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.

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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

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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.