It’s about Performance

OCBC Bank

Annual Report 2010

Contents

Our Purpose

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

Our Values

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

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

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

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

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

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

Cover photo courtesy of Mr Ching Wei Hong, Head of Global Consumer Financial Services, OCBC Bank

It's about performance.

That has really been the heart of our New Horizons II strategy over the past five years.

We adopted a disciplined approach towards transforming OCBC into a high performance bank, using a balanced business scorecard to focus on improving our performance in six key areas – customers, products, risk management, productivity, people and shareholder value.

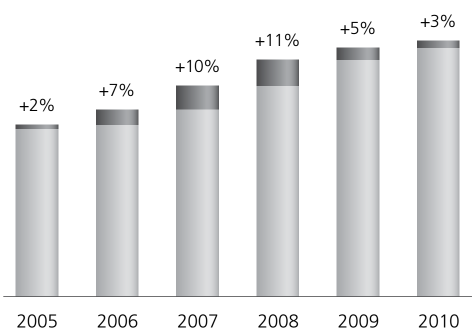
We steadfastly executed this strategy, even as we navigated through one of the most challenging periods in our history – the global financial crisis of 2008-2009. From 2006 to 2010, our core revenue grew at a compounded annual rate of 13%, and core net profit grew at 12%.

OCBC has emerged as a stronger, larger and better-performing organisation, well positioned to tap on the growth opportunities in the region for the years to come.

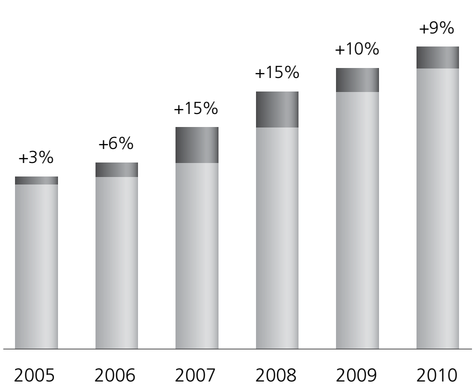
EXPANDING OUR CUSTOMER BASE...

By deploying customer insights gained from extensive customer surveys, we were able to offer differentiated products and services to better meet our customers' expectations. Examples include our full-service Sunday banking, faster credit approvals and turnaround time, simplified account opening processes, exclusive business banking centres, customised credit cards for SMEs, and financial services offerings tailored for families, children and seniors.

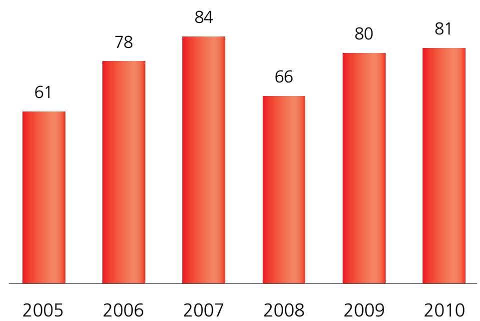
We achieved average annual growth of 7% in our consumer customer base and 11% in the SME customer base since 2006, and improved cross-sell across the organisation.



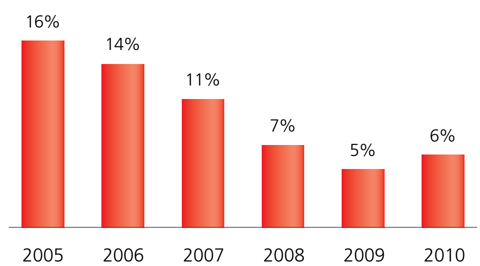
Number of Consumer Customers



Number of SME Customers



Number of New Products



Innovation Index
(% of revenues from new products)

LAUNCHING INNOVATIVE PRODUCTS...

More than 380 new products were launched since 2006, contributing an average of 9% of annual revenues.

Over the years, we received third party recognition for our improved product capabilities, including various awards for cash management, trade finance, treasury products, investment banking mandates, and unit trust performance.

The acquisition of Bank of Singapore provided a significant boost to our wealth management business, complementing our strengths in insurance, fund management, brokerage and treasury.

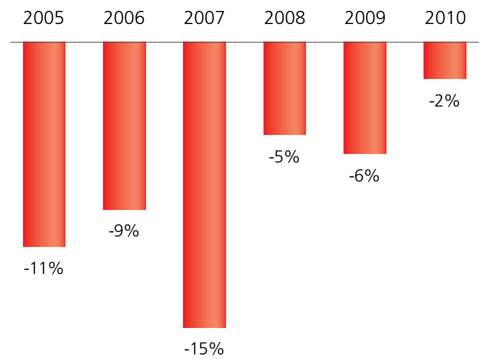
MANAGING RISKS WELL...

OCBC came through the global financial crisis of 2008-2009 with the lowest NPL ratio and lowest specific credit losses among Singapore banks.

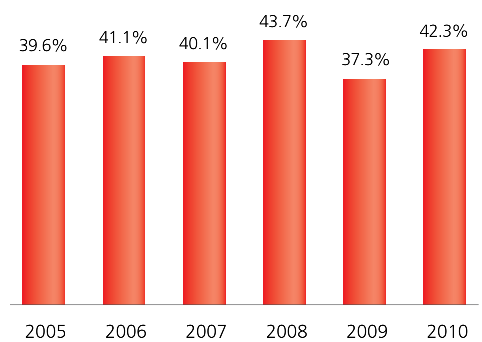
Our NPL ratio improved from 4.1% to 0.9% over five years.

We successfully adopted the Basel II capital framework from January 2008, and continued to make improvements to our risk methodologies.

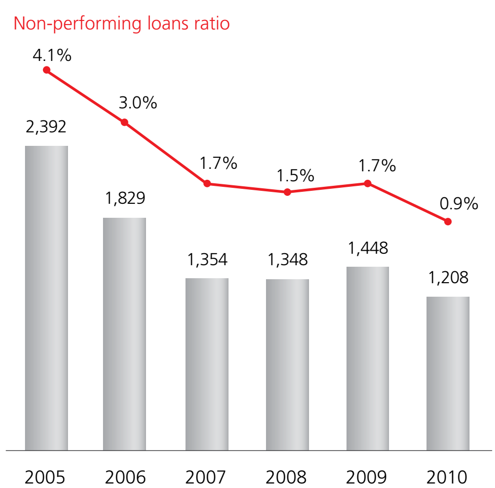
OCBC maintained its position as one of the highest rated banks in Asia-Pacific – our long term credit ratings were upgraded by Moody's in 2007, Fitch in 2005, and S&P in 2004.



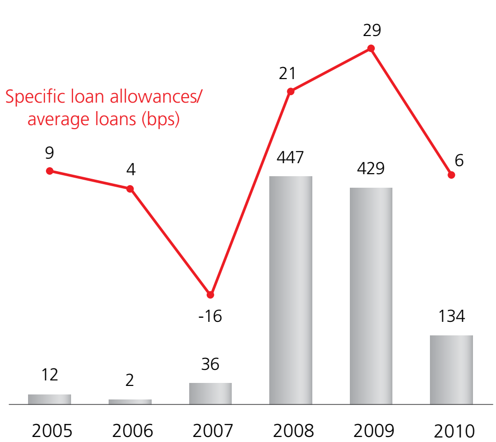
Unit Processing Costs Reduction



Cost to Income Ratio



Non-Performing Assets (S$m)



Net Allowances (S$m)

IMPROVING PRODUCTIVITY...

We hubbed various work streams into Malaysia, taking advantage of the lower costs; more than 70% of Singapore transactions are now processed in Malaysia.

Productivity improved by more than 10% annually, and unit costs were reduced by an average of 7% per annum across our processing centres in Singapore and Malaysia.

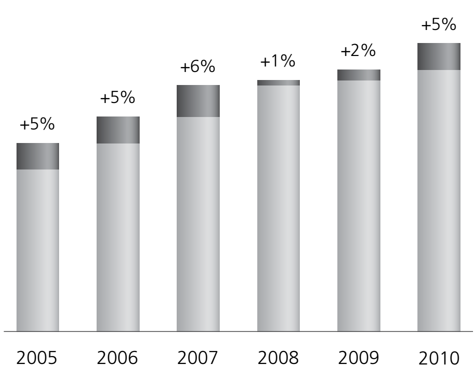
Since 2003, we have executed 69 cross-functional process improvement projects to deliver operational efficiencies and enhanced customer experience, with estimated margin improvements of S$185 million.

AND, ENGAGING OUR EMPLOYEES...

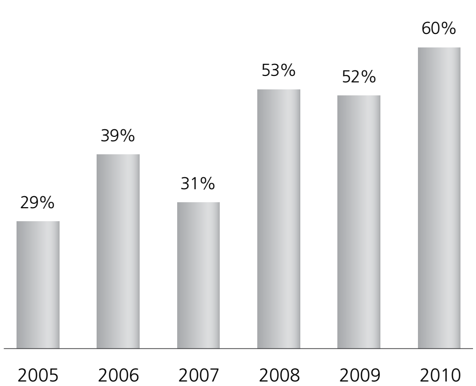
We continued to invest in our people by expanding our training and career development programmes. We also implemented numerous ideas suggested by our employees to improve our workplace environment.

Our employee engagement scores have improved for each of the past eight years, and OCBC is now within the Hewitt "Best Employer" range.

We achieved high participation rates for our employee share ownership schemes, with 60% of the Bank's employees owning OCBC shares, up from 29% in 2005.



Employee Engagement Score



% of Employees Holding OCBC Shares

HAVE DELIVERED ENHANCED SHAREHOLDER VALUE

From 2006 to 2010, our core revenue and core net profit grew at a compounded annual rate of 13% and 12% respectively, in spite of the 2008-2009 global financial crisis.

Earnings per share grew at compounded annual rate of 11%.

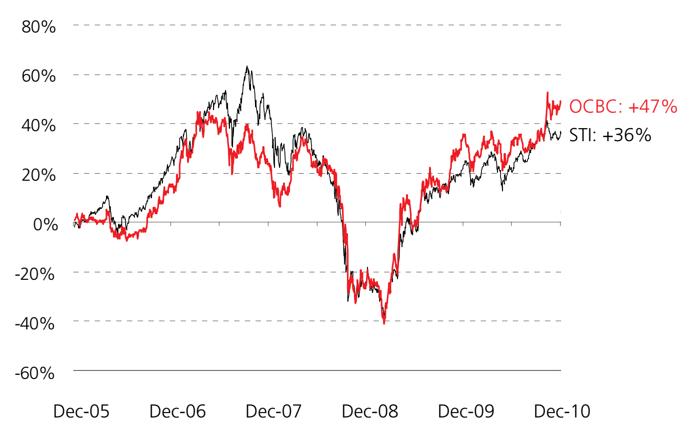
Dividends per share were maintained through the financial crisis, and increased by 63% over five years.

Return on equity averaged 11.9% (12.2% on cash basis), in line with our minimum target of 12%.

OCBC's share price outperformed the Straits Times Index during the New Horizons II period.

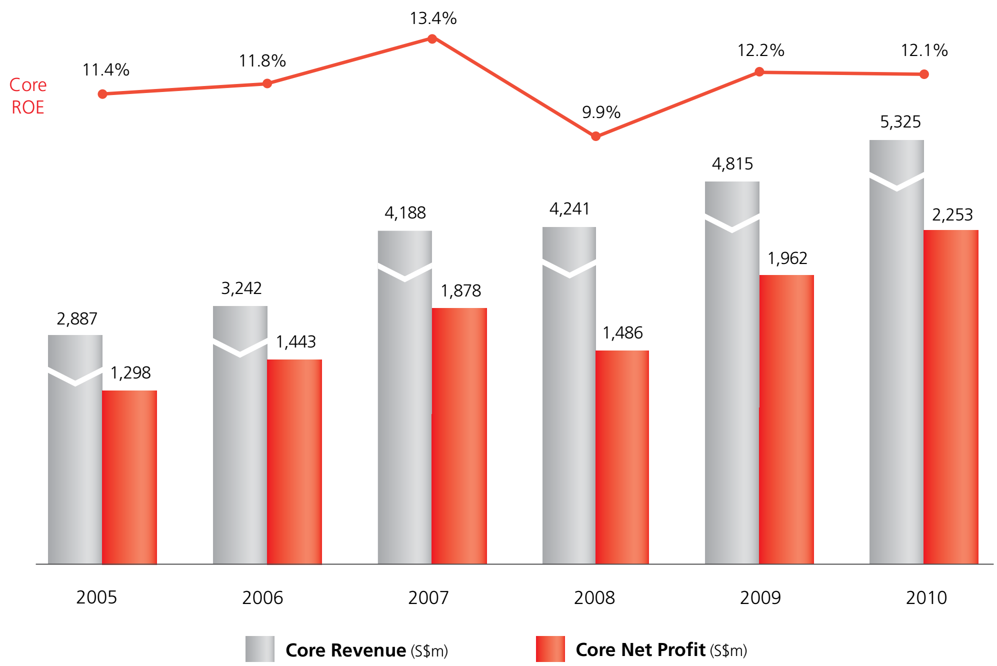
CAGR 2006-2010:

Price	Total Shareholder Return
OCBC: +8%	OCBC: +12%
STI: +6%	STI: +10%

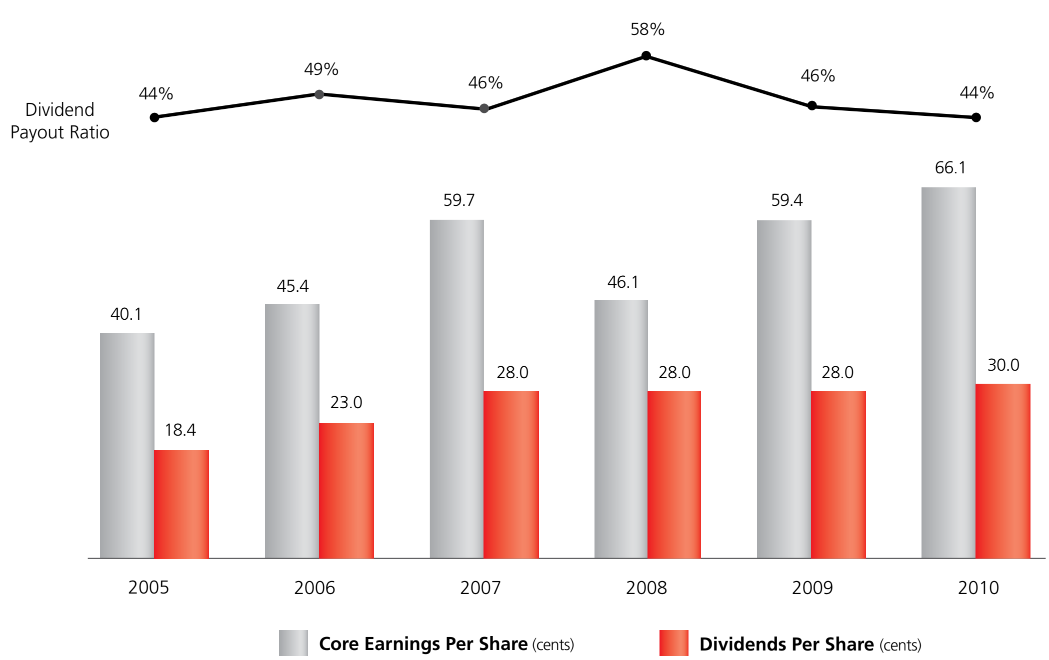


Relative Share Price Performance

5-Year CAGR: Core Revenue 13%, Core Net Profit 12%



5-Year CAGR: Core EPS 11%, DPS 10%



Letter to Shareholders

"Through the steady execution of our New Horizons I (2003–2005) and New Horizons II (2006–2010) strategies, we have made good progress in transforming OCBC into a larger, stronger and more diversified financial services group. We have steadily improved our market position in Singapore and Malaysia and built up our presence in Indonesia and China. We have also invested heavily in our people, brands, network, systems and processes, and broadened our range of products and services to serve the diverse needs of different customer segments. In particular, we have systematically built up our wealth management capabilities across multiple product and distribution platforms and customer segments."

2010 was a good year for Asia. Despite lingering economic uncertainties in the US and concerns over the levels of sovereign debt in certain European countries, Asia experienced a robust economic recovery underpinned by the region's strong economic fundamentals and a sharp rebound in domestic and external demand. China's economy expanded by 10.3% to become the second largest in the world, providing an engine of growth for the rest of Asia. GDP growth in Singapore reached 14.5%, the fastest pace in decades, contrasting sharply with the 0.8% contraction seen in 2009. Malaysia and Indonesia, two of our other key markets, also achieved healthy economic growth of 7.2% and 6.1% respectively.

PERFORMANCE REVIEW

Against this positive backdrop, OCBC was able to seize several growth opportunities to achieve another year of record revenues and earnings. Broad-based loan growth, strong gains in our fee income, including the contribution to our wealth management business from the Bank of Singapore, and healthy customer treasury flows, all served to underscore our sound customer franchise.

Group net profit of S$2,253 million increased 15% over S$1,962 million in 2009. Return on equity was 12.1%, and earnings per share increased 11% to 66.1 cents. These results included the consolidation of Bank of Singapore from 29 January 2010.

Our revenue growth was primarily driven by non-interest income, which was up 20% to S$2,378 million. Fee and commission income surged 36% to S$994 million, with the biggest increases coming from wealth management income, which tripled from S$65 million to S$189 million, and trade-related, loan-related and investment banking income. Net trading income and investment gains were also higher. Profit from life assurance was weaker, mainly due to the fact that the previous year's performance was boosted by the strong rebound in equity and bond markets from the lows of the global financial crisis.

Net interest income rose 4% to S$2,947 million, as strong asset growth was largely offset by narrower interest margins as a result of the continuing low interest rate environment. We grew our customer loans by 29% (23% excluding the consolidation of Bank of Singapore), with broad-based contributions from our key geographies as well as customer and industry segments.

Operating expenses increased 25% to S$2,254 million, reflecting the consolidation of Bank of Singapore, the stepping up of investments following a period of cost restraint, and higher business volume-related costs. In 2009, the stringent cost controls we put in place had reduced our expenses by 3%. Over the two year period from 2008 to 2010, and excluding Bank of Singapore, our expenses increased by a lower 13%.

Prudent risk management and credit underwriting discipline kept our credit losses low and our asset quality sound. Allowances for loans and other assets were reduced from S$429 million in 2009 to S$134 million in 2010, while our non-performing loans ratio improved from 1.7% to 0.9%.

We continue to maintain a strong capital position, with Tier 1 and total capital adequacy ratios of 16.3% and 17.6% respectively, as at 31 December 2010. These ratios were slightly above the levels

in 2009, and well above the regulatory minimum of 6% and 10% respectively. Our Core Tier 1 ratio, which excludes perpetual and innovative preference shares, improved from 12.0% to 12.5%.

Our key subsidiaries achieved healthy overall results. Great Eastern Holdings ("GEH") reported a marginal 2% decline in its net profit to S$507 million. However, GEH's underlying insurance business showed healthy growth, with new business weighted premiums increasing by 20% and new business embedded value climbing 30%. These results were driven by GEH's strategy of focusing on regular premium and protection products, which will improve longer term profitability. GEH's net profit contribution to the Group was S$405 million, representing 18% of Group earnings.

OCBC Bank (Malaysia) Berhad registered 16% growth in net profit to MYR 706 million (S$299 million), led by broad-based growth in net interest income, Islamic Banking income and non-interest income, as well as lower allowances. Loans grew 10% during the year, contributed mainly by housing loans and corporate loans, and the net interest margin improved, supported by rising interest rates.

Bank OCBC NISP's net profit fell 26% to IDR 321 billion (S$48 million), caused mainly by a one-time expense of IDR 188 billion arising from its merger with our other Indonesian subsidiary, Bank OCBC Indonesia. We undertook the merger of these two entities to consolidate our different banking businesses under a single presence and create a greater scale for our Indonesian operations. We expect to reap revenue, cost and operational synergies over the longer term. Following the merger's completion on 1 January 2011, Bank OCBC NISP's total assets increased 13% to IDR 50.1 trillion, and OCBC Bank's stake in the enlarged entity increased from 81.9% to 85.06%. During the year, Bank OCBC NISP expanded its loan book by 28% and improved its deposit franchise significantly, with its low-cost savings deposits growing by 35%.

Bank of Singapore achieved 18% growth in assets under management during the year, while its earning asset base, which includes loans, grew 20% to US$32 billion. Its global branding campaign, launched in early 2010, has been successful in building name recognition, helping retain existing customers and attract new customers while enhancing its ability to bring in talent from global private bank competitors. More than 200 new staff were hired during the year, including 60 relationship managers. In addition to growing its business in existing markets, Bank of Singapore increased its assets from customers based in Europe and the Middle East, markets which were previously the purview of a separate unit under the ING organisation. Cross-sell and referral efforts between OCBC Bank and Bank of Singapore have also been successful, covering the areas of property and business financing, deposits, insurance sales and customer acquisition.

DIVIDENDS

The Board has recommended a final tax-exempt dividend of 15 cents per share, bringing the full year 2010 dividend to 30 cents, an increase from the previous year's 28 cents. Our Scrip Dividend Scheme will be applicable to the final dividend, giving shareholders the option to receive the final dividend in the form of shares, which will be issued at a 10% discount to the average of the daily volume weighted average prices from 19 April 2011 (the ex-dividend date) to 21 April 2011 (the books closure date).

Letter to Shareholders

DELIVERING SHAREHOLDER VALUE IN NEW HORIZONS II

2010 marked the final year of our five-year New Horizons II strategy. Much progress has been made in improving our performance and strengthening our businesses over this period. We highlight here our achievements in meeting our financial and shareholder value targets over 2006-2010.

Group core revenue increased from S$2.9 billion in 2005 to S$5.3 billion in 2010, while core net profit grew from S$1,298 million to S$2,253 million. These represent annual compounded growth rates of 13% and 12% respectively. Core earnings per share grew at a compounded rate of 11% per annum, above our 10% target, while dividends per share increased 63% over the period, from 18.4 cents to 30 cents.

Return on equity averaged 11.9% (12.2% on a cash basis), not quite meeting our target of sustaining ROE at above 12%, but a respectable outcome considering that this period spanned the global financial crisis of 2008-2009 which also led to higher proposed capital requirements under Basel III. Most importantly, our consistent investments in risk management infrastructure and our disciplined credit process helped us weather the crisis well, with OCBC achieving the lowest credit losses and best NPL performance among the Singapore banks.

We continued to invest heavily in inorganic growth – spending approximately S$3.2 billion since 2006 – by acquiring or increasing our investments in various financial services businesses. These include Bank of Singapore, GEH, Bank OCBC NISP, Bank of Ningbo, AVIC Trust (formerly South China Trust), VP Bank and PacificMas Berhad. Over the same five-year period, we sold several non-core assets, including a number of properties as well as our equity stakes in Robinsons, Straits Trading Company and Raffles Holdings, realising total gains of S$820 million.

Even as we made various acquisitions and investments, increased our dividends and spent an additional S$520 million on share buybacks, our capital position remained strong throughout the period. We raised approximately S$6.1 billion of alternative Tier 1 and Tier 2 capital to optimise our capital mix and provide additional room for growth. The Scrip Dividend Scheme which we revived in 2009 also helped strengthen our core Tier 1 capital. Our Aa1 credit rating from Moody's is a testament to the strength of our capital base and balance sheet which has grown dramatically as part of our New Horizons II strategy.

Over the five year period, OCBC's share price increased by 47%, outperforming the Straits Times Index (36% increase) as well as the shares of our Singapore peers.

CONTINUING THE JOURNEY: NEW HORIZONS III

Through the steady execution of our New Horizons I (2003–2005) and New Horizons II (2006–2010) strategies, we have made good progress in transforming OCBC into a larger, stronger and more diversified financial services group. We have steadily improved our market position in Singapore and Malaysia and built up our presence in Indonesia and China. We have also invested heavily in our people, brands, network, systems and processes, and broadened our range of products and services to serve the diverse needs of different customer segments. In particular, we have systematically built up our wealth management capabilities across multiple product and distribution platforms and customer segments, combining the strengths of our insurance, fund management, stockbroking and treasury businesses, and – with the acquisition of Bank of Singapore last year – our private banking business which now covers high net worth customers across 40 plus countries.

As we look into the future, our base case scenario is that economic growth will remain healthy in our key markets, underpinned by political stability, pro-business policies, increased expenditure on infrastructure, rising affluence and continued growth in China. But Asia's outstanding growth rates also mean that competition will intensify – competition for customers, talent, capital and licenses. We can also expect the continued entry of non-bank players in the financial services space, enabled by new technologies. And as a direct result of the financial crisis, banks will have to operate under more stringent capital, funding and liquidity requirements given the proposed Basel III regulations. We believe striking the right balance between capital, growth and profitability will become increasingly important for banks to compete effectively.

As we adapt to an ever evolving business environment, the core pillars of our strategy that have served us well over the past several years will remain relevant. OCBC's strategy going forward will focus on the following key elements:

Balanced Business Scorecard: We will continue our disciplined approach of driving performance improvement through a balanced business scorecard, focusing on customers, products, risk management, productivity, people and shareholder value. We will retain our key financial targets of 10% EPS growth, ROE of 12%, and 45% minimum dividend payout.

Customer Experience: Over many decades, we have earned our customers' trust and confidence by maintaining a solid reputation for financial strength and integrity. Building on this foundation, our goal now is to create a superior and differentiated customer experience at OCBC that will ultimately give us a sustainable competitive advantage. To do so we will continue to improve our service delivery by leveraging our customer insights to develop superior customer value propositions, by focusing on quality and by investing in customer experience delivery capabilities across our organisation.

Deeper Presence in Malaysia, Indonesia and Greater China: Outside of our home market, we will remain focused on deepening our presence and driving growth in Malaysia, Indonesia and Greater China. We will expand our distribution network and capabilities in Malaysia and strive to take market share. In Indonesia, following the merger of our two subsidiaries, we will build on the enlarged franchise to invest and grow more effectively in this market through our single business presence. In China, we will expand through closer integration of our businesses across Greater China, including Hong Kong and Taiwan, and build our private banking business through Bank of Singapore.

Leveraging Group Synergies: Over the years we have enhanced our capabilities and expanded our franchise under various business units and subsidiaries, including OCBC Malaysia, Bank of Singapore, Great Eastern, Lion Global Investors, OCBC Securities, Bank OCBC NISP, OCBC China and OCBC Al-Amin. While intra-Group collaboration has contributed to our overall growth, we can do more to harness the potential synergies between these various entities and deepen as well as widen our relationships with our customers. This will further differentiate OCBC from our competitors. We will seek to increase cross-sell and customer referrals across the Group. We will also leverage on our common corporate resources across the Group to increase operational efficiencies. Finally, we will balance organic growth with selective acquisitions that fit our overall franchise.

OUTLOOK FOR 2011

The global economy is expected to continue its steady recovery from the recession of 2008-2009. The IMF recently raised its global GDP growth forecast for 2011 to 4.4%, reflecting greater optimism over the US recovery and prospects for continued growth in emerging economies, led by China. Most economists expect growth in Asia to moderate after the sharp recovery in 2010, but the consensus is that Asia will remain the fastest growing region in the world. In Singapore, the official GDP projection for 2011 is 4-6%, and for Malaysia and Indonesia, forecasts are in the range of 5-6%. While we are mindful of the risks from rising inflationary pressures, on balance, given the positive economic environment and strong business confidence, we are optimistic regarding the overall outlook for the year ahead.

ACKNOWLEDGEMENTS

Once again, we would like to thank our fellow Board members for their invaluable advice, counsel and support. We acknowledge and commend our staff and management for their dedication, teamwork and contribution to the Group's achievements over these years. We also extend our gratitude to our shareholders and loyal customers for their continued support and confidence in OCBC.

CHEONG CHOONG KONG
Chairman

DAVID CONNER
Chief Executive Officer

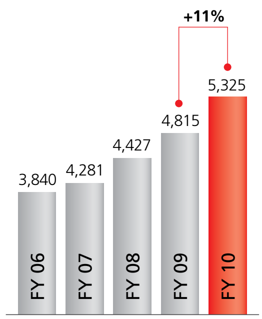
18 February 2011

Financial Highlights

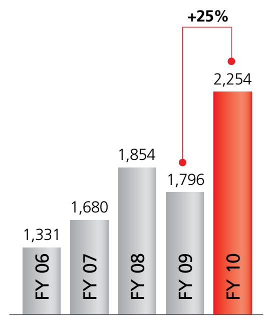
Group Five-Year Financial Summary

Financial year ended 31 December	**2010**	2009	2008	2007	2006
Income statements (S$ million)					
Total income	**5,325**	4,815	4,427	4,281	3,840
Operating expenses	**2,254**	1,796	1,854	1,680	1,331
Operating profit	**3,071**	3,019	2,573	2,601	2,508
Amortisation of intangible assets	**55**	47	47	47	44
Allowances for loans and impairment of other assets	**134**	429	447	36	2
Profit before tax	**2,880**	2,543	2,085	2,539	2,476
Profit attributable to equity holders of the Bank	**2,253**	1,962	1,749	2,071	2,002
Cash basis profit attributable to equity holders of the Bank (1)	**2,308**	2,009	1,796	2,118	2,046
Balance sheets (S$ million)					
Non-bank customer loans (net of allowances)	**104,989**	80,876	79,808	71,316	59,309
Non-bank customer deposits	**123,300**	100,633	94,078	88,788	75,115
Total assets	**229,283**	194,300	181,385	174,607	151,220
Assets, excluding life assurance fund investment assets	**181,797**	151,223	142,508	133,471	113,607
Total liabilities	**205,638**	172,521	162,825	157,768	136,729
Ordinary shareholders' equity	**18,894**	17,075	13,978	14,782	12,508
Total equity attributable to the Bank's shareholders	**20,790**	18,971	15,874	15,678	13,404
Per ordinary share					
Basic earnings (cents)	**66.1**	59.4	54.6	65.9	63.4
Cash earnings (cents) (1)	**67.8**	60.9	56.1	67.4	64.8
Net interim and final dividend (cents) (2)	**30.0**	28.0	28.0	28.0	23.0
Net asset value (S$)					
Before valuation surplus	**5.66**	5.29	4.51	4.79	4.07
After valuation surplus	**7.09**	6.33	5.18	6.46	5.55
Ratios (%)					
Return on ordinary shareholders' equity	**12.1**	12.2	11.8	14.8	16.6
Return on assets (3)	**1.32**	1.35	1.23	1.66	1.92
Dividend cover (times)	**2.18**	2.09	1.95	2.35	2.77
Cost to income	**42.3**	37.3	41.9	39.2	34.7
Capital adequacy ratio (4)					
Tier 1	**16.3**	15.9	14.9	11.5	13.1
Total	**17.6**	16.4	15.1	12.4	15.8

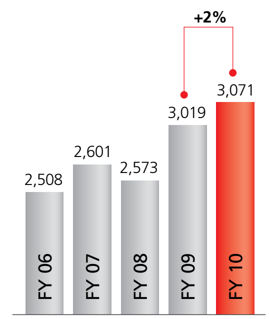
(1) Excludes amortisation of intangible assets.
(2) Dividends are stated net of tax, where relevant. With effect from the 2007 final dividend, the Group's dividends are on a one-tier tax exempt basis.
(3) The computation of return on average assets does not include life assurance fund investment assets.
(4) 2008 to 2010 capital adequacy ratios are computed under the Basel II framework, in accordance with the revised MAS Notice 637 to Banks, dated 14 December 2007.



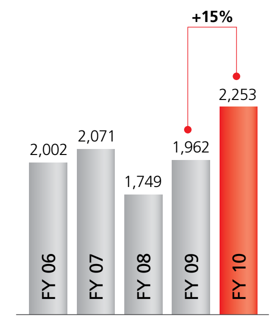
Total Income (S$ million)



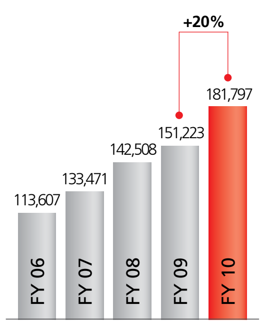
Operating Expenses (S$ million)



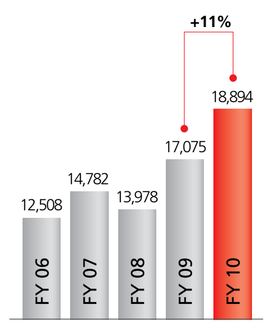
Operating Profit (S$ million)



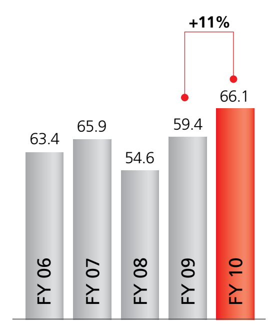
Profit Attributable to Equity Holders of the Bank (S$ million)



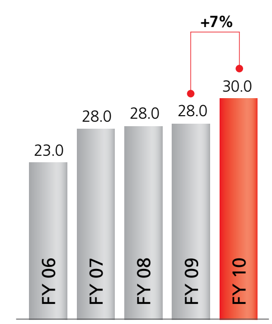
Assets, Excluding Life Assurance Fund Investment Assets (S$ million)



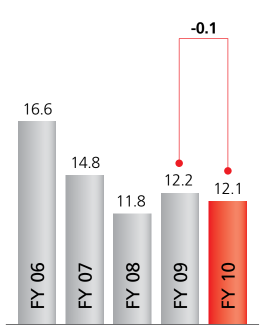
Ordinary Shareholders' Equity (S$ million)



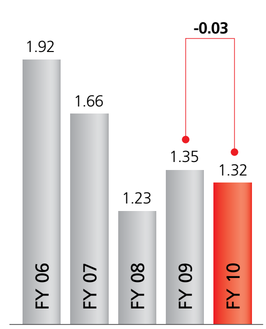
Basic Earnings Per Share (cents)



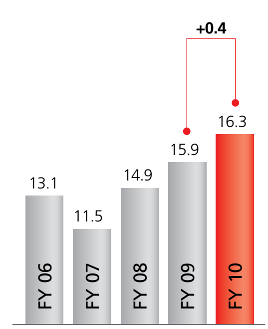
Net Dividend Per Share (cents)



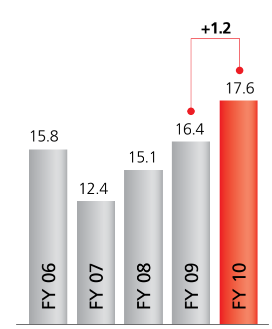
Return on Ordinary Shareholders' Equity (%)



Return on Assets (%)



Tier 1 CAR (%)



Total CAR (%)

Board of Directors

DR CHEONG CHOONG KONG
CHAIRMAN

Dr Cheong was first appointed to the Board on 1 July 1999 and last re-elected as a Director on 17 April 2008. On 1 July 2003, he was appointed Chairman, after having served as Vice Chairman from 26 March 2002 to 30 June 2003.

Dr Cheong brings with him a wealth of experience gained in his extensive career, including 29 years at Singapore Airlines Ltd, where he last held the position of Deputy Chairman and Chief Executive Officer.

He is a Director of several companies, including Great Eastern Holdings Ltd.

Dr Cheong holds a Bachelor of Science with First Class Honours in Mathematics from the University of Adelaide and a Master of Science and Ph.D. in Mathematics and (Honorary) Doctor of Science from the Australian National University. Age 69.

MR BOBBY CHIN

Mr Chin was first appointed to the Board on 1 October 2005 and last re-elected as a Director on 17 April 2009. He is presently the Chairman of Singapore Totalisator Board and a Member of the Council of Presidential Advisers of the Republic of Singapore.

He serves on the board of several listed companies, including Neptune Orient Lines Ltd and Sembcorp Industries Ltd. He is also a Board Member of Singapore Labour Foundation, a Board Trustee of Singapore Indian Development Association and a Member of the Competition Commission of Singapore. Mr Chin was formerly the Managing Partner of KPMG Singapore, from which he retired in 2005 after a 30-year career. Mr Chin holds a Bachelor of Accountancy from the University of Singapore and is an Associate Member of the Institute of Chartered Accountants in England and Wales, and a Fellow CPA of the Institute. Age 59.

MR DAVID CONNER
CHIEF EXECUTIVE OFFICER

Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 16 April 2010. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently Chairman of Bank of Singapore Ltd, Singapore Island Bank Ltd and Lion Global Investors Ltd, a Member of the Corporate Governance Council of MAS, and serves as a Director of several companies, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad, as well as a Commissioner of PT Bank OCBC NISP TBK. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 62.

MRS FANG AI LIAN

Mrs Fang was first appointed to the Board on 1 November 2008 and elected as a Director on 17 April 2009. She is presently the Chairman of Great Eastern Holdings Ltd and a Director of several companies, including Singapore Telecommunications Ltd, Metro Holdings Ltd, Banyan Tree Holdings Ltd and MediaCorp Pte Ltd. She also serves as a Member of several institutions, including the Board of Trustees of the Singapore University of Technology and Design. Mrs Fang was formerly Chairman of Ernst & Young, from which she retired after a 34-year career. She is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Institute of Certified Public Accountants of Singapore. Age 61.

MR LAI TECK POH

Mr Lai was appointed to the Board on 1 June 2010. He served more than 20 years in OCBC Bank in several senior capacities, including Head of Corporate Banking, Head of Information Technology & Central Operations and Head of Risk Management. He was Head, Group Audit prior to retiring in April 2010. Before joining OCBC Bank, he was Managing Director of Citicorp Investment Bank Singapore Ltd and had served stints with Citibank N.A. in Jakarta, London and New York. He is presently a Director of United Engineers Ltd, WBL Corporation Ltd, OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad, and a Commissioner of PT Bank OCBC NISP TBK. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore. Age 66.

MR LEE SENG WEE

Mr Lee was first appointed to the Board on 25 February 1966 and last re-appointed as a Director on 16 April 2010. He was Chairman of OCBC Bank from 1 August 1995 to 30 June 2003, and continues to serve on the Board Executive Committee and the Board Nominating Committee. He is presently Chairman of the Board of Trustees of the Temasek Trust and a Director of several companies, including Great Eastern Holdings Ltd, Lee Rubber Group Companies and Lee Foundation. Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario. Age 80.

Board of Directors

DR LEE TIH SHIH

Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 17 April 2008. He is presently an Associate Professor at the Duke University Medical School in Durham, USA and Duke-NUS Graduate Medical School in Singapore. He has previously served in senior positions at both OCBC Bank and the Monetary Authority of Singapore. He is a Director of Lee Foundation and several Lee Rubber Group Companies. Dr Lee graduated with M.D. and Ph.D. degrees from Yale University. He also holds a Master of Business Administration with Distinction from Imperial College, London. Age 47.

MR COLM MCCARTHY

Mr McCarthy was first appointed to the Board on 1 November 2008 and elected as a Director on 17 April 2009. He served for 29 years with Bank of America where he last held the position of President, Bank of America, Asia, from 2001 to 2008.
He had held various key positions in Bank of America, including Chief Executive Officer of Singapore, Head of South Asia and Head of Southeast Asia, and was a Board Member of Bank of America's legal entities in Singapore, Malaysia, Hong Kong and Japan. He is presently a Director of Bank of Singapore Ltd, Wheelock Properties (S) Ltd and The Irish Chamber of Commerce Singapore. He holds a Bachelor of Commerce and a Master of Business Studies from University College Dublin. Age 53.

PROFESSOR NEO BOON SIONG

Professor Neo was first appointed to the Board on 1 January 2005 and last re-elected as a Director on 16 April 2010. He is presently a Professor at the Nanyang Business School in Nanyang Technological University, Singapore, and serves as a Director of Keppel Offshore & Marine Ltd and k1 Ventures Ltd. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and a Master of Business Administration and Ph.D. from the University of Pittsburgh. Age 53.

MR PRAMUKTI SURJAUDAJA

Mr Pramukti was first appointed to the Board on 1 June 2005 and last re-elected as a Director on 17 April 2009. He has been with PT Bank OCBC NISP TBK for 23 years, holding key positions, including President Director, and is presently President Commissioner of the bank. Mr Pramukti holds a Bachelor of Science (Finance & Banking) from San Francisco State University, a Master of Business Administration (Banking) from Golden Gate University and has participated in Special Programs in International Relations in International University of Japan. Age 48.

MR PATRICK YEOH KHWAI HOH

Mr Yeoh was first appointed to the Board on 9 July 2001 and last re-appointed as a Director on 16 April 2010. He served for more than 25 years at Development Bank of Singapore where he last held the position of President and Director. He is presently Chairman of Tuan Sing Holdings Ltd and a Director of M1 Ltd and Accuron Technologies Ltd. Mr Yeoh holds a Bachelor of Science with Honours from the University of Malaya (Singapore). Age 73.

Principal Officers

MR DAVID CONNER, *CHIEF EXECUTIVE OFFICER*

Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 16 April 2010. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently Chairman of Bank of Singapore Ltd, Singapore Island Bank Ltd and Lion Global Investors Ltd, a member of the Corporate Governance Council of MAS, and serves as a Director of several companies, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad, OCBC Al-Amin Bank Berhad, as well as a Commissioner of PT Bank OCBC NISP Tbk. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 62.

MR SAMUEL N. TSIEN, *GLOBAL CORPORATE BANK*

Mr Tsien was appointed Senior Executive Vice President in July 2007 when he joined OCBC. As Head of Global Corporate Bank, he has bankwide responsibilities for corporate, commercial and institutional banking, covering Singapore and all overseas countries. Since July 2008, he also oversees the International and Transaction Banking divisions of the Bank. Mr Tsien has 33 years of banking experience and has held various senior management roles in corporate banking, retail banking and risk management at Bank of America. Prior to joining OCBC, he was President and Chief Executive Officer of Bank of America (Asia) and China Construction Bank (Asia) Corporation respectively. He holds a BA (Hons) in Economics from the University of California, Los Angeles (UCLA). Age 56.

MR JEFFREY CHEW, *DIRECTOR AND CEO, OCBC BANK MALAYSIA*

Mr Chew was appointed Executive Vice President in October 2006. He currently oversees the Group's Malaysian business. He joined OCBC Bank Malaysia in April 2003 initially as Head of the SME business and subsequently, as Head of Business Banking. Mr Chew began his career at PriceWaterhouse Coopers and subsequently joined Citibank in Malaysia where he held various roles over 12 years, including customer relationship management, risk management and international offshore banking and product management. A qualified accountant by training, he is a fellow member of the Chartered Association of Certified Accountants, UK. Age 45.

MR CHING WEI HONG, *GLOBAL CONSUMER FINANCIAL SERVICES*

Mr Ching was appointed Senior Executive Vice President in April 2007 and is currently Head of Global Consumer Financial Services. He is responsible for building OCBC Bank's consumer banking business in its key markets. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr Ching has more than 25 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from National University of Singapore. Age 51.

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

Mr Goh was appointed Executive Vice President in April 2004 when he joined OCBC as Head of International. Presently, as Global Head of Enterprise Banking and Financial Institutions, he has responsibility for the bank's commercial banking and financial institutions businesses internationally. Mr Goh has over 24 years of banking experience, including 17 years at Citibank N.A. Singapore, where he held several senior positions overseeing corporate banking, financial institutions, e-business and transaction banking. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from the National University of Singapore. Age 48.

MR NA WU BENG, *INTERNATIONAL*

Mr Na was appointed Executive Vice President in March 2001. Currently assigned to PT Bank OCBC NISP Tbk, he joined its Board of Directors in September 2005 as Deputy President Director and Chief Risk Officer. Mr Na joined OCBC in February 1990, and was responsible for the Bank's operations in Hong Kong and North Asia. Prior to that, he was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honours from Coventry University, UK. Age 54.

MS KNG HWEE TIN, *GROUP AUDIT*

Ms Kng was appointed Senior Vice President in 2008 and Head of Group Audit in April 2010. She oversees the full spectrum of audit activities for the Bank and its subsidiaries, including business operations, credit, information technology audit and certification. She reports directly to the Bank's Audit Committee and administratively to the CEO. During her tenure in OCBC Bank, Ms Kng had assumed various responsibilities including Head of Premier Banking, where she established the bank's thrust in targeting affluent consumers, Executive Assistant to the Group Chairman, and Head of Risk Policy. She was a project manager in the Bank's credit risk Basel II implementation project and also served as Secretary to the Board Risk Committee. Ms Kng holds a Masters of Business Administration degree from National University of Singapore, where she was awarded the Saw Gold Medal in Finance. Age 44.

