OCBC Bank
Annual Report 2011

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.

Leveraging Group Synergies

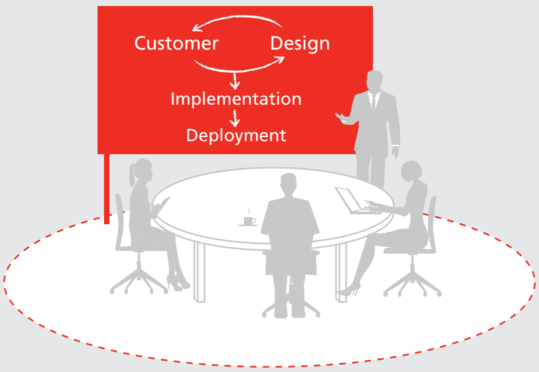
Focused, relentless execution of our strategy over the past ten years has built OCBC into a comprehensive and integrated financial services Group spanning commercial banking, insurance, asset management, securities brokerage and private banking. With our unique combination of business capabilities and geographic footprint, we are in a good position to harness the potential synergies across our Group entities to deliver superior value to our customers, our employees and our shareholders.

We are leveraging on the expertise of the various entities within the Group to design and deliver better products and services for our customers, as well as to broaden our relationships with our customers.

We continue to invest in our people, helping them develop their capabilities by providing diverse and enriching opportunities to build their careers within the Group.

We continue to strive to deliver superior returns for our shareholders, as we further strengthen the collaboration within the Group to enhance operational effectiveness.

Bringing greater value to customers



Strong collaboration across the Group has enabled OCBC to deliver differentiated products and services to our customers.

Based on customer insights, we launched a unique unit trust, LionGlobal New Target Return Fund, with Lion Global Investors.

We launched OCBC's cash management platform, Velocity@ocbc, in Indonesia for OCBC NISP's corporate clients, achieving improvements in service levels.

We linked our ATMs in Singapore, Malaysia and Indonesia, providing our customers with greater convenience region-wide.

LEVERAGING GROUP SYNERGIES IN 2011

Improving operational effectiveness

We continued to leverage the product and distribution strengths of Great Eastern and OCBC to successfully maintain our top position in bancassurance in Singapore for 10 years.

We established structures and tools to help generate customer referrals across the Group, delivering compelling business propositions.

We further consolidated our Group corporate resources, such as data centres, to deliver significant cost savings.

Investing in our people

We continued to provide our employees a broad range of career paths and development opportunities.

We aligned our internal job posting programmme across the Group to facilitate cross-fertilisation of talent across different businesses and geographies.

We continued to ensure our employees succeed in their new assignments by providing them appropriate training and development programmes.

"Over the past decade, we expanded our regional footprint and wealth management businesses significantly with major acquisitions. The improvements that we made in systems and processes, particularly in risk management, the organisational changes, and the emphasis on employee engagement, product innovation and quality and service excellence have not only eased our passage through some difficult periods, but have also firmly established us as a major regional financial services provider, one of the two largest banks in Southeast Asia by market capitalisation."

Financial services firms in the US and Europe faced a challenging operating environment in 2011 and banks in Asia were not unaffected. Optimism for a continuing economic recovery in the early part of the year was replaced by fears of a widespread slowdown arising from a confluence of concerns over US fiscal problems, sovereign indebtedness in Europe and a possible hard landing in China. These factors caused significant volatility in the global financial markets. Asia saw economic growth moderating in many countries after the sharp recovery in 2010. GDP growth in Singapore was 4.9%, significantly lower than 14.5% in the previous year, while the Malaysian economy grew by 5.1%, a slower pace than the 7.2% of a year ago. China's economy expanded by 9.2%, also slower than the 10.3% seen in 2010. Our other key market, Indonesia, achieved healthy economic growth of 6.5%, up from 6.1% a year ago, as its domestic-oriented economy remained relatively resilient.

PERFORMANCE REVIEW

Despite volatile global financial markets, our customer franchise continued to show healthy growth in 2011 and the Group delivered a solid set of results. We achieved broad-based loan growth, strong increase in our fee income and continued growth in our life insurance business.

For the full year, our Group net profit grew 3% to S$2,312 million. Minus the gain from the divestment of a non-core property in Singapore, our core net profit was S$2,280 million, compared with S$2,253 million in 2010. Based on core earnings, our return on equity was 11.1%, compared with 12.1% in the previous year. Earnings per share was 64.8 cents, a decrease from 66.1 cents in 2010, reflecting the strong acceptance of our scrip dividend offers over the past few years.

Net interest income grew 16% to a new record of S$3,410 million, contributed by strong growth in interest-earning assets. Our net interest margin declined by 12 basis points to 1.86%, primarily due to the low interest rate environment and solid growth in lower-risk loans. Loans were up 27% for the year, with broad-based contributions from both the corporate and consumer customer segments across our key markets.

Non-interest income of S$2,212 million (excluding the above-mentioned divestment gain) was 7% lower than the previous year, as robust growth in our customer-related income was offset by the adverse impact of volatile financial markets on trading income and life insurance profits. Fee and commission income grew 16% to a record S$1,137 million, contributed mainly by wealth management income and trade-related fees. Treasury income from customer flows grew 48% to S$324 million, as we continued to develop innovative products and increased cross-selling of products. Trading income declined 46% to S$217 million, and life insurance profits declined 13% to S$383 million, both resulting from challenging financial market conditions.

Operating expenses were well-managed, increasing 8% to S$2,430 million. We expanded our staff strength by 6% to support the expansion of our franchise; the balance of the cost increase was largely attributable to salary increments and higher costs associated with increased business volumes.

Our asset quality remained healthy, as reflected by our non-performing loans ("NPL") ratio, which was flat at 0.9% year-on-year. Our total non-performing assets ("NPA", which include assets other than loans) increased S$229 million to S$1,437 million. The increase in NPAs was mainly for substandard accounts which are well-collateralised. Net allowances increased from S$134 million to S$221 million despite gross specific allowances declining 23% from the prior year. This was largely attributable to higher portfolio allowances in line with loan growth, and lower recoveries and write-backs.

We continued to maintain a strong capital position, with Tier 1 and total capital adequacy ratios of 14.4% and 15.7%, respectively, as of 31 December 2011. These ratios were well above the regulatory minimum of 6% and 10% respectively. Our Core Tier 1 ratio, the computation of which excluded Tier 1 preference shares, was 11.4%.

Customer businesses in our key subsidiaries continued their healthy growth. Great Eastern Holdings ("GEH") achieved 10% growth in new business weighted premiums and 20% growth in new business embedded value. The results reflected strong sales growth across markets, with solid contributions from both the bancassurance and agency channels, as well as GEH's focus on sales of regular premium and protection-based products. GEH's net profit contribution to the Group, however, was lower at S$297 million in 2011, down from S$405 million in 2010, as a result of mark-to-market losses in the Non-participating Fund.

OCBC Bank (Malaysia) Berhad reported 6% growth in full year net profit to MYR749 million (S$307 million). Revenue growth was achieved in all areas - net interest income, Islamic finance income and non-interest income. Expenses increased 14% as we expanded our branch network and upgraded our capabilities and systems. Loan growth of 20% was broad-based across industry sectors, and the NPL ratio improved to 2.6% from 2.8%.

Bank OCBC NISP's net profit increased 80% to IDR753 billion (S$108 million) for 2011, boosted by synergies from the merger with Bank OCBC Indonesia. Net interest income grew 13% year-on-year with robust loan growth of 31%, while non-interest income grew 16%. Overall revenue growth was underpinned by the broader market coverage of the merged entity, improved product capabilities and stronger collaboration with other subsidiaries within the Group. If the one-time merger expense of IDR204 billion (S$31 million) in 2010 was excluded, expenses would have risen by 23% in 2011. Asset quality improved, with the NPL ratio dropping to 1.3% from 2.0% a year ago.

Bank of Singapore ended the year with assets under management of US$32 billion (S$41 billion), an increase of 19% year-on-year. Bank of Singapore's earning asset base, which included loans, grew 23% to US$40 billion (S$52 billion). Strong net inflow of fresh funds was broad-based across Bank of Singapore's major markets of Southeast Asia, Greater China and customers from the Indian Sub-continent. Headcount increased 20% in 2011 as we expanded our team of relationship managers to meet the rapidly growing demand for private banking services in Asia.

DIVIDENDS

The Board has recommended a final tax-exempt dividend of 15 cents per share, bringing the full year 2011 total dividend to 30 cents per share, unchanged from 2010. The dividend payout represents 45% of core earnings, which meets our targeted payout ratio.

PROGRESS AGAINST NEW HORIZONS III STRATEGY

We launched our New Horizons III strategy in 2011. Progress of the new strategy had been good with tangible achievements to show in each of the main pillars:

Balanced Business Scorecard

We grew our customer base strongly across all segments – retail, high net worth, corporates and SMEs – by continuing to leverage on customer insights in designing better products and delivering a differentiated experience for customers. Our innovation index, measured by the ratio of revenues from new products to total revenues, rose to 8% from 6% in the previous year. We retained our focus in strengthening our risk management capabilities, particularly in support of our expansion overseas. At a time when many depositors and investors worldwide were concerned about the financial soundness of banks, we were pleased to receive industry recognition with a credit rating upgrade by S&P to AA- from A+, and by being named the World's Strongest Bank (Bloomberg Markets) and the 25th safest bank globally (Global Finance).

Customer Experience

We continued to build our capabilities in the areas of market research, experience design and customer service. To improve our customers' experience in their dealings with us, we revamped our written communications in several areas, simplifying documents for ease of comprehension. We launched our new on-line banking platform, which provided a user-friendly and jargon-free interface for customers, introduced a paperless account opening process in the branches, and reduced the cycle time for processing and disbursement of various loans to customers. To position ourselves with the Gen-Y customer segment, we launched a new banking experience – "FRANK by OCBC", which was designed around the needs and preferences of youths and young adults.

Deeper Presence in Malaysia, Indonesia and Greater China

Outside Singapore, we continued to expand our distribution network and capabilities in Malaysia by adding two branches and increasing our Emerging Business and Bumiputra sales force in order to take market share. In Indonesia, we completed the merger between Bank OCBC Indonesia and Bank OCBC NISP, and the resulting operational synergies have improved the bottom-line. OCBC NISP has also rolled out their Emerging Business Model nationwide after seeing strong results from the implementation in Jakarta and other key metro-cities. In China, we expanded our branch and sub-branch network to 16, and now serve customers in eight cities across the country. We have recently received approval to commence preparation for a new branch in a ninth city, Shaoxing, located in Zhejiang Province. We have further tightened the coordination between our businesses across Greater China, including Hong Kong and Taiwan, to effectively capitalise on the emerging opportunities in the region.

Leveraging Group Synergies

Our unique combination of geographic footprint and business capabilities offers us the opportunity to further harness the potential synergies among various entities across the Group. This enables us to deepen as well as widen our relationships with customers, and further differentiates OCBC from our competitors. During the year, we achieved good momentum in cross-selling between Group entities. There was greater focus on serving the needs of network customers and providing them with a seamless customer experience across geographies and business divisions. We also enhanced operational efficiencies across our footprint through the alignment of risk and compliance processes and capabilities, and further rationalised our common infrastructure and shared services. To facilitate cross-fertilisation across businesses and geographies, we offered more career opportunities to talented individuals across the Group.

LEADERSHIP TRANSITION

After a distinguished career in banking, including 10 years in the OCBC Group, David Conner will be stepping down as CEO in April 2012. Samuel Tsien, currently Senior Executive Vice-President and Global Head, Global Corporate Bank, will succeed him as CEO.

Under David's leadership, we expanded our regional footprint and wealth management businesses significantly with major acquisitions. Over the past decade the improvements that we made in systems and processes, particularly in risk management, the organisational changes, and the emphasis on employee engagement, product innovation and quality and service excellence have not only eased our passage through some difficult periods, but have also firmly established us as a major regional financial services provider, one of the two largest banks in Southeast Asia by market capitalisation.

The appointment of Sam to succeed David as CEO underscores the Group's emphasis on executive development and succession planning. Having been a key member of the team that developed our New Horizons III strategy, Sam is firmly committed to executing it successfully and we are confident that our regional franchise will continue to grow with Sam as CEO.

LOOKING AHEAD

The operating environment is expected to remain challenging in 2012, with the global economy likely to decelerate further. The European sovereign debt crisis and sub-par growth in the US may further dampen Asian markets. Growth in our key markets is expected to be slower: Singapore is expected to grow at 1-3%, while Malaysia and Indonesia are expected to grow at rates of 4-6% and 6-7%, respectively. The Chinese economy is forecast to grow at a slower rate of 7-8%.

Nonetheless, we continue to see opportunities to invest in our network, and leverage synergies across the Group to better serve our customers.

ACKNOWLEDGEMENTS

The Board extends a warm welcome to Dr Teh Kok Peng, formerly the President of GIC Special Investments Pte Ltd, who joined us in August 2011 as an Independent Director. We also welcome Dato' Ooi Sang Kuang, former Deputy Governor and a member of the Board of Directors of Bank Negara Malaysia, and Mr Quah Wee Ghee, former Managing Director and President of GIC Asset Management Pte Ltd. Both gentlemen joined the Board in the first quarter of 2012.

We wish to thank our other fellow Board members for their consistent support, counsel and guidance. We acknowledge and commend our staff for their dedication and contribution in bringing the Group to where it is today. We would also like to express our gratitude to our shareholders and customers for their unwavering support.

Mr Patrick Yeoh Khwai Hoh, who has served on the Board of Directors for 10 years, has indicated that he does not wish to seek re-election at the 2012 Annual General Meeting. We thank him for his invaluable contributions during his term of office.

CHEONG CHOONG KONG
Chairman

17 February 2012

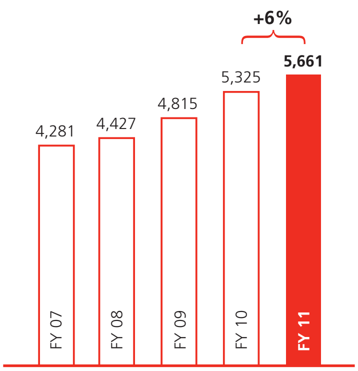
DAVID CONNER
Chief Executive Officer

Financial Highlights

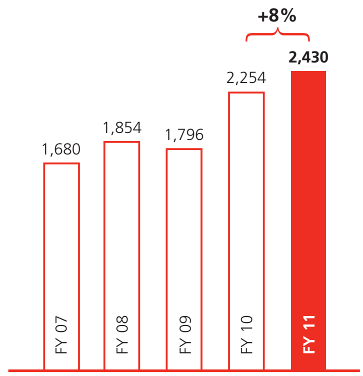
Group Five-Year Financial Summary

Financial year ended 31 December	**2011**	2010	2009	2008	2007
Income statements (S$ million)					
Total income	**5,661**	5,325	4,815	4,427	4,281
Operating expenses	**2,430**	2,254	1,796	1,854	1,680
Operating profit	**3,231**	3,071	3,019	2,573	2,601
Amortisation of intangible assets	**61**	55	47	47	47
Allowances for loans and impairment of other assets	**221**	134	429	447	36
Profit before tax	**2,955**	2,880	2,543	2,085	2,539
Profit attributable to equity holders of the Bank	**2,312**	2,253	1,962	1,749	2,071
Cash basis profit attributable to equity holders of the Bank (1)	**2,373**	2,308	2,009	1,796	2,118
Balance sheets (S$ million)					
Non-bank customer loans (net of allowances)	**133,557**	104,989	80,876	79,808	71,316
Non-bank customer deposits	**154,555**	123,300	100,633	94,078	88,788
Total assets	**277,758**	229,283	194,300	181,385	174,607
Assets, excluding life assurance fund investment assets	**228,670**	181,797	151,223	142,508	133,471
Total liabilities	**252,368**	205,638	172,521	162,825	157,768
Ordinary shareholders' equity	**20,675**	18,894	17,075	13,978	14,782
Total equity attributable to the Bank's shareholders	**22,571**	20,790	18,971	15,874	15,678
Per ordinary share					
Basic earnings (cents)	**65.8**	66.1	59.4	54.6	65.9
Cash earnings (cents) (1)	**67.6**	67.8	60.9	56.1	67.4
Net interim and final dividend (cents) (2)	**30.0**	30.0	28.0	28.0	28.0
Net asset value (S$)					
Before valuation surplus	**6.02**	5.66	5.29	4.51	4.79
After valuation surplus	**7.04**	7.09	6.33	5.18	6.46
Ratios (%)					
Return on ordinary shareholders' equity	**11.3**	12.1	12.2	11.8	14.8
Return on assets (3)	**1.11**	1.32	1.35	1.23	1.66
Dividend cover (times)	**2.17**	2.18	2.09	1.95	2.35
Cost to income	**42.9**	42.3	37.3	41.9	39.2
Capital adequacy ratio (4)					
Tier 1	**14.4**	16.3	15.9	14.9	11.5
Total	**15.7**	17.6	16.4	15.1	12.4

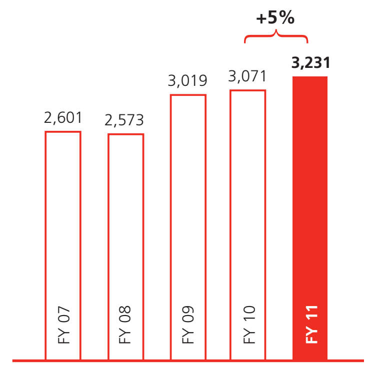
(1) Excludes amortisation of intangible assets.
(2) Dividends are stated net of tax, where relevant. With effect from the 2007 final dividend, the Group's dividends are on a tax exempt basis.
(3) The computation of return on average assets does not include life assurance fund investment assets.
(4) 2008 to 2011 capital adequacy ratios are computed under the Basel II framework, in accordance with MAS Notice 637 to Banks.



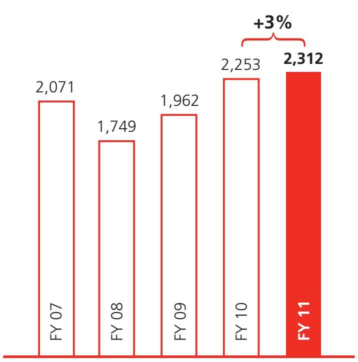
Total Income (S$ million)



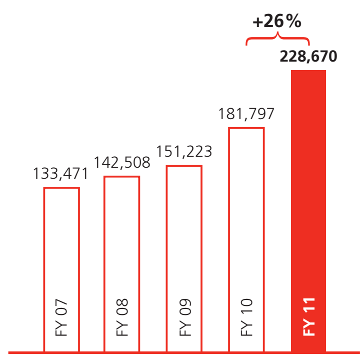
Operating Expenses (S$ million)



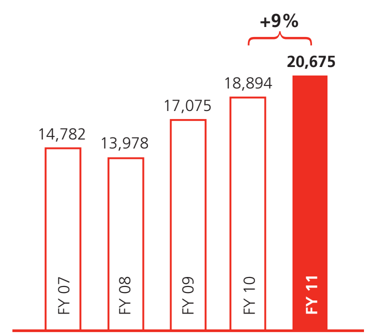
Operating Profit (S$ million)



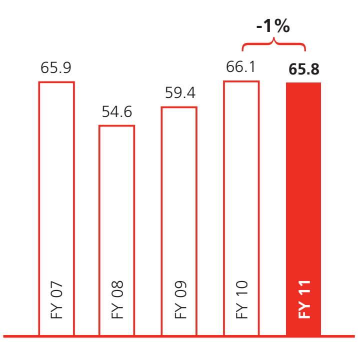
Profit Attributable to Equity Holders of the Bank (S$ million)



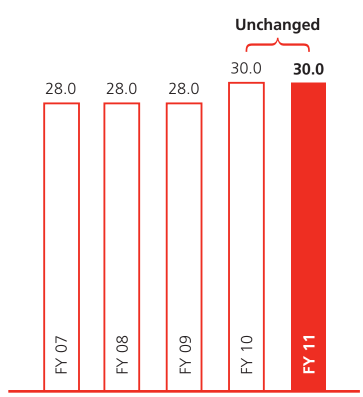
Assets, Excluding Life Assurance Fund Investment Assets (S$ million)



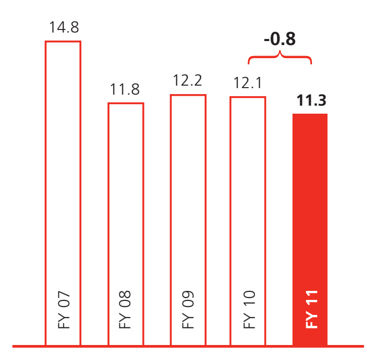
Ordinary Shareholders' Equity (S$ million)



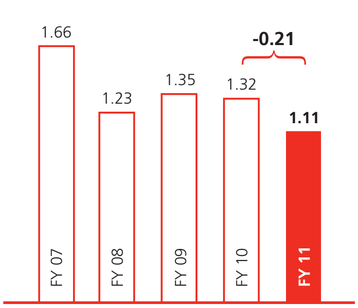
Basic Earnings Per Share (cents)



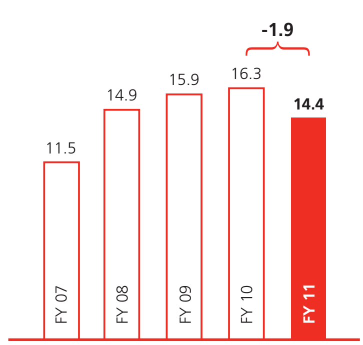
Net Dividend Per Share (cents)



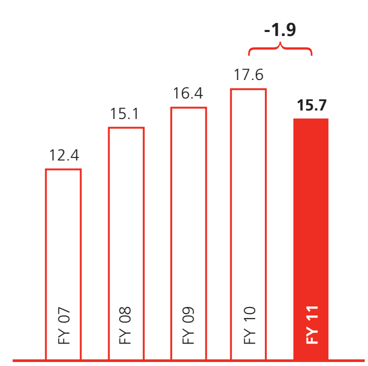
Return on Ordinary Shareholders' Equity (%)



Return on Assets (%)



Tier 1 CAR (%)



Total CAR (%)

Board of Directors

DR CHEONG CHOONG KONG
CHAIRMAN

Dr Cheong was first appointed to the Board on 1 July 1999 and last re-elected as a Director on 15 April 2011. 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 Ph.D. in Mathematics and (Honorary) Doctor of Science from the Australian National University. Age 70.

MR BOBBY CHIN

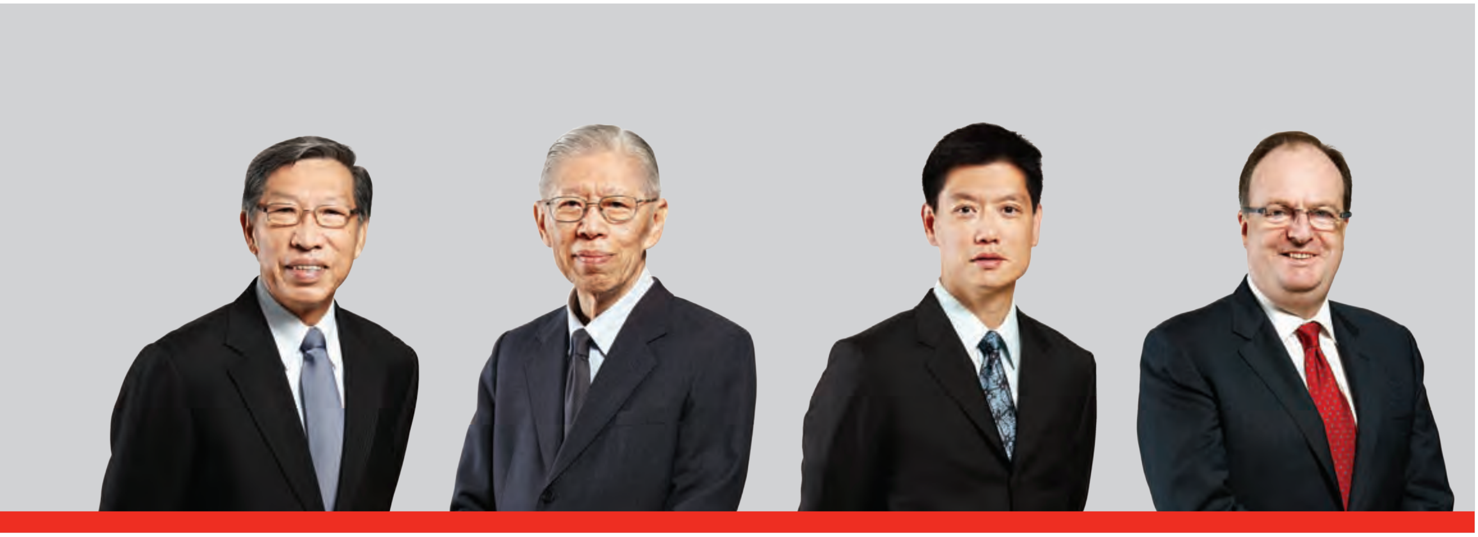
Mr Chin was first appointed to the Board on 1 October 2005 and last re-elected as a Director on 17 April 2009. He is presently the Chairman of Singapore Totalisator Board and a member of the Council of Presidential Advisers of the Republic of Singapore. He serves on the board of several listed companies, including Neptune Orient Lines Ltd and Sembcorp Industries Ltd. He is also a Board Member of Singapore Labour Foundation, a Board Trustee of Singapore Indian Development Association and a Member of the Competition Commission of Singapore. 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 60.

MR DAVID CONNER
CHIEF EXECUTIVE OFFICER

Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 16 April 2010. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently Chairman of Bank of Singapore Ltd, Singapore Island Bank Ltd and Lion Global Investors Ltd, a Member of the Corporate Governance Council of the Monetary Authority of Singapore (MAS) and serves as a Director of several companies, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad, as well as a Commissioner of PT Bank OCBC NISP Tbk. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 63.

MRS FANG AI LIAN

Mrs Fang was first appointed to the Board on 1 November 2008 and elected as a Director on 17 April 2009. 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 62.



MR LAI TECK POH

Mr Lai was 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, London and New York. 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 67.

MR LEE SENG WEE

Mr Lee was first appointed to the Board on 25 February 1966 and last re-appointed as a Director on 15 April 2011. 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 81.

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. He is a Director of Lee Foundation and several Lee Rubber Group Companies. Dr Lee graduated with M.D. and Ph.D. degrees from Yale University. He also holds a Master of Business Administration with Distinction from Imperial College, London. Age 48.

MR COLM MCCARTHY

Mr McCarthy was first appointed to the Board on 1 November 2008 and elected as a Director on 17 April 2009. 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 54.

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. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and a Master of Business Administration and Ph.D. from the University of Pittsburgh. Age 54.

DATO' OOI SANG KUANG

Dato' Ooi Sang Kuang was first appointed to the Board on 21 February 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 at present Chairman of Cagamas Berhad (the national mortgage corporation in Malaysia) and its subsidiaries, and Malaysian Electronic Clearing Corporation Sendirian Berhad (subsidiary of BNM). 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 64.

MR QUAH WEE GHEE

Mr Quah Wee Ghee was appointed to the Board on 9 January 2012. He is presently an Advisor to the Government of Singapore Investment Corporation (GIC) Executive Committee and the GIC 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 EDBI Pte Ltd, Great Eastern Life Assurance Co Ltd, Singapore Exchange Ltd and SLF Strategic Advisers Pte Ltd, the Chairman of the Ministry of Health Holdings 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 50.

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 49.

DR TEH KOK PENG

Dr Teh Kok Peng was appointed to the Board on 1 August 2011. He was President of GIC Special Investments Pte Ltd, the private equity arm of Government of Singapore Investment Corporation Pte Ltd (GIC). Prior to this, he was concurrently Deputy Managing Director of MAS and Deputy Managing Director of GIC. He began his career at the World Bank under the Young Professionals Program in Washington D.C.

Dr Teh is at present a Director of GIC Special Investments Pte Ltd and China International Capital Corporation Ltd. He is also a Member of the Urban Redevelopment Authority Board, 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, and a Doctorate in Economics at Nuffield College, Oxford University, England.

He attended the Advanced Management Program at the Harvard Business School. Age 64.

MR PATRICK YEOH KHWAI HOH

Mr Yeoh was first appointed to the Board on 9 July 2001 and last re-appointed as a Director on 15 April 2011. He served for more than 25 years at Development Bank of Singapore where he last held the position of President and Director. He is presently Chairman of Tuan Sing Holdings Ltd and a Director of Accuron Technologies Ltd. Mr Yeoh holds a Bachelor of Science with Honours from the University of Malaya (Singapore). Age 74.

Principal Officers

MR DAVID CONNER CHIEF EXECUTIVE OFFICER

Mr David Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 16 April 2010. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently Chairman of Bank of Singapore Ltd, Singapore Island Bank Ltd and Lion Global Investors Ltd, a Member of the Corporate Governance Council of the Monetary Authority of Singapore ("MAS") and serves as a Director of several companies, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad, as well as a Commissioner of PT Bank OCBC NISP Tbk. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 63.

MR SAMUEL N. TSIEN GLOBAL CORPORATE BANK

Mr Samuel N. Tsien was appointed Senior Executive Vice President in July 2007 when he joined OCBC Bank. As Head of Global Corporate Bank, he has bankwide responsibilities for corporate, commercial and institutional banking, covering Singapore and all overseas countries. Since July 2008, he also oversees the International and Transaction Banking divisions. Mr Tsien has 34 years of banking experience and has held various senior management roles in corporate banking, retail banking and risk management at Bank of America and China Construction Bank. Prior to joining OCBC Bank, he was President and Chief Executive Officer of Bank of America (Asia) and China Construction Bank (Asia) Corporation respectively. He holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles ("UCLA"). Age 57.

MR JEFFREY CHEW DIRECTOR AND CEO, OCBC BANK MALAYSIA

Mr Jeffrey Chew was appointed Executive Vice President in October 2006. He currently oversees the Group's Malaysian business. He joined OCBC Malaysia in April 2003 initially as Head of the SME business and subsequently, as Head of Business Banking. Mr Chew began his career at PriceWaterhouseCoopers and subsequently joined Citibank in Malaysia where he held various roles over 12 years, including customer relationship management, risk management and international offshore banking and product management. A qualified accountant by training, he is a fellow member of the Chartered Association of Certified Accountants, UK. Age 46.

MR CHING WEI HONG GLOBAL CONSUMER FINANCIAL SERVICES

Mr Ching Wei Hong was appointed Senior Executive Vice President in April 2007 and is currently Head of Global Consumer Financial Services. He is responsible for building our consumer banking business in our key markets. 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 26 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 52.

MR LINUS GOH TI LIANG ENTERPRISE BANKING & FINANCIAL INSTITUTIONS – GLOBAL CORPORATE BANK

Mr Linus Goh Ti Liang was appointed Executive Vice President in April 2004 when he joined OCBC Bank as Head of International. Presently, as Global Head of Enterprise Banking and Financial Institutions, he has responsibility for our commercial banking and financial institutions businesses internationally. Mr Goh has over 25 years of banking experience, including 17 years at Citibank N.A. Singapore, where he held several senior positions overseeing corporate banking, financial institutions, e-business and transaction banking. Mr Goh holds a Bachelor of Arts (Philosophy) with Honors from the National University of Singapore. Age 49.

MR NA WU BENG INTERNATIONAL

Mr Na Wu Beng was appointed Executive Vice President in March 2001. Currently assigned to OCBC NISP as Deputy President Director, he joined its Board of Directors in September 2005. Mr Na joined OCBC Bank in February 1990, and was responsible for our operations in Hong Kong and North Asia. Prior to that, he was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honours from Coventry University, UK. Age 55.

MS KNG HWEE TIN GROUP AUDIT

Ms Kng Hwee Tin was appointed Head of Group Audit in April 2010 and promoted to Executive Vice President in April 2011. She oversees the full spectrum of audit activities for OCBC Bank and our subsidiaries. She reports directly to the Audit Committee and administratively to the Chief Executive Officer. Ms Kng has more than 20 years of experience in banking, most notably establishing the Bank's thrust into Premier Banking. During her tenure with OCBC, she was also Executive Assistant to the Group Chairman, Secretary to the Board Risk Committee, and a Project Manager in the Bank's implementation of Basel II requirements for credit risk. Ms Kng holds a Masters of Business Administration from the National University of Singapore, where she was awarded the Saw Gold Medal in Finance. Age 45.

MR GEORGE LEE LAP WAH GROUP INVESTMENT BANKING

Mr George Lee Lap Wah was appointed Executive Vice President in August 2005. As the Head of Group Investment Banking, he oversees our debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr Lee has more than 33 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 59.

MR LAM KUN KIN GLOBAL TREASURY

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 and seven other overseas markets. With over 25 years of business experience covering global fund management, global markets sales & trading and Asian emerging market business, Mr Lam has held 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 49.

MR NEO BOCK CHENG GROUP TRANSACTION BANKING – GLOBAL CORPORATE BANK

Mr Neo Bock Cheng joined OCBC Bank in October 2003 as Head of Cash Management. He was appointed Senior Vice President in April 2005 to oversee the Group Transaction Banking Division which provides cash management, trade finance, and nominee services to corporate and commercial banking customers. Mr Neo brings with him more than 22 years of corporate banking experience, including over 13 years with regional assignments at several major international banks such as Citibank and JP Morgan Chase. Mr Neo graduated with a Bachelor of Engineering (Civil) degree from the National University of Singapore. Age 47.

MR DARREN TAN SIEW PENG GROUP FINANCE

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 41.

Principal Officers

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 Committee of OCBC Bank, he has been leading the change in redefining the risk management approaches used by OCBC Bank in a Basel II world. He has over 23 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 53.

MRS TENG SOON LANG GROUP QUALITY & SERVICE EXCELLENCE

Mrs Teng Soon Lang was appointed Executive Vice President in January 2003. She heads the Group Quality & Service Excellence Division which is responsible for building a quality culture, facilitating cross-functional process transformations and enhancing collaborations across the organisation. She joined OCBC Bank in 1996 as Group Chief Information Officer. Mrs Teng holds a Bachelor of Accounting with Honours and a Master of Science (Computer and Information Sciences) from the National University of Singapore as well as a Post Graduate Qualification from the Institute of Cost and Management Accountants, UK. Age 61.

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 27 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 61.

MR RENATO DE GUZMAN CHIEF EXECUTIVE OFFICER, BANK OF SINGAPORE

Mr Renato de Guzman is presently the Chief Executive Officer of Bank of Singapore. An accomplished banker with over 35 years of extensive banking experience, he has been instrumental in growing the private banking business in Asia where he was the Chief Executive Officer of ING Private Banking Asia from 2000. He was also Country Manager for ING Barings in Manila from 1990 to 2000. Mr de Guzman holds a Bachelor of Science in Management Engineering from Ateneo de Manila University, a Masters in Business Administration (with distinction) from Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada. Age 61.

MS LEONG WAI LENG CHAIRMAN, OCBC BANK CHINA

Ms Leong Wai Leng was appointed as Chairman of OCBC China in August 2007. She has overall responsibility for directing and executing our growth strategy in China in her current role. A Singaporean and a graduate of the National University of Singapore with a Bachelor's degree in Business Administration, Ms Leong has more than 23 years of experience in finance both in the corporate world and in corporate banking. She has worked in China for the last 11 years, including seven years of corporate experience with Philips Electronics Group as its China Country Treasurer and Vice President, China Group Chief Financial Officer. She held several senior banking positions in Citibank Singapore, JP Morgan Chase Singapore, and HSBC China. Age 46.

MR VINCENT SOH GROUP PROPERTY MANAGEMENT

Mr Vincent Soh was appointed Senior Vice President in June 2004. As Head of Group Property Management, he is responsible for managing OCBC Group's real estate portfolio. He has held senior level positions in the public and private sectors. Mr Soh holds a Master of Science (Property & Maintenance Management) and Master of Public Policy, both from the National University of Singapore. He is also an Associate Member of the Royal Institution of Chartered Surveyors, UK. Age 56.

MR PETER YEOH GROUP SECRETARIAT

Mr Peter Yeoh joined OCBC Bank in January 1984 and was appointed Company Secretary in August 2002. Since joining OCBC Bank, he has held responsibilities in finance, accounting, management information services and strategic projects. He holds a Bachelor of Commerce from the University of Western Australia, and is a Member of the Institute of Chartered Accountants in Australia, and a Member of the Institute of Certified Public Accountants of Singapore. Age 57.

MR DAVID MCQUILLEN GROUP CUSTOMER EXPERIENCE

Mr David McQuillen joined OCBC in January 2010 as Senior Vice President and Head of Group Customer Experience. He leads OCBC Bank's initiatives on building a stronger customer focus within our bank, running market research and improving the quality of customer experience across all customer touchpoints. He has previously held senior customer experience positions in major organisations and prior to joining OCBC Bank, he was Director of Client Experience at Credit Suisse in Switzerland since 2001. Mr McQuillen holds an MBA in IT Strategy from the Cass Business School in London and a Bachelor of Business Administration in Marketing from Mercyhurst College. Age 41.

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 22 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 51.

MS LORETTA YUEN GROUP LEGAL AND REGULATORY COMPLIANCE

Ms Loretta Yuen was appointed General Counsel and Head of Group Legal and Regulatory Compliance in September 2010 and Senior Vice-President in April 2011. She oversees the full spectrum of legal and regulatory risks, including anti-money laundering, across OCBC Bank and its subsidiaries, and provides advice on regulatory risks and legal issues involved in decisions to management, so that management can make informed strategic choices within an acceptable legal and regulatory risk profile. Ms Yuen has over 11 years of legal and regulatory experience in banking and finance. She graduated with Second Class honours in Law from the National University of Singapore. Age 37.

MS KOH CHING CHING GROUP CORPORATE COMMUNICATIONS

Ms Koh Ching Ching was appointed Head of Group Corporate Communications in November 2004 and Senior Vice President in April 2006. She leads our group communications initiatives with the media, employees, customers, shareholders and the general public. Prior to her role in corporate communications, she led OCBC Bank's franchise expansion efforts in trade finance in Malaysia. Before this, Ms Koh had 16 years of corporate and retail banking experience, having held various senior customer and product positions in local and foreign financial institutions. She graduated with First Class Honors in Business Administration from the National University of Singapore. Age 44.

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:

BALANCED BUSINESS SCORECARD

We will continue our disciplined approach to driving performance improvement through a balanced 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. 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.

