group has established specialist and centralised units to manage problem exposures to ensure timely NPL reduction and maximise loan recoveries. Time, risk-based, and discounted cash flow approaches are deployed to optimise collection and asset recovery returns, including monitoring set indicators like delinquency buckets, adverse status, and behavioural score trigger points for consumer NPLs. The Group uses a suite of collection information systems to constantly fine-tune and optimise its objectives of recovery, effectiveness, and customer retention.

Impairment Allowances for Loans

The Group maintains allowances for loans that are sufficient to absorb credit losses inherent in its loan portfolio. Total loan loss reserves comprise specific allowances against each NPL and a portfolio allowance for all loans on books to cover any losses that are not yet evident. The Group's policy for loan allowances is guided by Financial Reporting Standard 39 ("FRS 39"), as modified by MAS Notice 612.

Specific allowance is established when the present value of future recoverable cash flows of the impaired loan is lower than the carrying value of the loan. Assessment for impairment is conducted on a loan-by-loan basis. The exceptions are homogenous loans (such as housing loans, consumer loans, and credit card receivables) below a certain materiality threshold, where such loans may be pooled together according to their risk characteristics and collectively assessed according to the degree of impairment, taking into account the historical loss experience on such loans.

Portfolio allowances are set aside based on management's credit experiences and judgement for estimated inherent losses that may exist but have not been identified to any specific financial asset. Credit experiences are based on historical loss rates that take into account geographic and industry factors. A minimum 1% portfolio allowance is set aside under the transitional arrangement in MAS Notice 612.

Write-offs

Loans are written off against impairment allowances when recovery action has been instituted and the loss can be reasonably determined.

Ceasing of Interest Accrual on Loans

When a loan is classified "Substandard", "Doubtful", or "Loss", interest income ceases to be recognised in the income statement on an accrual basis. However, this non-accrual of interest does not preclude the Group's entitlement to the interest income as it merely reflects the uncertainty in the collectability of such interest income.

Collateral Held Against NPLs

Real estate in Singapore forms the main type of collateral for the Group's NPLs. The realisable value of the real estate collateral is used to determine the adequacy of the collateral coverage. Cross collateralisation will only apply when supported by appropriate legal documentation and justification.

MARKET RISK MANAGEMENT

Market risk is the risk of loss of income or market value due to fluctuations in market factors such as interest rates, foreign exchange rates, equity and commodity prices, or changes in volatility or correlations of such factors. OCBC Group is exposed to market risks from its trading and client servicing activities. OCBC Group's market risk management strategy and market risk limits are established within the Group's risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

Market Risk Management Oversight and Organisation

The Market Risk Management Committee is the senior management committee that supports the Board Risk Management Committee and the CEO in market risk oversight. The Market Risk Management Committee establishes market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems, and internal controls.

The Market Risk Management Committee is supported at the working level by Market Risk Management ("MRM") within Group Risk Management Division. MRM is the independent risk control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

Market Risk Management Approach

Market risk management is a shared responsibility. Business units are responsible for undertaking proactive risk management along with their pursued trading strategies, while MRM acts as the independent monitoring unit that ensures sound governance practices. Key risk management activities of identification, measurement, monitoring, control, and reporting are regularly reviewed to ensure they are commensurate with the Group's market risk taking activities.

Market Risk Identification

Risk identification is addressed via the Group's new product approval process at product inception. Market risks are also identified by our risk managers who proactively interact with the business units on an ongoing basis.

Market Risk Measurements

Value-At-Risk

Value-at-risk ("VaR") is a key market risk measure for the Group's trading activities. The Board Risk Management Committee agrees on an aggregate market risk appetite based on VaR. VaR is measured and monitored by its individual market risk components, namely interest rate risk, foreign exchange risk, equity risk and credit spread risk, as well as at the aggregate level. VaR is based on a historical simulation approach and is applied against a one-day holding period at a 99% confidence level. As VaR is a statistical measure based on historical market fluctuations, it might not accurately predict forward-looking market conditions all the time. As such, losses on a single trading day may exceed VaR, on average, once every 100 days.

Other Risk Measures

As the Group's main market risk is interest rate fluctuations, Present Value of a Basis Point ("PV01"), which measures the change in value of interest rate sensitive exposures resulting from one basis point increase across the entire yield curve, is an additional measure monitored on a daily basis. Other than VaR and PV01, the Group also utilises notional amounts, CS01 (1 Basis Point move in Credit Spreads) and derivative greeks for specific exposure types, where appropriate, to supplement its risk measurements.

Stress Testing and Scenario Analyses

The Group also performs stress testing and scenario analyses to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Group's trading activities, risk profile, and prevailing and forecast economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Group's risk tolerance and capital level.

The table provides a summary of the Group's trading VaR profile by risk types as at 31 December 2012 and 31 December 2011.

VaR By Risk Type – Trading Portfolio

	2012				2011			
SGD Millions	Year End	Average	Minimum	Maximum	Year End	Average	Minimum	Maximum
Interest Rate Risk VaR	**6.98**	**12.17**	**6.71**	**19.17**	14.88	10.63	6.49	16.91
Foreign Exchange Risk VaR	**3.01**	**5.68**	**2.09**	**13.77**	2.79	8.02	2.25	26.70
Equity Risk VaR	**1.43**	**2.13**	**1.23**	**3.76**	2.51	2.03	0.94	4.91
Credit Spread Risk VaR	**2.36**	**3.12**	**1.47**	**4.38**	3.71	3.04	1.12	5.08
Diversification Effect [1]	**-5.11**	**-7.06**	**NM** [2]	**NM** [2]	-3.98	-9.70	NM [2]	NM [2]
Aggregate VaR	**8.67**	**16.04**	**7.96**	**23.28**	19.91	14.02	6.77	26.06

(1) Diversification effect is computed as the difference between Aggregate VaR and sum of asset class VaRs.

(2) Not meaningful as the minimum and maximum VaR may have occurred on different days for different asset classes.

Risk Monitoring and Control

Limits

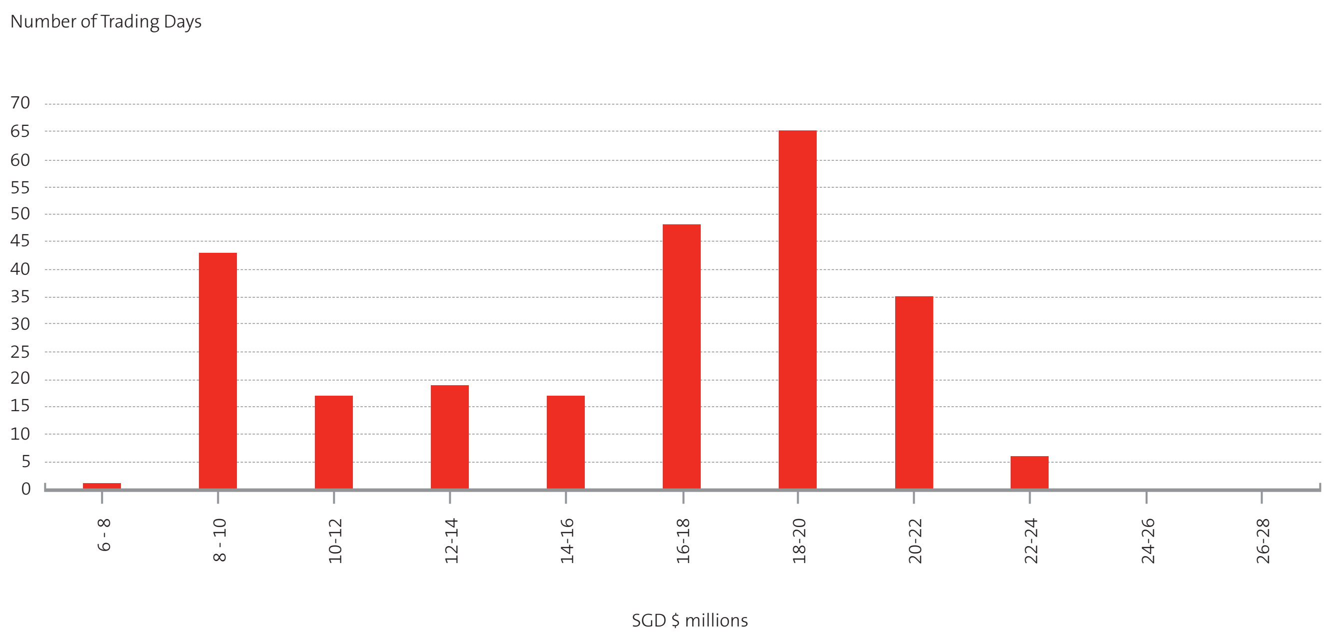
Only authorised trading activities may be undertaken by the various business units within the allocated limits. All trading risk positions are monitored on a daily basis against these limits by independent support units. Limits are approved for various business activity levels, with clearly defined exception escalation procedures. All exceptions are promptly reported to senior management for appropriate rectification. The imposition of limits on the multiple risks (VaR and risk sensitivities), profit/loss, and other measures allow for more holistic analysis and management of market risk exposures.

Model and Valuation Control

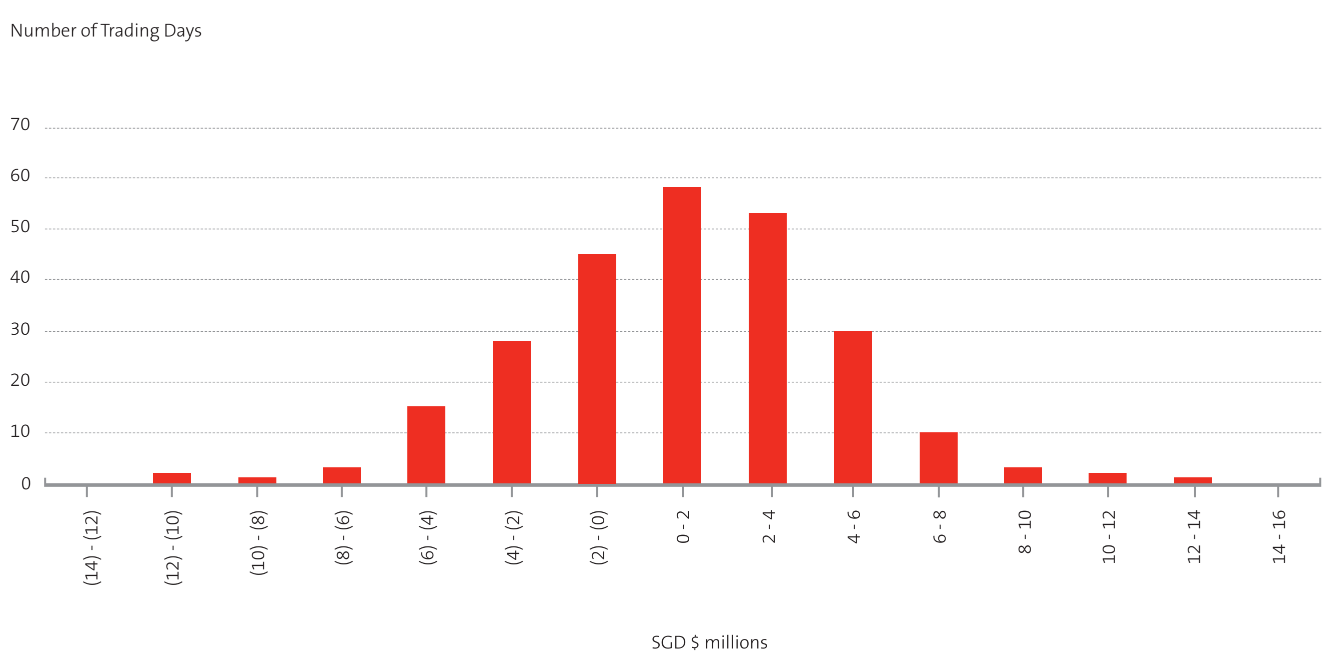
Model and valuation control is also an integral part of the Group's risk control process. Valuation and risk models are deployed in the Group for pricing of financial instruments and VaR calculation, respectively. The Group ensures the models used are fit for their intended purpose, through verifying the parameters, assumptions, and robustness associated with each model before it is implemented for use. Market rates used for risk measurements and valuation by the Market Risk Management Department are sourced independently, thereby adding to the integrity of the trading profits and losses ("P&L"), risk measures and limit control.

Valuation reserves and other operational controls are also imposed to strengthen overall general and model risk management. To ensure the continued integrity of the VaR model, the Group conducts back-testing to confirm the consistency of actual daily trading P&L, as well as theoretical P&L against the model's statistical assumptions.

