Directors' Report

For the financial year ended 31 December 2009

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 2009.

DIRECTORS

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

Cheong Choong Kong, Chairman
Bobby Chin Yoke Choong
David Philbrick Conner, Chief Executive Officer
Fang Ai Lian
Giam Chin Toon
Lee Seng Wee
Lee Tih Shih
Colm Martin McCarthy
Neo Boon Siong
Pramukti Surjaudaja
Wong Nang Jang
Patrick Yeoh Khwai Hoh

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

Mr Wong Nang Jang, having attained the age of 70, will cease to hold office at the conclusion of the forthcoming annual general meeting pursuant to section 153 of the Companies Act, Cap. 50, but will not be standing for re-appointment thereat.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

Directors' Report
For the financial year ended 31 December 2009

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 31.12.2009	At 1.1.2009	At 31.12.2009	At 1.1.2009
BANK				
Ordinary shares				
Cheong Choong Kong	**165,923**	127,982	**10,074** (1)	39,715 (2)
Bobby Chin Yoke Choong	**15,112**	9,600	**41,979** (1)	40,000 (1)
David Philbrick Conner	**1,333,094**	1,120,542	**778,967** (3)	401,493 (4)
Giam Chin Toon	**20,149**	14,400	**–**	–
Lee Seng Wee	**6,988,447**	6,653,994	**4,094,223** (1)	3,901,094 (1)
Lee Tih Shih	**2,484,760**	2,362,752	**–**	–
Neo Boon Siong	**20,149**	14,400	**–**	–
Wong Nang Jang	**622,299**	586,146	**173,505** (1)	165,322 (1)
Patrick Yeoh Khwai Hoh	**26,000**	19,200	**–**	–
5.1% Class B non-cumulative non-convertible preference shares				
Fang Ai Lian	**1,700**	1,700	**–**	–
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	**–**	–
Wong Nang Jang	**38,216**	38,216	**21,372** (1)	21,372 (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	**–**	–
Patrick Yeoh Khwai Hoh	**10,000**	10,000	**10,000** (1)	10,000 (1)

(1) Ordinary shares/preference shares held by spouse.
(2) Comprises interest of 9,600 ordinary shares held by spouse and 30,115 ordinary shares under OCBC Deferred Share Plan.
(3) Comprises interest of 773,521 ordinary shares under OCBC Deferred Share Plan and acquisition rights of 5,446 ordinary shares under OCBC Employee Share Purchase Plan.
(4) Comprises interest of 392,787 ordinary shares under OCBC Deferred Share Plan and acquisition rights of 8,706 ordinary shares under OCBC Employee Share Purchase Plan.

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

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

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2010.

Directors' Report

For the financial year ended 31 December 2009

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, and except for professional fees paid to a firm of which a director is a member as disclosed in the financial statements.

On 12 June 2006, an agreement was made between Dr Cheong Choong Kong ("Dr Cheong"), non-executive director and Chairman of the Bank, and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as consultant to oversee and supervise the strategic planning of the Bank and its subsidiaries with respect to customer service, talent identification, and the development and succession of senior management within the Group. This agreement was renewed on 1 December 2008. Under the respective agreements, (i) in respect of the financial year ended 31 December 2009, Dr Cheong has received payments and benefits amounting to $1,109,478, and will receive a variable bonus of $100,000, or any additional bonus as may be determined by the Remuneration Committee and the Board of Directors of the Bank, and (ii) in respect of the financial year ended 31 December 2008, Dr Cheong has received aggregate payments and benefits of $1,111,560 and a variable bonus of a total amount of $475,000, comprising a bonus of $100,000 and an additional bonus of $375,000.

In his capacity as a director of the Bank, Dr Cheong is also eligible for any directors' fees or share options that are recommended by the Board of Directors. Dr Cheong's total remuneration (including the payments mentioned above and all benefits, variable bonus, directors' fees and share options) for the financial year ended 31 December 2009 is reflected in the Directors' Remuneration table in the Corporate Governance Section of the Annual Report.

SHARE-BASED COMPENSATION PLANS

The Bank's share-based compensation plans are administered by the Remuneration Committee, which comprises:

Wong Nang Jang, Chairman
Cheong Choong Kong
Fang Ai Lian
Lee Tih Shih

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.

Directors' Report
For the financial year ended 31 December 2009

SHARE-BASED COMPENSATION PLANS (continued)
The Bank's share-based compensation plans are as follows:

(a) OCBC Share Option Schemes

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

The OCBC Share Option Scheme 2001 ("2001 Scheme") was approved at an extraordinary general meeting on 17 May 2001, to replace the 1994 Scheme. Executives of the Group ranked Manager and above (including executive and non-executive directors), are eligible for this scheme. The Bank will either issue new shares or transfer treasury shares to the executives upon their exercise of options.

Particulars of Options 2000, 2001, 2002, 2002A, 2002B, 2003, 2004, 2004A, 2004B, 2005, 2005A, 2006, 2006A, 2006B, 2007, 2007A, 2007B, 2007NED, 2008 and 2008NED were set out in the Directors' Reports for the financial years ended 31 December 2000 to 2008.

During the financial year, pursuant to the 2001 Scheme, options to acquire 3,755,564 ordinary shares at $4.138 per share were granted to 383 eligible executives of the Group ("2009 Options"), as well as to a non-executive director of the Bank ("2009NED 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.

Details of unissued ordinary shares under the share option scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2009 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2009 Outstanding	At 31.12.2009 Exercisable
2000	06.12.2002 to 05.12.2009	4.542	2,229,890	2,168,354	–	–
2001	05.12.2003 to 04.12.2010	5.367	818,497	814,096	3,084,751	3,084,751
2002	09.04.2003 to 08.04.2012	5.742	647,437	636,903	5,172,196	5,172,196
2002A	23.04.2003 to 22.04.2012	5.692	–	–	720,000	720,000
2002B	24.10.2003 to 23.10.2012	4.367	–	–	180,000	180,000
2003	28.03.2004 to 26.03.2013	4.067	580,898	560,343	4,180,678	4,180,678
2004	16.03.2005 to 14.03.2014	5.142	1,257,537	936,299	3,059,700	3,059,700
2004A	20.08.2005 to 18.08.2014	5.492	–	–	160,800	160,800
2004B	23.11.2005 to 21.11.2014	5.667	–	–	103,200	103,200
2005	15.03.2006 to 13.03.2015	5.767	312,712	303,600	3,898,530	3,898,530
2005A	09.04.2006 to 07.04.2015	5.784	230,840	201,528	1,144,988	1,144,988
2006	15.03.2007 to 13.03.2016	6.820	207,983	201,518	3,247,744	3,247,744
2006B	24.05.2007 to 22.05.2016	6.580	159,150	131,864	864,790	864,790
2007	15.03.2008 to 13.03.2017	8.590	17,174	17,174	3,455,252	2,272,060
2007A	16.01.2008 to 14.01.2017	7.600	–	–	445,000	293,700
2007B	15.03.2008 to 13.03.2017	8.590	–	–	916,010	604,230
2007NED	15.03.2008 to 13.03.2012	8.590	–	–	200,000	132,000
2008	15.03.2009 to 13.03.2018	7.520	72,768	71,888	5,027,302	1,611,354
2008NED	15.03.2009 to 13.03.2013	7.520	–	–	200,000	66,000
2009	17.03.2010 to 15.03.2019	4.138	–	–	3,523,061	–
2009NED	17.03.2010 to 15.03.2014	4.138	–	–	162,958	–
			6,534,886	6,043,567	39,746,960	30,796,721

Directors' Report

For the financial year ended 31 December 2009

SHARE-BASED COMPENSATION PLANS (continued)

(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 2009, the Bank launched its fourth offering of ESP Plan, which commenced on 1 July 2009 and will expire on 30 June 2011. Under the fourth offering, 3,691 employees (including a director of the Bank) enrolled to participate in the ESP Plan to acquire 5,545,385 ordinary shares at $6.61 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 ranked Assistant Manager and above at the absolute discretion of the Remuneration Committee. Details of the DSP were set out in the Directors' Report for the financial year ended 31 December 2007.

Total awards of 5,333,474 ordinary shares (including 441,863 ordinary shares to a director of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2009. In addition, total awards of 534,164 ordinary shares (including 36,485 ordinary shares to directors of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2008 and interim dividend for financial year ended 31 December 2009. During the financial year, 1,253,853 deferred shares were released to grantees, of which 127,729 deferred shares were released to directors of the Bank.

Changes in the number of options under the share option scheme and acquisition rights under the ESP Plan held by directors for the financial year under review are as follows:

Name of director	Options granted/ rights subscribed to acquire ordinary shares for the financial year ended 31.12.2009	Aggregate number of options granted/rights subscribed since commencement of scheme/plan to 31.12.2009	Aggregate number of options/rights exercised/ converted/ lapsed since commencement of scheme/plan to 31.12.2009	Aggregate number of options/rights outstanding at 31.12.2009
Option Scheme				
Cheong Choong Kong	162,958	1,077,758	–	1,077,758
David Philbrick Conner	–	4,565,000	1,512,000	3,053,000
Wong Nang Jang	–	927,539	927,539	–
ESP Plan				
David Philbrick Conner	5,446	39,571	34,125	5,446

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2010.

Directors' Report

For the financial year ended 31 December 2009

AUDIT COMMITTEE

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

Bobby Chin Yoke Choong, Chairman
Giam Chin Toon
Colm Martin McCarthy
Neo Boon Siong

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

The Audit Committee also reviewed the following:

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

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

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

AUDITORS

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

On behalf of the Board of Directors,

CHEONG CHOONG KONG
Director

DAVID PHILBRICK CONNER
Director

Singapore
19 February 2010

Statement by Directors

For the financial year ended 31 December 2009

In the opinion of the directors,

(a) the financial statements set out on pages 74 to 153 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 2009, the results and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors,

CHEONG CHOONG KONG
Director

DAVID PHILBRICK CONNER
Director

Singapore
19 February 2010

Independent Auditors' Report

To the Members of Oversea-Chinese Banking Corporation Limited

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 2009, 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 notes, as set out on pages 74 to 153.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) 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;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

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 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 and fair presentation of the financial statements 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,

(a) 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 2009, 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; and

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

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
19 February 2010

Income Statements

For the financial year ended 31 December 2009

	Note	GROUP 2009 $'000	GROUP 2008 $'000	BANK 2009 $'000	BANK 2008 $'000
Interest income		**4,189,513**	5,266,993	**2,638,609**	3,653,818
Interest expense		**(1,364,290)**	(2,483,595)	**(819,336)**	(1,797,259)
Net interest income	3	**2,825,223**	2,783,398	**1,819,273**	1,856,559
Premium income		**5,588,882**	6,805,646	**–**	–
Investment income		**2,726,114**	(399,777)	**–**	–
Net claims, surrenders and annuities		**(4,471,041)**	(4,226,976)	**–**	–
Change in life assurance fund contract liabilities		**(2,007,587)**	(1,192,612)	**–**	–
Commission and others		**(1,109,692)**	(685,931)	**–**	–
Profit from life assurance	4	**726,676**	300,350	**–**	–
Premium income from general insurance		**122,023**	108,606	**–**	–
Fees and commissions (net)	5	**730,134**	773,517	**394,416**	453,804
Dividends	6	**56,960**	71,711	**183,876**	382,450
Rental income		**77,632**	68,163	**34,759**	29,795
Other income	7	**276,351**	320,989	**295,205**	773,961
Non-interest income		**1,989,776**	1,643,336	**908,256**	1,640,010
Total income		**4,814,999**	4,426,734	**2,727,529**	3,496,569
Staff costs		**(995,117)**	(1,045,421)	**(472,371)**	(486,437)
Other operating expenses		**(801,272)**	(809,100)	**(564,425)**	(582,659)
Total operating expenses	8	**(1,796,389)**	(1,854,521)	**(1,036,796)**	(1,069,096)
Operating profit before allowances and amortisation		**3,018,610**	2,572,213	**1,690,733**	2,427,473
Amortisation of intangible assets	37	**(46,636)**	(46,472)	**–**	–
Allowances for loans and impairment for other assets	9	**(429,048)**	(446,750)	**(306,063)**	(315,541)
Operating profit after allowances and amortisation		**2,542,926**	2,078,991	**1,384,670**	2,111,932
Share of results of associates and joint ventures		**(64)**	5,511	**–**	–
Profit before income tax		**2,542,862**	2,084,502	**1,384,670**	2,111,932
Income tax expense	10	**(388,374)**	(224,492)	**(149,722)**	(64,687)
Profit for the year		**2,154,488**	1,860,010	**1,234,948**	2,047,245
Attributable to:					
Equity holders of the Bank		**1,962,413**	1,749,443		
Minority interests		**192,075**	110,567		
		2,154,488	1,860,010		
Earnings per share (cents)	11				
Basic		**59.4**	54.6		
Diluted		**59.3**	54.5		

