Financial Report

Management Discussion and Analysis

OVERVIEW

	2013	2012	+/(-) %
Selected Income Statement Items (S$ million)			
Net interest income	**3,883**	3,748	4
Non-interest income	**2,738**	2,897	(5)
Total core income	**6,621**	6,645	–
Operating expenses	**(2,784)**	(2,695)	3
Operating profit before allowances and amortisation	**3,837**	3,950	(3)
Amortisation of intangible assets	**(58)**	(60)	(3)
Allowances for loans and impairment of other assets	**(266)**	(271)	(2)
Operating profit after allowances and amortisation	**3,513**	3,619	(3)
Share of results of associates and joint ventures	**54**	27	103
Profit before income tax	**3,567**	3,646	(2)
Core net profit attributable to shareholders	**2,768**	2,825	(2)
Divestment gain, net of tax	**–**	1,168	(100)
Reported net profit attributable to shareholders	**2,768**	3,993	(31)
Cash basis net profit attributable to shareholders (1)	**2,826**	4,053	(30)
Selected Balance Sheet Items (S$ million)			
Ordinary equity	**23,720**	22,909	4
Total equity (excluding non-controlling interests)	**25,115**	25,804	(3)
Total assets	**338,448**	295,943	14
Assets excluding life assurance fund investment assets	**285,043**	243,672	17
Loans and bills receivable (net of allowances)	**167,854**	142,376	18
Deposits of non-bank customers	**195,974**	165,139	19
Per Ordinary Share			
Basic earnings (cents) (2)	**78.0**	79.1	
Basic earnings - Cash basis (cents) (2)	**79.8**	80.8	
Diluted earnings (cents) (2)	**77.9**	78.9	
Net asset value - Before valuation surplus (S$)	**6.91**	6.68	
Net asset value - After valuation surplus (S$)	**8.33**	7.95	
Key Financial Ratios (%)			
Return on equity (2)(3)	**11.6**	12.5	
Return on equity – Cash basis (2)(3)	**11.8**	12.8	
Return on assets (4)	**1.05**	1.19	
Return on assets – Cash basis (4)	**1.07**	1.22	
Net interest margin	**1.64**	1.77	
Non-interest income to total income	**41.4**	43.6	
Cost to income	**42.0**	40.6	
Loans to deposits	**85.7**	86.2	
NPL ratio	**0.7**	0.8	
Total capital adequacy ratio (5)	**16.3**	18.5	
Tier 1 ratio (5)	**14.5**	16.6	

(1) Excludes amortisation of intangible assets.
(2) Calculated based on core net profit less preference share dividends.
(3) Preference equity and non-controlling interests are not included in the computation for return on equity.
(4) Computation of return on assets excludes life assurance fund investment assets.
(5) Capital ratios for 2013 are computed based on MAS' transitional Basel III framework; capital ratios for 2012 are computed based on Basel II framework.
Amounts less than S$0.5 million are shown as "0".

The Group's net profit after tax for the financial year ended 31 December 2013 was S$2.77 billion. The strong momentum from our customer-related businesses lifted net interest income and fee income to record high levels. Our Malaysian and Indonesian banking subsidiaries also reported record full year results, while our insurance subsidiary Great Eastern Holdings ("GEH") achieved strong underlying business growth. Excluding non-core divestment gains of S$1.17 billion a year ago, core net profit after tax was 2% lower, as the strong customer-related business results throughout the year were offset by lower net trading income and unrealised mark-to-market losses from GEH's Non-Participating Fund.

Spurred by strong growth in both loans and deposits, full year net interest income was a record S$3.88 billion, 4% higher than S$3.75 billion a year ago. Customer loans rose 18% to S$170 billion from broad-based growth in Singapore and key overseas markets, which was led by trade finance and loans to the housing and building & construction sectors. Net interest margin for 2013 was stable at 1.64% over the four quarters in 2013. Compared to the previous year, net interest margin declined 13 basis points as a result of the persistently low interest rate environment and the re-pricing of existing mortgage loans in response to market competition. This was partially mitigated by an improvement in corporate and commercial loan spreads and lower costs from deposit funding.

Our customer-related businesses recorded strong growth momentum, which increased trade finance income by 12% and treasury income from customer flows by 26%. Fee and commission income rose 13% from S$1.20 billion in 2012 to reach a record S$1.36 billion, contributed by income growth in wealth management, loan-related, fund management and credit cards. Net gains from the sale of investment securities increased 46% to S$133 million. These income increases were however offset by a 49% drop in net trading income to S$262 million. Profit from life assurance also fell 13% to S$599 million from S$692 million a year ago, mainly from unrealised mark-to-market losses in GEH's Non-Participating Fund. GEH's underlying insurance business recorded strong growth in weighted new business premiums and new business embedded value. The Group's overall non-interest income, excluding divestment gains, declined 5% to S$2.74 billion from S$2.90 billion a year ago.

The Group's overall income from wealth management activities (comprising income from insurance, private banking, asset management, stockbroking and sales of other wealth management products) grew to a new high of S$1.93 billion, an increase of 5% from S$1.84 billion a year ago. As a share of total income, wealth management activities contributed 29%, compared with 28% in 2012. OCBC's private banking business maintained its strong growth trajectory, with assets under management increasing 8% to US$46 billion (S$58 billion) as at 31 December 2013 from US$43 billion (S$52 billion) a year ago.

Operating expenses were well-managed, up 3% at S$2.78 billion compared to S$2.70 billion in 2012. Staff costs increased 4% to S$1.72 billion, reflecting a 3% rise in headcount to support business expansion in our key markets, annual salary increments and higher incentive compensation linked to business volume growth.

The cost-to-income ratio was 42.0% in 2013, compared with 40.6% a year ago, mainly as a result of the lower contribution from market-related trading and insurance income.

Allowances for loans and other assets were S$266 million, 2% lower than S$271 million in 2012, while the non-performing loans ("NPL") ratio improved to 0.7% from 0.8% a year ago.

Return on equity, based on core earnings, was 11.6% in 2013, compared with 12.5% a year ago. Core earnings per share for the year was 78.0 cents, compared with 79.1 cents in 2012.

Our key subsidiaries contributed positively to the Group's strong customer-related business growth. GEH continued to achieve strong underlying insurance business growth, with weighted new business premiums and new business embedded value up 27% and 22% respectively. This was driven by sustained momentum across all sales channels in Singapore and Malaysia. The close collaboration between GEH and the OCBC Group also continued to yield robust bancassurance growth.

GEH reported a net profit after tax of S$675 million. Excluding divestment gains, net profit after tax was 12% lower compared to S$768 million a year ago, as strong growth in its underlying insurance business was more than offset by unrealised mark-to-market losses in its Non-Participating Fund. As a result, GEH's core net profit after tax contribution to the Group was S$542 million, excluding divestment gains and deducting amortisation of intangible assets and non-controlling interests. This was down 13% from S$622 million a year ago.

OCBC Bank (Malaysia) Berhad reported a record set of results. Full year net profit after tax was MYR946 million (S$374 million), 17% higher than MYR811 million (S$328 million) in 2012. This was achieved through broad-based income growth driven by a 52% increase in Islamic Financing Income, a 2% increase in net interest income and a 2% growth in non-interest income. Operating expenses rose 3% from the previous year while allowances were 29% lower. There was robust loan growth of 17%, with the NPL ratio at 2.3%.

Bank OCBC NISP likewise reported a record net profit after tax of IDR1,143 billion (S$137 million), up 25% from IDR915 billion (S$122 million) a year ago. Total income rose 18%, underpinned by net interest income growth of 22% and a 5% increase in non-interest income. Operating expenses were 14% higher while allowances increased 5%. Total customer loans were significantly higher by 21% and the NPL ratio improved from 0.9% a year ago to 0.7%.

The Board has proposed a final tax-exempt dividend of 17 cents per share, bringing the 2013 total dividend to 34 cents per share, an increase from 33 cents in 2012. This represents a payout ratio of 42%, which is within our target guidance range of 40% to 50% of the Group's core net profit after tax. The Scrip Dividend Scheme will be applicable to the final dividend, giving shareholders the option to receive the dividend in the form of shares. The issue price of the shares will be set at a 10% discount to the average of the daily volume-weighted average prices during the price determination period from 28 April to 30 April 2014, both dates inclusive.

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NET INTEREST INCOME

AVERAGE BALANCE SHEET

	2013			2012		
	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	**155,236**	**4,492**	**2.89**	136,137	4,173	3.07
Placements with and loans to banks	**44,693**	**772**	**1.73**	41,890	962	2.30
Other interest earning assets	**37,503**	**910**	**2.43**	33,716	833	2.47
Total	**237,432**	**6,174**	**2.60**	211,743	5,968	2.82
Interest bearing liabilities						
Deposits of non-bank customers	**176,775**	**1,770**	**1.00**	158,564	1,715	1.08
Deposits and balances of banks	**24,039**	**178**	**0.74**	21,346	189	0.88
Other borrowings	**21,295**	**343**	**1.61**	17,134	316	1.84
Total	**222,109**	**2,291**	**1.03**	197,044	2,220	1.13
Net interest income/margin		**3,883**	**1.64**		3,748	1.77

Net interest income rose to a record S$3.88 billion in 2013, up 4% from S$3.75 billion a year ago, driven by robust asset and deposit growth. Net interest margin for 2013 was 1.64%, a stabilised level that was maintained throughout the four quarters of 2013. Compared to the previous year, net interest margin declined 13 basis points as a result of the persistently low interest rate environment and the re-pricing of existing Singapore mortgage loans in response to market competition. The margin compression was partly offset by improved corporate and commercial loan spreads as well as lower costs from deposit funding.

VOLUME AND RATE ANALYSIS

Increase/(decrease) for 2013 over 2012	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	584	(254)	330
Placements with and loans to banks	64	(251)	(187)
Other interest earning assets	93	(13)	80
Total	741	(518)	223
Interest expense			
Deposits of non-bank customers	196	(137)	59
Deposits and balances of banks	24	(34)	(10)
Other borrowings	77	(48)	29
Total	297	(219)	78
Impact on net interest income	444	(299)	145
Due to change in number of days			(10)
Net interest income			135

NON-INTEREST INCOME

	2013 S$ million	2012 S$ million	+/(-) %
Fees and commissions			
Brokerage	**68**	60	14
Wealth management	**412**	322	28
Fund management	**100**	86	16
Credit card	**65**	51	28
Loan-related	**284**	251	13
Trade-related and remittances	**213**	213	–
Guarantees	**18**	18	1
Investment banking	**92**	91	1
Service charges	**79**	78	–
Others	**24**	28	(14)
Sub-total	**1,355**	1,198	13
Dividends	**75**	88	(15)
Rental income	**67**	72	(7)
Profit from life assurance	**599**	692	(13)
Premium income from general insurance	**157**	146	8
Other income			
Net trading income	**262**	515	(49)
Net gain from investment securities	**133**	91	46
Net loss from liquidation of a subsidiary	**(3)**	–	–
Net gain from disposal of properties	**28**	25	13
Others	**65**	70	(8)
Sub-total	**485**	701	(31)
Total core non-interest income	**2,738**	2,897	(5)
Divestment gain	**–**	1,316	(100)
Total non-interest income	**2,738**	4,213	(35)
Fees and commissions/Total income [1]	**20.5%**	18.0%	
Non-interest income/Total income [1]	**41.4%**	43.6%	

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

Fees and commissions increased 13% from S$1.20 billion a year ago to reach a record S$1.36 billion, contributed by sustained growth in wealth management income, loan-related, fund management and credit card income. Net gains from the sale of investment securities rose 46% to S$133 million, from S$91 million in 2012. Net trading income declined 49% from the strong 2012 performance to S$262 million. Profit from life assurance was 13% lower at S$599 million compared with S$692 million a year ago, largely attributed to unrealised mark-to-market losses in GEH's Non-Participating Fund which more than offset underlying insurance business growth. As a result, core non-interest income, excluding divestment gains, declined 5% to S$2.74 billion from S$2.90 billion the previous year.

Management Discussion and Analysis

OPERATING EXPENSES

	2013 S$ million	2012 S$ million	+/(-) %
Staff costs			
Salaries and other costs	**1,576**	1,516	4
Share-based expenses	**13**	10	33
Contribution to defined contribution plans	**126**	124	2
	1,715	1,650	4
Property and equipment			
Depreciation	**207**	184	12
Maintenance and hire of property, plant & equipment	**84**	87	(3)
Rental expenses	**73**	70	5
Others	**166**	150	11
	530	491	8
Other operating expenses	**539**	554	(3)
Total operating expenses	**2,784**	2,695	3
Group staff strength			
Period end	**25,350**	24,628	3
Average	**25,030**	23,917	5
Cost to income ratio [1]	**42.0%**	40.6%	

[1] Excludes gains from divestment of non-core assets.

Operating expenses were S$2.78 billion for 2013, an increase of 3% compared to S$2.70 billion in 2012. Staff costs were up 4% to S$1.72 billion, from S$1.65 billion a year ago, largely attributed to 3% headcount growth to support the Group's expansion in Singapore and key overseas markets, annual salary increments and higher incentive compensation linked to business volume growth. Property and equipment-related expenses were 8% higher at S$530 million, mainly as a result of an increase in depreciation expenses.

The cost-to-income ratio was 42.0% in 2013, compared with 40.6% a year ago, largely as a result of lower contribution from market-related trading and insurance income.

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2013 S$ million	2012 S$ million	+/(-) %
Specific allowances for loans			
Singapore	**32**	87	(63)
Malaysia	**16**	14	12
Others	**33**	14	139
	81	115	(29)
Portfolio allowances for loans	**183**	148	24
Allowances and impairment charges for other assets	**2**	8	(84)
Allowances for loans and impairment of other assets	**266**	271	(2)

Allowances for loans and other assets were S$266 million in 2013, a decline of 2% compared to S$271 million a year ago. Specific allowances for loans, net of recoveries and writebacks, of S$81 million for the year were 29% lower from S$115 million in 2012. Specific allowances remained low at 5 basis points of loans. Portfolio allowances for loans were S$183 million, an increase of 24% from S$148 million a year ago, in line with strong loan growth.

LOANS AND ADVANCES

	2013 S$ million	2012 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**6,279**	4,863	29
Manufacturing	**10,069**	8,197	23
Building and construction	**24,905**	22,388	11
Housing loans	**42,075**	37,809	11
General commerce	**27,893**	17,502	59
Transport, storage and communication	**10,989**	9,106	21
Financial institutions, investment and holding companies	**22,470**	22,456	–
Professionals and individuals	**16,208**	14,272	14
Others	**8,732**	7,437	17
	169,620	144,030	18
By Currency			
Singapore Dollar	**73,907**	70,141	5
United States Dollar	**45,702**	31,680	44
Malaysian Ringgit	**20,494**	18,404	11
Indonesian Rupiah	**4,725**	4,989	(5)
Others	**24,792**	18,816	32
	169,620	144,030	18
By Geography [1]			
Singapore	**83,920**	75,215	12
Malaysia	**25,257**	23,157	9
Indonesia	**11,890**	10,679	11
Greater China	**27,183**	17,379	56
Other Asia Pacific	**8,357**	8,253	1
Rest of the World	**13,013**	9,347	39
	169,620	144,030	18

(1) Loans by geography are based on where the credit risks reside, which may be different from the borrower's country of residence or the booking location of the loans.

As at 31 December 2013, gross loans to customers grew by 18% to S$170 billion from S$144 billion a year ago. Loan growth for the year was broad-based across all industry sectors across the Group's key markets, with the largest increases coming from trade finance and loans to the housing and building & construction sectors.

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							
2013	**223**	**77**	**79**	**67**	**53.4**	**194**	**0.2**
2012	258	91	119	48	55.2	258	0.3
Malaysia							
2013	**548**	**331**	**175**	**42**	**58.9**	**529**	**2.1**
2012	432	251	134	47	55.7	409	1.8
Indonesia							
2013	**49**	**8**	**5**	**36**	**58.7**	**49**	**0.4**
2012	60	6	3	51	47.8	60	0.6
Greater China							
2013	**108**	**105**	**2**	**1**	**87.1**	**96**	**0.4**
2012	33	28	0	5	87.9	33	0.2
Other Asia Pacific							
2013	**251**	**208**	**43**	**–**	**62.9**	**251**	**3.0**
2012	281	242	39	–	73.7	281	3.4
Rest of the World							
2013	**125**	**115**	**8**	**2**	**13.8**	**120**	**0.9**
2012	108	99	7	2	23.3	104	1.1
Group							
2013	**1,304**	**844**	**312**	**148**	**56.8**	**1,239**	**0.7**
2012	1,172	717	302	153	57.4	1,145	0.8

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

The Group's asset quality remained sound. Non-performing loans ("NPLs") were S$1.24 billion as at 31 December 2013, up 8% compared with S$1.15 billion a year ago. By geography, the increase was largely from Malaysia and Greater China, partly offset by a decrease in Singapore and Other Asia Pacific. By industry segment, the increase was mainly from the manufacturing sector as well as from loans classified in the "Others" segment, partly offset by declines from loans to building & construction and financial institutions, investment and holding companies.

The Group's NPL ratio was 0.7%, an improvement from 0.8% a year ago.

Total non-performing assets ("NPAs") as at 31 December 2013, which included classified debt securities and contingent liabilities, were S$1.30 billion, an increase of 11% from S$1.17 billion a year ago. Of the total NPAs, 65% were in the substandard category and 57% were secured by collateral.

NON-PERFORMING ASSETS (continued)

	2013		2012	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**10**	**0.2**	6	0.1
Manufacturing	**408**	**4.0**	366	4.5
Building and construction	**160**	**0.6**	199	0.9
Housing loans	**217**	**0.5**	192	0.5
General commerce	**126**	**0.5**	105	0.6
Transport, storage and communication	**100**	**0.9**	77	0.8
Financial institutions, investment and holding companies	**45**	**0.2**	88	0.4
Professionals and individuals	**91**	**0.6**	87	0.6
Others	**82**	**0.9**	25	0.3
Total NPLs	**1,239**	**0.7**	1,145	0.8
Classified debt securities	**4**		4	
Classified contingent liabilities	**61**		23	
Total NPAs	**1,304**		1,172	

	2013		2012	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**284**	**22**	328	28
Over 90 to 180 days	**155**	**12**	81	7
30 to 90 days	**193**	**15**	160	14
Less than 30 days	**11**	**1**	10	1
Not overdue	**661**	**50**	593	50
	1,304	**100**	1,172	100

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CUMULATIVE ALLOWANCES FOR ASSETS

	Total cumulative allowances S$ million	Specific allowances S$ million	Portfolio allowances S$ million	Specific allowances as % of total NPAs %	Cumulative allowances as % of total NPAs %
Singapore					
2013	**700**	**50**	**650**	**22.5**	**313.8**
2012	696	105	591	40.8	269.5
Malaysia					
2013	**445**	**110**	**335**	**19.9**	**81.0**
2012	450	133	317	30.8	104.4
Indonesia					
2013	**181**	**28**	**153**	**57.1**	**370.6**
2012	164	39	125	66.2	273.2
Greater China					
2013	**201**	**1**	**200**	**0.9**	**185.3**
2012	170	4	166	10.7	508.9
Other Asia Pacific					
2013	**127**	**41**	**86**	**16.5**	**50.5**
2012	112	20	92	7.1	40.0
Rest of the World					
2013	**96**	**9**	**87**	**7.1**	**77.4**
2012	70	10	60	8.8	64.0
Group					
2013	**1,750**	**239**	**1,511**	**18.3**	**134.2**
2012	1,662	311	1,351	26.6	141.8

As at 31 December 2013, the Group's total cumulative allowances for assets were S$1.75 billion, comprising S$239 million in specific allowances and S$1.51 billion in portfolio allowances. Total cumulative allowances were 134% of total NPAs and 310% of unsecured NPAs, compared with the respective ratios of 142% and 333% as at 31 December 2012.

DEPOSITS

	2013 S$ million	2012 S$ million	+/(-) %
Deposits of non-bank customers	**195,974**	165,139	19
Deposits and balances of banks	**21,549**	25,656	(16)
Total deposits	**217,523**	190,795	14
Non-Bank Deposits By Product			
Fixed deposits	**81,565**	67,263	21
Savings deposits	**32,209**	30,614	5
Current account	**59,109**	52,904	12
Others	**23,091**	14,358	61
	195,974	165,139	19
Non-Bank Deposits By Currency			
Singapore Dollar	**92,022**	82,095	12
United States Dollar	**45,847**	31,455	46
Malaysian Ringgit	**22,882**	20,739	10
Indonesian Rupiah	**4,987**	5,835	(15)
Others	**30,236**	25,015	21
	195,974	165,139	19
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**85.7%**	86.2%	

Non-bank customer deposits were S$196 billion as at 31 December 2013, up 19% from S$165 billion a year ago. The growth was led by a 21% increase in fixed deposits to S$81.6 billion, from S$67.3 billion a year ago, and from a 12% rise in current account deposits to S$59.1 billion, up from S$52.9 billion the previous year. The ratio of current and savings deposits to total non-bank deposits was 46.6%, compared to 50.6% a year ago.

The Group's loans-to-deposits ratio was 85.7%, compared with 86.2% a year ago.

PERFORMANCE BY BUSINESS SEGMENT

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, and Insurance.

OPERATING PROFIT BY BUSINESS SEGMENT

	2013 S$ million	2012 S$ million	+/(-) %
Global Consumer/Private Banking	**738**	589	25
Global Corporate/Investment Banking	**1,826**	1,743	5
Global Treasury and Markets	**428**	619	(31)
Insurance	**760**	825	(8)
Others [1]	**(239)**	(157)	52
Operating profit after allowances and amortisation	**3,513**	3,619	(3)

[1] Excludes gains from divestment of non-core assets.

GLOBAL CONSUMER/PRIVATE BANKING

Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

Operating profit after allowances and amortisation increased 25% to S$738 million in 2013, driven by higher net interest income and fee income, which were partly offset by a rise in expenses.

GLOBAL CORPORATE/INVESTMENT BANKING

Global Corporate/Investment Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management and custodian services. Investment Banking comprises a comprehensive range of financing solutions, syndicated loans and advisory services, corporate finance services for initial public offerings, secondary fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

Global Corporate/Investment Banking's 2013 operating profit after allowances and amortisation grew 5% to S$1.83 billion from S$1.74 billion a year ago, led by higher net interest income arising from robust loan growth, and partly offset by higher expenses and allowances.

GLOBAL TREASURY AND MARKETS

Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers of other business segments, such as Global Consumer/Private Banking and Global Corporate/Investment Banking, is reflected in the respective business segments.

Global Treasury's 2013 operating profit after allowances and amortisation of S$428 million was 31% lower than S$619 million a year ago, mainly attributed to lower net trading income.

INSURANCE

The Group's insurance business, including its fund management activities, is undertaken by 87.2%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

Operating profit after allowances and amortisation from GEH fell 8% to S$760 million in 2013. The decline in operating profit was mainly driven by lower insurance income and partly offset by higher gains from sale of investment securities.

After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S$542 million in 2013, down from S$622 million in 2012.

OTHERS

Others comprise mainly property holding, investment holding and items not attributable to the business segments described above.

Management Discussion and Analysis

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2013		2012	
	S$ million	%	S$ million	%
Total core income				
Singapore	**4,079**	**62**	4,214	63
Malaysia	**1,401**	**21**	1,305	20
Indonesia	**503**	**8**	466	7
Greater China	**385**	**6**	431	7
Other Asia Pacific	**155**	**2**	150	2
Rest of the World	**98**	**1**	79	1
	6,621	**100**	6,645	100
Profit before income tax				
Singapore	**2,091**	**59**	2,264	62
Malaysia	**916**	**26**	812	22
Indonesia	**182**	**5**	159	4
Greater China	**208**	**6**	264	7
Other Asia Pacific	**87**	**2**	94	3
Rest of the World	**83**	**2**	53	2
	3,567	**100**	3,646	100
Total assets				
Singapore	**210,541**	**62**	181,385	61
Malaysia	**60,773**	**18**	58,030	20
Indonesia	**10,219**	**3**	10,162	3
Greater China	**33,022**	**10**	28,083	9
Other Asia Pacific	**10,138**	**3**	10,426	4
Rest of the World	**13,755**	**4**	7,857	3
	338,448	**100**	295,943	100

The geographical segment analysis is based on the location where assets or transactions are booked. For 2013, Singapore accounted for 62% of total income and 59% of pre-tax profit, while Malaysia accounted for 21% of total income and 26% of pre-tax profit.

Pre-tax profit for Singapore declined by 8% to S$2.09 billion, from S$2.26 billion in 2012 as strong interest income and fee income growth were more than offset by lower trading and insurance income and higher expenses. Malaysia's pre-tax profit was S$916 million, an increase of 13% compared to S$812 million a year ago, underpinned by higher net interest income and fee income, which more than offset the decline in trading income.

CAPITAL ADEQUACY RATIOS

The Group remains strongly capitalised, with a Common Equity Tier 1 ("CET1") capital adequacy ratio ("CAR") of 14.5% and Tier 1 CAR and Total CAR of 14.5% and 16.3% respectively as at 31 December 2013. These ratios, based on MAS' transitional Basel III rules for 2013, were well above the respective regulatory minima of 4.5%, 6% and 10%. The Group's transitional Basel III Tier 1 CAR and Total CAR as at 31 December 2013 were lower than the respective ratios a year ago, which were computed on a Basel II basis. This was largely attributed to the redemption of S$1.5 billion OCBC Class B and Class E preference shares and MYR1.6 billion OCBC subordinated bonds during the year, as well as from higher risk weights for exposures to financial institutions, equities and over-the-counter derivatives.

UNREALISED VALUATION SURPLUS

	2013 S$ million	2012 S$ million
Properties [1]	**3,435**	3,117
Equity securities [2]	**1,439**	1,245
Total	**4,874**	4,362

(1) Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at the end of the year.

(2) Comprises mainly investments in quoted subsidiaries, which are valued based on their market prices at the end of the year.

The Group's unrealised valuation surplus largely represents the difference between the carrying values of its properties and investments in quoted subsidiaries and the property values and market prices of the quoted investments at the respective periods. The carrying values of subsidiaries and associates on the balance sheet are measured at cost plus post-acquisition reserves, while those of properties are measured at cost less accumulated depreciation and impairment, if any.

The valuation surplus as at 31 December 2013 was S$4.87 billion, an increase of 12% from S$4.36 billion as at 31 December 2012. The valuation surplus for properties increased by 10% to S$3.44 billion, from S$3.12 billion the previous year, largely attributed to higher property values in Singapore. The valuation surplus in equity securities rose 16% to S$1.44 billion, from S$1.25 billion a year ago mainly from higher valuation of the Group's equity stakes in GEH.

Directors' Report

For the financial year ended 31 December 2013

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 2013.

DIRECTORS

The directors of the Bank in office at the date of this report are as follows:

Cheong Choong Kong, Chairman
Bobby Chin Yoke Choong
David Philbrick Conner
Fang Ai Lian
Lai Teck Poh
Lee Seng Wee
Lee Tih Shih
Ooi Sang Kuang
Quah Wee Ghee
Pramukti Surjaudaja
Tan Ngiap Joo (appointed on 2 September 2013)
Teh Kok Peng
Samuel N. Tsien (appointed on 13 February 2014)
Wee Joo Yeow (appointed on 2 January 2014)

Mrs Fang Ai Lian and Dr Teh Kok Peng 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 Bobby Chin Yoke Choong, who retires pursuant to Articles 95 and 96 of the Articles of Association of the Bank, has expressed his wish to retire at this forthcoming annual general meeting and will not offer himself for re-election.

Mr Tan Ngiap Joo, Mr Wee Joo Yeow and Mr Samuel N. Tsien, who were appointed to the Board under Article 101 of the Articles of Association of the Bank retire in accordance with the provisions of that Article and, being eligible, offer themselves for re-election.

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

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 31.12.2013	At 1.1.2013/ Date of appointment	At 31.12.2013	At 1.1.2013/ Date of appointment
BANK				
Ordinary shares				
Cheong Choong Kong	**584,373**	378,373	**10,831** (1)	10,831 (1)
Bobby Chin Yoke Choong	**40,917**	34,917	**45,130** (1)	45,130 (1)
David Philbrick Conner	**2,853,064**	2,402,515	**801,899** (2)	1,180,742 (2)
Fang Ai Lian	**74,671**	68,671	**–**	–
Lai Teck Poh	**599,266**	554,824	**–**	14,442 (2)
Lee Seng Wee	**7,537,454**	7,531,454	**4,401,409** (1)	4,401,409 (1)
Lee Tih Shih	**2,695,860**	2,689,860	**–**	–
Neo Boon Siong [3]	**46,332**	40,332	**–**	–
Ooi Sang Kuang	**5,163**	–	**–**	–
Quah Wee Ghee	**5,868**	–	**473** (1)	473 (1)
Pramukti Surjaudaja	**24,561**	18,561	**–**	–
Tan Ngiap Joo	**830,912**	830,912	**–**	–
Teh Kok Peng	**395,506**	389,506	**–**	–
5.1% Class B non-cumulative non-convertible preference shares [4]				
Fang Ai Lian	**–**	1,700	**–**	–
Lai Teck Poh	**–**	2,500	**–**	–
Quah Wee Ghee	**–**	–	**–**	1,000 (1)
4.2% Class G non-cumulative non-convertible preference shares				
Cheong Choong Kong	**15,000**	15,000	**–**	–
Bobby Chin Yoke Choong	**–**	–	**8,227** (1)	8,227 (1)
David Philbrick Conner	**50,000**	50,000	**–**	–
Lee Seng Wee	**800,000**	800,000	**600,000** (1)	600,000 (1)
Lee Tih Shih	**240,000**	240,000	**–**	–
Teh Kok Peng	**40,000**	40,000	**–**	–
OCBC Capital Corporation				
3.93% non-cumulative non-convertible guaranteed preference shares				
Tan Ngiap Joo	**–**	–	**2,500** (1)	2,500 (1)
OCBC Capital Corporation (2008)				
5.1% non-cumulative non-convertible guaranteed preference shares				
Cheong Choong Kong	**10,000**	10,000	**–**	–
Lee Tih Shih	**10,000**	10,000	**–**	–
Quah Wee Ghee	**–**	–	**2,100** (1)	2,100 (1)

(1) Ordinary shares/preference shares held by spouse.
(2) Ordinary shares under OCBC Deferred Share Plan.
(3) Professor Neo Boon Siong resigned from the Board of Directors of the Bank on 31 December 2013.
(4) All of the 5.1% Class B non-cumulative non-convertible preference shares were fully redeemed on 29 July 2013.