Frequency Distribution of Group Trading Book Daily Total VaR (One Day Holding Period) for FY 2012



Frequency Distribution of Group Trading Daily Revenue for FY 2012



(This section forms an integral part of OCBC's audited financial statements)

ASSET LIABILITY MANAGEMENT

Asset liability management is the strategic management of the balance sheet structure and liquidity needs, covering funding liquidity risk management, structural interest rate management and structural foreign exchange management.

Asset Liability Management Oversight and Organisation

The Asset Liability Management Committee ("ALCO") is responsible for the oversight of our Group liquidity and balance sheet risks. The ALCO is chaired by the CEO and includes senior management from the business, risk and support units. The ALCO is supported by the Asset Liability Management Department within the Group Risk Management Division.

Asset Liability Management Approach

The Asset Liability Management framework comprises liquidity risk management, structural interest rate risk management and structural foreign exchange risk management.

Liquidity Risk

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations as well as to undertake new transactions.

Our liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are performed and the results are taken into account in the risk management processes. Structural liquidity indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors, products and geographies. In addition, we maintain a level of liquid assets exceeding the regulatory requirement for use in the event of a liquidity crisis. These assets comprise statutory reserve eligible securities as well as marketable shares and debt securities.

Structural Interest Rate Risk

The primary goal of interest rate risk management is to ensure that interest rate risk exposures are maintained within defined risk tolerances.

Interest rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest rates. The material sources of interest rate risk are repricing risk, yield curve risk, basis risk and optionality risk. A range of techniques are employed to measure these risks from an earnings and economic value perspective. One method involves the simulation of the impact of a variety of interest rate scenarios on the net interest income as well as the economic value of the Group's equity. Other measures include interest rate sensitivity measures such as PV01 as well as repricing gap profile analysis.

Limits and policies to manage interest rate exposures are established in line with the Group's strategy and risk appetite, appropriately approved, and reviewed regularly to ensure they remain relevant to the external environment. Control systems are established to monitor the profile against the approved risk thresholds.

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from net investment in overseas branches, subsidiaries, strategic investments, as well as property assets. The objective is to protect the capital and financial soundness by identifying, measuring, and managing the potential adverse impact of structural foreign exchange risk exposures. OCBC actively manages this risk through hedges and funding investments in foreign currencies, in order to minimise potential adverse impact.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. Operational risk includes legal risk and reputation risk.

The Group's operational risk management aims to minimise unexpected and catastrophic losses and to manage expected losses. This enables new business opportunities to be pursued in a risk-conscious and controlled manner.

Operational Risk Management Oversight and Organisation

The Operational Risk and Information Security Committee ("ORISC") is the senior management committee that oversees the execution of the Group's Operational Risk Management, Information Security and Technology Risk practices, and ensures that the respective risk management programmes are appropriate, effective, and support the Group's business strategy. ORISC also has oversight over the management of the Group's fiduciary, reputational and legal risks.

The Operational Risk Management ("ORM") Department of Group Risk Management Division establishes the ORM framework, including policies and methodologies. The ORM department also provides independent oversight of operational risk monitoring and control. The ORM programmes are actively implemented through the respective operational risk co-ordinators or managers in the business units.

Operational Risk Management Approach

The Group manages operational risks through a framework that ensures operational risks are properly identified, managed, monitored, mitigated, and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Group's control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing their control functions without fear of intimidation or reprisal. The Group recognises the importance of establishing a risk-awareness culture in the managing of operational risk through embedding risk management in the Group's core processes.

Each business unit undertakes regular self-assessment of the risk and control environment to identify, assess, and manage its operational risks, which include regulatory and legal risks. Performance metrics are also used to detect early warning signals and drive appropriate management actions before risks materialise into material losses.

Senior management also attests annually to the CEO and Board Risk Management Committee on the adequacy and effectiveness of the internal control system, as well as report key control deficiencies and appropriate remedial plans. Operational risk losses and incidents are used as information for reporting and for providing risk profiling information to senior management and the Board Risk Management Committee.

For information security, the Group protects and ensures the confidentiality, integrity, and availability of its information assets through implementing appropriate security controls to protect against the misuse or compromise of information assets. New and appropriate security technologies are regularly identified and implemented as part of the Group's technology risk management strategy to mitigate any possible threats to the Group's information technology environment.

During 2012, we formally set up a Corporate Security Risk Management programme, bringing together Business Continuity, Fraud and Physical Security under one umbrella. The development of a Physical Security Risk Management programme will further strengthen the protection of the Group's assets.

To mitigate the impact of unforeseen operational risk events, Group management has implemented business continuity management and crisis management programmes to ensure the uninterrupted availability of all business resources to support essential business activities. On an annual basis, Senior Management provides an attestation to the Board Risk Management Committee on the state of business continuity management including the internally developed business continuity management maturity scorecard, extent of alignment to MAS guidelines and declaration of residual risk. The Group also monitors the health and security environment of the locations of the Group's key operations to assess possible threats that may adversely affect the Group and its employees.

The Group's Fraud Risk Management ("FRM") and whistle-blowing programmes help prevent and detect fraud or misconduct, as well as enable rapid and co-ordinated incident responses, including establishing the cause, remedial actions, and damage control procedures. The Group is proactively strengthening its FRM infrastructure to manage emerging threats through new programmes and initiatives.

Reputation Risk Management

Reputation risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the Group on the part of customers, counterparties, shareholders, investors and regulators. The Group has a reputation risk management programme to manage any such potential current, or future adverse impact on earnings and continued access to sources of funding. The programme focuses on understanding and managing our responsibilities towards our different stakeholders, and protecting our reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management

The Group has a fiduciary risk management programme to manage risks associated with fiduciary relationships created in managing funds or providing other services. The programme provides guidelines on regular identification, assessment, mitigation, and monitoring of fiduciary risk exposures, to ensure the Group's compliance with applicable corporate standards.

Regulatory and Legal Risks

Each business unit is responsible for the adequacy and effectiveness of controls in managing both regulatory and legal risks. An annual Regulatory Compliance Certification is provided by senior management to the CEO and Board Risk Management Committee on the state of regulatory compliance.

The purpose of this disclosure is to provide the information in accordance with Pillar 3 directives under MAS Notice 637. This supplements the disclosure in the Risk Management and Capital Management Chapters as well as related information in the Notes to the Financial Statements and Management Discussion and Analysis.

The Group maintained its robust overall credit quality notwithstanding lingering concerns over slowing global economic growth and uncertain developments in the European crisis. Total risk weighted assets ("RWA") were higher compared to 2011, driven mainly by the expansion in credit portfolios. Average risk weights for exposures on the internal ratings-based approach were lower, reflecting the prudent management of loan growth with sound underwriting discipline.

MAS Notice 637 was revised in September 2012 to incorporate the Basel III capital reforms that will take effect from January 2013. The Group continues to enhance our risk management capabilities and is well-positioned to comply with the new regulatory requirements.

Exposures and Risk Weighted Assets ("RWA") by Portfolio

	EAD S$ million	RWA S$ million
Credit Risk		
Standardised Approach		
Corporate	8,424	8,259
Sovereign	34,215	1,059
Bank	914	212
Retail	2,496	1,875
Residential Mortgage	1,776	717
Others	5,794	5,134
Total Standardised	53,619	17,256
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	60,744	42,139
Bank	47,785	9,496
Advanced IRB		
Residential Mortgage	43,797	5,023
Qualifying Revolving Retail	4,899	1,117
Small Business	8,072	3,167
Other Retail	1,350	290
Specialised Lending under Supervisory Slotting Criteria	22,406	20,898
Securitisation	87	20
Equity	1,995	6,763
Total IRB	191,135	88,913
Total Credit Risk	244,754	106,169
Market Risk		
Standardised Approach		14,431
Operational Risk		
Standardised Approach		8,307
Basic Indicator Approach		740
Total Operational Risk		9,047
Total RWA		**129,647**

Capital Adequacy Ratio ("CAR") for Significant Banking Subsidiaries

Subsidiary	Tier 1 CAR	Total CAR
Bank of Singapore Limited	16.3%	16.4%
Singapore Island Bank Limited	452.0%	452.0%
OCBC Bank (Malaysia) Berhad	15.9%	18.0%
OCBC Al-Amin Bank Berhad	10.7%	15.2%
OCBC Bank (China) Limited	21.9%	22.0%
PT Bank OCBC NISP Tbk	13.9%	16.4%

Note: The capital adequacy ratios of Bank of Singapore Limited, Singapore Island Bank Limited and PT Bank OCBC NISP Tbk are computed based on the standardised approach under the Basel framework. Capital adequacy ratio computations of OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad are based on the IRB approach. The computations at OCBC Bank (China) Limited is currently based on Basel I requirements.

CREDIT RISK

With Basel implementation, OCBC Group has adopted the Internal Ratings-Based (IRB) Approach for major credit portfolios, where 3 key parameters – Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) are used to quantify credit risk.

1. What is the probability of an obligor going into default?	Probability of Default	=	PD (%)
2. What is our exposure in the event of a default?	Exposure at Default	=	EAD
3. How much of the exposure amount should we expect to lose?	Loss Given Default	=	LGD (%)

Credit Exposures under Standardised Approach

Credit exposures under the standardised approach comprise mainly exposures to sovereigns, private banking customers in Bank of Singapore and fixed assets. Rated exposures relate mainly to debt securities and sovereign portfolios while unrated exposures relate mainly to individuals and fixed assets.

Risk Weight	EAD S$ million
0%	32,391
20% - 35%	3,804
50% - 75%	3,652
100%	13,763
>100%	9
Total	**53,619**
Rated exposures	43,208
Unrated exposures	10,411

Credit Exposures subject to Supervisory Risk Weights under Internal Ratings Based Approach

Equity Exposures under Simple Risk Weight Method

Equities for regulatory capital computation are risk weighted and/or deducted from capital in accordance with MAS Notice 637 under the IRB Simple Risk Weight Method. Equity exposures of S$25 million have been deducted from regulatory capital.

	EAD S$ million	Average Risk Weight
Listed securities	1,601	318%
Other equity holdings	394	424%
Total	**1,995**	**339%**

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include financing of income-producing real estate as well as project, object and commodity finance.

	EAD S$ million	Average Risk Weight
Strong	7,044	62%
Good	9,225	83%
Satisfactory	4,742	122%
Weak	1,169	265%
Default	226	NA
Total	**22,406**	**93%**

Credit Exposures under Foundation Internal Ratings Based Approach (F-IRBA)

Corporate exposures are mainly exposures to corporate and institutional customers as well as major non-bank financial institutions. Bank exposures are exposures to banks and eligible public sector entities.

Corporate Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	9,288	18%
> 0.05 to 0.5%	21,172	45%
> 0.5 to 2.5%	20,432	83%
> 2.5 to 9%	7,719	138%
> 9%	1,665	201%
Default	468	NA
Total	**60,744**	**69%**

Bank Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	30,396	8%
> 0.05 to 0.5%	11,536	26%
> 0.5 to 2.5%	5,477	65%
> 2.5 to 9%	376	109%
> 9%	–	205%
Default	–	NA
Total	**47,785**	**20%**

Credit Exposures under Advanced Internal Ratings Based Approach (A-IRBA)

Residential Mortgages are loans to individuals secured by residential properties. Qualifying Revolving Retail exposures are revolving unsecured loans to individuals e.g. credit cards. Other Retail exposures are mainly auto loans in Singapore. Small Business exposures include lending to small businesses and commercial property loans to individuals in Singapore and Malaysia.

Residential Mortgages

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	29,902	3,990	11%	5%
> 0.5 to 3%	8,634	1,337	11%	18%
> 3 to 10%	4,606	332	10%	34%
> 10%	462	13	11%	63%
100%	193	–	16%	76%
Total	**43,797**	**5,672**	**11%**	**11%**

Qualifying Revolving Retail Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	3,807	6,266	81%	7%
> 0.5 to 3%	563	392	78%	41%
> 3 to 10%	395	162	83%	96%
> 10%	112	35	83%	225%
100%	22	–	81%	0%
Total	**4,899**	**6,855**	**81%**	**23%**

Small Business Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	2,871	1,006	29%	14%
> 0.5 to 3%	3,160	510	35%	39%
> 3 to 10%	1,600	181	40%	63%
> 10%	285	33	49%	103%
100%	156	66	43%	141%
Total	**8,072**	**1,796**	**35%**	**39%**

Other Retail Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	845	277	30%	12%
> 0.5 to 3%	333	53	29%	33%
> 3 to 10%	123	4	28%	42%
> 10%	46	1	27%	58%
100%	3	–	32%	34%
Total	**1,350**	**335**	**29%**	**21%**

Actual Loss and Expected Loss for Exposures under Foundation and Advanced IRB Approaches

Actual loss refers to impairment loss allowance and direct write-off to the income statement during the year. Expected loss ("EL") represents model derived and/or regulatory prescribed estimates of future loss on potential defaults over a one-year time horizon. Comparison of the two measures has limitations because they are calculated using different methods. EL computations are based on LGD and EAD estimates that reflect downturn economic conditions and regulatory minimums, and PD estimates that reflect long run through-the-cycle approximation of default rates. Actual loss is based on accounting standards and represents the point-in-time impairment experience for the financial year.