2011 Report Card

BALANCED BUSINESS SCORECARD

Customers

- Expanded consumer customer base by 1.3% despite closing dormant accounts
- Maintained assets under management ("AUM") per consumer customer with growing customer base
- Leveraged on customer insights to improve products, services and customer experience
- Launched enhanced on-line banking platform
- Increased AUM for high net worth individuals by 19% and earning assets base ("EAB") by 23%
- Expanded SME customer base by 10%
- Improved cross-sell ratio by 6%
- Named Outstanding Private Bank in Asia Pacific by Private Banker International and Best Private Bank in Singapore in 2011 and 2010 by FinanceAsia
- Named Best Wealth Management Bank in Southeast Asia in 2011 and 2010 by Alpha Southeast Asia

Products

- Launched 94 new products, accounting for 8% of total revenue
- Named Best SME Bank (Cash Management) in Singapore and Rising Star Cash Management Bank in Malaysia by The Asset
- Named Best Trade Finance Bank in Singapore by FinanceAsia and Best Trade Finance Bank (Foreign Bank Category) in Malaysia by The Asset
- Ranked first in Singapore and Malaysia Loans Mandated Arranger league tables by IFR Asia
- Topped the Bloomberg 2011 mandated arranger league tables for syndicated loans in Singapore
- Ranked first in Currency Derivatives (Structured Hedging) and Interest Rate Derivatives (Vanilla/Structured Hedging) for SGD, MYR and IDR by Asia Risk
- Lion Global won six awards at the Lipper Fund Awards 2011 (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
- Received S&P's rating upgrade from A+ to AA-
- Ranked the World's Strongest Bank by Bloomberg Markets
- Rated 25th safest bank globally by Global Finance

Productivity

- Improved operational productivity by 4% and reduced unit processing cost by 3% across Singapore and Malaysia
- Hubbed additional processes to Malaysia, with annualised savings of S$0.26 million
- Executed 21 cross-functional process improvement projects, resulting in S$26 million in margin improvement, bringing cumulative margin improvements to S$219 million

People

- Improved employee engagement score for the ninth consecutive year since 2002
- Maintained employee share ownership at above 60%
- Maintained average training days per employee at above seven days for the sixth consecutive year, exceeding target of five days
- Revamped the OCBC Staff Volunteer Programme to encourage more personal volunteering

Shareholder Value

- Achieved ROE of 11.1% and cash ROE of 11.4%
- Achieved core EPS of 64.8 cents per share in 2011, down 2% due to the high participation in the scrip dividend scheme
- Maintained stable dividends at 30 cents per share, and kept total dividend payout at 45% of core earnings

2011 Report Card

CUSTOMER EXPERIENCE

- Established market research, experience design and customer-focused capabilities
- Implemented new customer metrics, net promoter score and E-B score, to track progress on exceeding customer expectations
- Revamped communication materials for various products such as Dual Currency Returns and New Target Unit Trust
- Received the Plain English Campaign's Crystal Mark, the first financial institution in Southeast Asia to do so. Since then, more than 10 Crystal Marks were awarded across consumer and business banking businesses
- Launched FRANK by OCBC, a revolutionary banking experience for Gen-Y customers based on in-depth customer research and a Design Thinking methodology

INTERNATIONAL EXPANSION

- Sustained double-digit revenue growth, driven by loan growth and treasury activities

Malaysia

- Increased inter-bank cash withdrawal transactions since joining MEPS in 2010
- Expanded Emerging Business and Bumi sales force
- Opened one branch in Ijok, Selangor and another in Cheras, bringing total network to 31 conventional branches and five Islamic Banking branches

Indonesia

- Completed the merger between Bank OCBC Indonesia with Bank OCBC NISP; fully integrated within two months
- Rolled out the Emerging Business model nationwide

China

- Increased network to 16 branches and sub-branches covering eight cities
- Received approval to open a new branch in a ninth city, Shaoxing in Zhejiang Province

Vietnam

- Sustained revenue growth of more than 100% through successful penetration of the top tier state-owned-enterprises and Southeast Asia network clients

LEVERAGING ON GROUP SYNERGIES

- Strengthened the cross-sell momentum among Group entities with processes aligned and tracking mechanisms put in place
- Focused on serving the needs of Southeast Asia network customers and providing seamless customer experience across the region
- Launched several new products through the collaboration among Group entities e.g. LionGlobal New Target Return Fund
- Extended capabilities across geographies, including the roll-out of our internet cash management platform in Indonesia
- Improved the co-ordination between Group entities across geographies to capture emerging opportunities
- Continued to align risk / compliance practices and capabilities across geographies and subsidiaries
- Facilitated the knowledge transfer of Quality and Customer Experience concepts across subsidiaries
- Rationalised common infrastructures and shared services e.g. consolidation of Great Eastern ("GEH") and OCBC data centres
- Developed structured career paths and aligned Internal Job Posting programmes across Group entities to facilitate cross-fertilisation of talented individuals across businesses and geographies

Building on the success of our New Horizons and New Horizons II strategies, we launched our follow-on strategy, New Horizons III in 2011. Retaining the key pillars of our previous strategies, which remain relevant, we intend to continue to utilise our balanced business scorecard, and to accelerate our progress in delivering improved quality and a differentiated customer experience to gain a sustainable competitive advantage in the marketplace. The roll-out of the "FRANK by OCBC" banking programme and the FRANK retail stores is a good example of us leveraging customer insights to deliver a differentiated customer experience. FRANK, which was dubbed "maybe the coolest bank Gen-Y has ever seen" by TheFinancialBrand.com, was the result of in-depth market research to understand the banking needs of young adults. The market reception of FRANK has been strong since its launch, and we received the Financial Insights Innovation Award in recognition of our delivery of a superior customer experience.

GLOBAL CONSUMER FINANCIAL SERVICES

In a year marked by low interest rates and financial market volatility, our consumer banking business delivered a healthy set of operating results. Overall revenue increased by 5% to S$1.2 billion led by robust loan growth of 19%, and higher fee and commission income from our bancassurance, unit trusts and credit card businesses. Home loans and personal loans, on a combined basis, registered double-digit growth in Singapore and Malaysia, while deposits rose 9% in Singapore and 13% in Malaysia, as we continued to strengthen our consumer banking franchises in both countries. Pre-tax profit nevertheless fell 11% to S$452 million, mainly attributable to higher staff costs as we continued to invest in deepening our bench strength to grow our consumer banking business.

We launched several new products and services during the year, successfully deploying customer insights to drive innovation. In Singapore, we worked with Lion Global Investors to launch a new unit trust called the LionGlobal New Target Return Fund in October 2011. Based on our customer research findings, we focused our efforts on investors who had not invested in unit trusts before, and created a fund that addresses their fears of low or negative returns from unit trust investments resulting from low interest rates and continued market volatility. More than 40% of the customers who subsequently invested in the Fund were first time unit-trust investors, confirming the relevance of the Fund's product features.

To attract the youth and young working adults segment, we launched "FRANK by OCBC", an innovative banking programme that includes a customised suite of savings, debit and credit card offerings, a tailored cards rewards programme and unique internet banking capabilities. Three "FRANK by OCBC" stores were opened in the Singapore Management University and Nanyang Technological University campuses, and VivoCity, a shopping mall.

These stores feature a unique retail concept, with a contemporary layout and 130-card display stand that allows customers to browse, touch and ask questions as they would do when shopping. We transformed the experience for this group of customers by making banking easy, by enabling them to express themselves and by giving them better control over their finances. Providing a choice of 130 distinct debit and credit card designs is the first such initiative in the region. One limited-edition credit card design was sold for S$1,000, which we matched, and we then donated the entire S$2,000 to the Singapore Children's Society.

In November 2011, we rolled out a new account-opening system that delivers an engaging and hassle-free experience for customers. Customers are no longer required to complete multiple forms when they apply for several products at one time. This has resulted in a 57% increase in requests for additional products and services, such as debit cards and internet banking.

Several innovative features were introduced on our mobile and internet banking platforms. In March 2011, we rolled out our mobile banking application for Android mobile phones that includes a unique "Scan and Pay" feature. This allows Android phone users to scan barcodes to obtain billing details and make payments from their OCBC Bank accounts using their phones. The billing organisations' details can also be stored in the phones for making future payments. In October 2011, we also enhanced our on-line and mobile banking platforms with the intention of increasing the usage rate and customer stickiness. We received positive customer feedback on the new features and the simplified user interfaces. New features include a facility to create multiple on-line savings goals using one bank account, the ability to top up prepaid cards and make overseas remittances.

Our collaboration with the National Trades Union Congress ("NTUC") reached another milestone in September 2011, with the opening of our first Plus! Lite Branch in a NTUC Fairprice supermarket, FairPrice Xtra Jurong Point. This branch, offering FairPrice customers banking services such as account enquiry and financial advisory services, is the first of its kind in the region. In October 2011, we also started a partnership with nEbO, the junior membership arm of NTUC, by providing "FRANK by OCBC" products and services to nEbO members. This collaboration was branded "FRANK for nEbO".

In both Singapore and Malaysia, we introduced home loans for residential properties in Australia and London. We were also the first financial institution to bundle renovation and refurbishment loans with home loans in Malaysia, a combined offering with more attractive interest rates than for standalone unsecured renovation loans.

We continued to leverage on our strategic partnership with Great Eastern to cross-sell products that meet the diverse needs of our customers. In Singapore, we continued to be the top bancassurance player with a market share of 34%. In April 2011, we added a new Universal Life insurance plan to complement our two existing popular offerings. With the new PremierLife Heritage (Enhanced) plan, insurance coverage is maintained even if the policy's account value falls to zero. This is an improvement over the classic plan, the PremierLife Heritage (Classic), which requires customers to top up the insurance premium if the account value falls to zero in order to maintain the insurance coverage. The new product helped to drive strong demand for Universal Life insurance plans among our high net worth customers. In Malaysia, we also grew bancassurance revenue by 53%.

We currently have a network of over 600 ATMs and 55 branches in Singapore, of which 21 branches provide full service banking on Sundays. During the year, we added two new Premier Banking Centres, one at Marina Bay Sands and the other at Marina Bay Financial Centre, bringing the total number of Premier Banking Centres to 15. In Malaysia, we have 79 ATMs and 36 branches. We opened a new branch in Ijok, Selangor, and joined the MEPS ATM network, which allows our customers to make cash withdrawals at 10,000 ATMs located across the country.

During the year, we won several awards for our products and service excellence. The OCBC YES! Card received the Product Excellence Award (Singapore) in the inaugural Banking and Payments Asia Trailblazers Awards, and the Gold Award in the Best Credit Card Category by *Asian Banking and Finance*. In the inaugural "We Welcome Families" Awards, we received the Achiever Award for our Hougang Mall branch and our Ang Mo Kio Central branch was the sole recipient of the Excellence Award in the Services category. Some 364 staff from our Consumer Financial Services unit received SPRING Singapore's Excellence Service Award for outstanding service. Out of the 364 staff, 51 received the top Star Award, 141 received the Gold Award, and 172 received the Silver Award.

We were recognised for our efforts to make banking information simple and easy for our customers and to enable them to make more informed financial decisions. We became the first financial institution in Singapore to receive Crystal Marks for Clarity from the UK Plain English Campaign for, among others, our Dual Currency Returns product marketing brochures, Financial Needs Analysis forms and for all our home loan documents.

GLOBAL CORPORATE BANK

At our Global Corporate Bank, revenue rose 23% to a record S$2.1 billion, led by strong growth in net interest income and higher fee income from trade finance, cash management and treasury activities. Pre-tax profits increased 17% to S$1.4 billion. Our core markets of Singapore and Malaysia remained our key revenue contributors, while our other overseas markets registered strong double-digit growth as our regional expansion efforts gathered pace.

We achieved 28% loan growth for the year, led by broad-based growth across all geographies. Notable corporate banking transactions in Singapore included our appointment as one of the lead arrangers for the S$4.2 billion refinancing for Resorts World at Sentosa Pte Ltd; the US$2.4 billion financing for BW Offshore – the world's second largest FPSO (floating, production, storage and offloading) owner and operator – and a S$1.3 billion facility to Guocoland Limited. In Malaysia, we were the agent bank, and mandated lead arranger and lender, in the MYR1.4 billion syndicated term loan facility for Digi Telecommunications Sdn Bhd; and the MYR3.0 billion facility for Astro Malaysia Holdings Sdn Bhd.

In Singapore, we established a small and medium enterprises ("SME") regional business team to support our customers as they build their regional presence in countries such as China, Malaysia and Indonesia. Our base of SME customers with regional operations doubled, and cross-border SME business revenue more than tripled. Our total SME customer base expanded by 10% overall.

Discovering and acting on customer insights remains a key driver of our innovation efforts as we continue to strive to make banking with OCBC *"simple, fast and convenient"* for SMEs. We implemented an integrated credit processing system which allows customers to submit fewer supporting documents and shortens the turnaround time for credit applications. For commercial property loans ("CPL"), we introduced "CPL 120 mins", whereby customers are informed of the status of their loan applications within two hours of their submitting the documents.

In Malaysia, we launched OCBC Easi-2Pay, a real-time internet payment portal within the Financial Process Exchange ("FPX") gateway. This service enables customers to receive payments via their own websites. We also enhanced our process to allow prompt issuance of cash-backed letters of credit and Islamic letters of credit, reducing turnaround to within two business days.

In recognition of our efforts to serve SMEs in 2011, we were named the Best ASEAN SME Bank by the *Asian Banking and Finance* magazine, and Best SME Bank in Singapore by the *Alpha Southeast Asia* magazine for the second year in a row.

Group Transaction Banking

Our Group Transaction Banking team had a record year in 2011, with strong growth in both the cash management and trade businesses. We secured a significant number of cash management mandates in Singapore, Malaysia and China. Our trade volumes increased strongly in Singapore and China, driven mainly by the growth of commodities trade finance and Renminbi trade-related activities.

Our customer base for Velocity@ocbc, our award-winning internet banking platform, grew 25% in Singapore, 28% in Malaysia and 66% in China. Our enhanced electronic mobile and email corporate notification service, eAlerts@ocbc, continued to be well-accepted by our customers, with the base of customers using the service expanding by 26%.

In Malaysia, leveraging on our expertise in trade finance and treasury products, we introduced a structured trade financing solution for customers exporting to China in Renminbi. In China, we introduced new trade finance and cash management products and services, including an Export LC Refinancing service and an Escrow Account Service. The expansion of our existing product suite has also helped to grow the number of Velocity@ocbc payment transactions by 87% and doubled the amount of trade settlement transactions.

We also garnered several industry accolades: we were named the Best Domestic Cash Management Bank (Singapore) and the Best Domestic Trade Finance Bank (Singapore) by *The Asian Banker*; the Best Trade Finance Bank in Singapore by *FinanceAsia*; the Best SME Bank (Cash Management) in Singapore, the Rising Star Cash Management Bank in Malaysia and the Best Trade Finance Bank in Malaysia (Foreign Bank category) for the second consecutive year, by *The Asset*; and awarded by *Alpha Southeast Asia* in Singapore; the Best Trade Solution of the Year in Southeast Asia and Best Yuan Trade Settlement Solution of the Year in Southeast Asia.

GLOBAL TREASURY

We registered positive growth amidst the uncertain macro-environment and challenging financial market conditions in 2011. Treasury revenue increased 28% to S$1.1 billion, driven by contributions from overseas centres and strong customer sales activities. Sales revenue arising from strong cross-sell efforts grew 48%, and our pre-tax profits rose 34% to S$780 million.

In line with our New Horizon III strategy of deepening our business presence in strategic overseas markets, revenue from overseas Treasury centres grew by 107%. While Singapore and Malaysia continued to be our largest geographical markets, combined revenue contributions from our overseas Treasury centres, mainly in the Greater China region, exceeded the contribution from Malaysia. This performance is a result of the continuous efforts to diversify our revenue streams across geographies, business activities and asset classes.

We continued to receive market recognition for our product innovation, service excellence and market dominance in Asian currency products. We were ranked as the top provider of SGD, MYR and IDR-denominated currency and interest rate products by *Asia Risk*. In the *Asiamoney's FX Poll 2011*, we were voted by corporate organisations as the Best Domestic Provider of FX Services in Singapore, the Best Domestic Provider for Innovative FX Products & Structured Idea in Singapore and the Best Domestic Provider of FX Prime Broking Services in Singapore. We topped *Asiamoney's Fixed Income Poll 2011* for having the Most Innovative Trading Ideas and Best Pricing & Execution Capabilities in credit and interest rate sales in Singapore.

GROUP INVESTMENT BANKING

OCBC Bank was highly ranked in the Bloomberg 2011 mandated arranger league tables for syndicated loans. We topped the Singapore table with S$4.3 billion from 32 deals and achieved a market share of 10.6%. We were also listed among the top ten arrangers in the Asia ex-Japan table, with US$7.7 billion from 78 deals, representing a 2.4% market share in the region.

Notable deals we arranged included financings for the redevelopment of the landmark Capitol Theatre and the development of MGPA Asia Square Towers at the new Marina Bay downtown. We also arranged the only offshore syndicated loan in 2011 for Indonesia's Eximbank.

Our Capital Markets team also did well in 2011. We were ranked among the top five arrangers in the Bloomberg 2011 mandated arranger league table for Singapore dollar bonds. Key transactions included bond issuances for Hong Kong-based Henderson Land and JSC VTB Bank of Russia.

Our Corporate Finance team remained active in supporting our corporate customers in accessing equity capital markets in Singapore. During the year, the team lead-managed various equity deals and raised over S$185 million. Key transactions included the IPOs of homegrown companies UE E&C and Sheng Siong, and a secondary placement for First Ship Lease Trust. We also co-managed various IPO offerings including Hutchison Port Holdings Trust, the largest IPO for the year, and Mapletree Commercial Trust. In addition, we provided advisory services to Pacific One Energy during its S$393 million takeover bid for KS Energy.

Our Mezzanine Capital unit continued to provide private equity and customised equity-linked financing solutions to our corporate customers in Singapore, Malaysia, Greater China and Indonesia. One landmark transaction was the successful listing of Shindoo Chemical Industry Co, a company we have supported for three years, on the Shenzhen Stock Exchange in January 2011.

In line with our sponsorship of the Emerging Enterprise Awards, which has been recognising well-run small businesses in Singapore for four years, we extended interest-free loans to the winners of Emerging Enterprise 2011 to help them build their capabilities and grow their businesses.

In Malaysia, we topped the Thomson Reuters 2011 Malaysia syndicated loans bookrunner league table with a market share of 41.6%. Key transactions included a cross border plantation syndication of US$240 million in Papua New Guinea arranged for London Stock Exchange-listed New Britain Palm Oil, a MYR4 billion dual currency privatisation financing package for Astro Malaysia Holdings, and a US$265 million syndicated loan arrangement for Genting New York, for the construction of the city's first combined race track and casino. We were also the joint lead manager for several benchmark Malaysian capital market transactions, namely Khazanah's 20-year MYR1.0 billion Sukuk and Alliance Bank's MYR1.5 billion subordinated bond.

OCBC MALAYSIA

OCBC Malaysia registered a 6% increase in net profit to MYR749 million, supported by higher revenues. Customer loans grew 20% to MYR43.1 billion, driven by greater demand for home loans and corporate loans. In 2011, OCBC Malaysia maintained its ranking among the largest foreign banks by assets, deposits, loans, and branch network size. We now have five Islamic banking branches and, in January 2012, we opened our 31st conventional branch in Cheras. Our long-term financial institutional rating was reaffirmed at AAA and our short term financial institutional rating at P1, by RAM Rating Services Berhad.

We launched several new products and services during the year. In March 2011, we introduced the country's only commercial study loan programme for tertiary education, OCBC Secured Study Loan, offering each student a loan amount of up to MYR400,000. This study loan programme allows students to supplement the loan offered by the government-backed Perbadanan Tabung Pendidikan Nasional loan scheme and minimises the use of their parents' Employee Provident Funds. In the same month, OCBC Malaysia joined the Malaysian Electronic Payment System ("MEPS") network, thus enabling OCBC Premier Banking and Mass Affluent customers to make up to four free withdrawals every month at any ATM in the MEPS shared ATM network.

In July 2011, we became the first foreign bank in Malaysia to issue structured warrants. Our structured warrants on MSM Malaysia Holdings Berhad, the biggest sugar refiner in Malaysia, and Benalec Holdings Berhad, a marine construction specialist, received a healthy response from the growing pool of investors interested in sophisticated investment products. In August 2011, we issued a third structured warrant on Bumi Armada Berhad, an international offshore services provider for the oil and gas industry, which proved an equally popular issue among Malaysian investors.

In November 2011, we introduced the first Ringgit-based mortgage loan facility for the purchase of residential properties in Australia, focusing on the prime areas of Sydney and Melbourne. Denominating the home loan in Ringgit and not in Australian dollars will help customers with Ringgit-based cash flows mitigate the risks of foreign exchange fluctuations.

Our efforts to leverage on our strategic relationship with Great Eastern Life Assurance (Malaysia) continued with the launch of Premier Heritage, a single-premium Universal Life Insurance estate planning product developed by Great Eastern Life Assurance (Malaysia) for high net worth individuals seeking effective estate planning for wealth preservation and transfer.

In partnership with Credit Guarantee Corporation Malaysia Berhad ("CGC"), we launched what became the largest credit portfolio guarantee program for small and medium enterprises in Malaysia, with a total of MYR500 million unsecured loans. Under the scheme, CGC guarantees 70% of the approved loan amount. With pre-determined loan eligibility criteria established, loan applications are approved within three days compared to the industry standard of at least two weeks.

OCBC Malaysia was again recognised as a leading service provider of cash management and trade products and services when we were awarded the 2011 Rising Star Cash Management Bank and Best Trade Finance Bank (Foreign Bank Category) in Malaysia by *The Asset*.

BANK OCBC NISP

2011 was another year of solid financial performance for Bank OCBC NISP. Total assets registered 19% growth, underpinned by loan growth of 31%. Asset quality was maintained at a healthy level with a low non-performing loans ratio of 1.3%. Deposits rose 20% to IDR47.3 trillion.

The legal completion of the merger of our two licensed bank subsidiaries in Indonesia, Bank OCBC NISP and Bank OCBC Indonesia took place on 1 January 2011. Within two months, the businesses, operations, systems and people of both entities were fully integrated. This successful merger allows us to serve the Indonesia market with a single banking presence, expanded Bank OCBC NISP's customer segments to include more large corporate clients, and strengthened our corporate banking capability with a wider product range.

Over the year, Bank OCBC NISP worked closely with Great Eastern Holdings in the area of bancassurance, with a 25% increase in bancassurance revenue growth this year. Through its collaboration with OCBC's Capital Markets unit, Bank OCBC NISP also won mandates to lead-arrange or co-lead arrange four syndicated loan deals.

Bank OCBC NISP expanded its network to 352 branches and offices (excluding dedicated micro banking offices), and 652 ATMs during the year. A comprehensive performance measurement framework was put in place to manage branch performance which resulted in increased employee productivity and customer satisfaction.

Bank OCBC NISP continued to make good progress in process and service quality improvements. The Bank was named Indonesia's Retail Bank of The Year 2011 by *Asian Banking & Finance* and Brand Equity Champion by *MarkPlus Independent Research Institution*. For the 10th consecutive year, the bank was commended for Excellent Financial Performance by *Infobank Indonesia Magazine* and received the Banking Efficiency Award from *Bisnis Indonesia Magazine* and the Banking Service Excellence Awards from *Marketing Research Indonesia*.

OCBC CHINA

Our China operations doubled revenues in 2011, largely driven by strong growth in deposits which allowed us to grow our loan book and and expand our interbank activities and placements, with an improved net interest margin. Total deposits surged 62%, with corporate customer deposits increasing 38%, and retail customer deposits growing by more than six times. Our total customer base grew 53% compared to a year ago. Total assets increased from RMB34 billion to RMB52 billion. Our staff strength in China grew 14% to 775.

We also expanded our suite of wealth management products to better serve the needs of our retail banking customers. Added to the existing suite of products were securities funds domiciled in Singapore under the Qualified Domestic Institutional Investors ("QDII") scheme, new structured investments and bancassurance products.

We continued to support our corporate customers from Singapore, Malaysia, Indonesia and other parts of the Greater China region who are expanding into China, as well as our China customers who are venturing overseas – particularly into the ASEAN region where OCBC has a strong presence. We leveraged our international network, and offered products such as cross border Renminbi trade financing to help these customers grow their businesses. Our Renminbi trade financing business in China more than doubled.

We further engaged our customers through several networking events. The inaugural OCBC China Spring Forum held in Shanghai in April 2011 was attended by more than 600 corporate and high net worth customers of OCBC China, OCBC Singapore and Bank of Singapore. Our speakers - who are all well-regarded and sought-after for their expertise and knowledge of the economic and business landscape in China – offered thought-provoking and useful insights about the Chinese economy. They included Mr Andy Xie, one of the top economists and financial investment advisers in China, Mr Ba Shusong – a well-known researcher with the Finance Development Research Centre of the State Council – and Professor Sun Li Jian, deputy dean of the School of Economics and Professor of Finance at the prestigious Fudan University in Shanghai. We received many positive comments from customers, local regulators and the media.

We expanded our footprint in China by opening new sub-branches in the following areas: Yubei in Chongqing, Daning in Shanghai and South Renmin Road in Chengdu; and upgraded our representative office in Qingdao to a branch. Our network thereby increased to a total of 16 main and sub-branches in eight major cities.

We were named the Best Foreign Bank in Chengdu by the *Chengdu Business Daily* newspaper for the third consecutive year. We received the 2011 Excellent Corporate Social Responsibility (CSR) Practical Financial Organization Award by the *Chinese Business Journal*, for our CSR efforts in China.

BANK OF SINGAPORE

Tapping the opportunities of the growing high net worth individual segment in Asia, as well as leveraging on OCBC's extensive network and products and services, Bank of Singapore registered a strong revenue increase of 20% – underpinned by the growth of assets under management ("AUM") of 19% to US$31.5 billion and earning assets base ("EAB") growth of 23% to US$39.6 billion. AUM growth was broad-based across the major markets of Southeast Asia, the Philippines, Greater China and for customers from the India Sub-continent. Additional customer mandates for our discretionary portfolio management service were secured during the year, resulting in 33% growth in AUM for that service. Including our advisory service, we recorded a net inflow of US$6.5 billion of fresh funds in 2011. We also retained our Aa1 rating by Moody's.

Staff strength increased 20% in 2011 – to more than 850, of which 60% were client-facing – as the team of relationship managers was expanded to serve Asia's growing private banking customer segment.

Bank of Singapore continued to garner industry recognition, being named the 2011 Outstanding Private Bank in Asia Pacific by *Private Banker International*, the Best Private Bank in Singapore in 2010 and 2011 by *FinanceAsia*, and the Best Wealth Management Bank in Southeast Asia in 2010 and 2011 by *Alpha Southeast Asia*.

GREAT EASTERN HOLDINGS ("GEH")

Great Eastern Holdings' insurance business remained healthy in 2011, with strong growth in new business weighted sales, and higher long term profitability as measured by new business embedded value. Total weighted new business premiums for the year rose 10% to S$798 million, led by 16% growth in regular premium products. New business embedded value grew 20% to S$365 million, reflecting GEH's focus on higher sales of regular premium and protection products. Reported net profit for the year fell 24% to S$386 million, largely attributable to weaker investment income in the challenging financial market conditions.

More details on GEH's financials and business operations can be found in their published annual report.

PARTNER BANKS

Bank of Ningbo, China

We continued to deepen our collaboration with Bank of Ningbo ("BON") in the areas of product development, risk management, information technology and talent development.

BON reported a strong set of financial results, with net profit in 2011 growing 40% to RMB3,257 million (S$634 million). Total loans grew 21%, driven by healthy loan demand and BON's continuing business expansion in key cities in China. Its nationwide network increased from 110 to 146 branches and sub-branches, covering the cities of Ningbo, Suzhou, Shanghai, Hangzhou, Nanjing, Shenzhen, Wenzhou, Beijing and Wuxi.

VP Bank

VP Bank increased its charter capital from VND4,000 billion to VND5,050 billion through the distribution of share dividends and bonus shares. We were allotted approximately 15.6 million new shares, enabling us to maintain our shareholding at 15%. VP Bank has a network size of 199 branches and offices in Ho Chi Minh City and Hanoi.

GROUP OPERATIONS & TECHNOLOGY

Our Operations and Technology division continued to focus on enhancing our customers' banking experience by standardising technology platforms across the region, improving our operational productivity and quality, and delivering capabilities for differentiated customer experience at branches and on-line.

Significant service improvements were realised through the completion of 37 process re-engineering projects, reaping more than S$3 million in annualised savings. In Singapore, we streamlined the business debit card approval process – reducing the turnaround time from 4 weeks to 7 days – and improved the process for placing foreign currency fixed deposits, reducing the waiting time at branches from 30 minutes to 15 minutes. In Malaysia, the time required to obtain valuation reports for properties used as collateral for overdraft facilities was shortened from 53 days to 20 days, speeding up approvals and achieving cost savings.

We executed several technology projects during the year. We:

- Linked the ATMs of OCBC NISP in Indonesia, OCBC Singapore and OCBC Malaysia, allowing our customers to make cash withdrawals at any OCBC Bank-owned ATM in the three countries.
- Deployed a new on-line banking platform with more intuitive user interfaces and first-of-its-kind features. The latter included virtual savings jars that allow customers to set up different sub-saving accounts to meet different saving goals in one account, and a "Scan and Pay" feature that allows customers using Android devices or iPhones to scan barcodes, and pay their utility and telecommunications bills via their OCBC Bank accounts.
- Deployed a front-end paperless account opening system to enable the opening of personal banking accounts without multiple forms with multiple signatures.
- Rolled out a single technology platform in Singapore and Malaysia to support our treasury business, for better reporting and management of operational risk.
- Implemented a Credit Cards Global Rewards System allowing customers to transfer their reward points among their OCBC credit cards – and even to OCBC credit cards held by other customers. Rewards can now be redeemed in real time via mobile and internet banking, or at card merchants' point of sale terminals.
- Implemented a new Wealth Management system in OCBC China to support the sale of investment products.

GROUP QUALITY & SERVICE EXCELLENCE

We continued our bank-wide quality efforts as an important dimension for delivering service excellence.

We executed 21 cross-functional process improvements projects across Singapore, Malaysia and Indonesia – delivering S$26 million in potential margin improvements.

Our Private Banking business, Bank of Singapore, successfully executed their first two projects, which focused on enhancing their customers' experience when starting a banking relationship with us, and the financing of properties. We were also pleased with the successful collaboration between Great Eastern and OCBC Malaysia in redesigning the bancassurance application process, resulting in a reduction in cycle time by more than 90% for our customers.

GROUP CUSTOMER EXPERIENCE

We continued to build up our Customer Experience capabilities and worked on three key areas to deliver a differentiated banking experience for our customers: obtaining better customer insights through customer research and experiential laboratory findings; adopting a Design Thinking methodology to improve the quality of experience at all customer touchpoints; and training employees in effective research and design thinking.

More than 30 customer insight studies were conducted during the year allowing us to gain a deeper understanding of the needs and expectations of our customers. These research studies have been instrumental in the development of our products and services. Notable new initiatives included the launch of the "FRANK by OCBC" banking programme, an innovative concept designed to get young working adults to bank with OCBC, and the LionGlobal New Target Return Fund – a new unit trust launched by Lion Global that aims to provide positive returns despite uncertain market conditions over an investment timeframe of five years.

We enhanced our customer satisfaction tracker, Customer Experience Radar ("CX Radar"). CX Radar is an on-line system that gathers feedback from thousands of customers each month across 28 customer touchpoints in Singapore and Malaysia. The information obtained by CX Radar helps us to continuously improve our customer service and experience.

As part of our commitment to provide our customers with clear, relevant and timely information to help them make informed financial decisions, in May 2011, we became the first financial institution in Southeast Asia to earn – for our HDB mortgage documents – the Crystal Mark, awarded by the well-known Plain English Campaign. We have since earned Crystal Marks for several other banking documents such as the Commercial Property Loan Letter of Offer and the marketing brochure for our Dual Currency Returns investment product.

OCBC PROPERTY MANAGEMENT

Our office and residential properties, which are held for own-use and investment purposes, remained full or near full occupancy during the year. These properties have an aggregate net lettable area of approximately two million square feet.

To support the expansion of our banking business in China, we acquired a completed six-storey office building located in Pudong, Shanghai, with an approximate gross floor area of 249,161 square feet.

The redevelopment of the former Specialists' Shopping Centre and Hotel Phoenix site at Orchard Road, which began in July 2010, is targeted for completion in 2013, culminating in a new shopping and hotel complex.

In addition to refurbishing 12 OCBC branches, we added seven new branches to our network in Singapore, Malaysia & China. These comprised three conventional branches, three "FRANK by OCBC" stores and a Plus! Lite branch. In addition, 160 off-site ATMs and three off-site eLobbies across Singapore were upgraded.

Renovation works were also carried out at the Bank of Singapore's new headquarters at 63 Market Street, now renamed Bank of Singapore Centre, and the offices of our subsidiaries, Great Eastern, Banking Computer Services and BCS Information Systems.

In recognition of our ongoing efforts to achieve higher energy efficiency and sustainability in our buildings, OCBC Centre and OCBC Centre South were both awarded the Building and Construction Authority Green Mark Gold Awards.

GROUP HUMAN RESOURCES

Our Group staff strength – including Bank of Singapore, Bank OCBC NISP and Great Eastern Holdings – increased 6% to 22,892. Most of the headcount increase came from our overseas markets, primarily Malaysia and China, reflecting our New Horizons III strategy of deepening market penetration in our core markets.

Employee development and engagement remained a key focus in our human resource management. We increased our training-related expenditure by 35%, and maintained the average man-days of training per employee at above seven days for the sixth consecutive year, once more exceeding our target of five days. We further strengthened our e-learning infrastructure to facilitate learning across different geographies and time zones, increasing the amount of training conducted via e-learning by 31%.

Our employee engagement score increased by four percentage points in 2011, marking a ninth year of consecutive improvement. Our score is now within Hewitt's High Performance/Best Employer Range, and above the Global Financial Norm engagement score.

To give deserving children of our employees the opportunity to pursue their aspirations, we increased the number of undergraduate scholarships for children of staff from six to 11, and extended the program to employees of OCBC China.

Our employee share ownership schemes continued to receive a high participation rate. 61% of bank employees were OCBC shareholders (including share options and deferred shares) at the end of 2011 – well above our target of 30%.

CARING FOR UNDERPRIVILEGED CHILDREN

At OCBC, we give back to the communities in which we prosper by focusing on community development with two themes, namely nurturing children and young adults, and promoting education.

In Singapore, our long running charity partner is the Singapore Children's Society ("SCS"). We have been supporting the SCS on an annual basis since 2004, and by 2013, our contributions will have amounted to S$5 million. Our donations are used to cover the costs of programmes to give children and youth from low-income and disadvantaged families the opportunity to build their emotional, intellectual, social and physical skills at various SCS centres, as well as covering 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 to more than 65 abused and neglected children aged between two and 18 years.

In China, our philanthropic effort has been centred around the Shanghai Soong Ching Ling Foundation ("SSCLF") since 2007, a partnership we started close to the time when we locally incorporated our bank there. We initiated our partnership with a donation of RMB1.5 million (S$300,000) to be released in equal annual installments over six years. Our contributions, which are disbursed through the Soong Ching Ling Scholarship ("SCLS") under the SCLS-OCBC Fund, have helped more than 350 outstanding children across China who require financial assistance to pursue their education.

STAFF VOLUNTEER PROGRAMME

Over the past year, more than 950 employees in Singapore, Malaysia and China volunteered for activities that helped needy children and their families.

In Singapore, the appointment of CSR co-ordinators at divisional levels to encourage volunteerism helped raise staff participation from 250 to 600 volunteers, and saw the number of organised volunteer events double, compared with the previous year.

Our employees helped organise various activities for the children at the SCS. These activities were broad ranging, including an artistic graffiti rendition at the Jurong Youth Centre, an in-line skating adventure with the children of the Yishun Family Service Centre, movie outings, computer workshops and reading programmes as well as participation at the SCS Bully-Free forum and Walk for our Children 2011. Through fund-raising activities organised by employees such as food fairs and auctions, more than S$29,000 was raised for the SCS. For the ninth consecutive year, we received the Gopal Haridas award from the SCS for being the biggest donor in the preceding year.

Every year, employees from our Group Human Resources division in Singapore perform a traditional Lion Dance during the Lunar New Year, visiting various OCBC and Great Eastern departments to raise funds. Last year, this activity raised close to S$18,000 for the Straits Times School Pocket Money Fund, which provides needy children with pocket money for school.

Finalists of the Little Debate organised by OCBC China and the Shanghai Soong Ching Ling Foundation, to encourage the children of migrant workers in Shanghai.

More than 140 employees from various divisions helped to prepare meals at Willing Hearts, a 100% volunteer-based non-profit organisation that operates a soup kitchen which supplies simple and nutritious meals to more than 1,000 needy families throughout Singapore on a daily basis. Our Consumer Financial Services division has chosen Willing Hearts as its adopted charity, with a commitment of S$34,000 to support a 12-month food contribution programme and volunteers to help at the kitchen at least once a month.

Our Treasury and Investment Banking divisions in Singapore held an auction at their combined Dinner and Dance event in December 2011.

Students from Dengkil, Selangor were delighted when volunteers from OCBC Malaysia, Market Risk Management visited them to present gifts of spectacles. The staff raised funds to help pay for the children's eye examinations and spectacles.

The funds raised totalled S$100,000. The money went to Child Aid, a fund-raising event organised by Singapore Press Holdings to support its two social causes – the Straits Times Pocket Money Fund and the Business Times Budding Artists Fund.

In Malaysia, we continued to focus on helping underprivileged children. More than 230 employees of OCBC Malaysia participated in various volunteer activities including conducting eye examination tests for school children, distributing spectacles to needy individuals, visiting orphanages and helping out at the Pertiwi Soup Kitchen, which provides meals to the homeless at various locations around Kuala Lumpur.

In China, at the launch of the first OCBC China Family Day, our employees organised a charity sale and auction – raising close to RMB24,000 to help fund the education of needy children.

OCBC China and SSCLF jointly hosted the inaugural OCBC China Little Debate to encourage the children of migrant workers in Shanghai to express their views and thereby build confidence as they assimilate into life in that city. In the finals held on 8 December 2011, Jinding Primary School emerged champions. More than 12 schools and 100 students took part in the event. We received very good feedback from academics, parents and teachers on the impact the Debate had on the students.

In Indonesia, our Group Operations and Technology division worked with our subsidiary, Bank OCBC NISP, to support a community development initiative in Banjaran, Bandung, in collaboration with Habitat for Humanity. 2011 marked the final year of the programme which saw more than 50 volunteers from OCBC Bank

Our volunteers from OCBC Singapore, Group Operations and Technology and Bank OCBC NISP at the classroom building site in Banjaran, Bandung.

and Bank OCBC NISP return to Bandung for further construction efforts. In total, 20 houses have been built by our volunteers, along with four new classrooms and a computer laboratory.

To bring about a sustainable increase in our employee volunteerism rate, we set up a task force to develop an enhanced employee volunteer programme. The task force reviewed the current OCBC CSR framework, conducted a peer-comparison exercise, and initiated an employee survey on our current CSR programme. Based on the findings, we launched an expanded Staff Volunteer programme in January 2012 to cover five categories, namely the environment, families (including children, young adults and the elderly), humanitarian efforts, education and cycling.

SUPPORTING EDUCATION

We continued to encourage and support academic excellence by awarding book prizes and bond-free scholarships to outstanding young adults from Singapore, Malaysia, Indonesia and China to pursue tertiary education in Singapore and Malaysia. Over the years, we have presented more than 530 book prizes in Singapore to outstanding students in various tertiary institutions, to recognise their academic achievements. To date, we have also awarded more than 500 bond-free undergraduate scholarships in Singapore and Malaysia to deserving students who were selected based on merit, to help them achieve their goals in view of their less fortunate family circumstances. We also offered our scholars and other undergraduates the opportunity to experience working in OCBC, and more than 170 students participated in our Structured Internship Programme in Singapore and Malaysia in 2011.

Colleagues from OCBC Singapore, Group Operations and Technology and youths from Jurong Youth Centre exercise meaningful self-expression through graffiti.

OCBC Singapore volunteers helping out at Willing Hearts, a soup kitchen that prepares meals for more than 1,000 needy families daily.

The inaugural OCBC Cycle Malaysia 2011 was held from 14 to 16 October at Dataran Merdeka in the heart of Kuala Lumpur.

SUPPORTING CYCLING, A GROWING SPORT

2011 was our third year as the main sponsor of OCBC Cycle Singapore, the mass cycling event organised to promote an active lifestyle, engagement with the community and staff bonding within the OCBC group of companies. Our sponsorship was also another way for us to give back to the community.

With the growing interest in cycling as a community sport and increased awareness of OCBC Cycle Singapore, more than 10,000 cyclists took to closed roads in Singapore on 4 and 5 March 2011. More than 340 OCBC and Great Eastern employees rode in the Corporate Challenge, an increase of almost 40% over the previous year.

To further play our part to help the needy in Singapore, OCBC Cycle Singapore supported two charities - the National Cancer Centre Research Foundation ("NCCRF") and our adopted charity partner, the SCS. Cyclists could choose to raise funds among their friends and relatives to support one of the two charities. More than S$10,600 was raised.

In line with this sponsorship, OCBC, the Singapore Sports Council ("SSC") and the Singapore Cycling Federation ("SCF") continued our partnership to train and develop a pool of talented cyclists who represent Singapore at major Games. The team is sponsored by OCBC and trained by the SSC and SCF.

OCBC Cycle Singapore 2011 attracted more than 10,000 participants, including the young.