Directors' Report

For the financial year ended 31 December 2013

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

None of the directors holding office at the end of the financial year have direct or deemed interest in the 4.0% Class M non-cumulative non-convertible preference shares of the Bank.

Save as disclosed above, no director had any interest in shares in, or debentures of, the Bank or any of its related corporations either at the beginning of the financial year, date of appointment, or at the end of the financial year.

In respect of the directors holding office as at the end of the financial year and as at 21 January 2014, there were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2014. Professor Neo Boon Siong resigned from the Board of Directors of the Bank on 31 December 2013. Mr Wee Joo Yeow, who was appointed as a director of the Bank on 2 January 2014, had the following interests in the Bank's shares as at 21 January 2014:

	Direct interest	Deemed interest
	At 21.1.2014	At 21.1.2014
Ordinary shares	**20,000**	**4,008** (1)

(1) Held by spouse.

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.

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
Bobby Chin Yoke Choong
Lee Tih Shih
Ooi Sang Kuang
Teh Kok Peng

Dr Cheong Choong Kong did not participate in any deliberation or decision in respect of options granted to him.

Under the share-based compensation plans, no options or rights have been granted to controlling shareholders of the Bank or their associates, nor has any participant received 5% or more of the total number of options or rights available under each respective scheme or plan during the financial year. No options or rights were granted at a discount during the financial year. The persons to whom the options or rights were issued have no right by virtue of these options or rights to participate in any share issue of any other company.

The Bank's share-based compensation plans are as follows:

(a) OCBC Share Option Scheme

The OCBC Share Option Scheme 2001 ("2001 Scheme"), which was implemented in 2001, had been extended for another 10 years from 2011 to 2021, as approved by the shareholders. Executives of the Group ranked Manager and above (including executive and non-executive directors), are eligible for this scheme. The Bank will either issue new shares or transfer treasury shares to the executives upon their exercise of options.

Particulars of Options 2003, 2004, 2004A, 2004B, 2005, 2005A, 2006, 2006B, 2007, 2007A, 2007B, 2008, 2008NED, 2009, 2009NED, 2010, 2010NED, 2011, 2011NED, 2012 and 2012NED were set out in the Directors' Reports for the financial years ended 31 December 2003 to 2012.

During the financial year, pursuant to the 2001 Scheme, options to acquire 9,546,759 ordinary shares at $10.302 per ordinary share were granted to 136 eligible executives of the Group ("2013 Options"), as well as to a non-executive director of the Bank ("2013NED Options"). The acquisition price was equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately prior to the date when the offer to grant an option was made to a grantee.

SHARE-BASED COMPENSATION PLANS (continued)

(a) OCBC Share Option Scheme (continued)

Details of unissued ordinary shares under the 2001 Scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2013 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2013 Outstanding	At 31.12.2013 Exercisable
2003	28.03.2004 to 26.03.2013	4.067	2,327,811	2,292,771	–	–
2004	16.03.2005 to 14.03.2014	5.142	721,275	720,613	1,331,592	1,331,592
2004A	20.08.2005 to 18.08.2014	5.492	40,000	40,000	100,800	100,800
2004B	23.11.2005 to 21.11.2014	5.667	103,200	103,200	–	–
2005	15.03.2006 to 13.03.2015	5.767	977,954	975,329	1,849,191	1,849,191
2005A	09.04.2006 to 07.04.2015	5.784	104,600	104,600	122,800	122,800
2006	15.03.2007 to 13.03.2016	6.820	878,850	875,220	1,552,042	1,552,042
2006B	24.05.2007 to 22.05.2016	6.580	83,000	83,000	209,000	209,000
2007	15.03.2008 to 13.03.2017	8.590	222,642	222,642	2,488,141	2,488,141
2007A	16.01.2008 to 14.01.2017	7.600	–	–	445,000	445,000
2007B	15.03.2008 to 13.03.2017	8.590	200,000	191,999	227,000	227,000
2008	15.03.2009 to 13.03.2018	7.520	837,548	817,494	2,731,355	2,731,355
2008NED	15.03.2009 to 13.03.2013	7.520	200,000	200,000	–	–
2009	17.03.2010 to 15.03.2019	4.138	423,057	417,806	2,057,748	2,057,748
2009NED	17.03.2010 to 15.03.2014	4.138	–	–	162,958	162,958
2010	16.03.2011 to 14.03.2020	8.762	474,288	462,196	2,106,959	2,106,959
2010NED	16.03.2011 to 14.03.2015	8.762	–	–	233,727	233,727
2011	15.03.2012 to 13.03.2021	9.350	190,817	180,953	2,057,283	1,292,396
2011NED	15.03.2012 to 13.03.2016	9.350	–	–	326,302	215,358
2012	15.03.2013 to 13.03.2022	8.798	212,009	208,712	4,293,123	1,287,356
2012NED	15.03.2013 to 13.03.2017	8.798	–	–	340,924	112,504
2013	15.03.2014 to 13.03.2023	10.302	–	–	8,992,204	–
2013NED	15.03.2014 to 13.03.2018	10.302	–	–	452,025	–
			7,997,051	7,896,535	32,080,174	18,525,927

(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 2013, the Bank launched its eighth offering of ESP Plan, which commenced on 1 July 2013 and will expire on 30 June 2015. Under the eighth offering, 6,068 employees enrolled to participate in the ESP Plan to acquire 7,432,261 ordinary shares at $9.92 per ordinary share. The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately preceding the price fixing date.

(c) OCBC Deferred Share Plan

The Bank implemented the OCBC Deferred Share Plan ("DSP") in 2003. The DSP is a discretionary incentive and retention award programme extended to executives of the Group at the absolute discretion of the Remuneration Committee. Details of the DSP were set out in the Directors' Report for the financial year ended 31 December 2007.

Directors' Report

For the financial year ended 31 December 2013

SHARE-BASED COMPENSATION PLANS (continued)

(c) OCBC Deferred Share Plan (continued)

Total awards of 3,663,801 ordinary shares (including 41,990 ordinary shares to a director of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2013. In addition, total awards of 322,669 ordinary shares (including 25,438 ordinary shares to a director of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2012 and interim dividend for financial year ended 31 December 2013. During the financial year, 5,079,377 deferred shares were released to grantees, of which 460,713 deferred shares were released to directors of the Bank.

Changes in the number of options under the 2001 Scheme held by directors for the financial year under review are as follows:

Name of director	Options granted to acquire ordinary shares for the financial year ended 31.12.2013	Aggregate number of options granted since commencement of scheme to 31.12.2013	Aggregate number of options exercised/lapsed since commencement of scheme to 31.12.2013	Aggregate number of options outstanding at 31.12.2013
Cheong Choong Kong	452,025	2,430,736	400,000	2,030,736
David Philbrick Conner	–	4,565,000	3,564,000	1,001,000
Lai Teck Poh	–	555,000	288,000	267,000
Tan Ngiap Joo	–	806,000	480,000	326,000

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2014.

AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Fang Ai Lian, Chairman
Tan Ngiap Joo
Teh Kok Peng

The Audit Committee performed the functions specified in the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005, the Banking (Corporate Governance) (Amendment) Regulations 2010, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance. In performing these functions, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, as well as the results of the auditors' examination and their evaluation of the system of internal controls.

The Audit Committee also reviewed the following:

(a) response of the Bank's management and the assistance provided by officers of the Bank to the external and internal auditors;
(b) the financial statements of the Group and the Bank and the auditors' report thereon prior to their submission to the Board of Directors; and
(c) the independence and objectivity of the external auditors.

The Audit Committee has full access to, and the cooperation of, the management and has been given the resources required for it to discharge its functions. It has full authority and discretion to invite any director and executive officer to attend its meetings.

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

AUDITORS

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

CHEONG CHOONG KONG
Director

FANG AI LIAN
Director

Singapore
13 February 2014

Statement by Directors

For the financial year ended 31 December 2013

In the opinion of the directors,

(a) the financial statements set out on pages 87 to 182 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 2013, 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

FANG AI LIAN
Director

Singapore
13 February 2014

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 2013, 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 87 to 182.

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 2013, the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 February 2014

Income Statements

For the financial year ended 31 December 2013

	Note	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
Interest income		**6,174,076**	5,967,535	**3,532,538**	3,441,391
Interest expense		**(2,291,244)**	(2,219,791)	**(1,136,513)**	(1,190,176)
Net interest income	3	**3,882,832**	3,747,744	**2,396,025**	2,251,215
Premium income		**7,600,064**	6,254,417	**–**	–
Investment income		**2,394,725**	4,245,724	**–**	–
Net claims, surrenders and annuities		**(6,134,629)**	(5,376,383)	**–**	–
Change in life assurance fund contract liabilities		**(1,843,762)**	(3,065,964)	**–**	–
Commission and others		**(1,417,682)**	(1,366,075)	**–**	–
Profit from life assurance	4	**598,716**	691,719	**–**	–
Premium income from general insurance		**157,344**	145,836	**–**	–
Fees and commissions (net)	5	**1,355,457**	1,198,250	**754,487**	683,837
Dividends	6	**75,062**	88,233	**1,235,886**	469,325
Rental income		**67,457**	72,327	**30,941**	31,425
Other income	7	**484,543**	2,017,263	**151,968**	1,133,410
Non-interest income		**2,738,579**	4,213,628	**2,173,282**	2,317,997
Total income		**6,621,411**	7,961,372	**4,569,307**	4,569,212
Staff costs		**(1,715,123)**	(1,649,620)	**(679,412)**	(673,439)
Other operating expenses		**(1,068,780)**	(1,045,122)	**(731,262)**	(712,369)
Total operating expenses	8	**(2,783,903)**	(2,694,742)	**(1,410,674)**	(1,385,808)
Operating profit before allowances and amortisation		**3,837,508**	5,266,630	**3,158,633**	3,183,404
Amortisation of intangible assets	37	**(58,099)**	(59,903)	**–**	–
Allowances for loans and impairment for other assets	9	**(266,058)**	(271,432)	**(158,101)**	(180,841)
Operating profit after allowances and amortisation		**3,513,351**	4,935,295	**3,000,532**	3,002,563
Share of results of associates and joint ventures		**53,940**	26,566	**–**	–
Profit before income tax		**3,567,291**	4,961,861	**3,000,532**	3,002,563
Income tax expense	10	**(597,785)**	(698,912)	**(289,366)**	(306,543)
Profit for the year		**2,969,506**	4,262,949	**2,711,166**	2,696,020
Attributable to:					
Equity holders of the Bank		**2,767,566**	3,992,811		
Non-controlling interests		**201,940**	270,138		
		2,969,506	4,262,949		
Earnings per share (cents)	11				
Basic		**78.0**	113.1		
Diluted		**77.9**	112.9		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2013

	Note	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
Profit for the year		**2,969,506**	4,262,949	**2,711,166**	2,696,020
Other comprehensive income:					
Available-for-sale financial assets					
(Losses)/gains for the year		**(336,665)**	1,011,932	**(121,676)**	565,563
Reclassification of (gains)/losses to income statement					
- on disposal		**(131,465)**	(1,350,925)	**(71,854)**	(810,843)
- on impairment		**3,527**	18,197	**(265)**	(287)
Tax on net movements	20	**52,002**	71,808	**9,946**	56,542
Defined benefit plans remeasurements [1]		**(39)**	(8,241)	**–**	–
Exchange differences on translating foreign operations		**(342,983)**	(288,083)	**(27,062)**	(32,159)
Other comprehensive income of associates and joint ventures		**3,522**	(174)	**–**	–
Total other comprehensive income, net of tax		**(752,101)**	(545,486)	**(210,911)**	(221,184)
Total comprehensive income for the year, net of tax		**2,217,405**	3,717,463	**2,500,255**	2,474,836
Total comprehensive income attributable to:					
Equity holders of the Bank		**2,068,855**	3,488,284		
Non-controlling interests		**148,550**	229,179		
		2,217,405	3,717,463		

[1] Item that will not be reclassified to income statement.

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 2013

	Note	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**9,448,282**	9,953,321	**9,448,282**	9,953,321
Capital reserves	14	**418,368**	375,520	**94,040**	95,985
Fair value reserves		**493,473**	895,345	**137,520**	321,369
Revenue reserves	15	**14,755,420**	14,580,211	**9,645,619**	9,213,566
		25,115,543	25,804,397	**19,325,461**	19,584,241
Non-controlling interests	16	**2,963,937**	2,896,604	**–**	–
Total equity		**28,079,480**	28,701,001	**19,325,461**	19,584,241
LIABILITIES					
Deposits of non-bank customers	17	**195,973,762**	165,139,476	**142,854,677**	115,325,281
Deposits and balances of banks	17	**21,548,850**	25,655,587	**20,260,227**	21,538,856
Due to subsidiaries		**–**	–	**6,956,568**	8,257,934
Due to associates		**167,662**	161,362	**154,553**	148,642
Trading portfolio liabilities		**897,874**	1,083,334	**897,874**	1,083,334
Derivative payables	18	**5,508,684**	5,000,572	**4,495,148**	4,619,730
Other liabilities	19	**4,250,580**	4,323,093	**1,415,854**	1,542,720
Current tax		**1,025,000**	897,296	**367,225**	366,712
Deferred tax	20	**1,111,986**	1,170,303	**59,510**	65,179
Debt issued	21	**26,701,876**	11,424,427	**26,914,088**	11,918,895
		257,186,274	214,855,450	**204,375,724**	164,867,283
Life assurance fund liabilities	22	**53,182,631**	52,387,007	**–**	–
Total liabilities		**310,368,905**	267,242,457	**204,375,724**	164,867,283
Total equity and liabilities		**338,448,385**	295,943,458	**223,701,185**	184,451,524
ASSETS					
Cash and placements with central banks	23	**19,340,810**	16,396,833	**12,712,980**	9,381,653
Singapore government treasury bills and securities	24	**11,718,724**	13,141,224	**10,771,479**	11,961,420
Other government treasury bills and securities	24	**8,892,113**	9,156,753	**4,543,308**	6,098,387
Placements with and loans to banks	25	**39,572,500**	29,810,928	**30,820,827**	21,017,680
Loans and bills receivable	26–29	**167,854,086**	142,376,478	**125,080,132**	104,156,600
Debt and equity securities	30	**19,602,314**	14,931,990	**12,891,217**	9,348,412
Assets pledged	45	**2,109,722**	2,056,155	**1,919,834**	1,946,335
Assets held for sale	46	**1,707**	5,256	**477**	–
Derivative receivables	18	**5,194,163**	5,154,754	**4,195,425**	4,693,349
Other assets	31	**3,900,403**	3,844,627	**1,311,211**	1,147,341
Deferred tax	20	**106,794**	43,438	**41,707**	26,257
Associates and joint ventures	33	**379,768**	354,892	**170,154**	191,250
Subsidiaries	34	**–**	–	**16,295,363**	11,576,708
Property, plant and equipment	35	**1,898,096**	1,702,585	**517,810**	473,930
Investment property	36	**731,350**	878,240	**562,085**	565,026
Goodwill and intangible assets	37	**3,740,978**	3,817,902	**1,867,176**	1,867,176
		285,043,528	243,672,055	**223,701,185**	184,451,524
Life assurance fund investment assets	22	**53,404,857**	52,271,403	**–**	–
Total assets		**338,448,385**	295,943,458	**223,701,185**	184,451,524

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 2013

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 2013	9,953,321	375,520	895,345	14,580,211	25,804,397	2,896,604	28,701,001
Total comprehensive income for the year							
Profit for the year	–	–	–	2,767,566	2,767,566	201,940	2,969,506
Other comprehensive income							
Available-for-sale financial assets							
Losses for the year	–	–	(327,510)	–	(327,510)	(9,155)	(336,665)
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(126,168)	–	(126,168)	(5,297)	(131,465)
- on impairment	–	–	3,425	–	3,425	102	3,527
Tax on net movements	–	–	49,356	–	49,356	2,646	52,002
Defined benefit plans remeasurements	–	–	–	(215)	(215)	176	(39)
Exchange differences on translating foreign operations	–	–	–	(300,671)	(300,671)	(42,312)	(342,983)
Other comprehensive income of associates and joint ventures	–	–	(975)	4,047	3,072	450	3,522
Total other comprehensive income, net of tax	–	–	(401,872)	(296,839)	(698,711)	(53,390)	(752,101)
Total comprehensive income for the year	–	–	(401,872)	2,470,727	2,068,855	148,550	2,217,405
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	15,334	27,809	–	(43,143)	–	–	–
Distributions and dividends to non-controlling interests	–	–	–	–	–	(138,409)	(138,409)
DSP reserve from dividends on unvested shares	–	–	–	3,530	3,530	–	3,530
Ordinary and preference dividends	–	–	–	(1,255,531)	(1,255,531)	–	(1,255,531)
Redemption of preference shares	(499,950)	–	–	(1,000,050)	(1,500,000)	–	(1,500,000)
Share-based staff costs capitalised	–	13,389	–	–	13,389	–	13,389
Share buyback held in treasury	(150,382)	–	–	–	(150,382)	–	(150,382)
Shares issued to non-executive directors	850	–	–	–	850	–	850
Shares purchased by DSP Trust	–	(3,473)	–	–	(3,473)	–	(3,473)
Shares vested under DSP Scheme	–	40,077	–	–	40,077	–	40,077
Treasury shares transferred/sold	129,109	(34,954)	–	–	94,155	–	94,155
Total contributions by and distributions to owners	(505,039)	42,848	–	(2,295,194)	(2,757,385)	(138,409)	(2,895,794)
Changes in ownership interests in a subsidiary that does not result in loss of control							
Changes in non-controlling interests	–	–	–	(324)	(324)	57,192	56,868
Total changes in ownership interests in a subsidiary	–	–	–	(324)	(324)	57,192	56,868
Balance at 31 December 2013	9,448,282	418,368	493,473	14,755,420	25,115,543	2,963,937	28,079,480
Included:							
Share of reserves of associates and joint ventures	–	–	4,727	92,768	97,495	(5,388)	92,107

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

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

In $'000	Attributable to equity holders of the Bank Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2012	9,022,918	279,402	1,124,668	12,143,711	22,570,699	2,819,322	25,390,021
Total comprehensive income for the year							
Profit for the year	–	–	–	3,992,811	3,992,811	270,138	4,262,949
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	963,847	–	963,847	48,085	1,011,932
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(1,286,053)	–	(1,286,053)	(64,872)	(1,350,925)
- on impairment	–	–	18,169	–	18,169	28	18,197
Tax on net movements	–	–	68,996	–	68,996	2,812	71,808
Defined benefit plans remeasurements	–	–	–	(7,011)	(7,011)	(1,230)	(8,241)
Exchange differences on translating foreign operations	–	–	–	(262,717)	(262,717)	(25,366)	(288,083)
Other comprehensive income of associates and joint ventures	–	–	5,718	(5,476)	242	(416)	(174)
Total other comprehensive income, net of tax	–	–	(229,323)	(275,204)	(504,527)	(40,959)	(545,486)
Total comprehensive income for the year	–	–	(229,323)	3,717,607	3,488,284	229,179	3,717,463
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	5,003	86,045	–	(91,048)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	2,669	2,669
Distributions and dividends to non-controlling interests	–	–	–	–	–	(206,112)	(206,112)
DSP reserve from dividends on unvested shares	–	–	–	3,579	3,579	–	3,579
Ordinary and preference dividends	–	–	–	(1,175,493)	(1,175,493)	–	(1,175,493)
Preference shares issued	1,000,000	–	–	–	1,000,000	–	1,000,000
Preference shares issue expense	(175)	–	–	–	(175)	–	(175)
Share-based staff costs capitalised	–	10,699	–	–	10,699	–	10,699
Share buyback held in treasury	(162,178)	–	–	–	(162,178)	–	(162,178)
Shares issued to non-executive directors	507	–	–	–	507	–	507
Shares purchased by DSP Trust	–	(3,644)	–	–	(3,644)	–	(3,644)
Shares vested under DSP Scheme	–	39,292	–	–	39,292	–	39,292
Treasury shares transferred/sold	87,246	(36,274)	–	–	50,972	–	50,972
Total contributions by and distributions to owners	930,403	96,118	–	(1,262,962)	(236,441)	(203,443)	(439,884)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(18,145)	(18,145)	51,546	33,401
Total changes in ownership interests in subsidiaries	–	–	–	(18,145)	(18,145)	51,546	33,401
Balance at 31 December 2012	9,953,321	375,520	895,345	14,580,211	25,804,397	2,896,604	28,701,001
Included:							
Share of reserves of associates and joint ventures	–	–	5,702	45,297	50,999	(4,822)	46,177

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

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

Statement of Changes in Equity - Bank

For the financial year ended 31 December 2013

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2013	**9,953,321**	**95,985**	**321,369**	**9,213,566**	**19,584,241**
Total comprehensive income for the year [1]	**–**	**–**	**(183,849)**	**2,684,104**	**2,500,255**
Transfers	**15,334**	**(15,334)**	**–**	**–**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**3,530**	**3,530**
Ordinary and preference dividends	**–**	**–**	**–**	**(1,255,531)**	**(1,255,531)**
Redemption of preference shares	**(499,950)**	**–**	**–**	**(1,000,050)**	**(1,500,000)**
Share-based staff costs capitalised	**–**	**13,389**	**–**	**–**	**13,389**
Share buyback held in treasury	**(150,382)**	**–**	**–**	**–**	**(150,382)**
Shares issued to non-executive directors	**850**	**–**	**–**	**–**	**850**
Treasury shares transferred/sold	**129,109**	**–**	**–**	**–**	**129,109**
Balance at 31 December 2013	**9,448,282**	**94,040**	**137,520**	**9,645,619**	**19,325,461**
Balance at 1 January 2012	9,022,918	90,289	510,394	7,721,619	17,345,220
Total comprehensive income for the year [1]	–	–	(189,025)	2,663,861	2,474,836
Transfers	5,003	(5,003)	–	–	–
DSP reserve from dividends on unvested shares	–	–	–	3,579	3,579
Ordinary and preference dividends	–	–	–	(1,175,493)	(1,175,493)
Preference shares issued	1,000,000	–	–	–	1,000,000
Preference shares issue expense	(175)	–	–	–	(175)
Share-based staff costs capitalised	–	10,699	–	–	10,699
Share buyback held in treasury	(162,178)	–	–	–	(162,178)
Shares issued to non-executive directors	507	–	–	–	507
Treasury shares transferred/sold	87,246	–	–	–	87,246
Balance at 31 December 2012	9,953,321	95,985	321,369	9,213,566	19,584,241

(1) Refer to Statements of Comprehensive Income for detailed breakdown.

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

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2013

In $'000	2013	2012
Cash flows from operating activities		
Profit before income tax	**3,567,291**	4,961,861
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	**266,058**	271,432
Amortisation of intangible assets	**58,099**	59,903
Change in fair value for hedging transactions and trading securities	**71,105**	(90,314)
Depreciation of property, plant and equipment and investment property	**206,542**	184,197
Net gain on disposal of government, debt and equity securities	**(132,334)**	(1,350,927)
Net gain on disposal of property, plant and equipment and investment property	**(26,442)**	(81,678)
Net loss on liquidation of a subsidiary	**2,731**	–
Share-based staff costs	**13,604**	10,119
Share of results of associates and joint ventures	**(53,940)**	(26,566)
Items relating to life assurance fund		
Surplus before income tax	**827,265**	999,920
Surplus transferred from life assurance fund	**(598,716)**	(691,719)
Operating profit before change in operating assets and liabilities	**4,201,263**	4,246,228
Change in operating assets and liabilities:		
Deposits of non-bank customers	**30,840,586**	10,573,665
Deposits and balances of banks	**(4,106,737)**	4,002,342
Derivative payables and other liabilities	**568,162**	(959,673)
Trading portfolio liabilities	**(185,460)**	(571,706)
Government securities and treasury bills	**1,078,335**	(1,586,576)
Trading securities	**(1,521,891)**	34,164
Placements with and loans to banks	**(9,091,266)**	(1,811,345)
Loans and bills receivable	**(25,767,784)**	(9,030,225)
Derivative receivables and other assets	**149,882**	611,649
Net change in investment assets and liabilities of life assurance fund	**(504,538)**	(89,638)
Cash (used in)/from operating activities	**(4,339,448)**	5,418,885
Income tax paid	**(530,800)**	(639,797)
Net cash (used in)/from operating activities	**(4,870,248)**	4,779,088
Cash flows from investing activities		
Dividends from associates	**11,531**	7,740
Decrease in associates and joint ventures	**16,600**	29,750
Net cash outflow from acquisition of a subsidiary	**–**	(11,878)
Purchases of debt and equity securities	**(11,357,318)**	(5,694,795)
Purchases of property, plant and equipment and investment property	**(335,764)**	(303,234)
Proceeds from disposal of debt and equity securities	**7,344,119**	6,706,526
Proceeds from disposal of property, plant and equipment and investment property	**36,072**	127,484
Net cash (used in)/from investing activities	**(4,284,760)**	861,593
Cash flows from financing activities		
Changes in non-controlling interests	**56,868**	33,401
Increase/(decrease) in other debt issued	**15,992,463**	(2,572,383)
Distributions and dividends paid to non-controlling interests	**(138,409)**	(206,112)
Dividends paid to equity holders of the Bank	**(1,255,531)**	(1,173,089)
Issue of subordinated debt	**–**	1,471,903
Net proceeds from issue of preference shares	**–**	999,825
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**94,155**	50,972
Redemption of preference shares	**(1,500,000)**	–
Redemption of subordinated debt issued	**(720,691)**	(385,356)
Share buyback held in treasury	**(150,382)**	(162,178)
Net cash from/(used in) financing activities	**12,378,473**	(1,943,017)
Net currency translation adjustments	**(279,488)**	(197,436)
Net change in cash and cash equivalents	**2,943,977**	3,500,228
Cash and cash equivalents at 1 January	**16,396,833**	12,896,605
Cash and cash equivalents at 31 December	**19,340,810**	16,396,833

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 2013

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 13 February 2014.

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, #06-00 OCBC Centre, Singapore 049513.

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the Group) and the Group's interests in associates and joint ventures. The Group is principally engaged in the business of banking, life assurance, general insurance, asset management, investment holding, futures and stockbroking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act (the "Act") including the modification to FRS 39 *Financial Instruments: Recognition and Measurement* requirement on loan loss provisioning under Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore ("MAS").

The financial statements are presented in Singapore Dollar, rounded to the nearest thousand unless otherwise stated. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement, use estimates and make assumptions in the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a high degree of judgement or complexity, are disclosed in Note 2.23.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2013:

FRS 1 (Amendments)	*Presentation of Items of Other Comprehensive Income*
FRS 19 (Amendments)	*Employee Benefits*
FRS 107 (Amendments)	*Disclosures: Offsetting Financial Assets and Financial Liabilities*
FRS 113	*Fair Value Measurement*
Improvements to FRSs 2012	

FRS 113 replaces the fair value measurement guidance contained in individual FRSs with a single source of fair value measurement guidance. It provides a definition of fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. FRS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The initial application of the above standards (including their consequential amendments) and interpretations 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 acquisition method is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values on the date of acquisition.

Subsidiaries are consolidated from the date on which control is transferred to the Bank to the date that control ceases. In preparing the consolidated financial statements, intra-group transactions, balances and unrealised gains on transactions among group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies within the Group.

Non-controlling interests represent the portion of net results of operations and of net assets in subsidiaries that do not belong to equity holders of the Bank. They are disclosed separately in the Group income statement and balance sheet accordingly.

2.2.2 Special purpose entities

Special purpose entities ("SPE") which are established for a narrow and well-defined objective are consolidated where the substance of the relationship indicates that the Group has control over the SPE notwithstanding that the Group holds little or no equity interest in the SPE.

2.2.3 Associates and joint ventures

Associates are entities over which the Bank has significant influence, but not control, generally accompanied by a shareholding of 20% to 50% of the voting rights. Joint ventures are entities which are jointly controlled by the Group and its joint venture partners. The parties involved have entered into a contractual arrangement to undertake an economic activity and none of them unilaterally has control over the entity.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting, and include goodwill identified on acquisition, where applicable. Certain entities in which the Group had total shareholdings of between 20% and 50% were excluded from equity accounting because investments in the Life Funds of Great Eastern Holdings Limited were not included in determining associates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

2.2.3 Associates and joint ventures (continued)

Equity accounting involves recording investments in associates and joint ventures initially at cost, adjusted thereafter for post-acquisition changes of the Group's share of the net assets of the associates and joint ventures until the date the significant influence or joint control ceases. When the Group's share of losses equals or exceeds its interests in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entities.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates and joint ventures to ensure consistency of accounting policies with those of the Group.

The results of associates and joint ventures are taken from audited financial statements or unaudited management accounts of the entities concerned, made up to dates of not more than three months prior to the reporting date of the Group.