	Actual Loss for the 12 months ended 31 December 2012 S$ million	Regulatory Expected Loss (Non-defaulted) as at 31 December 2011 S$ million
Corporate	26	346
Bank	–	53
Small Business	22	67
Retail	33	103
Total	**81**	**569**

Exposures Covered by Credit Risk Mitigation

	Eligible Financial Collateral S$ million	Other Eligible Collateral S$ million	Amount by which exposures have been reduced by eligible credit protection S$ million
Standardised Approach			
Corporate	2,621	–	–
Sovereign and Bank	2,537	–	–
Retail and Residential Mortgage	280	–	–
Others	2,930	–	–
Total	**8,368**	**–**	**–**
Foundation IRB Approach			
Corporate	3,407	8,405	269
Bank	153	–	–
Total	**3,560**	**8,405**	**269**

Note:
1. Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.
2. Does not include collateral for exposures under Advanced IRB Approach and Specialised Lending.

Counterparty Credit Risk Exposures

	S$ million
Replacement Cost	4,729
Potential Future Exposure	4,683
Less: Effects of Netting	3,951
EAD under Current Exposure Method	**5,461**
Analysed by type:	
Foreign Exchange Contracts and Gold	3,202
Interest Rate Contracts	1,359
Equity Contracts	87
Precious Metals Contracts	–
Other Commodities Contracts	12
Credit Derivative Contracts	801
Less: Eligible Financial Collateral	231
Other Eligible Collateral	–
Net Derivatives Credit Exposure	**5,230**

Credit Derivatives

	S$ million Notional Amount	
	Bought	**Sold**
Credit Default Swaps		
for own credit portfolio	9,426	8,825
for intermediation activities	46	–
Total	**9,472**	**8,825**

Note: Credit derivatives for own credit portfolio include trading portfolio and hedges, if any.

Securitisation Exposures Purchased

There are no re-securitisation exposures and all the securitisation exposures are in the banking book.

	S$ million	
Risk Weight	**EAD**	**Capital Charge**
up to 20%	67	1
> 20% to 50%	18	1
> 50% to 100%	–	–
> 100% to 500%	–	–
> 500%	–	–
Deductions from Tier 1 and Tier 2 Capital	2	–
Total	**87**	**2**

MARKET RISK

Capital Requirement by Market Risk Type under Standardised Approach

	S$ million
Interest rate risk	718
Equity position risk	40
Foreign exchange risk	395
Commodity risk	1
Total	**1,154**

EQUITY EXPOSURES

Disclosures on valuation and accounting treatment of equity holdings can be found in Notes to the Financial Statements 2.2.3, 2.6.2 and 2.23.3.

Equity exposures comprise equity securities categorised as "Available-for-sale" (AFS) and investments in associates and joint ventures. AFS securities are carried at fair value in the balance sheet of the Group while investments in associates are carried at cost and adjusted for post-acquisition changes of the Group's share of the net assets of the associates and joint ventures.

Equity exposures categorised and measured in accordance with the Singapore Financial Reporting Standards differ from the regulatory definition under MAS Notice 637 in the following key areas:

1. Equity investments held by insurance subsidiaries (included below) are not consolidated for regulatory computation.
2. Debt instruments approved for inclusion as Tier 1 capital are treated as equity exposures under MAS Notice 637.

Carrying Value of Equity Exposures

	S$ million
Quoted equity exposure - AFS	2,331
Unquoted equity exposure - AFS	180
Quoted equity exposure - Associates	–
Unquoted equity exposure - Associates	355
Total	**2,866**

Realised and Unrealised Gains and Losses

	S$ million
Gains/(losses) from disposal of AFS equities	1,267
Unrealised gains included in fair value reserve	550
Total	**1,817**

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	At 31.12.2012 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.

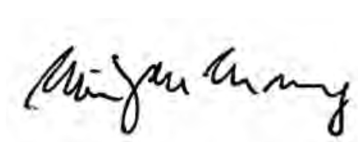
The Audit Committee has nominated KPMG LLP for re-appointment as auditors of the Bank at the forthcoming annual general meeting.

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,

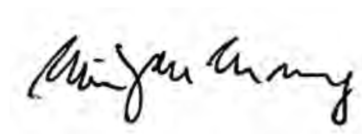
(a) the financial statements set out on pages 79 to 171 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012, the results and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows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

	Note	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 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

	Note	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 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 1/24th method and is reduced by the corresponding percentage of gross direct business, commissions and agency related expenses not exceeding limits specified by regulators in the respective jurisdictions in which the insurance entity operates.

2.18 Share capital and dividend

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

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

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

2.19 Recognition of income and expense

2.19.1 Interest income and expense

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

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		BANK	
	2012 $'000	2011 $'000	2012 $'000	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	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

$'000	GROUP 2012	GROUP 2011
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		BANK	
	2012 $'000	2011 $'000	2012 $'000	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		BANK	
	2012 $'000	2011 $'000	2012 $'000	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	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 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 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	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
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	GROUP 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 2011 $'000
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.

	2012			2011		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	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)

				GROUP AND BANK	
	Note	Issue Date	Maturity Date	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)

		GROUP	
	Note	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	GROUP AND BANK 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	GROUP 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 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 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 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 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 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 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				
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		BANK	
	2012 $'000	2011 $'000	2012 $'000	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		BANK	
	2012 $'000	2011 $'000	2012 $'000	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		BANK	
	2012 $'000	2011 $'000	2012 $'000	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		BANK	
	2012 $ million	2011 $ million	2012 $ million	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 2012 $'000	GROUP 2011 $'000	BANK 2012 $'000	BANK 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		BANK	
	2012 $'000	2011 $'000	2012 $'000	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:

		Carrying value	
Cash Generating Units	**Basis of determining recoverable value**	**2012 $'000**	**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.

	2012			2011		
$ million	Structural currency exposure	Hedging financial instruments	Net structural currency exposure	Structural currency exposure	Hedging financial instruments	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.

		Impact on			
$ million	Change in assumptions	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.

	Neither past due nor impaired					
$ million	Investment grade @	Non-investment grade @	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				Past due and impaired @	Total
	Less than 6 months	6 to 12 months	Over 12 months	Sub-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

	GROUP					
$ million	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

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

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.

Ordinary/Preference Shareholding Statistics

As at 6 March 2013

CLASS OF SHARES

Ordinary Shares.

NUMBER OF ORDINARY SHAREHOLDERS

The number of ordinary shareholders of the Bank as at 6 March 2013 is 66,380.

VOTING RIGHTS

The Articles of Association provide for a member (other than the Bank where it is a member by reason of its holding of ordinary shares as treasury shares) to have:

(a) on a show of hands: 1 vote
(b) on a poll: 1 vote for each ordinary share held

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Size of Holdings	Number of Ordinary Shareholders	%	Ordinary Shares Held (excluding treasury shares)	%
1 – 999	11,174	16.83	2,501,042	0.07
1,000 – 10,000	42,788	64.46	137,930,439	4.02
10,001 – 1,000,000	12,281	18.50	584,728,357	17.03
1,000,001 and above	137	0.21	2,707,533,711	78.88
Total	66,380	100.00	3,432,693,549	100.00

Number of issued ordinary shares: 3,441,099,691
Number of ordinary shares held in treasury: 8,406,142
Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): 0.24%

TWENTY LARGEST ORDINARY SHAREHOLDERS

	Ordinary Shareholders	Number of Ordinary Shares Held	%*
1.	Citibank Nominees Singapore Pte Ltd	474,973,077	13.84
2.	Selat (Pte) Limited	393,711,299	11.47
3.	DBS Nominees (Private) Limited	350,312,468	10.21
4.	DBSN Services Pte. Ltd.	200,823,959	5.85
5.	HSBC (Singapore) Nominees Pte Ltd	147,773,452	4.30
6.	Singapore Investments (Pte) Limited	126,516,053	3.69
7.	Lee Foundation	124,992,106	3.64
8.	BNP Paribas Securities Services Singapore	111,400,963	3.25
9.	Lee Rubber Company (Pte) Limited	104,632,908	3.05
10.	United Overseas Bank Nominees (Private) Limited	69,476,342	2.02
11.	Lee Latex (Pte) Limited	48,299,725	1.41
12.	Raffles Nominees (Pte.) Limited	43,655,181	1.27
13.	Kallang Development (Pte) Limited	32,505,829	0.95
14.	DB Nominees (Singapore) Pte Ltd	24,443,283	0.71
15.	Lee Pineapple Company (Pte) Limited	22,599,381	0.66
16.	Kew Estate Limited	22,042,465	0.64
17.	Lee Brothers (Wee Kee) Private Limited	17,773,323	0.52
18.	Tropical Produce Company (Pte) Limited	16,472,067	0.48
19.	Kota Trading Company Sendirian Berhad	16,390,287	0.48
20.	Island Investment Company (Private) Limited	16,207,607	0.47
Total		2,365,001,775	68.91

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 6 March 2013, excluding any ordinary shares held in treasury as at that date.

Approximately 64.96% of the issued ordinary shares (excluding ordinary shares held in treasury) are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

Ordinary/Preference Shareholding Statistics

As at 6 March 2013

SUBSTANTIAL ORDINARY SHAREHOLDERS

According to the register required to be kept under section 88 of the Companies Act, Cap. 50, the following are the only substantial ordinary shareholders of the Bank having an interest of 5 per cent or more of the total votes attached to all the voting shares in the Bank as undernoted:

Substantial ordinary shareholders	Ordinary shares registered in the name of the substantial ordinary shareholders	Ordinary shares held by the substantial ordinary shareholders in the name of nominees	Ordinary shares in which the substantial ordinary shareholders are deemed to be interested	Total	Percentage* of issued ordinary shares
	As at 6.3.2013	As at 6.3.2013	As at 6.3.2013	As at 6.3.2013	
Lee Foundation	124,992,106	–	544,847,743 [1]	669,839,849	19.51%
Selat (Pte) Limited	393,711,299	–	17,500,981 [2]	411,212,280	11.98%
Aberdeen Asset Management PLC	–	–	263,264,207 [3]	263,264,207	7.67%
Aberdeen Asset Management Asia Limited	–	–	230,571,574 [4]	230,571,574	6.72%

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 6 March 2013, excluding any ordinary shares held in treasury as at that date.

(1) This represents Lee Foundation's deemed interest in (a) the 22,599,381 ordinary shares held by Lee Pineapple Company (Pte) Limited, (b) the 393,711,299 ordinary shares held by Selat (Pte) Limited, (c) the 126,516,053 ordinary shares held by Singapore Investments (Pte) Limited and (d) the 2,021,010 ordinary shares held by Peninsula Plantations Sendirian Berhad.

(2) This represents Selat (Pte) Limited's deemed interest in (a) the 1,293,374 ordinary shares held by South Asia Shipping Company Private Limited and (b) the 16,207,607 ordinary shares held by Island Investment Company (Private) Limited.

(3) This represents the deemed interest in 263,264,207 ordinary shares held by Aberdeen Asset Management PLC and its subsidiaries, Aberdeen Asset Management Asia Limited, Aberdeen Asset Management Inc, Aberdeen Asset Management Sdn Bhd, Aberdeen Asset Managers Limited, Aberdeen International Fund Managers Limited, Aberdeen Private Wealth Management Limited, Aberdeen Investment Management K K and Aberdeen Asset Management Limited (together, the "AAM Group"), through various custodians, on behalf of the accounts managed by the AAM Group. The Bank has been advised by Aberdeen Asset Management PLC that the AAM Group holds a total of 263,264,207 ordinary shares in the Bank across all mandates, equivalent to 7.67% of the Bank's issued ordinary shares, of which the AAM Group is given disposal rights and proxy voting rights for 165,996,651 ordinary shares equivalent to 4.84% and disposal rights without proxy voting rights for 97,267,556 ordinary shares.

(4) This represents the deemed interest in 230,571,574 ordinary shares held by Aberdeen Asset Management Asia Limited ("AAMAL"), through various custodians, on behalf of the accounts managed by AAMAL. The Bank has been advised by AAMAL that it holds a total of 230,571,574 ordinary shares in the Bank across all mandates, equivalent to 6.72% of the Bank's issued ordinary shares, of which AAMAL is given disposal rights and proxy voting rights for 146,672,443 ordinary shares equivalent to 4.27% and disposal rights without proxy voting rights for 83,899,131 ordinary shares.