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 2009

		GROUP		BANK	
		2009	**2008**	**2009**	**2008**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Profit for the year		**2,154,488**	1,860,010	**1,234,948**	2,047,245
Other comprehensive income:					
Available-for-sale financial assets					
Gains/(losses) for the year		**1,305,919**	(1,768,788)	**568,452**	(674,365)
Reclassification of losses/(gains) to income statement					
– on disposal		**(50,222)**	(203,870)	**(31,474)**	(53,099)
– on impairment		**161,457**	281,455	**133,120**	230,025
Tax on net movements	20	**(110,171)**	146,144	**(79,541)**	79,368
Exchange differences on translating foreign operations		**97,435**	(249,530)	**31,730**	(96,952)
Other comprehensive income of associates and joint ventures		**2,785**	12,983	**–**	–
Total other comprehensive income, net of tax		**1,407,203**	(1,781,606)	**622,287**	(515,023)
Total comprehensive income for the year, net of tax		**3,561,691**	78,404	**1,857,235**	1,532,222
Total comprehensive income attributable to:					
Equity holders of the Bank		**3,332,883**	41,708		
Minority interests		**228,808**	36,696		
		3,561,691	78,404		

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 2009

	Note	GROUP 2009 $'000	GROUP 2008 $'000	BANK 2009 $'000	BANK 2008 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**7,376,252**	6,637,508	**7,376,252**	6,637,508
Capital reserves	14	**985,445**	1,329,156	**768,012**	1,099,054
Fair value reserves		**1,506,279**	221,844	**602,560**	12,003
Revenue reserves	15	**9,102,681**	7,685,161	**5,715,859**	5,076,140
		18,970,657	15,873,669	**14,462,683**	12,824,705
Minority interests	16	**2,808,378**	2,686,068	**–**	–
Total equity		**21,779,035**	18,559,737	**14,462,683**	12,824,705
LIABILITIES					
Deposits of non-bank customers	17	**100,632,559**	94,078,421	**77,297,559**	73,237,580
Deposits and balances of banks	17	**10,958,259**	10,113,219	**9,674,356**	9,048,750
Due to subsidiaries		**–**	–	**1,368,610**	1,399,156
Due to associates		**119,132**	94,534	**117,665**	87,583
Trading portfolio liabilities		**2,016,117**	1,111,143	**2,016,117**	1,111,143
Derivative payables	18	**3,918,282**	7,675,456	**3,766,715**	7,415,345
Other liabilities	19	**3,214,910**	2,929,859	**1,011,511**	943,598
Current tax		**606,360**	500,667	**269,594**	277,519
Deferred tax	20	**945,585**	576,063	**119,904**	41,154
Debts issued	21	**6,863,384**	6,009,529	**8,230,226**	7,553,935
		129,274,588	123,088,891	**103,872,257**	101,115,763
Life assurance fund liabilities	22	**43,245,917**	39,736,525	**–**	–
Total liabilities		**172,520,505**	162,825,416	**103,872,257**	101,115,763
Total equity and liabilities		**194,299,540**	181,385,153	**118,334,940**	113,940,468
ASSETS					
Cash and placements with central banks	23	**13,171,117**	7,027,689	**8,160,098**	4,266,733
Singapore government treasury bills and securities	24	**10,922,369**	9,214,572	**10,549,341**	8,635,841
Other government treasury bills and securities	24	**5,564,189**	4,776,972	**2,744,121**	1,257,386
Placements with and loans to banks	25	**15,820,671**	15,353,359	**11,992,091**	12,633,881
Loans and bills receivable	26 – 29	**80,876,471**	79,807,864	**61,340,337**	62,068,780
Debt and equity securities	30	**11,679,852**	10,173,911	**7,786,344**	7,018,391
Assets pledged	43	**279,131**	837,108	**266,865**	837,108
Derivative receivables	18	**3,973,029**	6,654,637	**3,770,259**	6,244,771
Other assets	31	**2,910,494**	2,665,116	**688,805**	1,000,791
Deferred tax	20	**63,538**	97,701	**5,128**	19,157
Associates and joint ventures	33	**226,019**	132,283	**56,146**	11,525
Subsidiaries	34	**–**	–	**8,150,596**	7,173,501
Property, plant and equipment	35	**1,608,974**	1,665,457	**408,545**	405,669
Investment property	36	**765,367**	726,077	**549,088**	499,758
Goodwill and intangible assets	37	**3,361,599**	3,375,526	**1,867,176**	1,867,176
		151,222,820	142,508,272	**118,334,940**	113,940,468
Life assurance fund investment assets	22	**43,076,720**	38,876,881	**–**	–
Total assets		**194,299,540**	181,385,153	**118,334,940**	113,940,468
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	41	**7,313,779**	8,660,691	**6,458,490**	7,213,079
Commitments	42	**43,093,024**	46,654,598	**34,898,638**	37,478,046
Derivative financial instruments	18	**355,210,168**	365,904,304	**335,535,126**	343,629,954

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 2009

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total	Minority interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2009	**6,637,508**	**1,329,156**	**221,844**	**7,685,161**	**15,873,669**	**2,686,068**	**18,559,737**
Total comprehensive income for the financial year	**–**	**–**	**1,284,435**	**2,048,448**	**3,332,883**	**228,808**	**3,561,691**
Transfers	**2,418**	**(338,075)**	**–**	**335,657**	**–**	**–**	**–**
Change in minority interests	**–**	**–**	**–**	**–**	**–**	**8,117**	**8,117**
Dividends to minority interests	**–**	**–**	**–**	**–**	**–**	**(114,615)**	**(114,615)**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**3,129**	**3,129**	**–**	**3,129**
Ordinary and preference dividends paid in cash	**–**	**–**	**–**	**(285,729)**	**(285,729)**	**–**	**(285,729)**
Share-based staff costs capitalised	**–**	**11,002**	**–**	**–**	**11,002**	**–**	**11,002**
Shares issued in-lieu of ordinary dividends	**683,985**	**–**	**–**	**(683,985)**	**–**	**–**	**–**
Shares issued to non-executive directors	**245**	**–**	**–**	**–**	**245**	**–**	**245**
Shares purchased by DSP Trust	**–**	**(3,129)**	**–**	**–**	**(3,129)**	**–**	**(3,129)**
Shares vested under DSP Scheme	**–**	**8,830**	**–**	**–**	**8,830**	**–**	**8,830**
Treasury shares transferred/sold	**52,096**	**(22,339)**	**–**	**–**	**29,757**	**–**	**29,757**
Balance at 31 December 2009	**7,376,252**	**985,445**	**1,506,279**	**9,102,681**	**18,970,657**	**2,808,378**	**21,779,035**
Included:							
Share of reserves of associates and joint ventures	**–**	**2,860**	**437**	**31,979**	**35,276**	**(764)**	**34,512**
Balance at 1 January 2008	5,520,141	1,732,178	1,725,964	6,699,307	15,677,590	1,161,222	16,838,812
Total comprehensive income for the financial year	–	–	(1,504,120)	1,545,828	41,708	36,696	78,404
Transfers	28,913	(392,475)	–	363,562	–	–	–
Acquisition of interests in subsidiaries and change in minority interests	–	–	–	–	–	86,281	86,281
Dividends and liquidation distribution to minority interests	–	–	–	–	–	(98,131)	(98,131)
DSP reserve from dividends on unvested shares	–	–	–	3,045	3,045	–	3,045
Ordinary and preference dividends	–	–	–	(926,581)	(926,581)	–	(926,581)
Preference shares issued by a subsidiary	–	–	–	–	–	1,500,000	1,500,000
Preference shares issued by the Bank	1,000,000	–	–	–	1,000,000	–	1,000,000
Preference shares' issue expense	(1,339)	–	–	–	(1,339)	–	(1,339)
Share-based staff costs capitalised	–	15,012	–	–	15,012	–	15,012
Shares issued to non-executive directors	449	–	–	–	449	–	449
Shares purchased by DSP Trust	–	(1,999)	–	–	(1,999)	–	(1,999)
Shares vested under DSP Scheme	–	7,581	–	–	7,581	–	7,581
Treasury shares transferred/sold	89,344	(31,141)	–	–	58,203	–	58,203
Balance at 31 December 2008	6,637,508	1,329,156	221,844	7,685,161	15,873,669	2,686,068	18,559,737
Included:							
Share of reserves of associates and joint ventures	–	2,860	(463)	31,861	34,258	(190)	34,068

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 2009

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2009	**6,637,508**	**1,099,054**	**12,003**	**5,076,140**	**12,824,705**
Total comprehensive income for the financial year	**–**	**–**	**590,557**	**1,266,678**	**1,857,235**
Transfers	**2,418**	**(342,044)**	**–**	**339,626**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**3,129**	**3,129**
Ordinary and preference dividends paid in cash	**–**	**–**	**–**	**(285,729)**	**(285,729)**
Share-based staff costs capitalised	**–**	**11,002**	**–**	**–**	**11,002**
Shares issued in-lieu of ordinary dividends	**683,985**	**–**	**–**	**(683,985)**	**–**
Shares issued to non-executive directors	**245**	**–**	**–**	**–**	**245**
Treasury shares transferred/sold	**52,096**	**–**	**–**	**–**	**52,096**
Balance at 31 December 2009	**7,376,252**	**768,012**	**602,560**	**5,715,859**	**14,462,683**
Balance at 1 January 2008	5,520,141	1,452,581	430,074	3,709,757	11,112,553
Total comprehensive income for the financial year	–	–	(418,071)	1,950,293	1,532,222
Transfers	28,913	(368,539)	–	339,626	–
DSP reserve from dividends on unvested shares	–	–	–	3,045	3,045
Ordinary and preference dividends	–	–	–	(926,581)	(926,581)
Preference shares issued by the Bank	1,000,000	–	–	–	1,000,000
Preference shares' issue expense	(1,339)	–	–	–	(1,339)
Share-based staff costs capitalised	–	15,012	–	–	15,012
Shares issued to non-executive directors	449	–	–	–	449
Treasury shares transferred/sold	89,344	–	–	–	89,344
Balance at 31 December 2008	6,637,508	1,099,054	12,003	5,076,140	12,824,705