2.2.4 Life assurance companies

Certain subsidiaries of the Group engaged in life assurance business are structured into one or more long-term life assurance funds, and shareholders' fund. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life assurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed between the shareholders and the policyholders according to a predetermined formula or retained within the life assurance funds. The amount distributed to shareholders is reported as "Profit from life assurance" in the consolidated income statement.

2.2.5 Accounting for subsidiaries and associates by the Bank

Investments in subsidiaries and associates are stated in the Bank's balance sheet at cost less any impairment in value after the date of acquisition.

2.3 CURRENCY TRANSLATION

2.3.1 Foreign currency transactions

Transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rates prevailing on the transaction dates. Monetary items denominated in foreign currencies are translated to the respective entities' functional currencies at the exchange rates prevailing at the balance sheet date. Exchange differences arising on settlement and translation of such items are recognised in the income statement.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rate on the date the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as available-for-sale financial assets are recognised in other comprehensive income and presented in the fair value reserve within equity.

2.3.2 Foreign operations

The assets and liabilities of foreign operations are translated to Singapore Dollar at exchange rates prevailing at the balance sheet date. The income and expenses of foreign operations are translated to Singapore Dollar at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign currency differences arising from the translation of a foreign operation are recognised in other comprehensive income and presented in the currency translation reserve within equity. When a foreign operation is disposed, in part or in full, the relevant amount in the currency translation reserve is included in the gain or loss on disposal of the operation.

2.4 CASH AND CASH EQUIVALENTS

In the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances and placements with central banks.

2.5 FINANCIAL INSTRUMENTS

2.5.1 Recognition

The Group initially recognises loans and advances, deposits and debts issued on the date of origination. All regular way purchases and sales of financial assets with delivery of assets within the time period established by regulation or market convention are recognised on the settlement date.

2.5.2 De-recognition

Financial assets are de-recognised when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are de-recognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

2.5.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

2.5.4 Sale and repurchase agreements (including securities lending and borrowing)

Repurchase agreements ("repos") are regarded as collateralised borrowing. The securities sold under repos are treated as pledged assets and remain as assets on the balance sheets. The amount borrowed is recorded as a liability. Reverse repos are treated as collateralised lending and the amount of securities purchased is included in placements with central banks, loans to banks and non-bank customers. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

Securities lending and borrowing transactions are generally secured, with collateral taking the form of securities or cash. The transfer of securities to or from counterparties is not reflected on the balance sheet. Cash collateral advanced or received is recorded as an asset or a liability respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 NON-DERIVATIVE FINANCIAL ASSETS

Non-derivative financial assets are classified according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and evaluates this designation at every reporting date.

2.6.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at acquisition cost and subsequently measured at amortised cost using the effective interest method, less impairment allowance.

2.6.2 Available-for-sale financial assets

Available-for-sale financial assets are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices.

At the balance sheet date, the Group recognises unrealised gains and losses on revaluing unsettled contracts in other comprehensive income. Upon settlement, available-for-sale assets are carried at fair value (including transaction costs) on the balance sheet, with cumulative fair value changes taken to other comprehensive income and presented in fair value reserve within equity, and recognised in the income statement when the asset is disposed of, collected or otherwise sold, or when the asset is assessed to be impaired.

The fair value for quoted investments is derived from market bid prices. For unquoted securities, fair value is determined based on quotes from brokers and market makers, discounted cash flow and other valuation techniques commonly used by market participants.

2.6.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are acquired by the trading business units of the Group for the purpose of selling them in the near term.

At the balance sheet date, unrealised profits and losses on revaluing unsettled contracts are recognised in the income statement. Upon settlement, these assets are carried at fair value on the balance sheet, with subsequent fair value changes recognised in the income statement.

Fair value is derived from quoted market bid prices. All realised and unrealised gains and losses are included in net trading income in the income statement. Interest earned whilst holding trading assets is included in interest income.

2.6.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, less any impairment loss.

2.7 DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are recognised at fair value on the balance sheet and classified as derivative receivables when their fair value is favourable and as derivative payables when their fair value is unfavourable.

The Group enters into derivative transactions for trading purposes, and the realised and unrealised gains and losses are recognised in the income statement. The Group also enters into hedging derivative transactions to manage exposures to interest rate, foreign currency and credit risks arising from its core banking activities of lending and accepting deposits. The Group applies either fair value or cash flow hedge accounting when the transactions meet the specified criteria for hedge accounting.

For qualifying fair value hedges, changes in the fair values of the derivative and of the hedged item relating to the hedged risk are recognised in the income statement. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the carrying value of the asset or liability and is amortised to the income statement as a yield adjustment over the remaining maturity of the asset or liability. For fair value portfolio hedge of interest rate exposure, adjustment will be on the straight-line method if amortisation using a re-calculated effective interest rate is not practicable.

"Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item. The amount of ineffectiveness, provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is taken to the hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedge reserve remain in equity until the forecasted transaction is recognised in the income statement. When the forecasted transaction is no longer expected to occur, the amounts accumulated in the hedge reserve is immediately transferred to the income statement.

For hedges of net investments in foreign operations which are accounted in a similar way as cash flow hedges, the gain or loss relating to the effective portion of the hedging instrument is recognised in equity and that relating to the ineffective portion is recognised in the income statement. Gains and losses accumulated in equity are transferred to income statement on disposal of the foreign operations.

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in the income statement during the financial year in which the expenditure is incurred.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	-	5 to 10 years
Office equipment	-	5 to 10 years
Computers	-	3 to 10 years
Renovation	-	3 to 5 years
Motor vehicles	-	5 years

Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefit is expected from its use. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is de-recognised.

2.9 INVESTMENT PROPERTY

Investment property is property held either for rental income or for capital appreciation or for both. Investment properties, other than those held under the Group's life assurance funds, are stated at cost less accumulated depreciation and impairment losses. Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

Investment property held under the Group's life assurance fund is stated at fair value at the balance sheet date and collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life assurance business. The fair value of the investment properties is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying value resulting from revaluation are recognised in the income statement of the life assurance fund.

2.10 GOODWILL AND INTANGIBLE ASSETS

2.10.1 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets and liabilities of the acquiree. Goodwill is stated at cost less impairment loss. Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

Gains or losses on disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold.

2.10.2 Intangible assets

Intangible assets are separately identifiable intangible items arising from acquisitions and are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised over their estimated useful lives. The useful life of an intangible asset is reviewed at least at each financial year end.

2.11 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

2.12 IMPAIRMENT OF ASSETS

Financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.12.1 Loans and receivables/financial assets carried at amortised cost

Loans are assessed for impairment on a loan-by-loan basis except for homogeneous loans below a certain materiality threshold, which are grouped together according to their risk characteristics and collectively assessed, taking into account the historical loss experience on such loans.

A specific allowance is established when the present value of recoverable cash flows for a loan is lower than the carrying value of the loan. Portfolio allowances are set aside for unimpaired loans based on portfolio and country risks, as well as industry practices.

Specific allowances are written back to the income statement when the loans are no longer impaired or when the loss on loan is determined to be less than the amount of specific allowance previously made. Loans are written-off when recovery action has been instituted and the loss can be reasonably determined.

2.12.2 Other non-derivative financial assets

Impairment of other non-derivative financial assets is calculated as the difference between the asset's carrying value and the estimated recoverable amount. For equity investments classified as available-for-sale, when there is a significant or prolonged decline in the fair value of the asset below its cost, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement) is removed from the fair value reserve within equity and recognised in the income statement.

Impairment losses on equity investments recognised in the income statement are not reversed through the income statement, until the investments are disposed of. For debt investments, reversal of impairment loss is recognised in the income statement.

Other assets

2.12.3 Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units ("CGU") expected to benefit from synergies of the business combination. The Group's CGUs correspond with the business segments identified in the primary segment report.

An impairment loss is recognised in the income statement when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The CGU's recoverable amount is the higher of its fair value less cost to sell and its value in use. Impairment loss on goodwill cannot be reversed in subsequent periods.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 IMPAIRMENT OF ASSETS (continued)

2.12.4 Investments in subsidiaries and associates Property, plant and equipment Investment property Intangible assets

Investments in subsidiaries and associates, property, plant and equipment, investment property and intangible assets, are reviewed for impairment on the balance sheet date or whenever there is any indication that the carrying value of an asset may not be recoverable. If such an indication exists, the carrying value of the asset is written down to its recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use).

The impairment loss is recognised in the income statement, and is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.13 INSURANCE RECEIVABLES

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

2.14 FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the liabilities are held at fair value through profit or loss. Financial liabilities are held at fair value through the income statement when:

(a) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
(b) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or
(c) the financial liability contains an embedded derivative that would need to be separately recorded.

2.15 PROVISIONS AND OTHER LIABILITIES

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received.

Provision for insurance agents' retirement benefits, including deferred benefits, is calculated according to terms and conditions stipulated in the respective Life Assurance Sales Representative's Agreements. The deferred/retirement benefit accumulated at the balance sheet date includes accrued interest.

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life assurance subsidiaries after the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiaries. Interest payable on policy benefits is recognised in the income statements as incurred.

2.16 INSURANCE CONTRACTS

Insurance contracts are those contracts where the Group, mainly the insurance subsidiaries of Great Eastern Holdings Limited ("GEH"), has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

For the purpose of FRS 104, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

Certain subsidiaries within the Group, primarily Great Eastern Holdings Limited and its subsidiaries ("GEH Group"), write insurance contracts in accordance with insurance regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:

(a) Life Assurance Fund contract liabilities, comprising
    - Participating Fund contract liabilities;
    - Non-participating Fund contract liabilities; and
    - Investment-linked Fund contract liabilities.
(b) General Insurance Fund contract liabilities
(c) Reinsurance contracts

The Group does not adopt a policy of deferring acquisition costs for its insurance contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

Life Assurance Fund contract liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statements of the respective insurance funds.

Life assurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating policy, appropriate level of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of a participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to liabilities at each reporting date are recorded in the respective income statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the income statements over the lives of the contracts, whereas losses are fully recognised in the income statements during the first year of run-off.

The liability is extinguished when the contract expires, is discharged or is cancelled.

The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Group. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment-linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group would include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholders accrue directly to the policyholders.

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to the investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

The valuation of insurance contract liabilities is determined according to:

(a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore ("MAS Regulations"); and
(b) Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required under the respective insurance regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the insurance regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

The Group issues investment-linked contracts as insurance contracts which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment-linked fund set up by the insurance subsidiary. As this embedded derivative meets the definition of an insurance contract, it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies as stated under the terms and conditions of the insurance contracts.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

The table below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

	Singapore	Malaysia
Valuation method [(1)]	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) For guaranteed cashflows, Malaysia Government Securities ("MGS") zero coupon spot yields (as outlined below).
Interest rate [(1)]	(i) Singapore Government Securities ("SGS") zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows between 15 to 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For the fair value hedge portfolio, Singapore Government Securities zero coupon spot yields for cash flows up to year 30, the 30-year rate for cash flows beyond 30 years. Interpolation for years where rates are unavailable. *Data source: MAS website and Bloomberg*	Malaysia Government Securities yields determined based on the following: (i) For cashflows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. *Data source: Bond Pricing Agency Malaysia*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [(1)]	Best estimates plus provision for adverse deviation ("PADs"). *Data source: Internal experience studies*	Participating Fund, the method that produces the higher reserves of: (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cashflows); and (ii) Best estimates plus provision for risk of adverse deviation ("PRADs") for guaranteed cashflows only. Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus PRADs *Data source: Internal experience studies*

[(1)] Refer to Note 2.23 on Critical accounting estimates and judgements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

General Insurance Fund contract liabilities

The Group issues short term property and casualty contracts which protect the policyholders against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contracts and/or business interruption contracts; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contract. The Group also issues short term medical and personal accident general insurance contracts.

General insurance contract liabilities include liabilities for outstanding claims and unearned premiums.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other receivables. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial projection techniques based on empirical data and the current assumptions that may include a margin for adverse deviation. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the term of the contract and is recognised as premium income.

The valuation of general insurance contract liabilities at the balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For both Singapore and Malaysia, as required by the local insurance regulations, the provision for adverse deviation is set at 75 per cent sufficiency. For Singapore, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method, and the Incurred Bornhuetter-Ferguson Method. For Malaysia, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method and the Loss Ratio Method.

Reinsurance contracts

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

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

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

2.17 UNEXPIRED RISK RESERVE

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

URR is computed using the $1/24^{th}$ 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 RECOGNITION OF INCOME AND EXPENSE (continued)

2.19.1 Interest income and expense (continued)

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

2.19.2 Profit from life assurance

Profit from life assurance business derived from the insurance funds is categorised as follows:

(a) Participating Fund
Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, based on the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders' benefits of the participating fund). Parameters for the valuation are set out in the insurance regulations governing the Group's insurance subsidiaries in the respective jurisdictions in which they operate. The provisions in the Articles of Association of the Group's insurance subsidiaries are applied in conjunction with the prescriptions in the respective insurance regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholders' bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the Board of Directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective subsidiary, in accordance with the insurance regulations and the Articles of Association of the respective subsidiary.

(b) Non-participating Fund
Revenue consists of premiums, interest and investment income; including changes in the fair value of certain assets as prescribed by the appropriate insurance regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue, expenses, and the annual actuarial valuation of the non-participating fund liabilities in accordance with the requirements of the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore and Malaysia non-participating funds include changes in the fair value of assets measured in accordance with the respective insurance regulations.

(c) Investment-linked Fund
Revenue comprises bid-ask spread, fees for mortality and other insured events, asset management, policy administration and surrender charges. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit is derived from revenue net of expenses and provision for the annual actuarial valuation of liabilities in accordance with the requirements of the insurance regulations, in respect of the non-unit-linked part of the fund.

Recurring premiums from policyholders are recognised as revenue on their respective payment due dates. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business are recognised as revenue when payment is received.

2.19.3 Premium income from general insurance

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the balance sheet date are adjusted through the unexpired risk reserve (Note 2.17). Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from general insurance contracts are recognised in the income statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premiums ceded out pertaining to periods after the balance sheet date are adjusted through the movement in unexpired risk reserve.

2.19.4 Fees and commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period. Expenses are netted off against gross fees and commissions in the income statement.

2.19.5 Dividends

Dividends from available-for-sale securities, subsidiaries and associates are recognised when the right to receive payment is established. Dividends from trading securities are recognised when received.

2.19.6 Rental

Rental income on tenanted areas of the buildings owned by the Group is recognised on an accrual basis in accordance with the substance of the tenancy agreements.

2.19.7 Employee benefits

The Group's compensation package for staff consists of base salaries, allowances, defined contribution plans such as the Central Provident Fund, defined benefit plans, commissions, cash bonuses, and share-based compensation plans. These are recognised in the income statement when incurred. Employee leave entitlements are estimated according to the terms of employment contract and accrued on the balance sheet date.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and past service costs. Remeasurements of defined benefit plans are recognised in other comprehensive income in the period in which they arise.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 RECOGNITION OF INCOME AND EXPENSE (continued)

2.19.7 Employee benefits (continued)

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

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

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

2.19.8 Lease payments

Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the term of the lease. When a lease is terminated before its expiry, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when the termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The expense is allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.20 INCOME TAX EXPENSE

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax computation. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that does not affect accounting or taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available for utilisation against the temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.21 FIDUCIARY ACTIVITIES

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income from these assets do not belong to the Group, and are therefore excluded from these financial statements.

2.22 SEGMENT REPORTING

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and Others. In determining the segment results, balance sheet items are internally transfer priced and revenues and expenses are attributed to each segment based on internal management reporting policies. Transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

A geographical segment engages in providing products and services within a particular economic environment that is subject to different risks from those of other economic environments. Geographical segment information is prepared based on the country in which the transactions are booked and presented after elimination of intra-group transactions and balances.

2.23 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain estimates are made in the preparation of the financial statements. These often require management judgement in determining the appropriate methodology for valuation of assets and liabilities. A brief description of the Group's critical accounting estimates is set out below.

2.23.1 Liabilities of insurance business

The estimation of the ultimate liabilities arising from claims made under life and general insurance contracts is one of the Group's critical accounting estimates. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provision of reserves which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures.

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

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.23.1 Liabilities of insurance business (continued)

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past development experience can be used to project future claims development and hence, ultimate claim costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors, economic conditions as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved.

2.23.2 Impairment of goodwill and intangible assets

The Group performs an annual review of the carrying value of its goodwill and intangible assets, against the recoverable amounts of the CGU to which the goodwill and intangible assets have been allocated. Recoverable amounts of CGUs are determined based on the present value of estimated future cash flows expected to arise from the respective CGUs' continuing operations. Management exercises its judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

2.23.3 Fair value estimation

Fair value is derived from quoted market prices or valuation techniques which refer to observable market data. The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. Where unobservable data inputs have a significant impact on the value obtained from the valuation model, such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss" is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is amortised over the life of the transaction, released when the instrument's fair value can be determined using market observable inputs, or when the transaction is derecognised.

2.23.4 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses in estimating the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

2.23.5 Impairment of loans

The Group assesses impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collateral, which is determined based on credit assessment on a loan-by-loan basis. Homogeneous loans below a materiality threshold are grouped together according to their risk characteristics and collectively assessed taking into account the historical loss experience on such loans. The portfolio allowances set aside for unimpaired loans are based on management's credit experiences and judgement, taking into account geographical and industry factors. A minimum 1% portfolio allowance is maintained by the Group in accordance with the transitional arrangement set out in MAS Notice 612. The assumptions and judgements used by management may affect these allowances.

2.23.6 Impairment of available-for-sale financial assets

The Group follows the guidance of FRS 39 in determining when an investment is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

2.23.7 Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Group is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date, these insurance risks are deemed not significant.

3. NET INTEREST INCOME

	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
Interest income				
Loans to non-bank customers	**4,491,476**	4,173,179	**2,483,749**	2,324,664
Placements with and loans to banks	**772,339**	961,844	**489,505**	599,692
Other interest-earning assets	**910,261**	832,512	**559,284**	517,035
	6,174,076	5,967,535	**3,532,538**	3,441,391
Interest expense				
Deposits of non-bank customers	**(1,770,360)**	(1,715,251)	**(604,975)**	(642,750)
Deposits and balances of banks	**(177,935)**	(188,696)	**(192,715)**	(211,603)
Other borrowings	**(342,949)**	(315,844)	**(338,823)**	(335,823)
	(2,291,244)	(2,219,791)	**(1,136,513)**	(1,190,176)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**5,959,799**	5,788,795	**3,351,542**	3,297,928
Income – Assets at fair value through profit or loss	**214,277**	178,740	**180,996**	143,463
Expense – Liabilities not at fair value through profit or loss	**(2,272,648)**	(2,193,167)	**(1,117,917)**	(1,163,552)
Expense – Liabilities at fair value through profit or loss	**(18,596)**	(26,624)	**(18,596)**	(26,624)
Net interest income	**3,882,832**	3,747,744	**2,396,025**	2,251,215

Included in interest income were interest on impaired assets of $5.2 million (2012: $8.2 million) and $4.2 million (2012: $6.3 million) for the Group and Bank respectively.

4. PROFIT FROM LIFE ASSURANCE

	GROUP 2013 $ million	GROUP 2012 $ million
Income		
Annual	**5,531.6**	4,960.0
Single	**2,193.4**	1,408.2
Gross premiums	**7,725.0**	6,368.2
Reinsurances	**(125.0)**	(113.7)
Premium income (net)	**7,600.0**	6,254.5
Investment income (net)	**2,394.8**	4,245.6
Total income	**9,994.8**	10,500.1
Expenses		
Gross claims, surrenders and annuities	**(6,213.0)**	(5,437.4)
Claims, surrenders and annuities recovered from reinsurers	**78.4**	61.0
Net claims, surrenders and annuities	**(6,134.6)**	(5,376.4)
Change in life assurance fund contract liabilities (Note 22)	**(1,843.8)**	(3,065.9)
Commission and agency expenses	**(775.0)**	(706.7)
Depreciation – property, plant and equipment (Note 35)	**(55.3)**	(46.7)
Other expenses [(1)]	**(353.2)**	(344.3)
Total expenses	**(9,161.9)**	(9,540.0)
Surplus from operations	**832.9**	960.1
Share of results of associates and joint ventures	**(5.7)**	39.8
Income tax expense	**(228.5)**	(308.2)
Profit from life assurance	**598.7**	691.7

(1) Included in other expenses were directors' emoluments of $4.5 million (2012: $4.4 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

5. FEES AND COMMISSIONS (NET)

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Fee and commission income	**1,392,798**	1,255,225	**762,853**	712,540
Fee and commission expense	**(37,341)**	(56,975)	**(8,366)**	(28,703)
Fees and commissions (net)	**1,355,457**	1,198,250	**754,487**	683,837
Analysed by major sources:				
Brokerage	**68,409**	60,031	**289**	385
Credit card	**65,112**	50,938	**61,991**	51,997
Fund management	**99,524**	85,826	**(1,555)**	(280)
Guarantees	**17,846**	17,651	**10,875**	12,815
Investment banking	**92,008**	90,988	**67,170**	70,241
Loan-related	**284,378**	251,159	**241,201**	214,929
Service charges	**78,618**	78,411	**58,943**	54,059
Trade-related and remittances	**212,753**	212,615	**150,492**	161,219
Wealth management	**412,329**	322,022	**157,196**	111,207
Others	**24,480**	28,609	**7,885**	7,265
	1,355,457	1,198,250	**754,487**	683,837

6. DIVIDENDS

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Subsidiaries	**–**	–	**1,204,975**	429,802
Associates	**–**	–	**11,531**	7,740
Trading securities	**6,145**	4,319	**6,066**	4,053
Available-for-sale securities	**68,917**	83,914	**13,314**	27,730
	75,062	88,233	**1,235,886**	469,325

7. OTHER INCOME

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Foreign exchange [1] [2]	**357,300**	258,186	**142,611**	105,172
Hedging activities [3]				
Hedging instruments	**69,872**	49,769	**70,206**	55,817
Hedged items	**(69,746)**	(51,762)	**(70,006)**	(57,484)
Fair value hedges	**126**	(1,993)	**200**	(1,667)
Interest rate and other derivatives [1] [4]	**(41,112)**	29,018	**(16,246)**	50,333
Trading and fair value through profit and loss securities	**(51,291)**	226,736	**(79,010)**	129,605
Others	**(3,167)**	2,741	**(3,167)**	2,741
Net trading income	**261,856**	514,688	**44,388**	286,184
Disposal of securities classified as available-for-sale	**132,152**	1,350,925	**72,542**	810,843
Disposal of securities classified as loans and receivables	**182**	2	**182**	2
Liquidation of subsidiaries	**(2,731)**	–	**1,923**	–
Disposal of plant and equipment	**(1,546)**	482	**(853)**	(120)
Disposal of property	**27,988**	81,196	**9,532**	15,035
Computer-related services income	**33,777**	34,745	**–**	–
Property-related income	**7,521**	8,941	**438**	478
Others	**25,344**	26,284	**23,816**	20,988
	484,543	2,017,263	**151,968**	1,133,410

(1) Comparatives have been restated to conform to current year's presentation.
(2) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.
(3) "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".
(4) "Interest rate and other derivatives" include gains and losses from interest rate derivative instruments, equity options and other derivative instruments.

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
8.1 STAFF COSTS				
Salaries and other costs	**1,545,566**	1,486,003	**614,590**	609,650
Share-based expenses	**12,754**	9,612	**7,579**	6,046
Contribution to defined contribution plans	**126,525**	124,488	**49,124**	49,733
	1,684,845	1,620,103	**671,293**	665,429
Directors' emoluments:				
Remuneration of Bank's directors	**3,191**	4,532	**3,179**	4,502
Remuneration of directors of subsidiaries	**17,681**	17,411	**–**	–
Fees of Bank's directors	**7,489**	5,535	**4,940**	3,508
Fees of directors of subsidiaries	**1,917**	2,039	**–**	–
	30,278	29,517	**8,119**	8,010
Total staff costs	**1,715,123**	1,649,620	**679,412**	673,439
8.2 OTHER OPERATING EXPENSES				
Property, plant and equipment: [(1)]				
Depreciation	**206,542**	184,197	**108,658**	95,924
Maintenance and hire	**84,181**	86,872	**34,512**	35,518
Rental expenses	**73,424**	69,659	**66,210**	63,924
Others	**166,217**	149,932	**68,907**	57,583
	530,364	490,660	**278,287**	252,949
Auditors' remuneration				
Payable to auditors of the Bank	**2,058**	1,864	**1,385**	1,150
Payable to associated firms of auditors of the Bank	**1,104**	1,079	**270**	280
Payable to other auditors	**1,336**	1,248	**42**	28
	4,498	4,191	**1,697**	1,458
Other fees				
Payable to auditors of the Bank	**1,183**	1,807	**522**	1,178
Payable to associated firms of auditors of the Bank	**420**	291	**77**	182
	1,603	2,098	**599**	1,360
Hub processing charges	**–**	–	**175,555**	183,576
General insurance claims	**61,839**	75,223	**–**	–
Others	**470,476**	472,950	**275,124**	273,026
	532,315	548,173	**450,679**	456,602
Total other operating expenses	**1,068,780**	1,045,122	**731,262**	712,369
8.3 STAFF COSTS AND OTHER OPERATING EXPENSES	**2,783,903**	2,694,742	**1,410,674**	1,385,808

(1) Direct operating expenses on leased investment property for the Group and the Bank amounted to $12.6 million (2012: $13.4 million) and $3.7 million (2012: $4.0 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.5 million (2012: $4.0 million) and $1.0 million (2012: $3.4 million) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2013

9. ALLOWANCES FOR LOANS AND IMPAIRMENT FOR OTHER ASSETS

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Specific allowances for loans (Note 28)	**81,378**	115,222	**61,674**	92,745
Portfolio allowances for loans (Note 29)	**183,314**	147,598	**96,967**	87,778
Impairment charge/(write-back) for available-for-sale securities	**3,681**	5,353	**(265)**	(287)
(Write-back)/impairment charge for other assets (Note 32)	**(2,315)**	3,259	**(275)**	605
Net allowances and impairment	**266,058**	271,432	**158,101**	180,841

10. INCOME TAX EXPENSE

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current tax expense	**636,781**	756,608	**307,754**	344,788
Deferred tax credit (Note 20)	**(15,599)**	(18,756)	**(3,445)**	(12,221)
	621,182	737,852	**304,309**	332,567
Over provision in prior years and tax refunds	**(23,397)**	(38,940)	**(14,943)**	(26,024)
Charge to income statements	**597,785**	698,912	**289,366**	306,543

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

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Operating profit after allowances and amortisation	**3,513,351**	4,935,295	**3,000,532**	3,002,563
Prima facie tax calculated at tax rate of 17%	**597,270**	839,000	**510,090**	510,436
Effect of different tax rates in other countries	**105,220**	111,697	**18,998**	23,251
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**3,799**	3,695	**566**	1,105
Income not assessable for tax	**(15,487)**	(172,480)	**(192,709)**	(206,758)
Income taxed at concessionary rate	**(65,508)**	(60,137)	**(57,284)**	(54,783)
Effect of Singapore life assurance fund	**(36,850)**	(62,305)	**–**	–
Amortisation of intangibles	**9,877**	10,183	**–**	–
(Non-taxable write-backs)/non-deductible allowances	**(1,756)**	18,663	**(161)**	9,718
Others	**24,617**	49,536	**24,809**	49,598
	621,182	737,852	**304,309**	332,567
The deferred tax credit comprised:				
Accelerated tax depreciation	**6,232**	13,371	**6,940**	6,332
Write-back of allowances for assets	**(19,613)**	(26,099)	**(5,948)**	(13,949)
Debt and equity securities	**7,704**	(1,571)	**–**	–
Fair value on properties from business combinations	**(2,729)**	(2,499)	**(2,440)**	(2,230)
Tax losses (carried forward)/utilised	**(2,055)**	6,232	**(2,436)**	–
Others	**(5,138)**	(8,190)	**439**	(2,374)
	(15,599)	(18,756)	**(3,445)**	(12,221)

11. EARNINGS PER SHARE

	GROUP	
	2013	2012
$'000		
Profit attributable to ordinary equity holders of the Bank	**2,767,566**	3,992,811
Preference dividends declared in respect of the period	**(89,169)**	(108,207)
Profit attributable to ordinary equity holders of the Bank after preference dividends	**2,678,397**	3,884,604
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**3,433,022**	3,435,065
Adjustment for assumed conversion of share options and acquisition rights	**7,257**	6,809
For diluted earnings per share	**3,440,279**	3,441,874
Earnings per share (cents)		
Basic	**78.0**	113.1
Diluted	**77.9**	112.9

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

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

12. UNAPPROPRIATED PROFIT

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Profit attributable to equity holders of the Bank	**2,767,566**	3,992,811	**2,711,166**	2,696,020
Add: Unappropriated profit at 1 January	**14,060,759**	11,354,893	**8,267,103**	6,741,859
Total amount available for appropriation	**16,828,325**	15,347,704	**10,978,269**	9,437,879
Appropriated as follows:				
Ordinary dividends:				
2011 final tax exempt dividend of 15 cents	**–**	(516,097)	**–**	(516,097)
2012 interim tax exempt dividend of 16 cents	**–**	(549,524)	**–**	(549,524)
2012 final tax exempt dividend of 17 cents	**(584,235)**	–	**(584,235)**	–
2013 interim tax exempt dividend of 17 cents	**(583,792)**	–	**(583,792)**	–
Preference dividends:				
Class B 5.1% tax exempt (2012: 5.1% tax exempt)	**(30,879)**	(51,140)	**(30,879)**	(51,140)
Class E 4.5% tax exempt (2012: 4.5% tax exempt)	**–**	(24,966)	**–**	(24,966)
Class G 4.2% tax exempt (2012: 4.2% tax exempt)	**(16,625)**	(16,670)	**(16,625)**	(16,670)
Class M 4.0% tax exempt (2012: 4.0% tax exempt)	**(40,000)**	(17,096)	**(40,000)**	(17,096)
Transfer (to)/from:				
Capital reserves (Note 14)	**(43,143)**	(91,048)	**–**	–
General reserves (Note 15.1)	**3,833**	4,717	**3,833**	4,717
Defined benefit plans remeasurements	**(215)**	(7,011)	**–**	–
Redemption of preference shares	**(1,000,050)**	–	**(1,000,050)**	–
Share of an associate's non-controlling interests	**–**	35	**–**	–
Transactions with non-controlling interests	**(324)**	(18,145)	**–**	–
	(2,295,430)	(1,286,945)	**(2,251,748)**	(1,170,776)
At 31 December (Note 15)	**14,532,895**	14,060,759	**8,726,521**	8,267,103

At the annual general meeting to be held, a final tax exempt dividend of 17 cents per ordinary share in respect of the financial year ended 31 December 2013, totalling $583.6 million, will be proposed. The dividends will be accounted for as a distribution in the 2014 financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

13. SHARE CAPITAL

13.1 SHARE CAPITAL

GROUP AND BANK	2013 Shares ('000)	2012 Shares ('000)	2013 $'000	2012 $'000
Ordinary shares				
At 1 January	**3,441,100**	3,441,044	**7,267,065**	7,261,730
Preference shares issue expense	**–**	–	**–**	(175)
Redemption of preference shares	**–**	–	**1,000,050**	–
Shares issued to non-executive directors	**77**	56	**850**	507
Transfer from share-based reserves for options and rights exercised (Note 14)	**–**	–	**15,334**	5,003
At 31 December	**3,441,177**	3,441,100	**8,283,299**	7,267,065
Treasury shares				
At 1 January	**(10,159)**	(3,967)	**(209,575)**	(134,643)
Share buyback	**(14,459)**	(18,242)	**(150,382)**	(162,178)
Share Option Schemes [1]	**7,896**	6,248	**46,737**	35,872
Share Purchase Plan [1]	**5,180**	1,716	**47,418**	15,100
Treasury shares transferred to DSP Trust	**3,174**	4,086	**34,954**	36,274
At 31 December	**(8,368)**	(10,159)	**(230,848)**	(209,575)
Preference shares				
At 1 January				
Class B	**10,000**	10,000	**1,000,000**	1,000,000
Class E	**5,000**	5,000	**500,000**	500,000
Class G	**395,831**	395,831	**395,831**	395,831
Class M	**1,000,000**	–	**1,000,000**	–
			2,895,831	1,895,831
Class B shares redeemed during the year	**(10,000)**	–	**(1,000,000)**	–
Class E shares redeemed during the year	**(5,000)**	–	**(500,000)**	–
Class M shares issued during the year	**–**	1,000,000	**–**	1,000,000
At 31 December			**1,395,831**	2,895,831
Issued share capital, at 31 December			**9,448,282**	9,953,321

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

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Bank. All shares (excluding treasury shares) rank equally with regard to the Bank's residual assets.