CLASS OF SHARES

Non-Cumulative Non-Convertible Class B Preference Shares.

NUMBER OF CLASS B PREFERENCE SHAREHOLDERS

The number of Class B Preference Shareholders of the Bank as at 6 March 2013 is 9,245.

VOTING RIGHTS

Except as provided below, the Class B Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class B Preference Shareholders shall be entitled to attend a class meeting of the Class B Preference Shareholders. Every Class B Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class B Preference Share of which he is the holder.

If dividends with respect to the Class B Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class B Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class B Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class B Preference Shareholders). Every Class B Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class B Preference Share of which he is the holder.

DISTRIBUTION OF CLASS B PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class B Preference Shareholders	%	Number of Class B Preference Shares Held	%
1 – 999	7,527	81.42	2,319,620	23.20
1,000 – 10,000	1,647	17.81	3,453,480	34.53
10,001 – 1,000,000	71	0.77	4,226,900	42.27
Total	9,245	100.00	10,000,000	100.00

TWENTY LARGEST CLASS B PREFERENCE SHAREHOLDERS

	Class B Preference Shareholders	Number of Class B Preference Shares Held	%
1.	Bank of Singapore Nominees Pte. Ltd.	906,930	9.07
2.	Citibank Nominees Singapore Pte Ltd	840,920	8.41
3.	DBS Nominees (Private) Limited	358,900	3.59
4.	HSBC (Singapore) Nominees Pte Ltd	309,400	3.09
5.	United Overseas Bank Nominees (Private) Limited	264,200	2.64
6.	Raffles Nominees (Pte.) Limited	193,550	1.94
7.	NTUC Fairprice Co-Operative Ltd	120,000	1.20
8.	Quek Neo Kia or Lim Guat Swee	64,000	0.64
9.	Liew Yeow Weng	51,300	0.51
10.	The Lotus Sanctuary Hospitality Pte Ltd	50,000	0.50
11.	OCBC Securities Private Limited	44,600	0.45
12.	DB Nominees (Singapore) Pte Ltd	35,900	0.36
13.	Tan Boy Tee	35,000	0.35
14.	Liauw Samin	32,500	0.33
15.	UOB Kay Hian Private Limited	31,200	0.31
16.	George Lee Private Limited	30,000	0.30
17.	Lim Earn Sian	30,000	0.30
18.	Ong Geok Eng	30,000	0.30
19.	Merrill Lynch (Singapore) Pte. Ltd.	29,500	0.30
20.	OCBC Nominees Singapore Private Limited	25,900	0.26
Total		3,483,800	34.85

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap. 50 in relation to the Class B Preference Shares.

Ordinary/Preference Shareholding Statistics

As at 6 March 2013

CLASS OF SHARES

Non-Cumulative Non-Convertible Class G Preference Shares.

NUMBER OF CLASS G PREFERENCE SHAREHOLDERS

The number of Class G Preference Shareholders of the Bank as at 6 March 2013 is 5,987.

VOTING RIGHTS

Except as provided below, the Class G Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class G Preference Shareholders shall be entitled to attend a class meeting of the Class G Preference Shareholders. Every Class G Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class G Preference Share of which he is the holder.

If dividends with respect to the Class G Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class G Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class G Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class G Preference Shareholders). Every Class G Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class G Preference Share of which he is the holder.

DISTRIBUTION OF CLASS G PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class G Preference Shareholders	%	Number of Class G Preference Shares Held	%
1 – 999	636	10.62	277,111	0.07
1,000 – 10,000	3,280	54.79	13,848,026	3.50
10,001 – 1,000,000	2,047	34.19	147,367,163	37.23
1,000,001 and above	24	0.40	234,338,584	59.20
Total	5,987	100.00	395,830,884	100.00

TWENTY LARGEST CLASS G PREFERENCE SHAREHOLDERS

	Class G Preference Shareholders	Number of Class G Preference Shares Held	%
1.	Citibank Nominees Singapore Pte Ltd	55,051,877	13.91
2.	Selat (Pte) Limited	53,879,531	13.61
3.	DBS Nominees (Private) Limited	24,692,582	6.24
4.	Lee Rubber Company (Pte) Limited	18,564,085	4.69
5.	Lee Foundation, States of Malaya	16,000,000	4.04
6.	Singapore Investments (Pte) Limited	10,642,763	2.69
7.	Lee Latex (Pte) Limited	8,609,432	2.18
8.	United Overseas Bank Nominees (Private) Limited	8,284,870	2.09
9.	Lee Foundation	7,080,009	1.79
10.	Fraser And Neave Limited.	6,069,458	1.53
11.	Tokio Marine Insurance Singapore Ltd.	3,241,000	0.82
12.	Tan Chee Jin	3,000,000	0.76
13.	Lee Plantations (Pte) Ltd	2,323,572	0.59
14.	Island Investment Company (Private) Limited	2,301,287	0.58
15.	Tenet Insurance Company Ltd	2,080,000	0.53
16.	Chong Chew Lim @ Chong Ah Kau	1,732,212	0.44
17.	Y.S. Fu Holdings (2002) Pte. Ltd.	1,700,000	0.43
18.	Kota Trading Company Sendirian Berhad	1,680,093	0.42
19.	HSBC (Singapore) Nominees Pte Ltd	1,672,125	0.42
20.	Boswell International Marine (Pte) Limited	1,373,000	0.35
Total		229,977,896	58.11

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap. 50 in relation to the Class G Preference Shares.

CLASS OF SHARES

Non-Cumulative Non-Convertible Class M Preference Shares.

NUMBER OF CLASS M PREFERENCE SHAREHOLDERS

The number of Class M Preference Shareholders of the Bank as at 6 March 2013 is 910.

VOTING RIGHTS

Except as provided below, the Class M Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class M Preference Shareholders shall be entitled to attend a class meeting of the Class M Preference Shareholders. Every Class M Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class M Preference Share of which he is the holder.

If dividends with respect to the Class M Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class M Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class M Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class M Preference Shareholders). Every Class M Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class M Preference Share of which he is the holder.

DISTRIBUTION OF CLASS M PREFERENCE SHAREHOLDERS

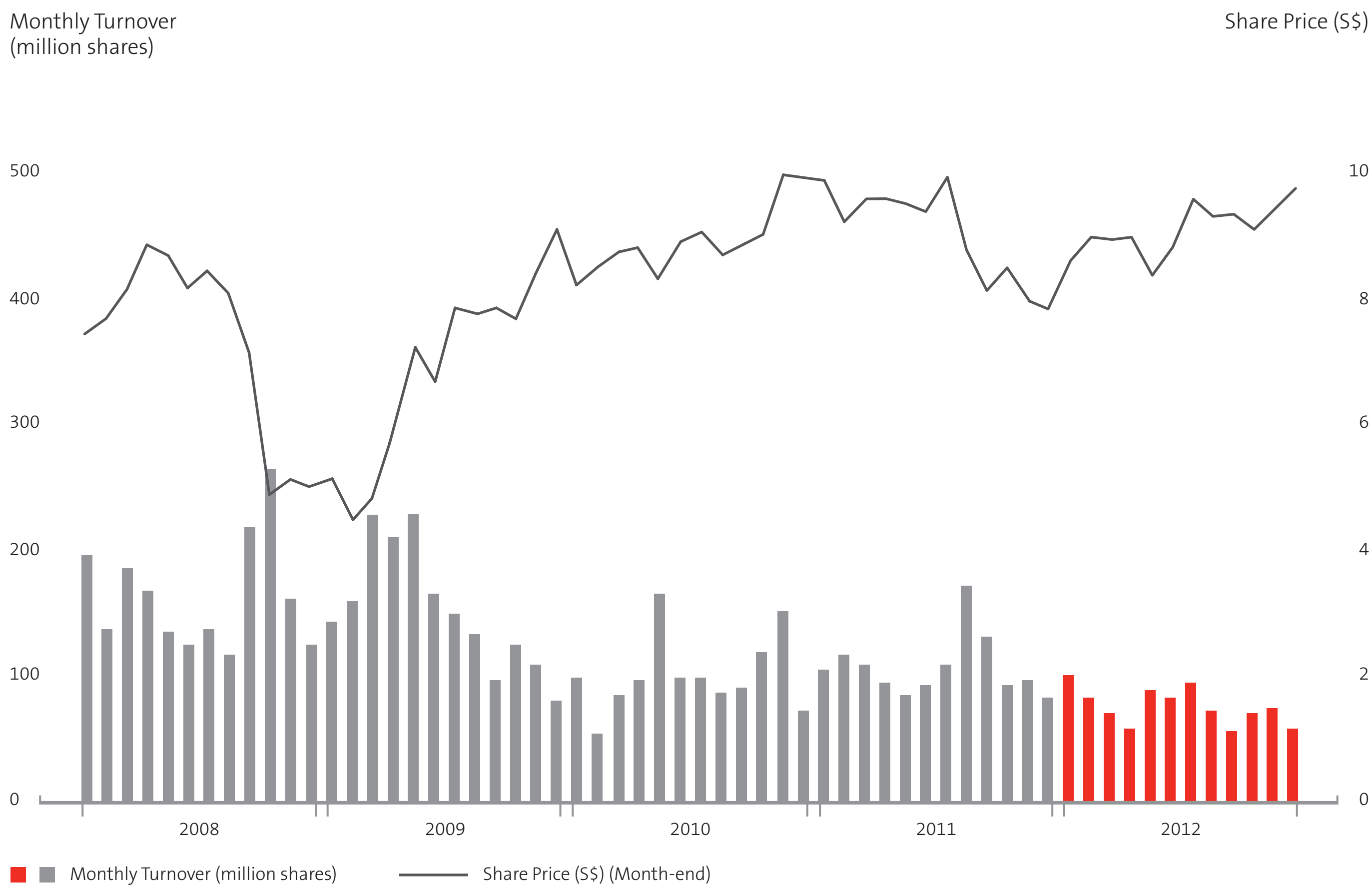
Size of Holdings	Number of Class M Preference Shareholders	%	Number of Class M Preference Shares Held	%
10,001 – 1,000,000	861	94.62	284,750,000	28.48
1,000,001 and above	49	5.38	715,250,000	71.52
Total	910	100.00	1,000,000,000	100.00

TWENTY LARGEST CLASS M PREFERENCE SHAREHOLDERS

	Class M Preference Shareholders	Number of Class M Preference Shares Held	%
1.	Bank of Singapore Nominees Pte. Ltd.	210,750,000	21.08
2.	Citibank Nominees Singapore Pte Ltd	122,750,000	12.28
3.	DBS Nominees (Private) Limited	112,750,000	11.28
4.	United Overseas Bank Nominees (Private) Limited	37,250,000	3.73
5.	HSBC (Singapore) Nominees Pte Ltd	33,000,000	3.30
6.	Raffles Nominees (Pte.) Limited	32,000,000	3.20
7.	DBSN Services Pte. Ltd.	24,000,000	2.40
8.	Oversea-Chinese Bank Nominees Private Limited	11,250,000	1.13
9.	NTUC Fairprice Co-operative Ltd	10,000,000	1.00
10.	BNP Paribas Nominees Singapore Pte Ltd	7,250,000	0.73
11.	Thye Hua Kwan Holdings Pte Ltd	7,000,000	0.70
12.	DB Nominees (Singapore) Pte Ltd	6,750,000	0.68
13.	ASL Marine Holdings Ltd.	5,000,000	0.50
14.	SIM University	5,000,000	0.50
15.	Singapura Finance Ltd	5,000,000	0.50
16.	Thomson Shin Min Foundation	5,000,000	0.50
17.	OCBC Securities Private Limited	4,250,000	0.43
18.	Othman Bin Haron Eusofe, Lim Boon Heng & John De Payva	4,000,000	0.40
19.	Zhang Rui Kang	4,000,000	0.40
20.	First Grand Investment Pte. Ltd.	3,500,000	0.35
Total		650,500,000	65.09

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap. 50 in relation to the Class M Preference Shares.