MR GEORGE LEE LAP WAH, *GROUP INVESTMENT BANKING*

Mr Lee was appointed Executive Vice President in August 2005. As the Head of Group Investment Banking, he oversees OCBC's debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr Lee has more than 32 years of banking experience and has held senior level positions in Credit Suisse First Boston, Credit Suisse Singapore and Security Pacific National Bank. Mr Lee holds a Bachelor of Business Administration with Honours from the University of Singapore and is a Chartered Financial Analyst. Age 58.

MR LAM KUN KIN, *GLOBAL TREASURY*

Mr Lam was appointed Executive Vice President in January 2007, and has global responsibility for OCBC's financial market businesses and asset liability management in Singapore, Malaysia and seven other overseas markets. With over 24 years of business experience covering global fund management, global markets sales & trading and Asian emerging market management, Mr Lam has held senior positions in the Government of Singapore Investment Corporation, Citibank N.A. and Temasek Holdings. Prior to joining OCBC, he was managing director of Asia Financial Holdings, a subsidiary of Temasek Holdings. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and is a Chartered Financial Analyst. Age 48.

MR NEO BOCK CHENG, *GROUP TRANSACTION BANKING – GLOBAL CORPORATE BANK*

Mr Neo joined OCBC in October 2003 as Head of Cash Management. He was appointed Senior Vice President in April 2005 to oversee the Group Transaction Banking Division which provides cash management, trade finance, trustee and nominee services to corporate and commercial banking customers. Mr Neo brings with him more than 21 years of corporate banking experience, including over 13 years with regional assignments at several major international banks such as Citibank and JP Morgan Chase. Mr Neo graduated with a Bachelor of Engineering (Civil and Construction) degree from Nanyang Technological University. Age 46.

Principal Officers

MR SOON TIT KOON, *GROUP FINANCE*

Mr Soon was appointed Senior Executive Vice President in April 2007, and is OCBC Bank's Chief Financial Officer (CFO). As CFO, he oversees financial, regulatory and management accounting, capital management, corporate development, legal and regulatory compliance, and investor relations. He held the CFO role from 2002 to 2008 and was re-appointed CFO in May 2010. Mr Soon's added responsibilities as CFO include managing the Bank's strategic investments and joint ventures, as well as non-core investments in equities and real estate. He was formerly the CFO of Wilmar Holdings and Managing Director of Citicorp Investment Bank, Singapore where he worked for 17 years. Mr Soon holds a Master of Business Administration from the University of Chicago and a Bachelor of Science with Honours from the University of Singapore. Age 59.

MR GILBERT KOHNKE, *GROUP RISK MANAGEMENT*

Mr Kohnke was appointed Executive Vice President and Head of Group Risk Management in September 2005. As Chief Risk Officer, he covers the full spectrum of risk, including Credit, Information Security, Liquidity, Market and Operational risk management. Jointly reporting to both the CEO and the Board Risk Committee of OCBC, he has been leading the change in redefining the risk management approaches used by the Bank in a Basel II world. He has over 22 years of banking experience. Prior to joining OCBC, he was Head of Risk Management for Asia at Canadian Imperial Bank of Commerce, and subsequently, Head of European Portfolio Management of CIBC based in London. He holds a BA in Economics from the University of Western Ontario, a Bachelor of Commerce in Accounting from the University of Windsor, Ontario and a Master of Business Administration from the University of Hawaii. Age 52.

MRS TENG SOON LANG, *GROUP QUALITY & SERVICE EXCELLENCE*

Mrs Teng was appointed Executive Vice President in January 2003. She heads the Group Quality & Service Excellence Division which is responsible for building a Quality culture, facilitating Cross-Functional Process Transformations and enhancing collaborations across the organisation. She joined OCBC in 1996 as Group Chief Information Officer. Mrs Teng holds a Bachelor of Accounting (Hons) and a Master of Science (Computer and Information Sciences) from National University of Singapore as well as a Post Graduate Qualification from the Institute of Cost and Management Accountants, UK. Age 60.

MS CYNTHIA TAN GUAN HIANG, *GROUP HUMAN RESOURCES*

Ms Tan was appointed Executive Vice President in April 2005. Being Head of Group Human Resources, she is responsible for the management as well as training and development of OCBC's human capital. Ms Tan has over 26 years of experience in this field, having held senior level positions in DFS Ventures, Mentor Graphics, Apple Computer and National Semiconductor. She was also a former lecturer in Business Studies at Ngee Ann Polytechnic. She holds a Masters in Business Administration from the University of Hull, UK. Age 60.

MR RENATO DE GUZMAN, *CHIEF EXECUTIVE OFFICER, BANK OF SINGAPORE*

Mr de Guzman is presently the Chief Executive Officer of Bank of Singapore. An accomplished banker with over 34 years of extensive banking experience, he has been instrumental in growing the private banking business in Asia where he was the Chief Executive Officer of ING Private Banking Asia from 2000. He was also Country Manager for ING Barings in Manila from 1990 to 2000. Mr de Guzman holds a Bachelor of Science in Management Engineering from Ateneo de Manila University, a Masters in Business Administration (with distinction) from Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada. Age 60.

MS LEONG WAI LENG, *CHAIRMAN, OCBC BANK CHINA*

Ms Leong was appointed as Chairman of OCBC Bank China in August 2007. She has overall responsibility for directing and executing OCBC Bank's growth strategy in China in her current role. A Singaporean and a graduate of the National University of Singapore with a Bachelor's degree in Business Administration, Ms Leong has more than 22 years of experience in finance both in the corporate world and in corporate banking. She has worked in China for the last ten years, including seven years of corporate experience with Philips Electronics Group as its China Country Treasurer and VP, and China Group CFO. She held several senior banking positions in Citibank Singapore, JP Morgan Chase Singapore, and HSBC China. Age 45.

MR VINCENT SOH, *GROUP PROPERTY MANAGEMENT*

Mr Soh was appointed Senior Vice President in June 2004. As Head of Group Property Management, he is responsible for managing OCBC Group's real estate portfolio. He has held senior level positions in the public and private sectors. Mr Soh holds a Master of Science (Property & Maintenance Management) and Master of Public Policy, both from National University of Singapore. He is also an Associate Member of the Royal Institution of Chartered Surveyors, UK. Age 55.

MR PETER YEOH, *GROUP SECRETARIAT*

Mr Yeoh joined the Bank in January 1984 and was appointed Company Secretary in August 2002. Since joining OCBC, he has held responsibilities in finance, accounting, management information services and strategic projects. He holds a Bachelor of Commerce from the University of Western Australia, and is a Member of the Institute of Chartered Accountants in Australia and a Member of the Institute of Certified Public Accountants of Singapore. Age 56.

MR DAVID MCQUILLEN, *GROUP CUSTOMER EXPERIENCE*

Mr McQuillen joined OCBC in January 2010 as Senior Vice President and Head of Group Customer Experience. He leads OCBC Bank's initiatives on building a stronger customer focus within the bank, and improving the quality of customer experience across all customer touchpoints. He has previously held senior customer experience positions in major organizations and prior to joining OCBC, he was Director of Client/Customer Experience at Credit Suisse in Switzerland since 2001. Mr McQuillen holds an MBA in IT Strategy from the Cass Business School in London and a Bachelor of Business Administration in Marketing from Mercyhurst College. Age 40.

MR LIM KHIANG TONG, *GROUP OPERATIONS AND TECHNOLOGY*

Mr Lim joined OCBC in September 2000 as Chief Technology Officer of finatiQ.com and was transferred to the Bank, assuming the role of Head of IT Management in January 2002. He was appointed Executive Vice President in December 2007 and Head of Group Operations and Technology in May 2010. He oversees OCBC's transaction processing and technology operations, driving for productivity gains and lower unit costs, utilizing quality concepts and leveraging on the cross border processing hubs in Singapore and Malaysia. Mr Lim has more than 21 years of IT experience, including regional infrastructure implementation, service management, technology strategy development, project management and systems support. He holds a Bachelor of Science (Computer Science & Economics) from National University of Singapore. Age 50.

MS KOH CHING CHING, *GROUP CORPORATE COMMUNICATIONS*

Ms Koh was appointed Head of Group Corporate Communications in November 2004 and Senior Vice President in April 2006. She leads OCBC Bank's group communications initiatives with the media, employees, customers, shareholders and the general public. Prior to her role in corporate communications, she led OCBC's franchise expansion efforts in trade finance in Malaysia. Before this, Ms Koh had 16 years of corporate and retail banking experience, having held various senior customer and product positions in local and foreign financial institutions. She graduated with First Class Honours in Business Administration from National University of Singapore. Age 43.

New Horizons II

New Horizons II was our five-year strategy from 2006 to 2010. It continued on the broad strategic direction and successes of New Horizons (2003 to 2005). The emphasis was on embedding OCBC in the region through a build-and-transfer approach, and on continuing our efforts to build a high performance bank through a balanced scorecard discipline.

Seek International Growth

We will deepen our market penetration in Malaysia, Indonesia and China and explore opportunities to establish strategic partnerships in Indochina. Our aim is to grow our market share in the consumer and SME segments in Indonesia and China by transferring successful business models and product solutions to existing branches and alliances in the two countries.

Build a High Performance Bank

CUSTOMERS

We aim to sustain our top three consumer banking position and become one of the top three corporate banks in the combined Singapore-Malaysia market.

PRODUCTS

We will build more best-in-class products and strive to become known for product innovation by sustaining 15% revenue contribution from new products annually.

We aim to be one of the top three banks for wealth management, credit cards and unsecured lending in the combined Singapore-Malaysia market.

RISK MANAGEMENT

We will expand our balance sheet proactively to deliver enhanced risk-return, and execute our Basel II implementation plan in line with regulatory guidelines.

We aim to maintain our position as one of the highest rated banks in Asia-Pacific.

PRODUCTIVITY

We will leverage our cross-border processing hubs in Singapore and Malaysia to deliver further efficiency gains.

We strive to be an efficient, low cost service provider.

PEOPLE

We will build people resources with a focus on diversity, cross-border management skill sets and competencies to support our overseas expansion efforts.

We will maintain our share ownership schemes so that all our employees can easily own OCBC shares.

We aim to continually improve employee satisfaction so that we are increasingly recognised as a regional employer of choice.

SHAREHOLDER VALUE

We aim to deliver 10% earnings per share growth annually, as well as achieve and sustain ROE of above 12%.

We will periodically review our target minimum dividend payout of 45% of core earnings for possible increase.

We will continue to divest non-core assets at the right time and invest the gains in core financial services growth opportunities, and return excess capital to shareholders via share buyback programmes.

2010 Report Card

CUSTOMERS

- Expanded consumer customer base by 3%
- Maintained AUM per consumer customer despite growth in new customers
- Completed the acquisition of ING Asia Private Bank, and successfully rebranded it as Bank of Singapore
- Continued to leverage on customer insights to drive product and service improvements and innovations
- Sustained 9% increase in SME customer base
- Grew asset revenues from business customers by 21% and non-asset revenues by 10%
- Granted the highest number of approved Local Enterprise Finance Scheme loans in Singapore
- Awarded the Financial Insights Innovation Award 2010 by IDC Financial Insights

PRODUCTS

- Launched 81 new products which accounted for 6% of total revenue
- Named Best SME Bank (Cash Management) in Singapore by The Asset, and Best Foreign Cash Management Bank in Malaysia by Asiamoney
- Named Best Trade Finance Bank in Singapore by FinanceAsia and Best Trade Finance Bank (Foreign Bank Category) in Malaysia by The Asset
- Ranked Top Syndicated Loans Bookrunner in Singapore by IFR Asia, Top Loans Mandated Arranger in Singapore and Top Loans Bookrunner in Malaysia by Bloomberg
- Ranked Best Domestic Provider for Local Currency Products in Singapore – Structured Currency Products in Asiamoney's Structured Products Polls
- Lion Global won a total of 14 awards from the Lipper Fund Awards 2010 (Singapore and Taiwan)

RISK MANAGEMENT

- Refined and expanded internal ratings framework with significant RWA optimisation, and adopted the Internal Ratings Based (IRB) Approach for about 80% of credit portfolios for Basel II Pillar 1
- Improved internal capital adequacy assessments with expanded coverage and more refined methodologies for Basel II Pillar 2
- Published additional disclosures on risk and capital management for Basel II Pillar 3
- Continued to strengthen market and credit risk capabilities to support overseas expansion
- Remained one of the highest rated banks in Asia: Aa1 by Moody's, A+ by S&P and AA- by Fitch
- Rated Strongest Bank in Southeast Asia and Third Strongest in Asia Pacific by The Asian Banker
- Ranked 31st safest bank globally by Global Finance

PRODUCTIVITY

- Improved productivity by 13%, and reduced unit processing cost by 2% across processing centres in Singapore and Malaysia
- Hubbed further processes to Malaysia, with incremental annualised savings of S$0.5 million
- Executed another 15 cross-functional process improvement projects with S$27 million margin improvement, bringing cumulative margin improvements to S$185 million since 2003

PEOPLE

- Improved employee engagement score for the eighth consecutive year since 2002
- Maintained employee share ownership at above 50%
- Increased average training days per staff by 12%, 70% above annual target

SHAREHOLDER VALUE

- Achieved ROE of 12.1%, meeting 12% target
- Grew core EPS by 11%, exceeding 10% growth target
- Increased dividend from 28 cents to 30 cents per share
- Raised stakes in Bank OCBC NISP and Bank of Ningbo
- Attained Tier 1 and total capital adequacy ratios of 16.3% and 17.6%, well above regulatory minimum levels

OVERSEAS EXPANSION

Malaysia

- Joined the MEPS Network, providing customers with access to 10,000 ATMs nationwide

Indonesia

- Merged Bank OCBC Indonesia and Bank OCBC NISP to create greater scale and reap revenue, cost and operational synergies
- Launched internet banking services and provided customers with access to OCBC's ATM network in Singapore

China

- Increased branch and office network to 13 with the opening of Gubei branch in Shanghai
- Obtained approval to open a new branch in Qingdao

Vietnam

- Grew revenue by more than 100% through successful penetration of the top state-owned enterprises

International

- Sustained double-digit growth, driven by loan growth and investment banking activities

Operations Review

2010 saw the regional economy recovering strongly from the recessionary conditions of the prior two years, providing a significant boost to business activities and loan volumes across all our key customer segments and markets. During the year, we capitalised on various opportunities to grow our customer base and deepen our customer relationships by focusing on developing innovative products and enhancing our service delivery capabilities. With the acquisition of Bank of Singapore, we stepped up our investments towards growing our leading wealth management franchise, building on our extensive offerings across multiple product and distribution platforms to serve the diverse needs of different customer segments.

GLOBAL CONSUMER FINANCIAL SERVICES

Our global consumer banking business achieved robust loan growth of 21% in 2010, led by housing loans in Singapore and Malaysia. Fee and commission revenue also registered healthy double-digit growth, contributed by higher bancassurance, unit trust and credit card revenues. However, our interest margins were depressed by the low interest rate environment and competitive pressures, resulting in largely flat overall revenue of S$1.15 billion for the year. Pre-tax profit fell 5% to S$543 million, as we incurred higher staff costs and continued to invest in business expansion.

We remained a strong bancassurance player in both Singapore and Malaysia, leveraging on our strategic partnership with Great Eastern to launch new products to meet the needs of our customers in different life stages. These included the Premier Life Heritage and Max Life Legacy policies, which were Great Eastern's first Universal Life insurance policies. Universal Life policies enable effective estate planning for wealth preservation and wealth transfer, and Great Eastern was the first insurer to launch a SGD-denominated policy for the Singapore market. The strong take-up of these products by customers helped us to maintain our number one bancassurance position in Singapore, with a market share of 34%, and to double our Malaysia bancassurance sales in terms of weighted premiums.

We continued to strengthen our consumer deposit franchises in Singapore, Malaysia and China, focusing on increasing our share of low-cost deposits. In Singapore, our new OCBC Bonus+ and OCBC Premier Dividend+ savings accounts were well received by customers who were attracted to the higher interest rates and flexible deposit and withdrawal terms. Our Singapore and Malaysia savings deposits grew by 19% and 11% respectively, while we tripled our total consumer deposits in China.

Driven by the strong economic recovery and buoyant demand for residential properties, our Singapore home loans registered growth of 23%. New housing loan approvals rose significantly for both the private and HDB portfolios, although there was some moderation in new loans in the later part of the year following the property cooling measures that were introduced by the Singapore Government. In Malaysia, our new home loan approvals grew 32%, while outstanding home loans rose 20%, exceeding the industry benchmark of 11%. With the UK pound weakening against the Singapore dollar, and the growing demand among affluent customers for overseas properties, we launched SGD- and GBP-denominated financing for residential property purchases in London.

We introduced several new card products in Singapore to meet the different lifestyle needs of our customers. The OCBC Elite World Card is targeted at high net worth individuals, providing features such as a 24-hour global concierge service and privileged access to exclusive events. We launched the first customisable Business Debit Card for SMEs, and the OCBC YES! Card that combines ATM, NETS, VISA and EZ-Link services into one debit card. Our popular Plus! and NTUC Plus! credit and debit cards for NTUC members were also enhanced with more rewards. We continued to differentiate our card offering through our sponsorships of local arts performances and by bringing in world class acts such as concerts by Jay Chou and Taylor Swift, as well as "The Lion King" musical. These sponsorships further entrenched OCBC Cards in the minds of consumers as the most attractive cards for accessing the world of arts and entertainment. These initiatives also contributed to a strong double digit growth in our Singapore credit card balances.

We continued to invest in our service and delivery channels to provide our customers with a superior and differentiated banking experience. OCBC was the first bank to launch internet banking and online stock trading across 14 global markets on the Apple iPad platform. In Singapore, we opened a new branch and Premier Banking Centre at the Nex mega-mall at Serangoon Central, bringing our domestic branch network to 57. We now have a total of 13 Premier Banking centres and 19 Sunday Banking branches in Singapore. We also increased our ATM fleet across the island by 10%.

During the year, we won several awards for product innovation and service excellence. Mastercard presented us with the Best in

Class award for the launch of the OCBC Elite World Card in the MasterCard Hall of Fame; the National Arts Council recognised us as a Distinguished Patron of the Arts for the 12th consecutive year; and 386 staff from our Consumer Financial Services unit received SPRING Singapore's Excellent Service Award for outstanding customer service. In Malaysia, we were the Bronze winner for Contact Centre of The Year 2010 in the annual Contact Centre Association of Malaysia Awards. In China, we were awarded the Best Foreign Bank Award for Wealth Products 2010 by Shanghai's *Fortune Weekly Magazine* and Best Foreign Bank Award 2010 by *Chengdu Business Daily*.

GLOBAL CORPORATE BANK

Our Global Corporate Bank's revenue increased 19% to S$1.76 billion, led by strong growth in net interest income and significantly higher fee income from loans, cash management, trade finance and treasury activities. Coupled with a significant reduction in allowances, pre-tax profit grew 45% to S$1.20 billion. While Singapore remained the largest revenue contributor, our overseas markets also recorded significantly higher profits as we leveraged our network to support our customers' investments across the region. Our SME customer base grew 10% on a global basis.

Our loan book expanded by 28% for the year, with contributions across all major segments and geographies. We participated in several notable corporate banking transactions in Singapore, including Singapore Press Holdings' first 5-year S$600 million notes issuance under its S$1 billion multi-currency medium term note programme, and a S$636 million financing for MGP Raffle Pte Ltd. In Malaysia, we were joint lead arrangers for the issuance of the first Sukuk Wakalah (Islamic Trust Certificates) of S$1.5 billion for Danga Capital Bhd, a subsidiary of Khazanah, a US$310 million multi-currency facility to Sapura Crest Petroleum for an oil and gas contract, and a MYR1.15 billion facility for the largest REIT debt financing in Malaysia for Sunway City Berhad.

In Singapore, we continued to provide strong support to SMEs through participation in the government assistance schemes. OCBC was the top participating bank in these schemes with the highest number of loans disbursed. To support the regionalisation efforts of our SME customers, we organised forums on doing business in China, and led a trade mission to Chongqing and Sichuan. Through our partnership with the Sichuan Provincial Department of Commerce and the Council for Economic Planning and Development of Taiwan, our customers were able to access investment opportunities in both countries. We won the IDC Financial Insights Innovation Award 2010 for our efforts in driving innovation in our SME business, and were recognized by *The Asian Banker* as the Best SME Bank in Singapore.

In Malaysia, we launched the OCBC Al-Amin Easi-Biz Card, a Shariah-compliant ATM card for SME customers which can be used at the more than 300 ATMs operated by OCBC Bank and other Malaysia-incorporated foreign banks nationwide.

Group Transaction Banking

The customer base for Velocity@ocbc, our online cash management platform, grew by 28% in Singapore, 40% in Malaysia, and doubled in China. Our trade finance business also performed well across the Singapore, Malaysia and China markets. In particular, our Singapore trade transaction volume doubled and revenue grew 86%.

In Singapore, we launched the OCBC Business Card, the first Platinum debit card that allows SMEs to imprint their company logos and corporate titles on the face of the card, a unique feature that helps them build their own brand recognition. Expenditures incurred using the card are directly debited from the member's business account with OCBC, and at the end of the month, customers are provided with a consolidated view of their monthly transactions for easy book keeping, expense analysis and budgeting. The card also serves the customers' need for a cashless payment solution when they are overseas, offering the added convenience of ATM cash withdrawals.

We received several cash management and trade finance awards in 2010. We were recognised by *FinanceAsia* as the Best Trade Finance Bank in Singapore, and by *The Asset* as the Best Trade Finance Bank (Foreign Bank category) in Malaysia. We also received the Achievement Award for Cash Management in Singapore by *The Asian Banker*. For the third consecutive year, we were voted by large and SME companies as the Best Local Cash Management Bank in Singapore and the Best Foreign Cash Management Bank in Malaysia in the *Asiamoney's Cash Management Poll 2010*.

GLOBAL TREASURY

Treasury revenues were marginally lower at S$807 million for 2010, mainly as a result of low interest rates and flat yield curves which impacted net interest income. Pre-tax profit fell 5% to S$570 million as a result of higher expenses. We continued to invest in our talent pool, processes and technology infrastructure, as we strive to diversify our product capabilities and revenue streams across asset classes, activities and geographies.

OCBC continues to be recognised for its strengths in treasury product coverage, product innovation and customer service. In the *Asia Risk Corporate End User Survey 2010*, we were ranked first for SGD-, MYR- and IDR- denominated currency products as well as SGD and MYR interest rate products. We were named the Best Domestic Provider for Local Currency Products in Singapore by *AsiaMoney Polls 2010*.

GROUP INVESTMENT BANKING

OCBC topped the Bloomberg 2010 mandated arranger league table for Singapore syndicated loans, with US$2.9 billion from 27 deals, representing a 14% market share. Notable syndicated loans arranged during the year included financings for the Sports Hub, 313@Somerset, Sun Hung Kai Properties, Parkway Holdings and PT Protelindo.

We were ranked third by market share for Singapore corporate bonds in *The Asset's Benchmark Survey 2010*. In the area of Islamic financing, we arranged the largest Singapore dollar Sukuk bond issuance in Singapore for Khazanah Nasional. We also managed bond issues for Singapore Press Holdings, SingTel, Singapore Airlines and JSC VTB Bank.

Operations Review

Our Corporate Finance unit was also active in supporting our corporate customers in accessing the equity capital markets in Singapore. During the year, the team lead-managed various equity deals, raising a total of S$240 million. Key deals included arranging the rights issues for First REIT and Dragon Group International, and sponsoring the initial public offering of Global Palm Resources, an Indonesian plantation company. We participated as co-managers in various IPO offerings by our corporate customers including Global Logistics Properties, the largest IPO for the year, Mapletree Industrial Trust and China Minzhong Food Corporation Limited.

Our Mezzanine Capital unit provides customers in Singapore, Malaysia, Indonesia and Greater China with highly customized and structured equity-linked financing solutions. One of our customers, China Minzhong Food Corporation Limited, which we have been funding for two years, was listed on the Singapore Stock Exchange in 2010. We also invested in PT Tower Bersama Infrastructure TBk, one of the largest independent telecom towers owner in Indonesia. For the third year running, we extended interest-free loans to the winners of the Emerging Enterprise Awards, which are organized by OCBC Bank and The Business Times.

In Malaysia, we topped the Bloomberg Malaysia syndicated loan bookrunner league table with a market share of 22%. Notable transactions closed included Khazanah's S$1.85 billion syndicated acquisition financing for Parkway Holdings, MYR 2.7 billion syndication to finance the privatisation of Astro All Asia Networks Plc, and MYR 5 billion syndication to finance the privatisation of Tanjong Plc. We also lead-arranged a US$140 million syndication deal to finance the first coal-fired power plant in Cambodia, and US$239 million syndicated multi-currency facilities to finance Bumi Armada's pipe-laying barge project in Turkmenistan.

OCBC MALAYSIA

Our subsidiary bank in Malaysia, OCBC Bank (Malaysia) Berhad, ranks among the largest foreign banks in the country by assets, deposits and loans, and has one of the largest branch networks of 29 conventional and 5 Islamic Banking branches. It has a long-term financial institution rating of AAA from RAM Rating Services Berhad.

OCBC Malaysia's net profit for the year increased 16% to MYR 706 million (S$299 million), driven by broad-based growth in net interest income, Islamic Banking income and non-interest income, as well as lower allowances. Customer loans grew 10% to MYR 36 billion, led by customer demand for home loans and corporate loans as the Malaysian economy recovered from the downturn in 2009.

We launched several new products and services during the year. We were the first bank to offer equity unit trusts without up-front sales charges when we launched the Pacific ELITE funds by Pacific Mutual, the investment management subsidiary of PacificMas Berhad, in which we hold a 64% share. We were also the first bank to link up with the SME Credit Bureau (M) Sdn Bhd to enable faster and more accurate credit assessment of SMEs in the loan approval process. Another significant achievement was becoming the first foreign bank in Malaysia to offer a one-stop statutory payment service as part of our cash management platform. Under this service, we arrange payments on behalf of our corporate customers to four statutory bodies: the Employees Provident Fund, Inland Revenue Board, Social Security Organisation and Pertubuhan Pungutan Zakat (a Muslim "alms giving" collection body).

BANK OCBC NISP

In September 2010, we announced plans to merge our two licensed bank subsidiaries in Indonesia, Bank OCBC NISP and Bank OCBC Indonesia. The objective of the merger was to better position OCBC for growth in Indonesia through a single business presence, and to reap revenue, cost and operational synergies between the two businesses. The merger was completed on 1 January 2011, with the merged entity adopting the name Bank OCBC NISP. As a result of the merger, our shareholding in Bank OCBC NISP increased from 81.9% to 85.06%, while Bank OCBC NISP's total assets increased 13.1% to IDR 50.15 trillion and its total equity rose 29% to IDR 5.8 trillion.

A one-time merger-related expense of IDR 188 billion was charged to Bank OCBC NISP's accounts in the fourth quarter. Largely as a result of this, its full year net profit fell 26% to IDR 321 billion (S$48 million). Bank OCBC NISP's loans grew by a robust 28%, and it continued to strengthen its low-cost deposit franchise, achieving 35% growth in savings deposits.

Bank OCBC NISP introduced several new products and services during the year. These included MaxTerm Payback, a term life bancassurance product; secured internet banking; and an enhancement to its multicurrency account by increasing the number of currencies from six to 11. As part of our strategy to extend our Islamic banking footprint in Indonesia, Bank OCBC NISP opened three Shariah banking branches in Jakarta, Bandung and Surabaya. Together with the additions in conventional bank branches, its total branch network increased from 382 to 409.

OCBC CHINA

Our China operations achieved revenue growth of 32% in 2010, largely driven by strong growth in deposits and loans. We doubled our total assets from CNY 17.5 billion to CNY 34 billion. Corporate loans grew 76% and our corporate customer base increased by 52%, while retail customers more than doubled. Our staff strength in China grew by more than 40% to 680.

During the year, we worked with Great Eastern Life Assurance (China) Company Ltd to introduce a more comprehensive range of financial and bancassurance products in Chengdu, and also launched a debit card for retail customers. In business banking, we grew our Renminbi cross-border trade settlement business, and continued to build up our mainland business by leveraging our extensive network across Greater China.

We were named the Best Foreign Bank in Chengdu by the *Chengdu Business Daily* newspaper for the second consecutive year. We also received the Corporate Social Responsibility Award by the *National Business Daily*, in recognition of our continuing corporate social responsibility efforts in China. These included the setting up of the Soong Ching Ling Scholarship ("SCLS") under the SCLS-OCBC Fund, the rebuilding of the Shihe Primary School in Mianzhu county, Sichuan province, and our regular staff volunteer projects with Kangqiao School and Ziluolan School in Shanghai.

We continued to expand our footprint in China with the opening of a new retail sub-branch in Gubei, Shanghai, bringing our China network to a total of 13 main and sub-branches in 7 major cities. We also obtained regulatory approval to open a new branch in Qingdao, Northeast China, in the first quarter of 2011.

BANK OF SINGAPORE

We completed the acquisition of ING Asia Private Bank on 29 January 2010, and combined the businesses of ING Asia Private Bank and OCBC Private Bank under the wholly-owned subsidiary and new brand, Bank of Singapore.

Bank of Singapore is the only dedicated private bank headquartered in Singapore. It adopts a global private banking approach, offering customers a comprehensive range of products and services on a fully open architecture platform, supported by strong proprietary research and independent advice. It also leverages on OCBC's extensive regional network and expertise in mortgage financing, retail, commercial and investment banking, stockbroking, insurance and investment management.

A year-long global advertising campaign has been successful in building brand recognition of Bank of Singapore, helping retain existing customers and attract new customers, as well as enhancing its ability to bring in new relationship managers and product specialists from leading global private banks. More than 200 new staff were hired during the year, including 60 relationship managers, bringing its total staff strength to more than 750. Its product and research team of more than 80 specialists includes one of the largest teams in Asia providing research, advice and support for investment products originated in emerging markets. In addition to growing its talent pool, incentives were put in place to encourage cross-sell and referral between OCBC Bank and Bank of Singapore, with good results achieved in the areas of property and business financing, insurance sales, brokerage and treasury transactions, and customer acquisition.

Over the year, Bank of Singapore's assets under management grew 18% to US$26 billion, and its earning asset base, which includes loans, increased 20% to US$32 billion. In addition to growth in its existing major markets of South East Asia, the Philippines, Greater China and the non-resident Indian market, Bank of Singapore also increased its assets from customers based in Europe and the Middle East, markets which were previously under the purview of a separate unit under the ING organisation.

Assets under discretionary portfolio management registered strong growth of 60% as more customer mandates were secured during the year. Bank of Singapore achieved strong performance for its clients' portfolios, beating industry benchmarks. This was the result of a disciplined investment process that seeks to consistently deliver superior returns over an investment cycle.

During the year, Bank of Singapore won recognition as the Best Private Bank in Singapore by *FinanceAsia*, the Best Private Wealth Management Bank in Singapore and South East Asia by *Alpha Southeast Asia*, and the Best Private Bank for Relationship Management and the Best Private Bank for Range of Investment Products in Philippines by *Euromoney*.

GREAT EASTERN HOLDINGS

Great Eastern Holdings' overall results in 2010 were healthy, underpinned by strong growth in underwriting profits and new business sales, and higher long term profitability as measured by new business embedded value. Total weighted new business premiums for the year rose 20% to S$724 million, driven by 34% growth in regular premium products. New business embedded value grew 30% to S$305 million, reflecting the success of Great Eastern's strategy to achieve higher sales of regular premium and protection products. Reported net profit for the year fell a marginal 2% to S$507 million, as the previous year's results had benefited from a strong recovery in equity and bond markets from the lows of the global financial crisis.

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

PARTNER BANKS

Bank of Ningbo, China

OCBC subscribed for approximately 146 million new shares in Bank of Ningbo ("BON") as part of a private placement exercise first announced in late 2009. As a result, our strategic equity stake in BON increased from 10% to 13.7%. During the year, we continued to deepen our collaboration with BON in the areas of product development, risk management, information technology and talent development.

BON reported a strong set of financial results, with net profits in 2010 surging 59% to CNY 2,324 million (S$467 million). Customer loans grew 24%, driven by healthy loan demand and BON's rapid business expansion in key cities in China. Its nationwide network increased from 88 to 110 branches and sub-branches, covering the cities of Ningbo, Suzhou, Shanghai, Hangzhou, Nanjing, Shenzhen, Wenzhou and Beijing.

VP Bank, Vietnam

VP Bank changed its name from Vietnam Joint Stock Commercial Bank for Private Enterprises to Vietnam Prosperity Joint Stock Commercial Bank, following a change in its shareholding structure. OCBC subscribed for approximately 23 million new shares in VP Bank in a rights issue exercise, maintaining our stake at 15%. VP Bank has a network of 150 branches and offices in Ho Chi Minh City and Hanoi.

GROUP OPERATIONS & TECHNOLOGY

In 2010, Group Operations and Technology division achieved productivity gains of more than 13% across 15 processing centres in Singapore and Malaysia, as well as an average unit cost reduction of 2%.

Operations Review

We completed another 38 process re-engineering projects during the year. In Singapore, we streamlined the online account opening process for retail customers, reducing approval cycle time from 5 days to 1 hour. The processing time for insurance policies tied to housing loans, commercial property loans and equipment & machinery loans was also reduced from 32 days to 14 days. In Malaysia, we were able to extend the cut-off time for remittances from 2 pm to 3 pm by centralising the processing activities at OCBC Malaysia's head office in Kuala Lumpur. As a result of our ongoing efforts in driving quality improvements, service excellence and productivity, our Payment & E-Banking Operations unit received the SPRING Singapore Quality Class certification.

We continued to execute our IT architecture and long-term system application road map, and strengthened our service management and project delivery capabilities. Key technology projects completed during the year included the following:

- Automation of end-to-end electronic credit workflow processing to shorten turnaround times for SME loan approval
- Deployment of consolidated monthly statements for retail deposit account and credit card transactions, which can be downloaded electronically via the internet
- Enhancement of our treasury system to provide a single view of all foreign exchange and money market trading activities, facilitating better risk and liquidity management
- Deployment of the top-up service feature for prepaid phone cards at our self-service channels

GROUP QUALITY & SERVICE EXCELLENCE GROUP CUSTOMER EXPERIENCE

Over the years, we have worked relentlessly to differentiate OCBC from our competitors by focusing on two aspects of service excellence – Quality and Customer Experience. In 2010, a dedicated Group Customer Experience division was established to drive initiatives to embed customer experience discipline and management into the designs of our products, services and customer touchpoints, and to build a strong customer-focused culture in both customer-facing and support functions. The division worked on more than 12 projects during the year.

Our Quality efforts are based on the Six Sigma methodology. We have been instilling this rigorous methodology in our processes, and we continue to inculcate a Six Sigma Quality Excellence mindset in our employees. In 2010, we trained more than 100 new Quality Leaders to drive quality and process improvements across OCBC. We also executed 15 cross-functional process transformation projects in Singapore, Malaysia and Indonesia, achieving encouraging results and estimated margin improvements of S$27 million.

We have also established a Group Product Suitability Committee to review investment products and ensure they are suitable for our customers. Approved investment products are classified using a multi-dimensional structured framework to ensure they are aligned with the financial objectives and risk profiles of specific customer segments. All advertising and marketing materials for investment products are also reviewed to ensure that clear, relevant and timely information is provided for customers to make informed decisions.

In 2010, 499 of our employees across various divisions received the annual SPRING Singapore and the Association of Banks Excellent Service Awards in the Gold, Silver and Star categories. This was a 50% increase from the 336 employees who received the awards in 2009.

OCBC PROPERTY MANAGEMENT

Our office and residential properties, which are held for own-use and investment purposes, achieved full or near full occupancy in 2010. These properties aggregate to approximately two million square feet of net lettable area.

We appointed United Engineers Limited to redevelop our former Specialists' Shopping Centre and Hotel Phoenix site at Orchard Road. Construction work is expected to be completed by 2013 for the shopping mall, and by 2014 for the hotel.

GROUP HUMAN RESOURCES

Our Group staff strength, including Bank of Singapore, Bank OCBC NISP and Great Eastern Holdings, increased 10% to 21,585, of which Bank of Singapore contributed more than 750. Most of the hires by OCBC in 2010 were in Malaysia and China.

Employee engagement and development remained a key focus in our human resource management. In 2010, we increased our training-related expenditure by 10%. Our e-learning infrastructure was also enhanced to extend the training to employees across different geographies. The average man-days of training per employee was maintained at above seven days for the fifth consecutive year, exceeding our target of five days. To provide employees with more career development opportunities across the Group, our internal Job Application Program, which is very popular among our employees, was extended to include career opportunities in Bank of Singapore, Great Eastern and Lion Global Investors.

Another on-site childcare centre, operated by NTUC's Little Skool House International, was set up at our Tampines offices in Singapore to cater to our employees' childcare needs.

Our employee engagement score improved by 5 percentage points in 2010, marking the eighth year of consecutive improvement. OCBC's score is now within Hewitt's High Performance/Best Employer Range, and above the Global Financial Norm engagement score. Our employee share ownership schemes continued to receive high participation bankwide; 60% of bank employees were OCBC shareholders (including share options and deferred shares) at the end of 2010, well above our target of 30%.

Corporate Social Responsibility

To encourage our employees to contribute to the ST School Pocket Money Fund, OCBC purchased Help-A-Kid coin banks for all our Singapore employees. Staff were encouraged to donate their savings to the Fund.

CARING FOR UNDERPRIVILEGED CHILDREN

In Singapore, we continued to support our chosen charity partner, the Singapore Children's Society ("SCS"). We made our first donation to the SCS in 2004, and by 2013 our contributions and commitments will total S$5 million.

CSR co-ordinators were appointed at divisional level to encourage our employees to volunteer for projects with the SCS. As a result, we saw a three-fold increase in the number of CSR activities organised compared to the previous year. More than 250 employees volunteered to work with the SCS: They helped organise programmes to impart skills to the children and excursions to bring the children to different places of interest. These activities ranged from computer workshops, money-management workshops and reading programmes to a kite-flying expedition and a visit to Escape Theme Park. Staff awareness of our CSR efforts increased, with 85% of our employees responding to one of the questions in our annual employee survey to indicate that they were clear about our attempts to do something meaningful for the community.

The SCS presented us with the prestigious Gopal Haridas award for donating the largest sum of money to the Society in 2009. Lee Mei Ling from our Global Consumer Financial Services division received a Silver Service award for her contributions as a SCS volunteer, conducting tuition sessions at the Henderson Student Care Centre.

Our employees also organised activities to raise funds for other charitable organisations. One key beneficiary has been the Straits Times School Pocket Money Fund ("STPMF"), which provides needy children with pocket money for school, and has helped 73,500 children so far, with money raised administered and disbursed through the National Council of Social Service.

Our Group Human Resource division held its annual charity food fair and HR staff performed the traditional Lion Dance at all the offices in OCBC Centre and Great Eastern Centre during the Chinese New Year period. All red packet donations received were channelled to the STPMF and a total of S$69,500 was raised through these efforts. The Group Treasury division contributed an additional S$36,000 to the Fund by holding an auction.

Corporate Social Responsibility

In addition, to help mark the tenth anniversary of the founding of the ST School Pocket Money Fund last year, Singapore Press Holdings produced Help-A-Kid coin banks that were sold to raise funds. The public was also encouraged to contribute savings accumulated in the coin banks to the Fund. OCBC was the sole bank to partner SPH in this initiative: Members of the public deposited their donations at our 18 Sunday banking branches during September and October, raising a total of S$40,887. To encourage our employees to contribute, we bought 5,500 coin banks – one for every employee in Singapore. A total of S$11,509 was collected from our staff.

In Malaysia, our CSR efforts comprised staff-initiated efforts centred on helping underprivileged children. More than 150 employees of OCBC Malaysia volunteered with various charities to impart skills to children or involve them in various leisure activities. In June, staff from our Group Operations and Technology division rebuilt the home of a needy family in Pasir Mas, Kelantan in a joint initiative with Habitat for Humanity Malaysia and Yayasan Orang Kurang Upaya Kelantan (Yokuk).

Our philanthropic heritage of supporting children and education extends to China where our commitment includes a donation of RMB 1.5 million (S$300,000) over six years to the Soong Ching Ling Foundation, starting from 2007. The funds have been disbursed through the Soong Ching Ling Scholarship ("SCLS") under the SCLS-OCBC Fund to help outstanding children across China who required financial assistance to pursue their studies.

In August, OCBC China organised a trip to the World Expo 2010 in Shanghai for 100 students from the Soong Ching Ling Foundation, accompanied by staff volunteers from OCBC China and our strategic partner in China, Bank of Ningbo. It was an eye-opener for

OCBC China colleagues sharing a moment of fun with the students in Mianzhu, Sichuan Province.

the students, who visited the Singapore Pavilion and other Theme Pavilions at the Expo.

In Indonesia, staff from our Group Operations and Technology division worked with our subsidiary, Bank OCBC NISP, to support a joint community development initiative in Bandung in collaboration with Habitat for Humanity. The three-year effort, which began in 2009, has included the renovation of a school in the village of Banjaran and the long-term goal is to build 20 houses there in total. In July, more than 50 volunteers returned to Bandung to continue the building project. To date, 12 houses have been built. The volunteers also distributed items like backpacks, water bottles, towels and caps to students. They presented the school with 19 computers and contributed other equipment to the computer lab, set up by OCBC staff in 2009, in order to restore Internet

Students in China who received scholarships through the Soong Ching Ling-OCBC Fund put up a moving performance to convey their appreciation.

Volunteers from Group Operations and Technology division and Bank OCBC NISP spent three days in Bandung, working to improve living conditions at the village of Banjaran.

OCBC Malaysia colleagues from Account Services and Loan Admin spent time with children from The Cerebral Palsy Children's Association of Penang.

Our corporate and staff donations are channeled to affected communities through recognised non-government organisations, including The Red Cross and Habitat for Humanity.

connectivity. Funds for the project were raised through charity food fairs in Singapore and Malaysia.

SUPPORTING EDUCATION

We continued to encourage and support academic excellence by awarding book prizes and bond-free scholarships to outstanding young adults from Singapore, Malaysia, Indonesia and China so that they can pursue higher education in Singapore and Malaysia. Over the years, we have awarded a total of 423 bond-free undergraduate scholarships. Our scholars also have the opportunity to gain work experience with us through our Scholars Internship programme.

Last year, more than 80 OCBC book prizes and bursaries were presented to students in Singapore and Malaysia, to reward them for doing well in their studies.

HELPING IN TIMES OF NATURAL CALAMITIES

When calamities hit different places, particularly those in which we operate, we show our support for the affected communities by helping to bring relief to the victims and their loved ones. Our corporate and staff donations are channeled to affected communities through recognised non-government organisations, including The Red Cross and Habitat for Humanity. Our customers also contribute via our banking channels, namely our ATMs, mobile banking, internet banking and phone banking.

Corporate Social Responsibility

The professionals kicking off their race in style at OCBC Cycle Singapore 2010.

In August, we facilitated the collection of public donations to support relief and recovery efforts in aid of victims of the floods in Pakistan.

SUPPORTING A GROWING SPORT - OCBC CYCLE SINGAPORE

On 6 and 7 March 2010, 9,100 cyclists took to the roads for OCBC Cycle Singapore, an eco-friendly sporting activity that we sponsor. The turnout marked a significant increase from the 5,400 who participated in the one-day inaugural event in 2009. OCBC Cycle Singapore has drawn an enthusiastic response from the general public as well as elite international cyclists. With the larger number of participants, the event was held over two days in its second year.

In recognition of the need to give back to the community, event participants were encouraged to raise funds among their friends and relatives for two charities. Donations collected amounted to S$16,000 for the National Cancer Centre Research Foundation and S$25,000 for the SCS, our chosen charity partner. A 2.5-km ride for cancer survivors and their friends and relatives, called the Cycle of Hope, was also added to the programme.

428 employees showed their support by signing up for the various events, ranging from the 20km Community Ride to the 40km Challenge. This represented a 53% increase in participation compared to the previous year. Employees also formed teams that competed against each other, as well as against external teams, in the OCBC Corporate Challenge.