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 2009

In $'000	2009	2008
Cash flows from operating activities		
Profit before income tax	**2,542,862**	2,084,502
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	**429,048**	446,750
Amortisation of intangible assets	**46,636**	46,472
Change in fair value for hedging transactions and trading securities	**(296,698)**	292,121
Depreciation of property, plant and equipment and investment property	**135,226**	115,640
Net gain on disposal of government, debt and equity securities	**(50,230)**	(203,870)
Net gain on disposal of property, plant and equipment and investment property	**(8,541)**	(8,355)
Net loss on disposal of an associate and interests in subsidiaries	**363**	408
Share-based staff costs	**9,385**	13,066
Share of results of associates and joint ventures	**64**	(5,511)
Items relating to life assurance fund		
Surplus before income tax	**998,062**	45,235
Surplus transferred from life assurance fund	**(726,676)**	(300,350)
Operating profit before change in operating assets and liabilities	**3,079,501**	2,526,108
Change in operating assets and liabilities:		
Deposits of non-bank customers	**6,579,805**	5,324,003
Deposits and balances of banks	**845,040**	(4,651,373)
Derivative payables and other liabilities	**(3,493,382)**	4,401,788
Trading portfolio liabilities	**904,974**	939,150
Government securities and treasury bills	**(2,736,534)**	(1,137,594)
Trading securities	**114,759**	258,484
Placements with and loans to banks	**80,519**	(337,677)
Loans and bills receivable	**(1,341,402)**	(8,508,577)
Derivative receivables and other assets	**2,234,874**	(3,118,916)
Net change in investment assets and liabilities of life assurance fund	**(520,936)**	579,679
Cash from/(used in) operating activities	**5,747,218**	(3,724,925)
Income tax paid	**(341,999)**	(362,357)
Net cash from/(used in) operating activities	**5,405,219**	(4,087,282)
Cash flows from investing activities		
Acquisition of minority interests	**–**	(31,158)
Dividends from associates	**3,343**	2,495
(Increase)/decrease in associates and joint ventures	**(91,723)**	3,611
Net cash outflow from acquisition of subsidiaries	**–**	(124,195)
Purchases of debt and equity securities	**(3,130,277)**	(4,424,295)
Purchases of property, plant and equipment and investment property	**(200,009)**	(277,664)
Proceeds from disposal of an associate	**–**	1,046
Proceeds from disposal of debt and equity securities	**3,391,894**	5,218,721
Proceeds from disposal of interests in subsidiaries	**7,711**	–
Proceeds from disposal of property, plant and equipment and investment property	**20,459**	41,589
Net cash from investing activities	**1,398**	410,150
Cash flows from financing activities		
Increase in debts issued	**1,054,307**	939,192
Dividends paid to equity holders of the Bank	**(285,729)**	(926,581)
Dividends and liquidation distribution to minority interests	**(114,615)**	(98,131)
Net proceeds from issue of preference shares by the Bank	**–**	998,661
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**29,757**	58,203
Proceeds from issue of preference shares by a subsidiary	**–**	1,500,000
Net cash from financing activities	**683,720**	2,471,344
Net currency translation adjustments	**53,091**	(162,921)
Net change in cash and cash equivalents	**6,143,428**	(1,368,709)
Cash and cash equivalents at 1 January	**7,027,689**	8,396,398
Cash and cash equivalents at 31 December	**13,171,117**	7,027,689

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 2009

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 19 February 2010.

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 #26-00, OCBC Centre, Singapore 049513.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

The following new/revised standards and interpretations were applied with effect from 1 January 2009:

- FRS 1 *Presentation of Financial Statements*
- FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- FRS 102 *Share-based Payment – Amendments Relating to Vesting Conditions and Cancellations*
- FRS 107 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- FRS 108 *Operating Segments*
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- Improvements to FRSs 2008

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. The revised standard also introduces the statement of comprehensive income. The requirement is to present all items of income and expense recognised in profit or loss, together with all other items of comprehensive income, either in one single statement of comprehensive income, or in two linked statements. The Group has opted to present comprehensive income in two linked statements. Under the revised FRS 1, a statement of financial position is also required at the beginning of the earliest comparative period following any retrospective application of an accounting policy, retrospective restatement of items in the financial statements or reclassification of items in the financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

With the amendments to FRS 107, an entity is required to disclose its financial assets and liabilities using a fair value hierarchy that reflects the significance of inputs used in measuring the fair value of these assets and liabilities. An entity shall also disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.

FRS 108 replaces FRS 14 *Segment Reporting*, and requires an entity to present its segment performance based on the same segment information used by management internally for managing the entity's operations.

INT FRS 113 requires that revenue for sale transactions involving the award of customer loyalty points be separated into two identifiable components, namely for goods or services rendered and for the loyalty points which may be redeemed in the future. The portion allocated to the loyalty points is deferred and recognised in income as and when the entity fulfils its obligations under the customer loyalty programmes.

Other than the impact on presentation following application of FRS 1 and FRS 107, the initial application of the above standards (including their consequential amendments) and interpretations does not have any material impact on the Group's financial statements.

2.2 Basis of consolidation

2.2.1 Subsidiaries

Subsidiaries are entities over which the Bank, directly or indirectly, has power to govern the financial and operating policies, generally accompanied by a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Bank controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values on the date of acquisition.

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

Minority 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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

2.2.2 Special purpose entities

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

2.2.3 Associates and joint ventures

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

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

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

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

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

2.2.4 Life assurance companies

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

2.2.5 Accounting for subsidiaries and associates by the Bank

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

2.3 Currency translation

2.3.1 Foreign currency transactions

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

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

2.3.2 Foreign operations

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

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

2.4 Cash and cash equivalents

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

2.5 Financial instruments

2.5.1 Recognition

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

2.5.2 De-recognition

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

2.5.3 Offsetting

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

Notes to the Financial Statements
For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

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

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

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

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

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

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

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

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

At balance sheet date, unrealised profits and losses on revaluing unsettled contracts are recognised in the income statement. Upon settlement, these assets are carried at fair value on the balance sheet, with subsequent fair value changes recognised in the income statement. Fair value is derived from quoted market bid prices. All realised and unrealised gains and losses are included in net trading income in the income statement. Interest earned whilst holding trading assets is included in interest income.

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

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment

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

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

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

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

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

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

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

2.9 Investment property

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

Investment property held under the Group's life assurance fund is stated at fair value at balance sheet date. Changes in the carrying value resulting from revaluation are recognised in the income statement of the life assurance fund.

2.10 Goodwill and intangible assets

2.10.1 Goodwill

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

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

2.10.2 Intangible assets

Intangible assets are separately identifiable intangible items arising from acquisitions and are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis 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 primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

2.12 Impairment of assets

Financial assets

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

2.12.1 Loans and receivables/financial assets carried at amortised cost

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

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

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

2.12.2 Other non-derivative financial assets

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of assets (continued)

Other assets

2.12.3 Goodwill

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

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

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

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

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

2.13 Insurance receivables

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

2.14 Financial liabilities

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

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

2.15 Provisions and other liabilities

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

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

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

2.16 Insurance contracts

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

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

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

Certain subsidiaries within the Group write insurance contracts in accordance with insurance regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:

(a) Life Assurance Fund contract liabilities, comprising
  - Participating Fund contract liabilities;
  - Non-participating Fund contract liabilities; and
  - Investment-linked Fund contract liabilities.

(b) General Insurance Fund contract liabilities
(c) Reinsurance contracts

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

Notes to the Financial Statements
For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance contracts (continued)

Life Assurance Fund contract liabilities

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

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

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

In the case of a life policy where a part of, or the whole of premiums are accumulated in a fund, the accumulated amount, as declared to policyholders are set as liabilities if the accumulated amount is higher than the amount as calculated using the gross premium valuation method.

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

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

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

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

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

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

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

The valuation of insurance contract liabilities is determined according to:

(a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore; and
(b) Malaysia Insurance Act and Regulations 1996 and Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance contracts (continued)

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

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

	Singapore	Malaysia
Valuation method	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cashflows discounted at 5.25%; and (iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Net fund based yield of 5.52% for total benefits (i.e. guaranteed and non-guaranteed cashflows); and (ii) For guaranteed cashflows, weighted average of Malaysia Government Bond zero coupon spot yields (as outlined below).
Interest rate	(i) Singapore Government bond yields for cash flows up to year 10, the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows year 15 and after, and an interpolation of the 10-year Singapore Government Bond yield and the LTRFDR for cash flows between 10 to 15 years. (ii) For the fair value hedge portfolio, Singapore Government Bond yields for cash flows up to year 20, and the 20-year rate for cash flows beyond 20 years. Interpolation for years where rates are unavailable. *Data source: SGS website*	Weighted average of Malaysia Government bond yields determined based on the following: (i) For cashflows with duration less than 15 years, weighted average of Malaysia Government Bond zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, weighted average of Malaysia Government Bond zero coupon spot yields of 15 years to maturity. The weighting is based on 30% weights for yields at date of valuation and 70% weights of the simple average of yields in the preceding 7 quarters prior to the date of valuation. *Data source: Weighted average of Malaysia Government Bond zero coupon spot yield from Bondweb, a bond pricing agency.*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders	Best estimates plus provision for adverse deviation. *Data source: Internal experience studies*	Participating Fund, the method that produces the higher reserves of: (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cashflows); and (ii) Best estimates plus provision for risk of adverse deviation for guaranteed cashflows only. Non-participating and unit reserves of Investment-linked Fund: Best estimates plus provision for risk of adverse deviation. *Data source: Internal experience studies*

* Refer to Note 2.23 on Critical accounting estimates and judgements

Notes to the Financial Statements

For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance contracts (continued)

General Insurance Fund contract liabilities

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

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

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

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

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

Reinsurance contracts

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

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

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

2.17 Unexpired risk reserve

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

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

2.18 Share capital and dividend

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

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

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

2.19 Recognition of income and expense

2.19.1 Interest income and expense

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Recognition of income and expense (continued)

2.19.2 Profit from life assurance

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

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

(b) Non-Participating Fund
Revenue consists of premiums, interest and investment income; including changes in the fair value of certain assets as prescribed in the respective 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 respective insurance regulations. In addition, profit transfers from the Singapore and Malaysia non-participating funds include changes in the fair value of assets measured in accordance with the respective insurance regulations.

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

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

2.19.3 Premium income from general insurance

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

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

2.19.4 Fees and commissions

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

2.19.5 Dividends

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

2.19.6 Rental

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

2.19.7 Employee benefits

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Recognition of income and expense (continued)

2.19.7 Employee benefits (continued)

Government grants – Jobs credit scheme

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

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

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

2.19.8 Lease payments

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

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

2.20 Income tax expense

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

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

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

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

2.21 Fiduciary activities

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

2.22 Segment reporting

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

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

2.23 Critical accounting estimates and judgements

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

2.23.1 Liabilities of insurance business

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Critical accounting estimates and judgements (continued)

2.23.1 Liabilities of insurance business (continued)

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").