FIVE-YEAR SHARE PRICE AND TURNOVER



	2008	2009	2010	2011	2012
Share Price (S$)					
Highest	9.02	9.10	10.24	10.32	**9.85**
Lowest	4.50	3.95	8.08	7.68	**7.91**
Average	7.41	6.78	8.92	9.02	**9.00**
Last Done	4.99	9.10	9.88	7.83	**9.73**
Per ordinary share					
Basic earnings (cents)	54.6	59.4	66.1	65.8	**113.1**
Basic core earnings (cents) [(1)]	46.1	59.4	66.1	64.8	**79.1**
Net interim and final dividend (cents) [(2)]	28.0	28.0	30.0	30.0	**33.0**
Net asset value (NAV) (S$)	4.51	5.29	5.66	6.02	**6.68**
Ratios [(3)]					
Price-earnings ratio	13.6	11.4	13.5	13.7	**8.0**
Price-earnings ratio - based on core earnings	16.1	11.4	13.5	13.9	**11.4**
Net dividend yield (%)	3.78	4.13	3.36	3.33	**3.67**
Dividend cover (number of times)	1.95	2.09	2.18	2.17	**3.43**
Price/NAV (number of times)	1.64	1.28	1.58	1.50	**1.35**

(1) Core earnings exclude gains from divestments of non-core assets and tax refunds.
(2) Dividends are stated net of tax, where relevant.
(3) Price ratios and dividend yield are based on average share prices.

FIVE-YEAR ORDINARY SHARE CAPITAL HISTORY

		Number of ordinary shares ('000)		
Year	Particulars	Issued	Held in Treasury	In circulation
2008	Shares issued to non-executive directors	53		
	Issue of shares pursuant to Share Option Schemes		4,997	
	Issue of shares pursuant to Employee Share Purchase Plan		5,457	
	Issue of shares pursuant to Deferred Share Plan		4,091	
	Year end balance	3,126,566	(25,747)	3,100,819
2009	Shares issued to non-executive directors	43		
	Shares issued in lieu of dividend	118,512		
	Issue of shares pursuant to Share Option Schemes		6,044	
	Issue of shares pursuant to Employee Share Purchase Plan		23	
	Issue of shares pursuant to Deferred Share Plan		4,898	
	Year end balance	3,245,121	(14,782)	3,230,339
2010	Shares issued to non-executive directors	60		
	Shares issued in lieu of dividend	95,865		
	Share buyback		(4,439)	
	Issue of shares pursuant to Share Option Schemes		8,969	
	Issue of shares pursuant to Employee Share Purchase Plan		3,512	
	Issue of shares pursuant to Deferred Share Plan		3,470	
	Year end balance	3,341,046	(3,270)	3,337,776
2011	Shares issued to non-executive directors	48		
	Shares issued in lieu of dividend	99,950		
	Share buyback		(10,078)	
	Issue of shares pursuant to Share Option Schemes		2,723	
	Issue of shares pursuant to Employee Share Purchase Plan		4,071	
	Issue of shares pursuant to Deferred Share Plan		2,587	
	Year end balance	3,441,044	(3,967)	3,437,077
2012	Shares issued to non-executive directors	56		
	Share buyback		(18,242)	
	Issue of shares pursuant to Share Option Schemes		6,248	
	Issue of shares pursuant to Employee Share Purchase Plan		1,716	
	Issue of shares pursuant to Deferred Share Plan		4,086	
	Year end balance	3,441,100	(10,159)	3,430,941

DR CHEONG CHOONG KONG

Current Directorships (and Appointments)

1.	Great Eastern Holdings Ltd*	Director
2.	OCBC Management Services Pte Ltd	Director
3.	The Overseas Assurance Corporation Ltd	Director
4.	Movement for the Intellectually Disabled of Singapore	Patron

** Listed company*

Directorships (and Appointments) for the past 3 years

Nil

Academic and Professional Qualifications
Bachelor of Science (First Class Honours in Mathematics), University of Adelaide
Master of Science and PhD in Mathematics and (Honorary) Doctor of Science, Australian National University, Canberra

OCBC Board Committees Served On
Chairman, Executive Committee
Member, Nominating Committee
Member, Remuneration Committee
Member, Risk Management Committee

Date of First Appointment as a Director of OCBC
Director since 1 July 1999
Vice Chairman from 26 March 2002 to 30 June 2003
Chairman since 1 July 2003

Date of Last Re-appointment as a Director of OCBC
25 April 2012

Length of Service as a Director
13 years 9 months

Independent Status
Non-executive and non-independent director

MR BOBBY CHIN

Current Directorships (and Appointments)

1.	Council of Presidential Advisers of the Republic of Singapore	Member
2.	NTUC Enterprise Co-operative Ltd	Deputy Chairman
3.	AV Jennings Ltd*	Director
4.	Frasers Centrepoint Asset Management Ltd	Director
5.	Ho Bee Investment Ltd*	Director
6.	NTUC Fairprice Co-operative Ltd	Director
7.	Sembcorp Industries Ltd*	Director
8.	Singapore Power Ltd	Director
9.	Singapore Telecommunications Ltd*	Director
10.	YC Chin Investment Pte Ltd	Director
11.	Yeo Hiap Seng Ltd*	Director
12.	Singapore Labour Foundation	Board Member
13.	Al Futtaim Group LLC	Advisor

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Singapore Totalisator Board	Chairman
2.	Neptune Orient Lines Ltd	Director
3.	Competition Commission of Singapore	Board Member
4.	Singapore Cooperation Enterprise	Board Member
5.	Singapore Indian Development Association	Board Trustee

Academic and Professional Qualifications
Bachelor of Accountancy, University of Singapore
Associate Member of the Institute of Chartered Accountants in England and Wales
Fellow of the Institute of Certified Public Accountants of Singapore

OCBC Board Committees Served On
Chairman, Audit Committee
Member, Executive Committee

Date of First Appointment as a Director of OCBC
Director since 1 October 2005

Date of Last Re-election as a Director of OCBC
25 April 2012

Length of Service as a Director
7 years 6 months

Independent Status
Independent director

MR DAVID CONNER

Current Directorships (and Appointments)

1.	Singapore Olympic Foundation	Director
2.	Singapore Institute of Directors	Council Member
3.	Singapore Symphony Orchestra	Council Member
4.	Advisory Board of Lee Kong Chian School of Business	Member
5.	Board of Trustees of the Singapore University of Technology and Design	Member
6.	Washington University in St Louis	Board Trustee, and Chairman of International Advisory Council for Asia

Directorships (and Appointments) for the past 3 years

1.	Bank of Singapore Ltd	Chairman
2.	Lion Global Investors Ltd	Chairman
3.	Singapore Island Bank Ltd	Chairman
4.	PT Bank OCBC NISP Tbk	Commissioner
5.	Asean Finance Corporation Ltd	Director
6.	Dr Goh Keng Swee Scholarship Fund	Director
7.	Great Eastern Holdings Ltd	Director
8.	KTB Ltd	Director
9.	OCBC Al-Amin Bank Berhad	Director
10.	OCBC Bank (Malaysia) Berhad	Director
11.	OCBC Overseas Investments Pte Ltd	Director
12.	The Overseas Assurance Corporation Ltd	Director
13.	Association of Banks in Singapore	Council Member
14.	Asian Pacific Bankers Club	Member
15.	Malaysia-Singapore Business Council	Member

16.	MAS Financial Sector Development Fund Advisory Committee	Member
17.	The f-Next Council of Institute of Banking & Finance	Member

Academic and Professional Qualifications
Bachelor of Arts, Washington University, St Louis, Missouri
Master of Business Administration, Columbia University, New York

OCBC Board Committees Served On
Member, Executive Committee
Member, Risk Management Committee

Date of First Appointment as a Director of OCBC
Director since 15 April 2002

Date of Last Re-election as a Director of OCBC
16 April 2010

Length of Service as a Director
10 years 11 months

Independent Status
Non-executive and non-independent director

MRS FANG AI LIAN

Current Directorships (and Appointments)

1.	Board of Directors for Tax Academy of Singapore	Chairman
2.	Board of Trustees of the Singapore Business Federation	Chairman
3.	Charity Council	Chairman
4.	Great Eastern Holdings Ltd Group*	Chairman
5.	Banyan Tree Holdings Ltd*	Director
6.	MediaCorp Pte Ltd	Director
7.	Metro Holdings Ltd*	Director
8.	Singapore Telecommunications Ltd*	Director
9.	Zender-Fang Associates Pte Ltd	Director
10.	Board of Trustees of the Singapore University of Technology and Design	Member
11.	ElderCare Trust of NTUC ElderCare Co-Operative Ltd	Trustee

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Breast Cancer Foundation	President
2.	Home Nursing Foundation	President
3.	Governing Board of the Duke-NUS Graduate Medical School Singapore	Member

Academic and Professional Qualifications
Fellow of the Institute of Chartered Accountants in England and Wales
Fellow of the Institute of Certified Public Accountants of Singapore
Member of the Malaysian Institute of Certified Public Accountants

OCBC Board Committees Served On
Chairman, Nominating Committee
Chairman, Remuneration Committee

Date of First Appointment as a Director of OCBC
Director since 1 November 2008

Date of Last Re-election as a Director of OCBC
25 April 2012

Length of Service as a Director
4 years 5 months

Independent Status
Independent director

MR LAI TECK POH

Current Directorships (and Appointments)

1.	AV Jennings Ltd*	Director
2.	OCBC Al-Amin Bank Berhad	Director
3.	OCBC Bank (Malaysia) Berhad	Director
4.	WBL Corporation Ltd*	Director
5.	PT Bank OCBC NISP Tbk*	Commissioner

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	United Engineers Ltd	Director
2.	Asean Finance Corporation Ltd	Alternate Director
3.	Asfinco Singapore Ltd	Alternate Director

Academic and Professional Qualifications
Bachelor of Arts (Honours), University of Singapore

OCBC Board Committee Served On
Chairman, Risk Management Committee

Date of First Appointment as a Director of OCBC
Director since 1 June 2010

Date of Election as a Director of OCBC
15 April 2011

Length of Service as a Director
2 years 10 months

Independent Status
Non-executive and non-independent director

MR LEE SENG WEE

Current Directorships (and Appointments)

1.	Board of Trustees of the Temasek Trust	Chairman
2.	Great Eastern Holdings Ltd*	Director
3.	Lee Foundation, Singapore	Director
4.	Lee Rubber Group Companies	Director
5.	The Overseas Assurance Corporation Ltd	Director

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	GIC Real Estate Pte Ltd	Director

Academic and Professional Qualifications
Bachelor of Applied Science (Engineering), University of Toronto
Master of Business Administration, University of Western Ontario

OCBC Board Committees Served On
Member, Nominating Committee
Observer, Executive Committee

Date of First Appointment as a Director of OCBC
Director since 25 February 1966
Chairman from 1 August 1995 to 30 June 2003

Date of Last Re-appointment as a Director of OCBC
25 April 2012

Length of Service as a Director
47 years 1 month

Independent Status
Non-executive and non-independent director

DR LEE TIH SHIH

Current Directorships (and Appointments)

1.	Lee Foundation, Singapore	Director
2.	Selat (Pte) Ltd	Director
3.	Singapore Investments (Pte) Ltd	Director
4.	Lee Rubber Co (Pte) Ltd	Alternate Director
5.	Duke-NUS Graduate Medical School (Singapore)/Duke University Medical School (USA)	Employee

Directorships (and Appointments) for the past 3 years

Nil

Academic and Professional Qualifications
MBA with Distinction, Imperial College, London
MD and PhD, Yale University, New Haven

OCBC Board Committee Served On
Member, Remuneration Committee

Date of First Appointment as a Director of OCBC
Director since 4 April 2003

Date of Last Re-election as a Director of OCBC
15 April 2011

Length of Service as a Director
9 years 11 months

Independent Status
Non-executive and non-independent director

MR COLM MCCARTHY

Current Directorships (and Appointments)

1.	Bank of Singapore Ltd	Director
2.	The Irish Chamber of Commerce Singapore	Director
3.	Wheelock Properties (S) Ltd*	Director

** Listed company*

Directorships (and Appointments) for the past 3 years

Nil

Academic and Professional Qualifications
Bachelor of Commerce (Second Class Honours) and Master of Business Studies (First Class Honours), University College Dublin

OCBC Board Committees Served On
Member, Audit Committee
Member, Executive Committee
Member, Risk Management Committee

Date of First Appointment as a Director of OCBC
Director since 1 November 2008

Date of Last Re-election as a Director of OCBC
25 April 2012

Length of Service as a Director
4 years 5 months

Independent Status
Independent director

PROFESSOR NEO BOON SIONG

Current Directorships (and Appointments)

1.	Nanyang Business School, Nanyang Technological University	Employee
2.	J. Lauritzen Singapore Pte Ltd	Director
3.	k1 Ventures Ltd*	Director
4.	Keppel Telecommunications & Transportation Ltd*	Director

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Asia Competitiveness Institute of the Lee Kuan Yew School of Public Policy in National University of Singapore	Director/Employee
2.	Great Eastern Holdings Ltd	Director
3.	Keppel Offshore & Marine Ltd	Director
4.	The Overseas Assurance Corporation Ltd	Director

Academic and Professional Qualifications
Bachelor of Accountancy (Honours), National University of Singapore
Master of Business Administration and PhD, University of Pittsburgh