On 8 December 2011, we launched the second OCBC Cycle Singapore Safe Cycling Campaign to promote cycling in a safe environment. 17 December 2011 was designated the OCBC Cycle Singapore Safe Cycling Day. Many cyclists donned OCBC Safe Cycling jerseys and rode on various roads to raise awareness of the need for both cyclists and motorists to respect each other in sharing the roads. Launched in partnership with Caltex, the month-long campaign involved the distribution of OCBC-sponsored materials – 50,000 car decals and 2,000 cycling jerseys – carrying the key message, "1.5M Matters. Sharing Saves Lives".

Following the success of OCBC Cycle Singapore, we launched OCBC Cycle Malaysia 2011, held from 14 to 16 October. More than 3,500 participants cycled on closed roads in the heart of Kuala Lumpur City across six categories, from tricycle rides for toddlers to the 52-km Challenge and 21-km Community Ride. A total of 97 Malaysian professional cyclists including the Malaysian cyclist, Anuar Manan, and several of his teammates from the Terengganu Pro-Asia Cycling Team, took part in the local professional criterium.

In line with the inaugural launch of OCBC Cycle Malaysia, we presented 15 bicycles to underprivileged children at the Home of Peace, a shelter for abused, neglected and orphaned girls aged five to 18. CEO and Director of OCBC Malaysia, Jeffrey Chew, together with employees of OCBC Malaysia and the organisers of OCBC Cycle Malaysia, accompanied the children on their first ride on their bicycles.

PARTNERING LIKE-MINDED ORGANISATIONS

We are a pioneer member of Singapore Compact for CSR and have been a signatory to the United Nations ("UN") 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. Last year, we participated in the Singapore Compact CSR Summit 2011 to better understand that value of sustainability efforts on investor and shareholder relations, human capital and the environment.

OCBC supports the 10 principles of the UN Global Compact covering the areas of human rights, labour laws, the environment and the fight against corruption.

Mr Jeffrey Chew, CEO of OCBC Malaysia (facing children, second from right) presenting a gift of bicycles to children at the Home of Peace in Kuala Lumpur.

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"), as well as with the Code of Corporate Governance 2005 (the "Code") adopted by the Singapore Exchange Securities Trading Ltd ("SGX-ST").

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 14 Directors, of whom, eight are independent Directors. They are Mr Bobby Chin, Mrs Fang Ai Lian, Mr Colm McCarthy, Professor Neo Boon Siong, Mr Quah Wee Ghee, Dato' Ooi Sang Kuang, Dr Teh Kok Peng and Mr Patrick Yeoh.

Mr Patrick Yeoh has decided to retire and will not seek re-appointment at the forthcoming AGM. The Board will comprise a majority of independent Directors after the AGM. Seven are independent Directors out of a total of 13 Directors.

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, although a non-executive Director, is deemed not independent from business relationship because of an agreement made between Dr Cheong and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as a consultant and 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 is Chief Executive Officer ("CEO") of the Bank. 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). 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 appointment of a Lead Independent Director will unnecessarily diffuse board leadership, given the board size of 12-14 deemed appropriate for the Bank. 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 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 182 to 186.

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. The number of Board members is currently 14.

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; and
- maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken.

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 2011, the Board and its committees held a total of 43 meetings. Prior to each meeting, members are provided with timely and complete information to enable them to fulfil 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 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.

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. The purpose of the evaluation process is to increase the overall effectiveness of the Board. An independent consultant facilitates this process.

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.

BOARD COMMITTEES

Executive Committee

The Executive Committee comprises Dr Cheong Choong Kong (Chairman), Mr Bobby Chin, Mr David Conner, Mr Lee Seng Wee and Mr Patrick Yeoh. Following the AGM in April 2012, the Committee will comprise Dr Cheong Choong Kong (Chairman), Mr Bobby Chin, Mr David Conner, Mr Colm McCarthy and Dr Teh Kok Peng, subject to the respective Director's re-appointment or re-election at the AGM, where applicable. A majority of the Committee, i.e. Mr Bobby Chin, Mr Colm McCarthy and Dr Teh Kok Peng, will be 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 Lai Teck Poh, Mr Lee Seng Wee and Professor Neo Boon Siong. Following the AGM in April 2012, the Committee will comprise Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Mr Lee Seng Wee, Professor Neo Boon Siong and Dato' Ooi Sang Kuang, subject to the respective Director's re-appointment or re-election at the AGM, where applicable. A majority of the Committee, i.e. Mrs Fang Ai Lian, Professor Neo Boon Siong and Dato' Ooi Sang Kuang, will be 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 and Professor Neo Boon Siong. Following the AGM in April 2012, the Committee will comprise Mr Bobby Chin (Chairman), Mr Colm McCarthy, Dato' Ooi Sang Kuang and Dr Teh Kok Peng, subject to the respective Director's re-election at the AGM, where applicable. 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 of the system of internal controls including financial, operational and compliance 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 also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance.

The Bank has in place a whistle blowing policy and the Audit Committee reviews 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.

In respect of the 2011 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 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 129 in the division (and 208 in the Group). The division is organised into departments that are aligned with the structure of the Bank. The Audit Committee approves the appointment and removal of the Head of Group Audit.

Internal Controls

The Board believes, with the concurrence of the Audit Committee, that the system of internal controls, including financial, operational and compliance controls and risk management systems, maintained by the Bank's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the Bank in its current business environment.

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 and Professor Neo Boon Siong. Following the AGM in April 2012, the Committee will comprise Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Dr Lee Tih Shih, Professor Neo Boon Siong and Mr Quah Wee Ghee, subject to the respective Director's re-appointment or re-election at the AGM, where applicable.

A majority of the Committee, i.e. Mrs Fang Ai Lian, Professor Neo Boon Siong and Mr Quah Wee Ghee, will be 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, 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. 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. 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 Patrick Yeoh (Chairman), Dr Cheong Choong Kong, Mr David Conner, Mr Lai Teck Poh, Mr Colm McCarthy and Mr Pramukti Surjaudaja. Following the AGM in April 2012, the Committee will comprise Mr Lai Teck Poh (Chairman), Dr Cheong Choong Kong, Mr David Conner, Mr Colm McCarthy, Mr Quah Wee Ghee and Mr Pramukti Surjaudaja, subject to the respective Director's re-appointment or re-election at the AGM, where applicable. All the Committee members are non-executive Directors (including Mr David Conner who will have retired as CEO). 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 2011

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

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2011 (continued)

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

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Appointed to the Board on 1 August 2011.
(3) Includes Non-executive Director (NED) and Board Strategy Meetings. Mr David Conner and Mr Pramukti Surjaudaja do not attend NED meetings.

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 2011.

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. 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. In FY 2011, the Remuneration Committee made changes to the compensation structure resulting in an increase in the proportion of the deferred remuneration component for senior executives.

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 are of at least Executive Vice President rank, and the Remuneration Committee approves the compensation of the other employees in this group of senior executives.

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 Limited
- 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 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$45,000;
- 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 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 based on the term he has served in office in the financial year. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2012. The CEO is not eligible to receive the Directors' fees and remuneration shares.

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 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.

Remuneration of Directors' Immediate Family

None of the Directors had immediate family members who were employees of the Bank and whose personal annual remuneration exceeded S$150,000.

Remuneration of Top 5 Key Executives in 2011

The Code suggests the disclosure of the remuneration of the Bank's top five key executives. The Board considered this matter carefully and has decided against such disclosure for the time being. Given the wage disparities in the industry and the likely competitive pressures resulting from such disclosures, it was felt that the disadvantages of disclosure will outweigh the benefits.

DIRECTORS' REMUNERATION IN 2011

			Performance-Based Remuneration							
	Total Remuneration (S$'000)	Salary and Fees (S$'000) [d]	Bonuses (S$'000)	Value of Share Options Granted (S$'000) [a]	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
Bobby Chin	260	207	–	–	–	–	53	–	–	–
Fang Ai Lian	227	174	–	–	–	–	53	–	–	–
Lai Teck Poh	221	168	–	–	–	–	53	–	–	–
Lee Seng Wee	224	171	–	–	–	–	53	–	–	–
Lee Tih Shih	152	99	–	–	–	–	53	–	–	–
Colm McCarthy	230	177	–	–	–	–	53	–	–	–
Neo Boon Siong	248	195	–	–	–	–	53	–	–	–
Pramukti Surjaudaja	161	108	–	–	–	–	53	–	–	–
Teh Kok Peng	53	31	–	–	–	–	22	–	–	–
Patrick Yeoh	257	204	–	–	–	–	53	–	–	–
Cheong Choong Kong	2,950	1,333	1,000	500	–	117	–	340,924	S$8.798	15/03/2013 to 13/03/2017
David Conner [e]	7,080	1,240	2,430	–	3,370	40	–	–	–	–

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 2012, i.e. S$8.90.

(d) Fees and remuneration shares for non-executive Directors refer to those for 2011 financial year that are subject to approval by shareholders at the AGM in April 2012.

(e) As announced to the Singapore Exchange Securities Trading Ltd, Mr David Conner is entitled to receive 488,029 OCBC ordinary shares on completion of his employment contract.

SHARE SCHEMES

OCBC Share Option Scheme 2001

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

The 2001 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 2001 Scheme.

The cumulative total number of ordinary shares to be issued by the Bank in respect of options granted under the 2001 Scheme cannot exceed 10% of the Bank's total number of issued ordinary shares.

The number of share options to be offered each year is determined by the Remuneration Committee which comprises Directors of the Bank who are duly authorised and appointed by the Board to administer the 2001 Scheme. The Committee takes into account criteria such as the individual's rank, job performance, years of service, potential for future development and his/her contribution to the success and development of the Group.

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 2001 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

	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 2011, 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 3,738,677 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 2001 Scheme and the ESPP cannot exceed 5 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	4
Number of sign-on awards	0	1
Number of severance payments	0	0
Total amounts of above payments made during the financial year ($'000)	0	1,326
Number of employees	18	61
Number of employees that received variable remuneration	18	59

Breakdown of Remuneration Awarded in Current Financial Year

Category		Senior Management		Material Risk Takers	
		Unrestricted %	Deferred %	Unrestricted %	Deferred %
Fixed remuneration	Cash-based	26	0	46	0
	Shares and share-linked instruments	0	0	0	0
	Other forms of remuneration	0	0	0	0
Variable remuneration	Cash-based	43	1	32	0
	Shares and share-linked instruments	0	30	0	22
	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	-8	44
Change in amount of outstanding deferred remuneration from previous financial year	-9	-30
Outstanding deferred remuneration (breakdown):		
Cash	1	0
Shares and share-linked instruments	99	100
Other forms of remuneration	0	0
Total	**100**	**100**
Outstanding deferred remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	99	100
Reductions in current year due to ex-post adjustments (explicit[1])	0	0
Reductions in current year due to ex-post adjustments (implicit[2])	99	100
Outstanding retained remuneration (performance adjustments):		
Of which exposed to ex-post adjustments Reductions in current year due to ex-post adjustments (explicit) Reductions in current year due to ex-post adjustments (implicit)	N.A.	N.A.

[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 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.

Shareholders are given the opportunity to participate actively 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 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 financial statements for each of the first three quarters of the financial year, and during the period commencing one month before the announcement of the financial statements for the financial year, and ending on the date of the announcement of the relevant results. The Bank also has a policy on dealings in the listed securities of customers of the Group. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2011 S$'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$100,000) 2011 S$'000
Tenancy agreement with lessor, Dasar Sentral (M) Sdn Bhd [1]		
- lease of premises at Wisma Lee Rubber, Kuala Lumpur	4,138	–
Tenancy agreement with lessee, Lee Rubber Company (Pte) Limited		
- lease of premises at OCBC Centre, Singapore	6,787	–
Dr Cheong Choong Kong	See below [2]	–

[1] Wholly-owned subsidiary of Lee Rubber Company (Pte) Limited

[2] There is an existing 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. 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 2011.

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 adequacy 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 2011:

Tier 1 Capital

- Issue of 50.7 million new ordinary shares by OCBC Bank on 7 October 2011, representing S$409 million in ordinary share capital, to shareholders who had elected to participate in the Scrip Dividend Scheme in respect of the interim dividend for the financial year ended 31 December 2011.
- Issue of 49.3 million new ordinary shares by OCBC Bank on 13 June 2011, representing S$416 million in ordinary share capital, to shareholders who had elected to participate in the Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2010.

Others

- Issue of S$400 million subordinated notes by The Great Eastern Life Assurance Co Ltd on 19 January 2011.
- Reduction of capital of S$364 million by Great Eastern Holdings Ltd on 13 June 2011.

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 2011, the Board of Directors has recommended a final tax exempt dividend of 15 cents per share. This brings the full year 2011 dividend to 30 cents per share, or an estimated total dividend payout of S$1,024 million, representing 45% of the Group's core net profit of S$2,280 million (2010: total dividend payout of S$994 million, representing 44% of the Group's core net profit of S$2,253 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. During the financial year ended 31 December 2011, the Bank purchased 10.1 million of its ordinary shares for S$92 million as part of its third S$500 million share buyback programme, while 9.4 million treasury shares were delivered to meet obligations under its employee share schemes.

CAPITAL ADEQUACY RATIOS

OCBC is 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 regulations. OCBC and each of its regulated banking entities were in compliance with all prescribed capital ratios throughout the financial period.

The table below shows the composition of the Group's regulatory capital and capital adequacy ratios as of 31 December 2011. The capital adequacy ratios are determined in accordance with the requirements of MAS Notice 637, which include 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.

Capital Management

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

$ million	2011	2010
Tier 1 Capital		
Ordinary shares	**7,127**	6,315
Preference shares	**1,896**	1,896
Innovative Tier 1 capital instruments	**2,062**	2,065
Disclosed reserves	**12,391**	11,216
Non-controlling interests	**749**	776
	24,225	22,268
Goodwill / others	**(4,009)**	(4,044)
Deductions from Tier 1 capital	**(1,604)**	(1,076)
Eligible Tier 1 Capital	**18,612**	17,148
Tier 2 Capital		
Subordinated term notes	**3,343**	3,467
Revaluation surplus on available-for-sale equity securities	**361**	–
Others	**140**	170
Deductions from Tier 2 capital	**(2,270)**	(2,277)
Eligible Total Capital	**20,186**	18,508
Credit	**104,546**	84,033
Market	**15,817**	13,595
Operational	**8,144**	7,434
Risk Weighted Assets	**128,507**	105,062
Tier 1 capital adequacy ratio	**14.4%**	16.3%
Total capital adequacy ratio	**15.7%**	17.6%

Insurance subsidiaries of Great Eastern Holdings ("GEH") are not consolidated for the computation of the above capital adequacy ratios, as per the requirements of MAS Notice 637. Capital investments in these insurance subsidiaries are deducted from OCBC's Tier 1 and Tier 2 capital, and their assets and liabilities are excluded from the computation of OCBC's risk-weighted assets. GEH's insurance subsidiaries are required to comply with the capital ratios prescribed in the insurance regulations of the jurisdiction in which they operate. As of 31 December 2011, the capital adequacy ratios for GEH's insurance subsidiaries in Singapore and Malaysia were 218% and 279% respectively. These ratios were well above the minimum regulatory ratios of 120% in Singapore and 130% in Malaysia.

REGULATORY CHANGE

In December 2010, the Basel Committee published the Basel III framework to strengthen global capital standards, with the goal of promoting a more resilient banking sector. In response to the Basel Committee's framework, in December 2011, MAS released its consultation paper detailing the implementation of the Basel III capital standards in Singapore. The implementation of the Basel III capital standards will be phased in from 1 January 2013 to 1 January 2019.

Risk Management

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

DEVELOPMENTS IN 2011

During the year, OCBC Group remained focused on our key clients and markets in Asia. This strategy provided us with healthy and strong broad based growth, including increased contribution from our wealth management business through Bank of Singapore ("BOS"). Loan origination was predominantly focused on firms with strong risk ratings as we carefully increased our activities within internal risk limits. Our franchise in China further grew with emphasis on secured lending and loans to selected top tier corporates and financial institutions. We also continued to integrate and consolidate our wealth management platform into BOS and align its risk approaches and practices towards Group standards.

Despite lingering concerns over a global slowdown caused by problems of several European economies, we continued to strengthen our liquidity sources with new and expanded international issuances aggregating some US$13 billion, including a US$5 billion commercial paper programme. In core markets of Singapore, Malaysia, Indonesia and China, we managed to further boost our retail and corporate deposit bases. OCBC's asset quality remains solid, and the sound capital ratio trend continues to improve, well ahead of Basel III capital requirements. As at 31 December 2011, the non-performing loan ratio was 0.9% and capital adequacy ratio was 15.7%.

OCBC Group takes a proactive and forward-looking stance in identifying emerging risks. We have minimal exposure to troubled European economies and we continue to pare down our overall exposure to Eurozone counterparties. As we look ahead, we remain vigilant against slowing global economic growth, uncertain outcomes from the Eurozone crisis and political instability in the Middle East. Our strong asset quality and capital position, underpinned by sound risk practices across the OCBC Group, position us well to manage the unfolding uncertainties and challenges. We expect to further deepen our ties with our existing customers as many global banks, weakened in consolidating their resources and exposures, reduce their footprint in the region.

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 Management 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 II

OCBC Group has implemented Monetary Authority of Singapore ("MAS") Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore with effect from 1 January 2008. 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. This framework provides a stronger linkage between capital requirements and the level of risks undertaken by banks to enhance their risk management practices and establishes minimum capital requirements to support credit, market, and operational risks. 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 is also conducting the feasibility study on the implementation of Advanced Measurement Approach for operational 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 II 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 new standards established in the Basel III Framework published in December 2010. We are constantly reviewing to further improve and refine our businesses and risk management capabilities as well as engaging in dialogue with industry peers and regulators to position ourselves for the far-reaching consequences of these reforms.

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 underwritten and risk-rated. 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 have to meet 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 controllers 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, setting of limits, as well as continuous risk monitoring. Joint approvals from the business and risk units also ensure objectivity in credit extensions. 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.

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.

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

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 or 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. Discounts are applied to the market value of collateral, reflecting the quality, liquidity, volatility, and collateral type. The loan-to-value ratio is a key factor in the credit granting 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 internationally, and expanding in China, 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. Proceeds from the sale of collateral pledged for a particular loan cannot be applied to other classified loans unless the accounts are related and legal cross collateralisation of the facilities have been provided for.

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

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 the Market Risk Management Department ("MRMD") of Group Risk Management Division. MRMD 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 the MRMD 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 following table provides a summary of the Group's trading VaR profile by risk types as at 31 December 2011 and 31 December 2010.

VaR By Risk Type – Trading Portfolio

	2011				2010			
SGD Millions	**Year End**	**Average**	**Minimum**	**Maximum**	**Year End**	**Average**	**Minimum**	**Maximum**
Interest Rate Risk VaR	**14.88**	**10.63**	**6.49**	**16.91**	11.10	7.72	5.45	12.21
Foreign Exchange Risk VaR	**2.79**	**8.02**	**2.25**	**26.70**	3.62	7.55	1.49	18.91
Equity Risk VaR	**2.51**	**2.03**	**0.94**	**4.91**	1.12	1.43	0.31	3.03
Credit Spread Risk VaR	**3.71**	**3.04**	**1.12**	**5.08**	1.31	1.74	0.61	3.19
Diversification Effect (1)	**-3.98**	**-9.70**	**NM** (2)	**NM** (2)	-8.95	-8.37	NM (2)	NM (2)
Aggregate VaR	**19.91**	**14.02**	**6.77**	**26.06**	8.20	10.07	6.76	17.27

(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.

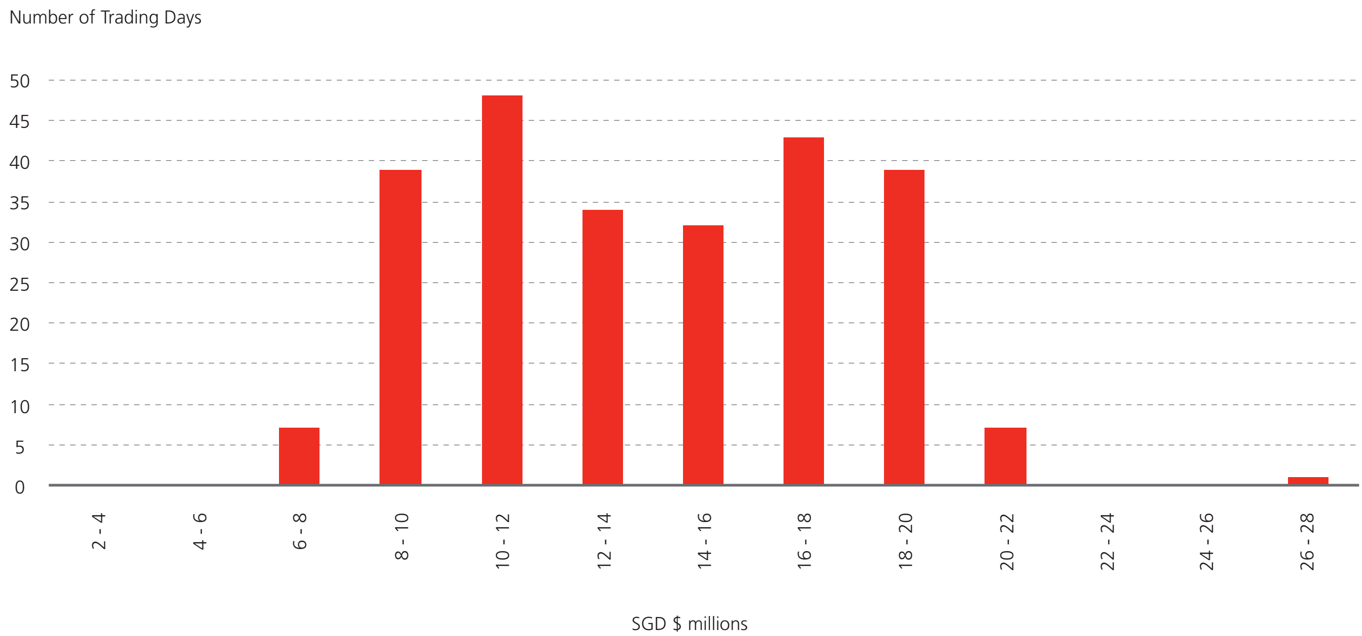
Model and Valuation Control

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.

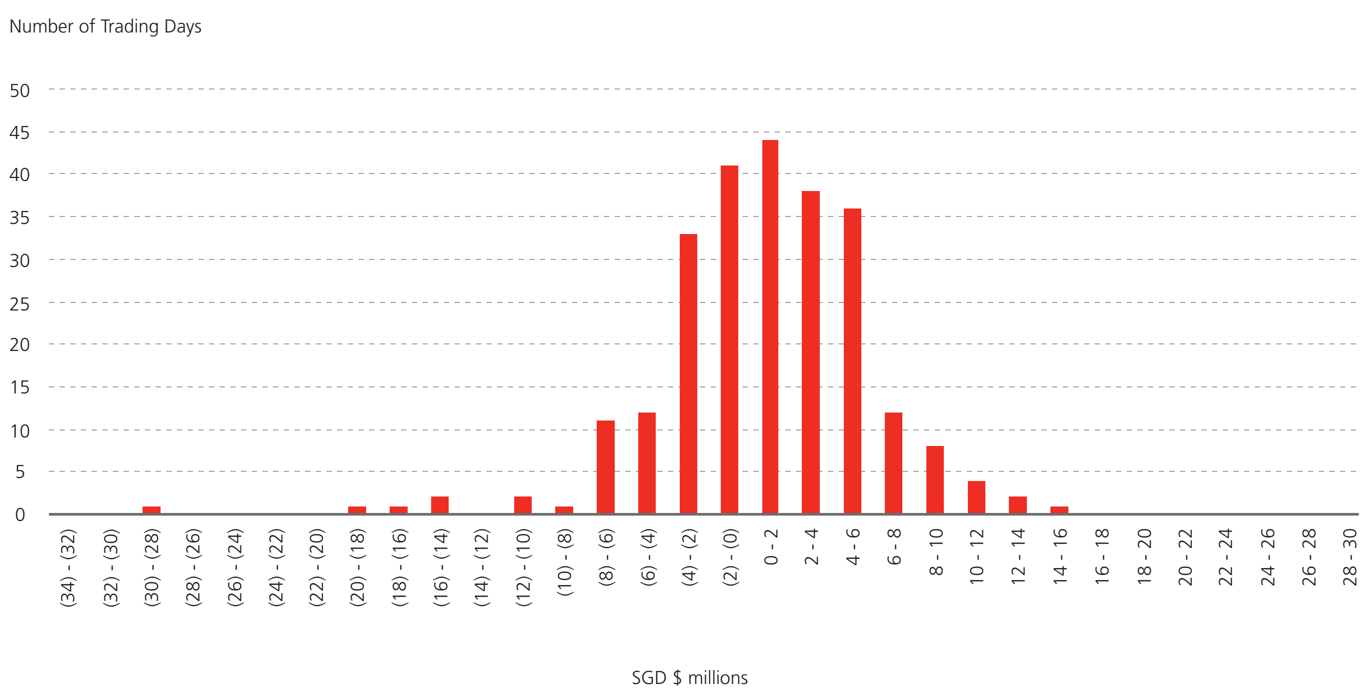
Valuation reserves and other operational controls are also imposed to strengthen overall general and model risk management. To ensure the continued integrity of the VaR model, the Group conducts back-testing to confirm the consistency of actual daily trading P&L, as well as theoretical P&L against the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

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

Frequency Distribution of Group Trading Book Daily Aggregate VaR (One Day Holding Period) for FY 2011



Frequency Distribution of Group Trading Book Daily Revenue for FY 2011



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, product and geography. 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 Management 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.

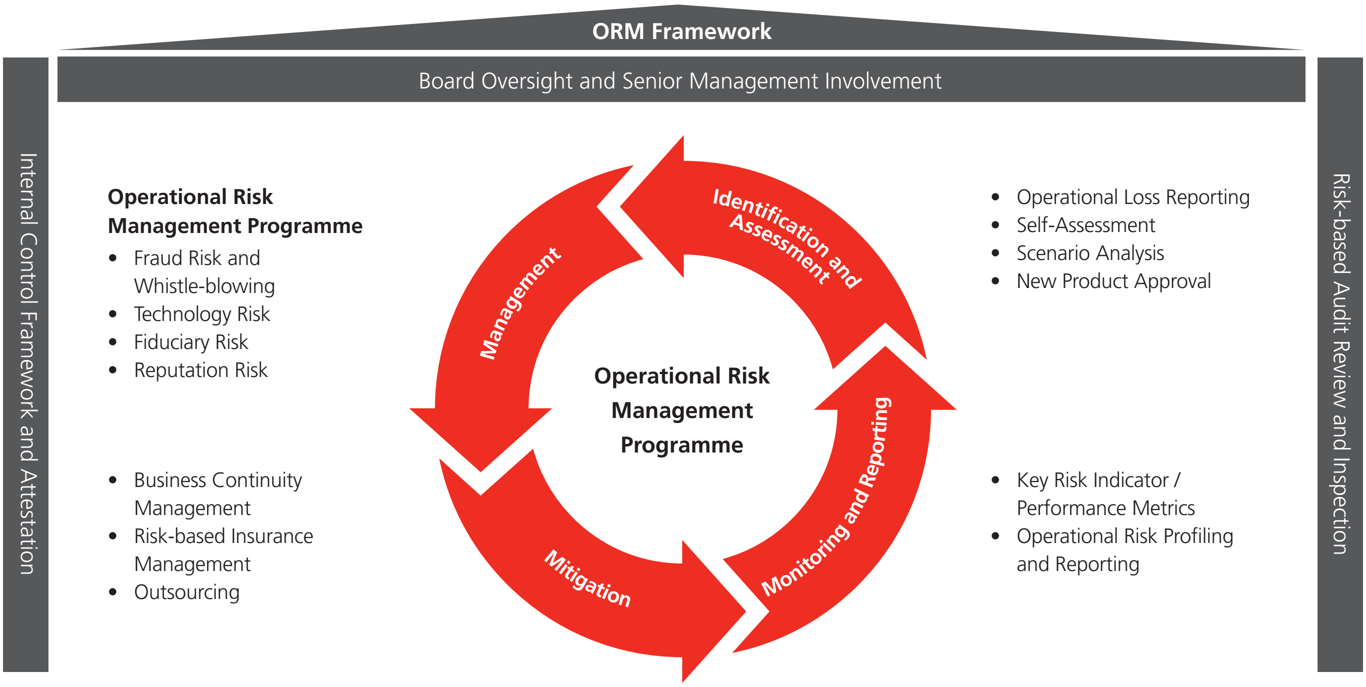
The Operational Risk Management ("ORM") Department of Group Risk Management Division establishes the ORM framework, including policies and methodologies. The ORM department also provides independent oversight of operational risk monitoring and control. The ORM programmes are actively implemented through 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.

Risk Management

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



Each business unit undertakes regular self-assessment of the risk and control environment to identify, assess, and measure its operational risks, which include regulatory and legal risks. Risk 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 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.

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 toward 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 successfully migrated the small business and commercial property lending to individuals portfolio in Malaysia to the Advanced Internal Ratings-Based ("A-IRB"), as well as the equity portfolio to the Internal Ratings-Based ("IRB") approach in 2011.

The Group's overall credit quality remained healthy against a backdrop of continuing economic uncertainty. Total risk weighted assets increased compared to 2010, driven by higher wholesale as well as retail credit exposures. The asset growth was proactively balanced with disciplined risk management, as reflected in the broadly stable average risk weights for the IRB portfolios.

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

	EAD S$ million	RWA S$ million
Credit Risk		
Standardised Approach		
Corporate	7,734	7,725
Sovereign	29,533	295
Bank	876	203
Retail	2,155	1,617
Residential Mortgage	1,741	730
Others	5,941	5,212
Total Standardised	47,980	15,782
Internal Ratings-Based ("IRB") Approach		
Foundation IRB		
Corporate	59,383	40,554
Bank	46,241	11,285
Advanced IRB		
Residential Mortgage	37,292	4,364
Qualifying Revolving Retail	4,318	1,121
Small Business	7,303	3,356
Other Retail	1,396	300
Specialised Lending under Supervisory Slotting Criteria	21,408	20,324
Securitisation	135	22
Equity	2,169	7,438
Total IRB	179,645	88,764
Total Credit Risk	227,625	104,546
Market Risk		
Standardised Approach		15,817
Operational Risk		
Standardised Approach		7,489
Basic Indicator Approach		655
Total Operational Risk		8,144
Total RWA		**128,507**

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

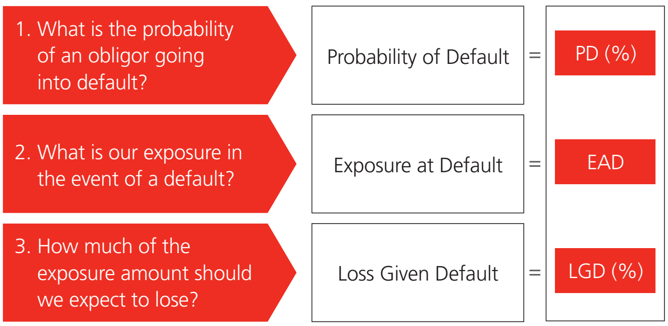
Subsidiary	Tier 1 CAR	Total CAR
Bank of Singapore Limited	21.5%	21.6%
Singapore Island Bank Limited	429.8%	429.8%
OCBC Bank (Malaysia) Berhad	14.3%	16.0%
OCBC Al-Amin Bank Berhad	8.8%	13.5%
OCBC Bank (China) Limited	23.1%	23.6%
PT Bank OCBC NISP Tbk	11.0%	13.7%

Note: The capital adequacy ratios of Bank of Singapore Limited and Singapore Island Bank Limited are computed based on the standardised approach under the Basel II 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 the other overseas banking subsidiaries are currently based on Basel I requirements.

(OCBC Group – As at 31 December 2011)

CREDIT RISK

With Basel II 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.



Credit Exposures under Standardised Approach

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

Risk Weight	EAD S$ million
0%	29,892
20% - 35%	2,357
50% - 75%	2,475
100%	13,226
>100%	30
Total	**47,980**
Rated exposures	37,800
Unrated exposures	10,180

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$8 million have been deducted from regulatory capital.

	EAD S$ million	Average Risk Weight
Listed securities	1,658	318%
Other equity holdings	511	424%
Total	**2,169**	**343%**

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	7,841	62%
Good	4,051	81%
Satisfactory	8,787	122%
Weak	543	265%
Default	186	NA
Total	**21,408**	**95%**

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%	7,171	18%
> 0.05 to 0.5%	20,162	45%
> 0.5 to 2.5%	22,226	75%
> 2.5 to 9%	7,039	136%
> 9%	1,898	204%
Default	887	NA
Total	**59,383**	**68%**

Bank Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	27,335	8%
> 0.05 to 0.5%	12,147	35%
> 0.5 to 2.5%	5,275	59%
> 2.5 to 9%	1,478	116%
> 9%	6	196%
Default	–	NA
Total	**46,241**	**24%**

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%	25,505	2,678	11%	5%
> 0.5 to 3%	7,296	694	11%	19%
> 3 to 10%	3,895	278	10%	34%
> 10%	396	8	11%	61%
100%	200	–	16%	87%
Total	**37,292**	**3,658**	**11%**	**12%**

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%	3,222	2,516	81%	7%
> 0.5 to 3%	544	234	79%	41%
> 3 to 10%	408	141	83%	97%
> 10%	124	32	84%	223%
100%	20	–	82%	0%
Total	**4,318**	**2,923**	**81%**	**26%**

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%	2,404	317	27%	17%
> 0.5 to 3%	2,945	244	35%	46%
> 3 to 10%	1,476	51	40%	68%
> 10%	329	32	46%	123%
100%	149	3	41%	129%
Total	**7,303**	**647**	**34%**	**46%**

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%	880	242	30%	11%
> 0.5 to 3%	352	145	29%	34%
> 3 to 10%	118	99	27%	41%
> 10%	44	1	28%	61%
100%	2	#	34%	170%
Total	**1,396**	**488**	**30%**	**21%**

represents amounts less than $0.5 million

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 year ended 31 December 2011 S$ million	Regulatory Expected Loss (Non-defaulted) as at 31 December 2010 S$ million
Corporate	16	342
Bank	–	34
Small Business	15	26
Retail	25	96
Total	**56**	**498**

Note: The Malaysia small business portfolio was migrated to the IRB approach with effect from 2011. There was hence no Regulatory EL as at end 2010.

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	2,507	–	–
Sovereign and Bank	2,149	–	–
Retail and Residential Mortgage	316	–	–
Others	3,255	–	–
Total	**8,227**	**–**	**–**
Foundation IRB Approach			
Corporate	4,700	8,934	628
Bank	702	–	–
Total	**5,402**	**8,934**	**628**

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.

(OCBC Group – As at 31 December 2011)

Counterparty Credit Risk Exposures

	S$ million
Replacement Cost	5,539
Potential Future Exposure	4,353
Less: Effects of Netting	4,553
EAD under Current Exposure Method	**5,339**
Analysed by type:	
Foreign Exchange Contracts and Gold	3,176
Interest Rate Contracts	1,364
Equity Contracts	148
Precious Metals Contracts	#
Other Commodities Contracts	29
Credit Derivative Contracts	621
Less: Eligible Financial Collateral	451
Other Eligible Collateral	–
Net Derivatives Credit Exposure	**4,888**

represents amounts less than $0.5 million

Credit Derivatives

	S$ million Notional amount	
	Bought	**Sold**
Credit Default Swaps		
for own credit portfolio	5,853	5,818
for intermediation activities	5	–
Total	**5,858**	**5,818**

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%	85	1
> 20% to 50%	18	1
> 50% to 100%	–	–
>100% to 500%	–	–
>500%	–	–
Deductions from Tier 1 and Tier 2 Capital	32	–
Total	**135**	**2**

MARKET RISK

Capital Requirement by Market Risk Type under Standardised Approach

	S$ million
Interest rate risk	667
Equity position risk	21
Foreign exchange risk	576
Commodity risk	1
Total	**1,265**

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	2,878
Unquoted equity exposure - AFS	311
Quoted equity exposure - Associates	–
Unquoted equity exposure - Associates	360
Total	**3,549**

Realised and Unrealised Gains and Losses

	S$ million
Gains/(losses) from disposal of AFS equities	14
Unrealised gains included in fair value reserve	962
Total	**976**

Financial Report

OVERVIEW

	2011	2010	+/(-) %
Selected Income Statement Items (S$ million)			
Net interest income	**3,410**	2,947	16
Non-interest income	**2,212**	2,378	(7)
Total core income	**5,622**	5,325	6
Operating expenses	**(2,430)**	(2,254)	8
Operating profit before allowances and amortisation	**3,192**	3,071	4
Amortisation of intangible assets	**(61)**	(55)	12
Allowances for loans and impairment of other assets	**(221)**	(134)	65
Operating profit after allowances and amortisation	**2,910**	2,882	1
Share of results of associates and joint ventures	**7**	(2)	442
Profit before income tax	**2,917**	2,880	1
Core net profit attributable to shareholders	**2,280**	2,253	1
Divestment gain, net of tax	**32**	–	–
Reported net profit attributable to shareholders	**2,312**	2,253	3
Cash basis net profit attributable to shareholders [1]	**2,373**	2,308	3
Selected Balance Sheet Items (S$ million)			
Ordinary equity	**20,675**	18,894	9
Total equity (excluding non-controlling interests)	**22,571**	20,790	9
Total assets	**277,758**	229,283	21
Assets excluding life assurance fund investment assets	**228,670**	181,797	26
Loans and bills receivable (net of allowances)	**133,557**	104,989	27
Deposits of non-bank customers	**154,555**	123,300	25
Per Ordinary Share			
Basic earnings (cents) [2]	**64.8**	66.1	(2)
Basic earnings – Cash basis (cents) [2]	**66.7**	67.8	(2)
Diluted earnings (cents) [2]	**64.7**	65.9	(2)
Net asset value – Before valuation surplus (S$)	**6.02**	5.66	6
Net asset value – After valuation surplus (S$)	**7.04**	7.09	(1)
Key Financial Ratios (%)			
Return on equity [2]	**11.1**	12.1	
Return on equity – Cash basis [2]	**11.4**	12.4	
Return on assets [3]	**1.09**	1.32	
Return on assets – Cash basis [3]	**1.12**	1.35	
Net interest margin	**1.86**	1.98	
Non-interest income to total income	**39.3**	44.7	
Cost to income	**43.2**	42.3	
Loans to deposits	**86.4**	85.1	
NPL ratio	**0.9**	0.9	
Total capital adequacy ratio	**15.7**	17.6	
Tier 1 ratio	**14.4**	16.3	

(1) Excludes amortisation of intangible assets.
(2) Calculated based on core net profit less preference share dividends.
(3) 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 3% to S$2,312 million for the financial year ended 31 December 2011. Core net profit, which excluded gains from the divestment of non-core assets, was S$2,280 million, up 1% from a year ago. Full year performance was underpinned by robust growth in the Group's customer-related businesses, as reflected by the record net interest income and fee income, as well as healthy growth in insurance new business weighted premiums and new business embedded value.

Net interest income grew 16% to S$3,410 million on broad-based loan growth of 27%. Net interest margin declined 12 basis points, primarily due to the low interest rate environment and strong growth in lower-risk loans. Fees and commissions grew 16% to S$1,137 million, led by wealth management revenue and trade-related fees. Trading income was affected by challenging financial market conditions, resulting in a 46% decline to S$217 million. Great Eastern Holdings' ("GEH") life assurance profits from the Participating and Investment-linked funds grew 25% to S$249 million. Investment performance of the Non-participating fund was adversely affected by the widening credit spreads and falling equity prices with the fund's profits declining 44% to S$134 million. The Group's operating expenses increased 8% to S$2,430 million, reflecting continued disciplined cost management. Net allowances for loans and other assets increased to S$221 million from S$134 million, largely attributable to increased portfolio allowances in line with robust loan growth, and lower recoveries and write-backs. The non-performing loans ("NPL") ratio was unchanged at 0.9%.

Return on equity, based on core earnings, was 11.1% in 2011, compared to 12.1% in 2010. Core earnings per share was 64.8 cents, compared to 66.1 cents a year ago.