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

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

2.23.2 Impairment of goodwill and intangible assets

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

2.23.3 Fair value estimation

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

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

2.23.4 Income taxes

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

2.23.5 Impairment of loans

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

2.23.6 Impairment of available-for-sale financial assets

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

2.23.7 Insurance contract classification

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

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For the financial year ended 31 December 2009

3. NET INTEREST INCOME

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Interest income				
Loans to non-bank customers	**3,042,746**	3,650,920	**1,917,708**	2,496,945
Placements with and loans to banks	**431,950**	779,663	**295,066**	573,106
Other interest-earning assets	**714,817**	836,410	**425,835**	583,767
	4,189,513	5,266,993	**2,638,609**	3,653,818
Interest expense				
Deposits of non-bank customers	**(1,035,903)**	(1,814,950)	**(455,737)**	(1,166,428)
Deposits and balances of banks	**(96,188)**	(429,683)	**(69,247)**	(373,785)
Other borrowings	**(232,199)**	(238,962)	**(294,352)**	(257,046)
	(1,364,290)	(2,483,595)	**(819,336)**	(1,797,259)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**4,050,343**	5,117,888	**2,550,385**	3,541,249
Income – Assets at fair value through profit or loss	**139,170**	149,105	**88,224**	112,570
Expense – Liabilities not at fair value through profit or loss	**(1,328,983)**	(2,470,172)	**(784,029)**	(1,784,279)
Expense – Liabilities at fair value through profit or loss	**(35,307)**	(13,423)	**(35,307)**	(12,981)
Net interest income	**2,825,223**	2,783,398	**1,819,273**	1,856,559

Included in interest income were interest on impaired assets of $22.3 million (2008: $24.7 million) and $9.9 million (2008: $12.5 million) for the Group and Bank respectively.

4. PROFIT FROM LIFE ASSURANCE

	GROUP	
	2009 $ million	2008 $ million
Income		
Annual	**3,812.5**	3,658.7
Single	**1,858.5**	3,225.7
Gross premiums	**5,671.0**	6,884.4
Reinsurances	**(82.1)**	(78.7)
Premium income (net)	**5,588.9**	6,805.7
Investment income/(loss)	**2,726.1**	(399.8)
Total income	**8,315.0**	6,405.9
Expenses		
Gross claims, surrenders and annuities	**(4,519.6)**	(4,261.2)
Claims, surrenders and annuities recovered from reinsurers	**48.5**	34.2
Net claims, surrenders and annuities	**(4,471.1)**	(4,227.0)
Change in life assurance fund contract liabilities (Note 22)	**(2,007.6)**	(1,192.7)
Commission and agency expenses	**(517.6)**	(531.1)
Depreciation – property, plant and equipment (Note 35)	**(45.0)**	(52.6)
Other expenses [(1)]	**(247.8)**	(325.8)
Total expenses	**(7,289.1)**	(6,329.2)
Surplus from operations	**1,025.9**	76.7
Share of results of associates and joint ventures	**(27.8)**	(31.4)
Income tax (expense)/credit	**(271.4)**	255.1
Profit from life assurance	**726.7**	300.4

(1) Included in other expenses were directors' emoluments of $2.9 million (2008: $2.5 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 2009

5. FEES AND COMMISSIONS (NET)

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Fee and commission income	**790,697**	833,817	**412,497**	482,276
Fee and commission expense	**(60,563)**	(60,300)	**(18,081)**	(28,472)
Fees and commissions (net)	**730,134**	773,517	**394,416**	453,804
Analysed by major sources:				
Brokerage	**95,562**	73,559	**1,157**	(101)
Credit card	**44,638**	54,739	**32,639**	38,962
Fund management	**70,253**	78,527	**(95)**	(285)
Guarantees	**22,906**	26,858	**17,917**	21,038
Investment banking	**54,162**	51,008	**53,854**	50,271
Loan-related	**172,380**	152,508	**122,115**	112,962
Service charges	**52,831**	50,418	**31,552**	32,572
Trade-related and remittances	**123,974**	128,515	**84,161**	84,981
Wealth management	**64,604**	132,404	**47,394**	111,615
Others	**28,824**	24,981	**3,722**	1,789
	730,134	773,517	**394,416**	453,804

6. DIVIDENDS

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Subsidiaries	**–**	–	**160,808**	353,022
Associates	**–**	–	**3,102**	2,108
Trading securities	**5,117**	15,004	**4,476**	14,353
Available-for-sale securities	**51,843**	56,707	**15,490**	12,967
	56,960	71,711	**183,876**	382,450

7. OTHER INCOME

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Foreign exchange [1]	**392,076**	150,887	**275,549**	107,650
Hedging activities [2]				
Hedging instruments	**(111,802)**	77,109	**(109,355)**	69,566
Hedged items	**113,451**	(60,824)	**111,419**	(54,860)
Fair value hedges	**1,649**	16,285	**2,064**	14,706
Ineffective portion of investment hedge	**–**	–	**–**	–
Interest rate and other derivatives [3]	**(207,202)**	280,237	**(196,544)**	256,163
Trading securities	**157,945**	(404,840)	**136,492**	(375,265)
Net trading income	**344,468**	42,569	**217,561**	3,254
Disposal of securities classified as available-for-sale	**50,222**	203,870	**31,474**	53,099
Disposal of securities classified as loans and receivables	**8**	–	**–**	–
Disposal/liquidation of subsidiaries and associates	**(363)**	(408)	**1,112**	681,120
Disposal of plant and equipment	**62**	385	**(198)**	(26)
Disposal of property	**8,479**	7,970	**5,603**	5,827
Computer-related services income	**32,764**	36,179	**–**	–
Property-related income	**8,554**	8,206	**415**	378
Others	**(167,843)**	22,218	**39,238**	30,309
	276,351	320,989	**295,205**	773,961

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
8.1 Staff costs				
Salaries and other costs [(1)]	**887,083**	929,824	**422,666**	435,070
Share-based expenses	**9,140**	12,617	**6,866**	9,010
Contribution to defined contribution plans	**75,978**	78,497	**34,339**	34,201
	972,201	1,020,938	**463,871**	478,281
Directors' emoluments: [(2)]				
Remuneration of Bank's directors	**6,879**	7,196	**6,509**	6,087
Remuneration of directors of subsidiaries	**10,686**	12,500	**–**	–
Fees of Bank's directors [(3)]	**3,187**	2,974	**1,991**	2,069
Fees of directors of subsidiaries	**2,164**	1,813	**–**	–
	22,916	24,483	**8,500**	8,156
Total staff costs	**995,117**	1,045,421	**472,371**	486,437
8.2 Other operating expenses				
Property, plant and equipment: [(4)]				
Depreciation [(5)]	**135,226**	115,640	**72,601**	58,404
Maintenance and hire	**61,768**	68,374	**21,998**	26,496
Rental expenses	**46,334**	42,733	**66,851**	66,366
Others	**105,933**	113,256	**41,726**	62,801
	349,261	340,003	**203,176**	214,067
Auditors' remuneration				
Payable to auditors of the Bank	**1,249**	1,180	**958**	853
Payable to associated firms of auditors of the Bank	**902**	694	**221**	160
Payable to other auditors	**2,135**	1,330	**10**	35
	4,286	3,204	**1,189**	1,048
Other fees				
Payable to auditors of the Bank	**162**	67	**122**	37
Payable to associated firms of auditors of the Bank	**249**	303	**151**	117
	411	370	**273**	154
Hub processing charges	**–**	–	**124,820**	137,208
General insurance claims	**55,534**	54,301	**–**	–
Others [(6)]	**391,780**	411,222	**234,967**	230,182
	447,314	465,523	**359,787**	367,390
Total other operating expenses	**801,272**	809,100	**564,425**	582,659
8.3 Staff costs and other operating expenses	**1,796,389**	1,854,521	**1,036,796**	1,069,096

(1) Net of $19.4 million (2008: nil) and $11.7 million (2008: nil) for the Group and the Bank received from government grants – Jobs credit scheme respectively.

(2) Directors' emoluments pertaining to life assurance funds are disclosed in Note 4 – Profit from life assurance.

(3) Included share-based payment of $0.2 million (2008: $0.4 million) made to non-executive directors.

(4) Direct operating expenses on leased investment property for the Group and the Bank amounted to $13.6 million (2008: $18.7 million) and $4.0 million (2008: $6.6 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.1 million (2008: $0.6 million) and $0.5 million (2008: $0.4 million) respectively.

(5) Included depreciation for investment property of $12.7 million (2008: $12.9 million) and $7.0 million (2008: $7.0 million) for the Group and Bank respectively.

(6) Included professional fees paid to a firm, which is related to a director, of amounts less than $0.2 million for 2009 and 2008 respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2009

9. ALLOWANCES FOR LOANS AND IMPAIRMENT FOR OTHER ASSETS

	GROUP		BANK	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Specific allowances for loans (Note 28)	**241,266**	164,567	**172,290**	94,631
Portfolio allowances for loans (Note 29)	**22,863**	20,189	**–**	10,184
Impairment charge for available-for-sale securities	**73,778**	191,943	**47,594**	143,517
Allowances for collateralised debt obligations (CDOs)	**87,679**	89,512	**85,526**	86,508
Impairment charge/(write-back of allowances) for other assets (Note 32)	**3,462**	(19,461)	**653**	(19,299)
Net allowances and impairment	**429,048**	446,750	**306,063**	315,541

10. INCOME TAX EXPENSE

	GROUP		BANK	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Current tax expense	**351,294**	380,682	**174,444**	176,073
Deferred tax expense/(credit) (Note 20)	**67,057**	(15,772)	**14,132**	(8,706)
	418,351	364,910	**188,576**	167,367
Over provision in prior years and tax refunds	**(29,977)**	(140,418)	**(38,854)**	(102,680)
Charge to income statements	**388,374**	224,492	**149,722**	64,687

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

	GROUP		BANK	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Operating profit after allowances and amortisation	**2,542,926**	2,078,991	**1,384,670**	2,111,932
Prima facie tax calculated at tax rate of 17% (2008: 18%)	**432,297**	374,218	**235,394**	380,148
Effect of change in tax rates	**(3,894)**	2,186	**(2,323)**	–
Effects of different tax rates in other countries	**76,762**	60,532	**8,112**	3,186
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**2,254**	633	**684**	633
Income not assessable for tax	**(29,875)**	(25,225)	**(35,540)**	(183,490)
Income taxed at concessionary rate	**(35,831)**	(55,013)	**(30,196)**	(54,795)
Effect of Singapore life assurance fund	**(43,220)**	(24,415)	**–**	–
Amortisation of intangibles	**7,928**	8,365	**–**	–
Non-deductible allowances	**4,086**	4,702	**6,107**	3,120
Others	**7,844**	18,927	**6,338**	18,565
	418,351	364,910	**188,576**	167,367
The deferred tax expense/(credit) comprised:				
Accelerated tax depreciation	**892**	9,957	**859**	8,760
Allowances/(write-back of allowances) for assets	**17,825**	(18,941)	**22,326**	(17,913)
Debt and equity securities	**1,382**	(3,008)	**129**	(424)
Fair value on properties from business combinations	**(6,511)**	2,822	**(6,195)**	2,152
Tax losses	**(938)**	(2,415)	**(1,067)**	–
Others	**54,407**	(4,187)	**(1,920)**	(1,281)
	67,057	(15,772)	**14,132**	(8,706)

Notes to the Financial Statements

For the financial year ended 31 December 2009

11. EARNINGS PER SHARE

$'000	GROUP 2009	GROUP 2008
Profit attributable to ordinary equity holders of the Bank	**1,962,413**	1,749,443
Preference dividends paid	**(90,125)**	(59,352)
Profit attributable to ordinary equity holders of the Bank after preference dividends	**1,872,288**	1,690,091
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**3,152,818**	3,094,473
Adjustment for assumed conversion of share options and acquisition rights	**6,403**	8,781
For diluted earnings per share	**3,159,221**	3,103,254
Earnings per share (cents)		
Basic	**59.4**	54.6
Diluted	**59.3**	54.5

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 2009 $'000	GROUP 2008 $'000	BANK 2009 $'000	BANK 2008 $'000
Profit attributable to equity holders of the Bank	**1,962,413**	1,749,443	**1,234,948**	2,047,245
Add: Unappropriated profit at 1 January	**6,942,425**	5,755,694	**4,260,565**	2,799,983
Total amount available for appropriation	**8,904,838**	7,505,137	**5,495,513**	4,847,228
Appropriated as follows:				
Ordinary dividends:				
2007 final tax exempt dividend of 14 cents	**–**	(433,244)	**–**	(433,244)
2008 interim tax exempt dividend of 14 cents	**–**	(433,985)	**–**	(433,985)
2008 final tax exempt dividend of 14 cents	**(434,894)**	–	**(434,894)**	–
2009 interim tax exempt dividend of 14 cents	**(444,695)**	–	**(444,695)**	–
Preference dividends:				
Class B 5.1% tax exempt (2008: 5.1% tax exempt)	**(51,000)**	(20,120)	**(51,000)**	(20,120)
Class E 4.5% tax exempt (2008: 4.5% tax exempt)	**(22,500)**	(22,562)	**(22,500)**	(22,562)
Class G 4.2% tax exempt (2008: 4.2% tax exempt)	**(16,625)**	(16,670)	**(16,625)**	(16,670)
Transfer from:				
Capital reserves (Note 14)	**335,657**	363,562	**339,626**	339,626
General reserves (Note 15.1)	**–**	307	**–**	292
	(634,057)	(562,712)	**(630,088)**	(586,663)
At 31 December (Note 15)	**8,270,781**	6,942,425	**4,865,425**	4,260,565

At the annual general meeting to be held, a final one-tier tax exempt dividend of 14 cents per ordinary share in respect of the financial year ended 31 December 2009, totalling $452.2 million, will be proposed. The dividends will be accounted for as a distribution in the 2010 financial statements.