25 OCBC Malaysia employees cycled almost 400km from Kuala Lumpur to Singapore to participate in the event, raising over RM220,000 for two children's charities in Malaysia, namely the Home of Peace and the Muar Chapter of The National Autism Society of Malaysia.

We also sponsor the OCBC Singapore cycling team, a group of talented young cyclists who are being trained and nurtured to represent Singapore at major cycling events. This initiative is the result of a joint effort by OCBC, the Singapore Sports Council and the Singapore Amateur Cycling Association to institute a structured talent identification and development programme.

PARTNERING LIKE-MINDED ORGANIZATIONS

We are a pioneer member of Singapore Compact for CSR and a signatory to the United Nations (UN) Global Compact.

Singapore Compact serves as a national society for furthering the CSR movement in Singapore through on-going dialogue, training, collaboration and project implementation.

Since 2005, we have officially supported the 10 principles of the UN Global Compact. This strategic policy initiative brings together businesses that are committed to aligning their operations and strategies with ten universally-accepted principles in the areas of human rights, labour laws, the environment and the fight against corruption.

Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Banking (Corporate Governance) Regulations 2005 and corporate governance guidelines issued by the Monetary Authority of Singapore ("MAS"), as well as with the Code of Corporate Governance 2005 (the "Code") adopted by the Singapore Exchange Securities Trading Ltd ("SGX-ST"). The Banking (Corporate Governance) (Amendment) Regulations 2010 and revisions to MAS' corporate governance guidelines were issued in December 2010. The Bank has taken measures to observe the requirements by the effective dates in 2011 and 2012.

BOARD OF DIRECTORS

Board Composition and Independence

OCBC Bank currently defines the independence of its Directors in accordance with the Banking (Corporate Governance) Regulations 2005 and with the Code. An independent Director is one who is independent from any management and business relationship with the Bank, and independent from any substantial shareholder of the Bank. The Board comprises 11 Directors, of whom, five are independent Directors. They are Mr Bobby Chin, Mrs Fang Ai Lian, Mr Colm McCarthy, Professor Neo Boon Siong and Mr Patrick Yeoh. In addition, another two Directors are independent from management and business relationships. They are Mr Lee Seng Wee and Dr Lee Tih Shih. Altogether, seven out of the 11 Directors are either independent Directors or independent from management and business relationships. The Chairman, Dr Cheong Choong Kong, although a non-executive Director, is deemed not independent from business relationship because of an agreement made between Dr Cheong and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as a consultant and entitled to certain payments and benefits (details of which are provided in the Directors' Report). Mr David Conner, Mr Lai Teck Poh and Mr Pramukti Surjaudaja are not independent from management. Mr David Conner is Chief Executive Officer ("CEO") of the Bank while Mr Lai Teck Poh was a former executive of the Bank who retired last year in April 2010. Mr Pramukti Surjaudaja has an immediate relative, a sister, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP TBK.

The roles of the Chairman and the CEO are separated, which is consistent with the principle of instituting an appropriate balance of power and authority. The Board has not appointed a Lead Independent Director because the Chairman and CEO are already separate persons and the Chairman, a non-executive Director, performs an effective check and balance on management. The appointment of a Lead Independent Director will unnecessarily diffuse board leadership, given the board size of 12-14 deemed appropriate for the Bank. The Nominating Committee, which assesses the performance of the Directors, including the Chairman, is also chaired by an independent Director.

The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agenda; ensuring that Directors receive accurate, timely and clear information; ensuring effective communication with shareholders; encouraging constructive relations between the Board and Management; facilitating the effective contribution of non-executive Directors; ensuring constructive relations between the executive Director and non-executive Directors; and, promoting high standards of corporate governance.

The Board identifies the skills that it collectively needs to discharge its responsibilities effectively, and steps are taken to improve effectiveness, where necessary. It is assessed that the members of the Board as a group provide skills and competencies to ensure the effectiveness of the Board and its committees. These include banking, insurance, accounting, finance, law, strategy formulation, business acumen, management experience, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors' professional qualifications and background can be found on pages 173 to 176.

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank's Articles of Association provide for the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by the MAS. Given the size of the Bank, its business complexity and the number of board committees, the Board considered that an appropriate Board size is between 12 and 14 members. The number of Board members is currently 11, but this is expected to revert to the appropriate number in due course.

Board Conduct and Responsibilities

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

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

Corporate Governance

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

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

In 2010, the Board and its committees held a total of 31 meetings. Prior to each meeting, members are provided with timely and complete information to enable them to fulfill their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

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

Board Development

The Directors receive appropriate development on a continuing basis, to perform their roles on the Board and its committees. This, among other subjects, includes updates on regulatory developments, new businesses and products, accounting and finance, corporate governance, and risk management, which are provided by subject-matter experts from within and outside the Bank. When deciding on the development to be provided, the skills required at the Board and its committees are taken into account.

A separate programme is established for new Directors. This focuses on introductory information, briefings by senior executives on their respective areas and participation in external courses, where relevant.

Board Performance

The Board has an annual performance evaluation process, carried out by the Nominating Committee, to assess the effectiveness of the Board, Board Committees and each Director's contribution. The purpose of the evaluation process is to increase the overall effectiveness of the Board. An independent consultant facilitates this process.

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

Directors are expected to set aside adequate time for their oversight of matters relating to the Bank. The Bank has guidelines on meeting attendance and the extent of other appointments that a Director could assume. The Nominating Committee, based on the guidelines established, assesses annually each Director's attendance record and degree of participation at meetings. In respect of other appointments, it takes into account, among various factors, the nature of the appointment (full-time or otherwise), number of meetings to attend, complexity of organisation, and degree of participation in sub-committees.

BOARD COMMITTEES

The composition of the Bank's Board Committees satisfies the independence requirements of the Banking (Corporate Governance) Regulations 2005, as well as the Code.

Executive Committee

The Executive Committee comprises Dr Cheong Choong Kong (Chairman), Mr Bobby Chin, Mr David Conner, Mr Lee Seng Wee and Mr Patrick Yeoh. The Committee has written terms of reference that describe the responsibilities of its members.

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

Nominating Committee

The Nominating Committee comprises Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Mr Lai Teck Poh, Mr Lee Seng Wee and Professor Neo Boon Siong. The Committee has written terms of reference that describe the responsibilities of its members.

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

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

Audit Committee

The Audit Committee comprises Mr Bobby Chin (Chairman), Mr Colm McCarthy and Professor Neo Boon Siong, all of whom are independent Directors and have accounting or financial management expertise and experience. The Committee has written terms of reference that describe the responsibilities of its members.

The Audit Committee performs the functions specified in the Companies Act, the Code, the SGX-ST Listing Manual, and the MAS' corporate governance regulations and guidelines. Details of the duties and responsibilities of the Audit Committee are found in the Directors' Report on page 74 and in the "Audit Function" section of this chapter on pages 35 and 36.

Remuneration Committee

The Remuneration Committee comprises Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Dr Lee Tih Shih and Professor Neo Boon Siong. All the Committee members are well versed with executive compensation matters, given their extensive experience in senior corporate positions and major appointments. The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee recommends to the Board a framework for determining the remuneration of the directors and executive officers, and reviews the remuneration practices to ensure that they are aligned with the approved framework. It also recommends the remuneration and fees of non-executive Directors as well as the compensation of executive Directors, and is empowered to review the human resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries, as well as the remuneration of senior executives. In addition, it administers the various employee share ownership schemes. The Remuneration Committee, if necessary, will seek independent expert advice from outside the Bank on remuneration matters. In its deliberations, the Remuneration Committee takes into account remuneration principles, practices and standards that may be specified by the MAS from time to time.

Risk Management Committee

The Risk Management Committee, which supports the Board in performing its risk oversight responsibilities, comprises Mr Patrick Yeoh (Chairman), Dr Cheong Choong Kong, Mr David Conner, Mr Lai Teck Poh, Mr Colm McCarthy and Mr Pramukti Surjaudaja. The Committee has written terms of reference that describe the responsibilities of its members.

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

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2010

	Board		Executive Committee		Audit Committee	
Name of Director	Scheduled Meeting		Scheduled Meeting		Scheduled Meeting	
	Held [1]	Attended	Held [1]	Attended	Held [1]	Attended
Cheong Choong Kong	7	7	6	6	–	–
Bobby Chin [2]	7	7	4	4	6	6
David Conner	7	7	6	6	–	–
Fang Ai Lian	7	7	–	–	–	–
Lai Teck Poh [3]	4	4	–	–	–	–
Lee Seng Wee	7	7	6	6	–	–
Lee Tih Shih	7	7	–	–	–	–
Colm McCarthy	7	7	–	–	6	6
Neo Boon Siong [4]	7	7	–	–	6	6
Pramukti Surjaudaja	7	7	–	–	–	–
Patrick Yeoh	7	7	6	6	–	–
Giam Chin Toon [5]	2	2	–	–	2	2
Wong Nang Jang [6]	2	2	2	2	–	–

	Nominating Committee		Remuneration Committee			Risk Management Committee	
Name of Director	Scheduled Meeting		Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting	
	Held [1]	Attended	Held [1]	Attended	Attended	Held [1]	Attended
Cheong Choong Kong	2	2	2	2	2	6	6
Bobby Chin [2]	–	–	–	–	–	–	–
David Conner	–	–	–	–	–	6	6
Fang Ai Lian	2	2	2	2	2	–	–
Lai Teck Poh [3]	1	1	–	–	–	3	3
Lee Seng Wee	2	2	–	–	–	–	–
Lee Tih Shih	–	–	2	2	2	–	–
Colm McCarthy	–	–	–	–	–	6	6
Neo Boon Siong [4]	1	1	1	1	1	2	2
Pramukti Surjaudaja	–	–	–	–	–	6	5
Patrick Yeoh	–	–	–	–	–	6	6
Giam Chin Toon [5]	1	1	–	–	–	–	–
Wong Nang Jang [6]	1	1	1	1	1	–	–

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Appointed to the Executive Committee on 16 April 2010.
(3) Appointed to the Board, Nominating and Risk Management Committees on 1 June 2010.
(4) Appointed to the Nominating and Remuneration Committees, and stepped down from Risk Management Committee on 16 April 2010.
(5) Retired from the Board, Audit and Nominating Committees on 16 April 2010.
(6) Retired from the Board, Executive, Nominating and Remuneration Committees on 16 April 2010.

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

AUDIT FUNCTION

Audit Committee

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

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

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

In respect of the 2010 financial year, the Audit Committee

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

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

(c) has discussed among its own members, without the presence of management or the external auditors, the information disclosed in (a) and (b) above; and

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

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

Internal Audit Function

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

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

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

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding

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exceptions or recommendations are closely monitored. Group Audit reports functionally to the Audit Committee and administratively to the CEO, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. Currently, the number of internal audit staff is 130 in the division (and 198 in the Group). The division is organised into departments that are aligned with the structure of the Bank. The Audit Committee approves the appointment and removal of the Head of Group Audit.

Internal Controls

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

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

REMUNERATION POLICY

Employees' Remuneration

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

The total compensation package for employees comprises basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. Compensation is tied to the achievement of business and performance objectives. Where relevant, financial measurements, adjusted for the various types of risk, include, if appropriate:

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

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

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

Each business unit (including risk and compliance functions) has its own performance measures that match their functions and objectives. In the determination of remuneration of senior executives, risk and control indicators are taken into account.

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

For executives, the Bank adopts a performance-driven approach to compensation. The compensation package is linked to personal performance, the performance of the job function as a whole and the overall performance of the Bank. Executives' compensation is reviewed each year based on information from market surveys and advice from reputable management consultants. The compensation for senior executives is reviewed by the Remuneration Committee.

As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. In 2009, the Financial Stability Forum (FSF) developed principles and implementation standards for Sound Compensation Practices for significant financial institutions. While the Bank's compensation practices largely meet the FSF principles and implementation standards, it is continuing to review its compensation practices to comply with the required standards.

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

Directors' Remuneration

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

Compensation of Non-Executive Directors

OCBC's remuneration for non-executive Directors will attract capable individuals to its Board, as well as retain and motivate them in their roles as non-executive Directors. It will align their interest to those of shareholders, be competitive in the region and recognise individual contributions.

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

- Annual board chairman fee of S$45,000;
- Annual retainer fee of S$45,000;
- Annual committee chairperson fee of S$40,000 for Audit Committee, Risk Management Committee and Executive Committee, and S$20,000 for Nominating and Remuneration Committees;
- Annual committee member fee of S$20,000 for Audit Committee, Risk Management Committee and Executive Committee, and S$10,000 for Nominating and Remuneration Committees (committee chairpersons are not awarded these fees); and
- Attendance fee of S$3,000 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognise their commitment and time spent in attending each meeting.

The previous year, shareholders approved the grant of 6,000 remuneration shares to each non-executive Director who had served a full annual term with the Board. The remuneration shares align the interest of non-executive Directors with the interest of shareholders. At the Remuneration Committee's recommendation, the Board has decided to continue with the grant of 6,000 new ordinary shares to each non-executive Director who has served a full annual term in 2010 with the Board. The resolution proposing these share grants will be presented to shareholders at the AGM/EGM on 15 April 2011. The CEO is not eligible to receive the Directors' fees and remuneration shares.

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

Compensation of Executive Directors

The compensation plan for the executive Directors is formulated and reviewed by the Remuneration Committee to ensure that it is market competitive and that the rewards are commensurate with their contributions. The compensation package comprises basic salary, benefits-in-kind, performance bonus, incentive bonus, share options, share awards and compensation in the event of early termination where service contracts are applicable. Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Share Option Scheme 2001, the guidelines on granting of share options to executive Directors are similar to those for the executives of the Bank.

Remuneration of Directors' Immediate Family

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

Remuneration of Top 5 Key Executives in 2010

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

In aggregate, the total compensation of senior executives who are direct reports of the CEO comprises 30% that is fixed and 70% that is variable. The variable component comprises approximately 58% in cash, 31% deferred shares/cash and 11% in shares options.

DIRECTORS' REMUNERATION IN 2010

			Performance-Based Remuneration							
	Total Remuneration (S$'000)	Salary and Fees (S$'000) [e]	Bonuses (S$'000)	Value of Share Options Granted (S$'000) [a]	Value of Deferred Share/Share Awards Granted (S$'000)	Other Benefits (S$'000) [b]	Value of Remuneration Shares Awarded (S$'000) [c] [e]	Options Granted (No.)	Acquisition Price	Exercise Period
Bobby Chin	207	151	–	–	–	–	56	–	–	–
Fang Ai Lian	175	119	–	–	–	–	56	–	–	–
Lai Teck Poh [d]	68	68	–	–	–	–	–	–	–	–
Lee Seng Wee	176	120	–	–	–	–	56	–	–	–
Lee Tih Shih	144	88	–	–	–	–	56	–	–	–
Colm McCarthy	198	142	–	–	–	–	56	–	–	–
Neo Boon Siong	197	141	–	–	–	–	56	–	–	–
Pramukti Surjaudaja	157	101	–	–	–	–	56	–	–	–
Patrick Yeoh	218	162	–	–	–	–	56	–	–	–
Giam Chin Toon [d]	40	40	–	–	–	–	–	–	–	–
Wong Nang Jang [d]	57	57	–	–	–	–	–	–	–	–
Cheong Choong Kong	3,226	1,257	1,290	560	–	119	–	326,302	S$9.35	15/03/2012 to 13/03/2016
David Conner [f]	7,476	1,240	2,490	–	3,710	36	–	–	–	–

Notes:
[a] Share option was valued using the Binomial valuation model.
[b] Represents non-cash component and comprises club and car benefits and employer's contribution to CPF.
[c] Value of remuneration shares was estimated based on closing price of ordinary shares on 11 March 2011, i.e. S$9.27.
[d] Directors who did not receive any remuneration shares because they did not serve a full annual term as non-executive Directors.
[e] Fees and remuneration shares for non-executive Directors refer to those for 2010 financial year that are subject to approval by shareholders at the AGM on 15 April 2011.
[f] As announced to the Singapore Exchange Securities Trading Ltd, Mr David Conner, under his employment contract, is entitled to receive 470,766 OCBC ordinary shares on his retirement. This entitlement will be adjusted for dividends to be declared by the Bank.

SHARE SCHEMES

OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 (the "2001 Scheme") was approved in 2001. At the Remuneration Committee's recommendation, the Board has decided to extend the duration of the 2001 Scheme for another 10 years. The ordinary resolution proposing this extension of duration will be presented to shareholders at the AGM/EGM on 15 April 2011.

The 2001 Scheme seeks to inculcate in all participants a stronger and long term sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. It forms a substantial part of senior executives' variable compensation and serves to align the Bank's compensation with the sustained long term performance of the Bank. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Manager and above and any Group Executive Director selected by the Remuneration Committee, as well as non-executive Directors of the Group, are eligible to participate in the 2001 Scheme.

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

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

The acquisition price for each ordinary share in respect of which the option is exercisable shall be determined by the Remuneration Committee to be a price equal to the average of the last dealt price of the shares for the five consecutive trading days immediately prior to the offering date. No options were granted at a discount since the commencement of the 2001 Scheme.

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

The Committee has adopted the following vesting schedule:

Vesting Schedule

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

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

OCBC Deferred Share Plan

The OCBC Deferred Share Plan ("Plan") aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives to the sustained business performance of the Bank. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee are eligible to participate in the Plan. In 2010, the participants are executives of the Bank, selected overseas locations and subsidiaries.

There are 2 different types of deferred share awards:

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

(b) In addition to the above, senior executives are also granted deferred share awards as part of their long term incentive compensation. These share awards are not deducted from their variable performance bonus and the whole award vests after three years.

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

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

During the financial year, an aggregate of 4,302,894 ordinary shares were granted to eligible executives of the Group pursuant to the Plan.

OCBC Employee Share Purchase Plan

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

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

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date.

Shares granted on conversions in accordance with the rules of the ESPP are allocated from treasury shares or from the issue of new ordinary shares by the Bank.

The aggregate number of new ordinary shares issued by the Bank pursuant to the 2001 Scheme and the ESPP cannot exceed five per cent of the Bank's total number of issued ordinary shares.

SIGN-ON AND SEVERANCE PAYMENT MADE IN 2010

	Number of Employees
Sign-On Payment	
S$50,000 and below	71
Up to S$100,000	7
Up to S$150,000	4
Up to S$200,000	2
Up to S$250,000	2
Up to S$300,000	1
Up to S$350,000	-
Up to S$400,000	-
Up to S$450,000	-
Up to S$500,000	-
Up to S$550,000	-
Up to S$600,000	1
Severance Payment	
S$50,000 and below	14*
Up to S$100,000	1*
Up to S$150,000	1

* Severance payment as a result of the merger of PT Bank OCBC Indonesia and PT Bank OCBC NISP TBK

COMMUNICATION WITH SHAREHOLDERS

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

Shareholders are given the opportunity to participate actively at OCBC Bank's AGMs and EGMs, where they can ask questions and communicate their views. They are allowed to vote in person or by proxy. The Directors as well as the external auditors are present at these meetings to address any relevant queries raised by shareholders.

Corporate Governance

RELATED PARTY TRANSACTIONS

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

ETHICAL STANDARDS

The Bank has adopted the SGX-ST Listing Manual's guidelines on dealings in securities and has a policy against insider trading. Directors and officers are prohibited from dealing in the securities of the Bank during the period commencing two weeks before the announcement of the Bank's financial statements for each of the first three quarters of the financial year, and during the period commencing one month before the announcement of the financial statements for the financial year, and ending on the date of the announcement of the relevant results. The Bank also has a policy on dealings in the listed securities of customers of the Group. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

Additional Information Required under the SGX-ST Listing Manual

1. INTERESTED PERSON TRANSACTIONS

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2010 S$'000	Aggregate value of all interested person transactions during the financial year under review conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 2010 S$'000
Tenancy agreement with lessor, Dasar Sentral (M) Sdn Bhd [(1)] – lease of premises at Wisma Lee Rubber, Kuala Lumpur	406	–
Dr Cheong Choong Kong	See below [(2)]	–

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

(2) An agreement was made on 12 June 2006 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. This agreement was renewed on 1 December 2008 and came into effect on 1 July 2009. Please see "Directors' Contractual Benefits" in the Directors' Report for details of payments made to Dr Cheong during the financial year under review.

2. MATERIAL CONTRACTS

Since the end of the previous financial year, no material contract involving the interest of any Director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiary companies, and no such contract subsisted as at 31 December 2010.

Capital Management

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

CAPITAL POLICY

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

OCBC actively manages its capital composition to achieve an efficient mix of different capital instruments in order to lower its overall cost of capital. We evaluate and access local and international capital markets for different forms of additional capital if necessary. Over the years, OCBC had issued non-dilutive perpetual preference shares, tax deductible non-dilutive innovative Tier 1 capital securities and Tier 2 subordinated notes. A description of the key terms and conditions of all capital instruments included within eligible total capital can be found in Notes 13, 16 and 21 of the financial statements.

CAPITAL ADEQUACY RATIOS

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

The table below shows the composition of the Group's regulatory capital and capital adequacy ratios as of 31 December 2010. The capital adequacy ratios are determined in accordance with the requirements of MAS Notice 637, which include the definitions for Tier 1 and Tier 2 capital, the deductions required for goodwill, intangible assets, and capital investments in associates and insurance subsidiaries, as well as the methodologies available for computing risk-weighted assets. The approaches adopted by OCBC for the computation of risk-weighted assets can be found in the "Basel II Pillar 3 Market Disclosure" chapter.

$ million	**2010**	**2009**
Tier 1 Capital		
Ordinary shares	**6,315**	5,480
Preference shares	**1,896**	1,896
Innovative Tier 1 capital instruments	**2,065**	2,062
Disclosed reserves	**11,216**	10,096
Non-controlling interests	**776**	735
	22,268	20,269
Goodwill / others	**(4,044)**	(3,394)
Deductions from Tier 1 capital	**(1,076)**	(913)
Eligible Tier 1 Capital	**17,148**	15,962
Tier 2 Capital		
Subordinated term notes / others	**3,637**	3,300
Deductions from Tier 2 capital	**(2,277)**	(2,770)
Eligible Total Capital	**18,508**	16,492
Credit	**84,033**	81,730
Market	**13,595**	11,404
Operational	**7,434**	6,879
Risk Weighted Assets	**105,062**	100,013
Tier 1 capital adequacy ratio	**16.3%**	15.9%
Total capital adequacy ratio	**17.6%**	16.4%

Capital Management

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

Insurance subsidiaries of Great Eastern Holdings ("GEH") are not consolidated for the computation of the above capital adequacy ratios, as per the requirements of MAS Notice 637. Capital investments in these insurance subsidiaries are deducted from OCBC's Tier 1 and Tier 2 capital, and their assets and liabilities are excluded from the computation of OCBC's risk-weighted assets. GEH's insurance subsidiaries are required to comply with the capital ratios prescribed in the insurance regulations of the jurisdiction in which they operate. As of 31 December 2010, the capital adequacy ratios for GEH's insurance subsidiaries in Singapore and Malaysia were 215% and 277% respectively. These ratios were well above the minimum regulatory ratios of 120% in Singapore and 130% in Malaysia.

CAPITAL PLANNING AND MONITORING

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

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

CAPITAL INITIATIVES

The following key capital initiatives were undertaken by the Group during the financial year ended 31 December 2010:

Tier 1 Capital

- Issue of 50.6 million new ordinary shares by OCBC Bank on 1 November 2010, representing S$398 million in ordinary share capital, to shareholders who had elected to participate in the Scrip Dividend Scheme in respect of the interim dividend for the financial year ended 31 December 2010.
- Issue of 45.3 million new ordinary shares by OCBC Bank on 16 June 2010, representing S$359 million in ordinary share capital, to shareholders who had elected to participate in the Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2009.

Tier 2 Capital

- Issue of US$500 million subordinated notes by OCBC Bank on 15 November 2010.
- Issue of RM500 million subordinated notes by OCBC Malaysia on 4 November 2010.
- Issue of IDR880 billion subordinated bonds by Bank OCBC NISP on 30 June 2010.

DIVIDEND

Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on at least a half-yearly basis. For the financial year ended 31 December 2010, the Board of Directors has recommended a final one-tier tax exempt dividend of 15 cents per share, with a scrip dividend alternative. This brings the full year 2010 dividend to 30 cents per share, or an estimated total dividend payout of S$994 million, representing 44% of the Group's core net profit of S$2,253 million (2009: total dividend payout of S$898 million, representing 46% of the Group's core net profit of S$1,962 million).

SHARE BUYBACK AND TREASURY SHARES

Shares purchased under the share buyback programme are held as treasury shares. These are recorded as a deduction against share capital, and may be subsequently sold, cancelled, distributed as bonus shares, or used to meet delivery obligations under employee share programmes.

There were no share buyback in the financial years ended 31 December 2009 and 31 December 2008. During the financial year ended 31 December 2010, the Bank recommenced share buyback to meet delivery obligations under its employee share programmes, and purchased 4.4 million of its ordinary shares for S$42 million as part of its third share buyback programme. As of 31 December 2010, S$311 million of the S$500 million third share buyback programme has been utilised to purchase approximately 43.6 million shares under the programme which commenced in June 2006.

Risk Management

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

DEVELOPMENTS IN 2010

Many of our core markets, including Singapore and other Asian countries, witnessed robust economic growth in 2010, as capital flows accelerated into emerging markets amid low interest rates and accommodative government policies. We were able to leverage on earlier efforts that strengthened our regional risk management capabilities across the OCBC Group to ensure that even as business expanded, our risk-taking activities remained within our predetermined risk appetite limits.

Growth in the loan book was prudently managed, while we maintained sound underwriting discipline. As a result, we were able to sustain our already strong asset quality, stable liquidity and funding profile, and strong capital ratios. Loan originations were largely to well-rated firms across most geographies. In Singapore, a stable property market provided good opportunities for new housing loans. Proactive monitoring and timely remedial management enabled our non-performing loans ratio to further decline to 0.9% as of 31 December 2010, while credit losses reduced further to five basis points.

We remain vigilant to uncertainties and challenges ahead. We regularly review, refine, and align our risk management capabilities across the Group, to keep abreast of emerging risks and changes in regulations, including consumer protection laws, industry developments, and best practices. With unprecedented capital flows into Asia, we remain vigilant of adverse consequences stemming from new government policies to curb capital flows, given growing concerns of rising asset prices. Proposed global regulatory banking reforms are also expected to lead to far-reaching consequences for the banking sector. To mitigate pockets of increased weaknesses seen in several European sovereigns and political uncertainties closer to home, we moderated exposures to these segments in 2010.

Investments in building our risk management infrastructure and capabilities have served us well through the global financial turmoil of 2008-2009, and helped us manage through 2010. We remain committed to further bolstering our risk management capabilities as we look to growth opportunities in Asia, from our strong capital, asset quality, and stable funding positions.

RISK MANAGEMENT IN OCBC GROUP

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

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

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

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

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

All banking subsidiaries, including our recently acquired Bank of Singapore, are required to implement risk management policies that conform to the Group's standards. Approving authorities and limits are determined by the Head Office to ensure accountability and appropriate oversight for effective risk management at the Group level.

Risk Management

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

RISK GOVERNANCE AND ORGANISATION

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

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

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

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

BASEL II

OCBC Group has implemented Monetary Authority of Singapore (MAS) Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore with effect from 1 January 2008. MAS Notice 637 adopts the Basel Committee on Banking Supervision's proposal on "International Convergence of Capital Measurement and Capital Standards", commonly referred to as Basel II. This framework provides a stronger linkage between capital requirements and the level of risks undertaken by banks to enhance their risk management practices and establishes minimum capital requirements to support credit, market, and operational risks. As part of enhanced public disclosures on risk profile and capital adequacy required under MAS Notice 637, the Group has made additional disclosures since 2008. Please refer to the OCBC Group Basel II Pillar 3 Market Disclosure section in the annual report for more information.

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

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

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

Implementing the Basel II framework is an integral part of our efforts to refine and strengthen, as well as to ensure our management of risks is appropriate for the risks we undertake. Group management remains vigilant to ongoing industry and regulatory developments, including risk-adjusted compensation and new standards established in the Basel III Framework published in December 2010. We are constantly reviewing to further improve and refine our businesses and risk management capabilities as well as engaging in dialogue with industry peers and regulators to position ourselves for the far-reaching consequences of these reforms.

CREDIT RISK MANAGEMENT

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

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

Credit Risk Management Oversight and Organisation

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

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

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

Credit Risk Management Approach

Our credit risk management framework enables Group management to manage credit risks within the Group's Risk Appetite, to develop risk-response strategies, as well as to optimise risk-taking by anticipating and acting on potential threats or opportunities. The framework provides for the comprehensive identification, assessment, approval, measurement, monitoring and mitigation of credit risks. This is achieved through the establishment of Group-wide credit risk policies on approval and credit risk management, as well as methodologies and models to quantify these risks consistently. While Group policies set our minimum credit risk management standards, the key to our success lies also in the experience and sound judgement of our credit officers.

Regular credit reviews ensure close monitoring of our credit portfolios and allow for the identification of problems at an early stage, while internal audit reviews provide an independent assessment of the effectiveness and adequacy of our credit risk management practices. Credit underwriting criteria are regularly updated to reflect prevailing economic conditions in our key markets. In addition, we remain selective in purchasing debt securities. Portfolio reviews and stress tests are conducted regularly to identify any portfolio vulnerabilities. Fair dealing is an integral part of OCBC's core corporate values: credit extensions are only offered after a comprehensive assessment of the borrower's creditworthiness, as well as the suitability and appropriateness of the product offering.

Lending to Consumers and Small Businesses

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

Lending to Corporate and Institutional Customers

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

Lending to Private Banking Customers

With the acquisition of Bank of Singapore, OCBC has taken a strategic step towards becoming a leading player in private banking and wealth management across Asia. Credit extensions to our private banking and wealth management clients are subject to a comprehensive credit assessment, setting of limits, as well as continuous risk monitoring. Joint approvals from the business and risk units also ensure objectivity in credit extensions.

Risk Management

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

Loan advance rates are dependent on the liquidity, volatility and diversification of the collateral portfolio. Credit exposures that are secured by marketable securities are subject to daily valuation and independent price verification.

Credit Risk from Investment or Trading Activities

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

Securitisation Activities

As of year-end 2010, OCBC Group had negligible exposures to securitised assets – both asset-backed securities and collateralised debt obligations – after the Group fully wrote down its CDO exposure in 2009. The Group is not active in securitisation activities. Refer to the Pillar 3 Market Disclosure for details.

Internal Credit Rating Models

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

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

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

A-IRB for Major Retail Portfolios

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

F-IRB for Major Non-Retail Portfolios

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

IRB Approach for Securitisation Exposures

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

Standardised Approach for Other Portfolios

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

Credit Risk Control

Credit Risk Mitigation

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

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

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

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

Managing Credit Risk Concentrations

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

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

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

Remedial Management

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

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

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

Impairment Allowances for Loans

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

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

Portfolio allowances are set aside based on management's credit experiences and judgement for estimated inherent losses that may exist but have not been identified to any specific financial asset. Credit experiences are based on historical loss rates that take into

Risk Management

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

account geographic and industry factors. A minimum 1% portfolio allowance is set aside under the transitional arrangement in MAS Notice 612.

Write-offs

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

Ceasing of Interest Accrual on Loans

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

Collateral Held Against NPLs

Real estate in Singapore forms the main type of collateral for the Group's NPLs. The realisable value of the real estate collateral is used to determine the adequacy of the collateral coverage. Proceeds from the sale of collateral pledged for a particular loan cannot be applied to other classified loans unless the accounts are related and legal cross collateralisation of the facilities have been provided for.

MARKET RISK MANAGEMENT

Market risk is the risk of loss of income or market value due to fluctuations in market factors such as interest rates, foreign exchange rates, equity and commodity prices, or changes in volatility or correlations of such factors. OCBC Group is exposed to market risks from its trading and client servicing activities.

OCBC Group's market risk management strategy and market risk limits are established within the Group's risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

Market Risk Management Oversight and Organisation

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

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

Market Risk Management Approach

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

Market Risk Identification

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

Market Risk Measurements

Value-At-Risk

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

Other Risk Measures

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

Stress Testing and Scenario Analyses

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

The following table provides a summary of the Group's trading VaR profile by risk types for 2010.

VaR by Risk Type - Trading Portfolio

	2010				2009			
SGD Millions	**Year End**	**Average**	**Minimum**	**Maximum**	**Year End**	**Average**	**Minimum**	**Maximum**
Interest Rate VaR	**11.10**	**7.72**	**5.45**	**12.21**	6.60	9.66	5.70	13.53
Foreign Exchange VaR	**3.62**	**7.55**	**1.49**	**18.91**	4.72	7.55	2.82	13.00
Equity VaR	**1.12**	**1.43**	**0.31**	**3.03**	1.34	1.05	0.22	7.91
Volatility VaR [1]					0.87	1.75	0.67	3.59
Credit Spread VaR	**1.31**	**1.74**	**0.61**	**3.19**	0.73	2.44	0.73	4.80
Diversification Effect [2]	**-8.95**	**-8.37**	**NM** [3]	**NM** [3]	-7.89	-10.37	NM [3]	NM [3]
Aggregate VaR	**8.20**	**10.07**	**6.76**	**17.27**	6.37	12.08	6.37	20.92

(1) Volatility VaR includes VaR related to option's volatility arising from Interest Rate, Foreign Exchange and Equity asset classes.
Beginning 1 Feb 2010, Volatility VaR is monitored along with utilisation of the respective asset class, instead of as a separate VaR category.
(2) Diversification effect is computed as the difference between Aggregate VaR and sum of asset class VaRs.
(3) Not meaningful as the minimum and maximum VaR may have occurred on different days for different asset classes.

Risk Monitoring and Control

Limits

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

Model and Valuation Control

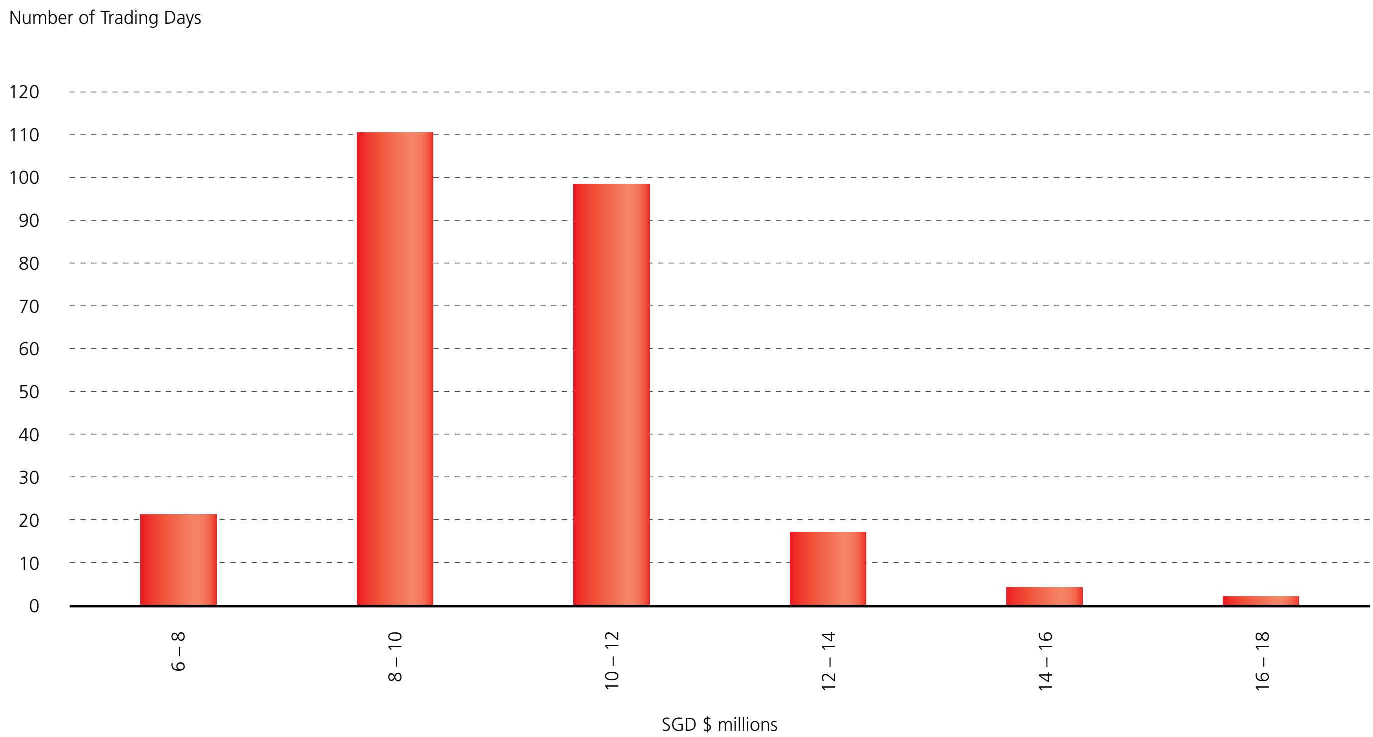
Model and valuation control is also an integral part of the Group's risk control process. Valuation and risk models are deployed in the Group for pricing of financial instruments and VaR calculation, respectively. The Group ensures the models used are fit for their intended purpose, through verifying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

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

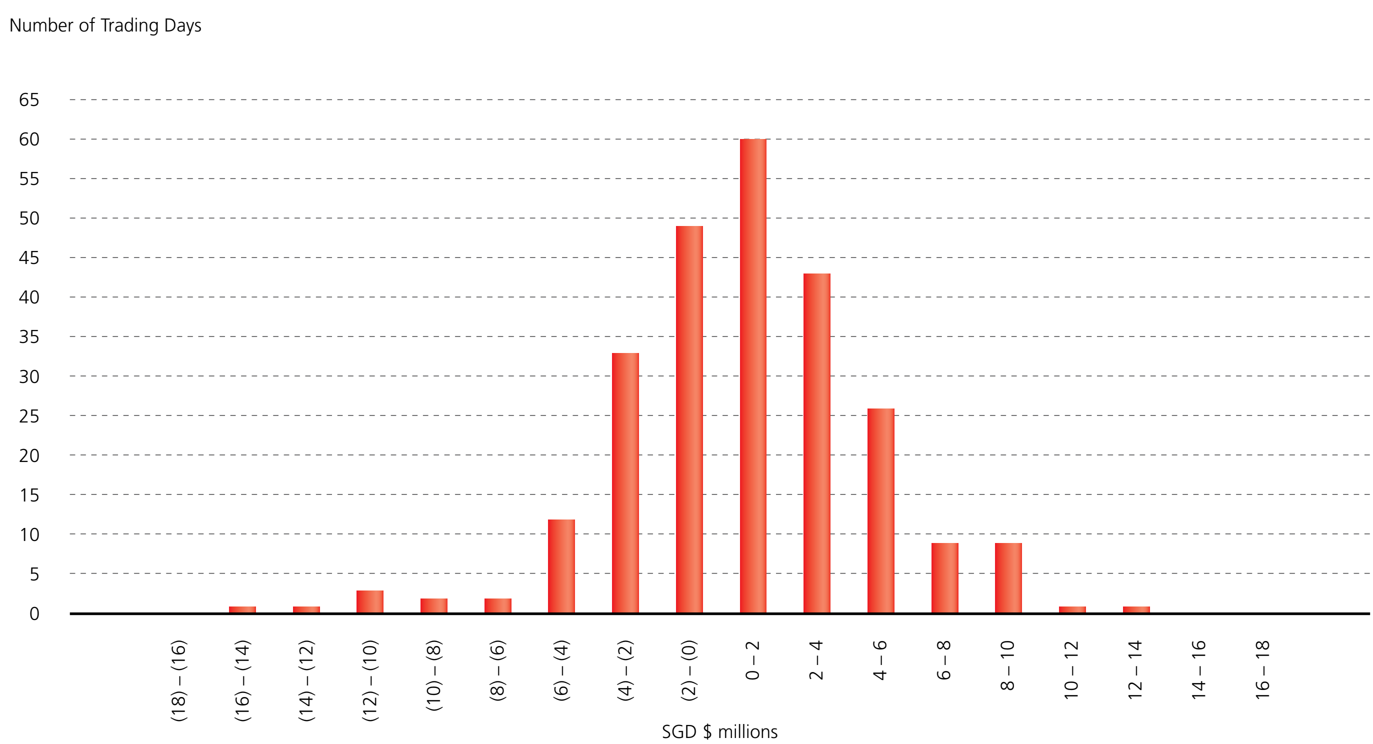
Risk Management

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

Frequency Distribution of Group Trading Book Daily Aggregate VaR (One Day Holding Period) for FY 2010



Frequency Distribution of Group Trading Book Daily Revenue for FY 2010



ASSET LIABILITY MANAGEMENT

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

Asset Liability Management Oversight and Organisation

The Asset Liability Management Committee (ALCO) is the senior management committee that oversees the Group's liquidity and balance sheet risks. ALCO is supported by the Asset Liability Management Department within Group Risk Management Division.

Asset Liability Management Approach

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

Structural Interest Rate Risk

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

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

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

Structural Foreign Exchange Risk

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

Liquidity Risk

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

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

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are also performed and the results are taken into account in the risk management processes. Structural liquidity indicators such as liquidity and deposit concentration ratios are also employed to maintain an optimal funding mix and asset composition. A funding strategy is also in place to provide effective diversification and stability in funding sources. These processes are also subjected to regular reviews to ensure adequacy and appropriateness.

OPERATIONAL RISK MANAGEMENT

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

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

Operational Risk Management Oversight and Organisation

The Operational Risk Management and Information Security Committee (ORISC) is the senior management committee that establishes the Group's operational risk management and information security frameworks and policies, and ensures that sound methodologies, risk measurements, and systems are implemented. ORISC also oversees the management of the Group's technology risk, fiduciary risk, and information security risk.

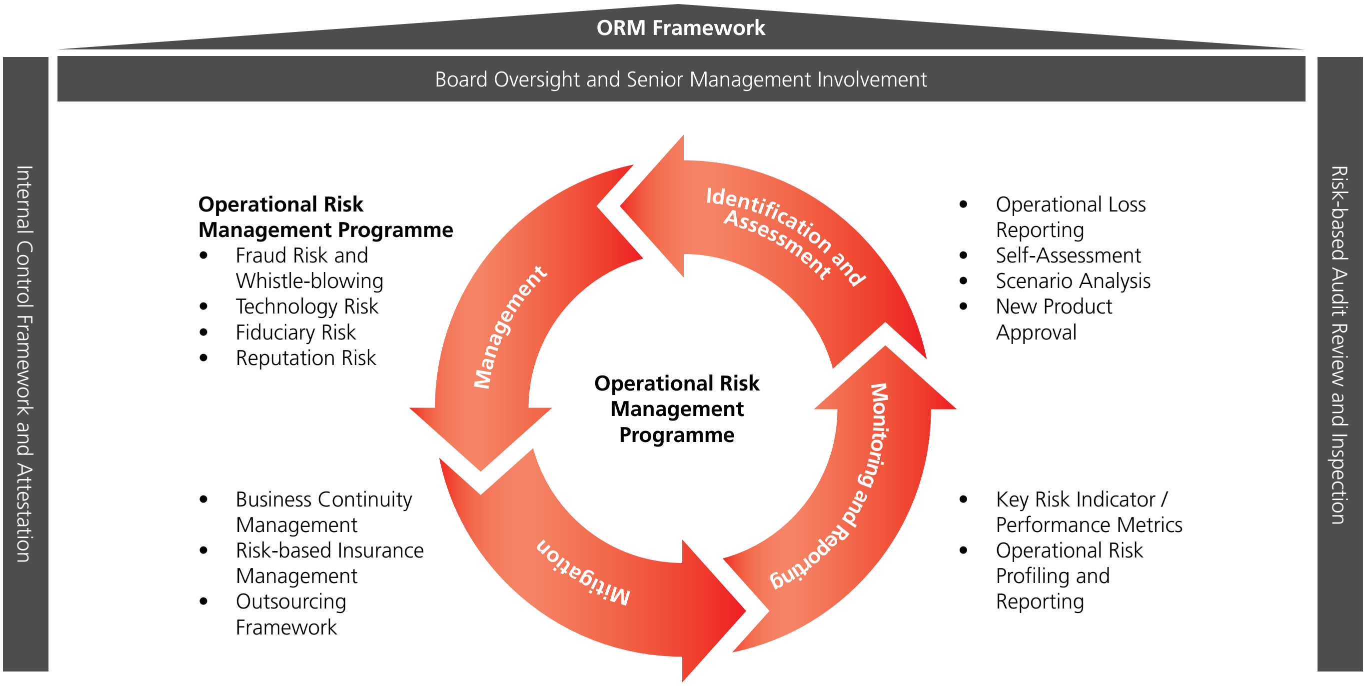
The Operational Risk Management (ORM) Department of Group Risk Management Division has established the ORM framework, including policies and methodologies. The ORM department also provides independent oversight of operational risk monitoring and control. The ORM programmes are actively implemented through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

Operational Risk Management Approach

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

Risk Management

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



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

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

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

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

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

Reputation Risk Management

Reputation risk exposure is the current and future adverse impact on earnings and capital arising from negative public opinion or adverse regulatory actions, which would unfavourably affect new and existing relationships. The Group's Reputation Risk Management Programme focuses on understanding and managing our responsibilities towards our different stakeholders, and protecting our reputation. A key emphasis of the Programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management

Fiduciary risk is the possibility that the Group may, in the course of managing funds or providing other services, exercise discretion, make decisions, or take actions that fail to satisfy the applicable standard of conduct appropriate for a trust relationship. The Group has a Fiduciary Risk Management Programme that focuses on compliance with applicable corporate standards with regular identification, assessment, mitigation, and monitoring of fiduciary risk exposures.