Details of the Bank's non-cumulative non-convertible preference shares are set out in the table below. Preference dividends are payable semi-annually on 20 June and 20 December, subject to directors' approval. Preference shareholders will only be entitled to attend and vote at general meetings of the Bank if dividends have not been paid in full when due for a consecutive period of 12 months or more.

The issued ordinary shares qualify as Common Equity Tier 1 capital for the Group, while the Class G and Class M non-cumulative non-convertible preference shares qualify as Additional Tier 1 capital for the Group.

The 4.5% Class E and 5.1% Class B non-cumulative non-convertible preference shares were fully redeemed by the Bank on 28 January 2013 and 29 July 2013 respectively. Both classes of preference shares were redeemed out of distributable profits and pursuant to Sections 70(2) and 76G of the Singapore Companies Act, the equivalent amount redeemed out of profits (Note 12) were credited to ordinary share capital. As the Class E preference shares were issued at par value of $0.01 and liquidation value of $100 each on 28 January 2003 before the par value concept was abolished with the commencement of the Companies (Amendment) Act on 30 January 2006, the redemption made out of profits under Section 62B(3) of the Singapore Companies Act was equal to the total par value of $50,000.

All issued shares were fully paid.

13. SHARE CAPITAL (continued)

13.1 SHARE CAPITAL (continued)

Preference shares	Issue date	Dividend rate p.a.	Liquidation value per share	Redemption option by the Bank on these dates
Class G	14 Jul 2003 6 Aug 2003	4.2%	SGD1	14 Jul 2013; dividend payment dates after 14 Jul 2013
Class M	17 Jul 2012	4.0%	SGD1	17 Jan 2018; 17 Jul 2022; dividend payment dates after 17 Jul 2022

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2013 and 31 December 2012.

13.2 SHARE OPTION SCHEMES

In March 2013, the Bank granted 9,546,759 options (2012: 5,019,795) to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 452,025 (2012: 340,924) options granted to directors of the Bank. The fair value of options granted, determined using the binomial valuation model, was $9.5 million (2012: $7.0 million). Significant inputs to the valuation model are set out below:

	2013	2012
Acquisition price ($)	**10.30**	8.80
Average share price from grant date to acceptance date ($)	**10.51**	8.89
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**13.77**	20.53
Risk-free rate based on SGS bond yield at acceptance date (%)	**0.47 and 1.37**	0.56 and 1.61
Expected dividend yield (%)	**3.14**	3.38
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:

	2013		2012	
	Number of options	Average price	Number of options	Average price
At 1 January	**30,910,785**	**$7.121**	32,836,463	$6.610
Granted	**9,546,759**	**$10.302**	5,019,795	$8.798
Exercised	**(7,997,051)**	**$5.971**	(6,345,672)	$5.789
Forfeited/lapsed	**(380,319)**	**$7.028**	(599,801)	$7.281
At 31 December	**32,080,174**	**$8.355**	30,910,785	$7.121
Exercisable options at 31 December	**18,525,927**	**$7.238**	23,242,461	$6.527
Average share price underlying the options exercised		**$10.363**		$9.009

At 31 December 2013, the weighted average remaining contractual life of outstanding share options was 5.9 years (2012: 4.9 years). The aggregate outstanding number of options held by directors of the Bank was 3,624,736 (2012: 4,452,711).

13.3 EMPLOYEE SHARE PURCHASE PLAN

In June 2013, the Bank launched its eighth offering of ESP Plan for Group employees, which commenced on 1 July 2013 and expire on 30 June 2015. Under the offering, the Bank granted 7,432,261 (2012: 7,788,738) rights to acquire ordinary shares in the Bank. There were no rights (2012: nil) granted to directors of the Bank. The fair value of rights, determined using the binomial valuation model was $6.1 million (2012: $7.0 million). Significant inputs to the valuation model are set out below:

	2013	2012
Acquisition price ($)	**9.92**	8.68
Closing share price at valuation date ($)	**10.13**	8.70
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**13.79**	20.59
Risk-free rate based on 2-year swap rate (%)	**0.26**	0.15
Expected dividend yield (%)	**2.61**	2.76

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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:

	2013		2012	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	**12,292,163**	**$8.892**	10,524,336	$9.021
Exercised and conversion upon expiry	**(5,179,058)**	**$9.155**	(1,714,720)	$8.800
Forfeited	**(1,440,583)**	**$9.171**	(4,306,191)	$8.863
Subscription	**7,432,261**	**$9.920**	7,788,738	$8.680
At 31 December	**13,104,783**	**$9.340**	12,292,163	$8.892
Average share price underlying acquisition rights exercised/converted		**$10.308**		$9.185

At 31 December 2013, the weighted average remaining contractual life of outstanding acquisition rights was 1.0 years (2012: 1.1 years). There were no rights (2012: nil) held by directors of the Bank.

13.4 DEFERRED SHARE PLAN

Total awards of 3,663,801 (2012: 4,508,997) ordinary shares, which included 41,990 (2012: 380,789) ordinary shares to a director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2013. The fair value of the shares at grant date was $40.4 million (2012: $40.2 million).

During the year, 5,079,377 (2012: 5,389,002) deferred shares were released to employees, of which 460,713 (2012: 520,653) were released to directors of the Bank. At 31 December 2013, the directors of the Bank have deemed interest in 801,899 (2012: 1,195,184) deferred shares.

14. CAPITAL RESERVES

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At 1 January	**375,520**	279,402	**95,985**	90,289
Share-based staff costs capitalised	**13,389**	10,699	**13,389**	10,699
Shares purchased by DSP Trust	**(38,427)**	(39,918)	**–**	–
Shares vested under DSP Scheme	**40,077**	39,292	**–**	–
Transfer from unappropriated profit (Note 12)	**43,143**	91,048	**–**	–
Transfer to share capital (Note 13.1)	**(15,334)**	(5,003)	**(15,334)**	(5,003)
At 31 December	**418,368**	375,520	**94,040**	95,985

Capital reserves include statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations.

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

15. REVENUE RESERVES

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Unappropriated profit (Note 12)	**14,532,895**	14,060,759	**8,726,521**	8,267,103
General reserves	**1,326,858**	1,327,161	**1,112,558**	1,112,861
Currency translation reserves	**(1,104,333)**	(807,709)	**(193,460)**	(166,398)
At 31 December	**14,755,420**	14,580,211	**9,645,619**	9,213,566

15.1 GENERAL RESERVES

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At 1 January	**1,327,161**	1,328,299	**1,112,861**	1,113,999
DSP reserve from dividends on unvested shares	**3,530**	3,579	**3,530**	3,579
Transfer to unappropriated profits (Note 12)	**(3,833)**	(4,717)	**(3,833)**	(4,717)
At 31 December	**1,326,858**	1,327,161	**1,112,558**	1,112,861

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

15. REVENUE RESERVES (continued)

15.2 CURRENCY TRANSLATION RESERVES

	GROUP		BANK	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
At 1 January	**(807,709)**	(539,481)	**(166,398)**	(134,239)
Adjustments for the year	**(216,252)**	(407,162)	**(17,195)**	(40,223)
Effective portion of hedge	**(80,372)**	138,934	**(9,867)**	8,064
At 31 December	**(1,104,333)**	(807,709)	**(193,460)**	(166,398)

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	
	2013 $'000	**2012 $'000**
Non-controlling interests in subsidiaries	**909,745**	836,766
Preference shares issued by subsidiaries		
OCBC Bank (Malaysia) Berhad	**154,192**	159,838
OCBC Capital Corporation	**400,000**	400,000
OCBC Capital Corporation (2008)	**1,500,000**	1,500,000
Total non-controlling interests	**2,963,937**	2,896,604

OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"), a wholly-owned subsidiary of the Bank, issued the MYR400 million non-cumulative non-convertible preference shares on 12 August 2005. The preference shares are redeemable in whole at the option of OCBC Malaysia on 12 August 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCBC Malaysia, are payable semi-annually on 20 March and 20 September each year at 4.51% per annum on a net dividend basis on or prior to the 10^{th} 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(f)], 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 Additional Tier 1 capital for the Group.

OCBC Capital Corporation (2008) ("OCC2008"), a wholly-owned subsidiary of the Bank, issued the $1.5 billion non-cumulative non-convertible guaranteed preference shares on 27 August 2008. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(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 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 Additional Tier 1 capital for the Group.

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

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Deposits of non-bank customers				
Current accounts	**59,108,932**	52,904,324	**38,068,903**	34,101,143
Savings deposits	**32,208,657**	30,613,913	**28,870,262**	26,657,367
Term deposits	**75,930,889**	62,437,532	**53,544,758**	41,596,059
Structured deposits	**5,633,831**	4,825,419	**909,034**	753,796
Certificate of deposits issued	**20,456,523**	10,764,497	**20,447,916**	10,670,120
Other deposits	**2,634,930**	3,593,791	**1,013,804**	1,546,796
	195,973,762	165,139,476	**142,854,677**	115,325,281
Deposits and balances of banks	**21,548,850**	25,655,587	**20,260,227**	21,538,856
	217,522,612	190,795,063	**163,114,904**	136,864,137

17.1 DEPOSITS OF NON-BANK CUSTOMERS

Analysed by currency				
Singapore Dollar	**92,021,744**	82,095,000	**89,621,993**	79,849,325
US Dollar	**45,846,579**	31,455,033	**33,946,264**	19,836,978
Malaysian Ringgit	**22,882,193**	20,739,316	**–**	–
Indonesian Rupiah	**4,986,680**	5,834,913	**1**	1
Japanese Yen	**1,412,668**	1,427,082	**706,624**	690,662
Hong Kong Dollar	**3,363,680**	3,217,545	**2,679,815**	2,565,920
British Pound	**6,552,644**	3,372,211	**5,932,383**	2,762,784
Australian Dollar	**8,518,843**	8,036,384	**6,259,285**	6,627,545
Euro	**1,969,835**	1,332,197	**1,239,923**	487,202
Others	**8,418,896**	7,629,795	**2,468,389**	2,504,864
	195,973,762	165,139,476	**142,854,677**	115,325,281

17.2 DEPOSITS AND BALANCES OF BANKS

Analysed by currency				
Singapore Dollar	**693,444**	932,801	**689,527**	891,820
US Dollar	**12,119,671**	12,648,972	**11,536,974**	11,555,256
Malaysian Ringgit	**298,946**	543,598	**–**	–
Indonesian Rupiah	**123,662**	298,421	**–**	–
Japanese Yen	**36,199**	746,817	**36,199**	571,851
Hong Kong Dollar	**1,254,216**	3,463,687	**1,245,283**	3,456,266
British Pound	**635,866**	532,197	**635,742**	428,865
Australian Dollar	**2,705,325**	3,433,504	**2,703,378**	3,380,545
Euro	**857,232**	635,068	**845,939**	632,505
Others	**2,824,289**	2,420,522	**2,567,185**	621,748
	21,548,850	25,655,587	**20,260,227**	21,538,856

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP ($'000)	2013 Principal notional amount	2013 Derivative receivables	2013 Derivative payables	2012 Principal notional amount	2012 Derivative receivables	2012 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**53,716,800**	**689,544**	**408,911**	45,763,528	270,015	335,886
Swaps	**174,290,736**	**1,672,001**	**2,140,483**	164,352,547	1,423,511	1,055,415
OTC options – bought	**14,819,210**	**218,134**	**10,800**	11,141,481	137,726	7,555
OTC options – sold	**12,207,352**	**10,213**	**235,731**	10,362,940	5,597	146,075
	255,034,098	**2,589,892**	**2,795,925**	231,620,496	1,836,849	1,544,931
Interest rate derivatives ("IRD")						
Swaps	**235,198,507**	**2,340,910**	**2,463,199**	292,976,242	3,058,479	3,197,069
OTC options – bought	**894,344**	**3,569**	**43**	1,644,674	8,967	–
OTC options – sold	**3,551,778**	**–**	**17,073**	7,560,785	–	40,225
Exchange traded options – bought	**75,888**	**1,307**	**–**	36,655	146	–
Exchange traded options – sold	**151,776**	**–**	**572**	36,655	–	43
Exchange traded futures – bought	**1,298,693**	**59**	**227**	2,142,953	57	–
Exchange traded futures – sold	**3,870,737**	**693**	**1,281**	4,051,058	–	687
	245,041,723	**2,346,538**	**2,482,395**	308,449,022	3,067,649	3,238,024
Equity derivatives						
Swaps	**520,580**	**5,209**	**7,737**	183,307	3,204	5,837
OTC options – bought	**913,906**	**28,253**	**8,811**	796,401	50,178	6,921
OTC options – sold	**742,397**	**9,012**	**10,854**	714,331	7,412	17,435
Exchange traded futures – bought	**19,138**	**4**	**12**	82,927	223	310
Exchange traded futures – sold	**39,474**	**–**	**208**	23,041	117	6
Others	**21,372**	**424**	**1**	45,011	1,867	–
	2,256,867	**42,902**	**27,623**	1,845,018	63,001	30,509
Credit derivatives						
Swaps – protection buyer	**11,020,123**	**39,760**	**148,649**	9,471,841	55,594	134,974
Swaps – protection seller	**9,450,569**	**147,547**	**35,122**	8,825,163	125,315	48,668
	20,470,692	**187,307**	**183,771**	18,297,004	180,909	183,642
Other derivatives						
Precious metals – bought	**183,440**	**512**	**14,770**	64,536	746	482
Precious metals – sold	**318,046**	**20,691**	**373**	68,000	3,194	2
OTC options – bought	**15,521**	**312**	**–**	87,141	1,484	169
OTC options – sold	**28,866**	**–**	**1,747**	108,135	–	1,892
Commodity swaps	**209,304**	**2,038**	**2,080**	194,653	922	921
Bond forward	**420,173**	**3,971**	**–**	–	–	–
	1,175,350	**27,524**	**18,970**	522,465	6,346	3,466
Total	**523,978,730**	**5,194,163**	**5,508,684**	560,734,005	5,154,754	5,000,572
Included items designated for hedges:						
Fair value hedge – FED	**728,073**	**915**	**110,040**	1,819,211	89,673	14,816
Fair value hedge – IRD	**4,744,392**	**55,293**	**33,880**	4,713,400	81,714	84,507
Hedge of net investments – FED	**4,334,806**	**34,695**	**28,660**	4,305,244	4,170	5,892
	9,807,271	**90,903**	**172,580**	10,837,855	175,557	105,215

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18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

BANK ($'000)	2013 Principal notional amount	2013 Derivative receivables	2013 Derivative payables	2012 Principal notional amount	2012 Derivative receivables	2012 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**30,656,259**	**445,755**	**176,839**	32,563,466	182,594	243,852
Swaps	**150,941,323**	**1,300,711**	**1,728,107**	139,435,895	1,254,259	953,905
OTC options – bought	**10,969,791**	**130,743**	**8,305**	7,839,724	91,888	4,988
OTC options – sold	**8,364,103**	**7,711**	**153,435**	7,093,459	3,029	101,956
	200,931,476	**1,884,920**	**2,066,686**	186,932,544	1,531,770	1,304,701
Interest rate derivatives ("IRD")						
Swaps	**204,513,423**	**2,098,058**	**2,221,880**	262,370,562	2,974,155	3,109,184
OTC options – bought	**878,636**	**3,430**	**43**	1,578,234	7,802	–
OTC options – sold	**2,726,432**	**–**	**14,079**	6,070,818	–	35,545
Exchange traded options – bought	**75,888**	**1,307**	**–**	36,655	146	–
Exchange traded options – sold	**151,776**	**–**	**572**	36,655	–	43
Exchange traded futures – bought	**1,298,693**	**59**	**227**	2,139,712	54	–
Exchange traded futures – sold	**3,838,181**	**41**	**1,281**	4,051,058	–	687
	213,483,029	**2,102,895**	**2,238,082**	276,283,694	2,982,157	3,145,459
Equity derivatives						
Swaps	**241,644**	**3,174**	**4,922**	80,811	264	2,898
OTC options – bought	**152,375**	**10,488**	**–**	114,482	15,118	220
OTC options – sold	**55,290**	**925**	**1,312**	148,569	1,117	3,363
Exchange traded futures – bought	**19,138**	**4**	**12**	82,927	223	310
Exchange traded futures – sold	**39,119**	**–**	**204**	21,532	117	–
Others	**21,272**	**389**	**1**	44,433	1,661	–
	528,838	**14,980**	**6,451**	492,754	18,500	6,791
Credit derivatives						
Swaps – protection buyer	**10,419,693**	**36,931**	**142,534**	8,734,288	48,974	116,205
Swaps – protection seller	**9,048,109**	**141,436**	**32,972**	8,291,104	106,424	44,537
	19,467,802	**178,367**	**175,506**	17,025,392	155,398	160,742
Other derivatives						
Precious metals – bought	**47,329**	**11**	**5,117**	34,845	749	102
Precious metals – sold	**54,084**	**10,973**	**1**	41,958	2,838	4
OTC options – bought	**29,242**	**1,611**	**–**	121,841	1,663	169
OTC options – sold	**33,420**	**–**	**1,637**	107,573	–	1,490
Commodity swaps	**181,961**	**1,668**	**1,668**	175,523	274	272
	346,036	**14,263**	**8,423**	481,740	5,524	2,037
Total	**434,757,181**	**4,195,425**	**4,495,148**	481,216,124	4,693,349	4,619,730
Included items designated for hedges:						
Fair value hedge – FED	**728,073**	**915**	**110,040**	1,819,211	89,673	14,816
Fair value hedge – IRD	**4,168,816**	**54,243**	**27,924**	4,120,886	78,808	76,853
Hedge of net investments – FED	**263,059**	**1,002**	**947**	560,081	52	796
	5,159,948	**56,160**	**138,911**	6,500,178	168,533	92,465

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**3,383,878**	3,163,444	**2,830,004**	2,936,461
Other financial institutions	**939,931**	1,265,592	**697,664**	1,185,303
Corporates	**650,422**	602,709	**571,507**	493,476
Individuals	**132,848**	52,256	**26,842**	8,096
Others	**87,084**	70,753	**69,408**	70,013
	5,194,163	5,154,754	**4,195,425**	4,693,349
Analysed by geography				
Singapore	**1,604,087**	2,176,972	**1,635,711**	2,163,142
Malaysia	**318,164**	182,101	**12,373**	35,558
Indonesia	**111,089**	24,605	**13,357**	6,243
Greater China	**783,236**	371,671	**441,990**	208,962
Other Asia Pacific	**406,186**	250,271	**268,988**	215,965
Rest of the World	**1,971,401**	2,149,134	**1,823,006**	2,063,479
	5,194,163	5,154,754	**4,195,425**	4,693,349

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

19. OTHER LIABILITIES

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Bills payable	**328,460**	525,451	**234,550**	382,817
Interest payable	**519,269**	501,265	**274,875**	291,829
Sundry creditors	**2,422,958**	2,261,839	**450,478**	420,182
Others	**979,893**	1,034,538	**455,951**	447,892
	4,250,580	4,323,093	**1,415,854**	1,542,720

At 31 December 2013, reinsurance liabilities included in "Others" amounted to $44.7 million (2012: $24.3 million).

20. DEFERRED TAX

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At 1 January	**1,126,865**	1,079,709	**38,922**	116,533
Currency translation and others	**(663)**	(306)	**930**	478
Net credit to income statements (Note 10)	**(15,599)**	(18,756)	**(3,445)**	(12,221)
Over provision in prior years	**(15,736)**	(11,274)	**(8,658)**	(9,326)
Deferred tax on fair value change taken to other comprehensive income	**(52,002)**	(71,808)	**(9,946)**	(56,542)
Net change in life assurance fund tax	**(37,673)**	149,300	**–**	–
At 31 December	**1,005,192**	1,126,865	**17,803**	38,922

Notes to the Financial Statements

For the financial year ended 31 December 2013

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Deferred tax liabilities				
Accelerated tax depreciation	**82,266**	74,950	**45,722**	38,788
Debt and equity securities	**213,343**	315,997	**18,211**	27,688
Fair value on properties from business combinations	**64,295**	67,024	**59,258**	61,698
Provision for policy liabilities	**764,643**	735,448	**–**	–
Others	**70,900**	74,873	**609**	485
	1,195,447	1,268,292	**123,800**	128,659
Amount offset against deferred tax assets	**(83,461)**	(97,989)	**(64,290)**	(63,480)
	1,111,986	1,170,303	**59,510**	65,179
Deferred tax assets				
Allowances for assets	**(107,958)**	(93,697)	**(85,356)**	(73,497)
Tax losses	**(8,210)**	(697)	**(3,562)**	–
Others	**(74,087)**	(47,033)	**(17,079)**	(16,240)
	(190,255)	(141,427)	**(105,997)**	(89,737)
Amount offset against deferred tax liabilities	**83,461**	97,989	**64,290**	63,480
	(106,794)	(43,438)	**(41,707)**	(26,257)
Net deferred tax liabilities	**1,005,192**	1,126,865	**17,803**	38,922

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 2013, unutilised tax losses for which no deferred income tax asset has been recognised amounted to $40.7 million (2012: $24.3 million) and $5.0 million (2012: nil) for the Group and Bank respectively.

21. DEBT ISSUED

	GROUP	
	2013 $'000	2012 $'000
Subordinated debt (unsecured) [Note 21.1]	**4,411,958**	5,126,972
Fixed and floating rate notes (unsecured) [Note 21.2]	**4,340,107**	3,021,787
Commercial papers (unsecured) [Note 21.3]	**17,089,337**	2,832,523
Structured notes (unsecured) [Note 21.4]	**860,474**	443,145
	26,701,876	11,424,427

21. DEBT ISSUED (continued)

21.1 SUBORDINATED DEBT (UNSECURED)

	Note	Issue date	Maturity date	GROUP 2013 $'000	GROUP 2012 $'000
Issued by the Bank:					
MYR1 billion 4.60% bonds	(a)	27 Mar 2008	27 Mar 2018	–	399,583
MYR600 million 4.60% bonds	(a)	6 Jun 2008	6 Jun 2018	–	242,019
SGD711.93 million 5.60% notes	(b)	27 Mar 2009	27 Mar 2019	**714,977**	725,458
USD500 million 4.25% notes	(c)	18 Nov 2009	18 Nov 2019	**644,687**	634,463
USD500 million 3.75% notes	(d)	15 Nov 2010	15 Nov 2022	**647,259**	641,394
USD1 billion 3.15% notes	(e)	11 Sep 2012	11 Mar 2023	**1,261,709**	1,218,077
SGD400 million 3.93% notes	(f)	2 Feb 2005	20 Mar 2055	**400,000**	400,000
SGD1.5 billion 5.10% notes	(g)	27 Aug 2008	20 Sep 2058	**1,500,000**	1,500,000
				5,168,632	5,760,994
Subordinated debt issued to subsidiaries				**(1,900,000)**	(1,900,000)
Net subordinated debt issued by the Bank				**3,268,632**	3,860,994
Issued by OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"):					
MYR200 million 5.40% Islamic bonds	(h)	24 Nov 2006	24 Nov 2021	**77,096**	79,919
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(i)	17 Apr 2009	Not applicable	**154,192**	159,838
MYR500 million 4.20% bonds	(j)	4 Nov 2010	4 Nov 2020	**193,656**	202,504
MYR600 million 4.00% bonds	(k)	15 Aug 2012	15 Aug 2022	**227,951**	239,141
				652,895	681,402
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR600 billion 11.10% Subordinated Bonds II	(l)	12 Mar 2008	11 Mar 2018	–	75,570
IDR880 billion 11.35% Subordinated Bonds III	(m)	30 Jun 2010	30 Jun 2017	**91,131**	110,305
				91,131	185,875
Issued by The Great Eastern Life Assurance Company Limited ("GEL"):					
SGD400 million 4.60% notes	(n)	19 Jan 2011	19 Jan 2026	**399,300**	399,200
Subordinated debt held by the Bank				–	(499)
Net subordinated debt issued by GEL				**399,300**	398,701
Total subordinated debt				**4,411,958**	5,126,972

(a) The MYR1 billion subordinated bonds and MYR600 million subordinated bonds were fully redeemed by the Bank on 27 March 2013 and 6 June 2013 respectively.

(b) The subordinated notes are redeemable in whole at the option of the Bank on 27 March 2014. Interest is payable semi-annually on 27 March and 27 September each year at 5.60% per annum up to 27 March 2014, and thereafter at 7.35% per annum if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(c) The subordinated notes are redeemable in whole at the option of the Bank on 18 November 2014. Interest is payable semi-annually on 18 May and 18 November each year at 4.25% per annum up to 18 November 2014, and thereafter at a fixed rate per annum equal to the then relevant 5-year US Treasury benchmark rate plus 2.997% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2013

21. DEBT ISSUED (continued)

21.1 SUBORDINATED DEBT (UNSECURED) (continued)

(d) The subordinated notes are redeemable in whole at the option of the Bank on 15 November 2017. Interest is payable semi-annually on 15 May and 15 November each year at 3.75% per annum up to 15 November 2017, and thereafter quarterly on 15 February, 15 May, 15 August and 15 November each year at a floating rate per annum equal to the 3-month US Dollar London Interbank Offer Rate plus 1.848% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(e) The subordinated notes are redeemable in whole at the option of the Bank on 11 March 2018. Interest is payable semi-annually on 11 March and 11 September each year at 3.15% per annum up to 11 March 2018, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.279% if the redemption option is not exercised. The subordinated notes qualify as Tier 2 capital for the Group.

(f) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation in exchange for the proceeds from the issue of the $400 million non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 March 2015 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85% if the redemption option is not exercised.

(g) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation (2008) in exchange for the proceeds from the issue of the $1.5 billion non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 September 2018 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised.

(h) The Islamic subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 24 November 2016 and each profit payment date thereafter. The subordinated bonds were issued under the Mudharabah (profit sharing) principle with a projected constant rate of 5.40% per annum, payable semi-annually on 24 May and 24 November each year, up to 24 November 2016, and thereafter at 6.40% per annum if the redemption option is not exercised. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 24 November 2017. The subordinated bonds qualify as Tier 2 capital for the Group.

(i) The Innovative Tier 1 ("IT1") Capital Securities are redeemable in whole at the option of OCBC Malaysia on 17 April 2019 and each interest payment date thereafter. Interest is payable semi-annually on 17 April and 17 October each year at 6.75% per annum up to 17 April 2019, and thereafter at a floating rate per annum equal to the 6-month Kuala Lumpur Interbank Offer Rate plus 3.32% if the redemption option is not exercised. In addition, the IT1 Capital Securities are to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualify as Additional Tier 1 capital for the Group.