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13. SHARE CAPITAL

13.1 Share capital

GROUP AND BANK	2009 Shares ('000)	2008 Shares ('000)	2009 $'000	2008 $'000
Ordinary shares				
At 1 January	**3,126,566**	3,126,513	**4,969,942**	4,941,919
Shares issued in-lieu of ordinary dividends	**118,512**	–	**683,985**	–
Shares issued to non-executive directors	**43**	53	**245**	449
Preference shares' issue expense	**–**	–	**–**	(1,339)
Transfer from share-based reserves for options and rights exercised (Note 14)	**–**	–	**2,418**	28,913
At 31 December	**3,245,121**	3,126,566	**5,656,590**	4,969,942
Treasury shares				
At 1 January	**(25,747)**	(40,292)	**(228,265)**	(317,609)
Share Option Schemes	**6,044**	4,997	**41,330**	34,177
Share Purchase Plan	**23**	5,457	**156**	37,317
Treasury shares transferred to DSP Trust	**4,898**	4,091	**22,340**	31,141
Loss on treasury shares transferred/sold	**–**	–	**(11,730)**	(13,291)
At 31 December	**(14,782)**	(25,747)	**(176,169)**	(228,265)
Preference shares				
At 1 January:				
Class B	**10,000**	–	**1,000,000**	–
Class E	**5,000**	5,000	**500,000**	500,000
Class G	**395,831**	395,831	**395,831**	395,831
			1,895,831	895,831
Class B shares issued during the year	**–**	10,000	**–**	1,000,000
At 31 December			**1,895,831**	1,895,831
Issued share capital, at 31 December			**7,376,252**	6,637,508

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

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

The issued ordinary shares and Class B, Class E and Class G non-cumulative non-convertible preference shares qualify as Tier 1 capital for the Group.

Preference shares	Date of issue	Dividend rate p.a.	Liquidation value per share	Redemption option by the Bank on these dates
Class B	29 Jul 2008	5.1%	SGD100	29 Jul 2013; dividend payment dates after 29 Jul 2013
Class E	28 Jan 2003	4.5%	SGD100	28 Jan 2008; 28 Jan 2013; dividend payment dates after 28 Jan 2013
Class G	14 Jul 2003 6 Aug 2003	4.2%	SGD1	14 Jan 2009; 14 Jul 2013; dividend payment dates after 14 Jul 2013

At 31 December 2009, associates of the Group held 420 (2008: 420) ordinary shares and 10,000 (2008: nil) Class E preference shares in the capital of the Bank.

Notes to the Financial Statements

For the financial year ended 31 December 2009

13. SHARE CAPITAL (continued)

13.2 Share option schemes

In March 2009, the Bank granted 3,755,564 options (2008: 5,579,220) to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 162,958 (2008: 650,000) options granted to directors of the Bank. The fair value of options granted, determined using the binomial valuation model, was $5.5 million (2008: $9.9 million). Significant inputs to the valuation model are set out below:

	2009	2008
Acquisition price ($)	**4.14**	7.52
Average share price from grant date to acceptance date ($)	**4.97**	8.16
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**40.43**	25.23
Risk-free rate based on SGS bond yield at acceptance date (%)	**1.34 and 2.06**	1.63 and 2.27
Expected dividend yield (%)	**5.63**	3.43
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:

	2009		2008	
	Number of options	Average price	Number of options	Average price
At 1 January	**43,089,452**	**$6.046**	43,412,224	$5.708
Granted	**3,755,564**	**$4.138**	5,579,220	$7.520
Exercised	**(6,534,886)**	**$5.106**	(5,141,052)	$4.671
Forfeited/lapsed	**(563,170)**	**$5.654**	(760,940)	$6.851
At 31 December	**39,746,960**	**$6.026**	43,089,452	$6.046
Exercisable options at 31 December	**30,796,721**	**$5.941**	32,591,779	$5.508
Average share price underlying the options exercised		**$7.605**		$7.826

At 31 December 2009, the weighted average remaining contractual life of outstanding share options was 5.2 years (2008: 5.4 years). The aggregate outstanding number of options held by directors of the Bank was 4,130,758 (2008: 4,951,800).

13.3 Employee share purchase plan

In June 2009, the Bank launched its fourth offering of ESP Plan for Group employees, which commenced on 1 July 2009 and expire on 30 June 2011. Under the offering, the Bank granted 5,545,385 (2008: 11,423,533) rights to acquire ordinary shares in the Bank. This included 5,446 (2008: 8,706) rights granted to directors of the Bank. The fair value of rights, determined using the binomial valuation model was $10.9 million (2008: $13.1 million). Significant inputs to the valuation model are set out below:

	2009	2008
Acquisition price ($)	**6.61**	8.27
Average share price ($)	**7.23**	8.08
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**44.66**	24.17
Risk-free rate based on 2-year swap rate (%)	**1.99**	2.74
Expected dividend yield (%)	**3.10**	2.38

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

	2009		2008	
	Number of acquisition rights	Acquisition price	Number of acquisition rights	Acquisition price
At 1 January	**10,214,077**	**$8.270**	5,483,991	$6.450
Exercised and conversion upon expiry	**(17,181)**	**$8.270**	(5,456,660)	$6.450
Forfeited	**(7,290,090)**	**$8.228**	(1,236,787)	$8.230
Subscription	**5,545,385**	**$6.610**	11,423,533	$8.270
At 31 December	**8,452,191**	**$7.217**	10,214,077	$8.270
Average share price underlying acquisition rights exercised/converted		**$8.334**		$8.328

At 31 December 2009, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2008: 1.5 years). The aggregate outstanding number of rights held by a director of the Bank was 5,446 (2008: 8,706).

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13. SHARE CAPITAL (continued)

13.4 Deferred share plan

During the year, 5,333,474 (2008: 4,424,988) ordinary shares were granted to executives of the Group, of which 441,863 (2008: 202,469) were granted to a director of the Bank. The fair value of the shares at grant date was $24.6 million (2008: $33.6 million).

During the year, 1,253,853 (2008: 1,161,934) deferred shares were released to employees, of which 127,729 (2008: 130,790) were released to directors. At 31 December 2009, the directors of the Bank have deemed interest of 737,036 (2008: 422,902) deferred shares.

14. CAPITAL RESERVES

	GROUP		BANK	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**1,329,156**	1,732,178	**1,099,054**	1,452,581
Share-based staff costs capitalised	**11,002**	15,012	**11,002**	15,012
Shares purchased by DSP Trust	**(25,468)**	(33,140)	**–**	–
Shares vested under DSP Scheme	**8,830**	7,581	**–**	–
Transfer to unappropriated profit (Note 12)	**(335,657)**	(363,562)	**(339,626)**	(339,626)
Transfer to share capital (Note 13.1)	**(2,418)**	(28,913)	**(2,418)**	(28,913)
At 31 December	**985,445**	1,329,156	**768,012**	1,099,054

Capital reserves include statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations. For banking entities operating in Singapore, the requirement to set aside statutory reserves was spelt out in section 22(1) of the Banking Act (Cap. 19). This section was repealed with effect from 31 March 2007 and no further transfer of profits to statutory reserves is required. Under the Banking (Reserve Fund) (Transitional Provision) Regulation 2007, the Bank may distribute or utilise its statutory reserves, subject to a cap of 20% of the reserve fund as of 30 March 2007, for each calendar year. Other capital reserves include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

15. REVENUE RESERVES

	GROUP		BANK	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Unappropriated profit (Note 12)	**8,270,781**	6,942,425	**4,865,425**	4,260,565
General reserves	**1,326,022**	1,322,893	**981,882**	978,753
Currency translation reserves	**(494,122)**	(580,157)	**(131,448)**	(163,178)
At 31 December	**9,102,681**	7,685,161	**5,715,859**	5,076,140

15.1 General reserves

At 1 January	**1,322,893**	1,320,155	**978,753**	976,000
DSP reserve from dividends on unvested shares	**3,129**	3,045	**3,129**	3,045
Transfer to unappropriated profits (Note 12)	**–**	(307)	**–**	(292)
At 31 December	**1,326,022**	1,322,893	**981,882**	978,753

15.2 Currency translation reserves

At 1 January	**(580,157)**	(376,542)	**(163,178)**	(66,226)
Adjustments for the year	**78,069**	(227,417)	**31,306**	(100,531)
Effective portion of hedge	**7,966**	23,802	**424**	3,579
At 31 December	**(494,122)**	(580,157)	**(131,448)**	(163,178)

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.

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16. MINORITY INTERESTS

	GROUP	
	2009 $'000	2008 $'000
Minority interests in subsidiaries	**744,828**	620,272
Preference shares issued by subsidiaries		
OCBC Bank (Malaysia) Berhad	**163,550**	165,796
OCBC Capital Corporation	**400,000**	400,000
OCBC Capital Corporation (2008)	**1,500,000**	1,500,000
Total minority interests	**2,808,378**	2,686,068

OCBC Bank (Malaysia) Berhad ("OBMB"), a wholly-owned subsidiary of the Bank, issued the MYR400 million non-cumulative non-convertible preference shares on 12 August 2005. The preference shares are redeemable in whole at the option of OBMB on 12 August 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OBMB, are payable semi-annually on 20 March and 20 September each year at 4.51% per annum on a net dividend basis on or prior to the 10th anniversary, and thereafter at a floating rate per annum based on the 6-month Kuala Lumpur Interbank Offer Rate plus 1.9% 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), which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC on 20 March 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC, are payable semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85% if the redemption option is not exercised. The preference shares qualify as Tier 1 capital for the Group.

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), 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 5.1% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.5% if the redemption option is not exercised. The preference shares qualify as Tier 1 capital for the Group.