Regulatory and Legal Risks

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

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2010)

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

The Group successfully migrated the Singapore small business and commercial property lending to individuals portfolios under our emerging business segment to the internal ratings-based ("IRB") approach in 2010. These portfolios are reflected in this disclosure as Small Business exposures. With effect from 1 January 2011, the equity portfolio will also be migrating to the IRB approach. Exposures in the newly acquired private banking subsidiary, Bank of Singapore Limited, are included under the Standardised Approach.

The Group's overall credit quality remained healthy, benefiting from the strong economic recovery in our key markets, continued vigilance in problem detection and proactive portfolio profiling. While total risk weighted assets have increased in tandem with the growth in the Group's portfolios, average risk weights for exposures on the IRB approaches were lower compared to 2009, driven by the improving credit profile of the corporate and consumer portfolios, as well as the enhancements in modeling methodologies.

The operational and market risk weighted assets were higher than 2009 due to the increase in the Group's gross income and increased market activities in the trading book respectively.

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

	EAD S$ million	RWA S$ million
Credit Risk		
Standardised Approach		
Corporate	4,978	4,956
Sovereign	24,755	57
Bank	621	153
Retail	4,836	3,672
Residential Mortgage	949	445
Equity & PE/VC	1,619	1,619
Others	6,937	6,299
Total Standardised	44,695	17,201
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	49,936	35,947
Bank	29,066	6,920
Advanced IRB		
Residential Mortgage	31,400	3,829
Qualifying Revolving Retail	3,691	1,064
Small Business	3,134	1,438
Other Retail	1,462	277
Specialised Lending under Supervisory Slotting Criteria	17,501	17,320
Securitisation	255	37
Total IRB	136,445	66,832
Total Credit Risk	181,140	84,033
Market Risk		
Standardised Approach		13,595
Operational Risk		
Standardised Approach		6,868
Basic Indicator Approach		566
Total Operational Risk		7,434
Total RWA		**105,062**

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

Subsidiary	Tier 1 CAR	Total CAR
Bank of Singapore Limited	31.3%	31.3%
Singapore Island Bank Limited	41.8%	41.8%
OCBC Bank (Malaysia) Berhad	13.6%	16.1%
OCBC Al-Amin Bank Berhad	10.0%	15.6%
OCBC Bank (China) Limited	25.0%	25.0%
P.T. Bank OCBC NISP Tbk	12.2%	16.0%
P.T. Bank OCBC Indonesia	29.6%	30.4%

Note: The capital adequacy ratios of Bank of Singapore Limited and Singapore Island Bank Limited are computed based on the standardised approach under the Basel II framework. Capital adequacy ratio computations of OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad are based on the IRB approach. The computations at the other overseas banking subsidiaries are currently based on Basel I requirements.

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2010)

CREDIT RISK

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

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

Credit Exposures under Standardised Approach

Credit exposures under standardised approach comprise mainly exposures to sovereigns, Malaysia small businesses including commercial property lending to individuals, private banking customers in Bank of Singapore and other assets. Rated exposures relate mainly to debt securities and sovereign portfolios while unrated exposures relate mainly to small businesses and other assets.

Risk Weight	**EAD S$ million**
0%	25,347
20% - 35%	1,232
50% - 75%	5,116
100%	11,263
>100%	118
Total	**43,076**
Rated exposures	29,273
Unrated exposures	13,803

Equity and PE/VC Exposures under Standardised Approach

Equities for regulatory capital computation were taken at cost and risk weighted and/or deducted from capital in accordance with MAS Notice 637 under the standardised approach. Equity exposure of S$28 million has been deducted from regulatory capital.

Risk Weight	**EAD S$ million**
100%	1,619
200%	–
Total	**1,619**

Specialised Lending Exposures under Supervisory Slotting Criteria

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

	EAD S$ million	**Average Risk Weight**
Strong	5,809	58%
Good	1,191	82%
Satisfactory	10,289	122%
Weak	158	265%
Default	54	NA
Total	**17,501**	**99%**

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

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

Corporate Exposures

PD Range	**EAD S$ million**	**Average Risk Weight**
up to 0.05%	7,445	17%
> 0.05 to 0.5%	14,889	41%
> 0.5 to 2.5%	18,858	85%
> 2.5 to 9%	5,677	134%
> 9%	2,500	195%
Default	567	NA
Total	**49,936**	**72%**

Bank Exposures

PD Range	**EAD S$ million**	**Average Risk Weight**
up to 0.05%	17,162	10%
> 0.05 to 0.5%	7,685	25%
> 0.5 to 2.5%	3,452	67%
> 2.5 to 9%	708	119%
> 9%	59	203%
Default	#	NA
Total	**29,066**	**24%**

represents amounts less than $0.5 million

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

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

Residential Mortgages

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	20,537	2,510	11%	5%
> 0.5 to 3%	7,399	739	11%	18%
> 3 to 10%	2,861	186	11%	35%
> 10%	387	9	12%	63%
100%	216	–	17%	69%
Total	**31,400**	**3,444**	**11%**	**12%**

Qualifying Revolving Retail Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	2,735	2,107	90%	8%
> 0.5 to 3%	492	208	86%	44%
> 3 to 10%	335	109	91%	108%
> 10%	111	26	91%	245%
100%	18	–	90%	0%
Total	**3,691**	**2,450**	**89%**	**29%**

Small Business Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	1,369	241	24%	18%
> 0.5 to 3%	1,150	134	36%	54%
> 3 to 10%	383	49	41%	77%
> 10%	204	40	48%	121%
100%	28	7	55%	91%
Total	**3,134**	**471**	**32%**	**46%**

Other Retail Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	952	3	27%	10%
> 0.5 to 3%	368	1	27%	30%
> 3 to 10%	98	1	26%	41%
> 10%	42	#	27%	61%
100%	2	–	29%	55%
Total	**1,462**	**5**	**27%**	**19%**

represents amounts less than $0.5 million

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

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

	Actual Loss for the year ended 31 December 2010 S$ million	Regulatory Expected Loss (Non-defaulted) as at 31 December 2009 S$ million
Corporate	(23)	450
Bank	–	38
Small Business	2	–
Retail	23	123
Total	**2**	**611**

Note: The Singapore small business portfolio was migrated to the IRB approach with effect from 2010. There was hence no Regulatory EL as at end 2009.

Exposures Covered by Credit Risk Mitigation

	Eligible Financial Collateral S$ million	Other Eligible Collateral S$ million	Amount by which exposures have been reduced by eligible credit protection S$ million
Standardised Approach			
Corporate	69	–	#
Sovereign and Bank	618	–	–
Retail and Residential Mortgage	165	–	–
Others	3,054	–	–
Total	**3,906**	**–**	**#**
Foundation IRB Approach			
Corporate	2,343	7,656	139
Bank	340	–	–
Total	**2,683**	**7,656**	**139**

represents amounts less than $0.5 million

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

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2010)

Counterparty Credit Risk Exposures

	S$ million
Replacement Cost	5,098
Potential Future Exposure	2,458
Less: Effects of Netting	3,604
EAD under Current Exposure Method	**3,952**
Analysed by type:	
Foreign Exchange Contracts and Gold	2,035
Interest Rate Contracts	1,515
Equity Contracts	73
Precious Metals Contracts	#
Other Commodities Contracts	9
Credit Derivative Contracts	320
Less: Eligible Financial Collateral	438
Other Eligible Collateral	–
Net Derivatives Credit Exposure	**3,514**

represents amounts less than $0.5 million

Credit Derivatives

	S$ million Notional Amount	
	Bought	**Sold**
Credit Default Swaps		
for own credit portfolio	2,916	2,806
for intermediation activities	5	–
Total	**2,921**	**2,806**

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

Securitisation Exposures Purchased

S$ million

Risk Weight	**EAD**	**RWA**
up to 20%	147	26
> 20% to 50%	26	11
> 50% to 100%	–	–
> 100% to 500%	–	–
> 500%	–	–
Deductions from Tier 1 and Tier 2 Capital	82	–
Total	**255**	**37**

MARKET RISK

Capital Requirement by Market Risk Type under Standardised Approach

	S$ million
Interest rate risk	511
Equity position risk	13
Foreign exchange risk	564
Commodity risk	#
Total	**1,088**

represents amounts less than $0.5 million

EQUITY EXPOSURES

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

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

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

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

Carrying Value of Equity Exposures

	S$ million
Quoted equity exposure - AFS	2,815
Unquoted equity exposure - AFS	342
Quoted equity exposure - Associates	–
Unquoted equity exposure - Associates	253
Total	**3,410**

Realised and Unrealised Gains and Losses

	S$ million
Gains/(losses) from disposal of AFS equities	53
Unrealised gains included in fair value reserve	1,197
Total	**1,250**

Financial Report

Management Discussion and Analysis

OVERVIEW

	2010	2009	+/(-) %
Selected Income Statement Items (S$ million)			
Net interest income	**2,947**	2,825	4
Non-interest income	**2,378**	1,990	20
Total income	**5,325**	4,815	11
Operating expenses	**(2,254)**	(1,796)	25
Operating profit before allowances and amortisation	**3,071**	3,019	2
Amortisation of intangible assets	**(55)**	(47)	18
Allowances for loans and impairment of other assets	**(134)**	(429)	(69)
Operating profit after allowances and amortisation	**2,882**	2,543	13
Share of results of associates and joint ventures	**(2)**	(0)	NM
Profit before income tax	**2,880**	2,543	13
Net profit attributable to shareholders	**2,253**	1,962	15
Cash basis net profit attributable to shareholders (1)	**2,308**	2,009	15
Selected Balance Sheet Items (S$ million)			
Ordinary equity	**18,894**	17,075	11
Total equity (excluding non-controlling interests)	**20,790**	18,971	10
Total assets	**229,283**	194,300	18
Assets excluding life assurance fund investment assets	**181,797**	151,223	20
Loans and bills receivable (net of allowances)	**104,989**	80,876	30
Deposits of non-bank customers	**123,300**	100,633	23
Per Ordinary Share			
Basic earnings (cents) (2)	**66.1**	59.4	11
Basic earnings – Cash basis (cents) (2)	**67.8**	60.9	11
Diluted earnings (cents) (2)	**65.9**	59.3	11
Net asset value - Before valuation surplus (S$)	**5.66**	5.29	7
Net asset value - After valuation surplus (S$)	**7.09**	6.33	12
Key Financial Ratios (%)			
Return on equity (2)	**12.1**	12.2	
Return on equity - Cash basis (2)	**12.4**	12.5	
Return on assets (3)	**1.32**	1.35	
Return on assets - Cash basis (3)	**1.35**	1.38	
Net interest margin	**1.98**	2.23	
Non-interest income to total income	**44.7**	41.3	
Cost to income	**42.3**	37.3	
Loans to deposits	**85.1**	80.4	
NPL ratio	**0.9**	1.7	
Total capital adequacy ratio	**17.6**	16.4	
Tier 1 ratio	**16.3**	15.9	

(1) Excludes amortisation of intangible assets.

(2) Calculated based on 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 15% to S$2,253 million for the financial year ended 31 December 2010. Robust growth in fee and commission income and other non-interest income, and a significant reduction in credit losses, were the key drivers. The full year results included the consolidation of Bank of Singapore (formerly ING Asia Private Bank) from 29 January 2010.

Net interest income increased by 4%, with strong asset growth largely offset by narrower interest margins. Loans grew 29%, with broad-based contributions across key geographies as well as customer and industry segments. Fee and commission income surged 36%, led by wealth management, trade-related, loan-related and investment banking income. Trading and investment income were also higher, while life assurance profit was lower, resulting in a 20% increase in total non-interest income. Operating expenses rose 25%, reflecting the consolidation of Bank of Singapore, the Group's renewed investments in key markets, and business volume-related costs. Allowances for loans and other assets were reduced from S$429 million in 2009 to S$134 million in 2010. The non-performing loans ("NPL") ratio improved from 1.7% to 0.9%.

Return on equity was 12.1% in 2010 compared to 12.2% in 2009. Earnings per share increased 11% to 66.1 cents.

Insurance subsidiary Great Eastern Holdings ("GEH") achieved healthy growth in its underlying insurance business, with new business weighted premiums increasing by 20% and new business embedded value climbing 30%. These results were driven by GEH's strategy of focusing on regular premium and protection products, which will improve longer term profitability. GEH's net profit for the year was S$507 million, a marginal decline of 2% from 2009, as the previous year's results were boosted by the strong recovery in credit markets after the global financial crisis. GEH's contribution to the Group's net profit, after deducting amortisation of intangible assets and non-controlling interests, fell 2% from S$412 million to S$405 million, contributing 18% of the Group's earnings in 2010.

OCBC Bank (Malaysia) Berhad achieved 16% growth in full year net profit to MYR 706 million (S$299 million). Revenue growth was broad-based, with net interest income, Islamic Banking income and non-interest income registering growth rates of 9%, 10% and 8% respectively. Net interest margin improved from 2.35% to 2.42%, partially benefiting from the policy rate hikes in Malaysia. Expenses grew 10% while allowances fell 30%. Loans grew 10% during the year, and the NPL ratio improved from 3.8% to 2.8%.

Bank OCBC NISP in Indonesia recorded a 26% decline in full year net profit to IDR 321 billion (S$48 million), attributable mainly to a one-time expense of IDR 188 billion relating to its merger with Bank OCBC Indonesia. Net interest income grew 5% as a result of assets growth which offset a fall in net interest margin from 5.53% to 5.14%, while non-interest income fell 3%. Expenses excluding the one-time charge rose 8%, while allowances fell 16%. Loans grew 28% for the year, and its NPL ratio improved from 3.2% to 2.0%. Following the completion of the merger on 1 January 2011, Bank OCBC NISP's total assets increased 13% to IDR 50.1 trillion, its total equity rose 29% to IDR 5.8 trillion, and OCBC Bank's stake in the enlarged entity increased from 81.9% to 85.06%.

Bank of Singapore achieved 18% growth in its assets under management to US$26 billion. Earning asset base, which includes loans, grew 20% to US$32 billion. Bank of Singapore's global branding campaign, launched in early 2010, has been successful in building name recognition, helping retain existing customers and attract new customers while enhancing its ability to bring in talent from global private bank competitors. More than 200 new staff were hired during the year, including 60 relationship managers. In addition to growing its business in existing markets, Bank of Singapore increased its assets under management from customers based in Europe and the Middle East, markets which were previously the purview of a separate unit under the ING organisation. Cross-sell and referral efforts between OCBC Bank and Bank of Singapore have also been successful, covering the areas of property and business financing, deposits, insurance sales and customer acquisition.

A final tax-exempt dividend of 15 cents per share has been proposed, bringing the 2010 total dividend to 30 cents per share, up from 28 cents for 2009. The Scrip Dividend Scheme will be applicable to the final dividend, giving shareholders the option to receive the dividend in the form of shares, which will be issued at a 10% discount to the reference share price during the price determination period.

Management Discussion and Analysis

NET INTEREST INCOME

Average Balance Sheet

	2010			2009		
	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	**94,022**	**3,201**	**3.40**	78,056	3,043	3.90
Placements with and loans to banks	**26,722**	**423**	**1.58**	23,450	432	1.84
Other interest earning assets	**28,029**	**739**	**2.63**	25,055	709	2.83
Total	**148,773**	**4,363**	**2.93**	126,561	4,184	3.31
Interest bearing liabilities						
Deposits of non-bank customers	**112,591**	**1,061**	**0.94**	95,905	1,036	1.08
Deposits and balances of banks	**14,942**	**103**	**0.69**	11,777	96	0.82
Other borrowings	**8,962**	**252**	**2.82**	7,204	227	3.14
Total	**136,495**	**1,416**	**1.04**	114,886	1,359	1.18
Net interest income / margin		**2,947**	**1.98**		2,825	2.23

Net interest income grew 4% to S$2,947 million in 2010. Strong growth of 18% in interest earning assets was largely offset by a 25 basis points decline in net interest margin from 2.23% to 1.98%. Six basis points of the margin decline was due to the inclusion of Bank of Singapore's lower-yielding, well-collateralised assets which contributed to the Group's net interest income but reduced its overall net interest margin. Excluding this consolidation effect, net interest margin fell 19 basis points to 2.04%, attributable to lower average asset yields as a result of the continuing low interest rate environment, and lower gapping income.

Volume and Rate Analysis

Increase / (decrease) for 2010 over 2009	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	623	(464)	159
Placements with and loans to banks	60	(69)	(9)
Other interest earning assets	84	(55)	29
Total	767	(588)	179
Interest expense			
Deposits of non-bank customers	180	(155)	25
Deposits and balances of banks	26	(19)	7
Other borrowings	55	(30)	25
Total	261	(204)	57
Impact on net interest income	506	(384)	122
Due to change in number of days			–
Net interest income			122

NON-INTEREST INCOME

	2010 S$ million	2009 S$ million	+/(-) %
Fees and commissions			
Brokerage	**86**	96	(10)
Wealth management	**189**	65	192
Fund management	**83**	70	18
Credit card	**46**	45	4
Loan-related	**208**	172	20
Trade-related and remittances	**172**	124	39
Guarantees	**21**	23	(9)
Investment banking	**80**	54	48
Service charges	**70**	53	32
Others	**39**	28	37
Sub-total	**994**	730	36
Dividends	**63**	57	10
Rental income	**77**	78	(1)
Profit from life assurance	**437**	727	(40)
Premium income from general insurance	**149**	122	22
Other income			
Net trading income	**391**	344	14
Net gain from investment securities	**153**	50	204
Net gain/(loss) from disposal of subsidiaries and associates	**38**	(0)	NM
Net gain from disposal of properties	**22**	8	161
Loss from redemption of GLC [1] units	**–**	(213)	–
Others	**54**	87	(37)
Sub-total	**658**	276	138
Total non-interest income	**2,378**	1,990	20
Fees and commissions/Total income	**18.7%**	15.2%	
Non-interest income/Total income	**44.7%**	41.3%	

[1] GLC refers to GreatLink Choice, a series of investment-linked insurance policies.

Non-interest income rose 20% to S$2,378 million, accounting for 45% of the Group's revenue. The increase was led by higher fees and commissions, net trading income and investment gains, which more than offset a decline in profit from life assurance. Non-interest income in 2009 included non-recurring gains of S$201 million (classified under life assurance profit) and a one-time loss of S$213 million from the redemption of GreatLink Choice ("GLC") insurance policies (classified under other income).

Fees and commissions increased 36% to S$994 million. The largest increase came from wealth management income which tripled from S$65 million to S$189 million, driven mainly by contributions from Bank of Singapore, as well as stronger bancassurance sales. Fee income from investment banking, trade-related and loan-related activities also registered significant growth. Net trading income rose 14% to S$391 million, and net gains from disposal of investment securities tripled from S$50 million to S$153 million. In addition, a gain of S$35 million (S$22 million after non-controlling interests) was recorded from the sale of Pacific Insurance Berhad by the Bank's 63.5%-owned subsidiary, PacificMas Berhad.

Profit from life assurance was S$437 million for the year, representing a decline of 17%, excluding the non-recurring gains in 2009. The overall investment performance of the Non-Participating Fund was weaker compared to the previous year's results, which were helped by the strong recovery in credit markets from the lows of the global financial crisis.

Management Discussion and Analysis

OPERATING EXPENSES

	2010 S$ million	2009 S$ million	+/(-) %
Staff costs			
Salaries and other costs	**1,177**	910	29
Share-based expenses	**12**	9	29
Contribution to defined contribution plans	**94**	76	25
	1,283	995	29
Property and equipment			
Depreciation	**152**	135	12
Maintenance and hire of property, plant & equipment	**70**	62	14
Rental expenses	**59**	46	28
Others	**126**	106	19
	407	349	17
Other operating expenses	**564**	452	25
Total operating expenses	**2,254**	1,796	25
Group staff strength			
Period end	**21,585**	19,792	9
Average	**21,126**	19,661	7
Cost-to-income ratio	**42.3%**	37.3%	

Operating expenses increased 25% to S$2,254 million, contributed by the consolidation of Bank of Singapore, the stepping up of business expansion following a period of cost restraint during the 2008-2009 financial crisis, and higher business volume-related costs. Excluding the consolidation of Bank of Singapore, expenses increased by 13% over the two-year period from 2008 to 2010.

Staff costs rose 29% to S$1,283 million, reflecting the increases in headcount, base salaries and variable compensation, with the consolidation of Bank of Singapore being the largest contributor. Group headcount rose 9% during the year, with more than 80% of the increase coming from the Group's overseas markets, including Indonesia, China, Malaysia, and from the consolidation of Bank of Singapore. Non-staff expenses rose 21% to S$971 million, attributable to higher general insurance claims, communication and IT expenses, depreciation, rentals and professional fees.

The cost-to-income ratio was 42.3% for 2010, compared with 37.3% in 2009.

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2010 S$ million	2009 S$ million	+/(-) %
Specific allowances/(write-back) for loans			
Singapore	**(11)**	63	(117)
Malaysia	**32**	62	(48)
Others	**36**	116	(69)
	57	241	(76)
Portfolio allowances for loans	**98**	23	327
Allowances/(write-back) for CDOs	**(26)**	86	(131)
Allowances and impairment charges for other assets	**5**	79	(93)
Allowances for loans and impairment of other assets	**134**	429	(69)

Allowances for loans and other assets declined significantly by 69% from S$429 million in 2009 to S$134 million in 2010. Specific allowances for loans, net of recoveries and write-backs, fell from S$241 million to S$57 million, with declines across major geographies. There were net allowance write-backs of S$26 million for CDOs (collateralised debt obligations) compared to allowances of S$86 million in 2009. Allowances for other non-loan assets also fell from S$79 million to S$5 million.

Higher portfolio allowances of S$98 million were set aside for strong loan growth during the year, compared to S$23 million in 2009.

LOANS AND ADVANCES

	2010 S$ million	2009 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**2,909**	1,621	79
Manufacturing	**7,057**	5,828	21
Building and construction	**18,532**	15,643	18
Housing loans	**27,076**	21,460	26
General commerce	**11,793**	7,750	52
Transport, storage and communication	**6,447**	5,791	11
Financial institutions, investment and holding companies	**12,878**	10,032	28
Professionals and individuals	**13,573**	7,968	70
Others	**6,184**	6,248	(1)
	106,449	82,341	29
By Currency			
Singapore Dollar	**54,850**	46,022	19
United States Dollar	**18,937**	11,081	71
Malaysian Ringgit	**14,885**	13,239	12
Indonesian Rupiah	**3,551**	2,889	23
Others	**14,226**	9,110	56
	106,449	82,341	29
By Geography [1]			
Singapore	**59,967**	48,457	24
Malaysia	**17,080**	15,322	11
Other ASEAN	**6,884**	4,986	38
Greater China	**11,079**	7,066	57
Other Asia Pacific	**5,311**	3,926	35
Rest of the World	**6,128**	2,584	137
	106,449	82,341	29

(1) Loans by geography are based on where the credit risks reside, regardless of where the transactions are booked.

Gross loans grew 29% from a year ago to S$106 billion as at 31 December 2010. The growth was partly due to the consolidation of Bank of Singapore, which contributed about 5% of gross loans, classified mainly under loans to professionals and individuals. Excluding Bank of Singapore, loans grew 23% year-on-year, with diversified contributions from different industries and geographies. By industry, the largest increases came from loans to the housing, general commerce, building and construction sectors, which grew by 26%, 52% and 18%, respectively.

Management Discussion and Analysis

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							
2010	**399**	**272**	**54**	**73**	**57.8**	**318**	**0.5**
2009	417	163	164	90	65.2	416	0.9
Malaysia							
2010	**605**	**419**	**114**	**72**	**53.3**	**478**	**2.8**
2009	635	427	155	53	61.1	582	3.8
Other ASEAN							
2010	**114**	**41**	**10**	**63**	**59.5**	**115**	**1.7**
2009	213	95	23	95	59.9	212	4.3
Greater China							
2010	**24**	**10**	**14**	**–**	**29.1**	**24**	**0.2**
2009	69	13	56	–	19.9	67	0.9
Other Asia Pacific							
2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2009	47	40	7	–	51.8	47	1.2
Rest of the World							
2010	**66**	**37**	**25**	**4**	**78.1**	**60**	**1.0**
2009	67	18	46	3	40.3	60	2.3
Group							
2010	**1,208**	**779**	**217**	**212**	**56.2**	**995**	**0.9**
2009	1,448	756	451	241	58.9	1,384	1.7

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

Non-performing loans fell 28% to S$995 million as at 31 December 2010. Key geographies including Singapore, Malaysia and Indonesia registered lower NPLs. By industry, the decrease was mainly from the building and construction, manufacturing and general commerce sectors.

The Group's NPL ratio continued to improve to 0.9%, from 1.7% a year ago. The Singapore NPL ratio improved from 0.9% to 0.5%, while the Malaysia NPL ratio improved from 3.8% to 2.8%.

Including classified debt securities/CDOs and contingent liabilities, the Group's total non-performing assets ("NPAs") declined 17% during the year to S$1,208 million. Of the total NPAs, 64% were in the substandard category, 56% were secured by collateral, and 34% were not overdue.

NON-PERFORMING ASSETS (continued)

	2010		2009	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**7**	**0.2**	14	0.8
Manufacturing	**299**	**4.2**	402	6.9
Building and construction	**97**	**0.5**	203	1.3
Housing loans	**190**	**0.7**	224	1.0
General commerce	**127**	**1.1**	218	2.8
Transport, storage and communication	**77**	**1.2**	109	1.9
Financial institutions, investment and holding companies	**7**	**0.1**	37	0.4
Professionals and individuals	**139**	**1.0**	140	1.8
Others	**52**	**0.8**	37	0.6
Total NPLs	**995**	**0.9**	1,384	1.7
Classified debt securities	**13**		31	
Classified contingent liabilities	**200**		33	
Total NPAs	**1,208**		1,448	

	2010		2009	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**511**	**42**	639	44
Over 90 to 180 days	**98**	**8**	188	13
30 to 90 days	**166**	**14**	208	14
Less than 30 days	**20**	**2**	74	5
Not overdue	**413**	**34**	339	24
	1,208	**100**	1,448	100

Management Discussion and Analysis

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					
2010	**573**	**43**	**530**	**10.8**	**143.7**
2009	588	76	512	18.2	140.9
Malaysia					
2010	**453**	**202**	**251**	**33.5**	**75.0**
2009	463	233	230	36.6	72.8
Other ASEAN					
2010	**134**	**61**	**73**	**53.0**	**117.3**
2009	177	111	66	52.3	83.4
Greater China					
2010	**147**	**19**	**128**	**79.6**	**608.9**
2009	149	55	94	79.7	217.1
Other Asia Pacific					
2010	**63**	**–**	**63**	**–**	**–**
2009	54	3	51	7.0	115.7
Rest of the World					
2010	**65**	**16**	**49**	**23.4**	**96.8**
2009	52	6	46	9.4	76.9
Group					
2010	**1,435**	**341**	**1,094**	**28.2**	**118.8**
2009	1,483	484	999	33.4	102.4

As at 31 December 2010, the Group's total cumulative allowances for assets were S$1,435 million, comprising S$341 million in specific allowances and S$1,094 million in portfolio allowances. Total cumulative allowances were 119% of total NPAs and 271% of unsecured NPAs, higher than the respective ratios of 102% and 249% at the end of 2009.

DEPOSITS

	2010 S$ million	2009 S$ million	+/(-) %
Deposits of non-bank customers	**123,300**	100,633	23
Deposits and balances of banks	**16,508**	10,958	51
Total deposits	**139,808**	111,591	25
Non-Bank Deposits By Product			
Fixed deposits	**58,602**	53,621	9
Savings deposits	**25,620**	21,753	18
Current account	**31,737**	20,762	53
Others	**7,341**	4,497	63
	123,300	100,633	23
Non-Bank Deposits By Currency			
Singapore Dollar	**66,934**	58,458	15
United States Dollar	**16,918**	11,144	52
Malaysian Ringgit	**17,097**	16,286	5
Indonesian Rupiah	**4,423**	3,735	18
Others	**17,928**	11,010	63
	123,300	100,633	23
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**85.1%**	80.4%	

Non-bank customer deposits rose 23% to S$123 billion, with Bank of Singapore's deposits accounting for about 6% of total customer deposits as at 31 December 2010. Current account and savings deposits grew by 53% and 18% respectively, while fixed deposits grew at a slower rate of 9%.

The Group's loans-to-deposits ratio was 85.1%, compared to 80.4% 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

	2010 S$ million	2009 S$ million	+/(-) %
Global Consumer Financial Services	**543**	572	(5)
Global Corporate Banking	**1,200**	830	45
Global Treasury	**570**	600	(5)
Insurance	**564**	579	(3)
Others	**455**	327	39
Operating profit after allowances and amortisation for total business segments	**3,332**	2,908	15
Add/(Less):			
– Joint income elimination [1]	**(356)**	(305)	17
– Items not attributed to business segments	**(94)**	(60)	58
Operating profit after allowances and amortisation	**2,882**	2,543	13

[1] These are joint income allocated to business segments to reward cross-selling activities.

Global Consumer Financial Services

Global Consumer Financial Services provides a full range of products and services 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 by 5% to S$543 million in 2010, mainly as a result of higher expenses. Revenue growth was led by healthy fee and commission income, which more than offset a decline in net interest income due to lower loan and deposit spreads.

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 45% to S$1,200 million, driven by higher net interest income, fee and commission income, and lower net allowances. The growth in net interest income was contributed by higher loan volumes in key markets, and generally wider loan spreads.

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 declined by 5% to S$570 million, largely because of increase in expenses. Revenue was marginally lower as a decline in gapping income offset the higher gains from the sale of investment securities.

Insurance

The Group's insurance business, including its fund management activities, is undertaken by 87.1%-owned subsidiary GEH, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

GEH's results in 2010 were underpinned by strong growth in underwriting profits, 20% increase in new business weighted premiums and 30% increase in new business embedded value. Operating profit contribution after amortisation of intangible assets was S$564 million, 3% lower compared to 2009, as the 2010 performance was impacted by volatile interest rate movements, while the previous year's results were underpinned by the strong recovery in credit markets after the global financial crisis. After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S$405 million in 2010 as compared with S$412 million in 2009.

Others

The "Others" segment comprises Bank OCBC NISP, PacificMas Berhad, Bank of Singapore, corporate finance, capital markets, property holding, stock brokerage and investment holding. Operating profit after allowances for this segment increased by 39% to S$455 million. The prior year period was impacted by allowances for the CDO portfolio and losses from the disposal of corporate bonds. In addition, contribution from private banking and investment banking activities were higher in 2010.

Management Discussion and Analysis

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2010		2009	
	S$ million	%	S$ million	%
Total income				
Singapore	**3,350**	**63**	2,912	60
Malaysia	**1,233**	**23**	1,239	26
Other ASEAN	**389**	**7**	370	8
Other Asia Pacific	**311**	**6**	242	5
Rest of the World	**42**	**1**	52	1
	5,325	**100**	4,815	100
Profit before income tax				
Singapore	**1,958**	**68**	1,594	63
Malaysia	**768**	**27**	800	31
Other ASEAN	**60**	**2**	125	5
Other Asia Pacific	**87**	**3**	41	2
Rest of the World	**7**	**–**	(17)	(1)
	2,880	**100**	2,543	100
Total assets				
Singapore	**145,864**	**64**	125,001	64
Malaysia	**47,673**	**21**	43,070	22
Other ASEAN	**8,550**	**4**	6,922	4
Other Asia Pacific	**24,250**	**10**	15,754	8
Rest of the World	**2,946**	**1**	3,553	2
	229,283	**100**	194,300	100

The geographical segment analysis is based on the location where assets or transactions are booked. In 2010, Singapore accounted for 63% of total income and 68% of pre-tax profit, while Malaysia accounted for 23% of total income and 27% of pre-tax profit.

Pre-tax profit for Singapore increased by 23% to S$1,958 million, contributed mainly by higher fee and commission income and gains from the sale of investment securities, which offset lower life assurance profit. In addition, the 2009 pre-tax profit for Singapore had included the GLC redemption loss of S$213 million. Malaysia's pre-tax profit fell by 4% to S$768 million. Excluding the prior year's non-recurring insurance gains which were classified mainly under Malaysia, the pre-tax profit for Malaysia would be 28% higher in 2010, driven by higher foreign exchange and net interest income.

CAPITAL ADEQUACY RATIOS

As at 31 December 2010, the Group's Tier 1 ratio and total capital adequacy ratio ("CAR") were 16.3% and 17.6% respectively. These were well above the regulatory minimums of 6% and 10% respectively.

The capital ratios improved from their end-2009 levels of 15.9% Tier 1 and 16.4% total CAR, contributed by retained earnings, the issue of approximately 95.9 million new shares to shareholders who participated in the Scrip Dividend Scheme for the FY09 final dividend and FY10 interim dividend, and the issue of approximately S$1 billion in Lower Tier 2 capital by the Bank and its Malaysian and Indonesian subsidiaries. These additions to capital were partly offset by the deduction of goodwill relating to the acquisition of ING Asia Private Bank (Bank of Singapore), the final year amortisation of the 2011 Upper Tier 2 subordinated bonds (issued in 2001), and growth in risk weighted assets during the year.

The Group's core Tier 1 ratio, which excludes perpetual and innovative preference shares, was 12.5% as at 31 December 2010, higher than 12.0% as at 31 December 2009.

UNREALISED VALUATION SURPLUS

	2010 S$ million	2009 S$ million
Properties [1]	**2,549**	2,278
Equity securities [2]	**2,216**	1,110
Total	**4,765**	3,388

[1] Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at year-end.

[2] Comprises mainly investments in quoted associates and subsidiaries, which are valued based on their market prices at the end of the year.

The Group's unrealised valuation surplus 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 at 31 December 2010 was S$4.77 billion, up by 41% from S$3.39 billion as at 31 December 2009. The increase was due to the surplus for equity securities, mainly from the Group's stake in Bank OCBC NISP and GEH.

Directors' Report

For the financial year ended 31 December 2010

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 2010.

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 (appointed on 1 June 2010)
Lee Seng Wee
Lee Tih Shih
Colm Martin McCarthy
Neo Boon Siong
Pramukti Surjaudaja
Patrick Yeoh Khwai Hoh

Dr Cheong Choong Kong, Dr Lee Tih Shih and Mr Pramukti Surjaudaja retire by rotation under Articles 95 and 96 of the Articles of Association of the Bank and, being eligible, offer themselves for re-election.

Mr Lai Teck Poh, who was appointed to the Board under Article 101 of the Articles of Association of the Bank, retires in accordance with the provisions of that Article and, being eligible, offers himself for re-election.

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Direct interest		Deemed interest	
	At 31.12.2010	At 1.1.2010/ Date of appointment	At 31.12.2010	At 1.1.2010/ Date of appointment
BANK				
Ordinary shares				
Cheong Choong Kong	**172,063**	165,923	**10,447** [(1)]	10,074 [(1)]
Bobby Chin Yoke Choong	**21,893**	15,112	**43,533** [(1)]	41,979 [(1)]
David Philbrick Conner	**1,580,281**	1,333,094	**1,530,811** [(2)]	778,967 [(3)]
Fang Ai Lian	**6,222**	–	**–**	–
Lai Teck Poh	**392,511**	378,955	**44,244** [(4)]	42,666 [(4)]
Lee Seng Wee	**7,253,265**	6,988,447	**4,245,723** [(1)]	4,094,223 [(1)]
Lee Tih Shih	**2,582,926**	2,484,760	**–**	–
Colm Martin McCarthy	**6,115**	–	**–**	–
Neo Boon Siong	**27,117**	20,149	**–**	–
Pramukti Surjaudaja	**6,115**	–	**–**	–
Patrick Yeoh Khwai Hoh	**33,184**	26,000	**–**	–
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	**–**	–
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 1,050,485 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.
(3) Comprises interest of 773,521 ordinary shares under OCBC Deferred Share Plan and acquisition rights of 5,446 ordinary shares under OCBC Employee Share Purchase Plan.
(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 2011.

Directors' Report

For the financial year ended 31 December 2010

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.

On 12 June 2006, an agreement was made between Dr Cheong Choong Kong ("Dr Cheong"), non-executive director and Chairman of the Bank, and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as consultant to oversee and supervise the strategic planning of the Bank and its subsidiaries with respect to customer service, talent identification, and the development and succession of senior management within the Group. This agreement was renewed on 1 December 2008 and came into effect on 1 July 2009. Under the respective agreements, (i) in respect of the financial year ended 31 December 2010, Dr Cheong has received payments and benefits amounting to $1,118,993, 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, and (ii) in respect of the financial year ended 31 December 2009, Dr Cheong has received aggregate payments and benefits of $1,109,478 and a variable bonus of a total amount of $1,200,000, comprising a bonus of $100,000 and an additional bonus of $1,100,000.

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 2010 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 Executives' Share Option Scheme 1994 ("1994 Scheme") was approved at an extraordinary general meeting on 11 June 1994. The 1994 Scheme was terminated on 3 August 2001 and replaced by the OCBC Share Option Scheme 2001. Outstanding options under the 1994 Scheme remain valid until the respective expiry dates of the options. The last option under this scheme expired in December 2010.

The OCBC Share Option Scheme 2001 ("2001 Scheme") was approved at an extraordinary general meeting on 17 May 2001, to replace the 1994 Scheme. 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 2001, 2002, 2002A, 2002B, 2003, 2004, 2004A, 2004B, 2005, 2005A, 2006, 2006B, 2007, 2007A, 2007B, 2007NED, 2008, 2008NED, 2009 and 2009NED were set out in the Directors' Reports for the financial years ended 31 December 2001 to 2009.

During the financial year, pursuant to the 2001 Scheme, options to acquire 3,356,827 ordinary shares at $8.762 per ordinary share were granted to 319 eligible executives of the Group ("2010 Options"), as well as to a non-executive director of the Bank ("2010NED 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 share option scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2010 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2010 Outstanding	At 31.12.2010 Exercisable
2001	05.12.2003 to 04.12.2010	5.367	2,898,406	2,858,811	–	–
2002	09.04.2003 to 08.04.2012	5.742	1,313,673	1,263,011	3,858,521	3,858,521
2002A	23.04.2003 to 22.04.2012	5.692	720,000	304,778	–	–
2002B	24.10.2003 to 23.10.2012	4.367	–	–	180,000	180,000
2003	28.03.2004 to 26.03.2013	4.067	551,855	546,720	3,628,823	3,628,823
2004	16.03.2005 to 14.03.2014	5.142	519,625	514,025	2,540,075	2,540,075
2004A	20.08.2005 to 18.08.2014	5.492	–	–	160,800	160,800
2004B	23.11.2005 to 21.11.2014	5.667	–	–	103,200	103,200
2005	15.03.2006 to 13.03.2015	5.767	681,456	665,910	3,212,994	3,212,994
2005A	09.04.2006 to 07.04.2015	5.784	608,828	606,008	536,160	536,160
2006	15.03.2007 to 13.03.2016	6.820	537,565	535,005	2,702,649	2,702,649
2006B	24.05.2007 to 22.05.2016	6.580	268,570	265,834	594,210	594,210
2007	15.03.2008 to 13.03.2017	8.590	464,403	457,730	2,985,910	2,985,910
2007A	16.01.2008 to 14.01.2017	7.600	–	–	445,000	445,000
2007B	15.03.2008 to 13.03.2017	8.590	222,010	222,010	686,000	686,000
2007NED	15.03.2008 to 13.03.2012	8.590	–	–	200,000	200,000
2008	15.03.2009 to 13.03.2018	7.520	536,529	532,886	4,424,669	2,748,569
2008NED	15.03.2009 to 13.03.2013	7.520	–	–	200,000	132,000
2009	17.03.2010 to 15.03.2019	4.138	197,260	196,794	3,259,408	962,614
2009NED	17.03.2010 to 15.03.2014	4.138	–	–	162,958	53,776
2010	16.03.2011 to 14.03.2020	8.762	–	–	2,990,900	–
2010NED	16.03.2011 to 14.03.2015	8.762	–	–	233,727	–
			9,520,180	8,969,522	33,106,004	25,731,301

(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 2010, the Bank launched its fifth offering of ESP Plan, which commenced on 1 July 2010 and will expire on 30 June 2012. Under the fifth offering, 4,337 employees (including a director of the Bank) enrolled to participate in the ESP Plan to acquire 5,500,602 ordinary shares at $8.75 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 3,814,034 ordinary shares (including 342,212 ordinary shares to directors of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2010. In addition, total awards of 488,860 ordinary shares (including 39,063 ordinary shares to directors of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2009 and interim dividend for financial year ended 31 December 2010. During the financial year, 1,360,587 deferred shares were released to grantees, of which 97,879 deferred shares were released to directors of the Bank.

Directors' Report

For the financial year ended 31 December 2010

SHARE-BASED COMPENSATION PLANS (continued)

Changes in the number of options under the share option 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 31.12.2010	Aggregate number of options granted/rights subscribed since commencement of scheme/plan to 31.12.2010	Aggregate number of options/rights exercised/converted/lapsed since commencement of scheme/plan to 31.12.2010	Aggregate number of options/rights outstanding at 31.12.2010
Option Scheme				
Cheong Choong Kong	233,727	1,311,485	–	1,311,485
David Philbrick Conner	–	4,565,000	2,232,000	2,333,000
Lai Teck Poh	–	481,000	–	481,000
ESP Plan				
David Philbrick Conner	4,114	43,685	34,125	9,560

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2011.

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
18 February 2011

Statement by Directors

For the financial year ended 31 December 2010

In the opinion of the directors,

(a) the financial statements set out on pages 77 to 164 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 2010, 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
18 February 2011

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 2010, 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 77 to 164.