(j) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 4 November 2015 and each interest payment date thereafter. Interest is payable semi-annually on 4 May and 4 November each year at 4.20% per annum. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 4 November 2016. OCBC Malaysia had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(k) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 15 August 2017 and each interest payment date thereafter. Interest is payable semi-annually on 15 February and 15 August each year at 4.00% per annum. OCBC Malaysia had entered into interest rate swaps to partially manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(l) The subordinated bonds were fully redeemed by OCBC NISP on 12 March 2013.

21. DEBT ISSUED (continued)

21.1 SUBORDINATED DEBT (UNSECURED) (continued)

(m) 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.

(n) The subordinated notes are redeemable in whole at the option of GEL on 19 January 2021. Interest is payable semi-annually on 19 January and 19 July each year at 4.60% per annum up to 19 January 2021, and thereafter at a fixed rate per annum equal to the then prevailing 5-year Singapore Swap Offer Rate plus 1.35% if the redemption option is not exercised.

21.2 FIXED AND FLOATING RATE NOTES (UNSECURED)

	Note	Issue date	Maturity date	GROUP 2013 $'000	GROUP 2012 $'000
Issued by the Bank:					
AUD500 million floating rate notes	(a)	14 Jul 2011	14 Jul 2014	**564,870**	635,230
HKD1 billion 2.20% fixed rate notes	(b)	19 Jan 2012	19 Jan 2017	**163,687**	160,381
AUD600 million floating rate notes	(c)	5 Mar 2012	5 Mar 2015	**677,755**	763,846
USD1 billion 1.625% fixed rate bonds	(d)	13 Mar 2012	13 Mar 2015	**1,265,382**	1,221,467
USD125 million floating rate notes	(e)	23 May 2012	23 May 2013	**–**	152,731
USD560 million floating rate notes	(f)	13 Aug 2012 – 16 Dec 2013	25 Jan 2014 – 16 Dec 2016	**708,205**	48,874
CNH200 million 3.50% fixed rate notes	(g)	18 Dec 2012	18 Dec 2019	**–**	39,258
CNH500 million 3.50% fixed rate notes	(h)	5 Feb 2013	5 Feb 2020	**104,418**	–
AUD400 million floating rate notes	(i)	22 Aug 2013	22 Aug 2016	**451,670**	–
				3,935,987	3,021,787
Issued by a subsidiary:					
IDR973 billion 6.40% fixed rate notes	(j)	19 Feb 2013	1 Mar 2014	**101,128**	–
IDR529 billion 6.90% fixed rate notes	(j)	19 Feb 2013	19 Feb 2015	**54,891**	–
IDR1,498 billion 7.40% fixed rate notes	(j)	19 Feb 2013	19 Feb 2016	**155,346**	–
IDR900 billion 7.00% fixed rate notes	(j)	18 Apr 2013	18 Apr 2016	**92,755**	–
				404,120	–
Total fixed and floating rate notes				**4,340,107**	3,021,787

(a) Interest is payable quarterly equal to the 3-month Bank Bill Swap reference rate plus 0.83%.

(b) Interest is payable quarterly at 2.20% per annum.

(c) Interest is payable quarterly equal to the 3-month Bank Bill Swap reference rate plus 1.25%.

(d) Interest is payable semi-annually at 1.625% per annum.

(e) The notes were fully redeemed by the Bank on 23 May 2013.

(f) Interest is payable quarterly equal to the 3-month US Dollar London Interbank Offer Rate plus a margin up to 0.60%.

(g) The notes were purchased and cancelled by the Bank on 5 February 2013.

(h) Interest is payable semi-annually at 3.50% per annum.

(i) Interest is payable quarterly equal to the 3-month Bank Bill Swap reference rate plus 0.68%.

(j) Interest is payable quarterly.

Notes to the Financial Statements

For the financial year ended 31 December 2013

21. DEBT ISSUED (continued)

21.3 COMMERCIAL PAPERS (UNSECURED)

		GROUP	
	Note	2013 $'000	2012 $'000
Issued by the Bank	(a)	**16,948,995**	2,692,969
Issued by a subsidiary	(b)	**140,342**	139,554
		17,089,337	2,832,523

(a) The commercial papers were issued by the Bank under its ECP programme and USCP programme, which were updated to the programme size of USD10 billion each in 2012. The notes outstanding at 31 December 2013 were issued between 24 July 2013 (2012: 26 April 2012) and 23 December 2013 (2012: 27 December 2012), and mature between 2 January 2014 (2012: 2 January 2013) and 10 June 2014 (2012: 27 June 2013), yielding between 0.13% and 2.64% (2012: 0.15% and 3.50%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018. The notes outstanding as at 31 December 2013 were issued between 22 August 2013 (2012: 23 May 2012) and 30 December 2013 (2012: 21 December 2012), and mature between 6 January 2014 (2012: 3 January 2013) and 3 March 2014 (2012: 1 March 2013), with interest rate ranging from 3.33% to 3.49% (2012: 3.33% to 3.65%).

21.4 STRUCTURED NOTES (UNSECURED)

			GROUP AND BANK	
	Issue date	Maturity date	2013 $'000	2012 $'000
Issued by the Bank:				
Credit linked notes	16 Dec 2011 – 24 Dec 2013	20 Jun 2014 – 8 Sep 2025	**612,374**	287,348
Fixed rate notes	25 Jul 2012 – 3 Dec 2013	25 Jul 2017 – 3 Dec 2038	**164,400**	114,257
Foreign exchange linked notes	4 Mar 2013 – 28 Mar 2013	28 Feb 2014 – 23 Mar 2015	**40,746**	–
Interest rate linked notes	25 Jun 2013	27 Jun 2016	**10,000**	–
Equity-linked notes	19 Nov 2013 – 31 Dec 2013	2 Jan 2014 – 26 Mar 2014	**23,847**	41,540
Commodity linked notes	15 Oct 2013 – 5 Dec 2013	23 Apr 2014 – 12 Jun 2014	**9,107**	–
			860,474	443,145

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and are carried at amortised cost, except for $442.2 million as at 31 December 2013 (2012: $211.3 million) included under credit linked notes which were held at fair value through profit or loss.

22. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP	
	2013 $ million	2012 $ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**47,057.9**	44,420.8
Currency translation	**(795.2)**	(498.4)
Fair value reserve movements	**(529.2)**	69.6
Change in life assurance fund contract liabilities (Note 4)	**1,843.8**	3,065.9
At 31 December	**47,577.3**	47,057.9
Policy benefits	**2,789.7**	2,512.5
Others	**2,815.6**	2,816.6
	53,182.6	52,387.0
Life assurance fund investment assets		
Deposits with banks and financial institutions	**2,711.4**	2,857.1
Loans	**4,072.5**	3,316.1
Securities	**44,334.2**	43,663.8
Investment property	**1,561.0**	1,531.6
Others [1]	**725.8**	902.8
	53,404.9	52,271.4
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**3.6**	4.6
Capital commitment authorised and contracted	**72.8**	81.1
Derivative financial instruments (principal notional amount)	**8,014.3**	8,248.4
Derivative receivables	**241.3**	488.6
Derivative payables	**184.3**	41.8
Minimum lease rental receivables under non-cancellable operating leases	**63.9**	75.0

[1] Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.

23. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash on hand	**610,092**	664,261	**439,943**	515,718
Balances with central banks	**7,474,030**	5,557,298	**4,942,460**	3,382,850
Money market placements and reverse repos	**11,256,688**	10,175,274	**7,330,577**	5,483,085
	19,340,810	16,396,833	**12,712,980**	9,381,653

Balances with central banks include mandatory reserve deposits of $5,258.2 million (2012: $4,703.6 million) and $2,762.0 million (2012: $2,548.2 million) for the Group and Bank respectively.

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24. GOVERNMENT TREASURY BILLS AND SECURITIES

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**1,553,350**	1,387,525	**1,553,350**	1,387,525
Available-for-sale, at fair value	**9,856,461**	11,492,379	**9,448,816**	10,692,392
Fair value at initial recognition	**539,600**	379,817	**–**	–
Gross securities	**11,949,411**	13,259,721	**11,002,166**	12,079,917
Assets pledged (Note 45)	**(230,687)**	(118,497)	**(230,687)**	(118,497)
	11,718,724	13,141,224	**10,771,479**	11,961,420
Other government treasury bills and securities				
Trading, at fair value	**1,222,524**	1,785,956	**1,051,512**	1,740,293
Available-for-sale, at fair value	**7,688,891**	7,390,484	**3,511,098**	4,377,781
Gross securities	**8,911,415**	9,176,440	**4,562,610**	6,118,074
Assets pledged (Note 45)	**(19,302)**	(19,687)	**(19,302)**	(19,687)
	8,892,113	9,156,753	**4,543,308**	6,098,387
Gross securities analysed by geography				
Singapore	**11,949,411**	13,259,721	**11,002,166**	12,079,917
Malaysia	**2,791,507**	2,238,012	**128,471**	92,561
Indonesia	**1,629,965**	1,040,060	**125,312**	182,635
Greater China	**1,128,441**	1,418,577	**1,008,622**	1,418,576
Other Asia Pacific	**2,856,996**	3,883,811	**2,848,745**	3,876,061
Rest of the World	**504,506**	595,980	**451,460**	548,241
	20,860,826	22,436,161	**15,564,776**	18,197,991

25. PLACEMENTS WITH AND LOANS TO BANKS

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**509,277**	207,747	**509,277**	207,747
Certificate of deposits purchased (Available-for-sale)	**8,158,678**	10,062,287	**7,475,044**	9,209,132
	8,667,955	10,270,034	**7,984,321**	9,416,879
At amortised cost:				
Placements with and loans to banks	**23,722,854**	17,879,608	**17,771,805**	11,191,660
Market bills purchased	**5,859,093**	1,873,608	**5,857,816**	1,873,608
Reverse repos	**1,683,522**	484,982	**–**	–
	31,265,469	20,238,198	**23,629,621**	13,065,268
Balances with banks	**39,933,424**	30,508,232	**31,613,942**	22,482,147
Assets pledged (Note 45)	**(793,115)**	(1,464,467)	**(793,115)**	(1,464,467)
Bank balances of life assurance fund – at amortised cost	**432,191**	767,163	**–**	–
	39,572,500	29,810,928	**30,820,827**	21,017,680

25. PLACEMENTS WITH AND LOANS TO BANKS (continued)

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**714,616**	391,763	**470,549**	317,212
US Dollar	**24,047,733**	14,891,213	**22,502,188**	12,691,586
Malaysian Ringgit	**818,515**	1,385,740	**41**	109
Indonesian Rupiah	**194,054**	67,971	**1**	1
Japanese Yen	**219,008**	442,471	**122,640**	363,518
Hong Kong Dollar	**1,076,768**	1,271,101	**1,064,895**	1,268,729
British Pound	**455,101**	1,013,516	**451,911**	1,009,478
Australian Dollar	**1,238,813**	2,134,185	**1,200,525**	2,004,248
Euro	**46,822**	1,171,912	**34,551**	1,165,627
Others	**11,121,994**	7,738,360	**5,766,641**	3,661,639
	39,933,424	30,508,232	**31,613,942**	22,482,147
By geography				
Singapore	**1,539,302**	1,305,918	**1,371,164**	1,234,655
Malaysia	**2,599,140**	2,967,583	**1,422,157**	669,244
Indonesia	**742,431**	382,339	**570,400**	315,001
Greater China	**24,574,523**	17,666,708	**18,754,281**	12,664,937
Other Asia Pacific	**2,052,475**	4,814,495	**1,980,558**	4,736,746
Rest of the World	**8,425,553**	3,371,189	**7,515,382**	2,861,564
	39,933,424	30,508,232	**31,613,942**	22,482,147

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

26. LOANS AND BILLS RECEIVABLE

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Gross loans	**169,619,654**	144,030,440	**126,283,828**	105,301,591
Specific allowances (Note 28)	**(230,021)**	(303,498)	**(96,097)**	(133,926)
Portfolio allowances (Note 29)	**(1,511,044)**	(1,350,464)	**(1,107,599)**	(1,011,065)
Net loans	**167,878,589**	142,376,478	**125,080,132**	104,156,600
Assets pledged (Note 45)	**(24,503)**	–	**–**	–
	167,854,086	142,376,478	**125,080,132**	104,156,600
Bills receivable	**19,353,551**	9,874,156	**17,418,292**	8,337,025
Loans	**148,525,038**	132,502,322	**107,661,840**	95,819,575
Net loans	**167,878,589**	142,376,478	**125,080,132**	104,156,600

26.1 ANALYSED BY CURRENCY

	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
Singapore Dollar	**73,907,342**	70,141,316	**72,584,860**	68,376,147
US Dollar	**45,702,407**	31,680,402	**35,233,143**	23,532,756
Malaysian Ringgit	**20,493,525**	18,403,794	**141**	166
Indonesian Rupiah	**4,724,927**	4,989,282	**–**	–
Japanese Yen	**1,627,561**	1,919,733	**443,624**	599,359
Hong Kong Dollar	**5,797,600**	5,110,505	**5,059,754**	4,377,786
British Pound	**3,660,574**	2,300,292	**2,366,782**	1,461,780
Australian Dollar	**3,487,662**	3,698,219	**3,315,822**	3,529,736
Euro	**1,963,576**	1,133,721	**1,374,421**	797,400
Others	**8,254,480**	4,653,176	**5,905,281**	2,626,461
	169,619,654	144,030,440	**126,283,828**	105,301,591

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26. LOANS AND BILLS RECEIVABLE (continued)

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
26.2 ANALYSED BY PRODUCT				
Overdrafts	**8,333,991**	6,945,516	**1,093,682**	1,175,550
Short-term and revolving loans	**24,671,414**	21,110,339	**12,933,700**	10,956,105
Syndicated and term loans	**63,560,241**	57,140,246	**52,948,584**	47,075,382
Housing and commercial property loans	**44,435,903**	40,190,539	**34,945,715**	31,879,500
Car, credit card and share margin loans	**2,600,986**	2,794,648	**2,354,502**	2,036,468
Others	**26,017,119**	15,849,152	**22,007,645**	12,178,586
	169,619,654	144,030,440	**126,283,828**	105,301,591
26.3 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**6,279,020**	4,862,736	**4,343,331**	3,097,650
Manufacturing	**10,068,399**	8,196,914	**4,433,766**	3,337,780
Building and construction	**24,904,541**	22,387,826	**20,632,234**	17,841,981
Housing	**42,075,099**	37,809,235	**32,478,874**	29,337,663
General commerce	**27,893,390**	17,502,298	**22,491,430**	13,011,458
Transport, storage and communication	**10,989,203**	9,105,774	**9,351,698**	7,529,643
Financial institutions, investment and holding companies	**22,469,723**	22,456,318	**16,746,331**	17,517,562
Professionals and individuals	**16,208,342**	14,272,201	**9,012,125**	8,075,516
Others	**8,731,937**	7,437,138	**6,794,039**	5,552,338
	169,619,654	144,030,440	**126,283,828**	105,301,591
26.4 ANALYSED BY INTEREST RATE SENSITIVITY				
Fixed				
Singapore	**5,329,171**	6,129,952	**5,232,923**	6,030,387
Malaysia	**2,058,338**	1,926,261	**–**	–
Indonesia	**1,516,844**	1,733,716	**–**	–
Greater China	**3,750,800**	1,460,677	**3,717,858**	1,460,671
Other Asia Pacific	**62,060**	56,858	**62,060**	56,858
Rest of the World	**608**	573	**608**	573
	12,717,821	11,308,037	**9,013,449**	7,548,489
Variable				
Singapore	**111,292,961**	91,078,172	**100,725,683**	81,835,401
Malaysia	**23,460,481**	21,416,456	**3,497,644**	3,898,853
Indonesia	**5,173,244**	4,980,906	**–**	–
Greater China	**9,843,513**	9,130,289	**5,917,287**	5,904,265
Other Asia Pacific	**4,257,989**	4,360,967	**4,256,121**	4,358,970
Rest of the World	**2,873,645**	1,755,613	**2,873,644**	1,755,613
	156,901,833	132,722,403	**117,270,379**	97,753,102
Total	**169,619,654**	144,030,440	**126,283,828**	105,301,591

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

	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
26.5 ANALYSED BY GEOGRAPHY				
Singapore	**83,920,117**	75,215,488	**80,888,795**	72,887,754
Malaysia	**25,256,630**	23,157,061	**3,437,746**	3,417,694
Indonesia	**11,890,203**	10,678,702	**4,720,439**	5,553,187
Greater China	**27,182,689**	17,378,849	**22,234,486**	13,369,404
Other Asia Pacific	**8,357,507**	8,253,418	**7,639,030**	5,486,114
Rest of the World	**13,012,508**	9,346,922	**7,363,332**	4,587,438
	169,619,654	144,030,440	**126,283,828**	105,301,591

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

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

Non-performing loans, debt securities and contingents are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Specific allowances	Net loans, securities and contingents
GROUP						
2013						
Classified loans	**787**	**308**	**144**	**1,239**	**(228)**	**1,011**
Classified debt securities	**–**	**3**	**1**	**4**	**(3)**	**1**
Classified contingents	**57**	**1**	**3**	**61**	**(3)**	**58**
Total classified assets	**844**	**312**	**148**	**1,304**	**(234)**	**1,070**
2012						
Classified loans	698	298	149	1,145	(300)	845
Classified debt securities	–	3	1	4	(3)	1
Classified contingents	19	1	3	23	(2)	21
Total classified assets	717	302	153	1,172	(305)	867
BANK						
2013						
Classified loans	**469**	**124**	**67**	**660**	**(96)**	**564**
Classified debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Classified contingents	**30**	**–**	**–**	**30**	**–**	**30**
Total classified assets	**499**	**124**	**67**	**690**	**(96)**	**594**
2012						
Classified loans	461	158	49	668	(134)	534
Classified debt securities	–	#	#	#	(#)	–
Classified contingents	1	–	–	1	–	1
Total classified assets	462	158	49	669	(134)	535

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

	GROUP		BANK	
	2013 $ million	2012 $ million	2013 $ million	2012 $ million
27.1 ANALYSED BY PERIOD OVERDUE				
Over 180 days	**284**	328	**106**	50
Over 90 days to 180 days	**155**	81	**59**	40
30 days to 90 days	**193**	160	**80**	116
Less than 30 days	**11**	10	**8**	7
No overdue	**661**	593	**437**	456
	1,304	1,172	**690**	669
27.2 ANALYSED BY COLLATERAL TYPE				
Property	**582**	563	**282**	317
Fixed deposit	**9**	3	**1**	1
Stock and shares	**1**	#	**#**	#
Motor vehicles	**3**	4	**3**	3
Secured – Others	**147**	104	**92**	67
Unsecured – Corporate and other guarantees	**170**	147	**159**	147
Unsecured – Clean	**392**	351	**153**	134
	1,304	1,172	**690**	669

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

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

	GROUP		BANK	
	2013 $ million	2012 $ million	2013 $ million	2012 $ million
27.3 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**10**	6	**#**	#
Manufacturing	**465**	383	**192**	215
Building and construction	**164**	204	**108**	151
Housing	**217**	192	**115**	79
General commerce	**126**	105	**58**	29
Transport, storage and communication	**100**	77	**69**	63
Financial institutions, investment and holding companies	**49**	92	**41**	85
Professionals and individuals	**91**	87	**44**	43
Others	**82**	26	**63**	4
	1,304	1,172	**690**	669

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

27.4 ANALYSED BY GEOGRAPHY

	2013				2012			
$ million	Singapore	Malaysia	Rest of the World	Total	Singapore	Malaysia	Rest of the World	Total
GROUP								
Substandard	**77**	**331**	**436**	**844**	91	251	375	717
Doubtful	**79**	**175**	**58**	**312**	119	134	49	302
Loss	**67**	**42**	**39**	**148**	48	47	58	153
	223	**548**	**533**	**1,304**	258	432	482	1,172
Specific allowances	**(50)**	**(104)**	**(80)**	**(234)**	(105)	(127)	(73)	(305)
	173	**444**	**453**	**1,070**	153	305	409	867
BANK								
Substandard	**77**	**13**	**409**	**499**	91	10	361	462
Doubtful	**79**	**2**	**43**	**124**	119	–	39	158
Loss	**67**	**–**	**#**	**67**	48	–	1	49
	223	**15**	**452**	**690**	258	10	401	669
Specific allowances	**(50)**	**(#)**	**(46)**	**(96)**	(105)	(3)	(26)	(134)
	173	**15**	**406**	**594**	153	7	375	535

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

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 8.9% (2012: 16.7%) and 15.5% (2012: 27.8%) for the Group and the Bank respectively.

	2013		2012	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**95**	**2**	173	10
Doubtful	**20**	**18**	22	33
Loss	**1**	**1**	#	#
	116	**21**	195	43
BANK				
Substandard	**93**	**2**	168	8
Doubtful	**13**	**11**	18	28
Loss	**#**	**#**	#	#
	106	**13**	186	36

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

28. SPECIFIC ALLOWANCES

	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
At 1 January	**303,498**	302,383	**133,926**	106,340
Currency translation	**(17,788)**	(12,426)	**(454)**	(3,548)
Bad debts written off	**(131,831)**	(93,471)	**(94,855)**	(55,350)
Recovery of amounts previously provided for	**(54,954)**	(42,605)	**(27,975)**	(27,590)
Allowances for loans	**136,332**	157,827	**89,649**	120,335
Net allowances charged to income statements (Note 9)	**81,378**	115,222	**61,674**	92,745
Interest recognition on impaired loans	**(5,236)**	(8,210)	**(4,194)**	(6,261)
At 31 December (Note 26)	**230,021**	303,498	**96,097**	133,926

Analysed by industry

	Cumulative specific allowances		Specific allowances charged/ (write-back) to income statements	
	2013 $ million	2012 $ million	2013 $ million	2012 $ million
GROUP				
Agriculture, mining and quarrying	**2**	2	**#**	#
Manufacturing	**67**	87	**34**	26
Building and construction	**8**	23	**(17)**	1
Housing	**29**	36	**(2)**	4
General commerce	**33**	44	**18**	9
Transport, storage and communication	**6**	26	**(13)**	17
Financial institutions, investment and holding companies	**7**	9	**1**	(3)
Professionals and individuals	**60**	57	**54**	56
Others	**18**	19	**6**	5
	230	303	**81**	115
BANK				
Agriculture, mining and quarrying	**#**	#	**#**	(#)
Manufacturing	**45**	57	**31**	24
Building and construction	**1**	6	**(1)**	3
Housing	**#**	#	**(2)**	#
General commerce	**6**	7	**5**	6
Transport, storage and communication	**1**	20	**(15)**	17
Financial institutions, investment and holding companies	**4**	5	**1**	(3)
Professionals and individuals	**37**	36	**40**	43
Others	**2**	3	**3**	3
	96	134	**62**	93

[1] # represents amounts less than $0.5 million.

29. PORTFOLIO ALLOWANCES

	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
At 1 January	**1,350,464**	1,219,577	**1,011,065**	929,471
Currency translation	**(22,734)**	(16,711)	**(433)**	(6,184)
Allowances charged to income statements (Note 9)	**183,314**	147,598	**96,967**	87,778
At 31 December (Note 26)	**1,511,044**	1,350,464	**1,107,599**	1,011,065

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30. DEBT AND EQUITY SECURITIES

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trading securities				
Quoted debt securities	**1,334,564**	1,119,217	**1,159,563**	887,544
Unquoted debt securities	**2,009,198**	804,105	**1,982,692**	632,331
Quoted equity securities	**213,287**	156,944	**208,400**	155,176
Quoted investment funds	**11,900**	9,815	**11,900**	9,815
Unquoted investment funds	**45,692**	22,587	**45,692**	22,587
	3,614,641	2,112,668	**3,408,247**	1,707,453
Available-for-sale securities				
Quoted debt securities	**8,071,764**	6,505,733	**5,754,497**	4,782,004
Unquoted debt securities	**5,324,044**	3,700,210	**3,638,758**	2,178,439
Quoted equity securities	**2,638,155**	2,138,506	**619,583**	555,006
Unquoted equity securities	**136,703**	161,374	**86,433**	21,560
Quoted investment funds	**224,104**	192,577	**20,555**	20,044
Unquoted investment funds	**326,360**	19,186	**10,791**	9,392
	16,721,130	12,717,586	**10,130,617**	7,566,445
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**308,658**	555,240	**229,083**	418,198
Total debt and equity securities				
Debt securities	**17,048,228**	12,684,505	**12,764,593**	8,898,516
Equity securities	**2,988,145**	2,456,824	**914,416**	731,742
Investment funds	**608,056**	244,165	**88,938**	61,838
Total securities	**20,644,429**	15,385,494	**13,767,947**	9,692,096
Assets pledged (Note 45)	**(1,042,115)**	(453,504)	**(876,730)**	(343,684)
	19,602,314	14,931,990	**12,891,217**	9,348,412
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**9,061,775**	7,276,041	**7,227,947**	5,875,389
Non-investment grade (BB to C)	**328,409**	235,782	**284,247**	200,950
Non-rated	**7,658,044**	5,172,682	**5,252,399**	2,822,177
	17,048,228	12,684,505	**12,764,593**	8,898,516
By credit quality				
Pass	**17,047,466**	12,671,322	**12,764,593**	8,885,964
Special mention	**–**	12,552	**–**	12,552
Substandard	**–**	–	**–**	–
Doubtful	**762**	631	**–**	–
Loss	**–**	–	**–**	–
	17,048,228	12,684,505	**12,764,593**	8,898,516

30. DEBT AND EQUITY SECURITIES (continued)

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**735,736**	408,254	**636,282**	345,867
Manufacturing	**1,211,822**	585,160	**579,492**	182,031
Building and construction	**1,930,602**	1,520,989	**1,332,623**	881,715
General commerce	**1,137,622**	361,637	**988,265**	252,660
Transport, storage and communication	**1,334,396**	921,623	**856,940**	574,366
Financial institutions, investment and holding companies	**10,572,710**	9,212,423	**7,457,000**	6,437,240
Others	**3,721,541**	2,375,408	**1,917,345**	1,018,217
	20,644,429	15,385,494	**13,767,947**	9,692,096
By issuer				
Public sector	**2,673,176**	1,545,949	**2,223,673**	1,265,405
Banks	**6,958,113**	5,933,112	**4,980,357**	4,257,900
Corporations	**10,244,926**	7,212,368	**6,526,976**	4,131,557
Others	**768,214**	694,065	**36,941**	37,234
	20,644,429	15,385,494	**13,767,947**	9,692,096
By geography				
Singapore	**4,059,752**	3,689,248	**2,719,766**	2,458,037
Malaysia	**1,907,837**	1,994,262	**293,172**	446,604
Indonesia	**632,936**	395,504	**462,814**	187,132
Greater China	**6,887,271**	3,623,488	**4,637,374**	1,908,758
Other Asia Pacific	**3,919,717**	3,365,215	**3,187,068**	2,925,217
Rest of the World	**3,236,916**	2,317,777	**2,467,753**	1,766,348
	20,644,429	15,385,494	**13,767,947**	9,692,096

The analysis by geography is determined based on country of incorporation.

31. OTHER ASSETS

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Interest receivable	**799,483**	737,162	**510,807**	466,891
Sundry debtors (net)	**1,966,797**	2,068,349	**47,342**	20,229
Deposits and prepayments	**247,796**	299,003	**153,046**	175,190
Others	**886,327**	740,113	**600,016**	485,031
	3,900,403	3,844,627	**1,311,211**	1,147,341

At 31 December 2013, reinsurance assets included in "Others" amounted to $126.8 million (2012: $111.0 million).

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32. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS

GROUP ($'000)	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2012	7,085	66,428	6,456	35,576	115,545
Currency translation	(417)	(304)	(72)	(1,846)	(2,639)
Amounts written off	(6,450)	–	(914)	(18,783)	(26,147)
(Write-back)/impairment charge to income statements (Note 9)	(218)	–	(552)	4,029	3,259
Transfers (to)/from other accounts	–	–	(977)	3,605	2,628
At 31 December 2012/1 January 2013	**–**	**66,124**	**3,941**	**22,581**	**92,646**
Currency translation	**–**	**(480)**	**(12)**	**(362)**	**(854)**
Amounts written off	**–**	**(20)**	**(2)**	**(6,497)**	**(6,519)**
Write-back to income statements (Note 9)	**–**	**(268)**	**(974)**	**(1,073)**	**(2,315)**
Transfers to other accounts	**–**	**–**	**(235)**	**(239)**	**(474)**
At 31 December 2013	**–**	**65,356**	**2,718**	**14,410**	**82,484**
		(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 2012	5,287	6,824	946	4,717	5,195	22,969
Currency translation	–	(414)	–	(38)	(388)	(840)
Amounts written off	–	(6,450)	–	(914)	–	(7,364)
Impairment charge to income statements (Note 9)	–	40	–	111	454	605
Transfers to other accounts	–	–	–	(607)	–	(607)
At 31 December 2012/1 January 2013	**5,287**	**–**	**946**	**3,269**	**5,261**	**14,763**
Currency translation	**–**	**–**	**–**	**–**	**108**	**108**
Amounts written off	**–**	**–**	**–**	**(2)**	**(5,216)**	**(5,218)**
(Write-back)/impairment charge to income statements (Note 9)	**–**	**–**	**–**	**(507)**	**232**	**(275)**
Transfers to other accounts	**–**	**–**	**–**	**(235)**	**–**	**(235)**
At 31 December 2013	**5,287**	**–**	**946**	**2,525**	**385**	**9,143**
	(Notes 33-34)		(Note 35)	(Note 36)		

33. ASSOCIATES AND JOINT VENTURES

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Unquoted equity securities, at cost	**287,581**	308,677	**172,353**	193,449
Allowance for impairment (Note 32)	**–**	–	**(2,199)**	(2,199)
Net carrying value	**287,581**	308,677	**170,154**	191,250
Share of post-acquisition reserves	**92,107**	46,177	**–**	–
Amount due from associates (unsecured)	**80**	38	**–**	–
	379,768	354,892	**170,154**	191,250

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	2013	2012
At 31 December:		
Assets	**1,479,979**	1,126,771
Liabilities	**(281,791)**	(229,496)
Contingent liabilities	**1,216**	1,323
For the year ended:		
Total income	**475,491**	387,452
Profit/(loss)	**182,463**	140,379

Details of the principal associates of the Group are as follows:

Name of associate	Country of incorporation	Effective % interest held 2013	2012
Unquoted			
AVIC Trust Co., Ltd [1]	People's Republic of China	**20**	20
Network For Electronic Transfers (Singapore) Pte Ltd [2]	Singapore	**33**	33

(1) Audited by Grant Thornton.
(2) 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	2013	2012
At 31 December:		
Share of current assets	**188.3**	151.1
Share of non-current assets	**72.4**	45.3
Share of current liabilities	**(97.1)**	(38.0)
Share of non-current liabilities	**(100.6)**	(90.9)
For the year ended:		
Share of income	**36.7**	39.0
Share of expenses	**(44.6)**	(42.3)

34. SUBSIDIARIES

	BANK 2013 $'000	2012 $'000
Investments in subsidiaries, at cost		
Quoted security	**1,895,642**	1,895,642
Unquoted securities	**5,024,684**	3,872,896
Allowance for impairment (Note 32)	**(3,088)**	(3,088)
Net carrying value	**6,917,238**	5,765,450
Unsecured loans and receivables	**8,713,125**	4,744,058
Secured loans and receivables	**665,000**	1,067,200
Amount due from subsidiaries	**9,378,125**	5,811,258
Investments in and amount due from subsidiaries	**16,295,363**	11,576,708

During the financial year, the Bank increased its investments in unquoted subsidiaries, mainly through the subscription of preference shares issued by 2 subsidiaries. The proceeds from the preference shares were in turn used for the rights issue subscription of PT Bank OCBC NISP Tbk and for restructuring and funding purposes.