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

	GROUP		BANK	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deposits of non-bank customers				
Current accounts	**20,761,628**	16,090,004	**16,795,547**	12,655,242
Savings deposits	**21,753,038**	16,104,417	**19,060,907**	14,392,344
Term deposits	**50,583,383**	54,259,733	**36,816,232**	42,446,111
Structured deposits	**3,037,627**	2,958,088	**2,560,853**	2,422,407
Certificate of deposits issued	**1,755,190**	1,515,766	**1,423,321**	1,168,051
Other deposits	**2,741,693**	3,150,413	**640,699**	153,425
	100,632,559	94,078,421	**77,297,559**	73,237,580
Deposits and balances of banks	**10,958,259**	10,113,219	**9,674,356**	9,048,750
	111,590,818	104,191,640	**86,971,915**	82,286,330

17.1 Deposits of non-bank customers

Analysed by currency

	Group 2009 $'000	Group 2008 $'000	Bank 2009 $'000	Bank 2008 $'000
Singapore Dollar	**58,457,704**	53,745,472	**58,198,876**	53,540,225
US Dollar	**11,143,758**	12,104,820	**9,835,038**	10,924,873
Malaysian Ringgit	**16,285,782**	14,671,512	**–**	–
Indonesian Rupiah	**3,735,474**	3,038,517	**1**	1
Japanese Yen	**282,945**	667,583	**260,359**	650,286
Hong Kong Dollar	**1,401,381**	1,620,754	**1,399,846**	1,620,535
British Pound	**1,149,705**	1,079,947	**1,078,626**	1,053,990
Australian Dollar	**4,933,554**	4,071,475	**4,647,299**	3,743,605
Euro	**913,015**	892,126	**748,854**	850,143
Others	**2,329,241**	2,186,215	**1,128,660**	853,922
	100,632,559	94,078,421	**77,297,559**	73,237,580

17.2 Deposits and balances of banks

Analysed by currency

	Group 2009 $'000	Group 2008 $'000	Bank 2009 $'000	Bank 2008 $'000
Singapore Dollar	**790,560**	1,210,810	**790,440**	1,210,810
US Dollar	**5,840,387**	4,649,713	**5,584,978**	4,435,646
Malaysian Ringgit	**662,510**	692,733	**–**	–
Indonesian Rupiah	**115,203**	1,201	**–**	–
Japanese Yen	**15,192**	130,574	**15,192**	130,573
Hong Kong Dollar	**1,739,004**	1,478,667	**1,739,004**	1,478,666
British Pound	**542,416**	330,916	**542,416**	330,916
Australian Dollar	**248,155**	204,395	**248,155**	202,574
Euro	**535,771**	847,719	**535,771**	826,463
Others	**469,061**	566,491	**218,400**	433,102
	10,958,259	10,113,219	**9,674,356**	9,048,750

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18. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2009			2008		
GROUP ($'000)	**Principal notional amount**	**Derivative receivables**	**Derivative payables**	**Principal notional amount**	**Derivative receivables**	**Derivative payables**
Foreign exchange derivatives "FED"						
Forwards	**22,128,268**	**149,654**	**126,718**	29,561,053	1,248,615	1,054,396
Swaps	**84,513,402**	**1,063,026**	**1,104,156**	63,289,062	1,241,613	2,597,304
OTC options – bought	**4,815,860**	**70,373**	**1,133**	5,306,449	241,978	98
OTC options – sold	**5,064,284**	**719**	**67,279**	4,945,635	102	224,104
	116,521,814	**1,283,772**	**1,299,286**	103,102,199	2,732,308	3,875,902
Interest rate derivatives "IRD"						
Forwards	**–**	**–**	**–**	400,000	–	300
Swaps	**212,859,334**	**2,496,779**	**2,360,781**	244,415,954	3,696,927	3,546,240
OTC options – bought	**4,225,610**	**34,380**	**–**	4,899,190	56,179	–
OTC options – sold	**6,980,046**	**–**	**25,276**	5,106,568	–	30,316
Exchange traded futures – bought	**2,451,125**	**378**	**1,235**	1,749,643	5,607	292
Exchange traded futures – sold	**4,657,790**	**8,217**	**1,185**	461,109	600	3,814
	231,173,905	**2,539,754**	**2,388,477**	257,032,464	3,759,313	3,580,962
Equity derivatives						
Swaps	**104,617**	**174**	**7,623**	550,202	14,351	3,318
OTC options – bought	**432,550**	**31,178**	**–**	269,044	21,084	22
OTC options – sold	**299,448**	**–**	**10,589**	250,926	22	21,348
Exchange traded futures – bought	**12,512**	**33**	**–**	1,715	19	–
Exchange traded futures – sold	**19,407**	**20**	**169**	629	–	27
Equity linked notes	**31,689**	**496**	**–**	–	–	–
	900,223	**31,901**	**18,381**	1,072,516	35,476	24,715
Credit derivatives						
Swaps – protection buyer	**2,075,739**	**542**	**126,967**	1,953,489	91,956	25,597
Swaps – protection seller	**1,899,435**	**95,028**	**63,595**	1,821,065	18,017	150,713
	3,975,174	**95,570**	**190,562**	3,774,554	109,973	176,310
Other derivatives						
Precious metals – bought	**17,216**	**346**	**139**	126	–	2
Precious metals – sold	**24,406**	**307**	**116**	126	2	–
OTC options – bought	**945,223**	**1,753**	**773**	–	–	–
OTC options – sold	**932,168**	**773**	**1,695**	–	–	–
Futures – bought	**2,420**	**–**	**–**	–	–	–
Others	**717,619**	**18,853**	**18,853**	922,319	17,565	17,565
	2,639,052	**22,032**	**21,576**	922,571	17,567	17,567
Total	**355,210,168**	**3,973,029**	**3,918,282**	365,904,304	6,654,637	7,675,456
Included items designated for hedges:						
Fair value hedge – FED	**2,539,255**	**230,298**	**554,368**	2,643,795	249,654	509,629
Fair value hedge – IRD	**5,063,426**	**191,924**	**56,424**	5,135,848	316,821	91,352
Hedge of net investments – FED	**419,207**	**425**	**1,403**	11,770	367	–
	8,021,888	**422,647**	**612,195**	7,791,413	566,842	600,981

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18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

BANK ($'000)	2009 Principal notional amount	2009 Derivative receivables	2009 Derivative payables	2008 Principal notional amount	2008 Derivative receivables	2008 Derivative payables
Foreign exchange derivatives "FED"						
Forwards	**17,265,476**	**126,066**	**107,342**	26,496,895	1,212,152	1,033,570
Swaps	**78,459,906**	**1,009,814**	**1,049,105**	58,277,257	1,129,136	2,510,878
OTC options – bought	**4,399,103**	**56,738**	**1,102**	3,520,322	162,231	94
OTC options – sold	**4,807,608**	**681**	**60,925**	3,926,342	93	194,903
	104,932,093	**1,193,299**	**1,218,474**	92,220,816	2,503,612	3,739,445
Interest rate derivatives "IRD"						
Forwards	**–**	**–**	**–**	400,000	–	300
Swaps	**205,730,508**	**2,395,184**	**2,296,418**	234,098,576	3,532,156	3,433,657
OTC options – bought	**3,927,139**	**31,672**	**–**	4,515,977	51,622	–
OTC options – sold	**6,754,643**	**–**	**24,568**	4,864,979	–	29,590
Exchange traded futures – bought	**2,451,125**	**378**	**1,235**	1,749,643	5,607	292
Exchange traded futures – sold	**4,647,544**	**8,217**	**1,185**	461,109	600	3,814
	223,510,959	**2,435,451**	**2,323,406**	246,090,284	3,589,985	3,467,653
Equity derivatives						
Swaps	**104,617**	**174**	**7,623**	476,962	14,164	3,132
OTC options – bought	**225,265**	**23,203**	**–**	64,264	9,451	–
OTC options – sold	**109,279**	**–**	**4,923**	78,159	–	11,211
Exchange traded futures – bought	**759**	**33**	**–**	1,715	19	–
Exchange traded futures – sold	**19,407**	**20**	**169**	629	–	27
Equity linked notes	**31,689**	**496**	**–**	–	–	–
	491,016	**23,926**	**12,715**	621,729	23,634	14,370
Credit derivatives						
Swaps – protection buyer	**2,075,739**	**542**	**126,967**	1,953,489	91,956	25,597
Swaps – protection seller	**1,899,435**	**95,028**	**63,595**	1,821,065	18,017	150,713
	3,975,174	**95,570**	**190,562**	3,774,554	109,973	176,310
Other derivatives						
Precious metals – bought	**11,842**	**346**	**121**	126	–	2
Precious metals – sold	**19,032**	**288**	**116**	126	2	–
OTC options – bought	**945,223**	**1,753**	**773**	–	–	–
OTC options – sold	**932,168**	**773**	**1,695**	–	–	–
Others	**717,619**	**18,853**	**18,853**	922,319	17,565	17,565
	2,625,884	**22,013**	**21,558**	922,571	17,567	17,567
Total	**335,535,126**	**3,770,259**	**3,766,715**	343,629,954	6,244,771	7,415,345
Included items designated for hedges:						
Fair value hedge – FED	**2,525,251**	**228,832**	**554,368**	2,629,435	249,654	508,958
Fair value hedge – IRD	**4,821,017**	**186,092**	**52,742**	4,884,923	307,190	85,176
Hedge of net investments – FED	**126,204**	**364**	**215**	11,770	367	–
	7,472,472	**415,288**	**607,325**	7,526,128	557,211	594,134

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18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	GROUP		BANK	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Derivative receivables:				
Analysed by counterparty				
Banks	**3,390,929**	5,492,660	**3,252,656**	5,293,406
Other financial institutions	**130,789**	271,275	**110,920**	271,117
Corporates	**376,801**	747,578	**334,172**	558,781
Individuals	**24,142**	117,291	**22,160**	95,634
Others	**50,368**	25,833	**50,351**	25,833
	3,973,029	6,654,637	**3,770,259**	6,244,771
Analysed by geography				
Singapore	**1,653,572**	2,893,737	**1,649,854**	2,895,389
Malaysia	**198,446**	407,976	**35,418**	49,195
Other ASEAN	**18,852**	73,681	**11,935**	46,063
Greater China	**152,979**	223,666	**154,220**	219,712
Other Asia Pacific	**72,851**	423,082	**62,505**	422,838
Rest of the World	**1,876,329**	2,632,495	**1,856,327**	2,611,574
	3,973,029	6,654,637	**3,770,259**	6,244,771

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

19. OTHER LIABILITIES

	GROUP		BANK	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Bills payable	**266,008**	267,454	**176,501**	135,693
Interest payable	**379,504**	496,220	**266,371**	358,852
Sundry creditors	**2,021,008**	1,542,942	**328,137**	254,504
Others	**548,390**	623,243	**240,502**	194,549
	3,214,910	2,929,859	**1,011,511**	943,598

At 31 December 2009, reinsurance liabilities included in "Others" amounted to $16.2 million (2008: $22.1 million).