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 2010, the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
18 February 2011

Income Statements

For the financial year ended 31 December 2010

		GROUP		BANK	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
Interest income [(1)]		**4,363,260**	4,183,783	**2,585,502**	2,638,609
Interest expense [(1)]		**(1,416,381)**	(1,358,560)	**(820,326)**	(819,336)
Net interest income	3	**2,946,879**	2,825,223	**1,765,176**	1,819,273
Premium income		**5,866,349**	5,588,882	**–**	–
Investment income		**2,439,931**	2,726,114	**–**	–
Net claims, surrenders and annuities		**(4,181,156)**	(4,471,041)	**–**	–
Change in life assurance fund contract liabilities		**(2,545,154)**	(2,007,587)	**–**	–
Commission and others		**(1,142,738)**	(1,109,692)	**–**	–
Profit from life assurance	4	**437,232**	726,676	**–**	–
Premium income from general insurance		**148,584**	122,023	**–**	–
Fees and commissions (net)	5	**993,750**	730,134	**513,210**	394,416
Dividends	6	**62,639**	56,960	**292,270**	183,876
Rental income		**77,069**	77,632	**33,583**	34,759
Other income	7	**658,575**	276,351	**367,353**	295,205
Non-interest income		**2,377,849**	1,989,776	**1,206,416**	908,256
Total income		**5,324,728**	4,814,999	**2,971,592**	2,727,529
Staff costs		**(1,283,285)**	(995,117)	**(537,908)**	(472,371)
Other operating expenses		**(970,294)**	(801,272)	**(617,750)**	(564,425)
Total operating expenses	8	**(2,253,579)**	(1,796,389)	**(1,155,658)**	(1,036,796)
Operating profit before allowances and amortisation		**3,071,149**	3,018,610	**1,815,934**	1,690,733
Amortisation of intangible assets	37	**(54,799)**	(46,636)	**–**	–
Allowances for loans and impairment for other assets	9	**(134,026)**	(429,048)	**(35,885)**	(306,063)
Operating profit after allowances and amortisation		**2,882,324**	2,542,926	**1,780,049**	1,384,670
Share of results of associates and joint ventures		**(2,095)**	(64)	**–**	–
Profit before income tax		**2,880,229**	2,542,862	**1,780,049**	1,384,670
Income tax expense	10	**(433,302)**	(388,374)	**(188,981)**	(149,722)
Profit for the year		**2,446,927**	2,154,488	**1,591,068**	1,234,948
Attributable to:					
Equity holders of the Bank		**2,253,466**	1,962,413		
Non-controlling interests		**193,461**	192,075		
		2,446,927	2,154,488		
Earnings per share (cents)	11				
Basic		**66.1**	59.4		
Diluted		**65.9**	59.3		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2010

		GROUP		BANK	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
Profit for the year		**2,446,927**	2,154,488	**1,591,068**	1,234,948
Other comprehensive income:					
Available-for-sale financial assets					
Gains for the year		**119,025**	1,305,919	**185,668**	568,452
Reclassification of (gains)/losses to income statement					
- on disposal		**(152,580)**	(50,222)	**(137,252)**	(31,474)
- on impairment		**(23,128)**	161,457	**(27,314)**	133,120
Tax on net movements	20	**(53,804)**	(110,171)	**(17,813)**	(79,541)
Exchange differences on translating foreign operations		**(53,757)**	97,435	**(10,408)**	31,730
Other comprehensive income of associates and joint ventures		**(4,031)**	2,785	**–**	–
Total other comprehensive income, net of tax		**(168,275)**	1,407,203	**(7,119)**	622,287
Total comprehensive income for the year, net of tax		**2,278,652**	3,561,691	**1,583,949**	1,857,235
Total comprehensive income attributable to:					
Equity holders of the Bank		**2,065,233**	3,332,883		
Non-controlling interests		**213,419**	228,808		
		2,278,652	3,561,691		

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 2010

		GROUP		BANK	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**8,210,550**	7,376,252	**8,210,550**	7,376,252
Capital reserves	14	**612,826**	985,445	**432,498**	768,012
Fair value reserves		**1,374,198**	1,506,279	**605,849**	602,560
Revenue reserves	15	**10,592,671**	9,102,681	**6,605,466**	5,715,859
		20,790,245	18,970,657	**15,854,363**	14,462,683
Non-controlling interests	16	**2,854,919**	2,808,378	**–**	–
Total equity		**23,645,164**	21,779,035	**15,854,363**	14,462,683
LIABILITIES					
Deposits of non-bank customers	17	**123,300,026**	100,632,559	**88,890,546**	77,297,559
Deposits and balances of banks	17	**16,508,477**	10,958,259	**13,810,825**	9,674,356
Due to subsidiaries		**–**	–	**4,623,552**	1,368,610
Due to associates		**139,028**	119,132	**118,374**	117,665
Trading portfolio liabilities		**1,734,253**	2,016,117	**1,734,236**	2,016,117
Derivative payables	18	**4,562,754**	3,918,282	**4,222,133**	3,766,715
Other liabilities	19	**3,186,719**	3,214,910	**1,062,633**	1,011,511
Current tax		**744,224**	606,360	**311,113**	269,594
Deferred tax	20	**1,126,541**	945,585	**131,277**	119,904
Debts issued	21	**6,854,466**	6,863,384	**7,887,194**	8,230,226
		158,156,488	129,274,588	**122,791,883**	103,872,257
Life assurance fund liabilities	22	**47,481,158**	43,245,917	**–**	–
Total liabilities		**205,637,646**	172,520,505	**122,791,883**	103,872,257
Total equity and liabilities		**229,282,810**	194,299,540	**138,646,246**	118,334,940
ASSETS					
Cash and placements with central banks	23	**11,492,891**	13,171,117	**6,786,943**	8,160,098
Singapore government treasury bills and securities	24	**11,156,522**	10,922,369	**10,485,222**	10,549,341
Other government treasury bills and securities	24	**5,944,527**	5,564,189	**3,174,142**	2,744,121
Placements with and loans to banks	25	**18,568,632**	15,820,671	**13,612,284**	11,992,091
Loans and bills receivable	26–29	**104,989,207**	80,876,471	**75,877,251**	61,340,337
Debt and equity securities	30	**14,254,552**	11,679,852	**9,835,616**	7,786,344
Assets pledged	43	**745,737**	279,131	**708,171**	266,865
Assets held for sale	44	**3,540**	–	**1,654**	–
Derivative receivables	18	**4,836,906**	3,973,029	**4,461,711**	3,770,259
Other assets	31	**3,116,482**	2,910,494	**828,060**	688,805
Deferred tax	20	**78,529**	63,538	**6,454**	5,128
Associates and joint ventures	33	**255,097**	226,019	**113,018**	56,146
Subsidiaries	34	**–**	–	**9,934,430**	8,150,596
Property, plant and equipment	35	**1,624,737**	1,608,974	**400,627**	408,545
Investment property	36	**732,893**	765,367	**553,487**	549,088
Goodwill and intangible assets	37	**3,996,481**	3,361,599	**1,867,176**	1,867,176
		181,796,733	151,222,820	**138,646,246**	118,334,940
Life assurance fund investment assets	22	**47,486,077**	43,076,720	**–**	–
Total assets		**229,282,810**	194,299,540	**138,646,246**	118,334,940
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	41	**8,513,410**	7,313,779	**6,835,328**	6,458,490
Commitments [1]	42	**55,072,685**	42,842,954	**40,142,602**	34,652,781
Derivative financial instruments	18	**423,148,517**	355,210,168	**391,146,507**	335,535,126

[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.

Statement of Changes in Equity – Group

For the financial year ended 31 December 2010

	Attributable to equity holders of the Bank						
In $'000	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.

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 2009	6,637,508	1,329,156	221,844	7,685,161	15,873,669	2,686,068	18,559,737
Total comprehensive income for the year							
Profit for the year	–	–	–	1,962,413	1,962,413	192,075	2,154,488
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	1,277,833	–	1,277,833	28,086	1,305,919
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(49,605)	–	(49,605)	(617)	(50,222)
– on impairment	–	–	159,358	–	159,358	2,099	161,457
Tax on net movements	–	–	(104,023)	–	(104,023)	(6,148)	(110,171)
Exchange differences on translating foreign operations	–	–	–	84,346	84,346	13,089	97,435
Other comprehensive income of associates and joint ventures	–	–	872	1,689	2,561	224	2,785
Total other comprehensive income, net of tax	–	–	1,284,435	86,035	1,370,470	36,733	1,407,203
Total comprehensive income for the year	–	–	1,284,435	2,048,448	3,332,883	228,808	3,561,691
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	2,418	(338,075)	–	335,657	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(114,615)	(114,615)
DSP reserve from dividends on unvested shares	–	–	–	3,129	3,129	–	3,129
Ordinary and preference dividends paid in cash	–	–	–	(285,729)	(285,729)	–	(285,729)
Share-based staff costs capitalised	–	11,002	–	–	11,002	–	11,002
Shares issued in-lieu of ordinary dividends	683,985	–	–	(683,985)	–	–	–
Shares issued to non-executive directors	245	–	–	–	245	–	245
Shares purchased by DSP Trust	–	(3,129)	–	–	(3,129)	–	(3,129)
Shares vested under DSP Scheme	–	8,830	–	–	8,830	–	8,830
Treasury shares transferred/sold	52,096	(22,339)	–	–	29,757	–	29,757
Total contributions by and distributions to owners	738,744	(343,711)	–	(630,928)	(235,895)	(114,615)	(350,510)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	–	–	8,117	8,117
Total changes in ownership interests in subsidiaries	–	–	–	–	–	8,117	8,117
Balance at 31 December 2009	7,376,252	985,445	1,506,279	9,102,681	18,970,657	2,808,378	21,779,035
Included:							
Share of reserves of associates and joint ventures	–	2,860	437	31,979	35,276	(764)	34,512

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

Statement of Changes in Equity – Bank

For the financial year ended 31 December 2010

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
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**
Balance at 1 January 2009	6,637,508	1,099,054	12,003	5,076,140	12,824,705
Total comprehensive income for the year [1]	–	–	590,557	1,266,678	1,857,235
Transfers	2,418	(342,044)	–	339,626	–
DSP reserve from dividends on unvested shares	–	–	–	3,129	3,129
Ordinary and preference dividends paid in cash	–	–	–	(285,729)	(285,729)
Share-based staff costs capitalised	–	11,002	–	–	11,002
Shares issued in-lieu of ordinary dividends	683,985	–	–	(683,985)	–
Shares issued to non-executive directors	245	–	–	–	245
Treasury shares transferred/sold	52,096	–	–	–	52,096
Balance at 31 December 2009	7,376,252	768,012	602,560	5,715,859	14,462,683

(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.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2010

In $'000	2010	2009
Cash flows from operating activities		
Profit before income tax	**2,880,229**	2,542,862
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	**134,026**	429,048
Amortisation of intangible assets	**54,799**	46,636
Change in fair value for hedging transactions and trading securities	**(53,578)**	(296,698)
Depreciation of property, plant and equipment and investment property	**151,579**	135,226
Net gain on disposal of government, debt and equity securities	**(152,591)**	(50,230)
Net gain on disposal of property, plant and equipment and investment property	**(22,902)**	(8,541)
Net (gain)/loss on disposal/liquidation of subsidiaries and associates	**(37,991)**	363
Share-based staff costs	**12,295**	9,385
Share of results of associates and joint ventures	**2,095**	64
Items relating to life assurance fund		
Surplus before income tax	**703,176**	998,062
Surplus transferred from life assurance fund	**(437,232)**	(726,676)
Operating profit before change in operating assets and liabilities	**3,233,905**	3,079,501
Change in operating assets and liabilities:		
Deposits of non-bank customers	**16,688,042**	6,579,805
Deposits and balances of banks	**5,316,434**	845,040
Derivative payables and other liabilities	**398,948**	(3,493,382)
Trading portfolio liabilities	**(281,864)**	904,974
Government securities and treasury bills	**357,530**	(2,736,534)
Trading securities	**(730,388)**	114,759
Placements with and loans to banks	**(937,487)**	80,519
Loans and bills receivable	**(19,526,988)**	(1,341,402)
Derivative receivables and other assets	**(1,046,463)**	2,234,874
Net change in investment assets and liabilities of life assurance fund	**(181,131)**	(520,936)
Cash from operating activities	**3,290,538**	5,747,218
Income tax paid	**(419,487)**	(341,999)
Net cash from operating activities	**2,871,051**	5,405,219
Cash flows from investing activities		
Dividends from associates	**3,746**	3,343
Increase in associates and joint ventures	**(48,615)**	(91,723)
Net cash outflow from acquisition of subsidiaries	**(2,002,700)**	–
Purchases of debt and equity securities	**(6,357,410)**	(3,130,277)
Purchases of property, plant and equipment and investment property	**(183,183)**	(200,009)
Proceeds from disposal of associates	**13,853**	–
Proceeds from disposal of debt and equity securities	**4,017,877**	3,391,894
Proceeds from disposal of interests in subsidiaries	**–**	7,711
Proceeds from disposal of property, plant and equipment and investment property	**29,393**	20,459
Net cash (used in)/from investing activities	**(4,527,039)**	1,398
Cash flows from financing activities		
Changes in non-controlling interests	**(64,140)**	–
Increase in debts issued	**396,288**	1,054,307
Dividends paid to equity holders of the Bank	**(279,092)**	(285,729)
Dividends paid to non-controlling interests	**(132,854)**	(114,615)
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**77,981**	29,757
Share buyback	**(42,260)**	–
Net cash (used in)/from financing activities	**(44,077)**	683,720
Net currency translation adjustments	**21,839**	53,091
Net change in cash and cash equivalents	**(1,678,226)**	6,143,428
Cash and cash equivalents at 1 January	**13,171,117**	7,027,689
Cash and cash equivalents at 31 December	**11,492,891**	13,171,117

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

Notes to the Financial Statements

For the financial year ended 31 December 2010

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 18 February 2011.

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.

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 2010:

- FRS 27 (Revised) *Consolidated and Separate Financial Statements*
- FRS 103 (Revised) *Business Combinations*
- FRS 39 (Amendments) *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- FRS 102 (Amendments) *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
- INT FRS 117 *Distributions of Non-cash Assets to Owners*
- Improvements to FRSs 2008
- Improvements to FRSs 2009

The revised FRS 27 requires that changes in a parent's ownership interests in a subsidiary which do not result in a loss of control be accounted for as equity transactions, with resulting gains and losses taken to equity and not to the income statement. The standard also requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control.

Under the revised FRS 103, the Group has to expense costs incurred in the acquisition of a business in the period in which it was incurred or when the service was received. Where an acquirer obtains control of a business through step acquisition, any previously held equity interests shall be measured at fair value on the date that control is attained, with resulting gains and losses taken to the income statement. Goodwill arising from the business combination is measured as the difference between (a) the net acquisition-date fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities and indemnification assets measured according to the revised FRS 103); and (b) the aggregate consideration transferred, any non-controlling interests in the acquiree, and in a business combination achieved in stages, the fair value of previously held equity interests.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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 interest 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

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.

2.6 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 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 balance sheet 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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of assets (continued)

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.

2.12.4 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 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 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 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 (the insurer) 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 balance sheet date.

Certain subsidiaries within the 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 a life policy where a part of, or the whole of premiums are accumulated in a fund, the accumulated amount, as declared to policyholders are set as liabilities if the accumulated amount is higher than the amount 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 originated from margins of adverse deviations on run-off contracts are recognised in the income statements over the life of the contract, 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 a discretionary participating feature. 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 contract entitles the policyholder to receive benefits, which could vary according to the investment performance of the fund. The Group does not recognise the guaranteed component separately from the discretionary participation feature.

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 and the discretionary participation feature; 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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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	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, weighted average of Malaysia Government Bond zero coupon spot yields (as outlined below).
Interest rate	(i) Singapore Government Bond yields for cash flows up to year 10, an interpolation of the 10-year Singapore Government Bond 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 Bond yields for cash flows up to year 20, and the 20-year rate for cash flows beyond 20 years. Interpolation for years where rates are unavailable. *Data source: SGS website*	Weighted average of Malaysia Government bond yields determined based on the following: (i) For cashflows with duration less than 15 years, weighted average of Malaysia Government Bond zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, weighted average of Malaysia Government Bond zero coupon spot yields of 15 years to maturity. The weighting is based on 30% weights for yields at date of valuation and 70% weights of the simple average of yields in the preceding 7 quarters prior to the date of valuation. *Data source: Weighted average of Malaysia Government Bond zero coupon spot yield from Bondweb, a bond pricing agency.*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders	Best estimates plus provision for adverse deviation. *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 unit reserves of Investment-linked Fund: Best estimates plus PRADs. *Data source: Internal experience studies*

* Refer to Note 2.23 on Critical accounting estimates and judgements

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 liability is 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 liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. 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 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 balance sheet 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 balance sheet date. The change in provision for unearned premium is taken to the income statements in the order that revenue is recognised over the period of the risk exposure. Further provisions are made for claims anticipated under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

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

2.18 Share capital and dividend

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

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

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

2.19 Recognition of income and expense

2.19.1 Interest income and expense

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2010

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 policy is 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 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 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 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.

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 the Group's most critical accounting estimate. 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, 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").

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For the financial year ended 31 December 2010

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 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Interest income				
Loans to non-bank customers	**3,201,347**	3,042,746	**1,853,863**	1,917,708
Placements with and loans to banks	**423,459**	431,950	**221,092**	295,066
Other interest-earning assets [1]	**738,454**	709,087	**510,547**	425,835
	4,363,260	4,183,783	**2,585,502**	2,638,609
Interest expense				
Deposits of non-bank customers	**(1,060,954)**	(1,035,903)	**(449,910)**	(455,737)
Deposits and balances of banks	**(102,894)**	(96,188)	**(65,418)**	(69,247)
Other borrowings [1]	**(252,533)**	(226,469)	**(304,998)**	(294,352)
	(1,416,381)	(1,358,560)	**(820,326)**	(819,336)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss [1]	**4,152,750**	4,044,613	**2,434,654**	2,550,385
Income – Assets at fair value through profit or loss	**210,510**	139,170	**150,848**	88,224
Expense – Liabilities not at fair value through profit or loss [1]	**(1,355,295)**	(1,323,253)	**(759,919)**	(784,029)
Expense – Liabilities at fair value through profit or loss	**(61,086)**	(35,307)	**(60,407)**	(35,307)
Net interest income	**2,946,879**	2,825,223	**1,765,176**	1,819,273

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

Included in interest income were interest on impaired assets of $15.1 million (2009: $22.3 million) and $5.1 million (2009: $9.9 million) for the Group and Bank respectively.

4. PROFIT FROM LIFE ASSURANCE

	GROUP 2010 $ million	GROUP 2009 $ million
Income		
Annual	**4,188.3**	3,812.5
Single	**1,778.4**	1,858.5
Gross premiums	**5,966.7**	5,671.0
Reinsurances	**(100.4)**	(82.1)
Premium income (net)	**5,866.3**	5,588.9
Investment income (net)	**2,439.9**	2,726.1
Total income	**8,306.2**	8,315.0
Expenses		
Gross claims, surrenders and annuities	**(4,226.9)**	(4,519.6)
Claims, surrenders and annuities recovered from reinsurers	**45.8**	48.5
Net claims, surrenders and annuities	**(4,181.1)**	(4,471.1)
Change in life assurance fund contract liabilities (Note 22)	**(2,545.2)**	(2,007.6)
Commission and agency expenses	**(601.6)**	(517.6)
Depreciation – property, plant and equipment (Note 35)	**(46.9)**	(45.0)
Other expenses [1]	**(253.8)**	(247.8)
Total expenses	**(7,628.6)**	(7,289.1)
Surplus from operations	**677.6**	1,025.9
Share of results of associates and joint ventures	**25.5**	(27.8)
Income tax expense	**(265.9)**	(271.4)
Profit from life assurance	**437.2**	726.7

(1) Included in other expenses were directors' emoluments of $2.1 million (2009: $2.9 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.

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For the financial year ended 31 December 2010

5. FEES AND COMMISSIONS (NET)

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Fee and commission income	**1,047,453**	790,697	**522,413**	412,497
Fee and commission expense	**(53,703)**	(60,563)	**(9,203)**	(18,081)
Fees and commissions (net)	**993,750**	730,134	**513,210**	394,416
Analysed by major sources:				
Brokerage	**85,711**	95,562	**1,521**	1,157
Credit card	**46,313**	44,638	**40,075**	32,639
Fund management	**83,097**	70,253	**(956)**	(95)
Guarantees	**20,944**	22,906	**14,432**	17,917
Investment banking	**79,964**	54,162	**62,327**	53,854
Loan-related	**207,508**	172,380	**164,395**	122,115
Service charges	**69,609**	52,831	**41,418**	31,552
Trade-related and remittances	**172,254**	123,974	**121,951**	84,161
Wealth management	**188,748**	64,604	**65,261**	47,394
Others	**39,602**	28,824	**2,786**	3,722
	993,750	730,134	**513,210**	394,416

6. DIVIDENDS

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Subsidiaries	**–**	–	**269,142**	160,808
Associates	**–**	–	**3,154**	3,102
Trading securities	**5,460**	5,117	**4,558**	4,476
Available-for-sale securities	**57,179**	51,843	**15,416**	15,490
	62,639	56,960	**292,270**	183,876

7. OTHER INCOME

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Foreign exchange [(1)]	**315,043**	392,076	**150,036**	275,549
Hedging activities [(2)]				
Hedging instruments	**(303,085)**	(111,802)	**(305,607)**	(109,355)
Hedged items	**300,075**	113,451	**302,854**	111,419
Fair value hedges	**(3,010)**	1,649	**(2,753)**	2,064
Ineffective portion of investment hedge	**–**	–	**–**	–
Interest rate and other derivatives [(3)]	**(60,851)**	(207,202)	**(6,052)**	(196,544)
Securities at fair value through profit and loss	**336**	–	**–**	–
Trading securities	**139,525**	157,945	**57,893**	136,492
Net trading income	**391,043**	344,468	**199,124**	217,561
Disposal of securities classified as available-for-sale	**152,580**	50,222	**137,252**	31,474
Disposal of securities classified as loans and receivables	**11**	8	**–**	–
Disposal/liquidation of subsidiaries and associates	**37,991**	(363)	**2,292**	1,112
Disposal of plant and equipment	**733**	62	**(5)**	(198)
Disposal of property	**22,169**	8,479	**21,360**	5,603
Computer-related services income	**31,815**	32,764	**–**	–
Property-related income	**9,218**	8,554	**453**	415
Others	**13,015**	(167,843)	**6,877**	39,238
	658,575	276,351	**367,353**	295,205

(1) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.

(2) "Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "Hedged items".

(3) "Interest rate and other derivatives" include gains and losses from interest rate, equity options and other derivative instruments.

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP		BANK	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
8.1 Staff costs				
Salaries and other costs [1]	**1,148,349**	887,083	**481,691**	422,666
Share-based expenses	**11,754**	9,140	**8,435**	6,866
Contribution to defined contribution plans	**94,631**	75,978	**37,877**	34,339
	1,254,734	972,201	**528,003**	463,871
Directors' emoluments:				
Remuneration of Bank's directors	**8,432**	6,879	**7,918**	6,509
Remuneration of directors of subsidiaries	**13,519**	10,686	**–**	–
Fees of Bank's directors	**3,003**	3,187	**1,987**	1,991
Fees of directors of subsidiaries	**3,597**	2,164	**–**	–
	28,551	22,916	**9,905**	8,500
Total staff costs	**1,283,285**	995,117	**537,908**	472,371
8.2 Other operating expenses				
Property, plant and equipment: [2]				
Depreciation	**151,579**	135,226	**81,078**	72,601
Maintenance and hire	**70,225**	61,768	**23,819**	21,998
Rental expenses	**59,335**	46,334	**70,604**	66,851
Others	**125,815**	105,933	**46,713**	41,726
	406,954	349,261	**222,214**	203,176
Auditors' remuneration				
Payable to auditors of the Bank	**1,496**	1,249	**979**	958
Payable to associated firms of auditors of the Bank	**950**	902	**235**	221
Payable to other auditors	**2,238**	2,135	**136**	10
	4,684	4,286	**1,350**	1,189
Other fees				
Payable to auditors of the Bank	**230**	162	**185**	122
Payable to associated firms of auditors of the Bank	**441**	249	**279**	151
	671	411	**464**	273
Hub processing charges	**–**	–	**153,983**	124,820
General insurance claims	**92,181**	55,534	**–**	–
Others	**465,804**	391,780	**239,739**	234,967
	557,985	447,314	**393,722**	359,787
Total other operating expenses	**970,294**	801,272	**617,750**	564,425
8.3 Staff costs and other operating expenses	**2,253,579**	1,796,389	**1,155,658**	1,036,796

(1) Net of government grants (Jobs credit scheme) of $4.4 million (2009: $19.4 million) and $2.2 million (2009: $11.7 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 $14.5 million (2009: $13.6 million) and $4.1 million (2009: $4.0 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.1 million (2009: $1.1 million) and $0.5 million (2009: $0.5 million) respectively.

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9. ALLOWANCES FOR LOANS AND IMPAIRMENT FOR OTHER ASSETS

	GROUP		BANK	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Specific allowances for loans (Note 28)	**57,373**	241,266	**3,466**	172,290
Portfolio allowances for loans (Note 29)	**97,558**	22,863	**59,919**	–
Impairment charge/(write-back) for available-for-sale securities	**9,752**	73,778	**(1,173)**	47,594
(Write-back)/impairment charge for collateralised debt obligations (CDOs)	**(25,796)**	87,679	**(26,141)**	85,526
(Write-back)/impairment charge for other assets (Note 32)	**(4,861)**	3,462	**(186)**	653
Net allowances and impairment	**134,026**	429,048	**35,885**	306,063

10. INCOME TAX EXPENSE

	GROUP		BANK	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current tax expense	**495,875**	351,294	**230,145**	174,444
Deferred tax (credit)/expense (Note 20)	**(23,469)**	67,057	**(6,670)**	14,132
	472,406	418,351	**223,475**	188,576
Over provision in prior years and tax refunds	**(39,104)**	(29,977)	**(34,494)**	(38,854)
Charge to income statements	**433,302**	388,374	**188,981**	149,722

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

	GROUP		BANK	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Operating profit after allowances and amortisation	**2,882,324**	2,542,926	**1,780,049**	1,384,670
Prima facie tax calculated at tax rate of 17%	**489,995**	432,297	**302,608**	235,394
Effect of change in tax rates	**98**	(3,894)	**98**	(2,323)
Effects of different tax rates in other countries	**81,134**	76,762	**13,372**	8,112
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**801**	2,254	**483**	684
Income not assessable for tax	**(40,925)**	(29,875)	**(55,449)**	(35,540)
Income taxed at concessionary rate	**(48,752)**	(35,831)	**(47,088)**	(30,196)
Effect of Singapore life assurance fund	**(28,622)**	(43,220)	**–**	–
Amortisation of intangibles	**8,385**	7,928	**–**	–
(Non-taxable write-backs)/non-deductible allowances	**(1,924)**	4,086	**(172)**	6,107
Others	**12,216**	7,844	**9,623**	6,338
	472,406	418,351	**223,475**	188,576
The deferred tax (credit)/expense comprised:				
Accelerated tax depreciation	**267**	892	**842**	859
(Write-back of allowances)/allowances for assets	**(12,299)**	17,825	**(4,776)**	22,326
Debt and equity securities	**(344)**	1,382	**(117)**	129
Fair value on properties from business combinations	**(2,393)**	(6,511)	**(2,295)**	(6,195)
Tax losses	**(942)**	(938)	**–**	(1,067)
Others	**(7,758)**	54,407	**(324)**	(1,920)
	(23,469)	67,057	**(6,670)**	14,132

11. EARNINGS PER SHARE

$'000	GROUP 2010	2009
Profit attributable to ordinary equity holders of the Bank	**2,253,466**	1,962,413
Preference dividends paid	**(90,125)**	(90,125)
Profit attributable to ordinary equity holders of the Bank after preference dividends	**2,163,341**	1,872,288
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**3,270,738**	3,152,818
Adjustment for assumed conversion of share options and acquisition rights	**10,693**	6,403
For diluted earnings per share	**3,281,431**	3,159,221
Earnings per share (cents)		
Basic	**66.1**	59.4
Diluted	**65.9**	59.3

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

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

12. UNAPPROPRIATED PROFIT

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Profit attributable to equity holders of the Bank	**2,253,466**	1,962,413	**1,591,068**	1,234,948
Add: Unappropriated profit at 1 January	**8,270,781**	6,942,425	**4,865,425**	4,260,565
Total amount available for appropriation	**10,524,247**	8,904,838	**6,456,493**	5,495,513
Appropriated as follows:				
Ordinary dividends:				
2008 final tax exempt dividend of 14 cents	**–**	(434,894)	**–**	(434,894)
2009 interim tax exempt dividend of 14 cents	**–**	(444,695)	**–**	(444,695)
2009 final tax exempt dividend of 14 cents	**(453,209)**	–	**(453,209)**	–
2010 interim tax exempt dividend of 15 cents	**(493,131)**	–	**(493,131)**	–
Preference dividends:				
Class B 5.1% tax exempt (2009: 5.1% tax exempt)	**(51,000)**	(51,000)	**(51,000)**	(51,000)
Class E 4.5% tax exempt (2009: 4.5% tax exempt)	**(22,500)**	(22,500)	**(22,500)**	(22,500)
Class G 4.2% tax exempt (2009: 4.2% tax exempt)	**(16,625)**	(16,625)	**(16,625)**	(16,625)
Transfer from:				
Capital reserves (Note 14)	**350,312**	335,657	**339,626**	339,626
Currency translation reserves (Note 15.2)	**(121)**	–	**–**	–
General reserves (Note 15.1)	**3,556**	–	**3,556**	–
Fair value reserves	**526**	–	**–**	–
Acquisition of non-controlling interests	**(27,039)**	–	**–**	–
Share of an associate's acquisition of non-controlling interests	**(435)**	–	**–**	–
Divestment of an associate	**82**	–	**–**	–
	(709,584)	(634,057)	**(693,283)**	(630,088)
At 31 December (Note 15)	**9,814,663**	8,270,781	**5,763,210**	4,865,425

At the annual general meeting to be held, a final one-tier tax exempt dividend of 15 cents per ordinary share in respect of the financial year ended 31 December 2010, totalling $500.7 million, will be proposed. The dividends will be accounted for as a distribution in the 2011 financial statements.

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13. SHARE CAPITAL

13.1 Share capital

GROUP AND BANK	2010 Shares ('000)	2009 Shares ('000)	2010 $'000	2009 $'000
Ordinary shares				
At 1 January	**3,245,121**	3,126,566	**5,656,590**	4,969,942
Shares issued in-lieu of ordinary dividends	**95,865**	118,512	**757,373**	683,985
Shares issued to non-executive directors	**60**	43	**541**	245
Transfer from share-based reserves for options and rights exercised (Note 14)	**–**	–	**10,004**	2,418
At 31 December	**3,341,046**	3,245,121	**6,424,508**	5,656,590
Treasury shares				
At 1 January	**(14,782)**	(25,747)	**(176,169)**	(228,265)
Share buyback	**(4,439)**	–	**(42,260)**	–
Share Option Schemes	**8,969**	6,044	**65,348**	41,330
Share Purchase Plan	**3,512**	23	**24,303**	156
Treasury shares transferred to DSP Trust	**3,470**	4,898	**30,657**	22,340
Loss on treasury shares transferred/sold	**–**	–	**(11,668)**	(11,730)
At 31 December	**(3,270)**	(14,782)	**(109,789)**	(176,169)
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			**8,210,550**	7,376,252

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.

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

At 31 December 2010, associates of the Group held nil (2009: 420) ordinary shares and nil (2009: 10,000) Class E preference shares in the capital of the Bank.

13. SHARE CAPITAL (continued)

13.2 Share option schemes

In March 2010, the Bank granted 3,356,827 options (2009: 3,755,564) to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 233,727 (2009: 162,958) options granted to directors of the Bank. The fair value of options granted, determined using the binomial valuation model, was $7.3 million (2009: $5.5 million). Significant inputs to the valuation model are set out below:

	2010	2009
Acquisition price ($)	**8.76**	4.14
Average share price from grant date to acceptance date ($)	**8.85**	4.97
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**28.10**	40.43
Risk-free rate based on SGS bond yield at acceptance date (%)	**0.92 and 2.79**	1.34 and 2.06
Expected dividend yield (%)	**3.16**	5.63
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:

	2010		2009	
	Number of options	Average price	Number of options	Average price
At 1 January	**39,746,960**	**$6.026**	43,089,452	$6.046
Granted	**3,356,827**	**$8.762**	3,755,564	$4.138
Exercised	**(9,520,180)**	**$5.856**	(6,534,886)	$5.106
Forfeited/lapsed	**(477,603)**	**$6.553**	(563,170)	$5.654
At 31 December	**33,106,004**	**$6.344**	39,746,960	$6.026
Exercisable options at 31 December	**25,731,301**	**$6.168**	30,796,721	$5.941
Average share price underlying the options exercised		**$9.111**		$7.605

At 31 December 2010, the weighted average remaining contractual life of outstanding share options was 5.1 years (2009: 5.2 years). The aggregate outstanding number of options held by directors of the Bank was 4,125,485 (2009: 4,130,758).

13.3 Employee share purchase plan

In June 2010, the Bank launched its fifth offering of ESP Plan for Group employees, which commenced on 1 July 2010 and expire on 30 June 2012. Under the offering, the Bank granted 5,500,602 (2009: 5,545,385) rights to acquire ordinary shares in the Bank. This included 4,114 (2009: 5,446) rights granted to a director of the Bank. The fair value of rights, determined using the binomial valuation model was $4.8 million (2009: $10.9 million). Significant inputs to the valuation model are set out below:

	2010	2009
Acquisition price ($)	**8.75**	6.61
Average share price ($)	**8.32**	7.23
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**22.31**	44.66
Risk-free rate based on 2-year swap rate (%)	**1.16**	1.99
Expected dividend yield (%)	**2.69**	3.10

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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:

	2010		2009	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	**8,452,191**	**$7.217**	10,214,077	$8.270
Exercised and conversion upon expiry	**(3,740,629)**	**$7.872**	(17,181)	$8.270
Forfeited	**(1,053,482)**	**$7.605**	(7,290,090)	$8.228
Subscription	**5,500,602**	**$8.750**	5,545,385	$6.610
At 31 December	**9,158,682**	**$7.826**	8,452,191	$7.217
Average share price underlying acquisition rights exercised/converted		**$8.963**		$8.334

At 31 December 2010, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2009: 1.1 years). The aggregate outstanding number of rights held by a director of the Bank was 9,560 (2009: 5,446).

13.4 Deferred share plan

Total awards of 3,814,034 (2009: 5,333,474) ordinary shares (including 342,212 (2009: 441,863) ordinary shares to directors of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2010. The fair value of the shares at grant date was $34.1 million (2009: $24.6 million).

During the year, 1,360,587 (2009: 1,253,853) deferred shares were released to employees, of which 97,879 (2009: 127,729) were released to directors. At 31 December 2010, the directors of the Bank have deemed interest of 1,094,729 (2009: 773,521) deferred shares.

14. CAPITAL RESERVES

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
At 1 January	**985,445**	1,329,156	**768,012**	1,099,054
Share-based staff costs capitalised	**14,116**	11,002	**14,116**	11,002
Shares purchased by DSP Trust	**(34,659)**	(25,468)	**–**	–
Shares vested under DSP Scheme	**8,240**	8,830	**–**	–
Transfer to unappropriated profit (Note 12)	**(350,312)**	(335,657)	**(339,626)**	(339,626)
Transfer to share capital (Note 13.1)	**(10,004)**	(2,418)	**(10,004)**	(2,418)
At 31 December	**612,826**	985,445	**432,498**	768,012

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 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Unappropriated profit (Note 12)	**9,814,663**	8,270,781	**5,763,210**	4,865,425
General reserves	**1,328,252**	1,326,022	**984,112**	981,882
Currency translation reserves	**(550,244)**	(494,122)	**(141,856)**	(131,448)
At 31 December	**10,592,671**	9,102,681	**6,605,466**	5,715,859

15.1 General reserves

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
At 1 January	**1,326,022**	1,322,893	**981,882**	978,753
DSP reserve from dividends on unvested shares	**5,786**	3,129	**5,786**	3,129
Transfer to unappropriated profits (Note 12)	**(3,556)**	–	**(3,556)**	–
At 31 December	**1,328,252**	1,326,022	**984,112**	981,882

15.2 Currency translation reserves

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
At 1 January	**(494,122)**	(580,157)	**(131,448)**	(163,178)
Adjustments for the year	**(226,490)**	78,069	**(15,526)**	31,306
Effective portion of hedge	**170,247**	7,966	**5,118**	424
Transfer to unappropriated profits (Note 12)	**121**	–	**–**	–
At 31 December	**(550,244)**	(494,122)	**(141,856)**	(131,448)

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 2010 $'000	GROUP 2009 $'000
Non-controlling interests in subsidiaries	**787,966**	744,828
Preference shares issued by subsidiaries		
OCBC Bank (Malaysia) Berhad	**166,953**	163,550
OCBC Capital Corporation	**400,000**	400,000
OCBC Capital Corporation (2008)	**1,500,000**	1,500,000
Total non-controlling interests	**2,854,919**	2,808,378

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.

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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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Deposits of non-bank customers				
Current accounts	**31,736,321**	20,761,628	**22,591,223**	16,795,547
Savings deposits	**25,620,282**	21,753,038	**22,305,082**	19,060,907
Term deposits	**55,319,294**	50,583,383	**38,060,837**	36,816,232
Structured deposits	**3,282,873**	3,037,627	**1,902,215**	2,560,853
Certificate of deposits issued	**3,139,045**	1,755,190	**2,945,275**	1,423,321
Other deposits	**4,202,211**	2,741,693	**1,085,914**	640,699
	123,300,026	100,632,559	**88,890,546**	77,297,559
Deposits and balances of banks	**16,508,477**	10,958,259	**13,810,825**	9,674,356
	139,808,503	111,590,818	**102,701,371**	86,971,915

17.1 Deposits of non-bank customers

Analysed by currency				
Singapore Dollar	**66,934,019**	58,457,704	**66,215,107**	58,198,876
US Dollar	**16,917,543**	11,143,758	**10,567,238**	9,835,038
Malaysian Ringgit	**17,097,308**	16,285,782	**–**	–
Indonesian Rupiah	**4,423,480**	3,735,474	**1**	1
Japanese Yen	**1,683,191**	282,945	**1,488,159**	260,359
Hong Kong Dollar	**3,192,223**	1,401,381	**2,757,593**	1,399,846
British Pound	**1,550,594**	1,149,705	**1,111,879**	1,078,626
Australian Dollar	**5,447,809**	4,933,554	**4,761,977**	4,647,299
Euro	**1,525,186**	913,015	**821,897**	748,854
Others	**4,528,673**	2,329,241	**1,166,695**	1,128,660
	123,300,026	100,632,559	**88,890,546**	77,297,559

17.2 Deposits and balances of banks

Analysed by currency				
Singapore Dollar	**2,938,432**	790,560	**2,937,692**	790,440
US Dollar	**8,759,696**	5,840,387	**7,575,017**	5,584,978
Malaysian Ringgit	**693,045**	662,510	**–**	–
Indonesian Rupiah	**104,188**	115,203	**–**	–
Japanese Yen	**145,847**	15,192	**–**	15,192
Hong Kong Dollar	**616,949**	1,739,004	**610,721**	1,739,004
British Pound	**507,542**	542,416	**506,880**	542,416
Australian Dollar	**976,120**	248,155	**975,896**	248,155
Euro	**1,009,369**	535,771	**753,451**	535,771
Others	**757,289**	469,061	**451,168**	218,400
	16,508,477	10,958,259	**13,810,825**	9,674,356

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 balance sheet date are analysed below.

	2010			2009		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives "FED"						
Forwards	**32,256,590**	**337,551**	**454,181**	22,128,268	149,654	126,718
Swaps	**91,612,308**	**1,517,087**	**1,166,780**	84,513,402	1,063,026	1,104,156
OTC options – bought	**4,277,799**	**55,164**	**1,660**	4,815,860	70,373	1,133
OTC options – sold	**4,005,399**	**1,086**	**64,317**	5,064,284	719	67,279
	132,152,096	**1,910,888**	**1,686,938**	116,521,814	1,283,772	1,299,286
Interest rate derivatives "IRD"						
Swaps	**265,273,613**	**2,737,315**	**2,671,583**	212,859,334	2,496,779	2,360,781
OTC options – bought	**2,412,027**	**22,122**	**–**	4,225,610	34,380	–
OTC options – sold	**8,659,895**	**–**	**51,571**	6,980,046	–	25,276
Exchange traded futures – bought	**1,963,190**	**140**	**19**	2,451,125	378	1,235
Exchange traded futures – sold	**3,596,934**	**54**	**412**	4,657,790	8,217	1,185
	281,905,659	**2,759,631**	**2,723,585**	231,173,905	2,539,754	2,388,477
Equity derivatives						
Swaps	**81,940**	**359**	**2,678**	104,617	174	7,623
OTC options – bought	**617,963**	**42,117**	**5,088**	432,550	31,178	–
OTC options – sold	**585,321**	**5,088**	**13,240**	299,448	–	10,589
Exchange traded options – bought	**1,772**	**36**	**–**	–	–	–
Exchange traded options – sold	**55,670**	**–**	**681**	–	–	–
Exchange traded futures – bought	**16,231**	**5**	**39**	12,512	33	–
Exchange traded futures – sold	**1,121**	**–**	**4**	19,407	20	169
Equity linked notes	**52,781**	**797**	**–**	31,689	496	–
	1,412,799	**48,402**	**21,730**	900,223	31,901	18,381
Credit derivatives						
Swaps – protection buyer	**2,921,438**	**10,991**	**93,442**	2,075,739	542	126,967
Swaps – protection seller	**2,806,328**	**81,696**	**13,352**	1,899,435	95,028	63,595
	5,727,766	**92,687**	**106,794**	3,975,174	95,570	190,562
Other derivatives						
Precious metals – bought	**61,916**	**217**	**444**	17,216	346	139
Precious metals – sold	**46,734**	**3,083**	**295**	24,406	307	116
OTC options – bought	**690,579**	**4,759**	**1,219**	945,223	1,753	773
OTC options – sold	**586,002**	**912**	**5,425**	932,168	773	1,695
Futures – bought	**788**	**3**	**–**	2,420	–	–
Others	**564,178**	**16,324**	**16,324**	717,619	18,853	18,853
	1,950,197	**25,298**	**23,707**	2,639,052	22,032	21,576
Total	**423,148,517**	**4,836,906**	**4,562,754**	355,210,168	3,973,029	3,918,282
Included items designated for hedges:						
Fair value hedge – FED	**671,472**	**80,618**	**8,684**	2,539,255	230,298	554,368
Fair value hedge – IRD	**5,797,709**	**136,319**	**66,165**	5,063,426	191,924	56,424
Hedge of net investments – FED	**1,325,000**	**113,012**	**–**	419,207	425	1,403
	7,794,181	**329,949**	**74,849**	8,021,888	422,647	612,195

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18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

BANK ($'000)	2010 Principal notional amount	2010 Derivative receivables	2010 Derivative payables	2009 Principal notional amount	2009 Derivative receivables	2009 Derivative payables
Foreign exchange derivatives "FED"						
Forwards	**23,781,665**	**146,141**	**306,524**	17,265,476	126,066	107,342
Swaps	**80,255,985**	**1,430,899**	**1,047,653**	78,459,906	1,009,814	1,049,105
OTC options – bought	**3,360,739**	**43,823**	**1,113**	4,399,103	56,738	1,102
OTC options – sold	**3,221,750**	**588**	**52,790**	4,807,608	681	60,925
	110,620,139	**1,621,451**	**1,408,080**	104,932,093	1,193,299	1,218,474
Interest rate derivatives "IRD"						
Swaps	**256,354,243**	**2,665,144**	**2,627,575**	205,730,508	2,395,184	2,296,418
OTC options – bought	**2,286,812**	**21,093**	**–**	3,927,139	31,672	–
OTC options – sold	**8,075,180**	**–**	**50,624**	6,754,643	–	24,568
Exchange traded futures – bought	**1,963,190**	**140**	**19**	2,451,125	378	1,235
Exchange traded futures – sold	**3,596,934**	**54**	**412**	4,647,544	8,217	1,185
	272,276,359	**2,686,431**	**2,678,630**	223,510,959	2,435,451	2,323,406
Equity derivatives						
Swaps	**51,980**	**34**	**2,353**	104,617	174	7,623
OTC options – bought	**231,369**	**34,825**	**414**	225,265	23,203	–
OTC options – sold	**170,407**	**414**	**1,720**	109,279	–	4,923
Exchange traded options – bought	**1,772**	**36**	**–**	–	–	–
Exchange traded options – sold	**55,670**	**–**	**681**	–	–	–
Exchange traded futures – bought	**7,396**	**5**	**13**	759	33	–
Exchange traded futures – sold	**1,121**	**–**	**4**	19,407	20	169
Equity linked notes	**52,781**	**797**	**–**	31,689	496	–
	572,496	**36,111**	**5,185**	491,016	23,926	12,715
Credit derivatives						
Swaps – protection buyer	**2,921,438**	**10,991**	**93,442**	2,075,739	542	126,967
Swaps – protection seller	**2,806,328**	**81,696**	**13,352**	1,899,435	95,028	63,595
	5,727,766	**92,687**	**106,794**	3,975,174	95,570	190,562
Other derivatives						
Precious metals – bought	**61,916**	**217**	**444**	11,842	346	121
Precious metals – sold	**46,734**	**3,083**	**295**	19,032	288	116
OTC options – bought	**690,579**	**4,495**	**1,219**	945,223	1,753	773
OTC options – sold	**586,340**	**912**	**5,162**	932,168	773	1,695
Others	**564,178**	**16,324**	**16,324**	717,619	18,853	18,853
	1,949,747	**25,031**	**23,444**	2,625,884	22,013	21,558
Total	**391,146,507**	**4,461,711**	**4,222,133**	335,535,126	3,770,259	3,766,715
Included items designated for hedges:						
Fair value hedge – FED	**1,983,602**	**192,480**	**8,684**	2,525,251	228,832	554,368
Fair value hedge – IRD	**5,214,002**	**132,810**	**65,073**	4,821,017	186,092	52,742
Hedge of net investments – FED	**–**	**–**	**–**	126,204	364	215
	7,197,604	**325,290**	**73,757**	7,472,472	415,288	607,325

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**3,662,488**	3,390,929	**3,545,405**	3,252,656
Other financial institutions	**581,636**	130,789	**572,434**	110,920
Corporates	**327,667**	376,801	**276,219**	334,172
Individuals	**226,708**	24,142	**29,533**	22,160
Others	**38,407**	50,368	**38,120**	50,351
	4,836,906	3,973,029	**4,461,711**	3,770,259
Analysed by geography				
Singapore	**2,327,047**	1,653,572	**2,376,125**	1,649,854
Malaysia	**202,131**	198,446	**28,724**	35,418
Other ASEAN	**29,283**	18,852	**10,792**	11,935
Greater China	**145,731**	152,979	**103,888**	154,220
Other Asia Pacific	**95,207**	72,851	**87,393**	62,505
Rest of the World	**2,037,507**	1,876,329	**1,854,789**	1,856,327
	4,836,906	3,973,029	**4,461,711**	3,770,259

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

19. OTHER LIABILITIES

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Bills payable	**314,751**	266,008	**196,835**	176,501
Interest payable	**346,664**	379,504	**211,776**	266,371
Sundry creditors	**1,886,319**	2,021,008	**366,182**	328,137
Others	**638,985**	548,390	**287,840**	240,502
	3,186,719	3,214,910	**1,062,633**	1,011,511

At 31 December 2010, reinsurance liabilities included in "Others" amounted to $17.5 million (2009: $16.2 million).