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34. SUBSIDIARIES (continued)

At 31 December 2013, the fair values of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $7,244.9 million (2012: $6,461.0 million) and $944.1 million (2012: $1,246.3 million) respectively.

34.1 LIST OF PRINCIPAL SUBSIDIARIES

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation	Effective % interest held [3] 2013	2012
Banking			
Bank of Singapore Limited	Singapore	**100**	100
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100
OCBC Bank (China) Limited	People's Republic of China	**100**	100
PT Bank OCBC NISP Tbk [1] (Note 34.2)	Indonesia	**85**	85
Insurance			
Great Eastern Life Assurance (Malaysia) Berhad [2]	Malaysia	**87**	87
Overseas Assurance Corporation (Malaysia) Berhad [2]	Malaysia	**87**	87
The Great Eastern Life Assurance Company Limited [2]	Singapore	**87**	87
The Overseas Assurance Corporation Limited [2]	Singapore	**87**	87
Asset management and investment holding			
Lion Global Investors Limited [2]	Singapore	**91**	91
Great Eastern Holdings Limited [2]	Singapore	**87**	87
Stockbroking			
OCBC Securities Private Limited	Singapore	**100**	100

Unless otherwise indicated, the principal subsidiaries listed above are audited by KPMG LLP Singapore and its associated firms.

(1) Audited by PricewaterhouseCoopers.
(2) Audited by Ernst & Young.
(3) Rounded to the nearest percentage.

34.2 ACQUISITION OF INTERESTS IN A SUBSIDIARY

During the financial year, a subsidiary of the Bank, OCBC Overseas Investments Pte. Ltd., subscribed for a total of 2,487,449,999 new shares pursuant to the rights issue undertaken by PT Bank OCBC NISP Tbk ("OCBC NISP"), at an issue price of IDR1,200 per share. The aggregate consideration for the rights issue subscription amounted to $326 million. The Group's interest in OCBC NISP remains unchanged.

35. PROPERTY, PLANT AND EQUIPMENT

GROUP ($'000)	2013 Property-related	2013 Computer-related	2013 Others	2013 Total	2012 Property-related	2012 Computer-related	2012 Others	2012 Total
Cost								
At 1 January	**1,469,557**	**1,272,389**	**480,271**	**3,222,217**	1,457,560	1,121,832	435,781	3,015,173
Currency translation	**(19,566)**	**(23,336)**	**(8,264)**	**(51,166)**	(16,438)	(18,249)	(9,675)	(44,362)
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	–	521	300	821
Additions	**42,430**	**198,040**	**78,927**	**319,397**	20,053	204,969	60,877	285,899
Disposals and other transfers	**(16,774)**	**(22,220)**	**(14,196)**	**(53,190)**	(6,425)	(36,684)	(7,012)	(50,121)
Transfer from/(to) investment property (Note 36)	**169,770**	**–**	**(12)**	**169,758**	14,807	–	–	14,807
At 31 December	**1,645,417**	**1,424,873**	**536,726**	**3,607,016**	1,469,557	1,272,389	480,271	3,222,217
Accumulated depreciation								
At 1 January	**(338,325)**	**(802,187)**	**(312,996)**	**(1,453,508)**	(310,696)	(692,867)	(281,312)	(1,284,875)
Currency translation	**6,072**	**15,971**	**6,403**	**28,446**	4,444	11,344	6,696	22,484
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	–	(144)	(121)	(265)
Disposals and other transfers	**9,320**	**22,142**	**15,197**	**46,659**	231	18,499	9,103	27,833
Depreciation charge	**(15,491)**	**(127,628)**	**(48,728)**	**(191,847)**	(14,112)	(111,968)	(41,305)	(167,385)
Depreciation charge to profit from life assurance (Note 4)	**(19,713)**	**(29,047)**	**(6,536)**	**(55,296)**	(13,636)	(27,051)	(6,057)	(46,744)
Transfer (from)/to investment property (Note 36)	**(18,021)**	**–**	**3**	**(18,018)**	(4,556)	–	–	(4,556)
At 31 December	**(376,158)**	**(920,749)**	**(346,657)**	**(1,643,564)**	(338,325)	(802,187)	(312,996)	(1,453,508)
Accumulated impairment losses (Note 32)								
At 1 January	**(65,525)**	**(63)**	**(536)**	**(66,124)**	(65,829)	(63)	(536)	(66,428)
Currency translation	**479**	**–**	**1**	**480**	304	–	–	304
Disposals	**–**	**–**	**20**	**20**	–	–	–	–
Write-back/(impairment charge) to income statements	**288**	**–**	**(20)**	**268**	–	–	–	–
At 31 December	**(64,758)**	**(63)**	**(535)**	**(65,356)**	(65,525)	(63)	(536)	(66,124)
Net carrying value, at 31 December	**1,204,501**	**504,061**	**189,534**	**1,898,096**	1,065,707	470,139	166,739	1,702,585
Freehold property	**332,361**				310,289			
Leasehold property	**872,140**				755,418			
Net carrying value	**1,204,501**				1,065,707			
Market value	**2,726,796**				2,368,792			

The above market values are Level 2 fair values based on the direct market comparison approach. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

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35. PROPERTY, PLANT AND EQUIPMENT (continued)

BANK ($'000)	2013 Property-related	2013 Computer-related	2013 Others	2013 Total	2012 Property-related	2012 Computer-related	2012 Others	2012 Total
Cost								
At 1 January	**256,190**	**608,142**	**137,017**	**1,001,349**	245,797	506,747	116,142	868,686
Currency translation	**(15)**	**(37)**	**(43)**	**(95)**	(12)	(123)	(457)	(592)
Additions	**1,368**	**120,119**	**20,484**	**141,971**	–	107,191	22,804	129,995
Disposals and other transfers	**–**	**(14,298)**	**(2,703)**	**(17,001)**	–	(5,673)	(1,472)	(7,145)
Transfer from investment property (Note 36)	**10,437**	**–**	**–**	**10,437**	10,405	–	–	10,405
At 31 December	**267,980**	**713,926**	**154,755**	**1,136,661**	256,190	608,142	137,017	1,001,349
Accumulated depreciation								
At 1 January	**(67,553)**	**(370,239)**	**(88,681)**	**(526,473)**	(60,458)	(304,818)	(77,175)	(442,451)
Currency translation	**9**	**38**	**5**	**52**	6	104	284	394
Disposals and other transfers	**–**	**12,067**	**1,603**	**13,670**	–	5,311	1,321	6,632
Depreciation charge	**(5,067)**	**(81,590)**	**(15,087)**	**(101,744)**	(4,837)	(70,836)	(13,111)	(88,784)
Transfer from investment property (Note 36)	**(3,410)**	**–**	**–**	**(3,410)**	(2,264)	–	–	(2,264)
At 31 December	**(76,021)**	**(439,724)**	**(102,160)**	**(617,905)**	(67,553)	(370,239)	(88,681)	(526,473)
Accumulated impairment losses (Note 32)								
At 1 January/At 31 December	**(946)**	**–**	**–**	**(946)**	(946)	–	–	(946)
Net carrying value, at 31 December	**191,013**	**274,202**	**52,595**	**517,810**	187,691	237,903	48,336	473,930
Freehold property	**44,536**				36,422			
Leasehold property	**146,477**				151,269			
Net carrying value	**191,013**				187,691			
Market value	**508,507**				403,429			

The above market values are Level 2 fair values based on the direct market comparison approach. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

36. INVESTMENT PROPERTY

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cost				
At 1 January	**1,078,920**	1,119,631	**663,770**	665,780
Currency translation	**11,657**	(13,829)	**576**	(1,127)
Additions	**16,367**	17,335	**16,112**	16,180
Disposals	**(9,686)**	(18,850)	**(4,852)**	(2,801)
Transfer to:				
Property, plant and equipment (Note 35)	**(169,758)**	(14,807)	**(10,437)**	(10,405)
Assets held for sale	**(7,766)**	(10,560)	**(3,708)**	(3,857)
At 31 December	**919,734**	1,078,920	**661,461**	663,770
Accumulated depreciation				
At 1 January	**(196,739)**	(190,840)	**(95,475)**	(92,146)
Currency translation	**(818)**	1,400	**(193)**	332
Disposals	**5,989**	2,516	**1,159**	427
Depreciation charge	**(14,695)**	(16,812)	**(6,914)**	(7,140)
Transfer to:				
Property, plant and equipment (Note 35)	**18,018**	4,556	**3,410**	2,264
Assets held for sale	**2,579**	2,441	**1,162**	788
At 31 December	**(185,666)**	(196,739)	**(96,851)**	(95,475)
Accumulated impairment losses (Note 32)				
At 1 January	**(3,941)**	(6,456)	**(3,269)**	(4,717)
Currency translation	**12**	72	**–**	38
Disposals	**2**	914	**2**	914
Write-back/(impairment charge) to income statements	**974**	552	**507**	(111)
Transfer to assets held for sale	**235**	977	**235**	607
At 31 December	**(2,718)**	(3,941)	**(2,525)**	(3,269)
Net carrying value				
Freehold property	**339,302**	339,193	**191,720**	188,021
Leasehold property	**392,048**	539,047	**370,365**	377,005
At 31 December	**731,350**	878,240	**562,085**	565,026
Market value	**2,847,862**	2,881,727	**1,579,345**	1,476,676

The above market values are Level 2 fair values based on the direct market comparison approach. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

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37. GOODWILL AND INTANGIBLE ASSETS

	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
Goodwill				
At 1 January	**3,175,197**	3,237,995	**1,867,176**	1,867,176
Acquisition of a subsidiary	**–**	1,009	**–**	–
Currency translation	**(22,093)**	(63,807)	**–**	–
At 31 December	**3,153,104**	3,175,197	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**642,705**	709,399		
Amortisation charged to income statements:				
– Customer relationships [1]	**(11,463)**	(13,267)		
– Life assurance business [2]	**(46,636)**	(46,636)		
Currency translation	**3,268**	(6,791)		
At 31 December	**587,874**	642,705		
Total goodwill and intangible assets	**3,740,978**	3,817,902	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**3,153,104**	3,175,197	**1,867,176**	1,867,176
Intangible assets, at cost	**1,068,083**	1,063,485	**–**	–
Accumulated amortisation for intangible assets	**(480,209)**	(420,780)	**–**	–
	3,740,978	3,817,902	**1,867,176**	1,867,176

(1) Customer relationships, arising from the acquisition of Bank of Singapore Limited, are determined to have an estimated useful life of 10 years. At 31 December 2013, these have a remaining useful life of 7 years (2012: 8 years).

(2) The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2013, the intangible asset has a remaining useful life of 11 years (2012: 12 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 2013 $'000	Carrying value 2012 $'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	**549,786**	531,113
Lion Global Investors Limited	Value-in-use	**29,437**	29,437
PT Bank OCBC NISP Tbk	Value-in-use	**193,039**	233,377
Others	Value-in-use	**14,885**	15,313
		3,153,104	3,175,197

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 2013, the discount rates used ranged from 10.1% to 11.5% (2012: 10.2% to 10.4%). Cash flows beyond the fifth year are extrapolated using the estimated terminal growth rates (weighted average growth rate to extrapolate cash flows beyond the projected years). The terminal growth rates ranged from 2.0% to 5.0% (2012: 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 7.5% (2012: 8.0%) and 9.0% (2012: 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 6.0% (2012: 5.12%, 4.0% and 6.0%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.0%, 5.0% and 7.0% (2012: 6.0%, 5.0% and 7.0%) for Malaysia's participating fund, non-participating fund and linked fund respectively.

38. SEGMENT INFORMATION

38.1 BUSINESS SEGMENTS

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2013						
Total income	2,188	2,810	641	988	(6)	6,621
Operating profit before allowances and amortisation	835	1,940	434	808	(180)	3,837
Amortisation of intangible assets	(11)	–	–	(47)	–	(58)
Allowances and impairment for loans and other assets	(86)	(114)	(6)	(1)	(59)	(266)
Operating profit after allowances and amortisation	738	1,826	428	760	(239)	3,513
Other information:						
Capital expenditure	25	9	3	70	229	336
Depreciation	37	12	2	3	153	207
At 31 December 2013						
Segment assets	72,625	118,020	78,812	61,823	17,620	348,900
Unallocated assets						199
Elimination						(10,651)
Total assets						338,448
Segment liabilities	77,297	101,319	52,351	54,112	33,804	318,883
Unallocated liabilities						2,137
Elimination						(10,651)
Total liabilities						310,369
Other information:						
Gross non-bank loans	62,196	105,455	1,252	49	668	169,620
NPAs (include debt securities)	292	1,002	–	4	6	1,304

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38. SEGMENT INFORMATION (continued)

38.1 BUSINESS SEGMENTS (continued)

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2012						
Total income	1,949	2,655	845	1,537	975	7,961
Operating profit before allowances and amortisation	697	1,811	621	1,346	791	5,266
Amortisation of intangible assets	(13)	–	–	(47)	–	(60)
Allowances and impairment for loans and other assets	(95)	(68)	(2)	(#)	(106)	(271)
Operating profit after allowances and amortisation	589	1,743	619	1,299	685	4,935
Other information:						
Capital expenditure	26	4	#	52	221	303
Depreciation	34	10	2	3	135	184
At 31 December 2012						
Segment assets	66,779	92,223	67,871	60,617	19,030	306,520
Unallocated assets						90
Elimination						(10,667)
Total assets						295,943
Segment liabilities	73,837	84,507	48,148	53,226	16,124	275,842
Unallocated liabilities						2,067
Elimination						(10,667)
Total liabilities						267,242
Other information:						
Gross non-bank loans	55,384	86,133	1,495	398	620	144,030
NPAs (include debt securities)	267	887	–	3	15	1,172

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

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, and Insurance.

Global Consumer/Private Banking

Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

Global Corporate/Investment Banking

Global Corporate/Investment Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management and custodian services. Investment Banking comprises a comprehensive range of financing solutions, syndicated loans and advisory services, corporate finance services for initial public offerings, secondary fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

38. SEGMENT INFORMATION (continued)

38.1 BUSINESS SEGMENTS (continued)

Global Treasury and Markets

Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers of other business segments, such as Global Consumer/Private Banking and Global Corporate/Investment Banking, is reflected in the respective business segments.

Insurance

The Group's insurance business, including its fund management activities, is carried out by the Bank's subsidiary Great Eastern Holdings Limited, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

Others

Others comprise property holding, investment holding and items not attributable to the business segments described above.

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:

(a) income and expenses are attributable to each segment based on the internal management reporting policies;
(b) in determining the segment results, balance sheet items are internally transfer priced; and
(c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. There are no material items of income or expense between the business segments.

38.2 GEOGRAPHICAL SEGMENTS

$ million	Total income	Profit before income tax	Capital expenditure	Total assets	Total liabilities
2013					
Singapore	**4,079**	**2,091**	**230**	**210,541**	**199,797**
Malaysia	**1,401**	**916**	**50**	**60,773**	**50,827**
Indonesia	**503**	**182**	**21**	**10,219**	**8,358**
Greater China	**385**	**208**	**33**	**33,022**	**22,255**
Other Asia Pacific	**155**	**87**	**2**	**10,138**	**8,362**
Rest of the World	**98**	**83**	**#**	**13,755**	**20,770**
	6,621	**3,567**	**336**	**338,448**	**310,369**
2012					
Singapore	5,472	3,521	212	181,385	169,409
Malaysia	1,307	815	66	58,030	49,047
Indonesia	466	159	15	10,162	8,558
Greater China	487	320	9	28,083	21,473
Other Asia Pacific	150	94	1	10,426	8,520
Rest of the World	79	53	#	7,857	10,235
	7,961	4,962	303	295,943	267,242

(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	**2013**	**2012**	**2013**	**2012**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**167,854**	142,376	**155,224**	136,117
Placements with and loans to banks	**39,573**	29,811	**33,737**	32,577
Government treasury bills and securities	**20,611**	22,298	**21,506**	21,458
Debt securities	**16,006**	12,231	**14,942**	11,393
Amount due from associates	**#**	#	**#**	#
Assets pledged	**2,110**	2,056	**2,113**	1,879
Derivative receivables	**5,194**	5,155	**4,989**	5,622
Other assets, comprise interest receivables and sundry debtors	**2,766**	2,806	**3,002**	2,738
	254,114	216,733	**235,513**	211,784
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**12,197**	9,100	**10,290**	9,178
Credit commitments	**76,199**	66,294	**72,390**	65,124
	88,396	75,394	**82,680**	74,302
Total maximum credit risk exposure	**342,510**	292,127	**318,193**	286,086

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

Collateral

The main types of collateral obtained by the Group are as follows:

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For derivatives, cash and securities;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities including those of Singapore, Malaysia and Hong Kong; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

77% of the loans and bills receivables as at 31 December 2013 (2012: 75%) are backed by collateral and credit enhancements. The financial effect of collateral and credit enhancements held for the remaining on-balance sheet financial assets is expected to be not significant.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

Total loans and advances – Credit quality

In addition to the credit grading of facilities under MAS Notice 612, loans and advances are required, under FRS 107, to be categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are classified loans with specific allowances made.

	Bank loans		Non-bank loans	
$ million	2013	2012	2013	2012
Neither past due nor impaired	**39,933**	30,508	**168,297**	142,763
Not impaired	**–**	–	**625**	487
Impaired	**#**	–	**433**	431
Past due loans	**#**	–	**1,058**	918
Impaired but not past due	**–**	–	**265**	349
Gross loans	**39,933**	30,508	**169,620**	144,030
Specific allowances	**–**	–	**(230)**	(303)
Portfolio allowances	**–**	–	**(1,511)**	(1,351)
Net loans	**39,933**	30,508	**167,879**	142,376

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

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	2013	2012	2013	2012
Grades				
Satisfactory and special mention	**39,933**	30,508	**167,938**	142,526
Substandard but not impaired	**–**	–	**359**	237
Neither past due nor impaired	**39,933**	30,508	**168,297**	142,763

Past due loans

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

	Bank loans		Non-bank loans	
$ million	2013	2012	2013	2012
By industry				
Agriculture, mining and quarrying	**–**	–	**19**	28
Manufacturing	**–**	–	**221**	159
Building and construction	**–**	–	**45**	56
General commerce	**–**	–	**159**	84
Transport, storage and communication	**–**	–	**53**	34
Financial institutions, investment and holding companies	**–**	–	**59**	82
Professionals and individuals (include housing)	**–**	–	**458**	438
Others	**#**	–	**44**	37
	#	–	**1,058**	918
By geography				
Singapore	**–**	–	**173**	128
Malaysia	**–**	–	**591**	501
Rest of the World	**#**	–	**294**	289
	#	–	**1,058**	918

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

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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	2013	2012
Past due		
Less than 30 days	**186**	144
30 to 90 days	**326**	303
Over 90 days	**113**	40
Past due but not impaired	**625**	487

Impaired loans and allowances

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

$ million	2013	2012
Business segment		
Global Consumer Financial Services	**170**	176
Global Corporate Banking	**506**	574
Others	**6**	15
Individually impaired loans	**682**	765

Details on non-performing loans are set out in Note 27. The movements of specific and portfolio allowances account for loans are set out in Notes 28 and 29 respectively.

Collateral and other credit enhancements obtained

There were no (2012: Nil) assets obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

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 2013					
People's Republic of China	**25,281**	**20**	**3,995**	**29,296**	**10.3**
Hong Kong SAR	**5,651**	**–**	**7,805**	**13,456**	**4.7**
Indonesia	**2,142**	**333**	**6,785**	**9,260**	**3.2**
Malaysia	**3,479**	**196**	**5,124**	**8,799**	**3.1**
British Virgin Islands	**–**	**–**	**4,990**	**4,990**	**1.8**
United Kingdom	**3,064**	**45**	**1,486**	**4,595**	**1.6**
United States	**2,032**	**497**	**1,116**	**3,645**	**1.3**
Australia	**1,900**	**–**	**926**	**2,826**	**1.0**
31 December 2012					
People's Republic of China	11,448	163	2,469	14,080	5.8
Hong Kong SAR	5,535	–	4,632	10,167	4.2
Malaysia	3,127	15	4,698	7,840	3.2
Indonesia	1,436	229	5,279	6,944	2.8
British Virgin Islands	–	–	5,130	5,130	2.1
United Kingdom	3,289	70	1,276	4,635	1.9
United States	963	477	1,343	2,783	1.1
Australia	1,942	–	715	2,657	1.1

[1] Assets (excluding life assurance fund investment assets) of $285,044 million (2012: $243,672 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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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
2013								
Cash and placements with central banks	8,219	883	795	2,277	–	672	6,495	19,341
Placements with and loans to banks	5,465	7,275	13,603	12,402	262	–	926	39,933
Loans and bills receivable [(1)]	25,145	38,819	80,881	18,400	3,236	2,059	(661)	167,879
Securities [(2)]	381	3,312	7,634	9,378	7,356	9,364	4,080	41,505
Other assets [(3)]	567	4	8	160	467	45	7,844	9,095
Financial assets	39,777	50,293	102,921	42,617	11,321	12,140	18,684	277,753
Deposits of non-bank customers	35,371	37,599	60,488	31,531	3,728	1,101	26,156	195,974
Deposits and balances of banks	6,278	6,701	5,405	1,040	99	–	2,026	21,549
Trading portfolio liabilities	–	–	25	49	282	521	21	898
Other liabilities [(3)]	15	9	56	75	13	–	9,759	9,927
Debt issued	2,489	3,643	8,300	6,084	2,397	3,772	17	26,702
Financial liabilities	44,153	47,952	74,274	38,779	6,519	5,394	37,979	255,050
On-balance sheet sensitivity gap	(4,376)	2,341	28,647	3,838	4,802	6,746		
Off-balance sheet sensitivity gap	240	666	(1,106)	(1,221)	2,281	(860)		
Net interest sensitivity gap	(4,136)	3,007	27,541	2,617	7,083	5,886		
2012								
Cash and placements with central banks	4,296	3,014	1,869	1,730	–	683	4,805	16,397
Placements with and loans to banks	7,754	4,690	8,117	9,286	50	#	611	30,508
Loans and bills receivable [(1)]	27,109	29,862	63,623	15,333	3,756	3,113	(420)	142,376
Securities [(2)]	533	2,715	6,031	6,956	7,916	10,537	3,134	37,822
Other assets [(3)]	1	3	17	205	423	45	8,305	8,999
Financial assets	39,693	40,284	79,657	33,510	12,145	14,378	16,435	236,102
Deposits of non-bank customers	41,325	25,185	48,850	22,569	1,199	894	25,117	165,139
Deposits and balances of banks	12,831	6,442	3,826	282	56	–	2,219	25,656
Trading portfolio liabilities	–	–	–	306	150	596	31	1,083
Other liabilities [(3)]	15	7	62	65	12	–	9,324	9,485
Debt issued	832	618	2,970	687	2,674	3,602	41	11,424
Financial liabilities	55,003	32,252	55,708	23,909	4,091	5,092	36,732	212,787
On-balance sheet sensitivity gap	(15,310)	8,032	23,949	9,601	8,054	9,286		
Off-balance sheet sensitivity gap	294	(34)	(2,308)	1,013	1,921	(886)		
Net interest sensitivity gap	(15,016)	7,998	21,641	10,614	9,975	8,400		

(1) Net of portfolio allowances for loans.
(2) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(3) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(4) # represents amounts less than $0.5 million.

The significant market risk faced by the Group is interest rate risk arising from the re-pricing mismatches of assets and liabilities from its banking businesses. These are monitored through tenor limits and net interest income changes. One way of expressing this sensitivity for all interest rate sensitive positions, whether marked to market or subject to amortised cost accounting, is the impact on their fair values of basis point change in interest rates.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Interest rate risk (continued)

The Bank's interest rate risk is monitored using a variety of risk metrics at a frequency that is commensurate with the changes in structural risk profile. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar and Malaysian Ringgit, net interest income is estimated to increase by $408 million (2012: $386 million). The corresponding impact from a 100 bp decrease is an estimated reduction of $153 million (2012: $148 million) in net interest income. As a percentage of reported net interest income, the maximum exposure for the three major currencies is estimated to be approximately -3.9% (2012: -3.7%).

The 1% rate shock impact on net interest income is based on simplified scenarios, using the Group's interest rate risk profile as at reporting date. It does not take into account actions that would be taken by Global Treasury or the business units to mitigate the impact of this interest rate risk. In reality, Global Treasury seeks proactively to change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections also assume a constant balance sheet position and that all positions run to maturity.

Currency risk

The Group's foreign exchange position by major currencies is shown below. "Others" include mainly Indonesian Rupiah, Chinese Renminbi, Australian Dollar, Euro, Japanese Yen, Sterling Pound and Hong Kong Dollar.

$ million	SGD	USD	MYR	Others	Total
2013					
Cash and placements with central banks	**6,197**	**2,800**	**4,182**	**6,162**	**19,341**
Placements with and loans to banks	**715**	**24,048**	**818**	**14,352**	**39,933**
Loans and bills receivable	**72,933**	**45,590**	**20,128**	**29,228**	**167,879**
Securities [1]	**16,131**	**6,702**	**3,828**	**14,844**	**41,505**
Other assets [2]	**4,587**	**2,214**	**841**	**1,453**	**9,095**
Financial assets	**100,563**	**81,354**	**29,797**	**66,039**	**277,753**
Deposits of non-bank customers	**92,022**	**45,846**	**22,882**	**35,224**	**195,974**
Deposits and balances of banks	**694**	**12,120**	**299**	**8,436**	**21,549**
Trading portfolio liabilities	**877**	**6**	**–**	**15**	**898**
Other liabilities [2]	**4,924**	**2,398**	**936**	**1,669**	**9,927**
Debt issued	**1,287**	**14,027**	**793**	**10,595**	**26,702**
Financial liabilities	**99,804**	**74,397**	**24,910**	**55,939**	**255,050**
Net financial assets exposure [3]	**759**	**6,957**	**4,887**	**10,100**	
2012					
Cash and placements with central banks	5,176	1,048	4,224	5,949	16,397
Placements with and loans to banks	392	14,891	1,386	13,839	30,508
Loans and bills receivable	69,250	31,555	18,041	23,530	142,376
Securities [1]	17,300	4,990	3,480	12,052	37,822
Other assets [2]	5,447	1,910	710	932	8,999
Financial assets	97,565	54,394	27,841	56,302	236,102
Deposits of non-bank customers	82,095	31,455	20,739	30,850	165,139
Deposits and balances of banks	933	12,649	543	11,531	25,656
Trading portfolio liabilities	1,052	9	–	22	1,083
Other liabilities [2]	5,145	1,854	875	1,611	9,485
Debt issued	1,168	6,536	1,463	2,257	11,424
Financial liabilities	90,393	52,503	23,620	46,271	212,787
Net financial assets exposure [3]	7,172	1,891	4,221	10,031	

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(3) Net exposure without taking into account effect of offsetting derivative exposure.

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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 foreign currency forwards, swaps and borrowings to hedge its exposure. The table below shows the Group's structural foreign currency exposure at reporting date.

