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Management Discussion and Analysis

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.

Directors' Report

For the financial year ended 31 December 2011

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

2.18 Share capital and dividend

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

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

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

2.19 Recognition of income and expense

2.19.1 Interest income and expense

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

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 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 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	GROUP 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	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 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 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

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

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.

	2011			2010		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	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	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'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	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'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	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'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 $ million	2010 $ 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 $'000	2010 $'000	2011 $'000	2010 $'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		BANK	
	2011 $'000	2010 $'000	2011 $'000	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		BANK	
	2011 $'000	2010 $'000	2011 $'000	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 2011 $ million	GROUP 2010 $ million	BANK 2011 $ million	BANK 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		BANK	
	2011 $ million	2010 $ million	2011 $ million	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		2010	
	Amount $ million	Allowance $ million	Amount $ million	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	Effective % interest held 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	BANK 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 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 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.

	2011			2010		
$ million	Structural currency exposure	Hedging financial instruments	Net structural currency exposure	Structural currency exposure	Hedging financial instruments	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:

$ million	2011 Carrying amount of loans	2011 Fair value of collaterals	2010 Carrying amount of loans	2010 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)

$ million	Held for trading	Designated at fair value through profit or loss	BANK 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.

41.2 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	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'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

	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
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

	GROUP 2011 $'000	GROUP 2010 $'000	BANK 2011 $'000	BANK 2010 $'000
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.