20. DEFERRED TAX

	GROUP		BANK	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
At 1 January	**478,362**	1,117,244	**21,997**	122,464
Currency translation and others	**(3,104)**	5,294	**(894)**	81
Expense/(credit) to income statements	**70,907**	(17,952)	**16,455**	(8,706)
Effect of change in tax rates	**(3,850)**	2,180	**(2,323)**	–
Net expense/(credit) to income statements (Note 10)	**67,057**	(15,772)	**14,132**	(8,706)
Under/(over) provision in prior years	**57**	(5,956)	**–**	(12,474)
Deferred tax on fair value changes	**111,007**	(145,627)	**81,874**	(79,368)
Effect of change in tax rates	**(836)**	(517)	**(2,333)**	–
Net deferred tax change taken to other comprehensive income	**110,171**	(146,144)	**79,541**	(79,368)
Net change in life assurance fund tax	**229,504**	(477,901)	**–**	–
Arising from acquisition of subsidiaries	**–**	1,597	**–**	–
At 31 December	**882,047**	478,362	**114,776**	21,997

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20. DEFERRED TAX (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	GROUP		BANK	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Deferred tax liabilities	**945,585**	576,063	**119,904**	41,154
Deferred tax assets	**(63,538)**	(97,701)	**(5,128)**	(19,157)
	882,047	478,362	**114,776**	21,997
Deferred tax assets and liabilities (prior to offsetting within the same tax jurisdiction) comprise:				
Accelerated tax depreciation	**63,150**	58,596	**25,367**	24,504
Debt and equity securities	**228,929**	56,176	**79,082**	(1,825)
Fair value on properties from business combinations	**73,592**	80,103	**67,915**	74,110
Provision for policy liabilities	**562,249**	397,313	**–**	–
Unremitted income and others	**74,430**	22,949	**208**	720
Deferred tax liabilities	**1,002,350**	615,137	**172,572**	97,509
Allowances for assets	**(89,789)**	(105,432)	**(47,715)**	(67,818)
Tax losses	**(5,065)**	(3,390)	**(4,770)**	(643)
Others	**(25,449)**	(27,953)	**(5,311)**	(7,051)
Deferred tax assets	**(120,303)**	(136,775)	**(57,796)**	(75,512)
Net deferred tax liabilities	**882,047**	478,362	**114,776**	21,997

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 2009, unutilised tax losses for which no deferred income tax asset has been recognised amounted to $17.5 million (2008: $20.6 million) and nil (2008: nil) for the Group and Bank respectively.

21. DEBTS ISSUED

	GROUP	
	2009 $'000	**2008 $'000**
Subordinated debts (unsecured) [Note 21.1]	**5,769,387**	5,154,684
Commercial papers (unsecured) [Note 21.2]	**1,060,929**	842,987
Structured notes (unsecured) [Note 21.3]	**33,068**	11,858
	6,863,384	6,009,529

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21. DEBTS ISSUED (continued)

21.1 Subordinated debts (unsecured)

	Note	Issue Date	Maturity Date	GROUP 2009 $'000	GROUP 2008 $'000
Issued by the Bank:					
EUR372 million (2008: EUR400 million) 7.25% notes	(a)	6 Jul 2001	6 Sep 2011	**799,717**	860,775
SGD265 million (2008: SGD975 million) 5.00% notes	(a)	6 Jul 2001	6 Sep 2011	**275,343**	1,025,115
USD1.25 billion 7.75% notes	(a)	6 Jul 2001	6 Sep 2011	**1,892,956**	2,008,715
SGD225 million 3.78% notes	(b)	28 Nov 2007	28 Nov 2017	**233,382**	235,958
MYR1 billion 4.60% bonds	(c)	27 Mar 2008	27 Mar 2018	**408,646**	414,187
MYR600 million 4.60% bonds	(c)	6 Jun 2008	6 Jun 2018	**262,065**	275,039
SGD711.93 million 5.60% notes	(d)	27 Mar 2009	27 Mar 2019	**706,987**	–
USD500 million 4.25% notes	(e)	18 Nov 2009	18 Nov 2019	**687,762**	–
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
				7,166,858	6,719,789
Subordinated debts issued to subsidiaries				**(1,900,000)**	(1,900,000)
Net subordinated debts issued by the Bank				**5,266,858**	4,819,789
Issued by OCBC Bank (Malaysia) Berhad ("OBMB"):					
MYR200 million Islamic bonds	(h)	24 Nov 2006	24 Nov 2021	**81,775**	82,898
MYR400 million bonds	(i)	30 Nov 2007	30 Nov 2017	**168,236**	173,897
MYR400 million Innovative Tier 1 Capital Securities	(j)	17 Apr 2009	Not applicable	**163,551**	–
				413,562	256,795
Issued by P.T. Bank OCBC NISP Tbk:					
Subordinated Bonds II – IDR600 billion	(k)	12 Mar 2008	11 Mar 2018	**88,967**	78,100
Total subordinated debts				**5,769,387**	5,154,684

(a) Interest is payable semi-annually on 6 March and 6 September each year at 5.00% per annum for the SGD subordinated notes and 7.75% per annum for the USD subordinated notes and annually on 6 September each year at 7.25% per annum for the EUR subordinated notes. During the year, the Bank repurchased and cancelled EUR28 million of the EUR subordinated notes. Under an exchange offer, $710 million of the SGD subordinated notes were accepted for exchange, for the same principal amount of new 5.60% subordinated notes, and cancelled. The Bank had entered into interest rate and currency swaps to manage the risk of the subordinated notes, and the cumulative fair value change of the risk hedged is included in the carrying value. Currently, 20% of the amounts outstanding on these subordinated notes qualify as Tier 2 capital for the Group.

(b) Interest is payable semi-annually on 28 May and 28 November each year at 3.78% per annum up to 28 November 2012, and thereafter quarterly on 28 February, 28 May, 28 August and 28 November each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.72%. The subordinated notes are redeemable in whole at the option of the Bank on 28 November 2012. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(c) Interest is payable semi-annually at 4.60% per annum for the first 5 years, and thereafter at 5.60% per annum. The subordinated bonds are redeemable in whole at the option of the Bank on the 5th anniversary of the issue date and each coupon payment date thereafter. The coupon payment dates are on 27 March and 27 September each year for the MYR1 billion subordinated bonds and on 6 June and 6 December each year for the MYR600 million subordinated bonds. The Bank had entered into interest rate swaps to manage the risk of the MYR600 million subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(d) Interest is payable semi-annually on 27 March and 27 September each year at 5.60% per annum up to 27 March 2014 and, thereafter at 7.35% per annum. The subordinated notes are redeemable in whole at the option of the Bank on 27 March 2014. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(e) Interest is payable semi-annually on 18 May and 18 November each year at 4.25% per annum up to 18 November 2014, and thereafter at a fixed rate per annum equal to the aggregate of the relevant 5-year US Treasury benchmark rate and 2.997%. The subordinated notes are redeemable in whole at the option of the Bank on 18 November 2014. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

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21. DEBTS ISSUED (continued)

21.1 Subordinated debts (unsecured) (continued)

(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). Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85%. The subordinated note is redeemable at the option of the Bank on 20 March 2015 and each coupon payment date thereafter.

(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). Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 5.1% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.5%. The subordinated note is redeemable at the option of the Bank on 20 September 2018 and each coupon payment date thereafter.

(h) The Islamic subordinated bonds were issued under the Mudharabah (profit sharing) principle payable semi-annually on 24 May and 24 November each year at a projected constant rate of 5.40% per annum up to 24 November 2016, and thereafter at 6.40% per annum. The subordinated bonds are redeemable in whole at the option of OBMB on 24 November 2016 and each profit payment date thereafter. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 24 November 2017. The subordinated bonds qualify as Tier 2 capital for the Group.

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

(j) Interest is payable semi-annually on 17 April and 17 October each year at 6.75% per annum up to 17 April 2019, and thereafter at a floating rate per annum based on the 6-month Kuala Lumpur Interbank Offer Rate plus 3.32%. The Innovative Tier 1 ("IT1") Capital Securities are redeemable in whole at the option of OBMB on 17 April 2019 and each coupon payment date thereafter. In addition, the IT1 Capital Securities are to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualify as Tier 1 capital for the Group.

(k) Interest is payable quarterly on 11 March, 11 June, 11 September and 11 December each year at 11.1% per annum up to 12 March 2013, and thereafter at 19.1% per annum. The subordinated bonds are redeemable in whole at the option of P.T. Bank OCBC NISP on 12 March 2013.

21.2 Commercial papers (unsecured)

		GROUP	
		2009	**2008**
	Note	**$'000**	**$'000**
Issued by the Bank	(a)	**1,030,300**	822,288
Issued by a subsidiary	(b)	**30,629**	20,699
		1,060,929	842,987

(a) The zero coupon Euro Commercial Papers ("ECP") were issued by the Bank under its USD2 billion ECP programme established in 2004. The notes outstanding at 31 December 2009 were issued between 8 October 2009 (2008: 10 September 2008) and 31 December 2009 (2008: 29 December 2008), and mature between 8 January 2010 (2008: 5 January 2009) and 17 June 2010 (2008: 2 March 2009), yielding between 0.0426% and 3.88% (2008: 0.42% and 4.90%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR200 million 7-year CP/MTN programme expiring in 2012. The notes outstanding as at 31 December 2009 were issued between 15 October 2009 (2008: 10 October 2008) and 23 December 2009 (2008: 19 December 2008), and mature between 4 January 2010 (2008: 9 January 2009) and 28 January 2010 (2008: 23 January 2009), with interest rate ranging from 3.00% to 3.30% (2008: 3.90% to 4.15%).

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21. DEBTS ISSUED (continued)
21.3 Structured notes (unsecured)

	Issue Date	Maturity Date	GROUP AND BANK 2009 $'000	GROUP AND BANK 2008 $'000
Issued by the Bank:				
Credit linked notes	17 Nov 2008	20 Dec 2013	**10,000**	10,000
Equity-linked notes	7 – 31 Dec 2009	6 – 27 Jan 2010	**16,699**	460
Equity Autocallable Bonus Notes	28 Jul 2009	28 Jul 2010	**4,080**	–
Equity Callable Daily Range Accrual Notes	9 Dec 2009	9 Jun 2010	**800**	1,398
Fixed Rate Notes	30 Apr – 4 May 2009	16 Feb 2011	**1,489**	–
			33,068	11,858

The structured notes were issued by the Bank under its SGD1 billion Structured Notes Programme launched in 2008 and are carried at amortised cost, except for the fixed rate notes which is at fair value through profit or loss.

22. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP 2009 $ million	GROUP 2008 $ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**35,855.8**	38,243.7
Currency translation	**(181.0)**	(673.2)
Deferred tax on policyholders' bonus	**(86.9)**	–
Fair value reserve movements	**1,791.1**	(2,907.4)
Change in life assurance fund contract liabilities (Note 4)	**2,007.6**	1,192.7
At 31 December	**39,386.6**	35,855.8
Policy benefits	**1,948.7**	1,839.6
Others	**1,910.6**	2,041.1
	43,245.9	39,736.5
Life assurance fund investment assets		
Deposits with banks and financial institutions	**2,374.9**	2,842.9
Loans	**4,088.4**	3,695.9
Securities	**34,516.0**	30,110.0
Investment property	**1,118.9**	1,073.5
Others [1]	**978.5**	1,154.6
	43,076.7	38,876.9
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**3.0**	12.7
Capital commitment authorised and contracted	**10.1**	40.5
Derivative financial instruments (principal notional amount)	**6,054.6**	7,531.3
Derivative receivables	**321.6**	400.7
Derivative payables	**46.2**	127.7
Minimum lease rental receivables under non-cancellable operating leases	**67.6**	67.2

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

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23. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash on hand	**567,105**	546,931	**415,527**	361,541
Balances with central banks	**1,694,118**	2,659,689	**1,309,808**	1,927,112
Money market placements and reverse repos	**10,909,894**	3,821,069	**6,434,763**	1,978,080
	13,171,117	7,027,689	**8,160,098**	4,266,733

Balances with central banks include mandatory reserve deposits of $1,671.7 million (2008: $2,333.0 million) and $1,292.7 million (2008: $1,603.1 million) for the Group and Bank respectively.