20. DEFERRED TAX

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
At 1 January	**882,047**	478,362	**114,776**	21,997
Currency translation and others	**2,328**	(3,104)	**2,822**	(894)
(Credit)/expense to income statements	**(23,567)**	70,951	**(6,768)**	16,455
Effect of change in tax rates	**98**	(3,894)	**98**	(2,323)
Net (credit)/expense to income statements (Note 10)	**(23,469)**	67,057	**(6,670)**	14,132
(Over)/under provision in prior years	**(12,734)**	57	**(3,918)**	–
Deferred tax on fair value changes	**49,064**	111,007	**13,073**	81,874
Effect of change in tax rates	**4,740**	(836)	**4,740**	(2,333)
Net deferred tax change taken to other comprehensive income	**53,804**	110,171	**17,813**	79,541
Net change in life assurance fund tax	**127,733**	229,504	**–**	–
Arising from acquisition of subsidiaries	**18,303**	–	**–**	–
At 31 December	**1,048,012**	882,047	**124,823**	114,776

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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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Deferred tax liabilities	**1,126,541**	945,585	**131,277**	119,904
Deferred tax assets	**(78,529)**	(63,538)	**(6,454)**	(5,128)
	1,048,012	882,047	**124,823**	114,776
Deferred tax assets and liabilities (prior to offsetting within the same tax jurisdiction) comprise:				
Accelerated tax depreciation	**59,092**	63,150	**26,210**	25,367
Debt and equity securities	**358,404**	228,929	**96,772**	79,082
Fair value on properties from business combinations	**71,199**	73,592	**65,620**	67,915
Provision for policy liabilities	**608,188**	562,249	**–**	–
Unremitted income and others	**93,845**	74,430	**256**	208
Deferred tax liabilities	**1,190,728**	1,002,350	**188,858**	172,572
Allowances for assets	**(99,366)**	(89,789)	**(50,148)**	(47,715)
Tax losses	**(8,230)**	(5,065)	**–**	(4,770)
Others	**(35,120)**	(25,449)	**(13,887)**	(5,311)
Deferred tax assets	**(142,716)**	(120,303)	**(64,035)**	(57,796)
Net deferred tax liabilities	**1,048,012**	882,047	**124,823**	114,776

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 2010, unutilised tax losses for which no deferred income tax asset has been recognised amounted to $8.9 million (2009: $17.5 million) and nil (2009: nil) for the Group and Bank respectively.

21. DEBTS ISSUED

	GROUP	
	2010 $'000	2009 $'000
Subordinated debts (unsecured) [Note 21.1]	**6,339,576**	5,769,387
Commercial papers (unsecured) [Note 21.2]	**460,848**	1,060,929
Structured notes (unsecured) [Note 21.3]	**54,042**	33,068
	6,854,466	6,863,384

21. DEBTS ISSUED (continued)

21.1 Subordinated debts (unsecured)

	Note	Issue Date	Maturity Date	GROUP 2010 $'000	GROUP 2009 $'000
Issued by the Bank:					
EUR372 million 7.25% notes	(a)	6 Jul 2001	6 Sep 2011	**657,106**	799,717
SGD265 million 5.00% notes	(a)	6 Jul 2001	6 Sep 2011	**270,303**	275,343
USD1.25 billion 7.75% notes	(a)	6 Jul 2001	6 Sep 2011	**1,668,271**	1,892,956
SGD225 million 3.78% notes	(b)	28 Nov 2007	28 Nov 2017	**234,579**	233,382
MYR1 billion 4.60% bonds	(c)	27 Mar 2008	27 Mar 2018	**417,226**	408,646
MYR600 million 4.60% bonds	(c)	6 Jun 2008	6 Jun 2018	**262,061**	262,065
SGD711.93 million 5.60% notes	(d)	27 Mar 2009	27 Mar 2019	**726,441**	706,987
USD500 million 4.25% notes	(e)	18 Nov 2009	18 Nov 2019	**661,997**	687,762
USD500 million 3.75% notes	(f)	15 Nov 2010	15 Nov 2022	**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
				7,401,315	7,166,858
Subordinated debts issued to subsidiaries				**(1,900,000)**	(1,900,000)
Net subordinated debts issued by the Bank				**5,501,315**	5,266,858
Issued by OCBC Bank (Malaysia) Berhad ("OBMB"):					
MYR200 million Islamic bonds	(i)	24 Nov 2006	24 Nov 2021	**83,477**	81,775
MYR400 million bonds	(j)	30 Nov 2007	30 Nov 2017	**169,489**	168,236
MYR400 million Innovative Tier 1 Capital Securities	(k)	17 Apr 2009	Not applicable	**166,953**	163,551
MYR500 million bonds	(l)	4 Nov 2010	4 Nov 2020	**207,880**	–
				627,799	413,562
Issued by P.T. Bank OCBC NISP Tbk:					
Subordinated Bonds II – IDR600 billion	(m)	12 Mar 2008	11 Mar 2018	**85,465**	88,967
Subordinated Bonds III – IDR880 billion	(n)	30 Jun 2010	30 Jun 2017	**124,997**	–
				210,462	88,967
Total subordinated debts				**6,339,576**	5,769,387

(a) Interest is payable semi-annually on 6 March and 6 September each year at 5.00% per annum for the SGD subordinated notes and 7.75% per annum for the USD subordinated notes and annually on 6 September each year at 7.25% per annum for the EUR subordinated notes. The Bank had entered into interest rate and currency 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. In September 2010, currency swaps entered into to hedge the USD subordinated notes were terminated. These notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules. As at 31 December 2010, the eligible amount is nil (2009: 20%).

(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.

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21. DEBTS ISSUED (continued)

21.1 Subordinated debts (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 payable semi-annually on 24 May and 24 November each year at a projected constant rate of 5.40% per annum 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. In addition, the IT1 Capital Securities are to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualify as Tier 1 capital for the Group.

21. DEBTS ISSUED (continued)

21.1 Subordinated debts (unsecured) (continued)

(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 P.T. Bank OCBC NISP on 12 March 2013.

(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.

21.2 Commercial papers (unsecured)

		GROUP	
	Note	2010 $'000	2009 $'000
Issued by the Bank	(a)	**431,837**	1,030,300
Issued by a subsidiary	(b)	**29,011**	30,629
		460,848	1,060,929

(a) The zero coupon Euro Commercial Papers ("ECP") were issued by the Bank under its USD2 billion ECP programme established in 2004. The notes outstanding at 31 December 2010 were issued between 26 October 2010 (2009: 8 October 2009) and 17 December 2010 (2009: 31 December 2009), and mature between 18 January 2011 (2009: 8 January 2010) and 18 March 2011 (2009: 17 June 2010), yielding between 0.037% and 4.90% (2009: 0.0426% and 3.88%).

(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 2010 were issued between 29 October 2010 (2009: 15 October 2009) and 27 December 2010 (2009: 23 December 2009), and mature between 7 January 2011 (2009: 4 January 2010) and 12 May 2011 (2009: 28 January 2010), with interest rate ranging from 3.15% to 3.68% (2009: 3.00% to 3.30%).

21.3 Structured notes (unsecured)

			GROUP AND BANK	
	Issue Date	Maturity Date	2010 $'000	2009 $'000
Issued by the Bank:				
Credit linked notes	17 Nov 2008	20 Dec 2013	**5,000**	10,000
Equity-linked notes	3 - 31 Dec 2010	4 Jan - 1 Apr 2011	**47,556**	16,699
Fixed Rate Notes	30 Apr - 4 May 2009	16 Feb 2011	**1,486**	1,489
Equity Autocallable Bonus Notes	Not applicable	Not applicable	**–**	4,080
Equity Callable Daily Range Accrual Notes	Not applicable	Not applicable	**–**	800
			54,042	33,068

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

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For the financial year ended 31 December 2010

22. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP	
	2010	2009
	$ million	$ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**39,386.6**	35,855.8
Currency translation	**282.4**	(181.0)
Deferred tax on policyholders' bonus	**–**	(86.9)
Fair value reserve movements	**1,053.7**	1,791.1
Change in life assurance fund contract liabilities (Note 4)	**2,545.2**	2,007.6
At 31 December	**43,267.9**	39,386.6
Policy benefits	**2,118.5**	1,948.7
Others	**2,094.8**	1,910.6
	47,481.2	43,245.9
Life assurance fund investment assets		
Deposits with banks and financial institutions	**2,044.3**	2,374.9
Loans	**3,811.6**	4,088.4
Securities	**39,246.8**	34,516.0
Investment property	**1,355.4**	1,118.9
Others [(1)]	**1,028.0**	978.5
	47,486.1	43,076.7
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**2.6**	3.0
Capital commitment authorised and contracted	**65.3**	10.1
Derivative financial instruments (principal notional amount)	**6,931.1**	6,054.6
Derivative receivables	**518.7**	321.6
Derivative payables	**25.8**	46.2
Minimum lease rental receivables under non-cancellable operating leases	**65.4**	67.6

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

23. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash on hand	**660,251**	567,105	**490,986**	415,527
Balances with central banks	**2,824,129**	1,694,118	**1,925,868**	1,309,808
Money market placements and reverse repos	**8,008,511**	10,909,894	**4,370,089**	6,434,763
	11,492,891	13,171,117	**6,786,943**	8,160,098

Balances with central banks include mandatory reserve deposits of $2,802.8 million (2009: $1,671.7 million) and $1,909.8 million (2009: $1,292.7 million) for the Group and Bank respectively.

24. GOVERNMENT TREASURY BILLS AND SECURITIES

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**1,557,525**	1,788,846	**1,557,524**	1,788,846
Available-for-sale, at fair value	**9,509,065**	9,393,890	**8,927,698**	9,020,862
Fair value at initial recognition	**89,932**	–	**–**	–
Gross securities	**11,156,522**	11,182,736	**10,485,222**	10,809,708
Assets pledged (Note 43)	**–**	(260,367)	**–**	(260,367)
	11,156,522	10,922,369	**10,485,222**	10,549,341
Other government treasury bills and securities				
Trading, at fair value	**2,186,136**	2,349,114	**1,740,420**	1,322,419
Available-for-sale, at fair value	**3,812,197**	3,221,573	**1,508,120**	1,428,200
Fair value at initial recognition	**20,592**	–	**–**	–
Gross securities	**6,018,925**	5,570,687	**3,248,540**	2,750,619
Assets pledged (Note 43)	**(74,398)**	(6,498)	**(74,398)**	(6,498)
	5,944,527	5,564,189	**3,174,142**	2,744,121
Gross securities analysed by geography				
Singapore	**11,156,522**	11,182,736	**10,485,222**	10,809,708
Malaysia	**1,718,832**	1,366,249	**–**	–
Other ASEAN	**1,954,114**	2,023,909	**923,152**	572,048
Greater China	**1,006,642**	384,147	**1,006,642**	384,147
Other Asia Pacific	**640,698**	929,972	**640,698**	929,972
Rest of the World	**698,639**	866,410	**678,048**	864,452
	17,175,447	16,753,423	**13,733,762**	13,560,327

25. PLACEMENTS WITH AND LOANS TO BANKS

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**–**	65,678	**–**	65,678
Certificate of deposits purchased (Available-for-sale)	**3,451,233**	4,305,089	**3,241,668**	3,314,863
Forfaiting loans (Trading)	**1,207**	18,792	**1,207**	18,792
	3,452,440	4,389,559	**3,242,875**	3,399,333
At amortised cost:				
Placements with and loans to banks	**10,538,190**	9,650,439	**6,399,705**	7,206,745
Market bills purchased	**4,329,195**	1,349,539	**4,132,003**	1,349,539
Reverse repos	**58,767**	76,693	**55,770**	36,474
	14,926,152	11,076,671	**10,587,478**	8,592,758
Balances with banks	**18,378,592**	15,466,230	**13,830,353**	11,992,091
Assets pledged (Note 43)	**(218,069)**	–	**(218,069)**	–
Bank balances of life assurance fund	**408,109**	354,441	**–**	–
	18,568,632	15,820,671	**13,612,284**	11,992,091

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25. PLACEMENTS WITH AND LOANS TO BANKS (continued)

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**160,896**	318,230	**87,016**	227,306
US Dollar	**10,437,938**	6,039,799	**9,176,062**	4,836,252
Malaysian Ringgit	**1,167,637**	1,506,256	**111**	39
Indonesian Rupiah	**75,636**	27,736	**2**	2
Japanese Yen	**124,754**	117,382	**60,303**	31,816
Hong Kong Dollar	**1,001,157**	446,374	**997,996**	410,180
British Pound	**893,147**	1,588,235	**889,194**	1,548,795
Australian Dollar	**1,253,414**	1,037,562	**1,104,141**	970,089
Euro	**377,614**	3,618,218	**373,062**	3,576,589
Others	**2,886,399**	766,438	**1,142,466**	391,023
	18,378,592	15,466,230	**13,830,353**	11,992,091
By geography				
Singapore	**1,254,217**	1,028,487	**1,028,420**	922,216
Malaysia	**1,615,113**	1,826,845	**111**	56,055
Other ASEAN	**1,165,295**	1,085,185	**1,073,399**	984,484
Greater China	**8,378,204**	2,968,936	**6,114,556**	1,617,415
Other Asia Pacific	**2,149,944**	1,647,301	**2,001,530**	1,608,912
Rest of the World	**3,815,819**	6,909,476	**3,612,337**	6,803,009
	18,378,592	15,466,230	**13,830,353**	11,992,091

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

26. LOANS AND BILLS RECEIVABLE

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Gross loans	**106,449,432**	82,341,217	**76,816,959**	62,333,391
Specific allowances (Note 28)	**(328,130)**	(453,990)	**(83,661)**	(193,900)
Portfolio allowances (Note 29)	**(1,094,529)**	(998,490)	**(856,047)**	(799,154)
Net loans	**105,026,773**	80,888,737	**75,877,251**	61,340,337
Assets pledged (Note 43)	**(37,566)**	(12,266)	**–**	–
	104,989,207	80,876,471	**75,877,251**	61,340,337
Bills receivable	**4,276,900**	1,901,488	**3,268,862**	942,940
Loans	**100,749,873**	78,987,249	**72,608,389**	60,397,397
Net loans	**105,026,773**	80,888,737	**75,877,251**	61,340,337

26.1 Analysed by currency

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Singapore Dollar	**54,849,816**	46,022,164	**53,776,464**	45,167,674
US Dollar	**18,937,578**	11,080,755	**13,619,328**	9,300,791
Malaysian Ringgit	**14,885,075**	13,239,500	**104**	117
Indonesian Rupiah	**3,551,212**	2,888,515	**–**	–
Japanese Yen	**2,540,620**	1,217,983	**1,187,371**	1,152,898
Hong Kong Dollar	**3,985,801**	2,558,778	**3,338,955**	2,480,388
British Pound	**832,812**	716,649	**659,796**	714,501
Australian Dollar	**3,229,029**	2,520,320	**3,138,983**	2,518,212
Euro	**732,941**	267,201	**485,680**	261,203
Others	**2,904,548**	1,829,352	**610,278**	737,607
	106,449,432	82,341,217	**76,816,959**	62,333,391

26. LOANS AND BILLS RECEIVABLE (continued)

	GROUP		BANK	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
26.2 Analysed by product				
Overdrafts	**5,865,473**	3,298,435	**1,354,478**	1,515,187
Short-term and revolving loans	**16,303,150**	11,143,508	**9,670,599**	7,998,928
Syndicated and term loans	**41,713,193**	35,113,202	**33,476,570**	28,021,834
Housing and commercial property loans	**28,956,479**	23,208,709	**23,226,428**	18,736,990
Car, credit card and share margin loans	**3,001,736**	2,925,266	**2,092,801**	2,104,215
Others	**10,609,401**	6,652,097	**6,996,083**	3,956,237
	106,449,432	82,341,217	**76,816,959**	62,333,391
26.3 Analysed by industry				
Agriculture, mining and quarrying	**2,909,394**	1,621,302	**1,592,196**	447,240
Manufacturing	**7,057,076**	5,827,600	**2,544,515**	2,020,224
Building and construction	**18,532,273**	15,643,369	**15,342,228**	12,951,072
Housing	**27,076,124**	21,459,890	**21,532,350**	17,153,502
General commerce	**11,792,578**	7,749,961	**7,588,195**	4,585,573
Transport, storage and communication	**6,447,367**	5,790,977	**5,464,574**	5,252,602
Financial institutions, investment and holding companies	**12,877,505**	10,032,495	**12,151,982**	9,496,894
Professionals and individuals	**13,572,746**	7,967,989	**6,608,561**	6,135,690
Others	**6,184,369**	6,247,634	**3,992,358**	4,290,594
	106,449,432	82,341,217	**76,816,959**	62,333,391
26.4 Analysed by interest rate sensitivity				
Fixed				
Singapore	**8,095,491**	5,928,754	**8,026,548**	5,925,797
Malaysia	**1,200,578**	1,626,698	**104**	117
Other ASEAN	**757,801**	180,998	**12,058**	15,757
Greater China	**8,519**	87,791	**140**	163
Other Asia Pacific	**207,905**	200,015	**207,905**	200,015
Rest of the World	**11,256**	12,372	**11,256**	12,372
	10,281,550	8,036,628	**8,258,011**	6,154,221
Variable				
Singapore	**61,163,269**	46,317,286	**55,190,936**	45,344,345
Malaysia	**16,895,094**	14,422,370	**2,855,806**	2,593,210
Other ASEAN	**4,395,646**	3,893,584	**529,042**	420,572
Greater China	**8,634,382**	5,195,002	**4,906,772**	3,344,696
Other Asia Pacific	**3,642,402**	3,099,192	**3,639,303**	3,099,192
Rest of the World	**1,437,089**	1,377,155	**1,437,089**	1,377,155
	96,167,882	74,304,589	**68,558,948**	56,179,170
Total	**106,449,432**	82,341,217	**76,816,959**	62,333,391

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

	GROUP		BANK	
	2010	2009	2010	2009
26.5 Analysed by geography				
Singapore	**59,967,267**	48,456,871	**58,750,222**	47,521,200
Malaysia	**17,080,330**	15,321,942	**1,795,177**	1,879,742
Other ASEAN	**6,884,367**	4,986,061	**1,792,446**	1,332,162
Greater China	**11,078,732**	7,065,737	**6,923,886**	5,205,687
Other Asia Pacific	**5,310,514**	3,926,277	**4,747,845**	3,862,963
Rest of the World	**6,128,222**	2,584,329	**2,807,383**	2,531,637
	106,449,432	82,341,217	**76,816,959**	62,333,391

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

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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						
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**
2009						
Classified loans	723	421	240	1,384	(448)	936
Classified debt securities	–	30	1	31	(30)	1
Classified contingents	32	1	–	33	(1)	32
Total classified assets	755	452	241	1,448	(479)	969
BANK						
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**
2009						
Classified loans	357	280	93	730	(193)	537
Classified debt securities	–	22	–	22	(22)	#
Classified contingents	1	1	–	2	(1)	1
Total classified assets	358	303	93	754	(216)	538

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

	GROUP 2010 $ million	GROUP 2009 $ million	BANK 2010 $ million	BANK 2009 $ million
27.1 Analysed by period overdue				
Over 180 days	**511**	639	**104**	194
Over 90 days to 180 days	**98**	188	**49**	120
30 days to 90 days	**166**	208	**133**	143
Less than 30 days	**20**	74	**8**	73
No overdue	**413**	339	**319**	224
	1,208	1,448	**613**	754
27.2 Analysed by collateral type				
Property	**496**	686	**197**	324
Fixed deposit	**14**	6	**#**	1
Stock and shares	**16**	47	**13**	47
Motor vehicles	**3**	2	**2**	1
Secured – Others	**151**	110	**88**	71
Unsecured – Corporate and other guarantees	**237**	246	**236**	241
Unsecured – Clean	**291**	351	**77**	69
	1,208	1,448	**613**	754

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

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

27.3 Analysed by industry

	GROUP 2010 $ million	GROUP 2009 $ million	BANK 2010 $ million	BANK 2009 $ million
Agriculture, mining and quarrying	**7**	13	**#**	4
Manufacturing	**399**	404	**228**	178
Building and construction	**192**	234	**97**	113
Housing	**190**	224	**78**	102
General commerce	**130**	220	**37**	107
Transport, storage and communication	**79**	111	**62**	102
Financial institutions, investment and holding companies	**20**	65	**13**	59
Professionals and individuals	**139**	140	**73**	84
Others	**52**	37	**25**	5
	1,208	1,448	**613**	754

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

27.4 Analysed by geography

GROUP ($ million)	Singapore	Malaysia	Rest of the World	Total
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**
2009				
Substandard	163	427	165	755
Doubtful	164	155	133	452
Loss	90	53	98	241
	417	635	396	1,448
Specific allowances	(76)	(230)	(173)	(479)
	341	405	223	969

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 17.0% (2009: 6.2%) and 28.1% (2009: 8.7%) for the Group and the Bank respectively.

	2010 Amount $ million	2010 Allowance $ million	2009 Amount $ million	2009 Allowance $ million
GROUP				
Substandard	**170**	**5**	45	2
Doubtful	**22**	**15**	30	29
Loss	**13**	**11**	15	4
	205	**31**	90	35
BANK				
Substandard	**158**	**1**	39	#
Doubtful	**14**	**12**	25	26
Loss	**#**	**#**	2	#
	172	**13**	66	26

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

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28. SPECIFIC ALLOWANCES

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
At 1 January	**453,990**	549,079	**193,900**	280,277
Currency translation	**(4,589)**	14,407	**(5,714)**	10,947
Bad debts written off	**(180,056)**	(329,364)	**(102,925)**	(260,624)
Recovery of amounts previously provided for	**(48,903)**	(46,156)	**(30,407)**	(33,530)
Allowances for loans	**106,276**	287,422	**33,873**	205,820
Net allowances charged to income statements (Note 9)	**57,373**	241,266	**3,466**	172,290
Interest recognition on impaired loans	**(15,056)**	(22,279)	**(5,066)**	(9,871)
Arising from acquisition of subsidiaries	**16,345**	–	**–**	–
Transfer from other provisions	**123**	881	**–**	881
At 31 December (Note 26)	**328,130**	453,990	**83,661**	193,900

Analysed by industry

	Cumulative specific allowances 2010 $ million	Cumulative specific allowances 2009 $ million	Specific allowances charged/(write-back) to income statements 2010 $ million	Specific allowances charged/(write-back) to income statements 2009 $ million
GROUP				
Agriculture, mining and quarrying	**1**	2	**(4)**	3
Manufacturing	**102**	164	**(7)**	86
Building and construction	**36**	31	**8**	6
Housing	**39**	38	**4**	8
General commerce	**59**	107	**1**	77
Transport, storage and communication	**10**	21	**1**	6
Financial institutions, investment and holding companies	**4**	10	**(1)**	(3)
Professionals and individuals	**58**	64	**13**	47
Others	**19**	17	**42**	11
	328	454	**57**	241
BANK				
Agriculture, mining and quarrying	**#**	#	**(3)**	3
Manufacturing	**28**	75	**(18)**	71
Building and construction	**3**	5	**(2)**	1
Housing	**2**	5	**(4)**	1
General commerce	**9**	50	**(6)**	59
Transport, storage and communication	**5**	17	**(3)**	5
Financial institutions, investment and holding companies	**4**	10	**(1)**	(3)
Professionals and individuals	**27**	30	**14**	28
Others	**6**	2	**26**	7
	84	194	**3**	172

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

29. PORTFOLIO ALLOWANCES

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
At 1 January	**998,490**	979,385	**799,154**	799,005
Currency translation	**(6,368)**	(3,091)	**(3,026)**	149
Allowances charged to income statements (Note 9)	**97,558**	22,863	**59,919**	–
Arising from acquisition of subsidiaries	**1,149**	–	**–**	–
Transfer from/(to) other provisions	**3,700**	(667)	**–**	–
At 31 December (Note 26)	**1,094,529**	998,490	**856,047**	799,154

30. DEBT AND EQUITY SECURITIES

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Trading securities				
Quoted debt securities	**1,166,440**	602,113	**1,012,046**	502,616
Unquoted debt securities	**500,305**	299,073	**377,094**	105,712
Quoted equity securities	**183,576**	164,583	**128,041**	148,445
Quoted investment funds	**2,412**	10,131	**1,887**	9,482
Unquoted investment funds	**1,583**	–	**–**	–
	1,854,316	1,075,900	**1,519,068**	766,255
Available-for-sale securities				
Quoted debt securities	**5,726,461**	4,669,858	**4,966,389**	4,200,743
Unquoted debt securities	**3,332,674**	2,754,705	**2,033,944**	1,583,427
Quoted equity securities	**2,671,252**	2,219,871	**1,035,238**	697,494
Unquoted equity securities	**220,333**	217,121	**44,583**	49,988
Quoted investment funds	**143,786**	88,487	**19,430**	17,283
Unquoted investment funds	**121,484**	197,529	**43,324**	42,751
	12,215,990	10,147,571	**8,142,908**	6,591,686
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**606,969**	480,594	**596,097**	450,356
Allowance for impairment (Note 32)	**(7,019)**	(24,213)	**(6,753)**	(21,953)
Net carrying value	**599,950**	456,381	**589,344**	428,403
Total debt and equity securities				
Debt securities – gross	**11,332,849**	8,806,343	**8,985,570**	6,842,854
Allowance for impairment (Note 32)	**(7,019)**	(24,213)	**(6,753)**	(21,953)
Debt securities – net	**11,325,830**	8,782,130	**8,978,817**	6,820,901
Equity securities	**3,075,161**	2,601,575	**1,207,862**	895,927
Investment funds	**269,265**	296,147	**64,641**	69,516
Total securities	**14,670,256**	11,679,852	**10,251,320**	7,786,344
Assets pledged (Note 43)	**(415,704)**	–	**(415,704)**	–
	14,254,552	11,679,852	**9,835,616**	7,786,344
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**7,624,090**	5,068,491	**6,149,061**	4,030,547
Non-investment grade (BB to C)	**194,658**	249,811	**164,480**	243,218
Non-rated	**3,507,082**	3,463,828	**2,665,276**	2,547,136
	11,325,830	8,782,130	**8,978,817**	6,820,901
By credit quality				
Pass	**11,149,282**	8,669,823	**8,802,003**	6,708,961
Special mention	**176,773**	111,895	**176,773**	111,895
Substandard	**–**	–	**–**	–
Doubtful	**6,794**	24,625	**6,794**	21,998
Loss	**–**	–	**–**	–
Allowance for impairment (Note 32)	**(7,019)**	(24,213)	**(6,753)**	(21,953)
	11,325,830	8,782,130	**8,978,817**	6,820,901

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30. DEBT AND EQUITY SECURITIES (continued)

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**147,956**	62,056	**78,618**	14,887
Manufacturing	**1,250,781**	1,032,057	**612,577**	561,219
Building and construction	**1,362,591**	1,242,614	**965,875**	909,636
General commerce	**119,780**	63,664	**91,979**	18,189
Transport, storage and communication	**1,013,661**	688,959	**798,176**	516,144
Financial institutions, investment and holding companies	**9,129,813**	7,060,814	**7,024,344**	5,215,002
Others	**1,645,674**	1,529,688	**679,751**	551,267
	14,670,256	11,679,852	**10,251,320**	7,786,344
By issuer				
Public sector	**1,253,679**	1,174,498	**1,039,391**	1,021,819
Banks	**5,856,644**	4,914,118	**4,641,424**	3,600,647
Corporations	**7,267,610**	5,300,366	**4,499,952**	3,096,045
Others	**292,323**	290,870	**70,553**	67,833
	14,670,256	11,679,852	**10,251,320**	7,786,344
By geography				
Singapore	**4,646,780**	3,753,018	**3,146,906**	2,458,240
Malaysia	**1,431,806**	1,231,199	**379,898**	282,273
Other ASEAN	**265,411**	143,183	**30,980**	76,954
Greater China	**1,763,885**	1,793,732	**922,033**	680,960
Other Asia Pacific	**2,758,975**	2,344,492	**2,582,371**	2,237,840
Rest of the World	**3,803,399**	2,414,228	**3,189,132**	2,050,077
	14,670,256	11,679,852	**10,251,320**	7,786,344

Debt securities are 77% (2009: 75%) and 88% (2009: 88%) of total securities, for the Group and the Bank respectively. Included in debt securities is an amount of $0.05 billion (2009: $0.06 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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Interest receivable	**623,888**	579,725	**461,492**	454,137
Sundry debtors (net)	**1,927,561**	1,890,594	**45,401**	29,558
Deposits and prepayments	**210,169**	186,564	**105,810**	99,668
Others	**354,864**	253,611	**215,357**	105,442
	3,116,482	2,910,494	**828,060**	688,805

At 31 December 2010, reinsurance assets included in "Others" amounted to $80.3 million (2009: $71.3 million).

32. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS

GROUP ($'000)	Associates	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2009	5,200	25,333	58,319	8,300	26,297	123,449
Currency translation	–	(307)	(61)	4	(380)	(744)
Amounts written off	(5,200)	(1,036)	–	–	(3,382)	(9,618)
Impairment charge/(write-back)						
to income statements (Note 9)	–	370	–	(831)	3,923	3,462
Impairment charge to profit from life assurance	–	–	8,727	–	–	8,727
Interest recognition on net NPLs	–	(147)	–	–	–	(147)
Transfers to other accounts	–	–	–	–	(214)	(214)
At 31 December 2009/1 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	**–**	**7,019**	**67,196**	**7,076**	**13,476**	**94,767**
	(Note 33)	(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 2009	14,059	22,557	949	5,184	1,038	43,787
Currency translation	–	(557)	–	28	(4)	(533)
Amounts written off	–	–	–	–	(9)	(9)
Impairment charge/(write-back)						
to income statements (Note 9)	25	(47)	–	(211)	886	653
Transfers to other accounts	–	–	–	–	(881)	(881)
At 31 December 2009/1 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	**13,578**	**6,753**	**948**	**4,836**	**1,637**	**27,752**
	(Notes 33-34)	(Note 30)	(Note 35)	(Note 36)		

33. ASSOCIATES AND JOINT VENTURES

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Investment securities, at cost				
Quoted equities	**–**	591	**–**	195
Unquoted equities	**231,153**	186,041	**115,217**	58,150
Allowance for impairment (Note 32)	**–**	–	**(2,199)**	(2,199)
Net carrying value	**231,153**	186,632	**113,018**	56,146
Share of post-acquisition reserves	**22,123**	34,512	**–**	–
Amount due from associates (unsecured)	**1,821**	4,875	**–**	–
	255,097	226,019	**113,018**	56,146
Fair value of quoted associates	**–**	41,092	**–**	13,561

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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	2010	2009
At 31 December:		
Assets	**647,339**	592,020
Liabilities	**(178,132)**	(191,484)
For the year ended:		
Total income	**134,790**	163,714
Profit/(loss)	**19,633**	35,186

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

Name of associate	Country of incorporation	Effective % interest held 2010	2009
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	2010	2009
At 31 December:		
Share of current assets	**134.3**	117.4
Share of non-current assets	**20.5**	8.0
Share of current liabilities	**(14.2)**	(12.0)
Share of non-current liabilities	**(62.4)**	(25.4)
For the year ended:		
Share of income	**50.8**	24.2
Share of expenses	**(56.0)**	(30.2)

34. SUBSIDIARIES

	BANK 2010 $'000	BANK 2009 $'000
Investments in subsidiaries, at cost		
Quoted security	**2,198,964**	2,198,964
Unquoted securities	**3,649,048**	1,697,094
Allowance for impairment (Note 32)	**(11,379)**	(11,885)
Net carrying value	**5,836,633**	3,884,173
Unsecured loans and receivables	**3,024,597**	3,153,223
Secured loans and receivables	**1,073,200**	1,113,200
Amount due from subsidiaries	**4,097,797**	4,266,423
Investments in and amount due from subsidiaries	**9,934,430**	8,150,596

At 31 December 2010, the fair values of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $6,412.1 million (2009: $5,522.0 million) and $1,157.7 million (2009: $518.0 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] 2010	2009
Banking			
Singapore Island Bank Limited (formerly Bank of Singapore Limited)	Singapore	**100**	100
Bank of Singapore Limited (formerly ING Asia Private Bank Ltd)	Singapore	**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
P.T. Bank OCBC NISP Tbk [1]	Indonesia	**82**	75
P.T. Bank OCBC Indonesia	Indonesia	**100**	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.

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34. SUBSIDIARIES (continued)

34.2 Acquisition of interests in subsidiaries

On 29 January 2010, the Bank acquired 100% of the equity interest in ING Asia Private Bank Ltd and its subsidiaries (now known as Bank of Singapore Limited) for a cash consideration of USD1,421 million or approximately $1,995.8 million.

The fair value of each class of assets acquired and liabilities assumed, the goodwill, intangible assets and cash outflow, arising from the acquisition were as follows:

$ million	2010
Identifiable assets and liabilities	
Cash and placements with central banks	**7.0**
Government, debt and equity securities	**755.8**
Placements with banks	**2,041.0**
Loans and bills receivable	**4,785.7**
Other assets	**110.2**
Property, plant and equipment and investment property	**10.9**
Intangible assets (Note 37)	**150.4**
Total assets	**7,861.0**
Deposits of non-bank customers	**(5,996.3)**
Bank borrowings	**(233.8)**
Other liabilities	**(228.6)**
Deferred tax liabilities on intangible assets	**(17.1)**
Total liabilities	**(6,475.8)**
Net identifiable assets acquired	**1,385.2**
Goodwill (Note 37)	**610.6**
Cash consideration paid	**1,995.8**
Less: Cash and cash equivalents in subsidiary acquired	**(7.0)**
Net cash outflow arising from acquisition	**1,988.8**

Pre-acquisition carrying amounts were determined based on applicable FRS immediately before the acquisition.

Intangible assets acquired relate to the value of customer relationships while the goodwill recognised on the acquisition was mainly attributable to the value of the workforce in place and the synergies expected to arise after the acquisition.

The acquired subsidiaries contributed revenue of $205.1 million and net profit of $33.3 million for the financial period from 29 January 2010 to 31 December 2010. If the acquisition had occurred at 1 January 2010, the Group's total income and profit after tax would have been $5,341.6 million and $2,256.4 million respectively.

34.3 Acquisition of non-controlling interests

On 25 June 2010, a subsidiary of the Bank, OCBC Overseas Investments Pte. Ltd., purchased 417,081,477 shares in P.T. Bank OCBC NISP ("Bank NISP"), a subsidiary listed on the Indonesia Stock Exchange, at IDR1,200 per share for a total cash consideration of $76.7 million. The Group's interest in Bank NISP increased from 74.73% to 81.90% and the Group recognised a decrease in non-controlling interests of $50 million on the acquisition date. The difference of $27 million between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid was recorded as a decrease in the revenue reserves.

35. PROPERTY, PLANT AND EQUIPMENT

GROUP ($'000)	2010 Property-related	2010 Computer-related	2010 Others	2010 Total	2009 Property-related	2009 Computer-related	2009 Others	2009 Total
Cost								
At 1 January	**1,411,892**	**860,786**	**364,230**	**2,636,908**	1,431,203	778,896	341,004	2,551,103
Currency translation	**(340)**	**915**	**(1,825)**	**(1,250)**	4,333	2,878	2,200	9,411
Acquisition of subsidiaries	**–**	**18,139**	**16,998**	**35,137**	–	–	–	–
Additions	**13,245**	**112,300**	**31,789**	**157,334**	12,241	93,634	35,365	141,240
Disposals and other transfers	**(2,440)**	**(15,386)**	**(13,845)**	**(31,671)**	(4,781)	(14,622)	(14,339)	(33,742)
Transfer from/(to):								
Investment property (Note 36)	**40,049**	**–**	**–**	**40,049**	1,336	–	–	1,336
Life assurance fund assets	**–**	**–**	**–**	**–**	(32,440)	–	–	(32,440)
At 31 December	**1,462,406**	**976,754**	**397,347**	**2,836,507**	1,411,892	860,786	364,230	2,636,908
Accumulated depreciation								
At 1 January	**(262,043)**	**(478,593)**	**(220,313)**	**(960,949)**	(246,909)	(385,515)	(194,903)	(827,327)
Currency translation	**550**	**(216)**	**1,756**	**2,090**	7,917	(86)	(838)	6,993
Acquisition of subsidiaries	**–**	**(11,799)**	**(11,752)**	**(23,551)**	–	–	–	–
Disposals and other transfers	**668**	**15,444**	**11,437**	**27,549**	4,414	9,087	11,937	25,438
Depreciation charge	**(16,578)**	**(88,225)**	**(33,958)**	**(138,761)**	(15,799)	(76,366)	(30,376)	(122,541)
Depreciation charge to profit from life assurance (Note 4)	**(13,551)**	**(26,950)**	**(6,445)**	**(46,946)**	(13,203)	(25,713)	(6,133)	(45,049)
Transfer to:								
Investment property (Note 36)	**(4,006)**	**–**	**–**	**(4,006)**	1,269	–	–	1,269
Life assurance fund assets	**–**	**–**	**–**	**–**	268	–	–	268
At 31 December	**(294,960)**	**(590,339)**	**(259,275)**	**(1,144,574)**	(262,043)	(478,593)	(220,313)	(960,949)
Accumulated impairment losses (Note 32)								
At 1 January	**(65,660)**	**(63)**	**(1,262)**	**(66,985)**	(57,004)	(43)	(1,272)	(58,319)
Currency translation	**(261)**	**–**	**(15)**	**(276)**	71	(20)	10	61
Write-back to income statements	**1**	**–**	**–**	**1**	–	–	–	–
Impairment charge to profit from life assurance	**–**	**–**	**–**	**–**	(8,727)	–	–	(8,727)
Transfer to investment property (Note 36)	**64**	**–**	**–**	**64**	–	–	–	–
At 31 December	**(65,856)**	**(63)**	**(1,277)**	**(67,196)**	(65,660)	(63)	(1,262)	(66,985)
Net carrying value, at 31 December	**1,101,590**	**386,352**	**136,795**	**1,624,737**	1,084,189	382,130	142,655	1,608,974
Freehold property	**322,381**				326,701			
Leasehold property	**779,209**				757,488			
Net carrying value	**1,101,590**				1,084,189			
Market value	**1,957,448**				1,769,155			

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35. PROPERTY, PLANT AND EQUIPMENT (continued)

BANK ($'000)	2010 Property-related	2010 Computer-related	2010 Others	2010 Total	2009 Property-related	2009 Computer-related	2009 Others	2009 Total
Cost								
At 1 January	**260,951**	**353,721**	**106,573**	**721,245**	263,547	302,637	95,720	661,904
Currency translation	**8**	**(80)**	**(450)**	**(522)**	6	142	373	521
Additions	**–**	**58,078**	**9,428**	**67,506**	–	55,189	17,147	72,336
Disposals and other transfers	**–**	**(4,047)**	**(4,313)**	**(8,360)**	–	(4,247)	(6,667)	(10,914)
Transfer to investment property (Note 36)	**(2,123)**	**–**	**–**	**(2,123)**	(2,602)	–	–	(2,602)
At 31 December	**258,836**	**407,672**	**111,238**	**777,746**	260,951	353,721	106,573	721,245
Accumulated depreciation								
At 1 January	**(55,137)**	**(190,496)**	**(66,118)**	**(311,751)**	(51,658)	(143,504)	(60,124)	(255,286)
Currency translation	**(4)**	**59**	**196**	**251**	(2)	(127)	(334)	(463)
Disposals and other transfers	**–**	**4,041**	**4,225**	**8,266**	–	2,538	5,615	8,153
Depreciation charge	**(4,939)**	**(58,402)**	**(10,602)**	**(73,943)**	(4,922)	(49,403)	(11,275)	(65,600)
Transfer to investment property (Note 36)	**1,006**	**–**	**–**	**1,006**	1,445	–	–	1,445
At 31 December	**(59,074)**	**(244,798)**	**(72,299)**	**(376,171)**	(55,137)	(190,496)	(66,118)	(311,751)
Accumulated impairment losses (Note 32)								
At 1 January	**(949)**	**–**	**–**	**(949)**	(949)	–	–	(949)
Write-back to income statements	**1**	**–**	**–**	**1**	–	–	–	–
At 31 December	**(948)**	**–**	**–**	**(948)**	(949)	–	–	(949)
Net carrying value, at 31 December	**198,814**	**162,874**	**38,939**	**400,627**	204,865	163,225	40,455	408,545
Freehold property	**44,408**				46,409			
Leasehold property	**154,406**				158,456			
Net carrying value	**198,814**				204,865			
Market value	**332,801**				306,195			

36. INVESTMENT PROPERTY

	GROUP		BANK	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cost				
At 1 January	**939,724**	891,912	**630,302**	573,267
Currency translation	**(3,194)**	(2,017)	**(1,582)**	(447)
Additions	**25,849**	58,769	**16,136**	58,416
Disposals	**(2,410)**	(7,389)	**–**	(3,509)
Transfer (to)/from:				
Property, plant and equipment (Note 35)	**(40,049)**	(1,336)	**2,123**	2,602
Assets held for sale	**(9,574)**	(215)	**(7,138)**	(27)
At 31 December	**910,346**	939,724	**639,841**	630,302
Accumulated depreciation				
At 1 January	**(166,884)**	(157,535)	**(76,213)**	(68,325)
Currency translation	**543**	330	**459**	142
Disposals	**1,845**	4,228	**–**	416
Depreciation charge	**(12,818)**	(12,685)	**(7,135)**	(7,001)
Transfer to/(from):				
Property, plant and equipment (Note 35)	**4,006**	(1,269)	**(1,006)**	(1,445)
Assets held for sale	**2,931**	47	**2,377**	–
At 31 December	**(170,377)**	(166,884)	**(81,518)**	(76,213)
Accumulated impairment losses (Note 32)				
At 1 January	**(7,473)**	(8,300)	**(5,001)**	(5,184)
Currency translation	**(63)**	(4)	**(29)**	(28)
Write-back/(impairment charge) to income statements	**303**	831	**(27)**	211
Transfer to/(from):				
Property, plant and equipment (Note 35)	**(64)**	–	**–**	–
Assets held for sale	**221**	–	**221**	–
At 31 December	**(7,076)**	(7,473)	**(4,836)**	(5,001)
Net carrying value				
Freehold property	**331,938**	308,972	**157,108**	142,448
Leasehold property	**400,955**	456,395	**396,379**	406,640
At 31 December	**732,893**	765,367	**553,487**	549,088
Market value	**2,420,216**	2,363,869	**1,280,704**	1,265,896

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37. GOODWILL AND INTANGIBLE ASSETS

	GROUP 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Goodwill				
At 1 January	**2,675,077**	2,642,368	**1,867,176**	1,867,176
Acquisition/(disposal) of interests in:				
– Bank of Singapore Limited (Note 34.2)	**610,639**	–	**–**	–
– Others	**2,990**	–	**–**	–
– PacificMas Berhad	**–**	(235)	**–**	–
Currency translation	**(62,128)**	32,944	**–**	–
At 31 December	**3,226,578**	2,675,077	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**686,522**	733,158		
Acquisition of subsidiary:				
– Customer relationships [1] (Note 34.2)	**150,352**	–		
Amortisation charged to income statements:				
– Life assurance business [2]	**(46,636)**	(46,636)		
– Customer relationships [1]	**(8,163)**	–		
Currency translation	**(12,172)**	–		
At 31 December	**769,903**	686,522		
Total goodwill and intangible assets	**3,996,481**	3,361,599	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**3,226,578**	2,675,077	**1,867,176**	1,867,176
Intangible assets, at cost	**1,070,459**	932,715	**–**	–
Accumulated amortisation for intangible assets	**(300,556)**	(246,193)	**–**	–
	3,996,481	3,361,599	**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.