GEH achieved healthy growth in its underlying insurance business in 2011, with new business weighted premiums increasing 10% and new business embedded value growing strongly by 20%. The results reflected strong sales growth across markets, with contribution from the bancassurance and agency channels, as well as GEH's focus on sales of regular premium and protection-based products to better serve the needs of customers. GEH's net profit for the year was S$386 million, compared with S$507 million in 2010. Profit from insurance operations was S$412 million, underpinned by strong underwriting profits which were offset by weaker investment income due to the challenging financial market conditions. Net investment income in the Shareholders' Fund of S$96 million was up marginally from 2010. The investment portfolios of the insurance funds and Shareholders' Fund remained sound with no significant impairment charges. GEH's contribution to the Group's net profit, after deducting amortisation of intangible assets and non-controlling interests, declined from S$405 million in 2010 to S$297 million in 2011, contributing 13% of the Group's core earnings in 2011.

OCBC Bank (Malaysia) Berhad achieved 6% growth in full year net profit to MYR749 million (S$307 million). Revenue growth was broad-based, with net interest income, Islamic finance income and non-interest income registering growth rates of 7%, 19% and 6%, respectively. Net interest margin declined from 2.42% to 2.32%, partly due to increases in the statutory reserve requirements during the year. Expenses grew 14% as the Group continued to invest in branch expansion and upgrading of capabilities and systems. Allowances were reduced marginally during the year. Loans grew 20% during the year, and the NPL ratio improved from 2.8% to 2.6%.

Bank OCBC NISP's net profit increased 80% to IDR753 billion (S$108 million) for 2011, boosted by the merger with Bank OCBC Indonesia. Net interest income grew 13% on robust loan growth of 31%, and non-interest income grew 16%. Revenue growth was enabled by the broader market coverage of the merged entity, improved product capabilities and increased synergies from stronger collaboration with other subsidiaries within the Group. Expenses grew 7% for the year; excluding the one-time merger expense of IDR204 billion (S$31 million) in 2010, expenses rose by 23%. Allowances increased 2% during the year. Asset quality remained healthy, with the NPL ratio improving to 1.3% from 2.0% a year ago.

A final tax-exempt dividend of 15 cents per share has been proposed, bringing the 2011 total dividend to 30 cents per share, unchanged from 2010. The Scrip Dividend Scheme will not be applicable to the final dividend. The estimated total net dividend of S$1,024 million for 2011 represents 45% of the Group's core net profit of S$2,280 million. This is in line with the Group's dividend policy which targets a minimum payout of 45% of core earnings.

NET INTEREST INCOME

Average Balance Sheet

	2011			2010		
	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	**118,744**	**3,675**	**3.10**	94,022	3,201	3.40
Placements with and loans to banks	**34,207**	**850**	**2.48**	26,722	423	1.58
Other interest earning assets	**29,979**	**795**	**2.65**	28,029	739	2.63
Total	**182,930**	**5,320**	**2.91**	148,773	4,363	2.93
Interest bearing liabilities						
Deposits of non-bank customers	**136,485**	**1,444**	**1.06**	112,591	1,061	0.94
Deposits and balances of banks	**22,365**	**187**	**0.83**	14,942	103	0.69
Other borrowings	**11,262**	**279**	**2.48**	8,962	252	2.82
Total	**170,112**	**1,910**	**1.12**	136,495	1,416	1.04
Net interest income/margin		**3,410**	**1.86**		2,947	1.98

Net interest income grew 16% to S$3,410 million in 2011, led by robust loan growth of 27%. This was partly offset by a 12 basis points decline in net interest margin to 1.86% from 1.98% a year ago. The margin compression was attributable to the persistently low interest rate environment, strong growth in well-collateralised, lower-yielding trade-linked loans, and price competition, particularly for housing loans.

Volume and Rate Analysis

Increase/(decrease) for 2011 over 2010	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	842	(368)	474
Placements with and loans to banks	119	308	427
Other interest earning assets	51	5	56
Total	1,012	(55)	957
Interest expense			
Deposits of non-bank customers	225	158	383
Deposits and balances of banks	51	33	84
Other borrowings	65	(38)	27
Total	341	153	494
Impact on net interest income	671	(208)	463
Due to change in number of days			–
Net interest income			463

NON-INTEREST INCOME

	2011 S$ million	2010 S$ million	+/(-) %
Fees and commissions			
Brokerage	**69**	86	(20)
Wealth management	**252**	200	26
Fund management	**101**	83	21
Credit card	**48**	46	4
Loan-related	**216**	208	4
Trade-related and remittances	**208**	172	21
Guarantees	**21**	21	1
Investment banking	**95**	80	19
Service charges	**94**	59	60
Others	**33**	28	13
Sub-total	**1,137**	983	16
Dividends	**88**	63	41
Rental income	**76**	77	(1)
Profit from life assurance	**383**	437	(13)
Premium income from general insurance	**125**	149	(16)
Other income			
Net trading income	**217**	402	(46)
Net gain from investment securities	**120**	153	(21)
Net gain/(loss) from disposal/liquidation of subsidiaries and associates	**1**	38	(97)
Net gain from disposal of properties	**4**	22	(81)
Others	**61**	54	11
Sub-total	**403**	669	(40)
Total core non-interest income	**2,212**	2,378	(7)
Divestment gain	**39**	–	–
Total non-interest income	**2,251**	2,378	(5)
Fees and commissions/Total income (1)	**20.2%**	18.5%	
Non-interest income/Total income (1)	**39.3%**	44.7%	

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

Core non-interest income, which excludes a S$39 million gain from the disposal of a property, declined 7% in 2011 to S$2,212 million. Fee and commission income rose 16% to a record S$1,137 million, driven by strong growth in wealth management, fund management and investment banking fees, trade-related income and service charges. Dividends increased 41% to S$88 million. Net trading income declined 46% to S$217 million from S$402 million in 2010 as a result of volatile financial markets. Great Eastern Holdings' ("GEH") life assurance profits from the Participating and Investment-linked fund grew 25% to S$249 million. Investment performance of the Non-participating fund was adversely affected by volatility of the financial markets, with the fund's profits declining 44% to S$134 million.

OPERATING EXPENSES

	2011 S$ million	2010 S$ million	+/(-) %
Staff costs			
Salaries and other costs	**1,338**	1,177	14
Share-based expenses	**10**	12	(17)
Contribution to defined contribution plans	**100**	94	6
	1,448	1,283	13
Property and equipment			
Depreciation	**166**	152	10
Maintenance and hire of property, plant & equipment	**75**	70	7
Rental expenses	**68**	59	14
Others	**142**	126	13
	451	407	11
Other operating expenses	**531**	564	(6)
Total operating expenses	**2,430**	2,254	8
Group staff strength			
Period end	**22,892**	21,585	6
Average	**22,371**	21,126	6
Cost-to-income ratio	**43.2%**	42.3%	

Operating expenses were S$2,430 million in 2011, an increase of 8% from a year ago. Staff costs increased 13% to S$1,448 million, reflecting the impact of a 6% growth in staff strength to support the expansion of the Group's franchise; as well as salary increments and sales commissions linked to stronger business volumes. Property and equipment related expenses increased by 11%, largely attributable to higher technology related costs. Excluding the one-time cost of S$31 million in 2010 relating to the merger of Bank OCBC NISP and Bank OCBC Indonesia, operating expenses would have increased 9% from 2010.

The cost-to-income ratio was 43.2% for 2011, compared to 42.3% in 2010.

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2011 S$ million	2010 S$ million	+/(-) %
Specific allowances/(write-back) for loans			
Singapore	**47**	(11)	543
Malaysia	**10**	32	(70)
Others	**22**	36	(37)
	79	57	38
Portfolio allowances for loans	**127**	98	31
Allowances and impairment charges/(write-back) for other assets	**15**	(21)	172
Allowances for loans and impairment of other assets	**221**	134	65

Allowances for loans and other assets were S$221 million in 2011, up from S$134 million in 2010. Portfolio allowances increased 31% to S$127 million, in line with robust loan growth. Specific allowances for new and existing NPLs decreased 23% to S$231 million, while recoveries and write-backs of S$151 million were 37% lower than a year ago. As a result, net specific allowances increased to S$79 million from S$57 million in 2010.

LOANS AND ADVANCES

	2011 S$ million	2010 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**4,042**	2,909	39
Manufacturing	**8,424**	7,057	19
Building and construction	**20,365**	18,532	10
Housing loans	**32,076**	27,076	18
General commerce	**20,347**	11,793	73
Transport, storage and communication	**9,208**	6,447	43
Financial institutions, investment and holding companies	**15,150**	12,887	18
Professionals and individuals	**13,952**	10,954	27
Others	**11,568**	8,794	32
	135,132	106,449	27
By Currency			
Singapore Dollar	**61,198**	54,850	12
United States Dollar	**35,716**	18,937	89
Malaysian Ringgit	**16,724**	14,885	12
Indonesian Rupiah	**4,465**	3,551	26
Others	**17,029**	14,226	20
	135,132	106,449	27
By Geography [1]			
Singapore	**68,260**	59,967	14
Malaysia	**21,064**	17,080	23
Rest of SEA	**10,954**	6,884	59
Greater China	**19,952**	11,079	80
Other Asia Pacific	**6,302**	5,311	19
Rest of the World	**8,600**	6,128	40
	135,132	106,449	27

[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 grew 27% from a year ago to S$135 billion as of 31 December 2011. Loan growth was broad-based, with the largest increases coming from the general commerce sector, housing loans, and loans to professionals and individuals.

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							
2011	**390**	**205**	**151**	**34**	**61.7**	**330**	**0.5**
2010	399	272	54	73	57.8	318	0.5
Malaysia							
2011	**580**	**462**	**72**	**46**	**67.0**	**486**	**2.3**
2010	605	419	114	72	53.3	478	2.8
Rest of SEA							
2011	**129**	**14**	**57**	**58**	**49.3**	**125**	**1.1**
2010	114	41	10	63	59.5	115	1.7
Greater China							
2011	**42**	**39**	**3**	**–**	**73.1**	**42**	**0.2**
2010	24	10	14	–	29.1	24	0.2
Other Asia Pacific							
2011	**188**	**178**	**10**	**–**	**83.4**	**87**	**1.4**
2010	–	–	–	–	–	–	–
Rest of the World							
2011	**108**	**94**	**12**	**2**	**80.5**	**102**	**1.2**
2010	66	37	25	4	78.1	60	1.0
Group							
2011	**1,437**	**992**	**305**	**140**	**67.3**	**1,172**	**0.9**
2010	1,208	779	217	212	56.2	995	0.9

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

Non-performing loans ("NPLs") were S$1,172 million as of 31 December 2011, 18% higher than a year ago. By geography, the increase was mainly from Other Asia Pacific and Rest of the World. By industry segment, the increases were mainly from financial institutions, investment and holding companies, building and construction, and transport, storage and communication.

The Group's NPL ratio at 0.9% was unchanged from a year ago.

Including classified debt securities and contingent liabilities, the Group's total non-performing assets ("NPAs") were S$1,437 million as of 31 December 2011, 19% higher than a year ago. Of the total NPAs, 69% were in the substandard category and 67% were secured by collateral.

NON-PERFORMING ASSETS (continued)

	2011		2010	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**6**	**0.1**	7	0.2
Manufacturing	**294**	**3.5**	299	4.2
Building and construction	**149**	**0.7**	97	0.5
Housing loans	**188**	**0.6**	190	0.7
General commerce	**133**	**0.7**	127	1.1
Transport, storage and communication	**128**	**1.4**	77	1.2
Financial institutions, investment and holding companies	**124**	**0.8**	29	0.2
Professionals and individuals	**114**	**0.8**	139	1.0
Others	**36**	**0.3**	30	0.5
Total NPLs	**1,172**	**0.9**	995	0.9
Classified debt securities	**111**		13	
Classified contingent liabilities	**154**		200	
Total NPAs	**1,437**		1,208	

	2011		2010	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**512**	**36**	511	42
Over 90 to 180 days	**85**	**6**	98	8
30 to 90 days	**204**	**14**	166	14
Less than 30 days	**25**	**2**	20	2
Not overdue	**611**	**42**	413	34
	1,437	**100**	1,208	100

CUMULATIVE ALLOWANCES FOR LOANS AND OTHER 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					
2011	**608**	**71**	**537**	**18.1**	**155.9**
2010	573	43	530	10.8	143.7
Malaysia					
2011	**454**	**165**	**289**	**28.4**	**78.3**
2010	453	202	251	33.5	75.0
Rest of SEA					
2011	**167**	**60**	**107**	**46.3**	**129.6**
2010	134	61	73	53.0	117.3
Greater China					
2011	**162**	**3**	**159**	**7.7**	**383.0**
2010	147	19	128	79.6	608.9
Other Asia Pacific					
2011	**68**	**–**	**68**	**–**	**36.2**
2010	63	–	63	–	–
Rest of the World					
2011	**73**	**13**	**60**	**12.8**	**67.6**
2010	65	16	49	23.4	96.8
Group					
2011	**1,532**	**312**	**1,220**	**21.7**	**106.6**
2010	1,435	341	1,094	28.2	118.8

As of 31 December 2011, the Group's total cumulative allowances for assets were S$1,532 million, comprising S$312 million in specific allowances and S$1,220 million in portfolio allowances. Total cumulative allowances were 107% of total NPAs and 326% of unsecured NPAs, compared with 119% and 271%, respectively, at the end of 2010.

DEPOSITS

	2011 S$ million	2010 S$ million	+/(-) %
Deposits of non-bank customers	**154,555**	123,300	25
Deposits and balances of banks	**21,653**	16,508	31
Total deposits	**176,208**	139,808	26
Non-Bank Deposits By Product			
Fixed deposits	**70,984**	58,602	21
Savings deposits	**28,536**	25,620	11
Current account	**43,118**	31,737	36
Others	**11,917**	7,341	62
	154,555	123,300	25
Non-Bank Deposits By Currency			
Singapore Dollar	**80,236**	66,934	20
United States Dollar	**21,969**	16,918	30
Malaysian Ringgit	**19,128**	17,097	12
Indonesian Rupiah	**5,158**	4,423	17
Others	**28,064**	17,928	57
	154,555	123,300	25
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**86.4%**	85.1%	

Customer deposits rose 25% to S$155 billion as of 31 December 2011. The growth was led by a 36% increase in current account deposits and a 21% increase in fixed deposits. The ratio of current and savings deposits to total non-bank deposits was 46.4% as of 31 December 2011, relatively unchanged from 46.5% a year ago.

The Group's loans-to-deposits ratio was 86.4%, compared to 85.1% a year ago.

PERFORMANCE BY BUSINESS SEGMENT

OCBC Group's businesses are presented in the following customer and product segments: Global Consumer Financial Services, Global Corporate Banking, Global Treasury and Insurance.

Operating Profit by Business Segment

	2011 S$ million	2010 S$ million	+/(-) %
Global Consumer Financial Services	**468**	525	(11)
Global Corporate Banking	**1,500**	1,265	19
Global Treasury	**780**	582	34
Insurance	**437**	564	(22)
Others [(1)]	**247**	413	(40)
Operating profit after allowances and amortisation for total business segments	**3,432**	3,349	2
Add/(Less):			
- Joint income elimination [(2)]	**(454)**	(373)	22
- Items not attributed to business segments	**(68)**	(94)	(27)
Operating profit after allowances and amortisation	**2,910**	2,882	1

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

(2) These are joint income allocated to business segments to reward cross-selling activities.

Global Consumer Financial Services

Global Consumer Financial Services comprises a full range of products and services offered to individuals, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards and wealth management products (unit trusts, bancassurance products and structured deposits).

Operating profit after allowances of the consumer segment declined 11% to S$468 million in 2011. Strong fee and commission income were offset by a decline in net interest income, and an increase in expenses and portfolio allowances.

Global Corporate Banking

Global Corporate Banking serves business 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.

Global Corporate Banking's operating profit after allowances grew 19% to S$1,500 million in 2011. Higher net interest income, led by robust loan growth, and fee income more than offset lower net interest margin, higher expenses and portfolio allowances.

Global Treasury

Global Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also offers structured treasury products and financial solutions to meet customers' investment and hedging needs.

Global Treasury's operating profit in 2011 grew 34% to S$780 million, as significantly higher fees and commissions from cross selling activities more than offset the drop in trading income and higher expenses.

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's results in 2011 were underpinned by strong growth in underwriting profits and 10% increase in new business weighted premiums. Operating profit in 2011 fell 22% to S$437 million, as GEH's performance was impacted by the volatile markets and widening credit spreads. After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S$297 million in 2011, as compared with S$405 million in 2010.

Others

The "Others" segment comprises Bank of Singapore, PacificMas Berhad, corporate finance, capital markets, property holding, stock brokerage and investment holding. Operating profit after allowances for this segment declined 40% to S$247 million. The decrease was mainly attributed to lower gains from investment securities and decrease in profits from stockbroking activities.

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2011		2010	
	S$ million	%	S$ million	%
Total core income				
Singapore [(1)]	**3,405**	**60**	3,350	63
Malaysia	**1,220**	**22**	1,233	23
Rest of SEA	**435**	**8**	389	7
Greater China	**387**	**7**	216	4
Other Asia Pacific	**122**	**2**	95	2
Rest of the World	**53**	**1**	42	1
	5,622	**100**	5,325	100
Profit before income tax				
Singapore [(1)]	**1,732**	**59**	1,958	68
Malaysia	**750**	**26**	768	27
Rest of SEA	**123**	**4**	60	2
Greater China	**195**	**7**	34	1
Other Asia Pacific	**94**	**3**	53	2
Rest of the World	**23**	**1**	7	–
	2,917	**100**	2,880	100
Total assets				
Singapore	**173,522**	**62**	145,864	64
Malaysia	**53,327**	**19**	47,673	21
Rest of SEA	**9,962**	**4**	8,550	4
Greater China	**28,878**	**10**	17,263	7
Other Asia Pacific	**7,854**	**3**	6,987	3
Rest of the World	**4,215**	**2**	2,946	1
	277,758	**100**	229,283	100

(1) Excludes gain of S$39 million from divestment of non-core assets for 2011.

The geographical segment analysis is based on the location where assets or transactions are booked. For 2011, Singapore accounted for 60% of total income and 59% of pre-tax profit, while Malaysia accounted for 22% of total income and 26% of pre-tax profit.

Pre-tax profit for Singapore declined 12% to S$1,732 million, as higher net interest income and fee and commission income was more than offset by lower insurance and trading income, as well as higher expenses and allowances. Malaysia's pre-tax profit for 2011 was 2% lower from a year ago at S$750 million, mainly attributable to a decline in trading income and lower investment gains.

CAPITAL ADEQUACY RATIOS

As of 31 December 2011, the Group's Tier 1 ratio and total capital adequacy ratio ("CAR") were 14.4% and 15.7%, respectively. These were well above the regulatory minimum of 6% and 10%, respectively.

Total eligible capital increased year-on-year, contributed by the following factors: retained earnings for the year; the issue of approximately 100 million new shares to shareholders who participated in the Scrip Dividend Schemes for the 2010 final dividend and 2011 interim dividend; and with effect from 1 January 2011, arising from changes in the MAS Notice 637 in July 2010, the inclusion of 45% of unrealised gains on quoted available-for-sale equity securities in Tier 2 capital. Risk weighted assets ("RWA") increased 22%, driven by loan growth, and by the change, with effect from 1 January 2011, from the Standardised Approach to the Simple Risk Weight method under the Internal Ratings-Based Approach for the calculation of RWA for equity exposures.

The Group's core Tier 1 ratio, which excludes Tier 1 preference shares, was 11.4% as of 31 December 2011, compared with 12.5% as of 31 December 2010.

UNREALISED VALUATION SURPLUS

	2011 S$ million	2010 S$ million
Properties (1)	**2,877**	2,549
Equity securities (2)	**636**	2,216
Total	**3,513**	4,765

(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 associates as compared to the property values and market prices of the quoted investments. 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 of 31 December 2011 was S$3.51 billion, a decline of 26% from S$4.77 billion a year ago, mainly attributable to lower equity securities valuation surplus from the Group's equity stakes in GEH and Bank OCBC NISP.

Directors' Report

For the financial year ended 31 December 2011

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 2011.

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, Chief Executive Officer
Fang Ai Lian
Lai Teck Poh
Lee Seng Wee
Lee Tih Shih
Colm Martin McCarthy
Neo Boon Siong
Quah Wee Ghee (appointed on 9 January 2012)
Pramukti Surjaudaja
Teh Kok Peng (appointed on 1 August 2011)
Patrick Yeoh Khwai Hoh

Mr Bobby Chin Yoke Choong, Mrs Fang Ai Lian and Mr Colm Martin McCarthy 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 Teh Kok Peng and Mr Quah Wee Ghee, who were appointed to the Board under Article 101 of the Articles of Association of the Bank retire in accordance with the provisions of that Article and, being eligible, offer themselves for re-election.

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

Mr Patrick Yeoh Khwai Hoh, having attained the age of 74, will cease to hold office at the conclusion of the forthcoming annual general meeting pursuant to section 153 of the Companies Act, Cap. 50, but will not be standing for re-appointment thereat.

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 31.12.2011	**At 1.1.2011/ Date of appointment**	**At 31.12.2011**	**At 1.1.2011/ Date of appointment**
BANK				
Ordinary shares				
Cheong Choong Kong	**178,373**	172,063	**10,831** [1]	10,447 [1]
Bobby Chin Yoke Choong	**28,917**	21,893	**45,130** [1]	43,533 [1]
David Philbrick Conner	**1,880,311**	1,580,281	**1,754,224** [2]	1,530,811 [3]
Fang Ai Lian	**62,671**	6,222	**–**	–
Lai Teck Poh	**416,703**	392,511	**36,070** [4]	44,244 [4]
Lee Seng Wee	**7,525,454**	7,253,265	**4,401,409** [1]	4,245,723 [1]
Lee Tih Shih	**2,683,860**	2,582,926	**–**	–
Colm Martin McCarthy	**12,561**	6,115	**–**	–
Neo Boon Siong	**34,332**	27,117	**–**	–
Pramukti Surjaudaja	**12,561**	6,115	**–**	–
Teh Kok Peng	**386,991**	170,580	**–**	–
Patrick Yeoh Khwai Hoh	**40,622**	33,184	**–**	–
5.1% Class B non-cumulative non-convertible preference shares				
Fang Ai Lian	**1,700**	1,700	**–**	–
Lai Teck Poh	**2,500**	2,500	**–**	–
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	**–**	–
Patrick Yeoh Khwai Hoh	**10,000**	10,000	**10,000** [1]	10,000 [1]

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

(2) 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.

(3) Comprises interest of 1,050,485 ordinary shares under OCBC Deferred Share Plan, acquisition rights of 9,560 ordinary shares under OCBC Employee Share Purchase Plan and 470,766 ordinary shares under employment contract.

(4) Ordinary shares under OCBC Deferred Share Plan.

None of the directors have direct or deemed interest in the 4.5% Class E non-cumulative non-convertible preference shares.

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 2012, except for Mr Lai Teck Poh whose shareholdings in the Bank in which he has a direct interest has increased by 70,000 shares pursuant to the exercise of his share options on 13 January 2012.

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. Under the agreement, in respect of the financial year ended 31 December 2011, Dr Cheong has received payments and benefits amounting to $1,117,155, and will receive a variable bonus of $100,000, 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 2010, Dr Cheong has received aggregate payments and benefits of $1,118,993 and a variable bonus of a total amount of $1,290,000, comprising a bonus of $100,000 and an additional bonus of $1,190,000.

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 2011 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

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 Schemes

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 and 2010NED were set out in the Directors' Reports for the financial years ended 31 December 2002 to 2010.

During the financial year, pursuant to the 2001 Scheme, options to acquire 2,824,281 ordinary shares at $9.350 per ordinary share were granted to 125 eligible executives of the Group ("2011 Options"), as well as to a non-executive director of the Bank ("2011NED 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 Schemes (continued)

Details of unissued ordinary shares under the 2001 Scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2011 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2011 Outstanding	At 31.12.2011 Exercisable
2002	09.04.2003 to 08.04.2012	5.742	961,162	953,086	2,897,357	2,897,357
2002B	24.10.2003 to 23.10.2012	4.367	70,000	70,000	110,000	110,000
2003	28.03.2004 to 26.03.2013	4.067	203,497	202,597	3,425,326	3,425,326
2004	16.03.2005 to 14.03.2014	5.142	224,421	223,354	2,314,654	2,314,654
2004A	20.08.2005 to 18.08.2014	5.492	20,000	20,000	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	130,504	128,863	3,075,090	3,075,090
2005A	09.04.2006 to 07.04.2015	5.784	56,432	40,657	479,728	479,728
2006	15.03.2007 to 13.03.2016	6.820	134,940	128,203	2,564,709	2,564,709
2006B	24.05.2007 to 22.05.2016	6.580	86,020	85,369	508,190	508,190
2007	15.03.2008 to 13.03.2017	8.590	112,547	109,338	2,869,563	2,869,563
2007A	16.01.2008 to 14.01.2017	7.600	–	–	445,000	445,000
2007B	15.03.2008 to 13.03.2017	8.590	157,000	130,828	529,000	529,000
2007NED	15.03.2008 to 13.03.2012	8.590	–	–	200,000	200,000
2008	15.03.2009 to 13.03.2018	7.520	406,479	381,311	4,001,810	4,001,810
2008NED	15.03.2009 to 13.03.2013	7.520	–	–	200,000	200,000
2009	17.03.2010 to 15.03.2019	4.138	204,230	200,083	3,019,360	1,884,060
2009NED	17.03.2010 to 15.03.2014	4.138	–	–	162,958	107,552
2010	16.03.2011 to 14.03.2020	8.762	57,618	49,437	2,829,762	918,654
2010NED	16.03.2011 to 14.03.2015	8.762	–	–	233,727	77,129
2011	15.03.2012 to 13.03.2021	9.350	–	–	2,399,927	–
2011NED	15.03.2012 to 13.03.2016	9.350	–	–	326,302	–
			2,824,850	2,723,126	32,836,463	26,851,822

(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 2011, the Bank launched its sixth offering of ESP Plan, which commenced on 1 July 2011 and will expire on 30 June 2013. Under the sixth offering, 5,840 employees (including a director of the Bank) enrolled to participate in the ESP Plan to acquire 6,721,866 ordinary shares at $9.21 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 program extended to executives of the Group at the absolute discretion of the Remuneration Committee. Details of the DSP were set out in the Directors' Report for the financial year ended 31 December 2007.

Total awards of 3,288,428 ordinary shares (including 391,349 ordinary shares to directors of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2011. In addition, total awards of 450,249 ordinary shares (including 44,507 ordinary shares to directors of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2010 and interim dividend for financial year ended 31 December 2011. During the financial year, 4,293,824 deferred shares were released to grantees, of which 237,619 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 31.12.2011	Aggregate number of options granted/rights subscribed since commencement of scheme/plan to 31.12.2011	Aggregate number of options/rights exercised/converted/ lapsed since commencement of scheme/plan to 31.12.2011	Aggregate number of options/rights outstanding at 31.12.2011
2001 Scheme				
Cheong Choong Kong	326,302	1,637,787	–	1,637,787
David Philbrick Conner	–	4,565,000	2,232,000	2,333,000
Lai Teck Poh	–	481,000	–	481,000
ESP Plan				
David Philbrick Conner	3,908	47,593	39,571	8,022

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2012, except for Mr Lai Teck Poh who exercised 70,000 share options on 13 January 2012.

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
Neo Boon Siong

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

DAVID PHILBRICK CONNER
Director

Singapore
17 February 2012

Statement by Directors

For the financial year ended 31 December 2011

In the opinion of the directors,

(a) the financial statements set out on pages 81 to 173 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 2011, 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

DAVID PHILBRICK CONNER
Director

Singapore
17 February 2012

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 2011, 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 81 to 173.

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 2011, 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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
17 February 2012

Income Statements

For the financial year ended 31 December 2011

	Note	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
Interest income		**5,319,991**	4,363,260	**3,069,746**	2,585,502
Interest expense		**(1,909,569)**	(1,416,381)	**(1,053,601)**	(820,326)
Net interest income	3	**3,410,422**	2,946,879	**2,016,145**	1,765,176
Premium income		**6,106,288**	5,866,349	**–**	–
Investment income		**1,675,469**	2,439,931	**–**	–
Net claims, surrenders and annuities		**(4,530,694)**	(4,181,156)	**–**	–
Change in life assurance fund contract liabilities		**(1,697,463)**	(2,545,154)	**–**	–
Commission and others		**(1,171,072)**	(1,142,738)	**–**	–
Profit from life assurance	4	**382,528**	437,232	**–**	–
Premium income from general insurance		**125,079**	148,584	**–**	–
Fees and commissions (net) [(1)]	5	**1,137,127**	982,815	**646,520**	513,210
Dividends	6	**88,048**	62,639	**339,183**	292,270
Rental income		**76,009**	77,069	**31,001**	33,583
Other income [(1)]	7	**441,465**	669,510	**271,404**	367,353
Non-interest income		**2,250,256**	2,377,849	**1,288,108**	1,206,416
Total income		**5,660,678**	5,324,728	**3,304,253**	2,971,592
Staff costs		**(1,448,181)**	(1,283,285)	**(576,689)**	(537,908)
Other operating expenses		**(981,731)**	(970,294)	**(665,420)**	(617,750)
Total operating expenses	8	**(2,429,912)**	(2,253,579)	**(1,242,109)**	(1,155,658)
Operating profit before allowances and amortisation		**3,230,766**	3,071,149	**2,062,144**	1,815,934
Amortisation of intangible assets	37	**(61,337)**	(54,799)	**–**	–
Allowances for loans and impairment for other assets	9	**(221,406)**	(134,026)	**(126,632)**	(35,885)
Operating profit after allowances and amortisation		**2,948,023**	2,882,324	**1,935,512**	1,780,049
Share of results of associates and joint ventures		**7,166**	(2,095)	**–**	–
Profit before income tax		**2,955,189**	2,880,229	**1,935,512**	1,780,049
Income tax expense	10	**(476,586)**	(433,302)	**(200,865)**	(188,981)
Profit for the year		**2,478,603**	2,446,927	**1,734,647**	1,591,068
Attributable to:					
Equity holders of the Bank		**2,312,216**	2,253,466		
Non-controlling interests		**166,387**	193,461		
		2,478,603	2,446,927		
Earnings per share (cents)	11				
Basic		**65.8**	66.1		
Diluted		**65.6**	65.9		

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

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 2011

	Note	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
Profit for the year		**2,478,603**	2,446,927	**1,734,647**	1,591,068
Other comprehensive income:					
Available-for-sale financial assets					
(Losses)/gains for the year		**(156,837)**	119,025	**(21,013)**	185,668
Reclassification of gains to income statement					
- on disposal		**(120,054)**	(152,580)	**(77,461)**	(137,252)
- on impairment		**(7,840)**	(23,128)	**(10,047)**	(27,314)
Tax on net movements	20	**25,878**	(53,804)	**13,066**	(17,813)
Exchange differences on translating foreign operations		**(2,506)**	(53,757)	**7,617**	(10,408)
Other comprehensive income of associates and joint ventures		**5,512**	(4,031)	**–**	–
Total other comprehensive income, net of tax		**(255,847)**	(168,275)	**(87,838)**	(7,119)
Total comprehensive income for the year, net of tax		**2,222,756**	2,278,652	**1,646,809**	1,583,949
Total comprehensive income attributable to:					
Equity holders of the Bank		**2,073,533**	2,065,233		
Non-controlling interests		**149,223**	213,419		
		2,222,756	2,278,652		

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 2011

	Note	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**9,022,918**	8,210,550	**9,022,918**	8,210,550
Capital reserves	14	**279,402**	612,826	**90,289**	432,498
Fair value reserves		**1,124,668**	1,374,198	**510,394**	605,849
Revenue reserves	15	**12,143,711**	10,592,671	**7,721,619**	6,605,466
		22,570,699	20,790,245	**17,345,220**	15,854,363
Non-controlling interests	16	**2,819,322**	2,854,919	**–**	–
Total equity		**25,390,021**	23,645,164	**17,345,220**	15,854,363
LIABILITIES					
Deposits of non-bank customers	17	**154,554,839**	123,300,026	**109,826,711**	88,890,546
Deposits and balances of banks	17	**21,653,245**	16,508,477	**18,880,685**	13,810,825
Due to subsidiaries		**–**	–	**5,912,981**	4,623,552
Due to associates		**178,050**	139,028	**164,361**	118,374
Trading portfolio liabilities		**1,655,040**	1,734,253	**1,655,040**	1,734,236
Derivative payables	18	**6,112,768**	4,562,754	**5,782,256**	4,222,133
Other liabilities	19	**4,023,408**	3,186,719	**1,458,675**	1,062,633
Current tax		**800,161**	744,224	**304,098**	311,113
Deferred tax	20	**1,123,125**	1,126,541	**120,854**	131,277
Debt issued	21	**13,063,178**	6,854,466	**13,797,463**	7,887,194
		203,163,814	158,156,488	**157,903,124**	122,791,883
Life assurance fund liabilities	22	**49,203,775**	47,481,158	**–**	–
Total liabilities		**252,367,589**	205,637,646	**157,903,124**	122,791,883
Total equity and liabilities		**277,757,610**	229,282,810	**175,248,344**	138,646,246
ASSETS					
Cash and placements with central banks	23	**12,896,605**	11,492,891	**6,985,599**	6,786,943
Singapore government treasury bills and securities	24	**13,250,113**	11,156,522	**12,592,280**	10,485,222
Other government treasury bills and securities	24	**7,396,804**	5,944,527	**3,987,623**	3,174,142
Placements with and loans to banks	25	**28,614,577**	18,568,632	**20,654,266**	13,612,284
Loans and bills receivable	26–29	**133,556,851**	104,989,207	**97,786,527**	75,877,251
Debt and equity securities	30	**15,081,434**	14,254,552	**9,721,440**	9,835,616
Assets pledged	44	**1,838,981**	745,737	**1,328,905**	708,171
Assets held for sale	45	**6,195**	3,540	**–**	1,654
Derivative receivables	18	**5,898,815**	4,836,906	**5,462,372**	4,461,711
Other assets	31	**3,191,439**	3,116,482	**1,186,728**	828,060
Deferred tax	20	**43,416**	78,529	**4,321**	6,454
Associates and joint ventures	33	**360,435**	255,097	**215,073**	113,018
Subsidiaries	34	**–**	–	**12,461,828**	9,934,430
Property, plant and equipment	35	**1,663,870**	1,624,737	**425,289**	400,627
Investment property	36	**922,335**	732,893	**568,917**	553,487
Goodwill and intangible assets	37	**3,947,394**	3,996,481	**1,867,176**	1,867,176
		228,669,264	181,796,733	**175,248,344**	138,646,246
Life assurance fund investment assets	22	**49,088,346**	47,486,077	**–**	–
Total assets		**277,757,610**	229,282,810	**175,248,344**	138,646,246

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 2011

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.

In $'000	Attributable to equity holders of the Bank Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	7,376,252	985,445	1,506,279	9,102,681	18,970,657	2,808,378	21,779,035
Total comprehensive income for the year							
Profit for the year	–	–	–	2,253,466	2,253,466	193,461	2,446,927
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	93,734	–	93,734	25,291	119,025
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(152,750)	–	(152,750)	170	(152,580)
- on impairment	–	–	(23,670)	–	(23,670)	542	(23,128)
Tax on net movements	–	–	(49,156)	–	(49,156)	(4,648)	(53,804)
Exchange differences on translating foreign operations	–	–	–	(52,887)	(52,887)	(870)	(53,757)
Other comprehensive income of associates and joint ventures	–	–	(239)	(3,265)	(3,504)	(527)	(4,031)
Total other comprehensive income, net of tax	–	–	(132,081)	(56,152)	(188,233)	19,958	(168,275)
Total comprehensive income for the year	–	–	(132,081)	2,197,314	2,065,233	213,419	2,278,652
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	10,004	(360,316)	–	350,312	–	–	–
Divestment of an associate	–	–	–	82	82	(82)	–
Dividends to non-controlling interests	–	–	–	–	–	(132,854)	(132,854)
DSP reserve from dividends on unvested shares	–	–	–	5,786	5,786	–	5,786
Ordinary and preference dividends paid in cash	–	–	–	(279,092)	(279,092)	–	(279,092)
Share-based staff costs capitalised	–	14,116	–	–	14,116	–	14,116
Share buyback held in treasury	(42,260)	–	–	–	(42,260)	–	(42,260)
Shares issued in-lieu of ordinary dividends	757,373	–	–	(757,373)	–	–	–
Shares issued to non-executive directors	541	–	–	–	541	–	541
Shares purchased by DSP Trust	–	(4,000)	–	–	(4,000)	–	(4,000)
Shares vested under DSP Scheme	–	8,240	–	–	8,240	–	8,240
Treasury shares transferred/sold	108,640	(30,659)	–	–	77,981	–	77,981
Total contributions by and distributions to owners	834,298	(372,619)	–	(680,285)	(218,606)	(132,936)	(351,542)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(27,039)	(27,039)	(33,942)	(60,981)
Total changes in ownership interests in subsidiaries	–	–	–	(27,039)	(27,039)	(33,942)	(60,981)
Balance at 31 December 2010	8,210,550	612,826	1,374,198	10,592,671	20,790,245	2,854,919	23,645,164
Included:							
Share of reserves of associates and joint ventures	–	–	171	25,381	25,552	(3,429)	22,123

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 2011

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
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**
Balance at 1 January 2010	7,376,252	768,012	602,560	5,715,859	14,462,683
Total comprehensive income for the year [1]	–	–	3,289	1,580,660	1,583,949
Transfers	10,004	(349,630)	–	339,626	–
DSP reserve from dividends on unvested shares	–	–	–	5,786	5,786
Ordinary and preference dividends paid in cash	–	–	–	(279,092)	(279,092)
Share-based staff costs capitalised	–	14,116	–	–	14,116
Share buyback held in treasury	(42,260)	–	–	–	(42,260)
Shares issued in-lieu of ordinary dividends	757,373	–	–	(757,373)	–
Shares issued to non-executive directors	541	–	–	–	541
Treasury shares transferred/sold	108,640	–	–	–	108,640
Balance at 31 December 2010	8,210,550	432,498	605,849	6,605,466	15,854,363

[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 2011

In $'000	2011	2010
Cash flows from operating activities		
Profit before income tax	**2,955,189**	2,880,229
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	**221,406**	134,026
Amortisation of intangible assets	**61,337**	54,799
Change in fair value for hedging transactions and trading securities	**69,498**	(53,578)
Depreciation of property, plant and equipment and investment property	**166,437**	151,579
Net gain on disposal of government, debt and equity securities	**(120,054)**	(152,591)
Net gain on disposal of property, plant and equipment and investment property	**(42,722)**	(22,902)
Net gain on disposal/liquidation of subsidiaries and associates	**(977)**	(37,991)
Share-based staff costs	**10,223**	12,295
Share of results of associates and joint ventures	**(7,166)**	2,095
Items relating to life assurance fund		
Surplus before income tax	**531,744**	703,176
Surplus transferred from life assurance fund	**(382,528)**	(437,232)
Operating profit before change in operating assets and liabilities	**3,462,387**	3,233,905
Change in operating assets and liabilities:		
Deposits of non-bank customers	**31,293,835**	16,688,042
Deposits and balances of banks	**5,144,768**	5,316,434
Derivative payables and other liabilities	**2,157,244**	398,948
Trading portfolio liabilities	**(79,213)**	(281,864)
Government securities and treasury bills	**(3,115,640)**	357,530
Trading securities	**(272,069)**	(730,388)
Placements with and loans to banks	**(10,659,563)**	(937,487)
Loans and bills receivable	**(28,789,318)**	(19,526,988)
Derivative receivables and other assets	**(1,377,593)**	(1,046,463)
Net change in investment assets and liabilities of life assurance fund	**58,894**	(181,131)
Cash (used in)/from operating activities	**(2,176,268)**	3,290,538
Income tax paid	**(409,296)**	(419,487)
Net cash (used in)/from operating activities	**(2,585,564)**	2,871,051
Cash flows from investing activities		
Dividends from associates	**6,226**	3,746
Increase in associates and joint ventures	**(106,787)**	(48,615)
Net cash outflow from acquisition of a business/subsidiaries	**(103,657)**	(2,002,700)
Purchases of debt and equity securities	**(6,371,047)**	(6,357,410)
Purchases of property, plant and equipment and investment property	**(250,890)**	(183,183)
Proceeds from disposal of associates	**1,776**	13,853
Proceeds from disposal of debt and equity securities	**4,798,321**	4,017,877
Proceeds from disposal of interest in a subsidiary	**82,006**	–
Proceeds from disposal of property, plant and equipment and investment property	**48,606**	29,393
Net cash used in investing activities	**(1,895,446)**	(4,527,039)
Cash flows from financing activities		
Changes in non-controlling interests	**(6,242)**	(64,140)
Redemption of subordinated debt issued	**(2,466,829)**	–
Issue of subordinated debt [(1)]	**399,025**	984,966
Increase/(decrease) in other debt issued [(1)]	**8,468,543**	(588,678)
Dividends paid to equity holders of the Bank	**(275,030)**	(279,092)
Distributions and dividends paid to non-controlling interests	**(187,570)**	(132,854)
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**43,574**	77,981
Share buyback held in treasury	**(92,131)**	(42,260)
Net cash from/(used in) financing activities	**5,883,340**	(44,077)
Net currency translation adjustments	**1,384**	21,839
Net change in cash and cash equivalents	**1,403,714**	(1,678,226)
Cash and cash equivalents at 1 January	**11,492,891**	13,171,117
Cash and cash equivalents at 31 December	**12,896,605**	11,492,891

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

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 17 February 2012.