$ million	2013 Structural currency exposure	2013 Hedging financial instruments	2013 Net structural currency exposure	2012 Structural currency exposure	2012 Hedging financial instruments	2012 Net structural currency exposure
US Dollar	**2,165**	**1,796**	**369**	1,911	1,812	99
Malaysian Ringgit	**2,057**	**952**	**1,105**	1,959	1,180	779
Others	**4,350**	**357**	**3,993**	3,974	1,184	2,790
Total	**8,572**	**3,105**	**5,467**	7,844	4,176	3,668

Liquidity risk

The table below analyses the carrying value of financial assets and liabilities of the Group into maturity time bands based on the remaining term to contractual maturity as at the balance sheet date.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2013							
Cash and placements with central banks	**10,132**	**883**	**795**	**2,277**	**–**	**5,254**	**19,341**
Placements with and loans to banks	**6,164**	**6,880**	**12,958**	**12,942**	**989**	**–**	**39,933**
Loans and bills receivable	**12,900**	**13,849**	**14,241**	**25,576**	**27,663**	**73,650**	**167,879**
Securities [(1)]	**253**	**2,530**	**4,877**	**8,918**	**9,200**	**15,727**	**41,505**
Other assets [(2)]	**1,745**	**1,205**	**1,580**	**3,274**	**679**	**612**	**9,095**
Financial assets	**31,194**	**25,347**	**34,451**	**52,987**	**38,531**	**95,243**	**277,753**
Deposits of non-bank customers	**103,238**	**30,149**	**25,735**	**31,476**	**3,921**	**1,455**	**195,974**
Deposits and balances of banks	**8,508**	**6,497**	**5,405**	**1,040**	**99**	**–**	**21,549**
Trading portfolio liabilities	**–**	**–**	**46**	**49**	**282**	**521**	**898**
Other liabilities [(2)]	**2,415**	**1,539**	**1,969**	**3,115**	**316**	**573**	**9,927**
Debt issued	**2,491**	**3,659**	**6,605**	**6,649**	**3,526**	**3,772**	**26,702**
Financial liabilities	**116,652**	**41,844**	**39,760**	**42,329**	**8,144**	**6,321**	**255,050**
Net liquidity gap – financial assets less financial liabilities	**(85,458)**	**(16,497)**	**(5,309)**	**10,658**	**30,387**	**88,922**	
2012							
Cash and placements with central banks	5,081	3,014	1,869	1,730	–	4,703	16,397
Placements with and loans to banks	6,214	5,301	8,156	10,518	319	–	30,508
Loans and bills receivable	10,428	12,533	13,384	16,008	25,425	64,598	142,376
Securities [(1)]	364	1,811	3,927	6,706	9,187	15,827	37,822
Other assets [(2)]	1,599	1,189	1,764	3,449	659	339	8,999
Financial assets	23,686	23,848	29,100	38,411	35,590	85,467	236,102
Deposits of non-bank customers	92,637	25,233	21,575	23,174	1,386	1,134	165,139
Deposits and balances of banks	14,612	6,708	3,973	307	56	–	25,656
Trading portfolio liabilities	–	–	31	306	150	596	1,083
Other liabilities [(2)]	2,291	1,559	2,026	2,792	442	375	9,485
Debt issued	833	645	1,478	717	4,073	3,678	11,424
Financial liabilities	110,373	34,145	29,083	27,296	6,107	5,783	212,787
Net liquidity gap – financial assets less financial liabilities	(86,687)	(10,297)	17	11,115	29,483	79,684	

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(3) Excluded from the tables are non-financial liabilities comprising of current and non-current liabilities. Current liabilities include current tax liabilities of $1,025 million (2012: $897 million). Non-current liabilities include deferred tax liabilities of $1,112 million (2012: $1,170 million).
(4) Excluded from the tables are non-financial assets comprising of non-current assets. Non-current assets include deferred tax assets of $107 million (2012: $43 million), property, plant and equipment of $1,898 million (2012: $1,703 million), investment property of $731 million (2012: $878 million), and goodwill and intangible assets of $3,741 million (2012: $3,818 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 44. 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
2013							
Deposits of non-bank customers [1]	**103,253**	**30,225**	**25,819**	**31,840**	**4,063**	**1,605**	**196,805**
Deposits and balances of banks [1]	**8,511**	**6,505**	**5,415**	**1,041**	**99**	**–**	**21,571**
Trading portfolio liabilities	**–**	**–**	**46**	**49**	**282**	**521**	**898**
Other liabilities [2]	**1,875**	**354**	**525**	**835**	**130**	**62**	**3,781**
Debt issued	**2,492**	**3,679**	**6,667**	**6,826**	**3,846**	**4,298**	**27,808**
Net settled derivatives							
Trading	**532**	**102**	**284**	**621**	**768**	**1,244**	**3,551**
Hedging	**#**	**3**	**10**	**13**	**22**	**(2)**	**46**
Gross settled derivatives							
Trading – Outflow	**21,485**	**33,728**	**44,761**	**55,275**	**7,445**	**5,089**	**167,783**
Trading – Inflow	**(21,482)**	**(33,646)**	**(44,780)**	**(55,185)**	**(7,417)**	**(5,278)**	**(167,788)**
Hedging – Outflow	**159**	**1,225**	**867**	**8**	**684**	**164**	**3,107**
Hedging – Inflow	**(158)**	**(1,217)**	**(862)**	**(19)**	**(578)**	**(164)**	**(2,998)**
	116,667	**40,958**	**38,752**	**41,304**	**9,344**	**7,539**	**254,564**
2012							
Deposits of non-bank customers [1]	92,661	25,354	21,732	23,535	1,478	1,262	166,022
Deposits and balances of banks [1]	14,619	6,721	3,979	311	56	–	25,686
Trading portfolio liabilities	–	–	31	306	150	596	1,083
Other liabilities [2]	1,875	628	261	442	423	99	3,728
Debt issued	833	661	1,548	914	4,421	4,187	12,564
Net settled derivatives							
Trading	376	119	283	778	1,485	740	3,781
Hedging	3	6	3	17	39	25	93
Gross settled derivatives							
Trading – Outflow	23,375	38,597	48,532	43,091	5,809	4,310	163,714
Trading – Inflow	(23,395)	(38,736)	(48,568)	(43,218)	(5,750)	(4,333)	(164,000)
Hedging – Outflow	588	1,352	578	11	852	940	4,321
Hedging – Inflow	(587)	(1,354)	(582)	(31)	(891)	(1,032)	(4,477)
	110,348	33,348	27,797	26,156	8,072	6,794	212,515

(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.

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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 Enterprise Risk Management Framework for GEH Group.

The Risk Management Committee ("RMC") is constituted to provide oversight on the risk management initiatives. At GEH Group level, detailed risk management and oversight activities are undertaken by the following group management committees comprising the Group Chief Executive Officer and key Senior Management Executives, namely: Group Management Team ("GMT"), Group Asset-Liability Committee ("Group ALC") and Group Information Technology Steering Committee ("Group ITSC").

GMT is responsible for providing leadership, direction and oversight with regards to all matters of GEH Group. The GMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC").

Group ALC is responsible for assisting GMT in balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local Asset-Liability Committee ("ALC").

Regulatory framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors ("Board") of the insurance subsidiaries. The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital management

GEH's capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

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

Regulatory capital

The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed by the insurance regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios of 120% and 130% under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore ("MAS") and Bank Negara, Malaysia ("BNM") respectively.

GEH Group's approach to capital management requires sufficient capital to be held to cover statutory requirements, including any additional amounts required by the respective regulators. This involves managing assets, liabilities and risks in a coordinated way by assessing and monitoring available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking suitable actions to influence the capital position of GEH Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by GEH Group is share capital and issued debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2013 amounted to $9.2 billion (2012: $8.6 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2013 amounted to $0.7 billion (2012: $0.7 billion).

Dividend

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Financial risk management

The following sections provide details regarding GEH Group's exposure to insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to GEH Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance risk

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 of life insurance contracts

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 RMC 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 MYR825,000 in Malaysia. Retention limits for critical illness per life are limited to a maximum of $400,000 in Singapore and MYR595,000 in Malaysia. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

Only reinsurers meeting a minimum credit rating of S&P A- are considered when deciding on which reinsurers to reinsure GEH Group's risk. Risk to any one reinsurer is limited by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

A substantial portion of GEH Group's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns, mortality/morbidity patterns and lapse rates.

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For the financial year ended 31 December 2013

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)	2013	2012
(a) By class of business		
Whole life	**25,638**	23,527
Endowment	**14,760**	14,900
Term	**391**	383
Accident and health	**1,187**	1,088
Annuity	**573**	648
Others	**1,025**	938
Total	**43,574**	41,484
(b) By country		
Singapore	**26,128**	25,779
Malaysia	**17,139**	15,400
Others	**307**	305
Total	**43,574**	41,484

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the income statements and shareholders' equity.

Sensitivity analysis produced below are based on parameters set out as follows:

(a)	Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b)	Scenario 2 – Mortality and Major Illness	– 25% for all future years
(c)	Scenario 3 – Health and Disability	+ 25% for all future years
(d)	Scenario 4 – Health and Disability	– 25% for all future years
(e)	Scenario 5 – Lapse and Surrender Rates	+ 25% for all future years
(f)	Scenario 6 – Lapse and Surrender Rates	– 25% for all future years
(g)	Scenario 7 – Expenses	+ 30% for all future years

Table 39.5(B1): Profit/(loss) after tax and shareholders' equity sensitivity for the Singapore segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2013							
Gross impact	**(45.2)**	**(7.8)**	**63.7**	**(104.0)**	**41.1**	**(51.9)**	**(28.0)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(45.2)**	**(7.8)**	**63.7**	**(104.0)**	**41.1**	**(51.9)**	**(28.0)**
2012							
Gross impact	(74.8)	19.9	71.8	(82.8)	53.9	(67.8)	(27.4)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(74.8)	19.9	71.8	(82.8)	53.9	(67.8)	(27.4)

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
2013							
Gross impact	**(50.5)**	**46.0**	**(13.3)**	**10.8**	**(4.7)**	**6.6**	**(7.7)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(50.5)**	**46.0**	**(13.3)**	**10.8**	**(4.7)**	**6.6**	**(7.7)**
2012							
Gross impact	(63.6)	55.7	(14.1)	11.6	1.3	(1.2)	(7.5)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(63.6)	55.7	(14.1)	11.6	1.3	(1.2)	(7.5)

The above tables demonstrate the sensitivity of GEH Group's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

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

Insurance risk of non-life insurance contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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	2013 Gross premium liabilities	2013 Reinsured premium liabilities	2013 Net premium liabilities	2012 Gross premium liabilities	2012 Reinsured premium liabilities	2012 Net premium liabilities
(a) By class of business						
Fire	**23**	**(14)**	**9**	21	(13)	8
Motor	**36**	**(1)**	**35**	39	(3)	36
Marine and aviation	**1**	**(1)**	**#**	1	(#)	1
Workmen's compensation	**9**	**(3)**	**6**	8	(3)	5
Personal accident and health	**22**	**(2)**	**20**	23	(2)	21
Miscellaneous	**31**	**(21)**	**10**	28	(18)	10
Total	**122**	**(42)**	**80**	120	(39)	81
(b) By country						
Singapore	**59**	**(23)**	**36**	56	(20)	36
Malaysia	**63**	**(19)**	**44**	64	(19)	45
Total	**122**	**(42)**	**80**	120	(39)	81

Non-life insurance contracts $ million	2013 Gross claims liabilities	2013 Reinsured claims liabilities	2013 Net claims liabilities	2012 Gross claims liabilities	2012 Reinsured claims liabilities	2012 Net claims liabilities
(a) By class of business						
Fire	**34**	**(27)**	**7**	23	(17)	6
Motor	**85**	**(10)**	**75**	87	(15)	72
Marine and aviation	**3**	**(1)**	**2**	5	(3)	2
Workmen's compensation	**21**	**(7)**	**14**	14	(5)	9
Personal accident and health	**13**	**(2)**	**11**	12	(2)	10
Miscellaneous	**52**	**(32)**	**20**	38	(21)	17
Total	**208**	**(79)**	**129**	179	(63)	116
(b) By country						
Singapore	**73**	**(29)**	**44**	62	(29)	33
Malaysia	**135**	**(50)**	**85**	117	(34)	83
Total	**208**	**(79)**	**129**	179	(63)	116

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

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

(i) Gross non-life insurance contract liabilities for 2013

$ million	2006	2007	2008	2009	2010	2011	2012	2013	Total
(a) Estimate of cumulative claims									
Accident Year	48	60	56	73	75	124	115	154	
One year later	50	63	57	79	94	102	109	–	
Two years later	49	58	57	104	91	106	–	–	
Three years later	48	58	81	100	87	–	–	–	
Four years later	47	84	79	97	–	–	–	–	
Five years later	86	83	77	–	–	–	–	–	
Six years later	84	82	–	–	–	–	–	–	
Seven years later	84	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**84**	**82**	**77**	**97**	**87**	**106**	**109**	**154**	
(b) Cumulative payments									
Accident Year	19	22	23	31	30	39	36	43	
One year later	37	43	44	56	65	72	71	–	
Two years later	41	48	49	83	74	83	–	–	
Three years later	43	50	71	87	77	–	–	–	
Four years later	43	75	73	90	–	–	–	–	
Five years later	81	78	73	–	–	–	–	–	
Six years later	81	79	–	–	–	–	–	–	
Seven years later	82	–	–	–	–	–	–	–	
Cumulative payments	**82**	**79**	**73**	**90**	**77**	**83**	**71**	**43**	
(c) Non-life gross claim liabilities	**2**	**3**	**4**	**7**	**10**	**23**	**38**	**111**	**198**
Reserve for prior years									**6**
Unallocated surplus									**4**
General Insurance Fund Contract Liabilities, gross									**208**

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For the financial year ended 31 December 2013

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 2013

$ million	2006	2007	2008	2009	2010	2011	2012	2013	Total
(a) Estimate of cumulative claims									
Accident Year	28	31	36	42	51	81	85	104	
One year later	28	32	36	46	66	65	77	–	
Two years later	27	31	36	66	64	68	–	–	
Three years later	27	31	55	64	63	–	–	–	
Four years later	27	54	52	62	–	–	–	–	
Five years later	59	52	51	–	–	–	–	–	
Six years later	57	50	–	–	–	–	–	–	
Seven years later	56	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**56**	**50**	**51**	**62**	**63**	**68**	**77**	**104**	
(b) Cumulative payments									
Accident Year	12	13	16	21	24	28	30	34	
One year later	21	24	29	35	49	49	55	–	
Two years later	23	27	31	53	54	55	–	–	
Three years later	24	28	47	56	56	–	–	–	
Four years later	25	48	48	57	–	–	–	–	
Five years later	55	49	48	–	–	–	–	–	
Six years later	55	49	–	–	–	–	–	–	
Seven years later	55	–	–	–	–	–	–	–	
Cumulative payments	**55**	**49**	**48**	**57**	**56**	**55**	**55**	**34**	
(c) Non-life net claim liabilities	**1**	**1**	**3**	**5**	**7**	**13**	**22**	**70**	**122**
Reserve for prior years									**4**
Unallocated surplus									**4**
General Insurance Fund Contract Liabilities, net									**130**

Key assumptions

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

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

$ million	Change in assumptions	Impact on Gross liabilities	Impact on Net liabilities	Impact on Profit before tax	Impact on Equity
2013					
Provision for adverse deviation margin	**+20%**	**2**	**2**	**(2)**	**(1)**
Loss ratio	**+20%**	**45**	**32**	**(32)**	**(25)**
Claims handling expenses	**+20%**	**#**	**3**	**(3)**	**(2)**
2012					
Provision for adverse deviation margin	+20%	2	1	(1)	(1)
Loss ratio	+20%	39	30	(30)	(23)
Claims handling expenses	+20%	1	2	(2)	(2)

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

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year. However, the loss ratio methodology has been refined to better reflect the nature of the non-life insurance business. Comparative figures have been revised using the new methodology.

Market and credit risk

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

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

GEH Group ALC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with GEH Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates; volatility in equity prices; as well as other risks like credit and liquidity risks are described below.

Notes to the Financial Statements

For the financial year ended 31 December 2013

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(a) Interest rate risk (including asset liability mismatch)

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by GEH Group ALC and local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

Under Singapore regulations governed by the MAS, the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of SGS while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

In 2009, GEH Group commenced an exercise to achieve portfolio matching of the assets and liabilities of Great Eastern Life Non Participating fund's long dated liabilities. These long dated liabilities are discounted using the zero-coupon spot yield of the SGS of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching programme will still be subject to the LTRFDR requirement.

Under Malaysia regulations governed by BNM, the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of MGS with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

(b) Foreign currency risk

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

GEH Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major exposure for GEH Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM. The following table shows the foreign exchange position of GEH Group's financial assets and liabilities by major currencies.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(b) **Foreign currency risk** (continued)

$ million	SGD	MYR	USD	Others	Total
2013					
Available-for-sale securities					
Equity securities	**2,170**	**4,466**	**844**	**3,547**	**11,027**
Debt securities	**9,682**	**12,622**	**5,750**	**189**	**28,243**
Other investments	**542**	**139**	**1,610**	**284**	**2,575**
Securities at fair value through profit or loss					
Equity securities	**101**	**1,320**	**200**	**459**	**2,080**
Debt securities	**13**	**294**	**261**	**175**	**743**
Other investments	**1,316**	**27**	**191**	**180**	**1,714**
Derivative assets and financial instruments with embedded derivatives	**777**	**1,012**	**89**	**89**	**1,967**
Loans	**643**	**1,205**	**15**	**#**	**1,863**
Insurance receivables	**925**	**1,655**	**2**	**22**	**2,604**
Other debtors and interfund balances	**1,225**	**656**	**4**	**23**	**1,908**
Cash and cash equivalents	**2,503**	**735**	**341**	**148**	**3,727**
Financial assets	**19,897**	**24,131**	**9,307**	**5,116**	**58,451**
Other creditors and interfund balances	**1,512**	**784**	**8**	**26**	**2,330**
Insurance payables	**792**	**2,279**	**2**	**15**	**3,088**
Derivative payables	**59**	**–**	**120**	**9**	**188**
Provision for agents' retirement benefits	**–**	**259**	**–**	**–**	**259**
Debt issued	**399**	**–**	**–**	**–**	**399**
General insurance fund contract liabilities	**73**	**135**	**–**	**–**	**208**
Life assurance fund contract liabilities	**25,612**	**17,139**	**550**	**273**	**43,574**
Financial liabilities	**28,447**	**20,596**	**680**	**323**	**50,046**
2012					
Available-for-sale securities					
Equity securities	1,711	3,968	870	2,997	9,546
Debt securities [(1)]	10,433	13,430	5,231	199	29,293
Other investments	435	168	717	236	1,556
Securities at fair value through profit or loss					
Equity securities	250	839	148	914	2,151
Debt securities	27	338	277	182	824
Other investments	609	71	162	197	1,039
Derivative assets and financial instruments with embedded derivatives	1,318	784	116	168	2,386
Loans [(1)]	646	959	–	–	1,605
Insurance receivables	941	1,619	3	19	2,582
Other debtors and interfund balances	1,366	512	4	21	1,903
Cash and cash equivalents	2,812	809	464	128	4,213
Financial assets	20,548	23,497	7,992	5,061	57,098
Other creditors and interfund balances	1,759	664	5	34	2,462
Insurance payables	842	1,935	2	12	2,791
Derivative payables	25	–	13	4	42
Provision for agents' retirement benefits	–	245	–	–	245
Debt issued	399	–	–	–	399
General insurance fund contract liabilities	62	117	–	–	179
Life assurance fund contract liabilities	25,415	15,400	396	273	41,484
Financial liabilities	28,502	18,361	416	323	47,602

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

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

GEH Group has no significant concentration of foreign currency risk.

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For the financial year ended 31 December 2013

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where GEH Group, through investments in both Shareholders' Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk

Exposure to credit spread risk exists in GEH Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of GEH Group's bond portfolio.

(e) Alternative investment risk

GEH Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RMC 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 these have been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects GEH Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the expected recovery or settlement of financial assets and maturity profile of GEH Group's financial liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities.

$ million	Less than 1 year	1 to 5 years	Over 5 years	No maturity date	Total
2013					
Available-for-sale securities					
Equity securities	**–**	**–**	**–**	**11,027**	**11,027**
Debt securities	**2,180**	**8,377**	**29,376**	**–**	**39,933**
Other investments	**–**	**–**	**–**	**2,575**	**2,575**
Securities at fair value through profit or loss					
Equity securities	**–**	**–**	**–**	**2,080**	**2,080**
Debt securities	**139**	**304**	**524**	**–**	**967**
Other investments	**–**	**–**	**–**	**1,714**	**1,714**
Financial instruments with embedded derivatives	**157**	**916**	**1,172**	**#**	**2,245**
Loans	**407**	**1,066**	**713**	**–**	**2,186**
Insurance receivables	**337**	**5**	**–**	**2,262**	**2,604**
Other debtors and interfund balances	**1,840**	**30**	**11**	**27**	**1,908**
Cash and cash equivalents	**3,727**	**–**	**–**	**–**	**3,727**
Financial assets	**8,787**	**10,698**	**31,796**	**19,685**	**70,966**
Other creditors and interfund balances	**2,084**	**183**	**63**	**–**	**2,330**
Insurance payables	**2,719**	**353**	**2**	**14**	**3,088**
Provision for agents' retirement benefits	**70**	**50**	**139**	**–**	**259**
Debt issued	**18**	**74**	**446**	**–**	**538**
General insurance fund contract liabilities	**192**	**(5)**	**(#)**	**21**	**208**
Life assurance fund contract liabilities	**6,948**	**4,580**	**32,046**	**–**	**43,574**
Financial liabilities	**12,031**	**5,235**	**32,696**	**35**	**49,997**
2012					
Available-for-sale securities					
Equity securities	–	–	–	9,546	9,546
Debt securities [1]	2,671	9,232	26,617	–	38,520
Other investments	–	–	–	1,556	1,556
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,151	2,151
Debt securities	128	239	755	–	1,122
Other investments	–	–	–	1,039	1,039
Financial instruments with embedded derivatives	434	1,282	592	12	2,320
Loans [1]	186	1,192	520	–	1,898
Insurance receivables	264	1	–	2,317	2,582
Other debtors and interfund balances	1,794	27	38	44	1,903
Cash and cash equivalents	4,213	–	–	–	4,213
Financial assets	9,690	11,973	28,522	16,665	66,850
Other creditors and interfund balances	2,251	175	36	–	2,462
Insurance payables	2,365	408	2	16	2,791
Provision for agents' retirement benefits	64	47	134	–	245
Debt issued	18	74	464	–	556
General insurance fund contract liabilities	159	4	–	16	179
Life assurance fund contract liabilities	5,674	5,722	30,088	–	41,484
Financial liabilities	10,531	6,430	30,724	32	47,717

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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
2013				
Cash and cash equivalents	**3,458**	**–**	**269**	**3,727**
Other debtors and interfund balances	**1,800**	**33**	**75**	**1,908**
Insurance receivables	**350**	**2,254**	**–**	**2,604**
Loans	**306**	**1,557**	**–**	**1,863**
Investments, including derivative instruments	**7,046**	**36,749**	**4,554**	**48,349**
Associates and joint ventures	**–**	**153**	**–**	**153**
Goodwill	**–**	**34**	**–**	**34**
Property, plant and equipment	**–**	**712**	**–**	**712**
Investment properties	**–**	**1,561**	**–**	**1,561**
Assets	**12,960**	**43,053**	**4,898**	**60,911**
Insurance payables	**2,698**	**370**	**20**	**3,088**
Other creditors and interfund balances	**1,961**	**193**	**176**	**2,330**
Unexpired risk reserve	**122**	**–**	**–**	**122**
Derivative payables	**64**	**119**	**5**	**188**
Income tax	**586**	**–**	**14**	**600**
Provision for agents' retirement benefits	**70**	**189**	**–**	**259**
Deferred tax	**–**	**992**	**19**	**1,011**
Debt issued	**–**	**399**	**–**	**399**
General insurance fund	**192**	**17**	**–**	**209**
Life assurance fund	**2,161**	**40,626**	**4,790**	**47,577**
Liabilities	**7,854**	**42,905**	**5,024**	**55,783**
2012				
Cash and cash equivalents	3,767	–	446	4,213
Other debtors and interfund balances	1,222	610	71	1,903
Insurance receivables	313	2,269	–	2,582
Loans [(2)]	141	1,464	–	1,605
Investments, including derivative instruments [(2)]	7,060	35,615	4,120	46,795
Assets held for sale	3	–	–	3
Associates and joint ventures	–	323	–	323
Goodwill	–	34	–	34
Property, plant and equipment	–	711	–	711
Investment properties	–	1,532	–	1,532
Assets	12,506	42,558	4,637	59,701
Insurance payables	2,363	410	18	2,791
Other creditors and interfund balances	2,065	236	161	2,462
Unexpired risk reserve	120	–	–	120
Derivative payables	4	34	4	42
Income tax	480	–	8	488
Provision for agents' retirement benefits	64	181	–	245
Deferred tax	–	1,057	13	1,070
Debt issued	–	399	–	399
General insurance fund	159	27	–	186
Life assurance fund	1,168	41,375	4,515	47,058
Liabilities	6,423	43,719	4,719	54,861

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

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

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 spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. GEH group wide credit risk is managed by GEH Group ALC. GEH Group has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. GEH Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, GEH Group has no material credit risk on unit-linked financial assets.

The loans in GEH Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. GEH management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

	2013		2012	
$ million	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Type of collateral				
Policy loans – Cash value of policies	**2,249**	**4,453**	2,268	4,444
Secured loans				
Properties	**1,228**	**2,911**	1,081	2,625
Others [1]	**635**	**25**	523	1
	4,112	**7,389**	3,872	7,070

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

As at 31 December 2013 and 31 December 2012, there were no investments lent and collateral received under securities lending arrangements. As at the balance sheet date, no investments (2012: 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.

Notes to the Financial Statements

For the financial year ended 31 December 2013

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

The tables below show the maximum exposure to credit risk for the components of the balance sheet of GEH Group. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For derivatives, the fair value shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in value. The table also provides information regarding the credit risk exposure of GEH Group by classifying assets according to GEH Group's credit ratings of counterparties.

	Neither past due nor impaired					
$ million	Investment grade @	Non-investment grade @	Non-rated	Unit-linked/not subject to credit risk	Past due *	Total
2013	(AAA–BBB)	(BB–C)				
Available-for-sale securities						
Equity securities	–	–	–	11,027	–	11,027
Debt securities	24,748	199	3,296	–	–	28,243
Other investments	–	–	–	2,575	–	2,575
Securities at fair value through profit or loss						
Equity securities	–	–	–	2,080	–	2,080
Debt securities	–	–	3	740	–	743
Other investments	–	–	–	1,714	–	1,714
Derivative assets and financial instruments with embedded derivatives	1,215	–	732	20	–	1,967
Loans	630	–	1,233	–	–	1,863
Insurance receivables	#	–	2,584	–	20	2,604
Other debtors and interfund balances	–	–	1,832	75	1	1,908
Cash and cash equivalents	3,299	–	159	269	–	3,727
Financial assets	**29,892**	**199**	**9,839**	**18,500**	**21**	**58,451**
2012						
Available-for-sale securities						
Equity securities	–	–	–	9,546	–	9,546
Debt securities [(3)]	25,637	192	3,464	–	–	29,293
Other investments	–	–	–	1,556	–	1,556
Securities at fair value through profit or loss						
Equity securities	–	–	–	2,151	–	2,151
Debt securities	–	–	2	822	–	824
Other investments	–	–	–	1,039	–	1,039
Derivative assets and financial instruments with embedded derivatives	1,174	2	1,100	110	–	2,386
Loans [(3)]	521	–	1,084	–	–	1,605
Insurance receivables	1	–	2,547	–	34	2,582
Other debtors and interfund balances	–	–	1,831	71	1	1,903
Cash and cash equivalents	3,585	–	182	446	–	4,213
Financial assets	30,918	194	10,210	15,741	35	57,098

(1) @ based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.
(2) * An ageing analysis for financial assets past due is provided below.
(3) Comparatives have been restated to conform to current year's presentation.
(4) # represents amounts less than $0.5 million.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

Ageing analysis of financial assets past due:

$ million	Past due but not impaired: Less than 6 months	Past due but not impaired: 6 to 12 months	Past due but not impaired: Over 12 months	Past due but not impaired: Sub-total	Past due and impaired [@]	Total
2013						
Insurance receivables	**14**	**5**	**1**	**20**	**13**	**33**
Other debtors and interfund balances	**1**	**–**	**#**	**1**	**–**	**1**
Total	**15**	**5**	**1**	**21**	**13**	**34**
2012						
Insurance receivables	27	6	1	34	8	42
Other debtors and interfund balances	1	–	#	1	#	1
Total	28	6	1	35	8	43

(1) @ for assets to be classified as "past due and impaired", contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.

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

(i) Concentration risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. GEH Group's exposures are within the concentration limits set by the respective local regulators.

GEH Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

Notes to the Financial Statements

For the financial year ended 31 December 2013

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(j) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. The movements in these variables are non-linear.

The impact on profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Funds.