OCBC Board Committees Served On
Member, Nominating Committee
Member, Remuneration Committee

Date of First Appointment as a Director of OCBC
Director since 1 January 2005

Date of Last Re-election as a Director of OCBC
16 April 2010

Length of Service as a Director
8 years 3 months

Independent Status
Independent director

DATO' OOI SANG KUANG

Current Directorships (and Appointments)

1.	Cagamas Berhad	Chairman
2.	Cagamas Holdings Berhad	Chairman
3.	Cagamas MBS Berhad	Chairman
4.	Cagamas MGP Berhad	Chairman
5.	Cagamas SRP Berhad	Chairman
6.	Malaysian Electronic Clearing Corporation Sendirian Berhad	Chairman
7.	OCBC Bank (Malaysia) Berhad	Deputy Chairman
8.	Great Eastern Capital (Malaysia) Sendirian Berhad	Director
9.	Great Eastern Life Assurance (Malaysia) Berhad	Director
10.	OCBC Al-Amin Bank Berhad	Director
11.	Overseas Assurance Corporation (Malaysia) Berhad	Director
12.	Target Value Fund	Director

Directorships (and Appointments) for the past 3 years

1.	Bank Negara Malaysia	Deputy Governor / Director / Special Advisor
2.	Seacen Research and Training Centre	Director

Academic and Professional Qualifications
Bachelor of Economics (Honours), University of Malaya
Master of Arts (Development Finance), Boston University, USA
Fellow Member of the Institute of Bankers Malaysia

OCBC Board Committees Served On
Member, Audit Committee
Member, Nominating Committee

Date of First Appointment as a Director of OCBC
Director since 21 February 2012

Date of Election as a Director of OCBC
25 April 2012

Length of Service as a Director
1 year 1 month

Independent Status
Independent director

MR QUAH WEE GHEE

Current Directorships (and Appointments)

1.	Government of Singapore Investment Corporation Pte Ltd:	
	• India and Natural Resources Business Groups	Chairman
	• Group Executive and Investment Review Committees	Advisor
2.	SLF Strategic Advisers Pte Ltd	Chairman
3.	Cypress Holdings Pte Ltd	Director
4.	EDBI Pte Ltd	Director
5.	GIC Asset Management Pte Ltd	Director
6.	Grand Alpine Enterprise Ltd	Director
7.	Great Eastern Life Assurance Co Ltd	Director
8.	Singapore Exchange Ltd*	Director
9.	Singapore Labour Foundation	Director
10.	Board of Trustees of the Singapore University of Technology and Design	Member
11.	Ministry of Health Holdings Pte Ltd:	
	• Investment Committee	Chairman
	• Evaluation Committee	Member

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	Central Provident Fund Board	Director
2.	Equivest Pte Ltd	Director
3.	Euthalia Pte Ltd	Director
4.	Government of Singapore Investment Corporation Pte Ltd	Director
5.	Board of Trustees for SingHealth Foundation	Member

Academic and Professional Qualifications
Bachelor of Engineering (Civil Engineering), National University of Singapore
Chartered Financial Analyst
Alumni Member of the Stanford Graduate Business School

OCBC Board Committees Served On
Member, Remuneration Committee
Member, Risk Management Committee

Date of First Appointment as a Director of OCBC
Director since 9 January 2012

Date of Election as a Director of OCBC
25 April 2012

Length of Service as a Director
1 year 3 months

Independent Status
Independent director

MR PRAMUKTI SURJAUDAJA

Current Directorships (and Appointments)

1.	PT Bank OCBC NISP Tbk*	Chairman
2.	Indonesian Overseas Alumni, Board of Supervisors	Deputy Chairman
3.	International and East Asia Council of Insead	Council Member
4.	Karya Salemba Empat Foundation, Board of Trustees	Member
5.	Parahyangan Catholic University, Board of Advisors	Member
6.	President University, Board of Trustees	Member

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	Association of Indonesian Indigenous Entrepreneurs	Deputy Chairman
2.	Indonesian Chamber of Commerce & Industry	Board Member

Academic and Professional Qualifications
Bachelor of Science (Finance & Banking), San Francisco State University
Master of Business Administration (Banking), Golden Gate University, San Francisco
Participant in Special Programs in International Relations, International University of Japan

OCBC Board Committee Served On
Member, Risk Management Committee

Date of First Appointment as a Director of OCBC
Director since 1 June 2005

Date of Last Re-election as a Director of OCBC
15 April 2011

Length of Service as a Director
7 years 10 months

Independent Status
Non-executive and non-independent director

DR TEH KOK PENG

Current Directorships (and Appointments)

1.	Government of Singapore Investment Corporation Pte Ltd:	
	• China Business Group	Chairman
	• Group Executive Committee	Advisor
2.	Advisory Committee of the Asia Private Equity Institute, Singapore Management University	Chairman
3.	Ascendas Pte Ltd	Director
4.	China International Capital Corporation Ltd	Director
5.	GIC Special Investments Pte Ltd	Director
6.	Sembcorp Industries Ltd*	Director
7.	Oak Hill Investment Management Ltd	Senior Advisor
8.	Apex Partners (London)	Advisor
9.	Asia and Pacific Department Advisory Group of International Monetary Fund	Member
10.	CM Capital (Palo Alto, California), Advisory Board	Member
11.	Lee Kuan Yew School of Public Policy, Governing Board	Member
12.	National University of Singapore:	
	• Board of Trustees	Member
	• Investment Committee of NUS Endowment Fund	Member
13.	The Trilateral Commission	Member

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	Government of Singapore Investment Corporation Pte Ltd	Director
2.	Government of Singapore Investment Corporation (Ventures) Pte Ltd	Director
3.	Urban Redevelopment Authority	Board Member

Academic and Professional Qualifications
First Class Honours in Economics at La Trobe University, Melbourne
Doctorate in Economics at Nuffield College, Oxford University, England
Advanced Management Program, Harvard Business School

OCBC Board Committees Served On
Member, Audit Committee
Member, Executive Committee

Date of First Appointment as a Director of OCBC
Director since 1 August 2011

Date of Election as a Director of OCBC
25 April 2012

Length of Service as a Director
1 year 8 months

Independent Status
Independent director

International Network

SOUTHEAST ASIA

GREATER CHINA

OCEANIA

UNITED STATES OF AMERICA

EUROPE

MIDDLE EAST

SOUTHEAST ASIA

SINGAPORE

OCBC Bank
Head Office
65 Chulia Street
#09-00 OCBC Centre
Singapore 049513
Tel: (65) 6318 7222
Fax: (65) 6533 7955
www.ocbc.com

OCBC Bank has 57 branches in Singapore.

Bank of Singapore
Head Office
63 Market Street #22-00
Bank of Singapore Centre
Singapore 048942
Tel: (65) 6559 8000
Fax: (65) 6559 8180
www.bankofsingapore.com

Great Eastern Holdings Ltd
Great Eastern Life Assurance Co Ltd
Overseas Assurance Corporation Ltd
Head Office
1 Pickering Street, #13-01
Great Eastern Centre
Singapore 048659
Tel: (65) 6248 2000
Fax: (65) 6532 2214
www.greateasternlife.com

Lion Global Investors
65 Chulia Street #18-01
OCBC Centre
Singapore 049513
Tel: (65) 6417 6800
Fax: (65) 6417 6801
www.lionglobalinvestors.com

OCBC Securities
18 Church Street #01-00
OCBC Centre South
Singapore 049479
Tel: (65) 6535 2882
Fax: (65) 6538 9115

Oversea-Chinese Bank Nominees
65 Chulia Street
#11-00 OCBC Centre
Singapore 049513
Tel: (65) 6530 1235
Fax: (65) 6533 3770

OCBC Trustee
65 Chulia Street #11-00
OCBC Centre
Singapore 049513
Tel: (65) 6530 1675
Fax: (65) 6538 6916

OCBC Property Services
18 Cross Street #11-01/03
China Square Central
Singapore 048423
Tel: (65) 6533 0818
Fax: (65) 6536 1464

BRUNEI

OCBC Bank
Brunei Branch
Unit 2, Level 5
Dar Takaful IBB Utama,
Jalan Pemancha,
Bandar Seri Begawan BS 8711
Negara Brunei Darussalam
Tel: (673) 2230 826
Fax: (673) 2230 283

Great Eastern Life Assurance Co Ltd
Unit 18, Block B
Bangunan Habza
Spg 150, Kpg. Kiarong
Bandar Seri Begawan BE 1318
Negara Brunei Darussalam
Tel: (673) 2233 118
Fax: (673) 2238 118
www.greateasternlife.com

Lion Global Investors
Brunei Branch
Unit 2 Level 5 Dar Takaful IBB Utama
Jalan Pemancha
Bandar Seri Begawan BS 8711
Negara Brunei Darussalam
Tel: (673) 2230 826 / 2230 836
Fax: (673) 2230 283

INDONESIA

PT Bank OCBC NISP Tbk
Head Office
OCBC NISP Tower
Jl. Prof. Dr. Satrio Kav. 25
Jakarta 12940
Indonesia
Tel: (62) 21 2553 3888
Fax: (62) 21 5794 4000
www.ocbcnisp.com

PT Bank OCBC NISP Tbk has around 350 offices and more than 670 ATMs in Indonesia.

PT Great Eastern Life Indonesia
Head Office
Menara Karya, 5th Floor
Jl. H.R. Rasuna Said Blok X-5 Kav.1-2
Jakarta 12950
Indonesia
Tel: (62) 21 2554 3888
Fax: (62) 21 5794 4717
www.greateasternlife.com

PT Great Eastern Life Indonesia has a Syariah Unit in Jakarta and 12 sales offices in Indonesia.

PT OCBC Sekuritas Indonesia
The East 36th Floor
Jl. Dr. Ide Anak Agung Gde Agung Kav. E. 3.2 No. 1
Jakarta 12950
Indonesia
Tel: (62) 21 5795 8038
Fax: (62) 21 5795 8039

MALAYSIA

OCBC Bank (Malaysia) Berhad
Head Office
Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel: (603) 2034 5034
Fax: (603) 2698 4363
www.ocbc.com.my

OCBC Contact Centre:
Within Malaysia
Tel: 1300 88 5000 (Personal)
Tel: 1300 88 7000 (Corporate)

Outside Malaysia
Tel: (603) 8317 5000 (Personal)
Tel: (603) 8317 5200 (Corporate)

OCBC Bank (Malaysia) Berhad has 31 branches in Malaysia.

OCBC Al-Amin Bank Berhad
Head Office
25th floor, Wisma Lee Rubber
1 Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel: (603) 2034 5034
Fax: (603) 2698 4363

General Enquiries:
Within Malaysia
Tel: 1300 88 0310 (Personal)
Tel: 1300 88 0255 (Corporate)

Outside Malaysia
Tel: (603) 8314 9310 (Personal)
Tel: (603) 8314 9090 (Corporate)

OCBC Al-Almin Bank Berhad has 8 branches in Malaysia.

Oversea-Chinese Banking Corporation Limited
Labuan Branch
Licensed Labuan Bank (940026C)
Level 8 (C), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan
Federal Territory Malaysia
Tel: (60-87) 423 381/82
Fax: (60-87) 423 390

Great Eastern Life Assurance (Malaysia) Berhad
Head Office
Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 4259 8888
Fax: (603) 4259 8000
www.greateasternlife.com

Great Eastern Life Assurance (Malaysia) Berhad has 21 operational branch offices in Malaysia.

Overseas Assurance Corporation (Malaysia) Berhad
Head Office
Level 18, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 4259 7888
Fax: (603) 4813 2737
www.oac.com.my

Overseas Assurance Corporation (Malaysia) Berhad has 14 branches and 6 servicing offices in Malaysia.