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 new/revised financial reporting standards and interpretations were applied with effect from 1 January 2011:

- FRS 24 (Revised) *Related Party Disclosures*
- INT FRS 114 (Amendments) *Prepayment of a Minimum Funding Requirement*
- INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*
- Improvements to FRSs 2010

The revised FRS 24 requires disclosure of transactions in all direct relationships involving control, joint control or significant influence and excludes the need to disclose transactions between two entities in which a person has significant influence over one entity, and a close family member of that person has significant influence over the other entity.

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, plus costs directly attributable to the acquisition. 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 insurance 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 taken at 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 amount, 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, as well as 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 of adverse deviations on run-off contracts are recognised in the income statements over the lives of the contracts, whereas losses are fully recognised in 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 policyholder accrue directly to the policyholder.

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 participation 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; 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 to carry out a liability adequacy test using current estimates of future cash flows under 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 participation features; the assumptions are based on best estimates, as prescribed by the insurance regulations of the respective jurisdictions 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 to 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 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 5.25%; 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) Net fund based yield of 5.52% for total benefits (i.e. guaranteed and non-guaranteed cashflows); 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 10, an interpolation of the 10-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows between 10 to 15 years, and the LTRFDR for cash flows year 15 and after. (ii) For the fair value hedge portfolio, Singapore Government Securities zero coupon spot yields for cash flows up to year 20, the 20-year rate for cash flows beyond 20 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) With effect from 1 July 2011, GEH Group changed the discount rates used in valuing part of its liabilities in its Singapore insurance funds, from SGS yields to zero-coupon SGS yields. The use of zero-coupon SGS yields enables closer matching in valuation between assets and liabilities, and is in compliance with regulations.

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 contract and/or business interruption contract; 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 provision 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 Singapore, 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 Bornhuetter-Ferguson Method, the Mack's Method and the Expected Loss Ratio Method. For Malaysia, the Link Ratio Method is used.

Reinsurance contracts

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

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

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

2.17 Unexpired risk reserve

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

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

2.18 Share capital and dividend

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

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

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

2.19 Recognition of income and expense

2.19.1 Interest income and expense

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Recognition of income and expense (continued)

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 on 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 date 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, 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.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Recognition of income and expense (continued)

2.19.7 Employee benefits (continued)

Government grants – Jobs credit scheme

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as an offset against the expenses over the periods which they are intended to compensate, on a systematic basis.

The Jobs credit scheme is a cash grant introduced in the Singapore Budget 2009 to help businesses preserve jobs in the economic downturn. The scheme ended on 30 June 2010.

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 Financial Services, Global Corporate Banking, Global Treasury, 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 in the valuation of the future benefits to be paid to policyholders, and ensure adequate provision of reserves which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures.

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

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("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 collaterals, which is determined based on credit assessment on a loan-by-loan basis. Homogeneous loans below a materiality threshold are grouped together according to their risk characteristics and collectively assessed taking into account the historical loss experience on such loans. The portfolio allowances set aside for unimpaired loans are based on management's credit experiences and 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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Interest income				
Loans to non-bank customers	**3,675,623**	3,201,347	**2,088,708**	1,853,863
Placements with and loans to banks	**849,715**	423,459	**434,879**	221,092
Other interest-earning assets	**794,653**	738,454	**546,159**	510,547
	5,319,991	4,363,260	**3,069,746**	2,585,502
Interest expense				
Deposits of non-bank customers	**(1,443,436)**	(1,060,954)	**(603,593)**	(449,910)
Deposits and balances of banks	**(186,713)**	(102,894)	**(150,485)**	(65,418)
Other borrowings	**(279,420)**	(252,533)	**(299,523)**	(304,998)
	(1,909,569)	(1,416,381)	**(1,053,601)**	(820,326)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**5,131,372**	4,152,750	**2,910,895**	2,434,654
Income – Assets at fair value through profit or loss	**188,619**	210,510	**158,851**	150,848
Expense – Liabilities not at fair value through profit or loss	**(1,862,086)**	(1,355,295)	**(1,006,118)**	(759,919)
Expense – Liabilities at fair value through profit or loss	**(47,483)**	(61,086)	**(47,483)**	(60,407)
Net interest income	**3,410,422**	2,946,879	**2,016,145**	1,765,176

Included in interest income were interest on impaired assets of $6.7 million (2010: $15.1 million) and $2.5 million (2010: $5.1 million) for the Group and Bank respectively.

4. PROFIT FROM LIFE ASSURANCE

	GROUP	
	2011 $ million	2010 $ million
Income		
Annual	**4,553.2**	4,188.3
Single	**1,657.9**	1,778.4
Gross premiums	**6,211.1**	5,966.7
Reinsurances	**(104.8)**	(100.4)
Premium income (net)	**6,106.3**	5,866.3
Investment income (net)	**1,675.5**	2,439.9
Total income	**7,781.8**	8,306.2
Expenses		
Gross claims, surrenders and annuities	**(4,580.3)**	(4,226.9)
Claims, surrenders and annuities recovered from reinsurers	**49.6**	45.8
Net claims, surrenders and annuities	**(4,530.7)**	(4,181.1)
Change in life assurance fund contract liabilities (Note 22)	**(1,697.4)**	(2,545.2)
Commission and agency expenses	**(664.4)**	(601.6)
Depreciation – property, plant and equipment (Note 35)	**(45.1)**	(46.9)
Other expenses [(1)]	**(309.3)**	(253.8)
Total expenses	**(7,246.9)**	(7,628.6)
Surplus from operations	**534.9**	677.6
Share of results of associates and joint ventures	**(3.2)**	25.5
Income tax expense	**(149.2)**	(265.9)
Profit from life assurance	**382.5**	437.2

(1) Included in other expenses were directors' emoluments of $3.1 million (2010: $2.1 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 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
Fee and commission income [1]	**1,200,407**	1,036,518	**677,390**	522,413
Fee and commission expense	**(63,280)**	(53,703)	**(30,870)**	(9,203)
Fees and commissions (net) [1]	**1,137,127**	982,815	**646,520**	513,210
Analysed by major sources:				
Brokerage	**68,621**	85,711	**539**	1,521
Credit card	**48,181**	46,313	**45,991**	40,075
Fund management	**100,789**	83,097	**(533)**	(956)
Guarantees	**21,256**	20,944	**15,860**	14,432
Investment banking	**95,167**	79,964	**74,437**	62,327
Loan-related	**215,995**	207,508	**179,850**	164,395
Service charges [1]	**93,956**	58,674	**77,175**	41,418
Trade-related and remittances	**208,141**	172,254	**156,883**	121,951
Wealth management [1]	**252,352**	199,528	**92,307**	65,261
Others [1]	**32,669**	28,822	**4,011**	2,786
	1,137,127	982,815	**646,520**	513,210

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

6. DIVIDENDS

	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
Subsidiaries	**–**	–	**303,351**	269,142
Associates	**–**	–	**6,226**	3,154
Trading securities	**14,308**	5,460	**4,313**	4,558
Available-for-sale securities	**73,740**	57,179	**25,293**	15,416
	88,048	62,639	**339,183**	292,270

7. OTHER INCOME

	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
Foreign exchange [1] [4]	**372,236**	323,958	**236,268**	150,036
Hedging activities [2]				
Hedging instruments	**(130,442)**	(303,085)	**(126,837)**	(305,607)
Hedged items	**133,246**	300,075	**130,053**	302,854
Fair value hedges	**2,804**	(3,010)	**3,216**	(2,753)
Interest rate and other derivatives [3] [4]	**(199,059)**	(58,831)	**(170,110)**	(6,052)
Securities at fair value through profit and loss	**(34)**	336	**–**	–
Trading securities	**41,157**	139,525	**68,702**	57,893
Net trading income	**217,104**	401,978	**138,076**	199,124
Disposal of securities classified as available-for-sale	**120,054**	152,580	**77,461**	137,252
Disposal of securities classified as loans and receivables	**–**	11	**–**	–
Disposal/liquidation of subsidiaries and associates	**977**	37,991	**625**	2,292
Disposal of plant and equipment	**17**	733	**(276)**	(5)
Disposal of property	**42,705**	22,169	**40,952**	21,360
Computer-related services income	**30,480**	31,815	**–**	–
Property-related income	**9,976**	9,218	**425**	453
Others	**20,152**	13,015	**14,141**	6,877
	441,465	669,510	**271,404**	367,353

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

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP		BANK	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
8.1 Staff costs				
Salaries and other costs [1]	**1,308,260**	1,148,349	**522,838**	481,691
Share-based expenses	**9,761**	11,754	**6,374**	8,435
Contribution to defined contribution plans	**100,010**	94,631	**36,386**	37,877
	1,418,031	1,254,734	**565,598**	528,003
Directors' emoluments:				
Remuneration of Bank's directors	**9,419**	8,432	**8,762**	7,918
Remuneration of directors of subsidiaries	**14,685**	13,519	**–**	–
Fees of Bank's directors	**3,586**	3,003	**2,329**	1,987
Fees of directors of subsidiaries	**2,460**	3,597	**–**	–
	30,150	28,551	**11,091**	9,905
Total staff costs	**1,448,181**	1,283,285	**576,689**	537,908
8.2 Other operating expenses				
Property, plant and equipment: [2]				
Depreciation	**166,437**	151,579	**90,962**	81,078
Maintenance and hire	**75,179**	70,225	**28,785**	23,819
Rental expenses	**67,416**	59,335	**70,382**	70,604
Others	**141,941**	125,815	**56,865**	46,713
	450,973	406,954	**246,994**	222,214
Auditors' remuneration				
Payable to auditors of the Bank	**1,707**	1,496	**1,155**	979
Payable to associated firms of auditors of the Bank	**906**	950	**261**	235
Payable to other auditors	**1,548**	2,238	**159**	136
	4,161	4,684	**1,575**	1,350
Other fees				
Payable to auditors of the Bank	**474**	230	**442**	185
Payable to associated firms of auditors of the Bank	**334**	441	**199**	279
	808	671	**641**	464
Hub processing charges	**–**	–	**162,459**	153,983
General insurance claims	**57,669**	92,181	**–**	–
Others	**468,120**	465,804	**253,751**	239,739
	525,789	557,985	**416,210**	393,722
Total other operating expenses	**981,731**	970,294	**665,420**	617,750
8.3 Staff costs and other operating expenses	**2,429,912**	2,253,579	**1,242,109**	1,155,658

[1] Net of government grants (Jobs credit scheme) of nil (2010: $4.4 million) and nil (2010: $2.2 million) for the Group and the Bank received respectively.

[2] Direct operating expenses on leased investment property for the Group and the Bank amounted to $14.8 million (2010: $14.5 million) and $4.0 million (2010: $4.1 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.2 million (2010: $1.1 million) and $0.9 million (2010: $0.5 million) respectively.

9. ALLOWANCES FOR LOANS AND IMPAIRMENT FOR OTHER ASSETS

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Specific allowances for loans (Note 28)	**79,038**	57,373	**60,709**	3,466
Portfolio allowances for loans (Note 29)	**127,364**	97,558	**72,528**	59,919
(Write-back)/impairment charge for available-for-sale securities	**(36)**	9,752	**(8,993)**	(1,173)
Write-back for collateralised debt obligations (CDOs)	**(1,054)**	(25,796)	**(1,054)**	(26,141)
Impairment charge/(write-back) for other assets (Note 32)	**16,094**	(4,861)	**3,442**	(186)
Net allowances and impairment	**221,406**	134,026	**126,632**	35,885

10. INCOME TAX EXPENSE

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Current tax expense	**526,190**	495,875	**237,888**	230,145
Deferred tax (credit)/expense (Note 20)	**(7,203)**	(23,469)	**3,266**	(6,670)
	518,987	472,406	**241,154**	223,475
Over provision in prior years and tax refunds	**(42,401)**	(39,104)	**(40,289)**	(34,494)
Charge to income statements	**476,586**	433,302	**200,865**	188,981

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

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Operating profit after allowances and amortisation	**2,948,023**	2,882,324	**1,935,512**	1,780,049
Prima facie tax calculated at tax rate of 17%	**501,164**	489,995	**329,037**	302,608
Effect of change in tax rates	**–**	98	**–**	98
Effect of different tax rates in other countries	**102,686**	81,134	**19,908**	13,372
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**2,181**	801	**296**	483
Income not assessable for tax	**(40,035)**	(40,925)	**(64,558)**	(55,449)
Income taxed at concessionary rate	**(57,042)**	(48,752)	**(54,173)**	(47,088)
Effect of Singapore life assurance fund	**(15,815)**	(28,622)	**–**	–
Amortisation of intangibles	**10,427**	8,385	**–**	–
(Non-taxable write-backs)/non-deductible allowances	**(9,152)**	(1,924)	**3**	(172)
Others	**24,573**	12,216	**10,641**	9,623
	518,987	472,406	**241,154**	223,475
The deferred tax (credit)/expense comprised:				
Accelerated tax depreciation	**6,398**	267	**6,246**	842
Write-back of allowances for assets	**(19,462)**	(12,299)	**(590)**	(4,776)
Debt and equity securities	**2,916**	(344)	**–**	(117)
Fair value on properties from business combinations	**(1,676)**	(2,393)	**(1,692)**	(2,295)
Tax losses utilised/(tax losses)	**2,070**	(942)	**–**	–
Others	**2,551**	(7,758)	**(698)**	(324)
	(7,203)	(23,469)	**3,266**	(6,670)

11. EARNINGS PER SHARE

$'000	GROUP 2011	GROUP 2010
Profit attributable to ordinary equity holders of the Bank	**2,312,216**	2,253,466
Preference dividends paid	**(90,125)**	(90,125)
Profit attributable to ordinary equity holders of the Bank after preference dividends	**2,222,091**	2,163,341
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**3,377,218**	3,270,738
Adjustment for assumed conversion of share options and acquisition rights	**9,015**	10,693
For diluted earnings per share	**3,386,233**	3,281,431
Earnings per share (cents)		
Basic	**65.8**	66.1
Diluted	**65.6**	65.9

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	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Profit attributable to equity holders of the Bank	**2,312,216**	2,253,466	**1,734,647**	1,591,068
Add: Unappropriated profit at 1 January	**9,814,663**	8,270,781	**5,763,210**	4,865,425
Total amount available for appropriation	**12,126,879**	10,524,247	**7,497,857**	6,456,493
Appropriated as follows:				
Ordinary dividends:				
2009 final tax exempt dividend of 14 cents	**–**	(453,209)	**–**	(453,209)
2010 interim tax exempt dividend of 15 cents	**–**	(493,131)	**–**	(493,131)
2010 final tax exempt dividend of 15 cents	**(500,890)**	–	**(500,890)**	–
2011 interim tax exempt dividend of 15 cents	**(508,311)**	–	**(508,311)**	–
Preference dividends:				
Class B 5.1% tax exempt (2010: 5.1% tax exempt)	**(51,000)**	(51,000)	**(51,000)**	(51,000)
Class E 4.5% tax exempt (2010: 4.5% tax exempt)	**(22,500)**	(22,500)	**(22,500)**	(22,500)
Class G 4.2% tax exempt (2010: 4.2% tax exempt)	**(16,625)**	(16,625)	**(16,625)**	(16,625)
Transfer from:				
Capital reserves (Note 14)	**332,546**	350,312	**339,626**	339,626
Currency translation reserves (Note 15.2)	**17**	(121)	**–**	–
General reserves (Note 15.1)	**3,702**	3,556	**3,702**	3,556
Fair value reserves	**67**	526	**–**	–
Acquisition of non-controlling interests	**(8,992)**	(27,039)	**–**	–
Share of an associate's acquisition of non-controlling interests	**–**	(435)	**–**	–
Divestment of an associate	**–**	82	**–**	–
	(771,986)	(709,584)	**(755,998)**	(693,283)
At 31 December (Note 15)	**11,354,893**	9,814,663	**6,741,859**	5,763,210

At the annual general meeting to be held, a final tax exempt dividend of 15 cents per ordinary share in respect of the financial year ended 31 December 2011, totalling $515.6 million, will be proposed. The dividends will be accounted for as a distribution in the 2012 financial statements.

13. SHARE CAPITAL

13.1 Share capital

GROUP AND BANK	2011 Shares ('000)	2010 Shares ('000)	2011 $'000	2010 $'000
Ordinary shares				
At 1 January	**3,341,046**	3,245,121	**6,424,508**	5,656,590
Shares issued in-lieu of ordinary dividends	**99,950**	95,865	**824,296**	757,373
Shares issued to non-executive directors	**48**	60	**462**	541
Transfer from share-based reserves for options and rights exercised (Note 14)	**–**	–	**12,464**	10,004
At 31 December	**3,441,044**	3,341,046	**7,261,730**	6,424,508
Treasury shares				
At 1 January	**(3,270)**	(14,782)	**(109,789)**	(176,169)
Share buyback	**(10,078)**	(4,439)	**(92,131)**	(42,260)
Share Option Schemes	**2,723**	8,969	**25,283**	65,348
Share Purchase Plan	**4,071**	3,512	**38,093**	24,303
Treasury shares transferred to DSP Trust	**2,587**	3,470	**23,703**	30,657
Loss on treasury shares transferred/sold	**–**	–	**(19,802)**	(11,668)
At 31 December	**(3,967)**	(3,270)	**(134,643)**	(109,789)
Preference shares				
At 1 January/31December:				
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
Issued share capital, at 31 December			**9,022,918**	8,210,550

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 in arrears 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 and Class G non-cumulative non-convertible preference shares qualify as Tier 1 capital for the Group.

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 6 Aug 2003	4.2%	SGD1	14 Jul 2013; dividend payment dates after 14 Jul 2013

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2011 and 31 December 2010.

13. SHARE CAPITAL (continued)

13.2 Share option schemes

In March 2011, the Bank granted 2,824,281 options (2010: 3,356,827) to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 326,302 (2010: 233,727) options granted to directors of the Bank. The fair value of options granted, determined using the binomial valuation model, was $4.1 million (2010: $7.3 million). Significant inputs to the valuation model are set out below:

	2011	2010
Acquisition price ($)	**9.35**	8.76
Average share price from grant date to acceptance date ($)	**9.40**	8.85
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**18.26**	28.10
Risk-free rate based on SGS bond yield at acceptance date (%)	**1.11 and 2.45**	0.92 and 2.79
Expected dividend yield (%)	**3.09**	3.16
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:

	2011		2010	
	Number of options	Average price	Number of options	Average price
At 1 January	**33,106,004**	**$6.344**	39,746,960	$6.026
Granted	**2,824,281**	**$9.350**	3,356,827	$8.762
Exercised	**(2,824,850)**	**$6.090**	(9,520,180)	$5.856
Forfeited/lapsed	**(268,972)**	**$8.165**	(477,603)	$6.553
At 31 December	**32,836,463**	**$6.610**	33,106,004	$6.344
Exercisable options at 31 December	**26,851,822**	**$6.276**	25,731,301	$6.168
Average share price underlying the options exercised		**$9.311**		$9.111

At 31 December 2011, the weighted average remaining contractual life of outstanding share options was 4.6 years (2010: 5.1 years). The aggregate outstanding number of options held by directors of the Bank was 4,451,787 (2010: 4,125,485).

13.3 Employee share purchase plan

In June 2011, the Bank launched its sixth offering of ESP Plan for Group employees, which commenced on 1 July 2011 and expire on 30 June 2013. Under the offering, the Bank granted 6,721,866 (2010: 5,500,602) rights to acquire ordinary shares in the Bank. This included 3,908 (2010: 4,114) rights granted to a director of the Bank. The fair value of rights, determined using the binomial valuation model was $5.0 million (2010: $4.8 million). Significant inputs to the valuation model are set out below:

	2011	2010
Acquisition price ($)	**9.21**	8.75
Average share price ($)	**9.03**	8.32
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**16.70**	22.31
Risk-free rate based on 2-year swap rate (%)	**0.68**	1.16
Expected dividend yield (%)	**2.57**	2.69

13. SHARE CAPITAL (continued)

13.3 Employee share purchase plan (continued)

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

	2011 Number of acquisition rights	2011 Average price	2010 Number of acquisition rights	2010 Average price
At 1 January	**9,158,682**	**$7.826**	8,452,191	$7.217
Exercised and conversion upon expiry	**(4,072,737)**	**$6.356**	(3,740,629)	$7.872
Forfeited	**(1,283,475)**	**$7.306**	(1,053,482)	$7.605
Subscription	**6,721,866**	**$9.210**	5,500,602	$8.750
At 31 December	**10,524,336**	**$9.021**	9,158,682	$7.826
Average share price underlying acquisition rights exercised/converted		**$9.523**		$8.963

At 31 December 2011, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2010: 1.1 years). The aggregate outstanding number of rights held by a director of the Bank was 8,022 (2010: 9,560).

13.4 Deferred share plan

Total awards of 3,288,428 (2010: 3,814,034) ordinary shares (including 391,349 (2010: 342,212) ordinary shares to directors of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2011. The fair value of the shares at grant date was $30.1 million (2010: $34.1 million).

During the year, 4,293,824 (2010: 1,360,587) deferred shares were released to employees, of which 237,619 (2010: 97,879) were released to directors of the Bank. At 31 December 2011, the directors of the Bank have deemed interest of 1,294,243 (2010: 1,094,729) deferred shares.

14. CAPITAL RESERVES

	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
At 1 January	**612,826**	985,445	**432,498**	768,012
Share-based staff costs capitalised	**9,881**	14,116	**9,881**	14,116
Shares purchased by DSP Trust	**(27,475)**	(34,659)	**–**	–
Shares vested under DSP Scheme	**29,180**	8,240	**–**	–
Transfer to unappropriated profit (Note 12)	**(332,546)**	(350,312)	**(339,626)**	(339,626)
Transfer to share capital (Note 13.1)	**(12,464)**	(10,004)	**(12,464)**	(10,004)
At 31 December	**279,402**	612,826	**90,289**	432,498

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

15. REVENUE RESERVES

	GROUP		BANK	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Unappropriated profit (Note 12)	**11,354,893**	9,814,663	**6,741,859**	5,763,210
General reserves	**1,328,299**	1,328,252	**1,113,999**	984,112
Currency translation reserves	**(539,481)**	(550,244)	**(134,239)**	(141,856)
At 31 December	**12,143,711**	10,592,671	**7,721,619**	6,605,466

15.1 General reserves

At 1 January	**1,328,252**	1,326,022	**984,112**	981,882
Arising from merger of subsidiaries	**–**	–	**129,840**	–
DSP reserve from dividends on unvested shares	**3,749**	5,786	**3,749**	5,786
Transfer to unappropriated profits (Note 12)	**(3,702)**	(3,556)	**(3,702)**	(3,556)
At 31 December	**1,328,299**	1,328,252	**1,113,999**	984,112

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

15.2 Currency translation reserves

At 1 January	**(550,244)**	(494,122)	**(141,856)**	(131,448)
Adjustments for the year	**24,069**	(226,490)	**6,860**	(15,526)
Effective portion of hedge	**(13,289)**	170,247	**757**	5,118
Transfer to unappropriated profits (Note 12)	**(17)**	121	**–**	–
At 31 December	**(539,481)**	(550,244)	**(134,239)**	(141,856)

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	
	2011	**2010**
	$'000	**$'000**
Non-controlling interests in subsidiaries	**755,570**	787,966
Preference shares issued by subsidiaries		
OCBC Bank (Malaysia) Berhad	**163,752**	166,953
OCBC Capital Corporation	**400,000**	400,000
OCBC Capital Corporation (2008)	**1,500,000**	1,500,000
Total non-controlling interests	**2,819,322**	2,854,919

OCBC Bank (Malaysia) Berhad ("OBMB"), 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 OBMB on 12 August 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OBMB, 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.

16. NON-CONTROLLING INTERESTS (continued)

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

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

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Deposits of non-bank customers				
Current accounts	**43,117,837**	31,736,321	**27,975,456**	22,591,223
Savings deposits	**28,535,633**	25,620,282	**24,643,983**	22,305,082
Term deposits	**65,916,607**	55,319,294	**45,936,240**	38,060,837
Structured deposits	**5,067,520**	3,282,873	**2,116,591**	1,902,215
Certificate of deposits issued	**7,512,795**	3,139,045	**7,435,934**	2,945,275
Other deposits	**4,404,447**	4,202,211	**1,718,507**	1,085,914
	154,554,839	123,300,026	**109,826,711**	88,890,546
Deposits and balances of banks	**21,653,245**	16,508,477	**18,880,685**	13,810,825
	176,208,084	139,808,503	**128,707,396**	102,701,371

17.1 Deposits of non-bank customers

	GROUP 2011	GROUP 2010	BANK 2011	BANK 2010
Analysed by currency				
Singapore Dollar	**80,236,413**	66,934,019	**78,484,291**	66,215,107
US Dollar	**21,968,570**	16,917,543	**13,223,720**	10,567,238
Malaysian Ringgit	**19,127,970**	17,097,308	**–**	–
Indonesian Rupiah	**5,157,478**	4,423,480	**1**	1
Japanese Yen	**1,780,801**	1,683,191	**1,642,249**	1,488,159
Hong Kong Dollar	**2,663,164**	3,192,223	**2,165,904**	2,757,593
British Pound	**4,095,178**	1,550,594	**3,460,549**	1,111,879
Australian Dollar	**7,498,790**	5,447,809	**6,055,977**	4,761,977
Euro	**1,638,117**	1,525,186	**559,927**	821,897
Others	**10,388,358**	4,528,673	**4,234,093**	1,166,695
	154,554,839	123,300,026	**109,826,711**	88,890,546

17.2 Deposits and balances of banks

	GROUP 2011	GROUP 2010	BANK 2011	BANK 2010
Analysed by currency				
Singapore Dollar	**1,086,459**	2,938,432	**1,083,275**	2,937,692
US Dollar	**11,933,941**	8,759,696	**10,667,568**	7,575,017
Malaysian Ringgit	**443,729**	693,045	**–**	–
Indonesian Rupiah	**89,258**	104,188	**–**	–
Japanese Yen	**–**	145,847	**–**	–
Hong Kong Dollar	**2,356,520**	616,949	**2,355,028**	610,721
British Pound	**1,075,070**	507,542	**1,075,064**	506,880
Australian Dollar	**1,902,276**	976,120	**1,840,545**	975,896
Euro	**1,143,998**	1,009,369	**1,138,674**	753,451
Others	**1,621,994**	757,289	**720,531**	451,168
	21,653,245	16,508,477	**18,880,685**	13,810,825

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP ($'000)	2011 Principal notional amount	2011 Derivative receivables	2011 Derivative payables	2010 Principal notional amount	2010 Derivative receivables	2010 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**55,616,318**	**477,309**	**275,939**	32,256,590	337,551	454,181
Swaps	**166,025,852**	**1,728,084**	**2,043,638**	91,612,308	1,517,087	1,166,780
OTC options – bought	**12,516,333**	**110,028**	**2,791**	4,277,799	55,164	1,660
OTC options – sold	**12,385,570**	**1,551**	**122,472**	4,005,399	1,086	64,317
	246,544,073	**2,316,972**	**2,444,840**	132,152,096	1,910,888	1,686,938
Interest rate derivatives ("IRD")						
Swaps	**264,945,085**	**3,272,682**	**3,342,073**	265,273,613	2,737,315	2,671,583
OTC options – bought	**1,438,617**	**20,509**	**–**	2,412,027	22,122	–
OTC options – sold	**6,993,040**	**–**	**42,035**	8,659,895	–	51,571
Exchange traded futures – bought	**3,096,729**	**–**	**–**	1,963,190	140	19
Exchange traded futures – sold	**7,396,281**	**2**	**56**	3,596,934	54	412
	283,869,752	**3,293,193**	**3,384,164**	281,905,659	2,759,631	2,723,585
Equity derivatives						
Swaps	**71,403**	**1,348**	**7,107**	81,940	359	2,678
OTC options – bought	**711,180**	**72,384**	**1,653**	617,963	42,117	5,088
OTC options – sold	**589,206**	**1,662**	**60,156**	585,321	5,088	13,240
Exchange traded options – bought	**1,507**	**16**	**–**	1,772	36	–
Exchange traded options – sold	**–**	**–**	**–**	55,670	–	681
Exchange traded futures – bought	**12,578**	**–**	**59**	16,231	5	39
Exchange traded futures – sold	**22,730**	**123**	**112**	1,121	–	4
Others	**27,946**	**1,313**	**1,194**	52,781	797	–
	1,436,550	**76,846**	**70,281**	1,412,799	48,402	21,730
Credit derivatives						
Swaps – protection buyer	**5,857,925**	**160,117**	**44,055**	2,921,438	10,991	93,442
Swaps – protection seller	**5,818,064**	**35,638**	**156,132**	2,806,328	81,696	13,352
	11,675,989	**195,755**	**200,187**	5,727,766	92,687	106,794
Other derivatives						
Precious metals – bought	**87,528**	**656**	**1,454**	61,916	217	444
Precious metals – sold	**91,717**	**4,874**	**341**	46,734	3,083	295
OTC options – bought	**698,090**	**8,307**	**–**	690,579	4,759	1,219
OTC options – sold	**768,836**	**–**	**9,289**	586,002	912	5,425
Futures – bought	**–**	**–**	**–**	788	3	–
Others	**329,051**	**2,212**	**2,212**	564,178	16,324	16,324
	1,975,222	**16,049**	**13,296**	1,950,197	25,298	23,707
Total	**545,501,586**	**5,898,815**	**6,112,768**	423,148,517	4,836,906	4,562,754
Included items designated for hedges:						
Fair value hedge – FED	**408,847**	**1,956**	**1,887**	671,472	80,618	8,684
Fair value hedge – IRD	**4,188,354**	**95,659**	**69,785**	5,797,709	136,319	66,165
Hedge of net investments – FED	**535,759**	**–**	**10,381**	1,325,000	113,012	–
	5,132,960	**97,615**	**82,053**	7,794,181	329,949	74,849

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

BANK ($'000)	2011 Principal notional amount	2011 Derivative receivables	2011 Derivative payables	2010 Principal notional amount	2010 Derivative receivables	2010 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**42,673,585**	**368,602**	**196,780**	23,781,665	146,141	306,524
Swaps	**153,333,529**	**1,599,855**	**1,966,943**	80,255,985	1,430,899	1,047,653
OTC options – bought	**6,002,185**	**70,950**	**314**	3,360,739	43,823	1,113
OTC options – sold	**6,047,459**	**4**	**90,943**	3,221,750	588	52,790
	208,056,758	**2,039,411**	**2,254,980**	110,620,139	1,621,451	1,408,080
Interest rate derivatives ("IRD")						
Swaps	**252,626,122**	**3,181,866**	**3,265,082**	256,354,243	2,665,144	2,627,575
OTC options – bought	**1,254,396**	**18,053**	**–**	2,286,812	21,093	–
OTC options – sold	**6,102,731**	**–**	**41,607**	8,075,180	–	50,624
Exchange traded futures – bought	**3,096,729**	**–**	**–**	1,963,190	140	19
Exchange traded futures – sold	**7,396,281**	**2**	**56**	3,596,934	54	412
	270,476,259	**3,199,921**	**3,306,745**	272,276,359	2,686,431	2,678,630
Equity derivatives						
Swaps	**42,208**	**1,138**	**6,897**	51,980	34	2,353
OTC options – bought	**198,238**	**14,656**	**568**	231,369	34,825	414
OTC options – sold	**111,167**	**577**	**2,770**	170,407	414	1,720
Exchange traded options – bought	**1,507**	**16**	**–**	1,772	36	–
Exchange traded options – sold	**–**	**–**	**–**	55,670	–	681
Exchange traded futures – bought	**12,578**	**–**	**59**	7,396	5	13
Exchange traded futures – sold	**18,223**	**123**	**72**	1,121	–	4
Others	**10,396**	**190**	**1**	52,781	797	–
	394,317	**16,700**	**10,367**	572,496	36,111	5,185
Credit derivatives						
Swaps – protection buyer	**5,715,665**	**155,723**	**44,055**	2,921,438	10,991	93,442
Swaps – protection seller	**5,774,056**	**35,638**	**153,883**	2,806,328	81,696	13,352
	11,489,721	**191,361**	**197,938**	5,727,766	92,687	106,794
Other derivatives						
Precious metals – bought	**86,526**	**656**	**1,408**	61,916	217	444
Precious metals – sold	**90,715**	**4,829**	**341**	46,734	3,083	295
OTC options – bought	**698,090**	**8,307**	**–**	690,579	4,495	1,219
OTC options – sold	**768,938**	**–**	**9,290**	586,340	912	5,162
Others	**310,374**	**1,187**	**1,187**	564,178	16,324	16,324
	1,954,643	**14,979**	**12,226**	1,949,747	25,031	23,444
Total	**492,371,698**	**5,462,372**	**5,782,256**	391,146,507	4,461,711	4,222,133
Included items designated for hedges:						
Fair value hedge – FED	**814,448**	**1,863**	**12,105**	1,983,602	192,480	8,684
Fair value hedge – IRD	**3,736,078**	**89,124**	**67,626**	5,214,002	132,810	65,073
	4,550,526	**90,987**	**79,731**	7,197,604	325,290	73,757

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**4,136,075**	3,662,488	**3,969,927**	3,545,405
Other financial institutions	**906,935**	581,636	**897,500**	572,434
Corporates	**610,382**	327,667	**507,700**	276,219
Individuals	**177,054**	226,708	**19,598**	29,533
Others	**68,369**	38,407	**67,647**	38,120
	5,898,815	4,836,906	**5,462,372**	4,461,711
Analysed by geography				
Singapore	**2,658,728**	2,327,047	**2,668,930**	2,376,125
Malaysia	**251,686**	202,131	**34,932**	28,724
Rest of Southeast Asia	**45,091**	29,283	**12,622**	10,792
Greater China	**334,200**	145,731	**255,500**	103,888
Other Asia Pacific	**140,656**	95,207	**130,153**	87,393
Rest of the World	**2,468,454**	2,037,507	**2,360,235**	1,854,789
	5,898,815	4,836,906	**5,462,372**	4,461,711

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

19. OTHER LIABILITIES

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Bills payable	**407,123**	314,751	**262,953**	196,835
Interest payable	**451,806**	346,664	**254,798**	211,776
Sundry creditors	**2,027,199**	1,886,319	**512,841**	366,182
Others	**1,137,280**	638,985	**428,083**	287,840
	4,023,408	3,186,719	**1,458,675**	1,062,633

At 31 December 2011, reinsurance liabilities included in "Others" amounted to $24.1 million (2010: $17.5 million).

20. DEFERRED TAX

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At 1 January	**1,048,012**	882,047	**124,823**	114,776
Currency translation and others	**(4,706)**	2,328	**(14)**	2,822
(Credit)/expense to income statements	**(7,203)**	(23,567)	**3,266**	(6,768)
Effect of change in tax rates	**–**	98	**–**	98
Net (credit)/expense to income statements (Note 10)	**(7,203)**	(23,469)	**3,266**	(6,670)
Under/(over) provision in prior years	**55,291**	(12,734)	**1,524**	(3,918)
Deferred tax on fair value changes	**(25,878)**	49,064	**(13,066)**	13,073
Effect of change in tax rates	**–**	4,740	**–**	4,740
Net deferred tax change taken to other comprehensive income	**(25,878)**	53,804	**(13,066)**	17,813
Net change in life assurance fund tax	**14,193**	127,733	**–**	–
Acquisition of subsidiaries	**–**	18,303	**–**	–
At 31 December	**1,079,709**	1,048,012	**116,533**	124,823

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	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Deferred tax liabilities				
Accelerated tax depreciation	**63,706**	59,092	**32,457**	26,210
Debt and equity securities	**374,233**	358,404	**84,136**	96,772
Fair value on properties from business combinations	**69,523**	71,199	**63,928**	65,620
Provision for policy liabilities	**607,227**	608,188	**–**	–
Unremitted income and others	**87,294**	93,845	**2,039**	256
	1,201,983	1,190,728	**182,560**	188,858
Amount offset against deferred tax assets	**(78,858)**	(64,187)	**(61,706)**	(57,581)
	1,123,125	1,126,541	**120,854**	131,277
Deferred tax assets				
Allowances for assets	**(78,581)**	(99,366)	**(50,144)**	(50,148)
Tax losses	**(8,324)**	(8,230)	**–**	–
Others	**(35,369)**	(35,120)	**(15,883)**	(13,887)
	(122,274)	(142,716)	**(66,027)**	(64,035)
Amount offset against deferred tax liabilities	**78,858**	64,187	**61,706**	57,581
	(43,416)	(78,529)	**(4,321)**	(6,454)
Net deferred tax liabilities	**1,079,709**	1,048,012	**116,533**	124,823

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 2011, unutilised tax losses for which no deferred income tax asset has been recognised amounted to $15.9 million (2010: $8.9 million) and nil (2010: nil) for the Group and Bank respectively.

21. DEBT ISSUED

	GROUP	
	2011 $'000	**2010 $'000**
Subordinated debt (unsecured) [Note 21.1]	**4,079,820**	6,339,576
Floating rate notes (unsecured) [Note 21.2]	**659,261**	–
Commercial papers (unsecured) [Note 21.3]	**8,292,837**	460,848
Structured notes (unsecured) [Note 21.4]	**31,260**	54,042
	13,063,178	6,854,466

21. DEBT ISSUED (continued)

21.1 Subordinated debt (unsecured)

	Note	Issue Date	Maturity Date	GROUP 2011 $'000	GROUP 2010 $'000
Issued by the Bank:					
EUR372 million 7.25% notes	(a)	6 Jul 2001	6 Sep 2011	–	657,106
SGD265 million 5.00% notes	(a)	6 Jul 2001	6 Sep 2011	–	270,303
USD1.25 billion 7.75% notes	(a)	6 Jul 2001	6 Sep 2011	–	1,668,271
SGD225 million 3.78% notes	(b)	28 Nov 2007	28 Nov 2017	**230,254**	234,579
MYR1 billion 4.60% bonds	(c)	27 Mar 2008	27 Mar 2018	**409,295**	417,226
MYR600 million 4.60% bonds	(c)	6 Jun 2008	6 Jun 2018	**253,894**	262,061
SGD711.93 million 5.60% notes	(d)	27 Mar 2009	27 Mar 2019	**733,507**	726,441
USD500 million 4.25% notes	(e)	18 Nov 2009	18 Nov 2019	**679,813**	661,997
USD500 million 3.75% notes	(f)	15 Nov 2010	15 Nov 2022	**664,465**	603,331
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
				4,871,228	7,401,315
Subordinated debt issued to/held by subsidiaries				**(2,019,800)**	(1,900,000)
Net subordinated debt issued by the Bank				**2,851,428**	5,501,315
Issued by OCBC Bank (Malaysia) Berhad ("OBMB"):					
MYR200 million Islamic bonds	(i)	24 Nov 2006	24 Nov 2021	**81,876**	83,477
MYR400 million bonds	(j)	30 Nov 2007	30 Nov 2017	**165,800**	169,489
MYR400 million Innovative Tier 1 Capital Securities	(k)	17 Apr 2009	Not applicable	**163,752**	166,953
MYR500 million bonds	(l)	4 Nov 2010	4 Nov 2020	**208,649**	207,880
				620,077	627,799
Issued by PT Bank OCBC NISP Tbk:					
Subordinated Bonds II – IDR600 billion	(m)	12 Mar 2008	11 Mar 2018	**85,008**	85,465
Subordinated Bonds III – IDR880 billion	(n)	30 Jun 2010	30 Jun 2017	**124,207**	124,997
				209,215	210,462
Issued by The Great Eastern Life Assurance Company Limited ("GEL"):					
SGD400 million 4.60% notes	(o)	19 Jan 2011	19 Jan 2026	**399,100**	–
Total subordinated debt				**4,079,820**	6,339,576

(a) The EUR, SGD and USD subordinated notes were fully redeemed and cancelled at maturity on 6 September 2011.