Market risk sensitivity analysis

	Impact on profit after tax		Impact on equity	
$ million	**2013**	**2012**	**2013**	**2012**
Change in variables:				
(a) Interest rate				
+100 basis points	**(86.6)**	(117.3)	**(160.7)**	(214.2)
–100 basis points	**35.4**	49.0	**118.5**	157.8
(b) LTRFDR				
+10 basis points	**12.9**	16.9	**12.9**	16.9
–10 basis points	**(13.5)**	(17.5)	**(13.5)**	(17.5)
(c) Foreign currency				
Market value of assets in foreign currency +5%	**13.7**	13.3	**78.5**	51.2
Market value of assets in foreign currency –5%	**(13.7)**	(13.3)	**(78.5)**	(51.2)
(d) Equity				
Market indices +20%				
STI	**13.8**	14.6	**54.9**	34.9
KLCI	**0.8**	0.4	**23.9**	16.9
Market indices –20%				
STI	**(13.8)**	(14.6)	**(54.9)**	(34.9)
KLCI	**(0.8)**	(0.4)	**(23.9)**	(16.9)
(e) Credit				
Spread +100 basis points	**(197.1)**	(204.3)	**(241.7)**	(249.2)
Spread –100 basis points	**230.3**	241.0	**278.6**	290.0
(f) Alternative investments [1]				
Market value of all alternative investments +10%	**14.6**	15.9	**35.5**	22.5
Market value of all alternative investments –10%	**(14.6)**	(15.9)	**(35.5)**	(22.5)

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

The method for deriving sensitivity information and significant variables is enhanced from previous year to more accurately estimate the change in asset value due to changes in interest rate and credit spread. Comparative figures have been revised using the new computation method.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION

	GROUP					
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	Total
2013						
Cash and placements with central banks	–	–	19,341	–	–	19,341
Singapore government treasury bills and securities	1,406	540	–	9,773	–	11,719
Other government treasury bills and securities	1,222	–	–	7,670	–	8,892
Placements with and loans to banks	509	–	31,698	7,366	–	39,573
Debt and equity securities	3,490	–	309	15,803	–	19,602
Loans and bills receivable	–	–	167,854	–	–	167,854
Assets pledged	271	–	25	1,814	–	2,110
Other assets [1]	5,194	–	3,773	–	127	9,094
Financial assets	12,092	540	223,000	42,426	127	278,185
Non-financial assets						6,859
						285,044
LAF financial assets [2]	1,885	4,536	7,427	37,913	–	51,761
LAF non-financial assets [2]						1,643
Total assets						338,448
Deposits of non-bank customers	–	–	195,974	–	–	195,974
Deposits and balances of banks	–	–	21,549	–	–	21,549
Trading portfolio liabilities	898	–	–	–	–	898
Other liabilities [1]	5,509	–	4,047	–	371	9,927
Debt issued	–	442	26,260	–	–	26,702
Financial liabilities	6,407	442	247,830	–	371	255,050
Non-financial liabilities						2,137
						257,187
LAF financial liabilities [2]	184	–	5,388	–	43,574	49,146
LAF non-financial liabilities [2]						4,036
Total liabilities						310,369

(1) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(2) "LAF" refers to Life Assurance Fund.

Notes to the Financial Statements

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40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION (continued)

	GROUP					
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	Total
2012						
Cash and placements with central banks	–	–	16,397	–	–	16,397
Singapore government treasury bills and securities	1,314	380	–	11,447	–	13,141
Other government treasury bills and securities	1,786	–	–	7,371	–	9,157
Placements with and loans to banks	208	–	21,005	8,598	–	29,811
Debt and equity securities	2,030	–	555	12,347	–	14,932
Loans and bills receivable	–	–	142,376	–	–	142,376
Assets pledged	155	–	–	1,901	–	2,056
Other assets [(1)]	5,155	–	3,733	–	111	8,999
Financial assets	10,648	380	184,066	41,664	111	236,869
Non-financial assets						6,803
						243,672
LAF financial assets [(2)]	2,134	4,014	6,828	37,515	–	50,491
LAF non-financial assets [(2)]						1,780
Total assets						295,943
Deposits of non-bank customers	–	–	165,139	–	–	165,139
Deposits and balances of banks	–	–	25,656	–	–	25,656
Trading portfolio liabilities	1,083	–	–	–	–	1,083
Other liabilities [(1)]	5,001	–	4,161	–	323	9,485
Debt issued	–	211	11,213	–	–	11,424
Financial liabilities	6,084	211	206,169	–	323	212,787
Non-financial liabilities						2,068
						214,855
LAF financial liabilities [(2)]	–	–	5,156	–	41,484	46,640
LAF non-financial liabilities [(2)]						5,747
Total liabilities						267,242

(1) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(2) "LAF" refers to Life Assurance Fund.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION (continued)

	BANK				
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Total
2013					
Cash and placements with central banks	–	–	12,713	–	12,713
Singapore government treasury bills and securities	1,406	–	–	9,365	10,771
Other government treasury bills and securities	1,052	–	–	3,491	4,543
Placements with and loans to banks	509	–	23,630	6,682	30,821
Debt and equity securities	3,408	–	229	9,254	12,891
Loans and bills receivable	–	–	125,080	–	125,080
Placements with and advances to subsidiaries	–	–	9,378	–	9,378
Assets pledged	148	–	–	1,772	1,920
Other assets [(1)]	4,195	–	1,311	–	5,506
Financial assets	10,718	–	172,341	30,564	213,623
Non-financial assets					10,078
Total assets					223,701
Deposits of non-bank customers	–	–	142,855	–	142,855
Deposits and balances of banks	–	–	20,260	–	20,260
Deposits and balances of subsidiaries	–	–	6,957	–	6,957
Trading portfolio liabilities	898	–	–	–	898
Other liabilities [(1)]	4,495	–	1,570	–	6,065
Debt issued	–	442	26,472	–	26,914
Financial liabilities	5,393	442	198,114	–	203,949
Non-financial liabilities					427
Total liabilities					204,376
2012					
Cash and placements with central banks	–	–	9,382	–	9,382
Singapore government treasury bills and securities	1,314	–	–	10,647	11,961
Other government treasury bills and securities	1,740	–	–	4,358	6,098
Placements with and loans to banks	208	–	13,065	7,745	21,018
Debt and equity securities	1,707	–	418	7,223	9,348
Loans and bills receivable	–	–	104,157	–	104,157
Placements with and advances to subsidiaries	–	–	5,811	–	5,811
Assets pledged	73	–	–	1,873	1,946
Other assets [(1)]	4,693	–	1,147	–	5,840
Financial assets	9,735	–	133,980	31,846	175,561
Non-financial assets					8,891
Total assets					184,452
Deposits of non-bank customers	–	–	115,325	–	115,325
Deposits and balances of banks	–	–	21,539	–	21,539
Deposits and balances of subsidiaries	–	–	8,258	–	8,258
Trading portfolio liabilities	1,083	–	–	–	1,083
Other liabilities [(1)]	4,620	–	1,691	–	6,311
Debt issued	–	211	11,708	–	11,919
Financial liabilities	5,703	211	158,521	–	164,435
Non-financial liabilities					432
Total liabilities					164,867

(1) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

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41. FAIR VALUES OF FINANCIAL INSTRUMENTS

41.1 VALUATION CONTROL FRAMEWORK

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management ("MRM") function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Treasury Financial Control – Valuation Control function within the Group Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation policies are reviewed annually by the MRM function. Any material changes to the framework require the approval of the CEO and concurrence from the Board Risk Management Committee. Group Audit provides independent assurance on the respective divisions' compliance with the policy.

41.2 FAIR VALUES

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument can be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. For financial assets and liabilities not carried at fair value on the financial statements, the Group has determined that their fair values were not materially different from the carrying amounts at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

Financial assets

Fair values of cash and balances with central banks, placements with banks, interest and other short term receivables are expected to approximate their carrying value due to their short tenor or frequent re-pricing.

Securities held by the Group, comprising government securities and debt and equity securities are substantially carried at fair value on the balance sheet.

Non-bank customer loans are carried at amortised cost on the balance sheet, net of specific and portfolio allowances. The Group deemed the fair value of non-bank loans to approximate their carrying amount as substantially the loans are subject to frequent re-pricing.

Financial liabilities

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying amount due to their short tenor. For non-bank customer term deposits, cash flows based on contractual terms or derived based on certain assumptions, are discounted at market rates as at reporting date to estimate the fair value.

The fair values of the Group's subordinated term notes are determined based on quoted market prices and independent broker offer prices. For other debts issued which are usually short term, the fair value approximates the carrying value.

41.3 FAIR VALUE HIERARCHY

The Group determines the fair values of its financial assets and liabilities using various measurements. The different levels of fair value measurements are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and
- Level 3 – inputs for the valuation that are not based on observable market data.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

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

$ million	2013 Level 1	2013 Level 2	2013 Level 3	2013 Total	2012 Level 1	2012 Level 2	2012 Level 3	2012 Total
Recurring fair value measurements								
GROUP								
Financial assets measured at fair value								
Placements with and loans to banks [1]	–	8,668	–	8,668	–	10,270	–	10,270
Debt and equity securities [1]	14,101	6,187	48	20,336	9,976	4,540	315	14,831
Derivative receivables	158	4,980	56	5,194	24	5,033	98	5,155
Government treasury bills and securities [1]	19,765	1,096	–	20,861	21,586	850	–	22,436
Life Assurance Fund investment assets	29,824	14,510	–	44,334	28,337	15,326	–	43,663
Total	63,848	35,441	104	99,393	59,923	36,019	413	96,355
Non-financial assets measured at fair value								
Life Assurance Fund investment properties	–	1,561	–	1,561	–	1,532	–	1,532
Total	–	1,561	–	1,561	–	1,532	–	1,532
Financial liabilities measured at fair value								
Derivative payables	152	5,311	46	5,509	28	4,905	68	5,001
Trading portfolio liabilities	898	–	–	898	1,083	–	–	1,083
Other financial liabilities	–	442	–	442	–	211	–	211
Life Assurance Fund financial liabilities	–	184	–	184	–	–	–	–
Total	1,050	5,937	46	7,033	1,111	5,116	68	6,295
BANK								
Financial assets measured at fair value								
Placements with and loans to banks [1]	–	7,984	–	7,984	–	9,417	–	9,417
Debt and equity securities [1]	9,179	4,336	24	13,539	6,170	3,061	43	9,274
Derivative receivables	3	4,158	34	4,195	3	4,644	46	4,693
Government treasury bills and securities [1]	14,618	946	–	15,564	17,348	849	–	18,197
Total	23,800	17,424	58	41,282	23,521	17,971	89	41,581
Financial liabilities measured at fair value								
Derivative payables	4	4,462	29	4,495	6	4,580	34	4,620
Trading portfolio liabilities	898	–	–	898	1,083	–	–	1,083
Other financial liabilities	–	442	–	442	–	211	–	211
Total	902	4,904	29	5,835	1,089	4,791	34	5,914

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

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For the financial year ended 31 December 2013

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Valuation techniques and unobservable parameters for Level 3 instruments

GROUP

$ million	Fair value at 31 December 2013	Classification	Valuation technique	Unobservable input
Assets				
Debt securities	34	Available-for-sale	Discounted cash flows	Credit spreads
Equity securities (unquoted)	14	Available-for-sale	Net asset value	Net asset value
Derivative receivables	56	Held for trading	Option pricing model	Standard deviation
Total	104			
Liabilities				
Derivative payables	46	Held for trading	Option pricing model	Standard deviation
Total	46			

Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

Movements in the Group's Level 3 financial assets and liabilities

GROUP	2013				2012			
$ 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	**201**	**114**	**98**	**413**	242	65	76	383
Purchases	**3**	**–**	**14**	**17**	45	–	27	72
Settlements/disposals	**(107)**	**(114)**	**(26)**	**(247)**	(45)	(#)	(7)	(52)
Transfers (out of)/in to Level 3	**(44)** [1]	**–**	**(5)** [1]	**(49)**	–	# [2]	–	#
Gains/(losses) recognised in								
– profit or loss	**#**	**#**	**(24)**	**(24)**	(12)	49	3	40
– other comprehensive income	**(5)**	**#**	**(1)**	**(6)**	(29)	(#)	(1)	(30)
At 31 December	**48**	**#**	**56**	**104**	201	114	98	413
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**#**	**#**	**#**	**#**	(17)	49	19	51

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

	2013				2012			
$ 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	**#**	**(23)**	**(1)**	**(24)**	1	50	(11)	40
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**#**	**#**	**#**	–	68	(17)	51

(1) Relates to transfers to Level 2 due to availability of market observable inputs.
(2) Relates to transfers to Level 3 due to unavailability of market observable inputs.
(3) # represents amounts less than $0.5 million.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

BANK	2013				2012			
$ 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	43	–	46	89	74	#	42	116
Purchases	3	–	14	17	4	–	9	13
Settlements/disposals	(21)	–	–	(21)	(31)	(#)	–	(31)
Transfers out of Level 3	–	–	(5) [1]	(5)	–	–	–	–
Gains/(losses) recognised in								
– profit or loss	1	–	(21)	(20)	5	(#)	(5)	(#)
– other comprehensive income	(2)	–	–	(2)	(9)	(#)	–	(9)
At 31 December	24	–	34	58	43	–	46	89
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	#	–	(1)	(1)	#	(#)	9	9

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

	2013				2012			
$ 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	#	(21)	1	(20)	#	(7)	7	(#)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	–	(1)	#	(1)	–	9	#	9

(1) Relates to transfers to Level 2 due to availability of market observable inputs.
(2) # represents amounts less than $0.5 million.

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41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

	GROUP				BANK			
	2013		2012		2013		2012	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Liabilities measured at fair value								
At 1 January	**68**	**68**	68	68	**34**	**34**	31	31
Issues	**11**	**11**	21	21	**11**	**11**	12	12
Settlements/disposals	**(23)**	**(23)**	(12)	(12)	**(#)**	**(#)**	–	–
Transfers out of Level 3	**(5)** [(1)]	**(5)**	–	–	**(5)** [(1)]	**(5)**	–	–
Losses/(gains) recognised in								
– profit or loss	**(4)**	**(4)**	(8)	(8)	**(11)**	**(11)**	(9)	(9)
– other comprehensive income	**(1)**	**(1)**	(1)	(1)	**–**	**–**	–	–
At 31 December	**46**	**46**	68	68	**29**	**29**	34	34
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(13)**	**(13)**	(7)	(7)	**(11)**	**(11)**	(6)	(6)

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

	GROUP				BANK			
	2013		2012		2013		2012	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total gains included in profit or loss for the year ended	**4**	**4**	8	8	**11**	**11**	9	9
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(13)**	**(13)**	(7)	(7)	**(11)**	**(11)**	(6)	(6)

(1) Relates to transfers to Level 2 due to availability of market observable inputs.

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

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group enters into master netting arrangements with counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. These arrangements do not qualify for net presentation on the balance sheet as the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not presented net in the Group's balance sheet but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

Types of financial assets/liabilities GROUP ($ million)	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B) [1]	Gross recognised financial instruments in scope (A – B = C + D + E) [2]	Related amounts not offset on balance sheet: Financial instruments (C) [3]	Related amounts not offset on balance sheet: Cash collateral received/ pledged (D)	Net amounts in scope (E)
2013						
Financial assets						
Derivative receivables	**5,194**	**1,262**	**3,932**	**2,948**	**40**	**944**
Reverse repurchase agreements	**2,183** [4]	**1,684**	**499**	**494**	**–**	**5**
Securities borrowings	**51** [5]	**–**	**51**	**40**	**–**	**11**
Total	**7,428**	**2,946**	**4,482**	**3,482**	**40**	**960**
Financial liabilities						
Derivative payables	**5,509**	**1,005**	**4,504**	**2,948**	**746**	**810**
Repurchase agreements	**1,897** [6]	**164**	**1,733**	**1,731**	**–**	**2**
Securities lendings	**14** [7]	**–**	**14**	**1**	**–**	**13**
Total	**7,420**	**1,169**	**6,251**	**4,680**	**746**	**825**
2012						
Financial assets						
Derivative receivables	5,155	740	4,415	3,347	95	973
Reverse repurchase agreements	1,825 [4]	485	1,340	1,333	–	7
Securities borrowings	97 [5]	–	97	87	–	10
Total	7,077	1,225	5,852	4,767	95	990
Financial liabilities						
Derivative payables	5,001	745	4,256	3,345	595	316
Repurchase agreements	1,859 [6]	107	1,752	1,751	–	1
Securities lendings	41 [7]	–	41	20	–	21
Total	6,901	852	6,049	5,116	595	338

(1) Represents financial instruments not subjected to master netting agreements.
(2) Represents financial instruments subjected to master netting agreements.
(3) Represents financial instruments that do not meet offsetting criteria.
(4) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers. These transactions are measured either at fair value or amortised cost.
(5) Cash collateral placed under securities borrowings are presented under other assets on the balance sheet, and are measured at amortised cost.
(6) Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers, and are measured at amortised cost.
(7) Cash collateral placed under securities lendings are presented under deposits of banks and non-bank customers, and are measured at amortised cost.

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42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Types of financial assets/liabilities BANK ($ million)	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B) [1]	Gross recognised financial instruments in scope (A – B = C + D + E) [2]	Related amounts not offset on balance sheet: Financial instruments (C) [3]	Related amounts not offset on balance sheet: Cash collateral received/ pledged (D)	Net amounts in scope (E)
2013						
Financial assets						
Derivative receivables	**4,195**	**481**	**3,714**	**2,814**	**40**	**860**
Reverse repurchase agreements	**499** [4]	**–**	**499**	**494**	**–**	**5**
Securities borrowings	**41** [5]	**–**	**41**	**39**	**–**	**2**
Total	**4,735**	**481**	**4,254**	**3,347**	**40**	**867**
Financial liabilities						
Derivative payables	**4,495**	**233**	**4,262**	**2,814**	**704**	**744**
Repurchase agreements	**1,733** [6]	**–**	**1,733**	**1,731**	**–**	**2**
Total	**6,228**	**233**	**5,995**	**4,545**	**704**	**746**
2012						
Financial assets						
Derivative receivables	4,693	298	4,395	3,355	95	945
Reverse repurchase agreements	952 [4]	–	952	945	–	7
Securities borrowings	66 [5]	–	66	63	–	3
Total	5,711	298	5,413	4,363	95	955
Financial liabilities						
Derivative payables	4,620	371	4,249	3,352	617	280
Repurchase agreements	1,752 [6]	–	1,752	1,751	–	1
Total	6,372	371	6,001	5,103	617	281

(1) Represents financial instruments not subjected to master netting agreements.
(2) Represents financial instruments subjected to master netting agreements.
(3) Represents financial instruments that do not meet offsetting criteria.
(4) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers. These transactions are measured either at fair value or amortised cost.
(5) Cash collateral placed under securities borrowings are presented under other assets on the balance sheet, and are measured at amortised cost.
(6) Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers, and are measured at amortised cost.

43. CONTINGENT LIABILITIES

The Group conducts businesses involving acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by the Group to pay on receipt of bills of exchange drawn. The Group issues guarantees on the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on presentation of stipulated documents. As the Group will only be required to meet these obligations in the event of customer's default, the cash requirements of these instruments are expected to be considerably below their nominal contractual amounts.

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**4,759,496**	3,484,131	**4,117,189**	2,955,362
Term to maturity of more than one year	**2,856,314**	2,719,085	**2,264,338**	2,369,053
	7,615,810	6,203,216	**6,381,527**	5,324,415
Acceptances and endorsements	**1,329,853**	915,270	**694,046**	188,433
Documentary credits and other short term trade-related transactions	**3,251,621**	1,981,694	**2,032,148**	1,466,867
	12,197,284	9,100,180	**9,107,721**	6,979,715

43.1 ANALYSED BY INDUSTRY

	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
Agriculture, mining and quarrying	**333,829**	285,983	**74,814**	42,474
Manufacturing	**2,036,046**	1,756,473	**1,341,502**	1,415,868
Building and construction	**1,796,114**	1,648,358	**1,298,702**	1,300,388
General commerce	**4,780,148**	2,944,882	**3,643,956**	2,112,801
Transport, storage and communication	**795,199**	594,564	**768,337**	582,844
Financial institutions, investment and holding companies	**1,033,645**	460,575	**1,049,630**	523,985
Professionals and individuals	**262,901**	321,770	**64,607**	74,311
Others	**1,159,402**	1,087,575	**866,173**	927,044
	12,197,284	9,100,180	**9,107,721**	6,979,715

43.2 ANALYSED BY GEOGRAPHY

	GROUP 2013 $'000	GROUP 2012 $'000	BANK 2013 $'000	BANK 2012 $'000
Singapore	**7,302,367**	5,650,283	**7,453,610**	5,836,483
Malaysia	**1,246,295**	1,107,766	**131,039**	248,115
Indonesia	**887,196**	868,412	**–**	–
Greater China	**2,320,320**	1,153,510	**1,063,880**	551,454
Other Asia Pacific	**287,600**	240,054	**305,686**	263,508
Rest of the World	**153,506**	80,155	**153,506**	80,155
	12,197,284	9,100,180	**9,107,721**	6,979,715

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

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44. 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	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
44.1 CREDIT COMMITMENTS				
Undrawn credit facilities:				
Term to maturity of one year or less	**59,946,342**	52,530,534	**35,368,311**	30,804,258
Term to maturity of more than one year	**16,252,722**	13,763,878	**13,361,541**	11,306,082
	76,199,064	66,294,412	**48,729,852**	42,110,340
44.2 OTHER COMMITMENTS				
Operating lease (non-cancellable) commitments:				
Within 1 year	**44,609**	49,841	**14,921**	17,640
After 1 year but within 5 years	**54,397**	55,867	**13,717**	16,188
Over 5 years	**–**	27	**–**	–
	99,006	105,735	**28,638**	33,828
Capital commitment authorised and contracted	**270,446**	140,413	**216,612**	83,236
Forward deposits and assets purchase	**474,679**	499,498	**522,843**	440,058
	844,131	745,646	**768,093**	557,122
44.3 TOTAL COMMITMENTS	**77,043,195**	67,040,058	**49,497,945**	42,667,462
44.4 CREDIT COMMITMENTS ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**1,341,487**	1,342,297	**710,074**	724,808
Manufacturing	**6,000,523**	5,531,068	**2,920,106**	2,700,456
Building and construction	**6,708,709**	4,848,792	**5,274,889**	3,734,292
General commerce	**12,228,506**	10,501,410	**10,051,478**	8,527,585
Transport, storage and communication	**3,256,549**	3,171,384	**2,680,292**	2,866,893
Financial institutions, investment and holding companies	**15,883,631**	13,685,566	**10,102,734**	8,410,817
Professionals and individuals	**24,102,195**	21,033,097	**13,314,321**	11,721,431
Others	**6,677,464**	6,180,798	**3,675,958**	3,424,058
	76,199,064	66,294,412	**48,729,852**	42,110,340
44.5 CREDIT COMMITMENTS ANALYSED BY GEOGRAPHY				
Singapore	**57,246,041**	50,312,328	**41,189,465**	36,002,730
Malaysia	**7,129,925**	6,337,313	**332,744**	139,053
Indonesia	**2,943,373**	2,661,544	**–**	–
Greater China	**6,256,444**	4,884,744	**4,577,642**	3,863,263
Other Asia Pacific	**1,700,415**	1,466,409	**1,707,135**	1,473,220
Rest of the World	**922,866**	632,074	**922,866**	632,074
	76,199,064	66,294,412	**48,729,852**	42,110,340

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

45. ASSETS PLEDGED

	GROUP		BANK	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Government treasury bills and securities (Note 24)				
– Singapore	**230,687**	118,497	**230,687**	118,497
– Others	**19,302**	19,687	**19,302**	19,687
Placements with and loans to banks (Note 25)	**793,115**	1,464,467	**793,115**	1,464,467
Loans and bills receivable (Note 26)	**24,503**	–	**–**	–
Debt securities (Note 30)	**1,042,115**	453,504	**876,730**	343,684
	2,109,722	2,056,155	**1,919,834**	1,946,335
Repo balances for assets pledged	**1,896,941**	1,858,816	**1,732,537**	1,751,402

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 $494.4 million (2012: $1,515.8 million), of which $174.1 million (2012: nil) have been sold or re-pledged. The Group is obliged to return equivalent assets.

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

46. 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.

47. 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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Within 1 year	**46,249**	44,079	**20,941**	18,222
After 1 year but within 5 years	**58,280**	49,218	**24,597**	8,289
Over 5 years	**258**	80	**–**	–
	104,787	93,377	**45,538**	26,511

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48. 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.

48.1 Related party balances at the balance sheet date and transactions during the financial year were as follows:

GROUP ($ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2013	#	7	15	119
Net increase/(decrease)	#	4	3	(76)
At 31 December 2013	**#**	**11**	**18**	**43**
(b) Deposits, borrowings and other payables				
At 1 January 2013	161	102	40	1,208
Net increase	7	53	#	64
At 31 December 2013	**168**	**155**	**40**	**1,272**
(c) Off-balance sheet credit facilities [1]				
At 1 January 2013	–	312	23	#
Net increase	–	18	11	#
At 31 December 2013	**–**	**330**	**34**	**#**
(d) Income statement transactions				
Year ended 31 December 2013				
Interest income	**–**	**#**	**#**	**#**
Interest expense	**1**	**1**	**#**	**28**
Rental income	**#**	**2**	**–**	**1**
Fee and commission and other income	**#**	**1**	**2**	**121**
Rental and other expenses	**4**	**1**	**1**	**#**
Year ended 31 December 2012				
Interest income	–	#	#	#
Interest expense	1	1	#	13
Rental income	#	2	–	#
Fee and commission and other income	#	1	1	89
Rental and other expenses	3	#	#	#

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

48. RELATED PARTY TRANSACTIONS (continued)

BANK ($ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2013	5,812	–	2	12	119
Net increase /(decrease)	3,566	–	9	1	(76)
At 31 December 2013	**9,378**	**–**	**11**	**13**	**43**
(b) Deposits, borrowings and other payables					
At 1 January 2013	10,158	149	80	38	410
Net (decrease)/increase	(1,301)	6	57	(#)	(71)
At 31 December 2013	**8,857**	**155**	**137**	**38**	**339**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2013	643	–	312	14	#
Net increase	701	–	13	10	#
At 31 December 2013	**1,344**	**–**	**325**	**24**	**#**
(d) Income statement transactions					
Year ended 31 December 2013					
Interest income	**86**	**–**	**#**	**#**	**#**
Interest expense	**143**	**1**	**#**	**#**	**1**
Rental income	**8**	**–**	**–**	**–**	**–**
Fee and commission and other income	**31**	**–**	**#**	**#**	**121**
Rental and other expenses	**230**	**4**	**#**	**#**	**#**
Year ended 31 December 2012					
Interest income	95	–	#	#	#
Interest expense	160	1	#	#	1
Rental income	7	–	–	–	–
Fee and commission and other income	23	–	#	#	89
Rental and other expenses	235	3	#	#	#

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

48.2 KEY MANAGEMENT PERSONNEL COMPENSATION

	BANK 2013 $ million	BANK 2012 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**35**	36
Share-based benefits	**11**	12
	46	48

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2013 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 2013

49. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

As of the balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. For the Group, the following relevant new/revised financial reporting standards and interpretations are mandatory with effect from the annual period commencing 1 January 2014:

FRS 27 (Revised)	*Separate Financial Statements*
FRS 28 (Revised)	*Investments in Associates and Joint Ventures*
FRS 32 (Amendments)	*Offsetting Financial Assets and Financial Liabilities*
FRS 36 (Amendments)	*Recoverable Amount Disclosures for Non-Financial Assets*
FRS 39 (Amendments)	*Novation of Derivatives and Continuation of Hedge Accounting*
FRS 110	*Consolidated Financial Statements*
FRS 111	*Joint Arrangements*
FRS 112	*Disclosure of Interests in Other Entities*
FRS 27, 110, 112 (Amendments)	*Investment Entities*

FRS 110 introduces a new control model to determine whether an investee should be consolidated by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of de facto circumstances and this will lead to a re-assessment of the control conclusion in respect of investees and may change the basis of consolidation which applies to these financial statements (see Notes 2.2.1 and 2.2.2).

FRS 112 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

Based on the Group's preliminary analysis, 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.

50. SUBSEQUENT EVENTS

(a) On 6 January 2014, OCBC Bank announced that it has entered into an exclusivity agreement with the substantial shareholders of Wing Hang Bank, Limited ("Wing Hang Bank") to seek to finalise the terms of a possible general offer by OCBC Bank for all the shares of Wing Hang Bank. The substantial shareholders of Wing Hang Bank will have until 3 March 2014 to seek to finalise the terms of the possible general offer by OCBC Bank.

(b) On 14 January 2014, OCBC Bank announced that it has entered into an agreement to subscribe for up to 207,545,680 new ordinary shares in Bank of Ningbo Company Limited ("Bank of Ningbo") at a subscription price of RMB8.85 for each new share. The total consideration of approximately RMB1.8 billion or S$383 million will be funded through internal resources. OCBC Bank's aggregate equity stake in Bank of Ningbo is expected to increase from 15.3% to 20.0% of the enlarged issued capital.

Subject to the fulfilment of certain conditions, the share subscription is expected to be completed in the third quarter of 2014.

Group's Major Properties

As at 31 December 2013

	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	27,110	956,500
63 Chulia Street, OCBC Centre East	Office	100	242,385	99,947	336,000
18 Church Street, OCBC Centre South	Office	100	118,909	73,291	148,300
63 Market Street, Bank Of Singapore Centre	Office	100	248,996	290,796	417,000
11 Tampines Central 1	Office	100	115,824	61,228	96,000
31 Tampines Avenue 4	Office	100	97,572	46,853	73,000
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building	Office	100	34,563 [2]	35,777	56,000
260 Tanjong Pagar Road	Office	100	44,940	8,785	63,000
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146 [2]	1,656	24,300
110 Robinson Road	Office	100	22,120	4,275	22,000
460 North Bridge Road	Office	100	26,576	2,793	29,500
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	38,928	265,815
2 Mt Elizabeth Link	Residential	100	104,377	21,013	190,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	12,933	52,000
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920	2,574	21,000
277 Orchard Road	Retail and Hotel	100	72,910 [3]	143,827	618,010
				871,786	3,368,425
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	22,081	49,341
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	85	362,313	8,561	21,261
People's Republic of China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	180,649	196,492
Other properties in					
Singapore				131,162	641,650
Malaysia				58,686	152,456
Indonesia				29,750	57,148
Greater China				57,858	246,122
Other Asia Pacific				13,511	43,428
Rest of the World				1,942	15,457
				292,909	1,156,261
Total [4]				**1,375,986**	**4,791,780**

[1] Valuations were made by independent firms of professional valuers.
[2] Refers to strata floor area.
[3] Information provided in the above table relates to land only. The development has a proposed gross floor area of 535,698 square feet.
[4] Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.