International Network

Great Eastern Takaful Sdn Bhd
Level 3, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 4259 8338
Fax: (603) 4259 8808
www.i-great.com

Pacific Mutual Fund Berhad
1001 Level 10 Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: (603) 7725 9877
Fax: (603) 7725 9860
www.pacificmutual.com.my/

Malaysia Nominees (Asing) Sendirian Berhad
Malaysia Nominees (Tempatan) Sendirian Berhad
13th Floor, Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel: (603) 2034 5929
Fax: (603) 2698 4420 / (603) 2694 3691

OCBC Advisers (Malaysia) Sdn Bhd
13th Floor, Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel: (603) 2034 5649
Fax: (603) 2691 6616

OCBC Capital (Malaysia) Sdn Bhd
13th Floor, Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel: (603) 2034 5649
Fax: (603) 2691 6616

PHILIPPINES

Bank of Singapore
Philippine Representative Office
22/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
1226 Makati City, Philippines
Tel: (632) 479 8988
Fax: (632) 848 5223

THAILAND

OCBC Bank
Bangkok Branch
Unit 2501-2, 25th Floor
Q House Lumpini
1 South Sathorn Road
Tungmahamek, Sathorn
Bangkok 10120
Thailand
Tel: (66) 2 287 9888
Fax: (66) 2 287 9898

VIETNAM

OCBC Bank
Ho Chi Minh Branch
Unit 708-709, Level 7
Saigon Tower
29 Le Duan Street
District 1, Ho Chi Minh City
Vietnam
Tel: (84) 8 3823 2627
Fax: (84) 8 3823 2611

Great Eastern Life (Vietnam) Co Ltd
Head Office
HD Tower, Level 8
25 Bis Nguyen Thi Minh Khai Street
District 1, Ho Chi Minh City
Vietnam
Tel: (84) 8 6288 6338
Fax: (84) 8 6288 6339
www.greateasternlife.com

Great Eastern Life (Vietnam) Co Ltd has one branch office in Hanoi and one sales office in Ho Chi Minh City.

GREATER CHINA

CHINA

OCBC Bank (China)
Head Office
Level 20 & 21, One Lujiazui
No. 68 Middle Yin Cheng Road
Pudong, Shanghai 200120
People's Republic of China
Tel: (86) 21 5820 0200
Fax: (86) 21 6876 6793
www.ocbc.com.cn

Including head office, OCBC China has 16 branches and sub-branches in 8 cities namely Shanghai, Beijing, Xiamen, Guangzhou, Chengdu, Chongqing, Tianjin and Qingdao.

Great Eastern Life Assurance Co Ltd
Beijing Representative Office
No. 26 North Yue Tan Street
Heng Hua International Business Centre
710A, Beijing Xi Cheng District
Beijing 100045
People's Republic of China
Tel: (86) 10 5856 5501
Fax: (86) 10 5856 5502

Great Eastern Life Assurance (China) Co Ltd
Head Office
22nd - 27th Floor, Block B1
Street No. 92, Xinguang Avenue
Beibu New District
Chongqing 401121
People's Republic of China
Tel: (86) 23 6381 6666
Fax: (86) 23 6388 5566
www.lifeisgreat.com.cn

Great Eastern Life Assurance (China) Co Ltd has 4 branch offices in the cities of Chongqing, Sichuan, Shaanxi and Wuhan.

Lion Global Investors
Shanghai Representative Office
Suite 1206, 12/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
People's Republic of China
Tel: (86) 21 5116 0529
Fax: (86) 21 5116 0555

Bank of Ningbo
Head Office
No. 700 Ningnan South Road
Ningbo
People's Republic of China
Tel: (86) 574 8705 0028
Fax: (86) 574 8705 0027
www.nbcb.cn

Bank of Ningbo is OCBC Bank's strategic partner in China. Besides its head office in Ningbo, Bank of Ningbo has 8 cross-regional branches, respectively in Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing and Wuxi. In total, Bank of Ningbo has 173 branches and sub-branches across China.

HONG KONG SAR

OCBC Bank
Hong Kong Branch
9/F, Nine Queen's Road Central
Hong Kong SAR
Tel: (852) 2840 6200
Fax: (852) 2845 3439

Bank of Singapore
Hong Kong Branch
35/F One International Finance Centre
1 Harbour View Street, Central,
Hong Kong SAR
Tel: (852) 2846 3980
Fax: (852) 2295 3332

OCBC Securities (Hong Kong) Limited
Suite No. 3, 11th Floor, Queen's Place
No. 74 Queen's Road Central
Hong Kong SAR
Tel: (852) 2810 7886
Fax: (852) 2810 9139

OCBC Nominees (Hong Kong)
9/F, Nine Queen's Road Central
Hong Kong SAR
Tel: (852) 2840 6200
Fax: (852) 2845 3439

TAIWAN

OCBC Bank
Taipei Branch
Suite 203, 2nd Floor
205 Tun Hwa North Road
Bank Tower
Taipei 105, Taiwan
Republic of China
Tel: (886) 2 2718 8819
Fax: (886) 2 2718 0138

JAPAN

OCBC Bank
Tokyo Branch
Sanno Park Tower
5th Floor
11-1 Nagata-cho 2 chome
Chiyoda-ku Tokyo 100-6105
Japan
Tel: (81) 3 5510 7660
Fax: (81) 3 5510 7661

SOUTH KOREA

OCBC Bank
Seoul Branch
Seoul Finance Centre
9th Floor, 84 Taepyung-ro, 1-ka
Chung-ku, Seoul 100-768
Republic of Korea
Tel: (82) 2 754 4355
Fax: (82) 2 754 2343

BOS Securities Korea Co.
13F, Gangnam Finance Center,
737, Yeoksam-Dong
Gangnam-Gu, Seoul 135-080
Republic of Korea
T: (82) 2 2186 8000
F: (82) 2 2186 8080

OCEANIA

AUSTRALIA

OCBC Bank
Sydney Branch
Level 2
75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9221 5703

OCBC Nominees (Australia)
Level 2
75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9221 4360

UNITED STATES OF AMERICA

OCBC Bank
Los Angeles Agency
801 South Figueroa Street
Suite 970
Los Angeles CA 90017
United States of America
Tel: (1) 213 624 1189
Fax: (1) 213 624 1386

OCBC Bank
New York Agency
1700 Broadway 18/F
New York NY 10019
United States of America
Tel: (1) 212 586 6222
Fax: (1) 212 586 0636

EUROPE

UNITED KINGDOM

OCBC Bank
London Branch
The Rex Building
62 Queen Street
London EC4R 1EB
United Kingdom
Tel: (44) 20 7653 0900
Fax: (44) 20 7489 1132

Bank of Singapore is the trading name of Oversea-Chinese Banking Corporation Limited's private banking business in London.

MIDDLE EAST

DUBAI

Bank of Singapore
Dubai Representative Office
602 Level 6 Building 4
Emaar Square, Sheikh Zayed Road
P.O. Box 4296, Dubai, U.A.E.
Tel: (971) 4427 7100
Fax: (971) 4425 7801

Financial Calendar

Announcement of annual results for 2012	15 February 2013
Annual General Meeting	25 April 2013
Announcement of first quarter results for 2013	30 April 2013
Payment of 2012 final dividend on ordinary shares (subject to shareholders' approval at AGM)	May 2013
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 June 2013
Announcement of second quarter results for 2013	August 2013
Payment of 2013 interim dividend (subject to approval of the Board)	August / September 2013
Announcement of third quarter results for 2013	November 2013
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 December 2013

Notice of Annual General Meeting

OVERSEA-CHINESE BANKING CORPORATION LIMITED (Incorporated in Singapore)
Company Registration Number: 193200032W

NOTICE IS HEREBY GIVEN that the Seventy-Sixth Annual General Meeting of Oversea-Chinese Banking Corporation Limited (the "Bank") will be held at Orchard Hotel Singapore, Level 3, 442 Orchard Road, Singapore 238879 on Thursday, 25 April 2013 at 2.30 p.m. to transact the following business:

1 To receive and consider the audited Financial Statements for the financial year ended 31 December 2012 and the reports of the Directors and Auditors thereon.

2 To re-appoint the following Directors under section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting:

(a) Dr Cheong Choong Kong
(b) Mr Lee Seng Wee

(Please refer to the "Board Composition and Independence" section in the Corporate Governance Report and the "Further Information on Directors" section on pages 29 and 180 respectively in the Annual Report 2012 for more information on these Directors.)

3 To re-elect the following Directors retiring by rotation:

(a) Mr David Conner
(b) Dr Lee Tih Shih
(c) Mr Pramukti Surjaudaja
(d) Professor Neo Boon Siong

(Please refer to the "Board Composition and Independence" section in the Corporate Governance Report and the "Further Information on Directors" section on pages 29 and 180 respectively in the Annual Report 2012 for more information on these Directors.)

4 To approve a final one-tier tax exempt dividend of 17 cents per ordinary share, in respect of the financial year ended 31 December 2012.

5 To approve the remuneration of the non-executive Directors of the Bank for the financial year ended 31 December 2012 comprising the following:

(a) Directors' Fees of S$3,001,000 (2011: S$1,867,000).

(b) 6,000 ordinary shares in the capital of the Bank for each non-executive Director of the Bank who has served for the entire financial year ended 31 December 2012 (2011: 6,000 ordinary shares), pro-rated for each non-executive Director of the Bank who has served for less than the entire financial year ended 31 December 2012, based on the length of his service during that financial year, and for this purpose to pass the following Resolution with or without amendments as an ordinary resolution:

That:

(i) pursuant to Article 140 of the Articles of Association of the Bank, the Directors of the Bank be and are hereby authorised to allot and issue an aggregate of 77,194 ordinary shares in the capital of the Bank (the "Remuneration Shares") as bonus shares for which no consideration is payable, to The Central Depository (Pte) Limited for the account of:

(1) Dr Cheong Choong Kong (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(2) Mr Bobby Chin Yoke Choong (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(3) Mr David Conner (or for the account of such depository agent as he may direct) in respect of 4,278 Remuneration Shares;
(4) Mrs Fang Ai Lian (or for the account of such depository agent as she may direct) in respect of 6,000 Remuneration Shares;
(5) Mr Lai Teck Poh (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(6) Mr Lee Seng Wee (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(7) Dr Lee Tih Shih (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(8) Mr Colm Martin McCarthy (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(9) Professor Neo Boon Siong (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(10) Dato' Ooi Sang Kuang (or for the account of such depository agent as he may direct) in respect of 5,163 Remuneration Shares;
(11) Mr Quah Wee Ghee (or for the account of such depository agent as he may direct) in respect of 5,868 Remuneration Shares;
(12) Mr Pramukti Surjaudaja (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(13) Dr Teh Kok Peng (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares; and
(14) Mr Patrick Yeoh Khwai Hoh (or for the account of such depository agent as he may direct) in respect of 1,885 Remuneration Shares,

as payment in part of their respective non-executive Directors' remuneration for the financial year ended 31 December 2012, the Remuneration Shares to rank in all respects *pari passu* with the existing ordinary shares; and

(ii) any Director of the Bank or the Secretary be authorised to do all things necessary or desirable to give effect to the above.

6 To appoint Auditors and fix their remuneration.

As Special Business

To consider and, if thought fit, to pass the following as ordinary resolutions:

7(a) That authority be and is hereby given to the Directors of the Bank to:

(I) (i) issue ordinary shares in the capital of the Bank ("ordinary shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require ordinary shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into ordinary shares,

on a *pro rata* basis to shareholders of the Bank, at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

(II) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue ordinary shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of ordinary shares to be issued pursuant to:

(i) this Resolution 7(a); and

(ii) Resolution 7(b) below, if passed,

(including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 7(a) and/or Resolution 7(b), as the case may be) shall not exceed 50 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (as calculated in accordance with paragraph (2) below) (the "50% Limit");

(2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of ordinary shares that may be issued under paragraph (1) above, the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of ordinary shares;

(3) in exercising the authority conferred by this Resolution, the Bank shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Bank; and

(4) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

7(b) That authority be and is hereby given to the Directors of the Bank to:

(I) make or grant Instruments that might or would require ordinary shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into ordinary shares, otherwise than on a *pro rata* basis to shareholders of the Bank, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(II) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue ordinary shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution does not exceed 20 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (as calculated in accordance with paragraph (3) below);

(2) the aggregate number of ordinary shares to be issued pursuant to:

(i) this Resolution 7(b); and

(ii) Resolution 7(a) above, if passed,

(including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 7(b) and/or Resolution 7(a), as the case may be) shall not exceed the 50% Limit;

(3) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of ordinary shares that may be issued under paragraph (1) above, the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of ordinary shares;

(4) in exercising the authority conferred by this Resolution, the Bank shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Bank; and

(5) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

8 That authority be and is hereby given to the Directors of the Bank to:

(I) offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme") and/or grant rights to subscribe for ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"); and

(II) allot and issue from time to time such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of options under the 2001 Scheme and/or pursuant to the exercise of rights to subscribe for ordinary shares under the Plan,

provided that the aggregate number of new ordinary shares to be issued pursuant to the 2001 Scheme and the Plan shall not exceed 5 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares from time to time.

9 That authority be and is hereby given to the Directors of the Bank to allot and issue from time to time such number of ordinary shares as may be required to be allotted and issued pursuant to the Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme.

PETER YEOH
Secretary

Singapore
5 April 2013

Notes: A member of the Bank entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Bank. The instrument appointing a proxy or proxies must be deposited at the Share Registration Office of the Bank at M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902, not less than 48 hours before the time set for holding the Meeting.