(b) Interest is payable semi-annually on 28 May and 28 November each year at 3.78% per annum up to 28 November 2012, and thereafter quarterly on 28 February, 28 May, 28 August and 28 November each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.72%. The subordinated notes are redeemable in whole at the option of the Bank on 28 November 2012. 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.

(c) Interest is payable semi-annually at 4.60% per annum for the first 5 years, and thereafter at 5.60% per annum. The subordinated bonds are redeemable in whole at the option of the Bank on the 5th anniversary of the issue date and each coupon payment date thereafter. The coupon 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.

21. DEBT ISSUED (continued)

21.1 Subordinated debt (unsecured) (continued)

(d) 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. The subordinated notes are redeemable in whole at the option of the Bank on 27 March 2014. 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) 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 aggregate of the relevant 5-year US Treasury benchmark rate and 2.997%. The subordinated notes are redeemable in whole at the option of the Bank on 18 November 2014. 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) 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 three-month London Interbank Offer Rate plus 1.848%. The subordinated notes are redeemable in whole at the option of the Bank on 15 November 2017. 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.

(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). 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%. The subordinated note is redeemable at the option of the Bank on 20 March 2015 and each coupon payment date thereafter.

(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). Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 5.1% 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 2.5%. The subordinated note is redeemable at the option of the Bank on 20 September 2018 and each coupon payment date thereafter.

(i) The Islamic 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. The subordinated bonds are redeemable in whole at the option of OBMB on 24 November 2016 and each profit payment date thereafter. 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) Interest is payable semi-annually on 30 May and 30 November each year at 4.55% per annum up to 30 November 2012, and thereafter at 5.55% per annum. The subordinated bonds are redeemable in whole at the option of OBMB on 30 November 2012 and each coupon payment date thereafter. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 30 November 2013. OBMB had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(k) 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 based on the 6-month Kuala Lumpur Interbank Offer Rate plus 3.32%. The Innovative Tier 1 ("IT1") Capital Securities are redeemable in whole at the option of OBMB on 17 April 2019 and each coupon payment date thereafter. If the redemption option is not exercised, 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) Interest is payable semi-annually on 4 May and 4 November each year at 4.20% per annum. The subordinated bonds are redeemable in whole at the option of OBMB on 4 November 2015 and each coupon payment date thereafter. If the redemption option is not exercised, 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. OBMB 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) Interest is payable quarterly on 11 March, 11 June, 11 September and 11 December each year at 11.1% per annum up to 12 March 2013, and thereafter at 19.1% per annum. The subordinated bonds are redeemable in whole at the option of PT Bank OCBC NISP Tbk on 12 March 2013.

21. DEBT ISSUED (continued)

21.1 Subordinated debt (unsecured) (continued)

(n) 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.

(o) 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 aggregate of the then prevailing 5-year Singapore Swap Offer Rate and 1.35%. The subordinated notes are redeemable in whole at the option of GEL on 19 January 2021.

21.2 Floating rate notes (unsecured)

	GROUP AND BANK	
	2011 $'000	2010 $'000
Issued by the Bank:		
AUD500 million floating rate notes	**659,261**	–

The notes were issued by the Bank on 14 July 2011 and mature on 14 July 2014. Interest is payable quarterly on 14 October, 14 January, 14 April and 14 July each year at a floating rate per annum equal to the 3-month Australia Bank Bill Swap Offer Rate plus 0.83%.

21.3 Commercial papers (unsecured)

		GROUP	
	Note	2011 $'000	2010 $'000
Issued by the Bank	(a)	**8,235,714**	431,837
Issued by a subsidiary	(b)	**57,123**	29,011
		8,292,837	460,848

(a) The zero coupon commercial papers were issued by the Bank under its USD2 billion ECP programme and USD5 billion USCP programme established in 2004 and 2011 respectively. The notes outstanding at 31 December 2011 were issued between 20 April 2011 (2010: 26 October 2010) and 23 December 2011 (2010: 17 December 2010), and mature between 3 January 2012 (2010: 18 January 2011) and 16 November 2012 (2010: 18 March 2011), yielding between 0.21% and 4.77% (2010: 0.037% and 4.90%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR200 million 7-year CP/MTN programme expiring in 2012. The notes outstanding as at 31 December 2011 were issued between 14 June 2011 (2010: 29 October 2010) and 9 December 2011 (2010: 27 December 2010), and mature between 5 January 2012 (2010: 7 January 2011) and 23 March 2012 (2010: 12 May 2011), with interest rate ranging from 3.42% to 3.90% (2010: 3.15% to 3.68%).

21.4 Structured notes (unsecured)

			GROUP AND BANK	
	Issue Date	Maturity Date	2011 $'000	2010 $'000
Issued by the Bank:				
Credit linked notes	17 Nov 2008 - 6 May 2011	7 May 2012 - 20 Dec 2013	**8,000**	5,000
Equity-linked notes	8 Dec 2011 - 30 Dec 2011	6 Jan 2012 - 30 Jan 2012	**8,219**	47,556
Fixed Rate Notes	21 Apr 2011 - 4 Oct 2011	20 Apr 2012 - 4 Oct 2012	**15,041**	1,486
			31,260	54,042

The structured notes were issued by the Bank under its Structured Note and Medium Term Notes Programmes and are carried at amortised cost, except for the fixed rate notes as at 31 December 2010 which were held at fair value through profit or loss.

22. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP	
	2011	**2010**
	$ million	**$ million**
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**43,267.9**	39,386.6
Currency translation	**(335.9)**	282.4
Fair value reserve movements	**(208.6)**	1,053.7
Change in life assurance fund contract liabilities (Note 4)	**1,697.4**	2,545.2
At 31 December	**44,420.8**	43,267.9
Policy benefits	**2,262.0**	2,118.5
Others	**2,521.0**	2,094.8
	49,203.8	47,481.2
Life assurance fund investment assets		
Deposits with banks and financial institutions	**5,950.3**	2,044.3
Loans	**3,409.4**	3,811.6
Securities	**37,470.1**	39,246.8
Investment property	**1,406.7**	1,355.4
Others [(1)]	**851.8**	1,028.0
	49,088.3	47,486.1
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**4.4**	2.6
Capital commitment authorised and contracted	**89.7**	65.3
Derivative financial instruments (principal notional amount)	**7,142.6**	6,931.1
Derivative receivables	**435.4**	518.7
Derivative payables	**60.9**	25.8
Minimum lease rental receivables under non-cancellable operating leases	**78.7**	65.4

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

23. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Cash on hand	**745,966**	660,251	**597,336**	490,986
Balances with central banks	**4,451,328**	2,824,129	**2,342,603**	1,925,868
Money market placements and reverse repos	**7,699,311**	8,008,511	**4,045,660**	4,370,089
	12,896,605	11,492,891	**6,985,599**	6,786,943

Balances with central banks include mandatory reserve deposits of $4,414.4 million (2010: $2,802.8 million) and $2,336.6 million (2010: $1,909.8 million) for the Group and Bank respectively.

24. GOVERNMENT TREASURY BILLS AND SECURITIES

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**2,333,350**	1,557,525	**2,333,350**	1,557,524
Available-for-sale, at fair value	**10,631,867**	9,509,065	**10,258,930**	8,927,698
Fair value at initial recognition	**284,896**	89,932	**–**	–
Gross securities	**13,250,113**	11,156,522	**12,592,280**	10,485,222
Other government treasury bills and securities				
Trading, at fair value	**1,574,626**	2,186,136	**1,330,129**	1,740,420
Available-for-sale, at fair value	**6,029,475**	3,812,197	**2,717,047**	1,508,120
Fair value at initial recognition	**–**	20,592	**–**	–
Gross securities	**7,604,101**	6,018,925	**4,047,176**	3,248,540
Assets pledged (Note 44)	**(207,297)**	(74,398)	**(59,553)**	(74,398)
	7,396,804	5,944,527	**3,987,623**	3,174,142
Gross securities analysed by geography				
Singapore	**13,250,113**	11,156,522	**12,592,280**	10,485,222
Malaysia	**2,374,067**	1,718,832	**–**	–
Rest of Southeast Asia	**1,548,292**	1,954,114	**640,336**	923,152
Greater China	**2,282,848**	1,006,642	**2,011,906**	1,006,642
Other Asia Pacific	**1,348,273**	640,698	**1,348,273**	640,698
Rest of the World	**50,621**	698,639	**46,661**	678,048
	20,854,214	17,175,447	**16,639,456**	13,733,762

25. PLACEMENTS WITH AND LOANS TO BANKS

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**231,789**	–	**231,789**	–
Certificate of deposits purchased (Available-for-sale)	**4,483,876**	3,451,233	**3,811,245**	3,241,668
Forfaiting loans (Trading)	**484**	1,207	**484**	1,207
	4,716,149	3,452,440	**4,043,518**	3,242,875
At amortised cost:				
Placements with and loans to banks	**17,392,038**	10,538,190	**12,682,638**	6,399,705
Market bills purchased	**4,862,982**	4,329,195	**4,759,605**	4,012,559
Reverse repos	**1,889,453**	58,767	**–**	175,214
	24,144,473	14,926,152	**17,442,243**	10,587,478
Balances with banks	**28,860,622**	18,378,592	**21,485,761**	13,830,353
Assets pledged (Note 44)	**(831,495)**	(218,069)	**(831,495)**	(218,069)
Bank balances of life assurance fund	**585,450**	408,109	**–**	–
	28,614,577	18,568,632	**20,654,266**	13,612,284

25. PLACEMENTS WITH AND LOANS TO BANKS (continued)

	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**260,894**	160,896	**66,857**	87,016
US Dollar	**11,698,780**	10,437,938	**11,196,286**	9,176,062
Malaysian Ringgit	**1,118,778**	1,167,637	**151**	111
Indonesian Rupiah	**62,184**	75,636	**101**	2
Japanese Yen	**490,164**	124,754	**405,235**	60,303
Hong Kong Dollar	**688,384**	1,001,157	**683,736**	997,996
British Pound	**715,858**	893,147	**689,897**	889,194
Australian Dollar	**1,712,067**	1,253,414	**1,555,755**	1,104,141
Euro	**756,012**	377,614	**751,811**	373,062
Others	**11,357,501**	2,886,399	**6,135,932**	1,142,466
	28,860,622	18,378,592	**21,485,761**	13,830,353
By geography				
Singapore	**1,365,382**	1,254,217	**1,198,078**	1,028,420
Malaysia	**2,093,138**	1,615,113	**357,350**	111
Rest of Southeast Asia	**1,011,561**	1,165,295	**956,292**	1,073,399
Greater China	**18,714,267**	8,378,204	**13,779,204**	6,114,556
Other Asia Pacific	**2,992,268**	2,149,944	**2,903,719**	2,001,530
Rest of the World	**2,684,006**	3,815,819	**2,291,118**	3,612,337
	28,860,622	18,378,592	**21,485,761**	13,830,353

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

26. LOANS AND BILLS RECEIVABLE

	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
Gross loans	**135,132,036**	106,449,432	**98,822,338**	76,816,959
Specific allowances (Note 28)	**(302,383)**	(328,130)	**(106,340)**	(83,661)
Portfolio allowances (Note 29)	**(1,219,577)**	(1,094,529)	**(929,471)**	(856,047)
Net loans	**133,610,076**	105,026,773	**97,786,527**	75,877,251
Assets pledged (Note 44)	**(53,225)**	(37,566)	**–**	–
	133,556,851	104,989,207	**97,786,527**	75,877,251
Bills receivable	**11,312,408**	4,276,900	**9,182,377**	3,268,862
Loans	**122,297,668**	100,749,873	**88,604,150**	72,608,389
Net loans	**133,610,076**	105,026,773	**97,786,527**	75,877,251
26.1 Analysed by currency				
Singapore Dollar	**61,198,143**	54,849,816	**59,834,591**	53,776,464
US Dollar	**35,716,290**	18,937,578	**27,932,634**	13,619,328
Malaysian Ringgit	**16,723,707**	14,885,075	**114**	104
Indonesian Rupiah	**4,464,640**	3,551,212	**–**	–
Japanese Yen	**2,877,286**	2,540,620	**1,197,351**	1,187,371
Hong Kong Dollar	**5,592,007**	3,985,801	**4,375,942**	3,338,955
British Pound	**1,169,916**	832,812	**760,163**	659,796
Australian Dollar	**3,496,733**	3,229,029	**3,407,014**	3,138,983
Euro	**777,402**	732,941	**549,602**	485,680
Others	**3,115,912**	2,904,548	**764,927**	610,278
	135,132,036	106,449,432	**98,822,338**	76,816,959

26. LOANS AND BILLS RECEIVABLE (continued)

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
26.2 Analysed by product				
Overdrafts	**6,686,300**	5,865,473	**1,300,696**	1,354,478
Short-term and revolving loans	**20,172,859**	16,303,150	**10,760,554**	9,670,599
Syndicated and term loans	**53,777,005**	41,713,193	**44,062,514**	33,476,570
Housing and commercial property loans	**34,390,670**	28,956,479	**27,392,669**	23,226,428
Car, credit card and share margin loans	**2,711,093**	3,001,736	**2,027,198**	2,092,801
Others	**17,394,109**	10,609,401	**13,278,707**	6,996,083
	135,132,036	106,449,432	**98,822,338**	76,816,959
26.3 Analysed by industry				
Agriculture, mining and quarrying	**4,041,522**	2,909,394	**2,494,209**	1,592,196
Manufacturing	**8,424,119**	7,057,076	**3,457,550**	2,544,515
Building and construction	**20,365,431**	18,532,273	**16,109,518**	15,342,228
Housing	**32,075,535**	27,076,124	**25,462,979**	21,532,350
General commerce	**20,347,142**	11,792,578	**16,208,458**	7,588,195
Transport, storage and communication	**9,208,265**	6,447,367	**7,891,091**	5,464,574
Financial institutions, investment and holding companies [(1)]	**15,150,223**	12,886,869	**14,488,483**	12,151,982
Professionals and individuals [(1)]	**13,952,117**	10,953,419	**7,260,515**	6,608,561
Others [(1)]	**11,567,682**	8,794,332	**5,449,535**	3,992,358
	135,132,036	106,449,432	**98,822,338**	76,816,959

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

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
26.4 Analysed by interest rate sensitivity				
Fixed				
Singapore	**6,839,067**	8,095,491	**6,726,555**	8,026,548
Malaysia	**1,366,498**	1,200,578	**–**	104
Rest of Southeast Asia	**1,281,532**	757,801	**39,887**	12,058
Greater China	**2,224,825**	8,519	**2,200,890**	140
Other Asia Pacific	**267,651**	207,905	**267,652**	207,905
Rest of the World	**682**	11,256	**682**	11,256
	11,980,255	10,281,550	**9,235,666**	8,258,011
Variable				
Singapore	**81,963,244**	61,163,269	**73,296,770**	55,190,936
Malaysia	**20,319,264**	16,895,094	**3,764,880**	2,855,806
Rest of Southeast Asia	**5,183,555**	4,395,646	**460,989**	529,042
Greater China	**9,849,327**	8,634,382	**6,232,804**	4,906,772
Other Asia Pacific	**4,066,815**	3,642,402	**4,061,653**	3,639,303
Rest of the World	**1,769,576**	1,437,089	**1,769,576**	1,437,089
	123,151,781	96,167,882	**89,586,672**	68,558,948
Total	**135,132,036**	106,449,432	**98,822,338**	76,816,959

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

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
26.5 Analysed by geography				
Singapore	**68,259,948**	59,967,267	**66,647,296**	58,750,222
Malaysia	**21,063,792**	17,080,330	**2,926,056**	1,795,177
Rest of Southeast Asia	**10,953,853**	6,884,367	**4,263,909**	1,792,446
Greater China	**19,952,336**	11,078,732	**15,064,753**	6,923,886
Other Asia Pacific	**6,302,342**	5,310,514	**5,785,975**	4,747,845
Rest of the World	**8,599,765**	6,128,222	**4,134,349**	2,807,383
	135,132,036	106,449,432	**98,822,338**	76,816,959

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						
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**
2010						
Classified loans	616	193	186	995	(323)	672
Classified debt securities	–	13	#	13	(13)	#
Classified contingents	163	11	26	200	(3)	197
Total classified assets	779	217	212	1,208	(339)	869
BANK						
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**
2010						
Classified loans	284	83	76	443	(83)	360
Classified debt securities	–	7	–	7	(7)	#
Classified contingents	163	–	–	163	–	163
Total classified assets	447	90	76	613	(90)	523

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

	GROUP		BANK	
	2011 $ million	2010 $ million	2011 $ million	2010 $ million
27.1 Analysed by period overdue				
Over 180 days	**512**	511	**191**	104
Over 90 days to 180 days	**85**	98	**45**	49
30 days to 90 days	**204**	166	**160**	133
Less than 30 days	**25**	20	**7**	8
No overdue	**611**	413	**461**	319
	1,437	1,208	**864**	613
27.2 Analysed by collateral type				
Property	**620**	496	**348**	197
Fixed deposit	**4**	14	**1**	#
Stock and shares	**89**	16	**#**	13
Motor vehicles	**2**	3	**2**	2
Secured – Others	**252**	151	**193**	88
Unsecured – Corporate and other guarantees	**236**	237	**235**	236
Unsecured – Clean	**234**	291	**85**	77
	1,437	1,208	**864**	613

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

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

	GROUP 2011 $ million	GROUP 2010 $ million	BANK 2011 $ million	BANK 2010 $ million
27.3 Analysed by industry				
Agriculture, mining and quarrying	**6**	7	**#**	#
Manufacturing	**378**	399	**245**	228
Building and construction	**317**	192	**178**	97
Housing	**188**	190	**75**	78
General commerce	**136**	130	**51**	37
Transport, storage and communication	**128**	79	**116**	62
Financial institutions, investment and holding companies [1]	**134**	42	**131**	35
Professionals and individuals	**114**	139	**64**	73
Others [1]	**36**	30	**4**	3
	1,437	1,208	**864**	613

(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

GROUP ($ million)	Singapore	Malaysia	Rest of the World	Total
2011				
Substandard	**205**	**462**	**325**	**992**
Doubtful	**151**	**72**	**82**	**305**
Loss	**34**	**46**	**60**	**140**
	390	**580**	**467**	**1,437**
Specific allowances	**(71)**	**(164)**	**(78)**	**(313)**
	319	**416**	**389**	**1,124**
2010				
Substandard	272	419	88	779
Doubtful	54	114	49	217
Loss	73	72	67	212
	399	605	204	1,208
Specific allowances	(43)	(199)	(97)	(339)
	356	406	107	869

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 14.4% (2010: 17.0%) and 21.8% (2010: 28.1%) for the Group and the Bank respectively.

	2011 Amount $ million	2011 Allowance $ million	2010 Amount $ million	2010 Allowance $ million
GROUP				
Substandard	**186**	**11**	170	5
Doubtful	**19**	**16**	22	15
Loss	**2**	**2**	13	11
	207	**29**	205	31
BANK				
Substandard	**174**	**9**	158	1
Doubtful	**15**	**12**	14	12
Loss	**#**	**#**	#	#
	189	**21**	172	13

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

28. SPECIFIC ALLOWANCES

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At 1 January	**328,130**	453,990	**83,661**	193,900
Currency translation	**2,869**	(4,589)	**339**	(5,714)
Bad debts written off	**(101,341)**	(180,056)	**(35,793)**	(102,925)
Recovery of amounts previously provided for	**(49,479)**	(48,903)	**(32,028)**	(30,407)
Allowances for loans	**128,517**	106,276	**92,737**	33,873
Net allowances charged to income statements (Note 9)	**79,038**	57,373	**60,709**	3,466
Interest recognition on impaired loans	**(6,729)**	(15,056)	**(2,542)**	(5,066)
Acquisition of subsidiaries	**–**	16,345	**–**	–
Transfer from/(to) other accounts	**416**	123	**(34)**	–
At 31 December (Note 26)	**302,383**	328,130	**106,340**	83,661

Analysed by industry

	Cumulative specific allowances		Specific allowances charged/ (write-back) to income statements	
	2011 $ million	2010 $ million	2011 $ million	2010 $ million
GROUP				
Agriculture, mining and quarrying	**1**	1	**(#)**	(4)
Manufacturing	**90**	102	**30**	(7)
Building and construction	**25**	36	**(9)**	8
Housing	**39**	39	**5**	4
General commerce	**47**	59	**9**	1
Transport, storage and communication	**15**	10	**7**	1
Financial institutions, investment and holding companies	**11**	4	**4**	(1)
Professionals and individuals	**51**	58	**30**	13
Others	**23**	19	**3**	42
	302	328	**79**	57
BANK				
Agriculture, mining and quarrying	**#**	#	**(1)**	(3)
Manufacturing	**43**	28	**30**	(18)
Building and construction	**4**	3	**1**	(2)
Housing	**#**	2	**(3)**	(4)
General commerce	**7**	9	**2**	(6)
Transport, storage and communication	**10**	5	**6**	(3)
Financial institutions, investment and holding companies	**11**	4	**4**	(1)
Professionals and individuals	**29**	27	**21**	14
Others	**2**	6	**1**	26
	106	84	**61**	3

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

29. PORTFOLIO ALLOWANCES

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At 1 January	**1,094,529**	998,490	**856,047**	799,154
Currency translation	**(1,901)**	(6,368)	**896**	(3,026)
Allowances charged to income statements (Note 9)	**127,364**	97,558	**72,528**	59,919
Acquisition of subsidiaries	**–**	1,149	**–**	–
Transfer (to)/from other accounts	**(415)**	3,700	**–**	–
At 31 December (Note 26)	**1,219,577**	1,094,529	**929,471**	856,047

30. DEBT AND EQUITY SECURITIES

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trading securities				
Quoted debt securities	**1,420,376**	1,166,440	**1,038,387**	1,012,046
Unquoted debt securities	**483,736**	500,305	**280,515**	377,094
Quoted equity securities	**94,703**	183,576	**83,784**	128,041
Quoted investment funds	**757**	2,412	**404**	1,887
Unquoted investment funds	**43,190**	1,583	**43,190**	–
	2,042,762	1,854,316	**1,446,280**	1,519,068
Available-for-sale securities				
Quoted debt securities	**6,764,556**	5,726,461	**5,026,798**	4,966,389
Unquoted debt securities	**3,027,200**	3,332,674	**1,887,297**	2,033,944
Quoted equity securities	**2,694,921**	2,671,252	**984,399**	1,035,238
Unquoted equity securities	**234,187**	220,333	**49,414**	44,583
Quoted investment funds	**183,072**	143,786	**15,646**	19,430
Unquoted investment funds	**77,099**	121,484	**14,324**	43,324
	12,981,035	12,215,990	**7,977,878**	8,142,908
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**811,686**	606,969	**741,963**	596,097
Allowance for impairment (Note 32)	**(7,085)**	(7,019)	**(6,824)**	(6,753)
Net carrying value	**804,601**	599,950	**735,139**	589,344
Total debt and equity securities				
Debt securities – gross	**12,507,554**	11,332,849	**8,974,960**	8,985,570
Allowance for impairment (Note 32)	**(7,085)**	(7,019)	**(6,824)**	(6,753)
Debt securities – net	**12,500,469**	11,325,830	**8,968,136**	8,978,817
Equity securities	**3,023,811**	3,075,161	**1,117,597**	1,207,862
Investment funds	**304,118**	269,265	**73,564**	64,641
Total securities	**15,828,398**	14,670,256	**10,159,297**	10,251,320
Assets pledged (Note 44)	**(746,964)**	(415,704)	**(437,857)**	(415,704)
	15,081,434	14,254,552	**9,721,440**	9,835,616
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**7,790,806**	7,624,090	**5,964,527**	6,149,061
Non-investment grade (BB to C)	**239,208**	194,658	**214,466**	164,480
Non-rated	**4,470,455**	3,507,082	**2,789,143**	2,665,276
	12,500,469	11,325,830	**8,968,136**	8,978,817
By credit quality				
Pass	**12,399,580**	11,149,282	**8,867,450**	8,802,003
Special mention	**–**	176,773	**–**	176,773
Substandard	**100,644**	–	**100,644**	–
Doubtful	**7,330**	6,794	**6,866**	6,794
Loss	**–**	–	**–**	–
Allowance for impairment (Note 32)	**(7,085)**	(7,019)	**(6,824)**	(6,753)
	12,500,469	11,325,830	**8,968,136**	8,978,817

30. DEBT AND EQUITY SECURITIES (continued)

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**443,888**	147,956	**361,460**	78,618
Manufacturing	**1,389,955**	1,250,781	**590,919**	612,577
Building and construction	**1,444,350**	1,362,591	**1,031,834**	965,875
General commerce	**231,727**	119,780	**124,453**	91,979
Transport, storage and communication	**670,912**	1,013,661	**485,725**	798,176
Financial institutions, investment and holding companies	**9,885,261**	9,129,813	**6,871,704**	7,024,344
Others	**1,762,305**	1,645,674	**693,202**	679,751
	15,828,398	14,670,256	**10,159,297**	10,251,320
By issuer				
Public sector	**1,284,896**	1,253,679	**1,044,093**	1,039,391
Banks	**6,624,941**	5,856,644	**4,592,837**	4,641,424
Corporations	**7,664,369**	7,267,610	**4,484,598**	4,499,952
Others	**254,192**	292,323	**37,769**	70,553
	15,828,398	14,670,256	**10,159,297**	10,251,320
By geography				
Singapore	**4,351,971**	4,646,780	**2,821,259**	3,146,906
Malaysia	**1,866,345**	1,431,806	**453,951**	379,898
Rest of Southeast Asia	**474,244**	265,411	**175,871**	30,980
Greater China	**2,930,528**	1,763,885	**1,366,101**	922,033
Other Asia Pacific	**2,958,357**	2,758,975	**2,687,885**	2,582,371
Rest of the World	**3,246,953**	3,803,399	**2,654,230**	3,189,132
	15,828,398	14,670,256	**10,159,297**	10,251,320

Debt securities are 79% (2010: 77%) and 88% (2010: 88%) of total securities, for the Group and the Bank respectively. Included in debt securities is an amount of nil (2010: $0.05 billion) relating to collateralised debt with credit default swaps where the Bank acts as the protection seller. Derivative receivables and payables arising from these credit default swaps are included in Note 18.

31. OTHER ASSETS

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Interest receivable	**705,015**	623,888	**475,878**	461,492
Sundry debtors (net)	**1,527,042**	1,927,561	**180,820**	45,401
Deposits and prepayments	**316,523**	210,169	**184,626**	105,810
Others	**642,859**	354,864	**345,404**	215,357
	3,191,439	3,116,482	**1,186,728**	828,060

At 31 December 2011, reinsurance assets included in "Others" amounted to $113.1 million (2010: $80.3 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 2010	24,213	66,985	7,473	26,244	124,915
Currency translation	(1,703)	276	63	(326)	(1,690)
Amounts written off	(12,661)	–	–	(6,300)	(18,961)
Write-back to income statements (Note 9)	(2,830)	(1)	(303)	(1,727)	(4,861)
Transfers to other accounts	–	(64)	(157)	(4,415)	(4,636)
At 31 December 2010/1 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	**7,085**	**66,428**	**6,456**	**35,576**	**115,545**
	(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 2010	14,084	21,953	949	5,001	1,030	43,017
Currency translation	–	(1,708)	–	29	(12)	(1,691)
Amounts written off	(506)	(12,661)	–	–	–	(13,167)
(Write-back)/impairment charge to income statements (Note 9)	–	(831)	(1)	27	619	(186)
Transfers to other accounts	–	–	–	(221)	–	(221)
At 31 December 2010/1 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	**5,287**	**6,824**	**946**	**4,717**	**5,195**	**22,969**
	(Notes 33-34)	(Note 30)	(Note 35)	(Note 36)		

33. ASSOCIATES AND JOINT VENTURES

	GROUP		BANK	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Unquoted equity securities, at cost	**332,500**	231,153	**217,272**	115,217
Allowance for impairment (Note 32)	**–**	–	**(2,199)**	(2,199)
Net carrying value	**332,500**	231,153	**215,073**	113,018
Share of post-acquisition reserves	**27,525**	22,123	**–**	–
Amount due from associates (unsecured)	**410**	1,821	**–**	–
	360,435	255,097	**215,073**	113,018

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	2011	2010
At 31 December:		
Assets	**1,037,417**	647,339
Liabilities	**(209,223)**	(178,132)
Contingent liabilities	**1,176**	–
For the year ended:		
Total income	**242,538**	134,790
Profit/(loss)	**58,938**	19,633

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

Name of associate	Country of incorporation	Effective % interest held 2011	2010
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	2011	2010
At 31 December:		
Share of current assets	**141.1**	134.3
Share of non-current assets	**41.2**	20.5
Share of current liabilities	**(32.1)**	(14.2)
Share of non-current liabilities	**(76.3)**	(62.4)
For the year ended:		
Share of income	**32.6**	50.8
Share of expenses	**(41.1)**	(56.0)

34. SUBSIDIARIES

	BANK 2011 $'000	2010 $'000
Investments in subsidiaries, at cost		
Quoted security	**1,895,642**	2,198,964
Unquoted securities	**3,794,156**	3,649,048
Allowance for impairment (Note 32)	**(3,088)**	(11,379)
Net carrying value	**5,686,710**	5,836,633
Unsecured loans and receivables	**5,706,918**	3,024,597
Secured loans and receivables	**1,068,200**	1,073,200
Amount due from subsidiaries	**6,775,118**	4,097,797
Investments in and amount due from subsidiaries	**12,461,828**	9,934,430

At 31 December 2011, the fair values of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $5,190.3 million (2010: $6,412.1 million) and $918.6 million (2010: $1,157.7 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] 2011	2010
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**	82
PT Bank OCBC Indonesia (Note 34.2)	Indonesia	**–**	100
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
PacificMas Berhad [2]	Malaysia	**64**	64
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

On 1 January 2011, OCBC Bank completed the merger of its two licensed bank subsidiaries in Indonesia, PT Bank OCBC Indonesia ("BOI") and PT Bank OCBC NISP Tbk. From that date, both subsidiaries have been combined and are operating as a merged bank named PT Bank OCBC NISP Tbk ("OCBC NISP").

As a result of the merger, OCBC Bank received 1,215,094,637 new OCBC NISP shares. In addition, OCBC Bank purchased 12,273,683 new OCBC NISP shares issued to OCBC NISP itself as a result of the exchange of its 1% shareholding in BOI, at a consideration of approximately IDR18,460 million ($2.6 million). The Group's shareholding in OCBC NISP has increased to 85.06% and the Group recognised an increase in non-controlling interests of $7.1 million, and a corresponding $7.1 million decrease in the revenue reserves.

35. PROPERTY, PLANT AND EQUIPMENT

GROUP ($'000)	2011 Property-related	2011 Computer-related	2011 Others	2011 Total	2010 Property-related	2010 Computer-related	2010 Others	2010 Total
Cost								
At 1 January	**1,462,406**	**976,754**	**397,347**	**2,836,507**	1,411,892	860,786	364,230	2,636,908
Currency translation	**(5,025)**	**(5,224)**	**(1,585)**	**(11,834)**	(340)	915	(1,825)	(1,250)
Acquisition of a business/subsidiaries	**4,913**	**150**	**311**	**5,374**	–	18,139	16,998	35,137
Additions	**16,192**	**173,514**	**47,840**	**237,546**	13,245	112,300	31,789	157,334
Disposals and other transfers	**(23,772)**	**(23,362)**	**(9,583)**	**(56,717)**	(2,440)	(15,386)	(13,845)	(31,671)
Transfer from investment property (Note 36)	**2,846**	**–**	**1,451**	**4,297**	40,049	–	–	40,049
At 31 December	**1,457,560**	**1,121,832**	**435,781**	**3,015,173**	1,462,406	976,754	397,347	2,836,507
Accumulated depreciation								
At 1 January	**(294,960)**	**(590,339)**	**(259,275)**	**(1,144,574)**	(262,043)	(478,593)	(220,313)	(960,949)
Currency translation	**927**	**3,403**	**1,184**	**5,514**	550	(216)	1,756	2,090
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	–	(11,799)	(11,752)	(23,551)
Disposals and other transfers	**11,250**	**21,858**	**19,515**	**52,623**	668	15,444	11,437	27,549
Depreciation charge	**(14,249)**	**(101,912)**	**(36,251)**	**(152,412)**	(16,578)	(88,225)	(33,958)	(138,761)
Depreciation charge to profit from life assurance (Note 4)	**(13,683)**	**(25,877)**	**(5,553)**	**(45,113)**	(13,551)	(26,950)	(6,445)	(46,946)
Transfer to/(from) investment property (Note 36)	**19**	**–**	**(932)**	**(913)**	(4,006)	–	–	(4,006)
At 31 December	**(310,696)**	**(692,867)**	**(281,312)**	**(1,284,875)**	(294,960)	(590,339)	(259,275)	(1,144,574)
Accumulated impairment losses (Note 32)								
At 1 January	**(65,856)**	**(63)**	**(1,277)**	**(67,196)**	(65,660)	(63)	(1,262)	(66,985)
Currency translation	**244**	**–**	**11**	**255**	(261)	–	(15)	(276)
Disposals	**–**	**–**	**31**	**31**	–	–	–	–
Write-back to income statements	**–**	**–**	**699**	**699**	1	–	–	1
Transfer (from)/to investment property (Note 36)	**(217)**	**–**	**–**	**(217)**	64	–	–	64
At 31 December	**(65,829)**	**(63)**	**(536)**	**(66,428)**	(65,856)	(63)	(1,277)	(67,196)
Net carrying value, at 31 December	**1,081,035**	**428,902**	**153,933**	**1,663,870**	1,101,590	386,352	136,795	1,624,737
Freehold property	**309,890**				322,381			
Leasehold property	**771,145**				779,209			
Net carrying value	**1,081,035**				1,101,590			
Market value	**2,236,041**				1,957,448			

35. PROPERTY, PLANT AND EQUIPMENT (continued)

BANK ($'000)	2011 Property-related	2011 Computer-related	2011 Others	2011 Total	2010 Property-related	2010 Computer-related	2010 Others	2010 Total
Cost								
At 1 January	**258,836**	**407,672**	**111,238**	**777,746**	260,951	353,721	106,573	721,245
Currency translation	**(19)**	**2**	**29**	**12**	8	(80)	(450)	(522)
Additions	**–**	**107,201**	**11,360**	**118,561**	–	58,078	9,428	67,506
Disposals	**–**	**(8,128)**	**(6,485)**	**(14,613)**	–	(4,047)	(4,313)	(8,360)
Transfer to investment property (Note 36)	**(13,020)**	**–**	**–**	**(13,020)**	(2,123)	–	–	(2,123)
At 31 December	**245,797**	**506,747**	**116,142**	**868,686**	258,836	407,672	111,238	777,746
Accumulated depreciation								
At 1 January	**(59,074)**	**(244,798)**	**(72,299)**	**(376,171)**	(55,137)	(190,496)	(66,118)	(311,751)
Currency translation	**9**	**(6)**	**(21)**	**(18)**	(4)	59	196	251
Disposals	**–**	**8,121**	**5,990**	**14,111**	–	4,041	4,225	8,266
Depreciation charge	**(4,726)**	**(68,135)**	**(10,845)**	**(83,706)**	(4,939)	(58,402)	(10,602)	(73,943)
Transfer to investment property (Note 36)	**3,333**	**–**	**–**	**3,333**	1,006	–	–	1,006
At 31 December	**(60,458)**	**(304,818)**	**(77,175)**	**(442,451)**	(59,074)	(244,798)	(72,299)	(376,171)
Accumulated impairment losses (Note 32)								
At 1 January	**(948)**	**–**	**–**	**(948)**	(949)	–	–	(949)
Write-back to income statements	**–**	**–**	**–**	**–**	1	–	–	1
Transfer to investment property (Note 36)	**2**	**–**	**–**	**2**	–	–	–	–
At 31 December	**(946)**	**–**	**–**	**(946)**	(948)	–	–	(948)
Net carrying value, at 31 December	**184,393**	**201,929**	**38,967**	**425,289**	198,814	162,874	38,939	400,627
Freehold property	**37,092**				44,408			
Leasehold property	**147,301**				154,406			
Net carrying value	**184,393**				198,814			
Market value	**354,618**				332,801			

36. INVESTMENT PROPERTY

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cost				
At 1 January	**910,346**	939,724	**639,841**	630,302
Currency translation	**2,236**	(3,194)	**83**	(1,582)
Additions	**13,344**	25,849	**13,016**	16,136
Acquisition of a business/subsidiary	**203,329**	–	**–**	–
Disposals	**(965)**	(2,410)	**(180)**	–
Transfer (to)/from:				
Property, plant and equipment (Note 35)	**(4,297)**	(40,049)	**13,020**	2,123
Assets held for sale	**(4,362)**	(9,574)	**–**	(7,138)
At 31 December	**1,119,631**	910,346	**665,780**	639,841
Accumulated depreciation				
At 1 January	**(170,377)**	(166,884)	**(81,518)**	(76,213)
Currency translation	**(158)**	543	**(73)**	459
Acquisition of a subsidiary	**(8,026)**	–	**–**	–
Disposals	**782**	1,845	**34**	–
Depreciation charge	**(14,025)**	(12,818)	**(7,256)**	(7,135)
Transfer (from)/to:				
Property, plant and equipment (Note 35)	**913**	4,006	**(3,333)**	(1,006)
Assets held for sale	**51**	2,931	**–**	2,377
At 31 December	**(190,840)**	(170,377)	**(92,146)**	(81,518)
Accumulated impairment losses (Note 32)				
At 1 January	**(7,076)**	(7,473)	**(4,836)**	(5,001)
Currency translation	**107**	(63)	**68**	(29)
Disposals	**53**	–	**53**	–
Write-back/(impairment charge) to income statements	**243**	303	**–**	(27)
Transfer to/(from):				
Property, plant and equipment (Note 35)	**217**	(64)	**(2)**	–
Assets held for sale	**–**	221	**–**	221
At 31 December	**(6,456)**	(7,076)	**(4,717)**	(4,836)
Net carrying value				
Freehold property	**348,796**	331,938	**174,897**	157,108
Leasehold property	**573,539**	400,955	**394,020**	396,379
At 31 December	**922,335**	732,893	**568,917**	553,487
Market value	**2,800,977**	2,420,216	**1,406,036**	1,280,704

37. GOODWILL AND INTANGIBLE ASSETS

	GROUP		BANK	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Goodwill				
At 1 January	**3,226,578**	2,675,077	**1,867,176**	1,867,176
Acquisition of interests in:				
– Bank of Singapore Limited	**–**	610,639	**–**	–
– Others	**7,568**	2,990	**–**	–
Currency translation	**3,849**	(62,128)	**–**	–
At 31 December	**3,237,995**	3,226,578	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**769,903**	686,522		
Acquisition of subsidiary:				
– Customer relationships [(1)]	**–**	150,352		
Amortisation charged to income statements:				
– Life assurance business [(2)]	**(46,636)**	(46,636)		
– Customer relationships [(1)]	**(14,701)**	(8,163)		
Currency translation	**833**	(12,172)		
At 31 December	**709,399**	769,903		
Total goodwill and intangible assets	**3,947,394**	3,996,481	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**3,237,995**	3,226,578	**1,867,176**	1,867,176
Intangible assets, at cost	**1,071,915**	1,070,459	**–**	–
Accumulated amortisation for intangible assets	**(362,516)**	(300,556)	**–**	–
	3,947,394	3,996,481	**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 2011, these have a remaining useful life of 9 years (2010: 10 years).