(2) The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2010, the intangible asset has a remaining useful life of 14 years (2009: 15 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 2010 $'000	Carrying value 2009 $'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	**559,434**	–
BOS Securities Co Ltd, Korea	Value-in-use	**2,982**	–
PacificMas Berhad	Value-in-use	**4,239**	4,153
P.T. Bank OCBC NISP Tbk	Value-in-use	**264,547**	275,548
Lion Global Investors Limited	Value-in-use	**29,419**	29,419
		3,226,578	2,675,077

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 2010, the discount rates used ranged from 10.2% to 12.8% (2009: 8.3% to 14.0%). 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% (2009: 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% (2009: 8.0%) and 9.5% (2009: 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% (2009: 5.25%, 4.0% and 7.0%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.0%, 5.1% and 7.0% (2009: 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 2010							
Total income	**1,151**	**1,755**	**807**	**774**	**1,314**	**(476)**	**5,325**
Operating profit before allowances and amortisation	**567**	**1,216**	**567**	**615**	**556**	**(450)**	**3,071**
Amortisation of intangible assets	**–**	**–**	**–**	**(47)**	**(8)**	**–**	**(55)**
(Allowances and impairment)/ write-back for loans and other assets	**(24)**	**(16)**	**3**	**(4)**	**(93)**	**–**	**(134)**
Operating profit after allowances and amortisation	**543**	**1,200**	**570**	**564**	**455**	**(450)**	**2,882**
Other information:							
Capital expenditure	**10**	**7**	**#**	**38**	**128**		**183**
Depreciation	**17**	**10**	**1**	**2**	**122**		**152**
At 31 December 2010							
Segment assets	**34,071**	**71,653**	**45,505**	**54,467**	**34,773**		**240,469**
Unallocated assets							**101**
Elimination							**(11,287)**
Total assets							**229,283**
Segment liabilities	**46,038**	**57,913**	**35,986**	**47,961**	**27,156**		**215,054**
Unallocated liabilities							**1,871**
Elimination							**(11,287)**
Total liabilities							**205,638**
Other information:							
Gross non-bank loans	**32,871**	**61,343**	**1,567**	**174**	**10,494**		**106,449**
NPAs (include debt securities)	**232**	**839**	**–**	**7**	**130**		**1,208**

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

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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 2009							
Total income	1,142	1,477	816	758	1,012	(390)	4,815
Operating profit before allowances and amortisation	629	1,010	611	642	492	(365)	3,019
Amortisation of intangible assets	–	–	–	(47)	–	–	(47)
Allowances and impairment for loans and other assets	(57)	(180)	(11)	(16)	(165)	–	(429)
Operating profit after allowances and amortisation	572	830	600	579	327	(365)	2,543
Other information:							
Capital expenditure	24	8	1	24	143		200
Depreciation	16	9	1	2	107		135
At 31 December 2009							
Segment assets	27,900	56,542	46,761	49,634	21,750		202,587
Unallocated assets							98
Elimination							(8,385)
Total assets							194,300
Segment liabilities	44,333	48,652	23,405	43,824	19,140		179,354
Unallocated liabilities							1,552
Elimination							(8,385)
Total liabilities							172,521
Other information:							
Gross non-bank loans	26,702	49,878	1,046	289	4,426		82,341
NPAs (include debt securities)	280	1,018	–	7	143		1,448

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 the 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 provides comprehensive financial services to 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, trustee 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 comprise P.T. Bank OCBC NISP, 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
2010					
Singapore	**3,350**	**1,958**	**127**	**145,864**	**138,092**
Malaysia	**1,233**	**768**	**29**	**47,673**	**41,293**
Other ASEAN	**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**
2009					
Singapore	2,912	1,594	143	125,001	115,633
Malaysia	1,239	800	30	43,070	36,757
Other ASEAN	370	125	20	6,922	5,901
Greater China	179	(4)	6	10,291	8,139
Other Asia Pacific	63	45	#	5,463	2,924
Rest of the World	52	(17)	1	3,553	3,167
	4,815	2,543	200	194,300	172,521

(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.

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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	**2010**	**2009**	**2010**	**2009**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**104,989**	80,876	**94,056**	78,275
Placements with and loans to banks	**18,569**	15,821	**17,526**	17,074
Government treasury bills and securities	**17,101**	16,487	**17,328**	16,908
Debt securities	**10,910**	8,782	**10,339**	7,907
Amount due from associates	**2**	5	**2**	2
Assets pledged	**746**	279	**450**	379
Derivative receivables	**4,837**	3,973	**4,789**	4,792
Other assets, comprise interest receivables and sundry debtors	**2,551**	2,470	**2,684**	2,436
	159,705	128,693	**147,174**	127,773
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**8,513**	7,314	**7,809**	7,536
Credit commitments	**54,749**	42,584	**50,960**	43,319
	63,262	49,898	**58,769**	50,855
Total maximum credit risk exposure	**222,967**	178,591	**205,943**	178,628

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 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	**2010**	**2009**	**2010**	**2009**
Neither past due nor impaired	**18,379**	15,466	**105,000**	80,245
Not impaired	**–**	–	**628**	1,039
Impaired	**–**	–	**613**	863
Past due loans	**–**	–	**1,241**	1,902
Impaired but not past due	**–**	–	**209**	194
Gross loans	**18,379**	15,466	**106,450**	82,341
Specific allowances	**–**	–	**(328)**	(454)
Portfolio allowances	**–**	–	**(1,095)**	(998)
Net loans	**18,379**	15,466	**105,027**	80,889

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	**2010**	**2009**	**2010**	**2009**
Grades				
Satisfactory and special mention	**18,379**	15,466	**104,944**	80,157
Substandard but not impaired	**–**	–	**56**	88
Neither past due nor impaired	**18,379**	15,466	**105,000**	80,245

Past due loans

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

	Bank loans		Non-bank loans	
$ million	**2010**	**2009**	**2010**	**2009**
By industry				
Agriculture, mining and quarrying	**–**	–	**35**	47
Manufacturing	**–**	–	**245**	374
Building and construction	**–**	–	**64**	145
General commerce	**–**	–	**154**	262
Transport, storage and communication	**–**	–	**28**	58
Financial institutions, investment and holding companies	**–**	–	**15**	61
Professionals and individuals (include housing)	**–**	–	**623**	898
Others	**–**	–	**77**	57
	–	–	**1,241**	1,902
By geography				
Singapore	**–**	–	**359**	743
Malaysia	**–**	–	**600**	650
Rest of the World	**–**	–	**282**	509
	–	–	**1,241**	1,902

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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	2010	2009
Past due		
Less than 30 days	**137**	399
30 to 90 days	**400**	474
Over 90 days	**91**	166
Past due but not impaired	**628**	1,039

Impaired loans and allowances

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

$ million	2010	2009
Business segment		
Global Consumer Financial Services	**189**	248
Global Corporate Banking	**537**	711
Others	**83**	80
Individually impaired loans	**809**	1,039

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.

Renegotiated loans

Loans that would have been past due or impaired had they not been renegotiated amounted to $1,110.4 million for the year ended 31 December 2010 (2009: $324.8 million).

Collateral and other credit enhancements obtained

During the year, the Group obtained the following assets by taking possession of collaterals held as security, or by calling upon other credit enhancements:

$ million	2010	2009
Properties	**24**	2
Others	**#**	–
Carrying amount of assets obtained during the year	**24**	2

(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 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 Island	**–**	**–**	**2,823**	**2,823**	**1.6**
Australia	**1,485**	**132**	**613**	**2,230**	**1.2**
31 December 2009					
United Kingdom	4,740	412	462	5,614	3.7
Malaysia	1,893	–	2,603	4,496	3.0
People's Republic of China	2,977	6	1,103	4,086	2.7
Indonesia	1,536	179	1,657	3,372	2.2
United States	616	180	1,399	2,195	1.5
Australia	1,322	258	507	2,087	1.4

[1] Assets (excluding life assurance fund investment assets) of $181,797 million (2009: $151,223 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.

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For the financial year ended 31 December 2010

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
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**
Debts 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**		
2009								
Cash and placements with central banks	4,248	5,881	1,080	53	–	–	1,909	13,171
Placements with and loans to banks	2,242	3,083	5,578	4,559	1	–	3	15,466
Loans and bills receivable (1)	8,009	19,997	32,752	6,936	3,823	9,982	(610)	80,889
Securities (2)	766	2,070	6,232	5,355	5,058	6,057	2,895	28,433
Other assets (3)	–	1	–	3	1	–	6,883	6,888
Financial assets	15,265	31,032	45,642	16,906	8,883	16,039	11,080	144,847
Deposits of non-bank customers	20,833	18,983	34,025	13,638	802	227	12,125	100,633
Deposits and balances of banks	4,246	3,458	2,484	589	165	–	16	10,958
Trading portfolio liabilities	–	46	–	–	1,572	398	#	2,016
Other liabilities (3)	17	2	56	45	–	–	7,132	7,252
Debts issued	52	612	392	19	3,208	2,563	17	6,863
Financial liabilities	25,148	23,101	36,957	14,291	5,747	3,188	19,290	127,722
On-balance sheet sensitivity gap	(9,883)	7,931	8,685	2,615	3,136	12,851		
Off-balance sheet sensitivity gap	933	(3,286)	(2,473)	583	2,238	2,005		
Net interest sensitivity gap	(8,950)	4,645	6,212	3,198	5,374	14,856		

(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 main 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 on a daily basis and behavioural assumptions for indeterminate deposits as well as prepayment assumptions for significant loan portfolios have been implemented. The impact on net interest income of the banking book is simulated under various interest rate 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 $236 million (2009: $133 million). The corresponding impact from a 100 bp decrease is an estimated reduction of $84 million (2009: $132 million) in net interest income. As a percentage of reported net interest income, the maximum exposure would be -2.8% (2009: -4.5%).

The 1% rate shock impact on net interest income is based on simplified scenarios with assumptions on loan prepayment, 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
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**
Debts 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**	
2009					
Cash and placements with central banks	8,051	31	4,484	605	13,171
Placements with and loans to banks	318	6,040	1,506	7,602	15,466
Loans and bills receivable	45,153	10,966	12,891	11,879	80,889
Securities [(1)]	15,272	3,273	2,266	7,622	28,433
Other assets [(2)]	4,663	866	845	514	6,888
Financial assets	73,457	21,176	21,992	28,222	144,847
Deposits of non-bank customers	58,458	11,144	16,286	14,745	100,633
Deposits and balances of banks	791	5,840	663	3,664	10,958
Trading portfolio liabilities	2,016	–	–	–	2,016
Other liabilities [(2)]	4,602	294	709	1,647	7,252
Debts issued	3,955	1,285	1,115	508	6,863
Financial liabilities	69,822	18,563	18,773	20,564	127,722
Net financial assets exposure	3,635	2,613	3,219	7,658	

(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.

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For the financial year ended 31 December 2010

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.

	2010			2009		
$ million	Structural currency exposure	Hedging financial instruments	Net structural currency exposure	Structural currency exposure	Hedging financial instruments	Net structural currency exposure
US Dollar	**2,306**	**1,942**	**364**	549	419	130
Malaysian Ringgit	**1,773**	**414**	**1,359**	1,471	406	1,065
Others	**2,931**	**–**	**2,931**	2,743	–	2,743
Total	**7,010**	**2,356**	**4,654**	4,763	825	3,938

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 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
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**
Debts 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**	
2009							
Cash and placements with central banks	4,498	5,881	1,080	53	–	1,659	13,171
Placements with and loans to banks	4,952	2,413	3,780	4,272	47	2	15,466
Loans and bills receivable	5,739	6,094	6,409	9,452	17,751	35,444	80,889
Securities [(1)]	1,253	1,226	3,263	4,997	6,918	10,776	28,433
Other assets [(2)]	896	779	1,476	2,880	670	187	6,888
Financial assets	17,338	16,393	16,008	21,654	25,386	48,068	144,847
Deposits of non-bank customers	55,119	19,044	10,687	13,843	1,577	363	100,633
Deposits and balances of banks	4,262	3,458	2,484	589	165	–	10,958
Trading portfolio liabilities	#	46	–	–	1,572	398	2,016
Other liabilities [(2)]	1,426	1,221	1,553	2,237	371	444	7,252
Debts issued	73	608	382	19	2,974	2,807	6,863
Financial liabilities	60,880	24,377	15,106	16,688	6,659	4,012	127,722
Net liquidity gap – financial assets less financial liabilities	(43,542)	(7,984)	902	4,966	18,727	44,056	

(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) # 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 42. 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
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**
Debts 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**
2009							
Deposits of non-bank customers (1)	55,131	19,091	10,736	13,995	1,601	380	100,934
Deposits and balances of banks (1)	4,264	3,460	2,486	591	169	–	10,970
Trading portfolio liabilities	–	46	#	–	1,572	398	2,016
Other liabilities (2)	1,286	526	293	291	215	277	2,888
Debts issued	74	610	488	250	3,237	3,775	8,434
Net settled derivatives							
Trading	361	95	301	883	893	247	2,780
Hedging	#	3	(1)	6	21	38	67
Gross settled derivatives							
Trading – Outflow	16,993	21,997	26,600	24,330	3,041	1,339	94,300
Trading – Inflow	(17,047)	(22,033)	(26,794)	(24,442)	(3,063)	(1,330)	(94,709)
Hedging – Outflow	–	420	36	37	2,980	–	3,473
Hedging – Inflow	–	(419)	(20)	(73)	(2,637)	–	(3,149)
	61,062	23,796	14,125	15,868	8,029	5,124	128,004

(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.

Notes to the Financial Statements

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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 ERM 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 Monetary Authority of Singapore 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 2010 comprised Available Capital of $7.1 billion (2009: $7.0 billion), Risk Capital of $3.3 billion (2009: $3.0 billion) and Capital Adequacy Ratio of 215% (2009: 235%).

Risk-based Capital Framework for the insurance industry in Malaysia came into effect on 1 January 2009. Under this new framework, insurance assets and liabilities are subject to mark-to-market rules. The minimum capital requirement under the Risk-based Capital Framework regulated by Bank Negara, Malaysia is 130% for each insurance entity. Regulated capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2010 comprised Available Capital of $0.6 billion (2009: $0.7 billion), Risk Capital of $0.2 billion (2009: $0.2 billion) and Capital Adequacy Ratio of 277% (2009: 323%).

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 the 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.

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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)	2010	2009
(a) By class of business		
Whole life	**20,170**	17,695
Endowment	**15,486**	14,973
Term	**344**	338
Accident and health	**766**	613
Annuity	**624**	634
Others	**544**	305
Total	**37,934**	34,558
(b) By country		
Singapore	**24,451**	22,976
Malaysia	**13,221**	11,385
Others	**262**	197
Total	**37,934**	34,558

The sensitivity analyses 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
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)**
2009 [1]							
Gross impact	(28.9)	(18.0)	76.4	(88.7)	30.8	(40.4)	(15.7)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(28.9)	(18.0)	76.4	(88.7)	30.8	(40.4)	(15.7)

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

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
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)**
2009							
Gross impact	(50.4)	55.3	(9.2)	9.2	(3.7)	4.8	(6.0)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(50.4)	55.3	(9.2)	9.2	(3.7)	4.8	(6.0)

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 analyses 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.

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For the financial year ended 31 December 2010

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

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

Non-life insurance contracts $ million	2010 Gross premium liabilities	2010 Reinsured premium liabilities	2010 Net premium liabilities	2009 Gross premium liabilities	2009 Reinsured premium liabilities	2009 Net premium liabilities
(a) By class of business						
Fire	**21**	**(15)**	**6**	17	(11)	6
Motor	**28**	**(4)**	**24**	24	(3)	21
Marine and aviation	**2**	**(1)**	**1**	1	(1)	#
Workmen's compensation	**4**	**(2)**	**2**	4	(1)	3
Personal accident and health	**23**	**(1)**	**22**	22	(1)	21
Miscellaneous	**19**	**(13)**	**6**	11	(6)	5
Total	**97**	**(36)**	**61**	79	(23)	56
(b) By country						
Singapore	**47**	**(17)**	**30**	41	(12)	29
Malaysia	**50**	**(19)**	**31**	38	(11)	27
Total	**97**	**(36)**	**61**	79	(23)	56

Non-life insurance contracts $ million	2010 Gross claims liabilities	2010 Reinsured claims liabilities	2010 Net claims liabilities	2009 Gross claims liabilities	2009 Reinsured claims liabilities	2009 Net claims liabilities
(a) By class of business						
Fire	**23**	**(19)**	**4**	26	(22)	4
Motor	**43**	**(7)**	**36**	36	(8)	28
Marine and aviation	**2**	**(1)**	**1**	2	(1)	1
Workmen's compensation	**7**	**(1)**	**6**	7	(1)	6
Personal accident and health	**8**	**(1)**	**7**	7	(1)	6
Miscellaneous	**23**	**(10)**	**13**	14	(10)	4
Total	**106**	**(39)**	**67**	92	(43)	49
(b) By country						
Singapore	**41**	**(17)**	**24**	28	(17)	11
Malaysia	**65**	**(22)**	**43**	64	(26)	38
Total	**106**	**(39)**	**67**	92	(43)	49

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

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

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

(i) Gross non-life insurance contract liabilities for 2010 (excluding provision for liability adequacy)

$ million	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
(a) Estimate of cumulative claims									
Accident Year	216	63	61	51	63	59	77	76	
One year later	201	60	67	53	66	60	83	–	
Two years later	198	62	65	52	61	60	–	–	
Three years later	202	62	64	50	61	–	–	–	
Four years later	192	61	63	50	–	–	–	–	
Five years later	183	60	63	–	–	–	–	–	
Six years later	153	60	–	–	–	–	–	–	
Seven years later	198	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**198**	**60**	**63**	**50**	**61**	**60**	**83**	**76**	
(b) Cumulative payments									
Accident Year	162	19	22	20	23	24	33	32	
One year later	182	42	51	39	45	47	59	–	
Two years later	185	54	55	44	50	52	–	–	
Three years later	193	56	56	46	52	–	–	–	
Four years later	185	57	58	46	–	–	–	–	
Five years later	177	57	58	–	–	–	–	–	
Six years later	150	58	–	–	–	–	–	–	
Seven years later	195	–	–	–	–	–	–	–	
Cumulative payments	**195**	**58**	**58**	**46**	**52**	**52**	**59**	**32**	
(c) Total non-life gross claim liabilities	**3**	**2**	**5**	**4**	**9**	**8**	**24**	**44**	**99**

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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 2010 (excluding provision for liability adequacy)

	$ million	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
(a)	**Estimate of cumulative claims**									
	Accident Year	169	28	27	30	33	37	45	60	
	One year later	159	27	28	30	34	38	48	–	
	Two years later	156	27	27	29	33	38	–	–	
	Three years later	161	27	27	29	32	–	–	–	
	Four years later	152	26	26	28	–	–	–	–	
	Five years later	144	26	26	–	–	–	–	–	
	Six years later	118	25	–	–	–	–	–	–	
	Seven years later	157	–	–	–	–	–	–	–	
	Current estimate of cumulative claims	**157**	**25**	**26**	**28**	**32**	**38**	**48**	**60**	
(b)	**Cumulative payments**									
	Accident Year	138	11	11	13	14	17	23	25	
	One year later	147	20	21	23	26	30	37	–	
	Two years later	148	22	23	25	28	33	–	–	
	Three years later	154	24	24	26	29	–	–	–	
	Four years later	148	24	24	26	–	–	–	–	
	Five years later	140	25	25	–	–	–	–	–	
	Six years later	116	24	–	–	–	–	–	–	
	Seven years later	155	–	–	–	–	–	–	–	
	Cumulative payments	**155**	**24**	**25**	**26**	**29**	**33**	**37**	**25**	
(c)	**Total non-life net claim liabilities**	**2**	**1**	**1**	**2**	**3**	**5**	**11**	**35**	**60**

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

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Insurance risk (continued)

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

$ million	Change in assumptions	Impact on: Gross liabilities	Net liabilities	Profit before tax	Equity
2010					
Provision for adverse deviation margin	**+20%**	**3**	**2**	**2**	**2**
Loss ratio	**+20%**	**4**	**4**	**4**	**4**
Claims handling expenses	**+20%**	**#**	**#**	**#**	**#**
2009					
Provision for adverse deviation margin	+20%	3	2	2	2
Loss ratio	+20%	5	6	6	6
Claims handling expenses	+20%	1	1	1	1

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

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

Market and credit risk

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

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

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.

(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. With the use of the Long Term Risk Free Discount Rate ("LTRFDR") formulated under the Singapore regulations governed by MAS to discount liability cash flows with duration of more than 15 years, the Singapore non-participating funds could have negative earnings impact when the LTRFDR decreases.

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For the financial year ended 31 December 2010

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) (continued)

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 market yield of the Singapore Government Securities of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching program will still be subject to the LTRFDR requirement.

Under Malaysia regulations governed by Bank Negara Malaysia ("BNM"), the liability cash flows of all durations are discounted using weighted interest rates that reflect both past and current yield levels. The effect of changes in current interest rates on the value of liability reserves is therefore dampened compared to the corresponding impact on fixed income asset values. As a result, Malaysia non-participating funds could have negative earnings impact when actual interest rates rise.

(b) Foreign currency risk

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

GEH Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major exposure for GEH Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM. The following table shows the foreign exchange position of GEH Group 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
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**
Unexpired risk reserve	**47**	**50**	**–**	**–**	**97**
Derivative payables	**15**	**–**	**6**	**5**	**26**
Agents' retirement benefits	**–**	**215**	**–**	**1**	**216**
General insurance fund contract liabilities	**41**	**65**	**–**	**–**	**106**
Life assurance fund contract liabilities	**24,358**	**13,221**	**112**	**243**	**37,934**
Financial liabilities	**26,566**	**15,668**	**126**	**284**	**42,644**
2009					
Available-for-sale securities					
Equity securities	1,679	3,059	843	2,109	7,690
Debt securities	8,328	10,841	3,562	627	23,358
Other investments	363	10	808	156	1,337
Securities at fair value through profit or loss					
Equity securities	257	461	293	968	1,979
Debt securities	41	218	223	167	649
Other investments	515	14	48	90	667
Derivative assets and embedded derivatives	4,828	3	(3,325)	(304)	1,202
Loans	1,564	368	–	–	1,932
Insurance receivables	944	1,492	2	17	2,455
Other debtors and interfund balances	1,314	497	#	24	1,835
Cash and cash equivalents	2,089	958	74	95	3,216
Financial assets	21,922	17,921	2,528	3,949	46,320
Other creditors and interfund balances	1,218	638	–	10	1,866
Insurance payables	907	1,290	1	9	2,207
Unexpired risk reserve	40	39	–	–	79
Derivative payables	32	–	10	5	47
Agents' retirement benefits	1	191	–	–	192
General insurance fund contract liabilities	28	64	–	–	92
Life assurance fund contract liabilities	22,949	11,385	47	177	34,558
Financial liabilities	25,175	13,607	58	201	39,041

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

GEH Group has no significant concentration of foreign currency risk.

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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' Funds 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
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	**58**	**446**	**185**	**–**	**689**
Loans	**324**	**1,139**	**297**	**–**	**1,760**
Insurance receivables	**197**	**1**	**–**	**2,321**	**2,519**
Other debtors and interfund balances	**1,613**	**176**	**–**	**–**	**1,789**
Cash and cash equivalents	**2,830**	**–**	**–**	**–**	**2,830**
Financial assets	**8,573**	**11,806**	**29,848**	**16,788**	**67,015**
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**
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**
2009 (1)					
Available-for-sale securities					
Equity securities	–	–	–	7,690	7,690
Debt securities	6,597	13,471	17,870	–	37,938
Other investments	–	–	–	1,337	1,337
Securities at fair value through profit or loss					
Equity securities	–	–	–	1,979	1,979
Debt securities	90	311	539	–	940
Other investments	–	–	–	667	667
Embedded derivatives	251	385	244	–	880
Loans	429	1,218	540	–	2,187
Insurance receivables	232	14	–	2,209	2,455
Other debtors and interfund balances	1,103	732	–	–	1,835
Cash and cash equivalents	3,216	–	–	–	3,216
Financial assets	11,918	16,131	19,193	13,882	61,124
Other creditors and interfund balances	881	6	979	–	1,866
Insurance payables	272	23	14	1,898	2,207
Agents' retirement benefits	43	43	106	–	192
General insurance fund contract liabilities	83	9	–	–	92
Life assurance fund contract liabilities	5,248	7,279	21,978	53	34,558
Financial liabilities	6,527	7,360	23,077	1,951	38,915

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

Notes to the Financial Statements

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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
2010				
Cash and cash equivalents	**2,568**	**–**	**262**	**2,830**
Other debtors and interfund balances	**1,624**	**93**	**72**	**1,789**
Insurance receivables	**1,725**	**794**	**–**	**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	**9,593**	**39,615**	**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**
Deferred tax	**–**	**940**	**10**	**950**
General insurance fund contract liabilities	**59**	**47**	**–**	**106**
Life assurance fund contract liabilities	**2,234**	**31,610**	**4,090**	**37,934**
Liabilities	**6,687**	**33,062**	**4,227**	**43,976**
2009				
Cash and cash equivalents	2,986	–	230	3,216
Other debtors and interfund balances	1,124	691	20	1,835
Insurance receivables	1,608	847	–	2,455
Amount due from joint venture	6	–	–	6
Loans	406	1,526	–	1,932
Investments, including derivative instruments	11,307	22,266	3,309	36,882
Associates and joint ventures	–	324	–	324
Goodwill	–	19	–	19
Property, plant and equipment	–	743	–	743
Investment properties	–	1,119	–	1,119
Assets	17,437	27,535	3,559	48,531
Insurance payables	2,080	124	3	2,207
Other creditors and interfund balances	154	1,712	#	1,866
Unexpired risk reserve	79	–	–	79
Derivative payables	8	33	6	47
Income tax	313	–	(14)	299
Agents' retirement benefits	186	6	–	192
Deferred tax	–	763	3	766
General insurance fund contract liabilities	83	9	–	92
Life assurance fund contract liabilities	1,674	29,257	3,627	34,558
Liabilities	4,577	31,904	3,625	40,106

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(h) Credit risk

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

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. GEH group wide credit risk is managed by 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	2010 Carrying amount of loans	2010 Fair value of collaterals	2009 Carrying amount of loans	2009 Fair value of collaterals
Type of collaterals				
Policy loans – Cash value of policies	**2,242**	**4,284**	2,209	3,505
Secured loans				
Properties	**1,507**	**3,868**	1,863	4,156
Shares	**51**	**108**	43	89
Bankers' guarantees	**18**	**18**	23	23
Others	**3**	**5**	3	6
	3,821	**8,283**	4,141	7,779

Investments lent and collaterals received under securities lending arrangements amounted to $41.8 million and $43.2 million respectively as at 31 December 2010 (2009: $43.4 million and $45.1 million respectively). As at the balance sheet date, no investments (2009: 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.

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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.

$ million	Neither past due nor impaired					
	Investment grade @	Non-investment grade @	Non-rated	Unit linked/not subject to credit risk	Past due	Total
2010	(AAA–BBB)	(BB–C)				
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**
2009						
Available-for-sale securities						
Equity securities	–	–	–	7,690	–	7,690
Debt securities	21,767	118	1,473	–	–	23,358
Other investments	–	–	–	1,337	–	1,337
Securities at fair value through profit or loss						
Equity securities	–	–	1	1,978	–	1,979
Debt securities	5	–	2	642	–	649
Other investments	–	–	53	614	–	667
Derivative assets and embedded derivatives	349	#	268	585	–	1,202
Loans	–	–	1,932	–	–	1,932
Insurance receivables	–	–	2,409	–	46	2,455
Other debtors and interfund balances	–	–	1,608	20	207	1,835
Cash and cash equivalents	2,970	–	16	230	–	3,216
Financial assets	25,091	118	7,762	13,096	253	46,320

(1) @ based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

Ageing analysis of financial assets past due:

$ million	Past due but not impaired Less than 6 months	 6 to 12 months	 Over 12 months	 Sub-total	Past due and impaired [@]	Total
2010						
Insurance receivables	**17**	**1**	**–**	**18**	**#**	**18**
Other debtors and interfund balances	**8**	**1**	**1**	**10**	**–**	**10**
Total	**25**	**2**	**1**	**28**	**#**	**28**
2009						
Insurance receivables	17	#	29	46	#	46
Other debtors and interfund balances	204	3	#	207	–	207
Total	221	3	29	253	#	253

(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.

(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.

(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 costs 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 method for deriving the sensitivity information and significant variables used did not change from the previous year. 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 valuations 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' Funds.

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For the financial year ended 31 December 2010

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Market and credit risk (continued)

(j) Sensitivity analysis on financial risks (continued)

Market risk sensitivity analysis	**Impact on profit after tax**		**Impact on equity**	
$ million	**2010**	**2009**	**2010**	**2009**
Change in variables:				
Interest rate				
+100 basis points	**(119.9)**	(122.8)	**(172.9)**	(145.7)
–100 basis points	**39.4**	56.6	**84.1**	73.9
LTRFDR				
+10 basis points	**11.5**	14.0	**11.5**	14.0
–10 basis points	**(11.5)**	(14.0)	**(11.5)**	(14.0)
Foreign currency				
Market value of assets in foreign currency +5%	**24.4**	13.6	**47.9**	23.1
Market value of assets in foreign currency –5%	**(24.4)**	(13.6)	**(47.9)**	(23.1)
Equity				
Market value of all equities +20%	**42.4**	24.7	**241.7**	135.4
Market value of all equities –20%	**(42.4)**	(24.7)	**(241.7)**	(135.4)
Credit				
Spread +100 basis points	**(178.3)**	(139.9)	**(202.9)**	(157.4)
Spread –100 basis points	**178.3**	139.9	**202.9**	157.4
Alternative investments [1]				
Market value of all alternative investments +10%	**17.2**	16.6	**22.5**	21.9
Market value of all alternative investments –10%	**(17.2)**	(16.6)	**(22.5)**	(21.9)

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

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

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

40.1 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.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

40.1 Fair values (continued)

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.

40.2 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.

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

	2010				2009			
$ million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value								
CDs purchased	**–**	**3,233**	**–**	**3,233**	–	4,371	–	4,371
Debt and equity securities	**3,099**	**10,081**	**387**	**13,567**	2,640	8,167	325	11,132
Derivative receivables	**22**	**4,713**	**102**	**4,837**	25	3,837	111	3,973
Government treasury bills and securities	**16,316**	**785**	**–**	**17,101**	15,366	1,121	–	16,487
LAF investment assets [1]	**19,144**	**20,103**	**–**	**39,247**	16,478	18,043	–	34,521
Other financial assets	**74**	**739**	**1**	**814**	267	187	19	473
Total	**38,655**	**39,654**	**490**	**78,799**	34,776	35,726	455	70,957
Liabilities measured at fair value								
Derivative payables	**23**	**4,448**	**92**	**4,563**	18	3,747	153	3,918
Trading portfolio liabilities	**1,734**	**–**	**–**	**1,734**	2,015	1	–	2,016
Other financial liabilities	**–**	**5,463**	**–**	**5,463**	–	5,026	–	5,026
Total	**1,757**	**9,911**	**92**	**11,760**	2,033	8,774	153	10,960

[1] "LAF" refers to Life Assurance Fund.

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40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

40.2 Fair value hierarchy (continued)

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

	2010				2009			
$ 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	**325**	**19**	**111**	**455**	404	203	148	755
Purchases	**116**	**–**	**11**	**127**	62	–	15	77
Settlements/disposals	**(75)**	**(17)**	**#**	**(92)**	(175)	(200)	–	(375)
Transfers out of Level 3	**(8)** [1]	**–**	**(32)** [2]	**(40)**	(17)	–	–	(17)
Gains/(losses) recognised in								
- profit or loss	**30**	**1**	**12**	**43**	97	(2)	(52)	43
- other comprehensive income	**(1)**	**(2)**	**#**	**(3)**	(46)	18	(#)	(28)
At 31 December	**387**	**1**	**102**	**490**	325	19	111	455
Total gains/(losses) included in profit or loss for assets held at the end of the year	**26**	**2**	**48**	**76**	104	1	27	132

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

$ 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	**(2)**	**12**	**33**	**43**	2	(61)	102	43
Total gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**50**	**26**	**76**	–	28	104	132

(1) Relates to transfers to Level 1 for unquoted 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.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

40.2 Fair value hierarchy (continued)

$ million	2010 Derivative payables	2010 Total	2009 Derivative payables	2009 Total
Liabilities measured at fair value				
At 1 January	**153**	**153**	237	237
Issues	**30**	**30**	35	35
Settlements/disposals	**(26)**	**(26)**	–	–
Transfers out of Level 3	**(25)** [1]	**(25)**	–	–
(Gains)/losses recognised in				
- profit or loss	**(37)**	**(37)**	(118)	(118)
- other comprehensive income	**(3)**	**(3)**	(1)	(1)
At 31 December	**92**	**92**	153	153
Total gains/(losses) included in profit or loss for liabilities held at the end of the year	**16**	**16**	35	35

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

$ million	Trading income	Total	Trading income	Total
Total gains/(losses) included in profit or loss for the year ended	**37**	**37**	118	118
Total gains/(losses) included in profit or loss for liabilities held at the end of the year	**16**	**16**	35	35

[1] Relates to transfers to Level 2 for interest rate derivatives due to availability of in-house pricing model with significant market observable inputs.

41. 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 2010 $'000	GROUP 2009 $'000	BANK 2010 $'000	BANK 2009 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**3,590,253**	3,339,108	**2,994,756**	3,405,231
Term to maturity of more than one year	**2,700,481**	2,491,301	**2,620,649**	2,090,373
	6,290,734	5,830,409	**5,615,405**	5,495,604
Acceptances and endorsements	**613,800**	349,865	**172,699**	223,996
Documentary credits and other short term trade-related transactions	**1,440,679**	1,022,010	**1,047,224**	738,890
Others	**168,197**	111,495	**–**	–
	8,513,410	7,313,779	**6,835,328**	6,458,490

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41. CONTINGENT LIABILITIES (continued)

	GROUP		BANK	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
41.1 Analysed by industry				
Agriculture, mining and quarrying	**178,182**	48,297	**6,706**	62,377
Manufacturing	**1,312,676**	1,642,199	**1,015,067**	1,277,677
Building and construction	**1,572,053**	1,523,120	**1,098,861**	1,160,331
General commerce	**2,381,917**	1,514,031	**1,723,021**	1,279,712
Transport, storage and communication	**576,553**	336,472	**531,037**	274,665
Financial institutions, investment and holding companies	**1,079,824**	976,218	**1,353,713**	1,093,792
Professionals and individuals	**237,197**	143,320	**81,600**	91,815
Others	**1,175,008**	1,130,122	**1,025,323**	1,218,121
	8,513,410	7,313,779	**6,835,328**	6,458,490
41.2 Analysed by geography				
Singapore	**5,450,559**	5,007,544	**5,482,467**	5,150,988
Malaysia	**1,301,831**	973,650	**600,168**	632,285
Other ASEAN	**673,689**	647,036	**51,225**	59,400
Greater China	**911,133**	335,454	**501,585**	265,722
Other Asia Pacific	**81,615**	121,524	**105,299**	121,524
Rest of the World	**94,583**	228,571	**94,584**	228,571
	8,513,410	7,313,779	**6,835,328**	6,458,490

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

42. 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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
42.1 Credit commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**41,818,564**	29,988,824	**28,963,549**	23,885,129
Term to maturity of more than one year	**12,866,744**	12,566,092	**10,934,717**	10,579,441
	54,685,308	42,554,916	**39,898,266**	34,464,570
Undrawn note issuance and revolving underwriting facilities	**64,150**	29,030	**–**	–
	54,749,458	42,583,946	**39,898,266**	34,464,570
42.2 Other commitments				
Operating lease (non-cancellable) commitments:				
Within 1 year	**38,307**	27,017	**13,931**	12,951
After 1 year but within 5 years	**63,414**	32,287	**21,985**	20,299
Over 5 years	**4,372**	2,560	**1,489**	2,465
	106,093	61,864	**37,405**	35,715
Capital commitment authorised and contracted	**77,694**	70,843	**52,648**	45,266
Forward deposits and assets purchase [1]	**139,440**	126,301	**154,283**	107,230
	323,227	259,008	**244,336**	188,211
42.3 Total commitments	**55,072,685**	42,842,954	**40,142,602**	34,652,781

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

42. COMMITMENTS (continued)

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
42.4 Credit commitments analysed by industry				
Agriculture, mining and quarrying	**807,464**	609,108	**413,369**	357,346
Manufacturing	**4,270,266**	3,809,559	**2,278,921**	2,229,011
Building and construction	**4,250,177**	4,268,718	**2,916,466**	3,069,930
General commerce	**7,183,980**	5,543,581	**5,743,120**	4,144,054
Transport, storage and communication	**3,333,523**	3,368,352	**3,185,596**	3,128,796
Financial institutions, investment and holding companies	**6,703,227**	6,226,394	**7,077,193**	6,237,469
Professionals and individuals	**22,927,368**	13,586,083	**15,300,268**	12,871,327
Others	**5,273,453**	5,172,151	**2,983,333**	2,426,637
	54,749,458	42,583,946	**39,898,266**	34,464,570
42.5 Credit commitments analysed by geography				
Singapore	**42,115,455**	32,085,702	**35,040,589**	31,536,390
Malaysia	**5,931,435**	6,430,556	**261,933**	382,337
Other ASEAN	**1,765,361**	1,374,920	**321,292**	242,752
Greater China	**3,527,224**	935,895	**2,857,436**	544,217
Other Asia Pacific	**935,512**	1,189,860	**942,545**	1,191,861
Rest of the World	**474,471**	567,013	**474,471**	567,013
	54,749,458	42,583,946	**39,898,266**	34,464,570

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

43. ASSETS PLEDGED

	GROUP		BANK	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Government treasury bills and securities (Note 24)				
Singapore	**–**	260,367	**–**	260,367
Others	**74,398**	6,498	**74,398**	6,498
Placements with and loans to banks (Note 25)	**218,069**	–	**218,069**	–
Loans and bills receivable (Note 26)	**37,566**	12,266	**–**	–
Debt securities (Note 30)	**415,704**	–	**415,704**	–
	745,737	279,131	**708,171**	266,865
Repo balances for assets pledged	**654,439**	273,320	**616,872**	261,054

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 $947.5 million (2009: $1,049.4 million), of which $31.1 million (2009: $280.7 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.

44. 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.

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45. 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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Within 1 year	**48,077**	40,792	**18,654**	15,410
After 1 year but within 5 years	**74,985**	38,563	**21,289**	4,913
Over 5 years	**5,918**	7,749	**–**	–
	128,980	87,104	**39,943**	20,323

46. 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.

46.1 Related party balances at 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 2010	5	2	2	#
	Net increase/(decrease)	(3)	(1)	10	(#)
	At 31 December 2010	**2**	**1**	**12**	**#**
(b)	Deposits, borrowings and other payables				
	At 1 January 2010	119	202	30	462
	Net increase/(decrease)	20	(54)	(4)	42
	At 31 December 2010	**139**	**148**	**26**	**504**
(c)	Off-balance sheet credit facilities [1]				
	At 1 January 2010	–	45	–	–
	Net decrease	–	(45)	–	–
	At 31 December 2010	**–**	**–**	**–**	**–**
(d)	Income statement transactions				
	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**
	Year ended 31 December 2009:				
	Interest income	–	#	#	#
	Interest expense	1	2	#	9
	Rental income	#	4	–	#
	Fee and commission and other income	#	1	#	41
	Rental and other expenses	3	#	#	3

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

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

46. RELATED PARTY TRANSACTIONS (continued)

BANK ($ million)		Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a)	Loans, placements and other receivables					
	At 1 January 2010	4,266	–	2	2	–
	Net increase/(decrease)	(168)	–	(1)	2	–
	At 31 December 2010	**4,098**	**–**	**1**	**4**	**–**
(b)	Deposits, borrowings and other payables					
	At 1 January 2010	3,269	118	187	29	333
	Net (decrease)/increase	3,255	–	(72)	(5)	2
	At 31 December 2010	**6,524**	**118**	**115**	**24**	**335**
(c)	Off-balance sheet credit facilities [1]					
	At 1 January 2010	780	–	45	–	–
	Net (decrease)/increase	45	–	(45)	–	–
	At 31 December 2010	**825**	**–**	**–**	**–**	**–**
(d)	Income statement transactions					
	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**	**#**	**#**	**#**
	Year ended 31 December 2009:					
	Interest income	46	–	#	#	#
	Interest expense	104	1	1	#	1
	Rental income	4	–	–	–	–
	Fee and commission and other income	4	–	#	#	29
	Rental and other expenses	184	3	#	#	#

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

46.2 Key management personnel compensation

	BANK 2010 $ million	BANK 2009 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**34**	32
Share-based benefits	**12**	11
	46	43

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2010 included in the above table are subject to the approval of the Remuneration Committee.

Notes to the Financial Statements

For the financial year ended 31 December 2010

47. SUBSEQUENT EVENT

47.1 Merger of PT Bank OCBC Indonesia and PT Bank OCBC NISP TBK

On 1 January 2011, OCBC Bank has completed the merger of its two licensed bank subsidiaries in Indonesia, PT Bank OCBC Indonesia ("BOI") and PT Bank OCBC NISP TBK ("OCBC NISP"). From this 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 has 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). OCBC Bank's direct and indirect shareholding in OCBC NISP has increased to 85.06%.

As OCBC Bank was the ultimate holding company of BOI and OCBC NISP immediately before and immediately after the merger, the merger has been accounted for as a common control transaction.

48. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

As of balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. For the Group, the following relevant new/revised standards and interpretations are mandatory with effect from the annual period commencing 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 are not expected to have any material impact on the Group's financial statements.