Explanatory Notes

Resolution 5(a)

Resolution 5(a) is to authorise the payment of S$3,001,000 as Directors' fees to the non-executive Directors of the Bank for the financial year ended 31 December 2012 ("FY 2012"). This is higher than the amount of S$1,867,000 paid for the financial year ended 31 December 2011, largely because of the board chairman fee, which is S$1,800,000 per annum with effect from 1 July 2012. Dr Cheong Choong Kong ("Dr Cheong"), as the board chairman, will be entitled to S$900,000 of this fee for FY 2012 (i.e. S$1,800,000 pro-rated for half the year). The total remuneration for Dr Cheong in FY 2012 is S$2,576,000 (2011: S$2,950,000) as set out in the directors' remuneration table on page 36 of the Annual Report 2012. This total remuneration includes the chairman fee, board committees' fees, meeting attendance fees, as well as remuneration to oversee and supervise strategic planning in respect of customer service, talent identification, and the development and succession of senior management under a consultancy contract. The consultancy contract expired and ceased on 30 June 2012.

Resolution 5(b)

Resolution 5(b) is to authorise the Directors to issue ordinary shares in the capital of the Bank to the non-executive Directors as part of their remuneration for FY 2012.

A non-executive Director of the Bank will be eligible for an award of ordinary shares if he has served for the entire FY 2012, with the number of ordinary shares to be issued to a non-executive Director of the Bank who has served for less than the entire FY 2012 to be pro-rated accordingly, based on the length of his service during FY 2012.

The non-executive Directors who are eligible for, and will receive, the award of ordinary shares as part of their remuneration for FY 2012 are Dr Cheong Choong Kong, Mr Bobby Chin Yoke Choong, Mr David Conner, Mrs Fang Ai Lian, Mr Lai Teck Poh, Mr Lee Seng Wee, Dr Lee Tih Shih, Mr Colm Martin McCarthy, Professor Neo Boon Siong, Dato' Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Pramukti Surjaudaja, Dr Teh Kok Peng and Mr Patrick Yeoh Khwai Hoh (who served as a non-executive Director until the last Annual General Meeting held on 25 April 2012).

It is proposed that, for FY 2012, 6,000 ordinary shares be issued to each non-executive Director named above (2011: 6,000 ordinary shares), save that 4,278 ordinary shares are proposed to be issued to Mr David Conner (who retired as Chief Executive Officer on 14 April 2012), 5,163 ordinary shares are proposed to be issued to Dato' Ooi Sang Kuang (who was appointed as a non-executive Director of the Bank on 21 February 2012), 5,868 ordinary shares are proposed to be issued to Mr Quah Wee Ghee (who was appointed as a non-executive Director of the Bank on 9 January 2012), and 1,885 ordinary shares are proposed to be issued to Mr Patrick Yeoh Khwai Hoh (who served as a non-executive Director of the Bank until the last Annual General Meeting held on 25 April 2012). The proposed award of ordinary shares is in addition to the Directors' fees in cash to be proposed under Resolution 5(a).

The issue of ordinary shares under Resolution 5(b) will be made pursuant to Article 140 of the Articles of Association of the Bank by way of the issue of bonus shares for which no consideration is payable. Such ordinary shares will, upon issue, rank *pari passu* with the existing ordinary shares in the capital of the Bank. The Singapore Exchange Securities Trading Limited (the "SGX-ST") has given in-principle approval for the listing and quotation of such new ordinary shares. Such approval is subject to (a) compliance with the SGX-ST's listing requirements, and (b) shareholders' approval at the Annual General Meeting to be convened. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the proposed issue, such new ordinary shares, the Bank and/or its subsidiaries. The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made in this explanatory note to Resolution 5(b).

The non-executive Directors who will each, subject to Shareholders' approval, be awarded ordinary shares as part of their remuneration for FY 2012, will abstain from voting in respect of, and will procure their associates to abstain from voting in respect of, Resolution 5(b).

Resolutions 7(a) and 7(b)

Resolution 7(a) is to authorise the Directors from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue ordinary shares in the capital of the Bank and to make or grant instruments (such as warrants or debentures) convertible into ordinary shares ("Instruments"), and to issue ordinary shares in pursuance of such Instruments, on a *pro rata* basis to shareholders of the Bank, provided that, *inter alia*, the aggregate number of ordinary shares to be issued pursuant to both Resolution 7(a) and Resolution 7(b) shall not exceed fifty per cent. (50%) of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (the "50% Limit").

Resolution 7(b) is to authorise the Directors from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to make or grant Instruments, and to issue ordinary shares in pursuance of such Instruments, other than on a *pro rata* basis to shareholders of the Bank, provided that, *inter alia*, (1) the aggregate number of ordinary shares to be issued pursuant to Resolution 7(b) shall not exceed twenty per cent. (20%) of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares, and (2) the aggregate number of ordinary shares to be issued pursuant to both Resolution 7(a) and Resolution 7(b) shall not exceed the 50% Limit. The rationale for proposing Resolution 7(b) is explained below.

On 14 September 2012, the Monetary Authority of Singapore ("MAS") issued a new MAS 637 – "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore", to implement the Basel III capital adequacy framework in Singapore. Under the new MAS 637, the terms and conditions of all Additional Tier 1 and Tier 2 capital instruments issued by the Bank from 1 January 2013 onwards have to contain provisions to require such instruments, at the option of the MAS, to either be written off or converted into ordinary shares upon the occurrence of a trigger event, which includes the MAS notifying the Bank that it is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable. The authority conferred by Resolution 7(b) is being proposed so that the Bank will be able to issue such Basel III-compliant Additional Tier 1 and Tier 2 capital instruments, to the extent of the 20% sub-limit described above. The Bank does not intend to use the authority conferred by Resolution 7(b) for any other purpose.

For the purpose of determining the aggregate number of ordinary shares that may be issued pursuant to Resolution 7(a) and Resolution 7(b), the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time each such Resolution is passed, after adjusting for (1) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time each such Resolution is passed, and (2) any subsequent bonus issue, consolidation or subdivision of ordinary shares. For the avoidance of doubt, any consolidation or subdivision of ordinary shares in the capital of the Bank will require Shareholders' approval.

The Directors will only issue ordinary shares and/or Instruments under these Resolutions if they consider it necessary and in the interests of the Bank.

Resolution 8

Resolution 8 is to authorise the Directors to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme") and/or to grant rights to subscribe for ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"), and to allot and issue ordinary shares under the 2001 Scheme and the Plan. Although the Rules of the 2001 Scheme provide that the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme shall not exceed 10 per cent. of the total number of issued ordinary shares in the capital of the Bank from time to time, and the Rules of the Plan provide that the aggregate number of new ordinary shares which may be issued pursuant to the Plan, when aggregated with the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme, shall not exceed 15 per cent. of the total number of issued ordinary shares in the capital of the Bank from time to time, Resolution 8 provides for a lower limit of 5 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares from time to time, as the Bank does not anticipate that it will require a higher limit before the next Annual General Meeting.

Resolution 9

Resolution 9 is to authorise the Directors to issue ordinary shares pursuant to the Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

PETER YEOH
Secretary

Singapore
5 April 2013

PROXY FORM

OVERSEA-CHINESE BANKING CORPORATION LIMITED (Incorporated in Singapore)
Company Registration Number: 193200032W

IMPORTANT:

1. If you have purchased Ordinary Shares using your CPF funds or hold non-cumulative non-convertible preference shares in the capital of the Bank, the Annual Report 2012 is forwarded to you for your information only and this Proxy Form is not valid for use by you.
2. CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees within the time frame specified. Any voting instructions must also be submitted to their CPF Approved Nominees within the time frame specified to enable them to vote on the CPF investor's behalf.

I/We, (Name) ____

(NRIC/Passport No.) ______________________ of (Address) ______________________

____

being a shareholder/shareholders of Oversea-Chinese Banking Corporation Limited (the **"Bank"**), hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Bank to be held at Orchard Hotel Singapore, Level 3, 442 Orchard Road, Singapore 238879 on Thursday, 25 April 2013 at 2.30 p.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against each item below how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Ordinary Resolutions	For	Against
1	Adoption of audited Financial Statements and Directors' and Auditors' Reports		
2 (a)	Re-appointment of Dr Cheong Choong Kong		
2 (b)	Re-appointment of Mr Lee Seng Wee		
3 (a)	Re-election of Mr David Conner		
3 (b)	Re-election of Dr Lee Tih Shih		
3 (c)	Re-election of Mr Pramukti Surjaudaja		
3 (d)	Re-election of Professor Neo Boon Siong		
4	Approval of final one-tier tax exempt dividend		
5 (a)	Approval of amount proposed as Directors' Fees in cash		
5 (b)	Approval of allotment and issue of ordinary shares to the non-executive Directors		
6	Appointment of Auditors and fixing their remuneration		
7 (a)	Authority to allot and issue ordinary shares on a *pro rata* basis		
7 (b)	Authority to make or grant instruments that might or would require ordinary shares to be issued on a non *pro rata* basis		
8	Authority to grant options and/or rights to subscribe for ordinary shares and allot and issue ordinary shares (OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan)		
9	Authority to allot and issue ordinary shares pursuant to OCBC Scrip Dividend Scheme		

Dated this ____________ day of ______________ 2013

____

Signature(s) of Shareholder(s) or Common Seal
IMPORTANT: PLEASE READ NOTES OVERLEAF

Total Number of Ordinary Shares held

NOTES:

1. Please insert the total number of ordinary shares ("Shares") held by you. If you have Shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. An ordinary shareholder ("Shareholder") of the Bank entitled to attend and vote at a meeting of the Bank is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a Shareholder of the Bank.
3. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Share Registration Office of the Bank at M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902, not less than 48 hours before the time set for holding the Annual General Meeting. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
6. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with section 179 of the Companies Act, Cap. 50 of Singapore.
7. The Bank shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a Shareholder whose Shares are entered in the Depository Register, the Bank may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Bank.

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c/o M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

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Corporate Profile

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. It is ranked by Bloomberg Markets as the world's strongest bank in 2011 and 2012.

OCBC Bank and its subsidiaries offer a broad array of specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of over 470 branches and representative offices in 15 countries and territories, including about 350 branches and offices in Indonesia that are operated by its subsidiary, Bank OCBC NISP.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia by assets. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia. Private banking services are provided by subsidiary Bank of Singapore, which continued to gain industry recognition including being voted "Outstanding Private Bank in Asia Pacific" by Private Banker International.

For more information, please visit www.ocbc.com.

Corporate Information

BOARD OF DIRECTORS

Dr Cheong Choong Kong
Chairman

Mr Bobby Chin
Mr David Conner
Mrs Fang Ai Lian
Mr Lai Teck Poh
Mr Lee Seng Wee
Dr Lee Tih Shih
Mr Colm McCarthy
Professor Neo Boon Siong
Dato' Ooi Sang Kuang
Mr Quah Wee Ghee
Mr Pramukti Surjaudaja
Dr Teh Kok Peng

NOMINATING COMMITTEE

Mrs Fang Ai Lian
Chairman

Dr Cheong Choong Kong
Mr Lee Seng Wee
Professor Neo Boon Siong
Dato' Ooi Sang Kuang

EXECUTIVE COMMITTEE

Dr Cheong Choong Kong
Chairman

Mr Bobby Chin
Mr David Conner
Mr Colm McCarthy
Dr Teh Kok Peng
Mr Lee Seng Wee, *Observer*

AUDIT COMMITTEE

Mr Bobby Chin
Chairman

Mr Colm McCarthy
Dato' Ooi Sang Kuang
Dr Teh Kok Peng

REMUNERATION COMMITTEE

Mrs Fang Ai Lian
Chairman

Dr Cheong Choong Kong
Dr Lee Tih Shih
Professor Neo Boon Siong
Mr Quah Wee Ghee

RISK MANAGEMENT COMMITTEE

Mr Lai Teck Poh
Chairman

Dr Cheong Choong Kong
Mr David Conner
Mr Colm McCarthy
Mr Quah Wee Ghee
Mr Pramukti Surjaudaja

SECRETARY

Mr Peter Yeoh

REGISTERED OFFICE

65 Chulia Street
#09-00 OCBC Centre
Singapore 049513
Tel: (65) 6318 7222 (Main Line)
Fax: (65) 6533 7955
Email: ContactUs@ocbc.com
Website: www.ocbc.com

SHARE REGISTRATION OFFICE

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: (65) 6228 0505

AUDITORS

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Tel: (65) 6213 3388

PARTNER IN CHARGE OF THE AUDIT

Ms Lee Sze Yeng
(Year of Appointment: 2011)

Designed by : Sedgwick Richardson
Printed by : Medialink Printing Services Pte Ltd

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)

Company Registration Number: 193200032W