(2) The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2011, the intangible asset has a remaining useful life of 13 years (2010: 14 years).

Impairment tests for goodwill

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

Cash Generating Units	Basis of determining recoverable value	Carrying value 2011 $'000	Carrying value 2010 $'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	**565,346**	559,434
BOS Securities Co Ltd, Korea	Value-in-use	**2,940**	2,982
Lion Global Investors Limited	Value-in-use	**29,437**	29,419
Overseas Assurance Corporation (Malaysia) Berhad	Value-in-use	**7,443**	–
PacificMas Berhad	Value-in-use	**4,159**	4,239
PT Bank OCBC NISP Tbk	Value-in-use	**262,713**	264,547
		3,237,995	3,226,578

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 2011, the discount rates used ranged from 10.2% to 12.4% (2010: 10.2% to 12.8%). 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% (2010: 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% (2010: 8.0%) and 9.5% (2010: 9.5%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life assurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales. The returns assumed, after investment expenses, are 5.25%, 4.0% and 7.0% (2010: 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% (2010: 6.0%, 5.1% 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 Financial Services	Global Corporate Banking	Global Treasury	Insurance	Others	Elimination	Group
Year ended 31 December 2011							
Total income	1,303	2,326	1,062	672	854	(556)	5,661
Operating profit before allowances and amortisation	532	1,654	785	488	294	(522)	3,231
Amortisation of intangible assets	–	–	–	(47)	(14)	–	(61)
(Allowances and impairment)/ write-back for loans and other assets	(64)	(154)	(5)	(4)	6	–	(221)
Operating profit after allowances and amortisation	468	1,500	780	437	286	(522)	2,949
Other information:							
Capital expenditure	12	9	#	42	188		251
Depreciation	21	13	1	3	128		166
At 31 December 2011							
Segment assets	39,151	91,861	63,959	56,579	41,681		293,231
Unallocated assets							71
Elimination							(15,544)
Total assets							277,758
Segment liabilities	48,350	82,544	47,366	50,227	37,502		265,989
Unallocated liabilities							1,923
Elimination							(15,544)
Total liabilities							252,368
Other information:							
Gross non-bank loans	37,891	83,931	1,287	373	11,650		135,132
NPAs (include debt securities)	250	1,122	–	3	62		1,437

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

38. SEGMENT INFORMATION (continued)

38.1 Business segments (continued)

$ million	Global Consumer Financial Services	Global Corporate Banking	Global Treasury	Insurance	Others	Elimination	Group
Year ended 31 December 2010							
Total income	1,232	1,895	828	774	1,088	(492)	5,325
Operating profit before allowances and amortisation	548	1,295	581	615	499	(467)	3,071
Amortisation of intangible assets	–	–	–	(47)	(8)	–	(55)
(Allowances and impairment)/ write-back for loans and other assets	(23)	(30)	1	(4)	(78)	–	(134)
Operating profit after allowances and amortisation	525	1,265	582	564	413	(467)	2,882
Other information:							
Capital expenditure	10	6	#	38	129		183
Depreciation	22	13	1	2	114		152
At 31 December 2010							
Segment assets	32,902	74,434	47,218	54,467	31,448		240,469
Unallocated assets							101
Elimination							(11,287)
Total assets							229,283
Segment liabilities	43,411	59,638	36,177	47,961	27,867		215,054
Unallocated liabilities							1,871
Elimination							(11,287)
Total liabilities							205,638
Other information:							
Gross non-bank loans	31,703	64,294	1,567	174	8,711		106,449
NPAs (include debt securities)	255	885	–	7	61		1,208

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

OCBC Group is organised along four groupings covering customers, products, support functions and geography. Customer, product and support function heads have global responsibility for their respective areas, while geographic heads have stewardship responsibility. For the purpose of financial reporting of business segment results, the Group's businesses are presented under five main segments representing the key customer and product groups: Global Consumer Financial Services, Global Corporate Banking, Global Treasury, Insurance and Others.

Global Consumer Financial Services
Global Consumer Financial Services comprises a full range of products and services offered to individuals, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards and wealth management products (unit trusts, bancassurance products and structured deposits).

Global Corporate Banking
Global Corporate Banking serves business 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.

Global Treasury
Global Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also offers structured treasury products and financial solutions to meet customers' investment and hedging needs.

38. SEGMENT INFORMATION (continued)

38.1 Business segments (continued)

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

The "Others" segment comprises PacificMas Berhad, Bank of Singapore, corporate finance, capital markets, property holding, stock brokerage and investment holding.

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. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet and excluding items such as income tax and borrowings.

38.2 Geographical segments

$ million	Total income	Profit/(loss) before income tax	Capital expenditure	Total assets	Total liabilities
2011					
Singapore	**3,444**	**1,771**	**179**	**173,522**	**166,407**
Malaysia	**1,220**	**750**	**42**	**53,327**	**44,498**
Rest of Southeast Asia	**435**	**123**	**21**	**9,962**	**8,276**
Greater China	**387**	**195**	**9**	**28,878**	**20,403**
Other Asia Pacific	**122**	**94**	**#**	**7,854**	**5,956**
Rest of the World	**53**	**22**	**#**	**4,215**	**6,828**
	5,661	**2,955**	**251**	**277,758**	**252,368**
2010					
Singapore	3,350	1,958	127	145,864	138,092
Malaysia	1,233	768	29	47,673	41,293
Rest of Southeast Asia	389	60	20	8,550	6,885
Greater China	216	34	4	17,263	12,532
Other Asia Pacific	95	53	1	6,987	3,735
Rest of the World	42	7	2	2,946	3,101
	5,325	2,880	183	229,283	205,638

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

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

39. FINANCIAL RISK MANAGEMENT

39.1 Overview

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

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

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	**2011**	**2010**	**2011**	**2010**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**133,557**	104,989	**118,695**	94,056
Placements with and loans to banks	**28,615**	18,569	**25,786**	17,526
Government treasury bills and securities	**20,647**	17,101	**18,029**	17,328
Debt securities	**11,754**	10,910	**11,231**	10,339
Amount due from associates	**#**	2	**1**	2
Assets pledged	**1,839**	746	**1,191**	450
Derivative receivables	**5,899**	4,837	**5,665**	4,789
Other assets, comprise interest receivables and sundry debtors	**2,232**	2,551	**2,656**	2,684
	204,543	159,705	**183,254**	147,174
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**10,345**	8,513	**9,410**	7,809
Credit commitments	**63,577**	54,749	**58,408**	50,960
	73,922	63,262	**67,818**	58,769
Total maximum credit risk exposure	**278,465**	222,967	**251,072**	205,943

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

Collaterals

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 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.

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	**2011**	**2010**	**2011**	**2010**
Neither past due nor impaired	**28,861**	18,379	**133,645**	105,000
Not impaired	**–**	–	**593**	628
Impaired	**–**	–	**544**	613
Past due loans	**–**	–	**1,137**	1,241
Impaired but not past due	**–**	–	**350**	209
Gross loans	**28,861**	18,379	**135,132**	106,450
Specific allowances	**–**	–	**(302)**	(328)
Portfolio allowances	**–**	–	**(1,220)**	(1,095)
Net loans	**28,861**	18,379	**133,610**	105,027

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	**2011**	**2010**	**2011**	**2010**
Grades				
Satisfactory and special mention	**28,861**	18,379	**133,487**	104,944
Substandard but not impaired	**–**	–	**158**	56
Neither past due nor impaired	**28,861**	18,379	**133,645**	105,000

Past due loans

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

	Bank loans		Non-bank loans	
$ million	**2011**	**2010**	**2011**	**2010**
By industry				
Agriculture, mining and quarrying	**–**	–	**9**	35
Manufacturing	**–**	–	**249**	245
Building and construction	**–**	–	**62**	64
General commerce	**–**	–	**113**	154
Transport, storage and communication	**–**	–	**28**	28
Financial institutions, investment and holding companies	**–**	–	**3**	15
Professionals and individuals (include housing)	**–**	–	**628**	623
Others	**–**	–	**45**	77
	–	–	**1,137**	1,241
By geography				
Singapore	**–**	–	**401**	359
Malaysia	**–**	–	**523**	600
Rest of the World	**–**	–	**213**	282
	–	–	**1,137**	1,241

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	2011	2010
Past due		
Less than 30 days	**128**	137
30 to 90 days	**382**	400
Over 90 days	**83**	91
Past due but not impaired	**593**	628

Impaired loans and allowances

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

$ million	2011	2010
Business segment		
Global Consumer Financial Services	**172**	189
Global Corporate Banking	**698**	537
Others	**11**	83
Individually impaired loans	**881**	809

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 collaterals held as security, or by calling upon other credit enhancements and held at the reporting date are as follows:

$ million	2011	2010
Properties	**1**	24
Others	**#**	#
Carrying amount of assets	**1**	24

(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 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**
31 December 2010					
People's Republic of China	5,516	9	1,909	7,434	4.1
Malaysia	2,221	–	3,343	5,564	3.1
Indonesia	1,562	569	2,513	4,644	2.6
Hong Kong SAR	1,823	–	2,495	4,318	2.4
United States	1,279	265	2,277	3,821	2.1
United Kingdom	2,488	41	553	3,082	1.7
British Virgin Islands	–	–	2,823	2,823	1.6
Australia	1,485	132	613	2,230	1.2

(1) Assets (excluding life assurance fund investment assets) of $228,669 million (2010: $181,797 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
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**		
2010								
Cash and placements with central banks	1,444	3,058	2,154	1,823	–	352	2,662	11,493
Placements with and loans to banks	4,450	3,106	6,788	3,973	29	–	33	18,379
Loans and bills receivable (1)	6,497	34,084	42,520	14,520	5,158	2,192	56	105,027
Securities (2)	597	1,761	3,415	5,308	6,686	10,648	3,431	31,846
Other assets (3)	–	#	#	1	1	–	7,953	7,955
Financial assets	12,988	42,009	54,877	25,625	11,874	13,192	14,135	174,700
Deposits of non-bank customers	24,886	25,230	39,135	13,644	879	274	19,252	123,300
Deposits and balances of banks	8,745	4,665	1,914	580	155	–	449	16,508
Trading portfolio liabilities	#	–	124	777	793	37	3	1,734
Other liabilities (3)	16	4	60	47	–	12	7,750	7,889
Debt issued	–	45	371	2,608	1,294	2,450	86	6,854
Financial liabilities	33,647	29,944	41,604	17,656	3,121	2,773	27,540	156,285
On-balance sheet sensitivity gap	(20,659)	12,065	13,273	7,969	8,753	10,419		
Off-balance sheet sensitivity gap	105	722	(1,164)	(1,142)	169	1,310		
Net interest sensitivity gap	(20,554)	12,787	12,109	6,827	8,922	11,729		

(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 $298 million (2010: $236 million). The corresponding impact from a 100 bp decrease is an estimated reduction of $146 million (2010: $84 million) in net interest income. As a percentage of reported net interest income, the maximum exposure for significant currencies would be -4.4% (2010: -2.8%).

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
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	**(1,234)**	**11,065**	**3,284**	**6,787**	
2010					
Cash and placements with central banks	5,276	50	3,227	2,940	11,493
Placements with and loans to banks	161	10,438	1,168	6,612	18,379
Loans and bills receivable	54,003	18,895	14,530	17,599	105,027
Securities (1)	16,347	3,721	2,628	9,150	31,846
Other assets (2)	4,535	1,553	927	940	7,955
Financial assets	80,322	34,657	22,480	37,241	174,700
Deposits of non-bank customers	66,934	16,918	17,097	22,351	123,300
Deposits and balances of banks	2,938	8,760	693	4,117	16,508
Trading portfolio liabilities	1,731	3	–	–	1,734
Other liabilities (2)	4,419	1,620	768	1,082	7,889
Debt issued	1,930	3,349	1,336	239	6,854
Financial liabilities	77,952	30,650	19,894	27,789	156,285
Net financial assets exposure	2,370	4,007	2,586	9,452	

(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.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk and asset liability management (continued)

Structural foreign exchange risk

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

$ million	2011 Structural currency exposure	2011 Hedging financial instruments	2011 Net structural currency exposure	2010 Structural currency exposure	2010 Hedging financial instruments	2010 Net structural currency exposure
US Dollar	**2,025**	**1,886**	**139**	2,306	1,942	364
Malaysian Ringgit	**1,919**	**468**	**1,451**	1,773	414	1,359
Others	**3,600**	**185**	**3,415**	2,931	–	2,931
Total	**7,544**	**2,539**	**5,005**	7,010	2,356	4,654

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
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**	
2010							
Cash and placements with central banks	1,665	3,059	2,154	1,823	–	2,792	11,493
Placements with and loans to banks	6,111	2,691	5,501	4,020	55	1	18,379
Loans and bills receivable	8,249	9,152	8,947	12,377	17,516	48,786	105,027
Securities (1)	1,362	1,595	2,313	5,210	7,262	14,104	31,846
Other assets (2)	1,059	1,116	1,740	3,173	626	241	7,955
Financial assets	18,446	17,613	20,655	26,603	25,459	65,924	174,700
Deposits of non-bank customers	71,029	20,916	15,697	13,930	1,122	606	123,300
Deposits and balances of banks	9,173	4,570	2,030	580	155	–	16,508
Trading portfolio liabilities	#	–	127	777	792	38	1,734
Other liabilities (2)	1,594	1,364	1,720	2,374	380	457	7,889
Debt issued	14	117	366	2,608	385	3,364	6,854
Financial liabilities	81,810	26,967	19,940	20,269	2,834	4,465	156,285
Net liquidity gap – financial assets less financial liabilities	(63,364)	(9,354)	715	6,334	22,625	61,459	

(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 $800 million (2010: $744 million). Non-current liabilities include deferred tax liabilities of $1,123 million (2010: $1,127 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 (2010: $79 million), property, plant and equipment of $1,664 million (2010: $1,625 million), investment property of $922 million (2010: $733 million), and goodwill and intangible assets of $3,947 million (2010: $3,996 million).
(5) # represents amounts less than $0.5 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
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**
2010							
Deposits of non-bank customers [1]	71,046	20,997	15,808	14,082	1,136	629	123,698
Deposits and balances of banks [1]	9,176	4,577	2,037	586	157	–	16,533
Trading portfolio liabilities	–	–	127	777	793	37	1,734
Other liabilities [2]	1,242	525	260	402	257	199	2,885
Debt issued	14	117	469	2,774	585	4,482	8,441
Net settled derivatives							
Trading	398	124	328	862	1,142	347	3,201
Hedging	#	1	3	6	11	60	81
Gross settled derivatives							
Trading – Outflow	22,839	25,459	25,136	27,295	3,332	1,871	105,932
Trading – Inflow	(21,622)	(26,661)	(24,461)	(28,235)	(3,289)	(1,854)	(106,122)
Hedging – Outflow	–	–	1,223	614	–	–	1,837
Hedging – Inflow	–	–	(1,328)	(705)	–	–	(2,033)
	83,093	25,139	19,602	18,458	4,124	5,771	156,187

(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 the 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.

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.

In Singapore, the minimum Capital Adequacy Ratio under the Risk-based Capital Framework regulated by the MAS is 120% for each insurance entity. The capital requirements also include Fund Solvency Ratios of the respective insurance funds operated by GEH Group. Regulatory capital of the consolidated Singapore insurance subsidiaries as at 31 December 2011 comprised Available Capital of $8.1 billion (2010: $7.1 billion), Risk Capital of $3.7 billion (2010: $3.3 billion) and Capital Adequacy Ratio of 218% (2010: 215%).

In Malaysia, the minimum capital requirement under the Risk-based Capital Framework regulated by Bank Negara, Malaysia ("BNM") is 130% for each insurance entity. Regulated capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2011 comprised Available Capital of $0.7 billion (2010: $0.6 billion), Risk Capital of $0.2 billion (2010: $0.2 billion) and Capital Adequacy Ratio of 279% (2010: 277%).

GEH Group has met all of its regulatory requirements throughout the financial year.

Dividend

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

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

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 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)	2011	2010
(a) By class of business		
Whole life	**21,271**	20,170
Endowment	**15,244**	15,486
Term	**348**	344
Accident and health	**963**	766
Annuity	**644**	624
Others	**820**	544
Total	**39,290**	37,934
(b) By country		
Singapore	**24,524**	24,451
Malaysia	**14,450**	13,221
Others	**316**	262
Total	**39,290**	37,934

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 analyses 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
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)**
2010							
Gross impact	(33.6)	(7.5)	47.9	(85.0)	37.4	(45.3)	(19.6)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(33.6)	(7.5)	47.9	(85.0)	37.4	(45.3)	(19.6)

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
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)**
2010							
Gross impact	(51.0)	55.4	(11.8)	10.0	(3.6)	4.7	(6.2)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(51.0)	55.4	(11.8)	10.0	(3.6)	4.7	(6.2)

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 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)

Insurance risk of non-life insurance contracts (continued)

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

Non-life insurance contracts $ million	2011 Gross premium liabilities	2011 Reinsured premium liabilities	2011 Net premium liabilities	2010 Gross premium liabilities	2010 Reinsured premium liabilities	2010 Net premium liabilities
(a) By class of business						
Fire	**23**	**(13)**	**10**	21	(15)	6
Motor	**33**	**(5)**	**28**	28	(4)	24
Marine and aviation	**2**	**(1)**	**1**	2	(1)	1
Workmen's compensation	**6**	**(2)**	**4**	4	(2)	2
Personal accident and health	**23**	**(1)**	**22**	23	(1)	22
Miscellaneous	**25**	**(16)**	**9**	19	(13)	6
Total	**112**	**(38)**	**74**	97	(36)	61
(b) By country						
Singapore	**53**	**(21)**	**32**	47	(17)	30
Malaysia	**59**	**(17)**	**42**	50	(19)	31
Total	**112**	**(38)**	**74**	97	(36)	61

Non-life insurance contracts $ million	2011 Gross claims liabilities	2011 Reinsured claims liabilities	2011 Net claims liabilities	2010 Gross claims liabilities	2010 Reinsured claims liabilities	2010 Net claims liabilities
(a) By class of business						
Fire	**30**	**(23)**	**7**	23	(19)	4
Motor	**87**	**(13)**	**74**	43	(7)	36
Marine and aviation	**7**	**(5)**	**2**	2	(1)	1
Workmen's compensation	**10**	**(3)**	**7**	7	(1)	6
Personal accident and health	**11**	**(1)**	**10**	8	(1)	7
Miscellaneous	**38**	**(22)**	**16**	23	(10)	13
Total	**183**	**(67)**	**116**	106	(39)	67
(b) By country						
Singapore	**58**	**(30)**	**28**	41	(17)	24
Malaysia	**125**	**(37)**	**88**	65	(22)	43
Total	**183**	**(67)**	**116**	106	(39)	67

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 2011

$ million	2004	2005	2006	2007	2008	2009	2010	2011	Total
(a) Estimate of cumulative claims									
Accident Year	62	60	50	62	58	76	78	129	
One year later	60	66	53	66	59	82	97	–	
Two years later	61	64	51	60	59	108	–	–	
Three years later	61	63	50	60	85	–	–	–	
Four years later	60	62	50	88	–	–	–	–	
Five years later	60	61	91	–	–	–	–	–	
Six years later	59	94	–	–	–	–	–	–	
Seven years later	65	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**65**	**94**	**91**	**88**	**85**	**108**	**97**	**129**	
(b) Cumulative payments									
Accident Year	19	21	20	23	24	33	31	41	
One year later	42	51	38	44	46	58	67	–	
Two years later	53	54	43	50	51	87	–	–	
Three years later	55	55	45	52	74	–	–	–	
Four years later	56	57	45	78	–	–	–	–	
Five years later	57	57	85	–	–	–	–	–	
Six years later	57	90	–	–	–	–	–	–	
Seven years later	57	–	–	–	–	–	–	–	
Cumulative payments	**57**	**90**	**85**	**78**	**74**	**87**	**67**	**41**	
(c) Total non-life gross claim liabilities	**8**	**4**	**6**	**10**	**11**	**21**	**30**	**88**	**178**
Reserve for prior years									**2**
Unallocated surplus									**3**
General Insurance Fund Contract Liabilities, gross									**183**

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 2011

$ million	2004	2005	2006	2007	2008	2009	2010	2011	Total
(a) Estimate of cumulative claims									
Accident Year	28	27	30	32	37	44	53	85	
One year later	27	27	30	33	38	48	69	–	
Two years later	27	27	29	32	38	69	–	–	
Three years later	26	26	28	32	57	–	–	–	
Four years later	26	26	28	56	–	–	–	–	
Five years later	25	26	63	–	–	–	–	–	
Six years later	25	53	–	–	–	–	–	–	
Seven years later	28	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**28**	**53**	**63**	**56**	**57**	**69**	**69**	**85**	
(b) Cumulative payments									
Accident Year	11	11	13	14	17	22	25	29	
One year later	19	20	22	25	30	37	51	–	
Two years later	22	22	24	28	32	55	–	–	
Three years later	23	23	26	29	49	–	–	–	
Four years later	24	24	26	50	–	–	–	–	
Five years later	24	24	58	–	–	–	–	–	
Six years later	25	51	–	–	–	–	–	–	
Seven years later	25	–	–	–	–	–	–	–	
Cumulative payments	**25**	**51**	**58**	**50**	**49**	**55**	**51**	**29**	
(c) Total non-life net claim liabilities	**3**	**2**	**5**	**6**	**8**	**14**	**18**	**56**	**112**
Reserve for prior years									**1**
Unallocated surplus									**3**
General Insurance Fund Contract Liabilities, net									**116**

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
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)**
2010 [1]					
Provision for adverse deviation margin	+20%	2	2	(2)	(2)
Loss ratio	+20%	78	47	(47)	(36)
Claims handling expenses	+20%	#	2	(2)	(2)

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

[2] # 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.

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 15 years are discounted using zero-coupon spot yield of SGS while liability cash flows with duration more than 15 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' Fund 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
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	**382**	**105**	**688**	**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 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	**20,485**	**21,344**	**6,732**	**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**
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**
2010					
Available-for-sale securities					
Equity securities	2,731	3,867	1,246	2,211	10,055
Debt securities	8,789	12,548	4,082	427	25,846
Other investments	413	76	658	134	1,281
Securities at fair value through profit or loss					
Equity securities	311	724	188	976	2,199
Debt securities	36	261	250	144	691
Other investments	703	27	56	146	932
Derivative assets and embedded derivatives	1,079	7	57	69	1,212
Loans	1,311	269	–	–	1,580
Insurance receivables	929	1,568	1	21	2,519
Other debtors and interfund balances	1,308	463	3	15	1,789
Cash and cash equivalents	2,275	276	156	123	2,830
Financial assets	19,885	20,086	6,697	4,266	50,934
Other creditors and interfund balances	1,230	635	3	24	1,892
Insurance payables	875	1,482	5	11	2,373
Derivative payables	15	–	6	5	26
Agents' retirement benefits	–	215	–	1	216
Amount due to joint venture [(1)]	–	–	–	#	#
General insurance fund contract liabilities	41	65	–	–	106
Life assurance fund contract liabilities	24,358	13,221	112	243	37,934
Financial liabilities	26,519	15,618	126	284	42,547

(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 (contractual undiscounted cash flow basis):

$ million	Less than 1 year	1 to 5 years	Over 5 years	No maturity date	Total
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**
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	**2,474**	**37**	**2**	**4**	**2,517**
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	**11,465**	**7,098**	**26,579**	**19**	**45,161**
2010					
Available-for-sale securities					
Equity securities	–	–	–	10,055	10,055
Debt securities	3,466	9,759	28,683	–	41,908
Other investments	–	–	–	1,281	1,281
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,199	2,199
Debt securities	85	285	683	–	1,053
Other investments	–	–	–	932	932
Embedded derivatives [(1)]	59	719	348	–	1,126
Loans	324	1,139	297	–	1,760
Insurance receivables	197	1	–	2,321	2,519
Other debtors and interfund balances [(1)]	1,596	176	–	17	1,789
Cash and cash equivalents	2,830	–	–	–	2,830
Financial assets	8,557	12,079	30,011	16,805	67,452
Other creditors and interfund balances	1,624	254	14	–	1,892
Insurance payables	2,319	48	2	4	2,373
Agents' retirement benefits	52	44	120	–	216
Amount due to joint venture [(1)]	#	–	–	–	#
General insurance fund contract liabilities	60	45	1	–	106
Life assurance fund contract liabilities	6,215	7,500	24,110	109	37,934
Financial liabilities	10,270	7,891	24,247	113	42,521

(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
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**
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**
2010				
Cash and cash equivalents	2,568	–	262	2,830
Other debtors and interfund balances [(1)]	1,607	110	72	1,789
Insurance receivables [(1)]	277	2,242	–	2,519
Loans	312	1,268	–	1,580
Investments, including derivative instruments	3,364	35,021	3,831	42,216
Associates and joint ventures	–	337	–	337
Goodwill	–	19	–	19
Property, plant and equipment	–	728	–	728
Investment properties	–	1,355	–	1,355
Assets	8,128	41,080	4,165	53,373
Insurance payables	2,318	42	13	2,373
Other creditors and interfund balances	1,532	244	116	1,892
Unexpired risk reserve	97	–	–	97
Derivative payables	4	15	7	26
Income tax	391	–	(9)	382
Agents' retirement benefits	52	164	–	216
Amount due to joint venture [(1)]	#	–	–	#
Deferred tax	–	940	10	950
General insurance fund [(1)]	60	50	–	110
Life assurance fund [(1)]	2,234	36,945	4,089	43,268
Liabilities	6,688	38,400	4,226	49,314

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

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

(3) # 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 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 collaterals, with a maximum loan to value 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 collaterals, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

	2011		2010	
$ million	**Carrying amount of loans**	**Fair value of collaterals**	**Carrying amount of loans**	**Fair value of collaterals**
Type of collaterals				
Policy loans – Cash value of policies	**2,251**	**4,352**	2,242	4,284
Secured loans				
Properties	**1,201**	**3,161**	1,507	3,868
Shares	**–**	**–**	51	108
Bankers' guarantees	**–**	**–**	18	18
Others	**1**	**1**	3	5
	3,453	**7,514**	3,821	8,283

There were no investments lent and collaterals received under securities lending arrangements as at 31 December 2011 (2010: $41.8 million and $43.2 million respectively). As at the balance sheet date, no investments (2010: 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 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 the 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
2011	(AAA–BBB)	(BB–C)				
Available-for-sale securities						
Equity securities	–	–	–	10,062	–	10,062
Debt securities	19,114	204	2,146	2,559	–	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 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	**26,358**	**218**	**8,327**	**18,186**	**29**	**53,118**
2010						
Available-for-sale securities						
Equity securities	–	–	–	10,055	–	10,055
Debt securities	23,850	224	1,772	–	–	25,846
Other investments	–	–	–	1,281	–	1,281
Securities at fair value through profit or loss						
Equity securities	–	–	–	2,199	–	2,199
Debt securities	2	–	2	687	–	691
Other investments	–	–	–	932	–	932
Derivative assets and embedded derivatives	861	52	150	149	–	1,212
Loans	168	–	1,412	–	–	1,580
Insurance receivables	1	–	2,500	–	18	2,519
Other debtors and interfund balances	–	–	1,707	72	10	1,789
Cash and cash equivalents	2,391	–	177	262	–	2,830
Financial assets	27,273	276	7,720	15,637	28	50,934

(1) @ based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.
(2) * An ageing analysis for financial assets past due is provided below.
(3) # 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 (continued)

Ageing analysis of financial assets past due:

$ million	Past due but not impaired: Less than 6 months	Past due but not impaired: 6 to 12 months	Past due but not impaired: Over 12 months	Past due but not impaired: Sub-total	Past due and impaired @	Total
2011						
Insurance receivables	**23**	**3**	**#**	**26**	**13**	**39**
Other debtors and interfund balances	**3**	**#**	**#**	**3**	**–**	**3**
Total	**26**	**3**	**#**	**29**	**13**	**42**
2010						
Insurance receivables	17	1	–	18	#	18
Other debtors and interfund balances	8	1	1	10	–	10
Total	25	2	1	28	#	28

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

(2) @ 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.

(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 values 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	2011	2010	2011	2010
Change in variables:				
Interest rate				
+100 basis points	**(77.7)**	(119.9)	**(121.2)**	(172.9)
–100 basis points	**(45.0)**	39.4	**(13.0)**	84.1
LTRFDR				
+10 basis points	**16.0**	11.5	**16.0**	11.5
–10 basis points	**(16.7)**	(11.5)	**(16.7)**	(11.5)
Foreign currency				
Market value of assets in foreign currency +5%	**12.3**	24.4	**45.3**	47.9
Market value of assets in foreign currency –5%	**(12.3)**	(24.4)	**(45.3)**	(47.9)
Equity				
Market indices +20% [1]				
STI	**1.3**	3.4	**93.1**	96.4
KLCI	**0.4**	1.8	**13.8**	16.7
Market indices –20% [1]				
STI	**(1.3)**	(3.4)	**(93.1)**	(96.4)
KLCI	**(0.4)**	(1.8)	**(13.8)**	(16.7)
Credit				
Spread +100 basis points	**(197.2)**	(178.3)	**(227.2)**	(202.9)
Spread –100 basis points	**197.2**	178.3	**227.2**	202.9
Alternative investments [2]				
Market value of all alternative investments +10%	**17.8**	17.2	**21.8**	22.5
Market value of all alternative investments –10%	**(17.8)**	(17.2)	**(21.8)**	(22.5)

(1) Comparatives have been restated to conform to current year's presentation.
(2) 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
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)	–	–	4,783	–	44,421	49,204
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.

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**
2010						
Cash and placements with central banks	–	–	11,493	–	–	11,493
Singapore government treasury bills and securities	1,557	90	–	9,509	–	11,156
Other government treasury bills and securities	2,186	21	–	3,738	–	5,945
Placements with and loans to banks	1	–	15,335	3,233	–	18,569
Debt and equity securities	1,854	–	600	11,801	–	14,255
Loans and bills receivable	–	–	104,989	–	–	104,989
Assets pledged	–	–	38	708	–	746
Other assets [(1)]	4,837	–	3,038	–	80	7,955
Financial assets	10,435	111	135,493	28,989	80	175,108
Non-financial assets						6,689
						181,797
LAF financial assets [(2)]	1,022	3,822	6,632	34,403	–	45,879
LAF non-financial assets [(2)]						1,607
Total assets						229,283
Deposits of non-bank customers	–	–	123,300	–	–	123,300
Deposits and balances of banks	–	–	16,508	–	–	16,508
Trading portfolio liabilities	1,734	–	–	–	–	1,734
Other liabilities [(1)]	4,563	–	3,109	–	217	7,889
Debt issued	–	1	6,853	–	–	6,854
Financial liabilities	6,297	1	149,770	–	217	156,285
Non-financial liabilities						1,872
						158,157
LAF financial liabilities [(2)]	–	–	4,213	–	43,268	47,481
Total liabilities						205,638

(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)

			BANK		
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Total
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**
2010					
Cash and placements with central banks	–	–	6,787	–	6,787
Singapore government treasury bills and securities	1,558	–	–	8,927	10,485
Other government treasury bills and securities	1,740	–	–	1,434	3,174
Placements with and loans to banks	1	–	10,587	3,024	13,612
Debt and equity securities	1,519	–	589	7,728	9,836
Loans and bills receivable	–	–	75,877	–	75,877
Placements with and advances to subsidiaries	–	–	4,098	–	4,098
Assets pledged	–	–	–	708	708
Other assets [(1)]	4,462	–	828	–	5,290
Financial assets	9,280	–	98,766	21,821	129,867
Non-financial assets					8,779
Total assets					138,646
Deposits of non-bank customers	–	–	88,891	–	88,891
Deposits and balances of banks	–	–	13,811	–	13,811
Deposits and balances of subsidiaries	–	–	4,624	–	4,624
Trading portfolio liabilities	1,734	–	–	–	1,734
Other liabilities [(1)]	4,222	–	1,181	–	5,403
Debt issued	–	1	7,886	–	7,887
Financial liabilities	5,956	1	116,393	–	122,350
Non-financial liabilities					442
Total liabilities					122,792

(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) 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:

	2011				2010			
$ 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 [1]	**–**	**3,885**	**#**	**3,885**	–	3,233	1	3,234
Debt and equity securities [1]	**3,113**	**10,856**	**307**	**14,276**	3,099	10,079	477	13,655
Derivative receivables	**17**	**5,806**	**76**	**5,899**	22	4,713	102	4,837
Government treasury bills and securities	**20,647**	**–**	**–**	**20,647**	16,316	785	–	17,101
Life Assurance Fund investment assets	**17,928**	**19,542**	**–**	**37,470**	19,144	20,103	–	39,247
Other financial assets [1]	**207**	**1,579**	**–**	**1,786**	74	634	–	708
Total	**41,912**	**41,668**	**383**	**83,963**	38,655	39,547	580	78,782
Liabilities measured at fair value								
Derivative payables	**19**	**6,026**	**68**	**6,113**	23	4,448	92	4,563
Trading portfolio liabilities	**1,655**	**–**	**–**	**1,655**	1,734	–	–	1,734
Other financial liabilities [1]	**–**	**–**	**–**	**–**	–	1	–	1
Total	**1,674**	**6,026**	**68**	**7,768**	1,757	4,449	92	6,298
BANK								
Assets measured at fair value								
Placements with and loans to banks [1]	**–**	**3,213**	**#**	**3,213**	–	3,024	1	3,025
Debt and equity securities [1]	**1,165**	**7,747**	**74**	**8,986**	1,215	7,879	153	9,247
Derivative receivables	**1**	**5,419**	**42**	**5,462**	10	4,347	105	4,462
Government treasury bills and securities	**16,580**	**–**	**–**	**16,580**	13,659	–	–	13,659
Other financial assets [1]	**60**	**1,269**	**–**	**1,329**	74	634	–	708
Total	**17,806**	**17,648**	**116**	**35,570**	14,958	15,884	259	31,101
Liabilities measured at fair value								
Derivative payables	**2**	**5,749**	**31**	**5,782**	9	4,136	77	4,222
Trading portfolio liabilities	**1,655**	**–**	**–**	**1,655**	1,734	–	–	1,734
Other financial liabilities [1]	**–**	**–**	**–**	**–**	–	1	–	1
Total	**1,657**	**5,749**	**31**	**7,437**	1,743	4,137	77	5,957

(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	2011				2010			
$ million	Available-for-sale assets	Assets held for trading	Derivative receivables	Total	Available-for-sale assets	Assets held for trading (1)	Derivative receivables	Total
Assets measured at fair value								
At 1 January	**387**	**91**	**102**	**580**	325	78	111	514
Purchases	**25**	**–**	**200**	**225**	116	–	11	127
Settlements/disposals	**(112)**	**(1)**	**(1)**	**(114)**	(75)	(17)	#	(92)
Transfers out of Level 3	**(103)** (2)	**–**	**–**	**(103)**	(8) (3)	–	(32) (4)	(40)
Gains/(losses) recognised in								
- profit or loss	**23**	**(25)**	**(225)**	**(227)**	30	32	12	74
- other comprehensive income	**22**	**#**	**#**	**22**	(1)	(2)	#	(3)
At 31 December	**242**	**65**	**76**	**383**	387	91	102	580
Total gains/(losses) included in profit or loss for assets held at the end of the year	**10**	**(25)**	**8**	**(7)**	26	32	48	106

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

	2011				2010			
$ million	Net interest income	Trading income	Other income	Total	Net interest income	Trading income (1)	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**1**	**(250)**	**22**	**(227)**	(2)	43	33	74
Total gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**(17)**	**10**	**(7)**	–	80	26	106

(1) Comparatives have been restated to conform to current year's presentation.
(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) Relates to transfers to Level 1 for debt securities converted to quoted equity securities.
(4) Relates to transfers to Level 2 for interest rate derivatives due to availability of in-house pricing model with significant market observable inputs.
(5) # represents amounts less than $0.5 million.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.2 Fair value hierarchy (continued)

BANK	2011				2010			
$ 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	**153**	**1**	**105**	**259**	192	19	111	322
Purchases	**14**	**–**	**177**	**191**	–	–	10	10
Settlements/disposals	**(100)**	**(1)**	**–**	**(101)**	(67)	(17)	–	(84)
Transfers out of Level 3	**(6)** [1]	**–**	**–**	**(6)**	(2) [1]	–	(32) [2]	(34)
Gains/(losses) recognised in								
- profit or loss	**20**	**(#)**	**(240)**	**(220)**	30	1	16	47
- other comprehensive income	**(7)**	**#**	**–**	**(7)**	(#)	(2)	–	(2)
At 31 December	**74**	**#**	**42**	**116**	153	1	105	259
Total gains/(losses) included in profit or loss for assets held at the end of the year	**10**	**(#)**	**(3)**	**7**	26	2	51	79

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

	2011				2010			
$ 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**	**(240)**	**19**	**(220)**	(2)	16	33	47
Total gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**(3)**	**10**	**7**	–	53	26	79

(1) Relates to transfers to Level 1 for debt securities converted to quoted equity securities.
(2) Relates to transfers to Level 2 for interest rate derivatives due to availability of in-house pricing model with significant market observable inputs.
(3) # represents amounts less than $0.5 million.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.2 Fair value hierarchy (continued)

	GROUP				BANK			
	2011		2010		2011		2010	
$ million	**Derivative payables**	**Total**	**Derivative payables**	**Total**	**Derivative payables**	**Total**	**Derivative payables**	**Total**
Liabilities measured at fair value								
At 1 January	**92**	**92**	153	153	**77**	**77**	149	149
Issues	**223**	**223**	30	30	**199**	**199**	16	16
Settlements/disposals	**(8)**	**(8)**	(26)	(26)	**–**	**–**	(25)	(25)
Transfers out of Level 3	**–**	**–**	(25) [1]	(25)	**–**	**–**	(25) [1]	(25)
Gains recognised in								
- profit or loss	**(239)**	**(239)**	(37)	(37)	**(245)**	**(245)**	(35)	(35)
- other comprehensive income	**(#)**	**(#)**	(3)	(3)	**(#)**	**(#)**	(3)	(3)
At 31 December	**68**	**68**	92	92	**31**	**31**	77	77
Total losses included in profit or loss for liabilities held at the end of the year	**(24)**	**(24)**	(16)	(16)	**(14)**	**(14)**	(15)	(15)

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

	GROUP				BANK			
	2011		2010		2011		2010	
$ million	**Trading income**	**Total**	**Trading income**	**Total**	**Trading income**	**Total**	**Trading income**	**Total**
Total gains included in profit or loss for the year ended	**239**	**239**	37	37	**245**	**245**	35	35
Total losses included in profit or loss for liabilities held at the end of the year	**(24)**	**(24)**	(16)	(16)	**(14)**	**(14)**	(15)	(15)

(1) Relates to transfers to Level 2 for interest rate derivatives due to availability of in-house pricing model with significant market observable inputs.
(2) # 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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**3,941,393**	3,590,253	**3,378,077**	2,994,756
Term to maturity of more than one year	**2,930,989**	2,700,481	**2,550,905**	2,620,649
	6,872,382	6,290,734	**5,928,982**	5,615,405
Acceptances and endorsements	**1,306,778**	613,800	**317,521**	172,699
Documentary credits and other short term trade-related transactions	**1,909,785**	1,440,679	**1,330,637**	1,047,224
Others	**256,272**	168,197	**–**	–
	10,345,217	8,513,410	**7,577,140**	6,835,328
42.1 Analysed by industry				
Agriculture, mining and quarrying	**226,636**	178,182	**29,432**	6,706
Manufacturing	**1,325,228**	1,312,676	**944,678**	1,015,067
Building and construction	**1,621,289**	1,572,053	**1,209,827**	1,098,861
General commerce	**3,373,159**	2,381,917	**2,105,000**	1,723,021
Transport, storage and communication	**587,446**	576,553	**562,405**	531,037
Financial institutions, investment and holding companies	**1,537,763**	1,079,824	**1,522,267**	1,353,713
Professionals and individuals	**344,865**	237,197	**75,536**	81,600
Others	**1,328,831**	1,175,008	**1,127,995**	1,025,323
	10,345,217	8,513,410	**7,577,140**	6,835,328
42.2 Analysed by geography				
Singapore	**6,093,754**	5,450,559	**6,231,479**	5,482,467
Malaysia	**1,404,322**	1,301,831	**365,409**	600,168
Rest of Southeast Asia	**922,834**	673,689	**122,997**	51,225
Greater China	**1,723,377**	911,133	**624,661**	501,585
Other Asia Pacific	**54,938**	81,615	**86,602**	105,299
Rest of the World	**145,992**	94,583	**145,992**	94,584
	10,345,217	8,513,410	**7,577,140**	6,835,328