Group's Major Properties

As at 31 December 2010

	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	31,094	807,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	102,601	286,100
18 Church Street, OCBC Centre South	Office	100	118,909	76,898	116,300
63 Market Street	Office	100	248,996	301,156	375,200
11 Tampines Central 1	Office	100	115,782	66,212	80,000
31 Tampines Finance Park Avenue 4	Office	100	97,572	50,834	60,000
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	34,550	38,961	41,500
260 Tanjong Pagar Road	Office	100	44,940	5,298	32,000
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146	1,973	18,450
110 Robinson Road	Office	100	22,120	4,503	17,700
460 North Bridge Road	Office	100	26,576	3,140	21,000
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	41,095	245,440
2 Mt Elizabeth Link, Somerset Compass	Residential	100	104,377	22,373	157,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	13,877	43,500
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	24,421	2,746	18,700
277 Orchard Road	Land under development	100	72,943 [2]	101,307	508,000
				864,068	2,827,890
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	35,281	54,260
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	82	362,313	15,731	31,461
Other properties in					
Singapore				146,914	382,630
Malaysia				69,539	144,794
Other ASEAN				41,630	54,237
Other Asia Pacific				92,182	265,863
Rest of the World				2,158	12,932
				352,423	860,456
Total [3]				**1,267,503**	**3,774,067**

(1) Valuations were made by independent firms of professional valuers.

(2) Refers to land area.

(3) Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.

Ordinary/Preference Shareholding Statistics

As at 1 March 2011

CLASS OF SHARES

Ordinary Shares.

NUMBER OF ORDINARY SHAREHOLDERS

The number of ordinary shareholders of the Bank as at 1 March 2011 is 66,563.

VOTING RIGHTS

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

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

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Size of Holdings	Number of Ordinary Shareholders	%	Ordinary Shares Held (excluding treasury shares)	%
1 – 999	9,217	13.84	2,077,917	0.06
1,000 – 10,000	44,895	67.45	141,543,803	4.24
10,001 – 1,000,000	12,312	18.50	581,564,784	17.43
1,000,001 and above	139	0.21	2,612,213,795	78.27
Total	66,563	100.00	3,337,400,299	100.00

Number of issued ordinary shares: 3,341,044,969
Number of ordinary shares held in treasury: 3,644,670
Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): 0.11%

TWENTY LARGEST ORDINARY SHAREHOLDERS

	Ordinary Shareholders	Number of Ordinary Shares Held	%*
1.	Citibank Nominees Singapore Pte Ltd	443,733,066	13.30
2.	Selat (Pte) Limited	379,785,039	11.38
3.	DBS Nominees (Private) Limited	327,616,786	9.82
4.	DBSN Services Pte. Ltd.	186,760,455	5.60
5.	HSBC (Singapore) Nominees Pte Ltd	166,323,570	4.98
6.	Singapore Investments (Pte) Limited	122,040,957	3.66
7.	Lee Foundation	120,570,915	3.61
8.	Lee Rubber Company (Pte) Limited	100,931,858	3.02
9.	BNP Paribas Securities Services Singapore	95,024,524	2.85
10.	United Overseas Bank Nominees (Private) Limited	71,948,258	2.16
11.	Raffles Nominees (Pte.) Limited	50,134,051	1.50
12.	Lee Latex (Pte) Limited	46,591,278	1.40
13.	Kallang Development (Pte) Limited	31,356,039	0.94
14.	DB Nominees (Singapore) Pte Ltd	23,980,260	0.72
15.	Lee Pineapple Company (Pte) Limited	21,800,000	0.65
16.	Kew Estate Limited	21,658,003	0.65
17.	Lee Brothers (Wee Kee) Private Limited	17,144,649	0.51
18.	Tropical Produce Company (Pte) Limited	15,889,420	0.48
19.	Kota Trading Company Sendirian Berhad	15,810,533	0.47
20.	Island Investment Company (Private) Limited	15,634,314	0.47
Total		2,274,733,975	68.17

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 1 March 2011, excluding any ordinary shares held in treasury as at that date.

Approximately 65.99% of the issued ordinary shares (excluding ordinary shares held in treasury) are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

SUBSTANTIAL ORDINARY SHAREHOLDERS

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

Substantial ordinary shareholders	Ordinary shares registered in the name of the substantial ordinary shareholders	Ordinary shares held by the substantial ordinary shareholders in the name of nominees	Ordinary shares in which the substantial ordinary shareholders are deemed to be interested	Total	Percentage* of issued ordinary shares
	As at 1.3.2011	As at 1.3.2011	As at 1.3.2011	As at 1.3.2011	
Lee Foundation	120,570,915	–	525,575,519 (1)	646,146,434	19.36%
Selat (Pte) Limited	379,785,039	–	16,881,938 (2)	396,666,977	11.89%
Aberdeen Asset Management PLC	–	–	219,671,644 (3)	219,671,644	6.58%
Aberdeen Asset Management Asia Limited	–	–	200,463,899 (4)	200,463,899	6.01%
Credit Suisse AG	–	–	229,252,662 (5)	229,252,662	6.87%
Credit Suisse Group AG	–	–	229,257,014 (6)	229,257,014	6.87%

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 1 March 2011, excluding any ordinary shares held in treasury as at that date.

(1) This represents Lee Foundation's deemed interest in (a) the 21,800,000 ordinary shares held by Lee Pineapple Company (Pte) Limited, (b) the 379,785,039 ordinary shares held by Selat (Pte) Limited, (c) the 122,040,957 ordinary shares held by Singapore Investments (Pte) Limited and (d) the 1,949,523 ordinary shares held by Peninsula Plantations Sendirian Berhad.

(2) This represents Selat (Pte) Limited's deemed interest in (a) the 1,247,624 ordinary shares held by South Asia Shipping Company Private Limited and (b) the 15,634,314 ordinary shares held by Island Investment Company (Private) Limited.

(3) This represents the deemed interest in 219,671,644 ordinary shares held by Aberdeen Asset Management PLC and its subsidiaries, Aberdeen Asset Management Asia Limited, Aberdeen Asset Management Inc, Aberdeen Asset Management Investment Services Limited, Aberdeen Asset Management Sdn Bhd, Aberdeen Asset Managers Limited, Aberdeen Fund Management Limited, Aberdeen International Fund Managers Limited, Aberdeen Investment Management K K, Aberdeen Private Wealth Management Limited and Aberdeen Asset Management Limited (together, the "AAM Group"), through various custodians, on behalf of the accounts managed by the AAM Group. The Bank has been advised by Aberdeen Asset Management PLC that the AAM Group holds a total of 219,671,644 ordinary shares in the Bank across all mandates, equivalent to 6.58% of the Bank's issued ordinary shares, of which the AAM Group is given disposal rights and proxy voting rights for 135,358,559 ordinary shares equivalent to 4.06% and disposal rights without proxy voting rights for 84,313,085 ordinary shares.

(4) This represents the deemed interest in 200,463,899 ordinary shares held by Aberdeen Asset Management Asia Limited ("AAMAL"), through various custodian, on behalf of the accounts managed by AAMAL. The Bank has been advised by AAMAL that it holds a total of 200,463,899 ordinary shares in the Bank across all mandates, equivalent to 6.01% of the Bank's issued ordinary shares, of which AAMAL is given disposal rights and proxy voting rights for 123,475,783 ordinary shares equivalent to 3.70% and disposal rights without proxy voting rights for 76,988,116 ordinary shares.

(5) By virtue of section 7(4A) of the Companies Act, Cap. 50, Credit Suisse AG is deemed to have an interest in the ordinary shares held by Aberdeen Asset Management PLC and its subsidiaries as well as ordinary shares held by affiliated companies.

(6) By virtue of section 7(4) of the Companies Act, Cap. 50, Credit Suisse Group AG is deemed to have an interest in the ordinary shares deemed held by Credit Suisse AG. Credit Suisse Group AG is also deemed to have an interest in the ordinary shares held by other subsidiaries and affiliated companies.

Ordinary/Preference Shareholding Statistics

As at 1 March 2011

CLASS OF SHARES

Non-Cumulative Non-Convertible Class B Preference Shares.

NUMBER OF CLASS B PREFERENCE SHAREHOLDERS

The number of Class B Preference Shareholders of the Bank as at 1 March 2011 is 9,274.

VOTING RIGHTS

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

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

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

DISTRIBUTION OF CLASS B PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class B Preference Shareholders	%	Number of Class B Preference Shares Held	%
1 – 999	7,559	81.51	2,342,544	23.43
1,000 – 10,000	1,645	17.74	3,461,490	34.61
10,001 – 1,000,000	69	0.74	2,938,266	29.38
1,000,001 and above	1	0.01	1,257,700	12.58
Total	9,274	100.00	10,000,000	100.00

TWENTY LARGEST CLASS B PREFERENCE SHAREHOLDERS

	Class B Preference Shareholders	Number of Class B Preference Shares Held	%*
1.	Citibank Nominees Singapore Pte Ltd	1,257,700	12.58
2.	Bank of Singapore Nominees Pte. Ltd.	472,300	4.72
3.	HSBC (Singapore) Nominees Pte Ltd	333,000	3.33
4.	DBS Nominees (Private) Limited	327,000	3.27
5.	United Overseas Bank Nominees (Private) Limited	269,000	2.69
6.	Raffles Nominees (Pte.) Limited	147,850	1.48
7.	NTUC Fairprice Co-Operative Ltd	120,000	1.20
8.	Quek Neo Kia or Lim Guat Swee	64,000	0.64
9.	OCBC Securities Private Limited	53,400	0.53
10.	Liew Yeow Weng	51,300	0.51
11.	The Lotus Sanctuary Hospitality Pte Ltd	50,000	0.50
12.	Merrill Lynch (Singapore) Pte. Ltd.	39,400	0.39
13.	DB Nominees (Singapore) Pte Ltd	38,600	0.39
14.	Tan Boy Tee	35,000	0.35
15.	Liauw Samin	32,500	0.33
16.	UOB Kay Hian Private Limited	31,200	0.31
17.	George Lee Private Limited	30,000	0.30
18.	Lim Earn Sian	30,000	0.30
19.	Ong Geok Eng	30,000	0.30
20.	NTUC Thrift & Loan Co-Operative Limited	28,000	0.28
Total		3,440,250	34.40

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

CLASS OF SHARES

Non-Cumulative Non-Convertible Class E Preference Shares.

NUMBER OF CLASS E PREFERENCE SHAREHOLDERS

The number of Class E Preference Shareholders of the Bank as at 1 March 2011 is 2,410.

VOTING RIGHTS

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

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

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

DISTRIBUTION OF CLASS E PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class E Preference Shareholders	%	Number of Class E Preference Shares Held	%
1 – 999	1,633	67.76	499,550	9.99
1,000 – 10,000	729	30.25	1,935,540	38.71
10,001 – 1,000,000	48	1.99	2,564,910	51.30
Total	2,410	100.00	5,000,000	100.00

TWENTY LARGEST CLASS E PREFERENCE SHAREHOLDERS

	Class E Preference Shareholders	Number of Class E Preference Shares Held	%*
1.	Citibank Nominees Singapore Pte Ltd	878,100	17.56
2.	DBS Nominees (Private) Limited	246,060	4.92
3.	Pan-United Investments Pte. Ltd.	147,800	2.96
4.	E M Services Private Limited	137,800	2.76
5.	Raffles Nominees (Pte.) Limited	85,600	1.71
6.	National Council of Social Service	80,000	1.60
7.	HSBC (Singapore) Nominees Pte Ltd	79,900	1.60
8.	United Overseas Bank Nominees (Private) Limited	60,900	1.22
9.	Tan Chee Jin	59,900	1.20
10.	BNP Paribas Nominees Singapore Pte Ltd	45,500	0.91
11.	DBSN Services Pte. Ltd.	37,300	0.75
12.	NTUC Thrift & Loan Co-Operative Limited	35,000	0.70
13.	DB Nominees (Singapore) Pte Ltd	32,500	0.65
14.	AXA Insurance Singapore Pte Ltd	30,000	0.60
15.	Hobee Print Pte Ltd	30,000	0.60
16.	Phng Hooi Chay	30,000	0.60
17.	Lee Cheok Yew	28,000	0.56
18.	Tang Wee Loke	27,500	0.55
19.	Titular Roman Catholic Archbishop of Singapore	26,000	0.52
20.	Lim Chiang Hoe or Lim Shuh Moh	24,000	0.48
Total		2,121,860	42.45

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

Ordinary/Preference Shareholding Statistics

As at 1 March 2011

CLASS OF SHARES

Non-Cumulative Non-Convertible Class G Preference Shares.

NUMBER OF CLASS G PREFERENCE SHAREHOLDERS

The number of Class G Preference Shareholders of the Bank as at 1 March 2011 is 6,105.

VOTING RIGHTS

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

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

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

DISTRIBUTION OF CLASS G PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class G Preference Shareholders	%	Number of Class G Preference Shares Held	%
1 – 999	642	10.52	283,741	0.07
1,000 – 10,000	3,370	55.20	14,149,818	3.58
10,001 – 1,000,000	2,069	33.89	151,761,521	38.34
1,000,001 and above	24	0.39	229,635,804	58.01
Total	6,105	100.00	395,830,884	100.00

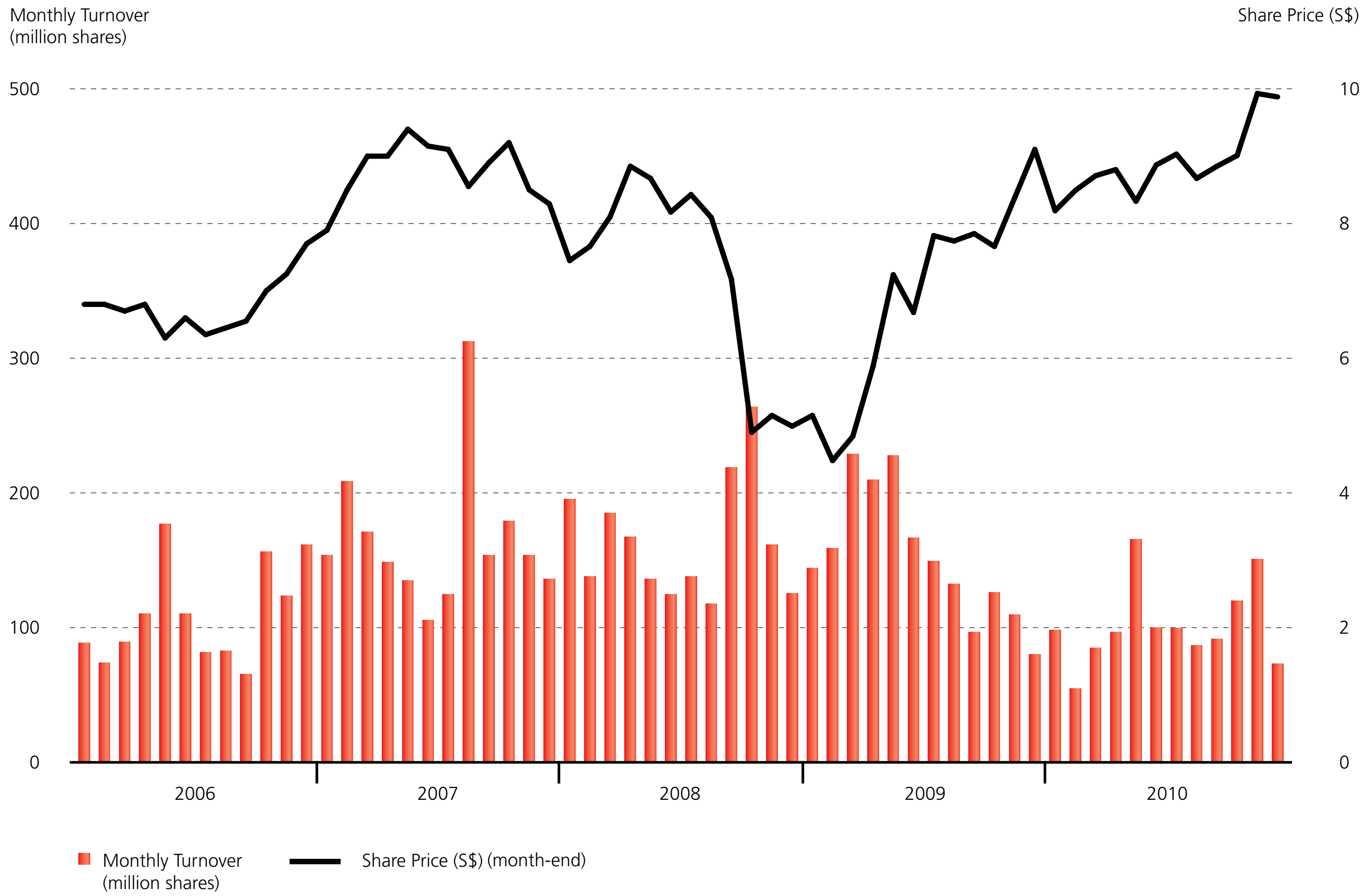
TWENTY LARGEST CLASS G PREFERENCE SHAREHOLDERS

	Class G Preference Shareholders	Number of Class G Preference Shares Held	%*
1.	Citibank Nominees Singapore Pte Ltd	71,734,819	18.12
2.	Selat (Pte) Limited	53,879,531	13.61
3.	Lee Rubber Company (Pte) Limited	18,564,085	4.69
4.	Lee Foundation, States of Malaya	16,000,000	4.04
5.	Singapore Investments (Pte) Limited	10,642,763	2.69
6.	Lee Latex (Pte) Limited	8,609,432	2.18
7.	United Overseas Bank Nominees (Private) Limited	8,404,259	2.12
8.	Lee Foundation	7,080,009	1.79
9.	Fraser And Neave, Limited	6,069,458	1.53
10.	Tokio Marine Insurance Singapore Ltd.	3,948,000	1.00
11.	DBS Nominees (Private) Limited	3,553,383	0.90
12.	Tan Chee Jin	3,000,000	0.76
13.	Lee Plantations (Pte) Ltd	2,323,572	0.59
14.	Island Investment Company (Private) Limited	2,301,287	0.58
15.	Chong Chew Lim @ Chong Ah Kau	1,732,212	0.44
16.	Y.S. Fu Holdings (2002) Pte. Ltd.	1,700,000	0.43
17.	Kota Trading Company Sendirian Berhad	1,680,093	0.42
18.	Lee Sang Ming	1,383,000	0.35
19.	Boswell International Marine (Pte) Limited	1,373,000	0.35
20.	HSBC (Singapore) Nominees Pte Ltd	1,255,460	0.32
Total		225,234,363	56.91

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

Investor Reference

FIVE-YEAR SHARE PRICE AND TURNOVER



	2006	2007	2008	2009	2010
Share Price (S$)					
Highest	7.75	9.70	9.02	9.10	**10.24**
Lowest	6.20	7.50	4.50	3.95	**8.08**
Average	6.75	8.84	7.41	6.78	**8.92**
Last Done	7.70	8.29	4.99	9.10	**9.88**
Per ordinary share					
Basic earnings (cents)	63.4	65.9	54.6	59.4	**66.1**
Basic core earnings [1] (cents)	45.4	59.7	46.1	59.4	**66.1**
Net interim and final dividend (cents) [2]	23.0	28.0	28.0	28.0	**30.0**
Net asset value (NAV) (S$)	4.07	4.79	4.51	5.29	**5.66**
Ratios [3]					
Price-earnings ratio (times)	10.7	13.4	13.6	11.4	**13.5**
Price-earnings ratio - based on core earnings	14.9	14.8	16.1	11.4	**13.5**
Net dividend yield (%)	3.41	3.17	3.78	4.13	**3.36**
Dividend cover (times)	2.77	2.35	1.95	2.09	**2.18**
Price/NAV (times)	1.66	1.85	1.64	1.28	**1.58**

[1] Core earnings exclude gains from divestments of non-core assets and tax refunds.
[2] Dividends are stated net of tax, where relevant. With effect from 2007 final dividend, the Group's dividends are on a one-tier tax exempt basis.
[3] Price ratios and dividend yield are based on average share prices.

Investor Reference

FIVE-YEAR ORDINARY SHARE CAPITAL HISTORY

		Number of ordinary shares ('000)		
Year	Particulars	Issued	Held in Treasury	In circulation
2006	Beginning Balance	3,114,338		3,114,338
	Share buyback	(7,008)	(59,265)	
	Acquisition of additional shares in GEH	6,020		
	Issue of shares pursuant to Share Option Schemes	11,334	5,338	
	Issue of shares pursuant to Employee Share Purchase Plan	1,728	2,258	
	Shares issued to non-executive directors	48		
	Year end balance	3,126,460	(51,669)	3,074,791
2007	Shares issued to non-executive directors	53		
	Share buyback		(4,986)	
	Issue of shares pursuant to Share Option Schemes		14,951	
	Issue of shares pursuant to Employee Share Purchase Plan		1,412	
	Year end balance	3,126,513	(40,292)	3,086,221
2008	Shares issued to non-executive directors	53		
	Issue of shares pursuant to Share Option Schemes		4,997	
	Issue of shares pursuant to Employee Share Purchase Plan		5,457	
	Issue of shares pursuant to Deferred Share Plan		4,091	
	Year end balance	3,126,566	(25,747)	3,100,819
2009	Shares issued to non-executive directors	43		
	Shares issued in lieu of dividend	118,512		
	Issue of shares pursuant to Share Option Schemes		6,044	
	Issue of shares pursuant to Employee Share Purchase Plan		23	
	Issue of shares pursuant to Deferred Share Plan		4,898	
	Year end balance	3,245,121	(14,782)	3,230,339
2010	Shares issued to non-executive directors	60		
	Shares issued in lieu of dividend	95,865		
	Share buyback		(4,439)	
	Issue of shares pursuant to Share Option Schemes		8,969	
	Issue of shares pursuant to Employee Share Purchase Plan		3,512	
	Issue of shares pursuant to Deferred Share Plan		3,470	
	Year end balance	3,341,046	(3,270)	3,337,776

Further Information on Directors

DR CHEONG CHOONG KONG

Current Directorships (and Appointments)

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

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	The Great Eastern Life Assurance Co Ltd	Director

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

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

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

Date of Last Re-election as a Director of OCBC
17 April 2008

Independent Status
Non-executive and non-independent director

MR BOBBY CHIN

Current Directorships (and Appointments)

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

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	The Straits Trading Co Ltd	Chairman
2.	Singapore Chinese Chamber of Commerce & Industry	Council Member
3.	Singapore Management University	Board Trustee

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

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

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

Date of Last Re-election as a Director of OCBC
17 April 2009

Independent Status
Independent director

MR DAVID CONNER

Current Directorships (and Appointments)

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

** Listed companies*

Further Information on Directors

Directorships (and Appointments) for the past 3 years

1.	International Monetary Conference	Director
2.	The Great Eastern Life Assurance Co Ltd	Director
3.	Singapore Business Federation	Council Member
4.	Advisory Council of the American Chamber of Commerce in Singapore	Member
5.	Washington University in St Louis	Ethan A H Shepley Trustee

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

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

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

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

Independent Status
Executive director

MRS FANG AI LIAN

Current Directorships (and Appointments)

1.	Board of Directors for Tax Academy of Singapore	Chairman
2.	Charity Council	Chairman
3.	Great Eastern Holdings Ltd Group*	Chairman
4.	Home Nursing Foundation	President
5.	Banyan Tree Holdings Ltd*	Director
6.	MediaCorp Pte Ltd	Director
7.	Metro Holdings Ltd*	Director
8.	Singapore Telecommunications Ltd*	Director
9.	Zender-Fang Associates Pte Ltd	Director
10.	Board of Trustees of the Singapore Business Federation	Member
11.	Board of Trustees of the Singapore University of Technology and Design	Member
12.	Governing Board of the Duke-NUS Graduate Medical School Singapore	Member

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Ernst & Young	Chairman
2.	Breast Cancer Foundation	President
3.	International Enterprise Singapore	Board Member
4.	Public Utilities Board	Board Member

Academic and Professional Qualifications
Fellow of the Institute of Chartered Accountants in England and Wales

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

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

Date of Election as a Director of OCBC
17 April 2009

Independent Status
Independent director

MR LAI TECK POH

Current Directorships (and Appointments)

1.	OCBC Al-Amin Bank Berhad	Director
2.	OCBC Bank (Malaysia) Berhad	Director
3.	United Engineers Ltd*	Director
4.	WBL Corporation Ltd*	Director
5.	PT Bank OCBC NISP TBK*	Commissioner

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Asean Finance Corporation Ltd	Alternate Director
2.	Asfinco Singapore Ltd	Alternate Director
3.	Competition Appeal Board	Member

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

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

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

Independent Status
Non-executive and non-independent director

MR LEE SENG WEE

Current Directorships (and Appointments)

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

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	GIC Real Estate Pte Ltd	Director
2.	The Great Eastern Life Assurance Co Ltd	Director

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

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

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

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

Independent Status
Independent from management and business relationships

DR LEE TIH SHIH

Current Directorships (and Appointments)

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

Directorships (and Appointments) for the past 3 years

1.	Fraser & Neave Ltd	Director

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

OCBC Board Committee Served On
Member, Remuneration Committee

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

Date of Last Re-election as a Director of OCBC
17 April 2008

Independent Status
Independent from management and business relationships

MR COLM MCCARTHY

Current Directorships (and Appointments)

1.	Bank of Singapore Ltd	Director
2.	The Irish Chamber of Commerce Singapore	Director
3.	Wheelock Properties (S) Ltd*	Director
4.	Irish Business Association	Council Member

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	Bank of America Ltd, Hong Kong	Chairman
2.	Bank of America Singapore Ltd	Chairman
3.	Bank of America Securities Japan	Director

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

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

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

Date of Election as a Director of OCBC
17 April 2009

Independent Status
Independent director

Further Information on Directors

PROFESSOR NEO BOON SIONG

Current Directorships (and Appointments)

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

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	Asia Competitiveness Institute of the Lee Kuan Yew School of Public Policy in National University of Singapore	Director/Employee
2.	English Xchange Pte Ltd	Director
3.	Great Eastern Holdings Ltd	Director
4.	The Great Eastern Life Assurance Co Ltd	Director
5.	The Overseas Assurance Corporation Ltd	Director
6.	Goods and Services Tax Board of Review	Member
7.	Income Tax Board of Review	Member
8.	Securities Industry Council	Member

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

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

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

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

Independent Status
Independent director

MR PRAMUKTI SURJAUDAJA

Current Directorships (and Appointments)

1.	Indonesian Overseas Alumni	Chairman
2.	PT Bank OCBC NISP TBK*	Chairman
3.	Financial Institutions at the Association of Indonesian Indigenous Enterpreneurs	Deputy Chairman
4.	Parahyangan Catholic University	Advisor
5.	International and East Asia Council of Insead	Council Member
6.	President University	Trustee

** Listed company*

Directorships (and Appointments) for the past 3 years

1.	PT Bank OCBC NISP TBK	CEO
2.	Indonesian Chamber of Commerce and Industry	Board Member
3.	Indonesian Private Banks Association	Board Member

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

OCBC Board Committee Served On
Member, Risk Management Committee

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

Date of Last Re-election as a Director of OCBC
17 April 2009

Independent Status
Not independent director

MR PATRICK YEOH

Current Directorships (and Appointments)

1.	Tuan Sing Holdings Ltd*	Chairman
2.	Accuron Technologies Ltd	Director
3.	M1 Ltd*	Director
4.	Nuri Holdings (S) Pte Ltd	Advisor
5.	The EDB Society	Advisor

** Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Green Tire Co Ltd (formerly known as GITI Tire Co Ltd, Bermuda)	Deputy Chairman
2.	GITI Tire Co Ltd	Deputy Chairman
3.	Shanghai GT Courtyard Cultural Investments Co Ltd (aka "Three on the Bund Ltd")	Director
4.	Times Publishing Ltd	Director

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

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

Date of First Appointment as a Director of OCBC
Director since 9 July 2001

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

Independent Status
Independent director

Principal Network

BANKING

OVERSEA-CHINESE BANKING CORPORATION LIMITED

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

OCBC Bank has 56 branches in Singapore.

AUSTRALIA

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

BRUNEI

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

CHINA

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

Shanghai Dongfang Road Sub Branch
Unit 102 & 23F
710 Dongfang Road
Tomson Commercial Building
Pudong, Shanghai 200122
People's Republic of China
Tel: (86) 21 6146 1246
Fax: (86) 21 5830 1925

Shanghai Luwan Sub Branch
644 Middle Fuxing Road
Shanghai 200020
People's Republic of China
Tel: (86) 21 5466 3000
Fax: (86) 21 5466 3090

Shanghai Jiading Sub Branch
Unit Southeast,1F
2222 Huan Cheng Road
Jiading District
Shanghai 201800
People's Republic of China
Tel: (86) 21 6181 7188
Fax: (86) 21 6181 7199

Shanghai Gubei Sub Branch
No.1303 Gubei Road,
Changning District,
Shanghai 201103
People's Republic of China
Tel: (86) 21 2325 9000
Fax:(86) 21 2325 9188

Chengdu Branch
19, South Renmin Road Section 4
Unit 7A-H, Western China Business Tower
Chengdu, Sichuan 610041
People's Republic of China
Tel: (86) 28 8663 9888
Fax: (86) 28 8526 8538

Chengdu Shangri-la Sub Branch
No.9 East Binjiang Road
Shangri-la Centre
Chengdu, Sichuan 610021
People's Republic of China
Tel: (86) 28 6680 7888
Fax: (86) 28 6685 1800

Chengdu Shanghai Gardens Sub Branch
No.39 Shen Xian Shu South Road
Shanghai Gardens Unit 33
Chengdu, Sichuan 610042
People's Republic of China
Tel: (86) 28 6555 6888
Fax: (86) 28 6606 6022

Chongqing Branch
Unit 5-7, 20/F,
World Trade Centre
No. 131 Zourong Road,
Yuzhong District,
Chongqing 400010
People's Republic of China
Tel: (86) 23 6370 8877
Fax: (86) 23 6370 7171

Xiamen Branch
23E, 27F International Plaza,
8 Lujiang Dao, Xiamen 361001
People's Republic of China
Tel: (86) 592 202 2653
Fax: (86) 592 203 5182

Guangzhou Branch
He Jing International Finance Place Unit 903-904
No.8 Huaxia Road,
Guangzhou 510623
People's Republic of China
Tel: (86) 20 2802 3000
Fax: (86) 20 2802 3100

Tianjin Branch
Unit 2808 The Exchange 2
189 Nanjing Road
Tianjin 300051
People's Republic of China
Tel: (86) 22 2339 5911
Fax: (86) 22 2339 9611

Beijing Branch
Unit 1107, Excel Centre,
No.6 Wudinghou Street,
Xicheng District, Beijing 100140
People's Republic of China
Tel: (86) 10 5931 5188
Fax: (86) 10 5931 5162

OCBC Bank (China) has 12 main branches and sub-branches.

HONG KONG SAR

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

INDONESIA

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

PT Bank OCBC NISP Tbk has 413 branches and offices in Indonesia.

JAPAN

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

LABUAN

Labuan Branch
Level 8(C), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan
Federal Territory Malaysia
Tel : (087) 423 381/82
Fax : (087) 423 390

MALAYSIA

OCBC Bank (Malaysia) Berhad
Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Tel: (603) 2034 5034
Fax: (603) 2698 4363
www.ocbc.com.my
OCBC Contact Centre:
Within Malaysia
Tel: 1300 88 5000 (Personal)
Tel: 1300 88 7000 (Corporate)
Outside Malaysia
Tel: (603) 8317 5000 (Personal)
Tel: (603) 8317 5200 (Corporate)

OCBC Bank (Malaysia) Berhad has 29 branches in Malaysia.

OCBC Al-Amin Bank Berhad
25th floor, Wisma Lee Rubber
1 Jalan Melaka
50100 Kuala Lumpur
Tel: (603) 2034 5034
Fax: (603) 2698 4363
General Inquiries:
Within Malaysia
Tel: 1300 88 0310 (Personal)
Tel: 1300 88 0255 (Corporate)
Outside Malaysia
Tel: (603) 8314 9310 (Personal)
Tel: (603) 8314 9090 (Corporate)

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

SOUTH KOREA

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

Principal Network

TAIWAN

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

THAILAND

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

UNITED KINGDOM

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

UNITED STATES OF AMERICA

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

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

VIETNAM

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

SINGAPORE ISLAND BANK LIMITED

Registered Address:
65 Chulia Street
#09-00 OCBC Centre
Singapore 049513
www.singaporeislandbank.com

Business Address:
63 Chulia Street
#08-00 OCBC Centre East
Singapore 049514
Tel: (65) 6438 3883
Fax: (65) 6438 3718

PRIVATE BANKING

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

INSURANCE

Great Eastern Holdings Limited
1 Pickering Street #13-01
Great Eastern Centre
Singapore 048659
Tel: (65) 6248 2000
Fax: (65) 6532 2214
www.lifeisgreat.com.sg

ASSET MANAGEMENT

Lion Global Investors Limited
One George Street #08-01
Singapore 049145
Tel: (65) 6417 6800
Fax: (65) 6417 6801
www.lionglobalinvestors.com

NOMINEES

SINGAPORE

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

AUSTRALIA

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

HONG KONG SAR

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

MALAYSIA

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

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

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

PROPERTY MANAGEMENT

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

STOCKBROKING

SINGAPORE

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

HONG KONG SAR

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

TRUSTEE

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

Financial Calendar

Announcement of annual results for 2010	18 February 2011
Annual General Meeting	15 April 2011
Announcement of first quarter results for 2011	12 May 2011
Payment of 2010 final dividend on ordinary shares (subject to shareholders' approval at AGM)	June 2011
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 June 2011
Announcement of second quarter results for 2011	August 2011
Payment of 2011 interim dividend (subject to approval of the Board)	October 2011
Announcement of third quarter results for 2011	November 2011
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 December 2011

Notice of Annual General Meeting

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

NOTICE IS HEREBY GIVEN that the Seventy-Fourth Annual General Meeting of Oversea-Chinese Banking Corporation Limited ("the Bank") will be held at Mandarin Orchard Singapore, Level 6, 333 Orchard Road, Singapore 238867, on Friday, 15 April 2011 at 2.30 p.m. to transact the following business:

1 To receive and consider the audited Accounts for the financial year ended 31 December 2010 and the reports of the Directors and Auditors thereon.

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

(a) Mr Lee Seng Wee
(b) Mr Patrick Yeoh Khwai Hoh

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

(a) Dr Cheong Choong Kong
(b) Dr Lee Tih Shih
(c) Mr Pramukti Surjaudaja

4 To re-elect Mr Lai Teck Poh, a Director retiring under Article 101 of the Bank's Articles of Association.

5 To approve a final one-tier tax exempt dividend of 15 cents per ordinary share, in respect of the financial year ended 31 December 2010.

6 To approve the remuneration of the non-executive Directors of the Bank for the financial year ended 31 December 2010 comprising the following:

(a) Directors' Fees of S$1,446,000 (2009: S$1,746,000).

(b) 6,000 ordinary shares in the capital of the Bank for each non-executive Director of the Bank (2009: 6,000 ordinary shares), and for this purpose to pass the following Resolution with or without amendments as an ordinary resolution:

That:

(i) pursuant to Article 140 of the Articles of Association of the Bank, the Directors of the Bank be and are hereby authorised to allot and issue an aggregate of 48,000 ordinary shares in the capital of the Bank (the "Remuneration Shares") as bonus shares for which no consideration is payable, to The Central Depository (Pte) Limited for the account of:

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

as payment in part of their respective non-executive Directors' remuneration for the financial year ended 31 December 2010, the Remuneration Shares to rank in all respects *pari passu* with the existing ordinary shares; and

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

7 To appoint Auditors and fix their remuneration.

As Special Business

To consider and, if thought fit, to pass the following Resolutions with or without amendments as ordinary resolutions:

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

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

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

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

provided that:

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

(i) this Resolution 8(a); and

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

(including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 8(a) and/or Resolution 8(b), as the case may be) shall not exceed 50 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (as calculated in accordance with paragraph (2) below) (the "50% Limit");

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

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

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

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

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

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

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

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

provided that:

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

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

(i) this Resolution 8(b); and

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

(including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 8(b) and/or Resolution 8(a), as the case may be) shall not exceed the 50% Limit;

Notice of Annual General Meeting

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

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

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

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

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

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

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

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

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

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

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

11 That:

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

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

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

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue preference shares referred to in sub-paragraph (i) above in pursuance of any offers, agreements or options made or granted by the Directors while this Resolution was in force; and

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

PETER YEOH
Secretary

Singapore
28 March 2011

Notes: A member of the Bank entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Bank. The instrument appointing a proxy or proxies must be deposited at the Share Registration Office of the Bank at M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time set for holding the Meeting.

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

Dear Members

We set out below a statement regarding the effect of the resolutions under item 6(b) and under "Special Business" in items 8(a), 8(b), 9, 10 and 11 of the Notice of the forthcoming Annual General Meeting, namely –

The Ordinary Resolution set out in item 6(b) authorises the Directors of the Bank to issue ordinary shares in the capital of the Bank to certain non-executive Directors as part of their remuneration for the financial year ended 31 December 2010 ("FY 2010"). A non-executive Director of the Bank is only eligible for the award of ordinary shares if he has served a full annual term, that is, from 1 January to 31 December of the year preceding the award. The non-executive Directors who are eligible for, and will receive, the award of ordinary shares as part of their remuneration for FY 2010 are Mr Bobby Chin Yoke Choong, Mrs Fang Ai Lian, Mr Lee Seng Wee, Dr Lee Tih Shih, Mr Colm Martin McCarthy, Professor Neo Boon Siong, Mr Pramukti Surjaudaja and Mr Patrick Yeoh Khwai Hoh.

It is proposed that, for FY 2010, 6,000 ordinary shares be issued to each non-executive Director named above (2009: 6,000 ordinary shares). The proposed award of ordinary shares is in addition to the Directors' fees in cash to be proposed under item 6(a).

Dr Cheong Choong Kong, non-executive Director and Chairman of the Bank, has declined to accept any award of remuneration shares for FY 2010.

The issue of ordinary shares under item 6(b) will be made pursuant to Article 140 of the Articles of Association of the Bank by way of the issue of bonus shares for which no consideration is payable. Such ordinary shares will, upon issue, rank *pari passu* with the existing ordinary shares in the capital of the Bank. The Singapore Exchange Securities Trading Limited (the "SGX-ST") has given approval in-principle for the listing and quotation of such ordinary shares. Such approval is subject to (a) compliance with the SGX-ST's listing requirements, and (b) shareholders' approval at the Annual General Meeting to be convened. The SGX-ST's approval in-principle is not to be taken as an indication of the merits of the proposed issue, such ordinary shares, the Bank and/or its subsidiaries.

The non-executive Directors who will each, subject to Shareholders' approval, be awarded 6,000 ordinary shares as part of their remuneration for FY 2010, will abstain from voting in respect of, and will procure their associates to abstain from voting in respect of, the Ordinary Resolution set out in item 6(b), being the Ordinary Resolution relating to the proposed issue of ordinary shares to each of them respectively to be proposed at the forthcoming Annual General Meeting.

Special Business

The Ordinary Resolutions set out in items 8(a) and 8(b) authorise the Directors of the Bank to issue ordinary shares in the capital of the Bank and/or to make or grant instruments (such as warrants or debentures) convertible into ordinary shares ("Instruments").

The Ordinary Resolution set out in item 8(a) authorises the Directors of the Bank from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue ordinary shares in the capital of the Bank and to make or grant Instruments, and to issue ordinary shares in pursuance of such Instruments, on a *pro rata* basis to shareholders of the Bank, provided that the aggregate number of ordinary shares to be issued pursuant to both this Ordinary Resolution and the Ordinary Resolution set out in item 8(b) shall not exceed fifty per cent. (50%) of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (the "50% Limit").

The Ordinary Resolution set out in item 8(b) authorises the Directors of the Bank from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to make or grant Instruments, and to issue ordinary shares in pursuance of such Instruments, other than on a *pro rata* basis to shareholders of the Bank, provided that (1) the aggregate number of ordinary shares to be issued pursuant to this Ordinary Resolution shall not exceed twenty per cent. (20%) of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares, and (2) the aggregate number of ordinary shares to be issued pursuant to both this Ordinary Resolution and the Ordinary Resolution set out in item 8(a) shall not exceed the 50% Limit.

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

In relation to the Ordinary Resolutions set out in items 8(a) and 8(b), and for the purpose of determining the aggregate number of ordinary shares that may be issued pursuant to each such Ordinary Resolution, the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time each such Ordinary Resolution is passed, after adjusting for (a) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time each such Ordinary Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary shares. For the avoidance of doubt, any consolidation or subdivision of ordinary shares in the capital of the Bank will require Shareholders' approval.

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

The Ordinary Resolution set out in item 9 authorises the Directors to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme") and/or to grant rights to subscribe for ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"), and to allot and issue ordinary shares under the 2001 Scheme and the Plan. Although the Rules of the 2001 Scheme provide that the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme shall not exceed 10 per cent. of the total number of issued ordinary shares in the capital of the Bank from time to time, and the Rules of the Plan provide that the aggregate number of new ordinary shares which may be issued pursuant to the Plan, when aggregated with the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme, shall not exceed 15 per cent. of the total number of issued ordinary shares in the capital of the Bank from time to time, the Ordinary Resolution set out in item 9 provides for a lower limit, namely, that the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme and the Plan shall not exceed 5 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares from time to time, as the Bank does not anticipate that it will require a higher limit before the next Annual General Meeting.

The Ordinary Resolution set out in item 10 authorises the Directors of the Bank to issue ordinary shares pursuant to the Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

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

PETER YEOH
Secretary

Singapore
28 March 2011

PROXY FORM

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

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

I/We, ____

NRIC/Passport No. ______________________ of ______________________

____

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

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

and/or (delete as appropriate)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Bank to be held at Mandarin Orchard Singapore, Level 6, 333 Orchard Road, Singapore 238867, on Friday, 15 April 2011 at 2.30 p.m. and at any adjournment thereof.

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

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

Dated this ____________day of ___________ 2011.

____

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

Total Number of Ordinary Shares Held

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of ordinary shares ("Shares") held by you. If you have Shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. An ordinary shareholder ("Shareholder") of the Bank entitled to attend and vote at a meeting of the Bank is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a Shareholder of the Bank.
3. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Share Registration Office of the Bank at M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time set for holding the Annual General Meeting. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
6. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with section 179 of the Companies Act, Cap. 50 of Singapore.
7. The Bank shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a Shareholder whose Shares are entered in the Depository Register, the Bank may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Bank.

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c/o M & C Services Private Limited
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The Corporate Office
Singapore 068906

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Request for Chinese Annual Report

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

Please send *me/us a Chinese version of the OCBC Bank 2010 Annual Report.

Name: ______________________________

Unit No.: ______________________________

Block No.: ______________________________

Building Name: ______________________________

Street Name: ______________________________

Postal Code: ______________________________

Country: ______________________________

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The Company Secretary
Oversea-Chinese Banking Corporation Limited
65 Chulia Street #08-00,
OCBC Centre
Singapore 049513

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Corporate Profile

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

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

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of over 500 branches and representative offices in 15 countries and territories, including more than 400 branches and offices in Indonesia that are operated by its subsidiary, Bank OCBC NISP.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia by assets. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia. Private banking services are provided by subsidiary Bank of Singapore, which has been ranked among the top five global private banks in Asia.

For more information, please visit www.ocbc.com

Corporate Information

BOARD OF DIRECTORS

Dr Cheong Choong Kong
Chairman

Mr Bobby Chin
Mr David Conner
Mrs Fang Ai Lian
Mr Lai Teck Poh
Mr Lee Seng Wee
Dr Lee Tih Shih
Mr Colm McCarthy
Professor Neo Boon Siong
Mr Pramukti Surjaudaja
Mr Patrick Yeoh

NOMINATING COMMITTEE

Mrs Fang Ai Lian
Chairman

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

EXECUTIVE COMMITTEE

Dr Cheong Choong Kong
Chairman

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

AUDIT COMMITTEE

Mr Bobby Chin
Chairman

Mr Colm McCarthy
Professor Neo Boon Siong

REMUNERATION COMMITTEE

Mrs Fang Ai Lian
Chairman

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

RISK MANAGEMENT COMMITTEE

Mr Patrick Yeoh
Chairman

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

SECRETARY

Mr Peter Yeoh

REGISTERED OFFICE

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

SHARE REGISTRATION OFFICE

M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906
Tel: (65) 6228 0505

AUDITORS

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

PARTNER IN CHARGE OF THE AUDIT

Mr Ong Pang Thye
(Year of Appointment: 2006)

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Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)

Company Registration Number: 193200032W