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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
43.1 Credit commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**46,856,993**	41,818,564	**29,684,812**	28,963,549
Term to maturity of more than one year	**16,718,428**	12,866,744	**13,901,960**	10,934,717
	63,575,421	54,685,308	**43,586,772**	39,898,266
Undrawn note issuance and revolving underwriting facilities	**2,047**	64,150	**–**	–
	63,577,468	54,749,458	**43,586,772**	39,898,266
43.2 Other commitments				
Operating lease (non-cancellable) commitments:				
Within 1 year	**47,566**	38,307	**18,236**	13,931
After 1 year but within 5 years	**75,974**	63,414	**26,375**	21,985
Over 5 years	**1,325**	4,372	**720**	1,489
	124,865	106,093	**45,331**	37,405
Capital commitment authorised and contracted	**101,001**	77,694	**63,814**	52,648
Forward deposits and assets purchase	**1,088,891**	139,440	**1,084,186**	154,283
	1,314,757	323,227	**1,193,331**	244,336
43.3 Total commitments	**64,892,225**	55,072,685	**44,780,103**	40,142,602
43.4 Credit commitments analysed by industry				
Agriculture, mining and quarrying	**1,109,307**	807,464	**620,126**	413,369
Manufacturing	**5,477,230**	4,270,266	**2,848,397**	2,278,921
Building and construction	**5,228,580**	4,250,177	**4,050,765**	2,916,466
General commerce	**8,702,481**	7,183,980	**7,004,059**	5,743,120
Transport, storage and communication	**2,596,716**	3,333,523	**2,185,642**	3,185,596
Financial institutions, investment and holding companies [1]	**8,615,250**	6,726,866	**8,864,768**	7,077,193
Professionals and individuals [1]	**21,643,749**	19,207,513	**14,862,655**	15,300,268
Others [1]	**10,204,155**	8,969,669	**3,150,360**	2,983,333
	63,577,468	54,749,458	**43,586,772**	39,898,266
43.5 Credit commitments analysed by geography				
Singapore	**48,678,969**	42,115,455	**38,091,141**	35,040,589
Malaysia	**6,291,633**	5,931,435	**167,950**	261,933
Rest of Southeast Asia	**2,700,733**	1,765,361	**341,184**	321,292
Greater China	**4,598,806**	3,527,224	**3,672,129**	2,857,436
Other Asia Pacific	**699,899**	935,512	**706,940**	942,545
Rest of the World	**607,428**	474,471	**607,428**	474,471
	63,577,468	54,749,458	**43,586,772**	39,898,266

[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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Other government treasury bills and securities (Note 24)	**207,297**	74,398	**59,553**	74,398
Placements with and loans to banks (Note 25)	**831,495**	218,069	**831,495**	218,069
Loans and bills receivable (Note 26)	**53,225**	37,566	**–**	–
Debt securities (Note 30)	**746,964**	415,704	**437,857**	415,704
	1,838,981	745,737	**1,328,905**	708,171
Repo balances for assets pledged	**1,736,590**	654,439	**1,238,373**	616,872

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 $1,193.9 million (2010: $947.5 million), of which nil (2010: $31.1 million) 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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Within 1 year	**46,648**	48,077	**20,996**	18,654
After 1 year but within 5 years	**56,115**	74,985	**16,128**	21,289
Over 5 years	**3,896**	5,918	**–**	–
	106,659	128,980	**37,124**	39,943

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 2011	2	1	12	#
Net (decrease)/increase	(2)	(#)	4	(#)
At 31 December 2011	**#**	**1**	**16**	**–**
(b) Deposits, borrowings and other payables				
At 1 January 2011 [1]	139	148	26	1,142
Net increase/(decrease)	39	(44)	8	64
At 31 December 2011	**178**	**104**	**34**	**1,206**
(c) Off-balance sheet credit facilities [2]				
At 1 January 2011 [1]	–	312	5	–
Net increase	–	–	4	#
At 31 December 2011	**–**	**312**	**9**	**#**
(d) Income statement transactions				
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**
Year ended 31 December 2010:				
Interest income	–	#	#	#
Interest expense	1	1	#	7
Rental income	#	4	–	1
Fee and commission and other income	#	1	1	61
Rental and other expenses	4	#	#	3

(1) Comparatives have been restated to conform to current year's presentation.
(2) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(3) # 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 2011	4,098	–	1	4	–
Net increase/(decrease)	2,677	–	(#)	6	–
At 31 December 2011	**6,775**	**–**	**#**	**10**	**–**
(b) Deposits, borrowings and other payables					
At 1 January 2011 [(1)]	6,524	118	115	24	681
Net increase/(decrease)	1,409	46	(30)	9	(157)
At 31 December 2011	**7,933**	**164**	**85**	**33**	**524**
(c) Off-balance sheet credit facilities [(2)]					
At 1 January 2011 [(1)]	1,358	–	312	1	–
Net (decrease)/increase	(208)	–	–	#	#
At 31 December 2011	**1,150**	**–**	**312**	**1**	**#**
(d) Income statement transactions					
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**	**#**	**#**	**#**
Year ended 31 December 2010:					
Interest income	50	–	#	#	#
Interest expense	114	#	#	#	1
Rental income	4	–	–	–	–
Fee and commission and other income	12	–	#	#	46
Rental and other expenses	220	4	#	#	#

(1) Comparatives have been restated to conform to current year's presentation.
(2) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(3) # represents amounts less than $0.5 million.

47.2 Key management personnel compensation

	BANK 2011 $ million	BANK 2010 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**35**	35
Share-based benefits	**14**	14
	49	49

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2011 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 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 are not expected to have any material impact on the Group's financial statements.

Group's Major Properties

As at 31 December 2011

	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	29,907	850,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	101,314	318,700
18 Church Street, OCBC Centre South	Office	100	118,909	75,987	131,350
63 Market Street	Office	100	248,996	297,703	394,000
11 Tampines Central 1	Office	100	115,824	64,551	84,000
31 Tampines Finance Park Avenue 4	Office	100	97,572	49,507	63,000
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]	37,900	43,300
260 Tanjong Pagar Road	Office	100	44,940	5,128	36,100
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146 [2]	1,881	18,900
110 Robinson Road	Office	100	22,120	4,427	18,400
460 North Bridge Road	Office	100	26,576	3,024	25,700
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	40,373	255,465
2 Mt Elizabeth Link, Somerset Compass	Residential	100	104,377	21,920	169,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	13,562	46,150
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920	2,678	21,000
277 Orchard Road	Land under development	100	72,910 [3]	114,323	533,400
				864,185	3,008,465
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	24,405	54,243
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	85	362,313	14,081	31,241
People's Republic of China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	187,593	188,779
Other properties in					
Singapore				144,215	453,270
Malaysia				75,074	175,170
Rest of Southeast Asia				40,655	56,311
Other Asia Pacific				90,069	334,193
Rest of the World				2,086	13,519
				352,099	1,032,463
Total [4]				1,442,363	4,315,191

(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 1 March 2012

CLASS OF SHARES

Ordinary Shares.

NUMBER OF ORDINARY SHAREHOLDERS

The number of ordinary shareholders of the Bank as at 1 March 2012 is 72,390.

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	10,190	14.08	2,345,723	0.07
1,000 – 10,000	49,046	67.75	154,559,270	4.50
10,001 – 1,000,000	13,015	17.98	601,690,639	17.50
1,000,001 and above	139	0.19	2,678,585,393	77.93
Total	72,390	100.00	3,437,181,025	100.00

Number of issued ordinary shares: 3,441,043,176
Number of ordinary shares held in treasury: 3,862,151
Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): 0.11%

TWENTY LARGEST ORDINARY SHAREHOLDERS

Ordinary Shareholders		Number of Ordinary Shares Held	%*
1.	Citibank Nominees Singapore Pte Ltd	450,583,616	13.11
2.	Selat (Pte) Limited	393,711,299	11.45
3.	DBS Nominees (Private) Limited	363,782,596	10.58
4.	DBSN Services Pte. Ltd.	185,398,295	5.39
5.	HSBC (Singapore) Nominees Pte Ltd	155,975,210	4.54
6.	Singapore Investments (Pte) Limited	126,516,053	3.68
7.	Lee Foundation	124,992,106	3.64
8.	Lee Rubber Company (Pte) Limited	104,632,908	3.04
9.	BNP Paribas Securities Services Singapore	97,701,736	2.84
10.	United Overseas Bank Nominees (Private) Limited	75,329,704	2.19
11.	Lee Latex (Pte) Limited	48,299,725	1.41
12.	Raffles Nominees (Pte.) Limited	39,266,659	1.14
13.	Kallang Development (Pte) Limited	32,505,829	0.95
14.	Lee Pineapple Company (Pte) Limited	22,599,381	0.66
15.	Kew Estate Limited	22,042,465	0.64
16.	DB Nominees (Singapore) Pte Ltd	19,126,555	0.56
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		2,329,307,421	67.77

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 1 March 2012, excluding any ordinary shares held in treasury as at that date.

Approximately 65.65% 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 1 March 2012

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 1.3.2012	As at 1.3.2012	As at 1.3.2012	As at 1.3.2012	
Lee Foundation	124,992,106	–	544,847,743 (1)	669,839,849	19.49%
Selat (Pte) Limited	393,711,299	–	17,500,981 (2)	411,212,280	11.96%
Aberdeen Asset Management PLC	–	–	240,789,254 (3)	240,789,254	7.01%
Aberdeen Asset Management Asia Limited	–	–	212,907,981 (4)	212,907,981	6.19%

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 1 March 2012, 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 240,789,254 ordinary shares held by Aberdeen Asset Management PLC and its subsidiaries, Aberdeen Asset Management Asia Limited, Aberdeen Asset Management Inc, Aberdeen Asset Management Investment Services Limited, Aberdeen Asset Management Sdn Bhd, Aberdeen Asset Managers Limited, Aberdeen International Fund Managers Limited, Aberdeen Private Wealth Management Limited, Aberdeen Fund 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 240,789,254 ordinary shares in the Bank across all mandates, equivalent to 7.01% of the Bank's issued ordinary shares, of which the AAM Group is given disposal rights and proxy voting rights for 145,968,316 ordinary shares equivalent to 4.25% and disposal rights without proxy voting rights for 94,820,938 ordinary shares.

(4) This represents the deemed interest in 212,907,981 ordinary shares held by Aberdeen Asset Management Asia Limited ("AAMAL"), through various custodian, on behalf of the accounts managed by AAMAL. The Bank has been advised by AAMAL that it holds a total of 212,907,981 ordinary shares in the Bank across all mandates, equivalent to 6.19% of the Bank's issued ordinary shares, of which AAMAL is given disposal rights and proxy voting rights for 130,116,468 ordinary shares equivalent to 3.79% and disposal rights without proxy voting rights for 82,791,513 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 1 March 2012 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 1 March 2012

CLASS OF SHARES

Non-Cumulative Non-Convertible Class E Preference Shares.

NUMBER OF CLASS E PREFERENCE SHAREHOLDERS

The number of Class E Preference Shareholders of the Bank as at 1 March 2012 is 2,458.

VOTING RIGHTS

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

The Class E Preference Shareholders shall be entitled to attend a class meeting of the Class E Preference Shareholders. Every Class E 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 E Preference Share of which he is the holder.

If dividends with respect to the Class E 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 E 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 E 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 E Preference Shareholders). Every Class E 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 E Preference Share of which he is the holder.

DISTRIBUTION OF CLASS E PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class E Preference Shareholders	%	Number of Class E Preference Shares Held	%
1 – 999	1,690	68.75	520,370	10.41
1,000 – 10,000	716	29.13	1,836,820	36.74
10,001 – 1,000,000	52	2.12	2,642,810	52.85
Total	2,458	100.00	5,000,000	100.00

TWENTY LARGEST CLASS E PREFERENCE SHAREHOLDERS

	Class E Preference Shareholders	Number of Class E Preference Shares Held	%
1.	Citibank Nominees Singapore Pte Ltd	879,800	17.60
2.	DBS Nominees (Private) Limited	292,860	5.86
3.	Pan-United Investments Pte. Ltd.	147,800	2.96
4.	E M Services Private Limited	137,800	2.76
5.	Raffles Nominees (Pte.) Limited	84,700	1.69
6.	HSBC (Singapore) Nominees Pte Ltd	83,600	1.67
7.	National Council of Social Service	80,000	1.60
8.	Tan Chee Jin	58,900	1.18
9.	United Overseas Bank Nominees (Private) Limited	50,200	1.00
10.	BNP Paribas Nominees Singapore Pte Ltd	43,000	0.86
11.	DB Nominees (Singapore) Pte Ltd	32,500	0.65
12.	Titular Roman Catholic Archbishop of Singapore	31,000	0.62
13.	AXA Insurance Singapore Pte Ltd	30,000	0.60
14.	Hobee Print Pte Ltd	30,000	0.60
15.	Phng Hooi Chay	30,000	0.60
16.	DBSN Services Pte. Ltd.	29,800	0.60
17.	Tang Wee Loke	27,500	0.55
18.	Bank of Singapore Nominees Pte. Ltd.	26,000	0.52
19.	Lim Chiang Hoe or Lim Shuh Moh	25,000	0.50
20.	Kimanis Marine Pte Ltd	23,100	0.46
Total		2,143,560	42.88

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 E Preference Shares.

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 1 March 2012 is 6,067.

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

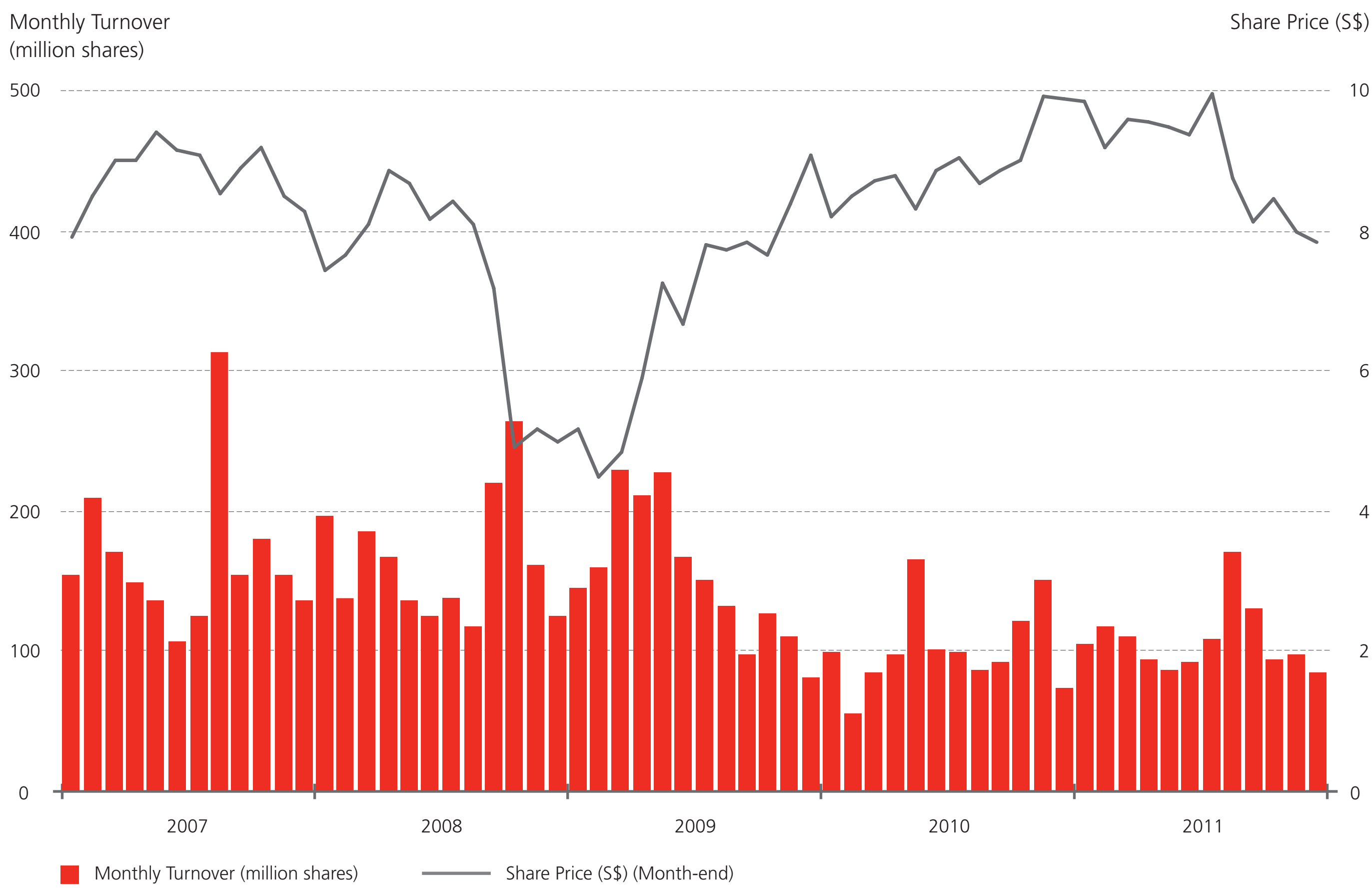
Size of Holdings	Number of Class G Preference Shareholders	%	Number of Class G Preference Shares Held	%
1 – 999	648	10.68	285,156	0.07
1,000 – 10,000	3,330	54.89	13,998,760	3.54
10,001 – 1,000,000	2,065	34.04	150,754,248	38.08
1,000,001 and above	24	0.39	230,792,720	58.31
Total	6,067	100.00	395,830,884	100.00

TWENTY LARGEST CLASS G PREFERENCE SHAREHOLDERS

	Class G Preference Shareholders	Number of Class G Preference Shares Held	%
1.	Selat (Pte) Limited	53,879,531	13.61
2.	Citibank Nominees Singapore Pte Ltd	51,697,540	13.06
3.	DBS Nominees (Private) Limited	24,094,992	6.09
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	8,350,813	2.11
9.	Lee Foundation	7,080,009	1.79
10.	Fraser And Neave, Limited	6,069,458	1.53
11.	Tokio Marine Insurance Singapore Ltd.	3,948,000	1.00
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.	Boswell International Marine (Pte) Limited	1,373,000	0.35
20.	Lee Sang Ming	1,333,000	0.34
Total		226,459,787	57.23

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.

FIVE-YEAR SHARE PRICE AND TURNOVER



	2007	2008	2009	2010	2011
Share Price (S$)					
Highest	9.70	9.02	9.10	10.24	**10.32**
Lowest	7.50	4.50	3.95	8.08	**7.68**
Average	8.84	7.41	6.78	8.92	**9.02**
Last Done	8.29	4.99	9.10	9.88	**7.83**
Per ordinary share					
Basic earnings (cents)	65.9	54.6	59.4	66.1	**65.8**
Basic core earnings (cents) (1)	59.7	46.1	59.4	66.1	**64.8**
Net interim and final dividend (cents) (2)	28.0	28.0	28.0	30.0	**30.0**
Net asset value (NAV) (S$)	4.79	4.51	5.29	5.66	**6.02**
Ratios (3)					
Price-earnings ratio	13.4	13.6	11.4	13.5	**13.7**
Price-earnings ratio - based on core earnings	14.8	16.1	11.4	13.5	**13.9**
Net dividend yield (%)	3.17	3.78	4.13	3.36	**3.33**
Dividend cover (number of times)	2.35	1.95	2.09	2.18	**2.17**
Price/NAV (number of times)	1.85	1.64	1.28	1.58	**1.50**

(1) Core earnings exclude gains from divestments of non-core assets and tax refunds.
(2) Dividends are stated net of tax, where relevant. With effect from 2007 final dividend, the Group's dividends are on a one-tier tax exempt basis.
(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**
2007	Shares issued to non-executive directors	53		
	Share buyback		(4,986)	
	Issue of shares pursuant to Share Option Schemes		14,951	
	Issue of shares pursuant to Employee Share Purchase Plan		1,412	
	Year end balance	3,126,513	(40,292)	3,086,221
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

Further Information on Directors

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 Ph.D. 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-election as a Director of OCBC

15 April 2011

Length of Service as a Director of OCBC

12 years 6 months

Independent Status

Non-executive and non-independent director

MR BOBBY CHIN

Current Directorships (and Appointments)

1.	Singapore Totalisator Board	Chairman
2.	Council of Presidential Advisers of the Republic of Singapore	Member
3.	AV Jennings Ltd*	Director
4.	Frasers Centrepoint Asset Management Ltd	Director
5.	Ho Bee Investment Ltd*	Director
6.	Neptune Orient Lines Ltd*	Director
7.	Sembcorp Industries Ltd*	Director
8.	Singapore Power Ltd	Director
9.	Y C Chin Investment Pte Ltd	Director
10.	Yeo Hiap Seng Ltd*	Director
11.	Competition Commission of Singapore	Board Member
12.	Singapore Cooperation Enterprise	Board Member
13.	Singapore Labour Foundation	Board Member
14.	Singapore Indian Development Association	Board Trustee

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Singapore Chinese Chamber of Commerce & Industry	Council Member

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

17 April 2009

Length of Service as a Director of OCBC

6 years 3 months

Independent Status

Independent director

MR DAVID CONNER

Current Directorships (and Appointments)

1.	Bank of Singapore Ltd	Chairman
2.	International Advisory Council for Asia, Washington University in St Louis	Chairman
3.	Lion Global Investors Ltd	Chairman
4.	Singapore Island Bank Ltd	Chairman
5.	Global Engagement Committee of Washington University in St Louis	Co-Chairman
6.	Asean Finance Corporation Ltd	Director
7.	Dr Goh Keng Swee Scholarship Fund	Director
8.	Great Eastern Holdings Ltd*	Director
9.	KTB Ltd	Director
10.	OCBC Al-Amin Bank Berhad	Director
11.	OCBC Bank (Malaysia) Berhad	Director
12.	OCBC Overseas Investments Pte. Ltd.	Director
13.	Singapore Olympic Foundation	Director
14.	The Overseas Assurance Corporation Ltd	Director
15.	PT Bank OCBC NISP Tbk*	Commissioner
16.	Association of Banks in Singapore	Council Member
17.	Advisory Board of Lee Kong Chian School of Business	Member
18.	Asian Pacific Bankers Club	Member
19.	Corporate Governance Council of MAS	Member
20.	Malaysia-Singapore Business Council	Member
21.	MAS Financial Sector Development Fund Advisory Committee	Member
22.	The f-Next Council of Institute of Banking & Finance	Member
23.	Washington University in St Louis	Board Trustee and Audit Committee Member

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	International Monetary Conference	Director
2.	Singapore Business Federation	Council Member
3.	Washington University in St Louis	Ethan A H Shepley Trustee

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 of OCBC

9 years 9 months

Independent Status

Executive director

MRS FANG AI LIAN

Current Directorships (and Appointments)

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

** 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
4.	International Enterprise Singapore	Board Member
5.	Public Utilities Board	Board 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 Election as a Director of OCBC

17 April 2009

Length of Service as a Director of OCBC

3 years 2 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
4.	Competition Appeal Board	Member

Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Singapore

OCBC Board Committees Served On

Member, Nominating Committee
Member, 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 of OCBC

1 year 7 months

Independent Status

Non-executive and non-independent director

Further Information on Directors

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, Executive Committee
Member, Nominating 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

15 April 2011

Length of Service as a Director of OCBC

45 years 11 months

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)/ Singapore General Hospital	Employee

Directorships (and Appointments) for the past 3 years

Nil

Academic and Professional Qualifications

MBA with Distinction, Imperial College, London
MD and Ph.D., Yale University, New Haven
Fellow, Royal College of Physicians (Canada)

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 of OCBC

8 years 9 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
4.	Irish Business Association	Council Member

** 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, Risk Management Committee

Date of First Appointment as a Director of OCBC

Director since 1 November 2008

Date of Election as a Director of OCBC

17 April 2009

Length of Service as a Director of OCBC

3 years 2 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

** Listed company*

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
5.	Goods and Services Tax Board of Review	Member
6.	Income Tax Board of Review	Member
7.	Securities Industry Council	Member

Academic and Professional Qualifications

Bachelor of Accountancy (Honours), National University of Singapore
Master of Business Administration and Ph.D., University of Pittsburgh

OCBC Board Committees Served On

Member, Audit Committee
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 of OCBC

7 years

Independent Status

Independent director

DATO' OOI SANG KUANG

Current Directorships (and Appointments)

1.	Cagamas Berhad	Chairman
2.	Cagamas HKMC Berhad	Chairman
3.	Cagamas Holdings Berhad	Chairman
4.	Cagamas MBS Berhad	Chairman
5.	Cagamas SRP Berhad	Chairman
6.	Malaysian Electronic Clearing Corporation Sendirian Berhad	Chairman
7.	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 Committee Served On

Nil

Date of First Appointment as a Director of OCBC

Director since 21 February 2012

Length of Service as a Director of OCBC

-

Independent Status

Independent director

MR QUAH WEE GHEE

Current Directorships (and Appointments)

1.	Government of Singapore Investment Corporation Pte Ltd (GIC), India and Natural Resources Business Groups	Chairman
2.	Cypress Holdings Pte Ltd	Director
3.	EDBI Pte Ltd	Director
4.	GIC Asset Management Pte Ltd	Director
5.	Grand Alpine Enterprise Ltd	Director
6.	Great Eastern Life Assurance Co Ltd	Director
7.	Singapore Exchange Ltd*	Director
8.	SLF Strategic Advisers Pte Ltd	Director
9.	Board of Trustees of the Singapore University of Technology and Design	Member
10.	International CFA Asset Manager Code Advisory Committee	Member
11.	Ministry of Health Holdings Pte Ltd, Investment Committee and Evaluation Committee	Chairman/Member
12.	GIC Investment Review Committee	Advisor
13.	GIC Group Executive Committee	Advisor

** 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 Committee Served On

Nil

Date of First Appointment as a Director of OCBC

Director since 9 January 2012

Length of Service as a Director of OCBC

–

Independent Status

Independent director

Further Information on Directors

MR PRAMUKTI SURJAUDAJA

Current Directorships (and Appointments)

1.	Indonesian Overseas Alumni	Chairman
2.	PT Bank OCBC NISP Tbk*	Chairman
3.	Financial Institutions at the Association of Indonesian Indigenuous Entrepreneurs	Deputy Chairman
4.	Parahyangan Catholic University	Advisor
5.	International and East Asia Council of Insead	Council Member
6.	Karya Salemba Empat Foundation, Board of Trustees	Member
7.	President University, Board of Trustees	Member

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	Indonesian Chamber of Commerce & Industry	Board Member
2.	Indonesian Private Banks Association	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 of OCBC

6 years 7 months

Independent Status

Non-executive and non-independent director

DR TEH KOK PENG

Current Directorships (and Appointments)

1.	China International Capital Corporation Ltd	Director
2.	GIC Special Investments Pte Ltd	Director
3.	Urban Redevelopment Authority	Board Member
4.	Asia and Pacific Department Advisory Group of International Monetary Fund	Member
5.	CM Capital (Palo Alto, California), Advisory Board	Member
6.	Lee Kuan Yew School of Public Policy, Governing Board	Member
7.	National University of Singapore, Board of Trustees	Member
8.	The Trilateral Commission	Member
9.	Apex Partners (London)	Adviser

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

Academic and Professional Qualifications

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

OCBC Board Committee Served On

Nil

Date of First Appointment as a Director of OCBC

Director since 1 August 2011

Length of Service as a Director of OCBC

5 months

Independent Status

Independent director

MR PATRICK YEOH

Current Directorships (and Appointments)

1.	Tuan Sing Holdings Ltd*	Chairman
2.	Accuron Technologies Ltd	Director
3.	Nuri Holdings (S) Pte Ltd	Advisor
4.	The EDB Society	Advisor

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	GITI Tire Co Ltd	Deputy Chairman
2.	M1 Ltd	Director

Academic and Professional Qualifications

Bachelor of Science (Honours), University of Malaya (Singapore)

OCBC Board Committees Served On

Chairman, Risk Management Committee
Member, Executive Committee

Date of First Appointment as a Director of OCBC

Director since 9 July 2001

Date of Last Re-appointment as a Director of OCBC

15 April 2011

Length of Service as a Director of OCBC

10 years 6 months

Independent Status

Independent director

International Network

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 55 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
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
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 over 400 offices in Indonesia.

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

PT Great Eastern Life Indonesia has 12 sales offices in Indonesia.

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 Inquiries:
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 5 branches in Malaysia.

Oversea-Chinese Banking Corporation Limited
Labuan Branch
Level 8(C), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan
Federal Territory Malaysia
Tel: (087) 423 381/82
Fax: (087) 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 branch offices in Malaysia.

International Network

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 13 branches and 7 servicing offices in Malaysia.

Malaysia Nominees (Asing) Sdn Bhd
Malaysia Nominees (Tempatan) Sdn Bhd
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 City 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
Ben Nghe Ward, 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, Vietnam.

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

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 (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 a branch office each in Chongqing, Sichuan and Shaanxi. The Great Eastern Group also has a representative office in Beijing.

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.com.cn

Bank of Ningbo is OCBC Bank's strategic partner in China. Besides its head office in Ningbo, Bank of Ningbo has 8 branches, respectively in Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou, Wenzhou, Beijing and Wuxi, and 113 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)
Suite No. 3, 11th Floor, Queen's Place
No. 74 Queen's Road Central
Hong Kong
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
205 Tun Hwa North Road
Bank Tower
Suite 203, 2nd Floor
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 2011	20 February 2012
Annual General Meeting	25 April 2012
Announcement of first quarter results for 2012	11 May 2012
Payment of 2011 final dividend on ordinary shares (subject to shareholders' approval at AGM)	18 May 2012
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 June 2012
Announcement of second quarter results for 2012	August 2012
Payment of 2012 interim dividend (subject to approval of the Board)	September/October 2012
Announcement of third quarter results for 2012	November 2012
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 December 2012

Notice of Annual General Meeting

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

NOTICE IS HEREBY GIVEN that the Seventy-Fifth 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 Wednesday, 25 April 2012 at 2.30 p.m. to transact the following business:

1 To receive and consider the audited Accounts for the financial year ended 31 December 2011 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[(1)]:

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

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

(a) Mr Bobby Chin Yoke Choong
(b) Mrs Fang Ai Lian
(c) Mr Colm Martin McCarthy

4 To re-elect the following Directors retiring under Article 101 of the Bank's Articles of Association:

(a) Dr Teh Kok Peng
(b) Mr Quah Wee Ghee
(c) Dato' Ooi Sang Kuang

5 To approve a final one-tier tax exempt dividend of 15 cents per ordinary share, in respect of the financial year ended 31 December 2011.

6 To approve the remuneration of the non-executive Directors of the Bank for the financial year ended 31 December 2011 comprising the following:

(a) Directors' Fees of S$1,867,000 (2010: S$1,446,000).

(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 2011 (2010: 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 2011, 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 56,515 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) Mr Bobby Chin Yoke Choong (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(2) Mrs Fang Ai Lian (or for the account of such depository agent as she may direct) in respect of 6,000 Remuneration Shares;
(3) Mr Lai Teck Poh (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(4) Mr Lee Seng Wee (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(5) Dr Lee Tih Shih (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(6) Mr Colm Martin McCarthy (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(7) Professor Neo Boon Siong (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(8) Mr Pramukti Surjaudaja (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares;
(9) Mr Patrick Yeoh Khwai Hoh (or for the account of such depository agent as he may direct) in respect of 6,000 Remuneration Shares; and
(10) Dr Teh Kok Peng (or for the account of such depository agent as he may direct) in respect of 2,515 Remuneration Shares,

as payment in part of their respective non-executive Directors' remuneration for the financial year ended 31 December 2011, 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.

7 To appoint Auditors and fix their remuneration.

(1) Mr Patrick Yeoh Khwai Hoh, having attained the age of 74, will cease to hold office at the Seventy-Fifth Annual General Meeting pursuant to section 153 of the Companies Act, Cap. 50, but will not be standing for re-appointment thereat.

As Special Business

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

8(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 8(a); and

(ii) Resolution 8(b) below, if passed,

(including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 8(a) and/or Resolution 8(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.

8(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 8(b); and

(ii) Resolution 8(a) above, if passed,

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

(including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 8(b) and/or Resolution 8(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.

9 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.

10 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.

11 That:

(I) authority be and is hereby given to the Directors of the Bank to:

(i) allot and issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 7J, 7K, 7L and 7M of the Articles of Association of the Bank, whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options that might or would require preference shares referred to in sub-paragraph (i) above to be issued,

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 (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue preference shares referred to in sub-paragraph (i) above in pursuance of any offers, agreements or options made or granted by the Directors while this Resolution was in force; and

(II) (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.

PETER YEOH
Secretary

Singapore
23 March 2012

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, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time set for holding the Meeting.

Explanatory Notes
Resolution 6(b)

Resolution 6(b) authorises the Directors to issue ordinary shares in the capital of the Bank to certain non-executive Directors as part of their remuneration for the financial year ended 31 December 2011 ("**FY 2011**").

A non-executive Director of the Bank will be eligible for an award of ordinary shares if he has served for the entire FY 2011, 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 2011 to be pro-rated accordingly, based on the length of his service during FY 2011.

The non-executive Directors who are eligible for, and will receive, the award of ordinary shares as part of their remuneration for FY 2011 are Mr Bobby Chin Yoke Choong, Mrs Fang Ai Lian, Mr Lai Teck Poh, Mr Lee Seng Wee, Dr Lee Tih Shih, Mr Colm Martin McCarthy, Professor Neo Boon Siong, Mr Pramukti Surjaudaja, Mr Patrick Yeoh Khwai Hoh and Dr Teh Kok Peng.

It is proposed that, for FY 2011, 6,000 ordinary shares be issued to each non-executive Director named above (2010: 6,000 ordinary shares), save that 2,515 ordinary shares are proposed to be issued to Dr Teh Kok Peng (who was appointed as a non-executive Director of the Bank on 1 August 2011). The proposed award of ordinary shares is in addition to the Directors' fees in cash to be proposed under Resolution 6(a).

Dr Cheong Choong Kong, non-executive Director and Chairman, has declined to accept any award of remuneration shares for FY 2011.

The issue of ordinary shares under Resolution 6(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 non-executive Directors who will each, subject to Shareholders' approval, be awarded ordinary shares as part of their remuneration for FY 2011, will abstain from voting in respect of, and will procure their associates to abstain from voting in respect of, Resolution 6(b).

Resolutions 8(a) and 8(b)

Resolution 8(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 8(a) and Resolution 8(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 8(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 8(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 8(a) and Resolution 8(b) shall not exceed the 50% Limit. The rationale for proposing Resolution 8(b) is explained below.

On 13 January 2011, the Basel Committee on Banking Supervision issued recommendations on the minimum requirements for ensuring that all classes of capital instruments fully absorb losses at the point of non-viability before taxpayers are exposed to loss. Under these recommendations, (unless already required by law) the terms and conditions of all non-common Tier 1 and Tier 2 instruments to be issued by the Bank would have to contain a provision which requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of a trigger event. The Bank anticipates that similar recommendations will be introduced and/or legislated in Singapore. The authority conferred by Resolution 8(b) is being proposed so as to give the Bank the flexibility to accommodate these recommendations, to the extent of the 20% sub-limit described above, in the event of any issue of non-common Tier 1 or Tier 2 instruments by the Bank. The Bank does not intend to use the authority conferred by Resolution 8(b) for any other purpose.

For the purpose of determining the aggregate number of ordinary shares that may be issued pursuant to Resolution 8(a) and Resolution 8(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 (a) 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 (b) 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 9

Resolution 9 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 9 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 10

Resolution 10 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.

Resolution 11

Resolution 11 is to authorise the Directors from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 7J, 7K, 7L and 7M of the Articles of Association of the Bank, and/or to make or grant offers, agreements or options that might or would require such preference shares to be issued. The Directors will only issue such preference shares if they consider it necessary and in the interests of the Bank.

PETER YEOH
Secretary

Singapore
23 March 2012

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, this Annual Report 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, ____

NRIC/Passport No. ______________________________of______________________________

____

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 Wednesday, 25 April 2012 at 2.30 p.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against such item 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 Reports and Accounts		
2 (a)	Re-appointment of Dr Cheong Choong Kong		
2 (b)	Re-appointment of Mr Lee Seng Wee		
3 (a)	Re-election of Mr Bobby Chin Yoke Choong		
3 (b)	Re-election of Mrs Fang Ai Lian		
3 (c)	Re-election of Mr Colm Martin McCarthy		
4 (a)	Re-election of Dr Teh Kok Peng		
4 (b)	Re-election of Mr Quah Wee Ghee		
4 (c)	Re-election of Dato' Ooi Sang Kuang		
5	Approval of final one-tier tax exempt dividend		
6 (a)	Approval of amount proposed as Directors' Fees in cash		
6 (b)	Approval of allotment and issue of ordinary shares to certain non-executive Directors		
7	Appointment of Auditors and fixing their remuneration		
8 (a)	Authority to allot and issue ordinary shares on a *pro rata* basis		
8 (b)	Authority to make or grant instruments that might or would require ordinary shares to be issued on a non *pro rata* basis		
9	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)		
10	Authority to allot and issue ordinary shares pursuant to OCBC Scrip Dividend Scheme		
11	Authority to allot and issue preference shares		

Dated this ____________ day of _____________ 2012

____

Signature(s) of Shareholder(s) or Common Seal

Total Number of Ordinary Shares held

IMPORTANT: PLEASE READ NOTES OVERLEAF

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, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, 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
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

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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 was ranked by Bloomberg Markets as the world's strongest bank in 2011.

OCBC Bank and its subsidiaries offer a broad array of specialist financial 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 500 branches and representative offices in 15 countries and territories, including more than 400 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 in 2011 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
Mr Patrick Yeoh

NOMINATING COMMITTEE

Mrs Fang Ai Lian
Chairman

Dr Cheong Choong Kong
Mr Lai Teck Poh
Mr Lee Seng Wee
Professor Neo Boon Siong

EXECUTIVE COMMITTEE

Dr Cheong Choong Kong
Chairman

Mr Bobby Chin
Mr David Conner
Mr Lee Seng Wee
Mr Patrick Yeoh

AUDIT COMMITTEE

Mr Bobby Chin
Chairman

Mr Colm McCarthy
Professor Neo Boon Siong

REMUNERATION COMMITTEE

Mrs Fang Ai Lian
Chairman

Dr Cheong Choong Kong
Dr Lee Tih Shih
Professor Neo Boon Siong

RISK MANAGEMENT COMMITTEE

Mr Patrick Yeoh
Chairman

Dr Cheong Choong Kong
Mr David Conner
Mr Lai Teck Poh
Mr Colm McCarthy
Mr Pramukti Surjaudaja

SECRETARY

Mr Peter Yeoh

REGISTERED OFFICE

65 Chulia Street
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Tel: (65) 6318 7222 (Main Line)
Fax: (65) 6533 7955
Email: ContactUs@ocbc.com
Website: www.ocbc.com

SHARE REGISTRATION OFFICE

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The Corporate Office
Singapore 068906
Tel: (65) 6228 0505

AUDITORS

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Tel: (65) 6213 3388

PARTNER IN CHARGE OF THE AUDIT

Ms Lee Sze Yeng
(Year of Appointment: 2011)

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OCBC Bank

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)

Company Registration Number: 193200032W