24. GOVERNMENT TREASURY BILLS AND SECURITIES

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**1,788,846**	607,103	**1,788,846**	607,103
Available-for-sale, at fair value	**9,393,890**	8,692,557	**9,020,862**	8,113,826
Gross securities	**11,182,736**	9,299,660	**10,809,708**	8,720,929
Assets pledged (Note 43)	**(260,367)**	(85,088)	**(260,367)**	(85,088)
	10,922,369	9,214,572	**10,549,341**	8,635,841
Other government treasury bills and securities				
Trading, at fair value	**2,349,114**	773,127	**1,322,419**	662,527
Available-for-sale, at fair value	**3,221,573**	4,010,179	**1,428,200**	601,193
Gross securities	**5,570,687**	4,783,306	**2,750,619**	1,263,720
Assets pledged (Note 43)	**(6,498)**	(6,334)	**(6,498)**	(6,334)
	5,564,189	4,776,972	**2,744,121**	1,257,386
Gross securities analysed by geography				
Singapore	**11,182,736**	9,299,660	**10,809,708**	8,720,929
Malaysia	**1,366,249**	2,450,046	**–**	–
Other ASEAN	**2,023,909**	1,347,116	**572,048**	369,438
Greater China	**384,147**	246,155	**384,147**	231,468
Other Asia Pacific	**929,972**	226,208	**929,972**	226,208
Rest of the World	**866,410**	513,781	**864,452**	436,606
	16,753,423	14,082,966	**13,560,327**	9,984,649

25. PLACEMENTS WITH AND LOANS TO BANKS

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**65,678**	–	**65,678**	–
Certificate of deposits purchased (Available-for-sale)	**4,305,089**	3,988,626	**3,314,863**	3,489,202
Forfaiting loans (Trading)	**18,792**	202,880	**18,792**	202,880
	4,389,559	4,191,506	**3,399,333**	3,692,082
At amortised cost:				
Placements with and loans to banks	**9,650,439**	10,073,030	**7,206,745**	8,659,458
Market bills purchased	**1,349,539**	758,712	**1,349,539**	593,249
Reverse repos	**76,693**	248,314	**36,474**	236,923
	11,076,671	11,080,056	**8,592,758**	9,489,630
Balances with banks	**15,466,230**	15,271,562	**11,992,091**	13,181,712
Assets pledged (Note 43)	**–**	(547,831)	**–**	(547,831)
Bank balances of life assurance fund	**354,441**	629,628	**–**	–
	15,820,671	15,353,359	**11,992,091**	12,633,881

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25. PLACEMENTS WITH AND LOANS TO BANKS (continued)

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**318,230**	1,176,755	**227,306**	1,103,923
US Dollar	**6,039,799**	8,239,329	**4,836,252**	7,753,073
Malaysian Ringgit	**1,506,256**	589,642	**39**	28
Indonesian Rupiah	**27,736**	11,114	**2**	12
Japanese Yen	**117,382**	396,164	**31,816**	360,093
Hong Kong Dollar	**446,374**	175,915	**410,180**	174,584
British Pound	**1,588,235**	1,697,744	**1,548,795**	1,664,874
Australian Dollar	**1,037,562**	1,200,379	**970,089**	1,063,819
Euro	**3,618,218**	1,072,262	**3,576,589**	1,007,822
Others	**766,438**	712,258	**391,023**	53,484
	15,466,230	15,271,562	**11,992,091**	13,181,712
By geography				
Singapore	**1,028,487**	1,957,078	**922,216**	1,865,286
Malaysia	**1,826,845**	826,758	**56,055**	27
Other ASEAN	**1,085,185**	233,593	**984,484**	171,955
Greater China	**2,968,936**	1,331,881	**1,617,415**	314,668
Other Asia Pacific	**1,647,301**	2,305,263	**1,608,912**	2,282,198
Rest of the World	**6,909,476**	8,616,989	**6,803,009**	8,547,578
	15,466,230	15,271,562	**11,992,091**	13,181,712

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

26. LOANS AND BILLS RECEIVABLE

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Gross loans	**82,341,217**	81,336,328	**62,333,391**	63,148,062
Specific allowances (Note 28)	**(453,990)**	(549,079)	**(193,900)**	(280,277)
Portfolio allowances (Note 29)	**(998,490)**	(979,385)	**(799,154)**	(799,005)
Net loans	**80,888,737**	79,807,864	**61,340,337**	62,068,780
Assets pledged (Note 43)	**(12,266)**	–	**–**	–
	80,876,471	79,807,864	**61,340,337**	62,068,780
Bills receivable	**1,901,488**	1,193,733	**942,940**	267,240
Loans	**78,987,249**	78,614,131	**60,397,397**	61,801,540
Net loans	**80,888,737**	79,807,864	**61,340,337**	62,068,780

26.1 Analysed by currency

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Singapore Dollar	**46,022,164**	47,174,368	**45,167,674**	46,618,723
US Dollar	**11,080,755**	10,671,018	**9,300,791**	8,763,741
Malaysian Ringgit	**13,239,500**	12,219,948	**117**	73
Indonesian Rupiah	**2,888,515**	2,268,870	**–**	–
Japanese Yen	**1,217,983**	1,577,963	**1,152,898**	1,478,984
Hong Kong Dollar	**2,558,778**	2,749,893	**2,480,388**	2,716,129
British Pound	**716,649**	781,261	**714,501**	779,943
Australian Dollar	**2,520,320**	1,806,368	**2,518,212**	1,804,781
Euro	**267,201**	378,083	**261,203**	367,419
Others	**1,829,352**	1,708,556	**737,607**	618,269
	82,341,217	81,336,328	**62,333,391**	63,148,062

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26. LOANS AND BILLS RECEIVABLE (continued)

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
26.2 Analysed by product				
Overdrafts	**3,298,435**	3,598,009	**1,515,187**	1,796,355
Short-term and revolving loans	**11,143,508**	12,963,971	**7,998,928**	9,997,853
Syndicated and term loans	**35,113,202**	34,980,622	**28,021,834**	28,184,427
Housing and commercial property loans	**23,208,709**	21,463,230	**18,736,990**	17,637,589
Car, credit card and share margin loans	**2,925,266**	2,920,296	**2,104,215**	2,387,499
Others	**6,652,097**	5,410,200	**3,956,237**	3,144,339
	82,341,217	81,336,328	**62,333,391**	63,148,062
26.3 Analysed by industry				
Agriculture, mining and quarrying	**1,621,302**	1,315,165	**447,240**	335,892
Manufacturing	**5,827,600**	6,611,530	**2,020,224**	2,590,558
Building and construction	**15,643,369**	17,175,854	**12,951,072**	14,335,817
Housing	**21,459,890**	19,784,937	**17,153,502**	15,948,165
General commerce	**7,749,961**	7,071,803	**4,585,573**	4,568,028
Transport, storage and communication	**5,790,977**	5,470,653	**5,252,602**	5,013,324
Financial institutions, investment and holding companies	**10,032,495**	11,200,700	**9,496,894**	10,576,340
Professionals and individuals	**7,967,989**	7,358,423	**6,135,690**	6,446,678
Others	**6,247,634**	5,347,263	**4,290,594**	3,333,260
	82,341,217	81,336,328	**62,333,391**	63,148,062
26.4 Analysed by interest rate sensitivity				
Fixed				
Singapore	**5,928,754**	6,588,552	**5,925,797**	6,524,306
Malaysia	**1,626,698**	1,497,272	**117**	61,561
Other ASEAN	**180,998**	179,008	**15,757**	18,557
Greater China	**87,791**	91,727	**163**	178
Other Asia Pacific	**200,015**	278,533	**200,015**	278,533
Rest of the World	**12,372**	13,556	**12,372**	13,556
	8,036,628	8,648,648	**6,154,221**	6,896,691
Variable				
Singapore	**46,317,286**	46,430,758	**45,344,345**	45,747,360
Malaysia	**14,422,370**	13,330,290	**2,593,210**	2,261,462
Other ASEAN	**3,893,584**	3,439,083	**420,572**	403,517
Greater China	**5,195,002**	5,106,574	**3,344,696**	3,458,057
Other Asia Pacific	**3,099,192**	2,710,175	**3,099,192**	2,710,175
Rest of the World	**1,377,155**	1,670,800	**1,377,155**	1,670,800
	74,304,589	72,687,680	**56,179,170**	56,251,371
Total	**82,341,217**	81,336,328	**62,333,391**	63,148,062

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

	GROUP 2009 $'000	GROUP 2008 $'000	BANK 2009 $'000	BANK 2008 $'000
26.5 Analysed by geography				
Singapore	**48,456,871**	49,285,437	**47,521,200**	48,664,268
Malaysia	**15,321,942**	14,334,887	**1,879,742**	1,738,123
Other ASEAN	**4,986,061**	4,602,216	**1,332,162**	1,392,840
Greater China	**7,065,737**	6,873,912	**5,205,687**	5,149,277
Other Asia Pacific	**3,926,277**	3,242,173	**3,862,963**	3,223,045
Rest of the World	**2,584,329**	2,997,703	**2,531,637**	2,980,509
	82,341,217	81,336,328	**62,333,391**	63,148,062

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

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27. NON-PERFORMING LOANS ("NPLS") AND DEBT SECURITIES
Non-performing loans and debt securities are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans and securities	Specific allowances	Net loans and securities
GROUP						
2009						
Classified loans	**755**	**422**	**240**	**1,417**	**(449)**	**968**
Classified debt securities	**–**	**30**	**1**	**31**	**(30)**	**1**
Total classified assets	**755**	**452**	**241**	**1,448**	**(479)**	**969**
2008						
Classified loans	471	457	254	1,182	(543)	639
Classified debt securities	–	158	8	166	(156)	10
Total classified assets	471	615	262	1,348	(699)	649
BANK						
2009						
Classified loans	**358**	**281**	**93**	**732**	**(194)**	**538**
Classified debt securities	**–**	**22**	**–**	**22**	**(22)**	**–**
Total classified assets	**358**	**303**	**93**	**754**	**(216)**	**538**
2008						
Classified loans	172	343	105	620	(280)	340
Classified debt securities	–	148	–	148	(140)	8
Total classified assets	172	491	105	768	(420)	348

	GROUP 2009 $ million	GROUP 2008 $ million	BANK 2009 $ million	BANK 2008 $ million
27.1 Analysed by period overdue				
Over 180 days	**639**	568	**194**	168
Over 90 days to 180 days	**188**	193	**120**	135
30 days to 90 days	**208**	188	**143**	132
Less than 30 days	**74**	230	**73**	229
No overdue	**339**	169	**224**	104
	1,448	1,348	**754**	768
27.2 Analysed by collateral type				
Property	**686**	599	**324**	280
Fixed deposit	**6**	9	**1**	7
Stock and shares	**47**	5	**47**	5
Motor vehicles	**2**	4	**1**	3
Secured – Others	**110**	27	**71**	5
Unsecured – Corporate and other guarantees	**246**	197	**241**	194
Unsecured – Clean	**351**	507	**69**	274
	1,448	1,348	**754**	768
27.3 Analysed by industry				
Agriculture, mining and quarrying	**13**	6	**4**	–
Manufacturing	**404**	342	**178**	158
Building and construction	**234**	113	**113**	38
Housing	**224**	243	**102**	133
General commerce	**220**	147	**107**	74
Transport, storage and communication	**111**	25	**102**	18
Financial institutions, investment and holding companies	**65**	284	**59**	259
Professionals and individuals	**140**	126	**84**	65
Others	**37**	62	**5**	23
	1,448	1,348	**754**	768

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27. NON-PERFORMING LOANS ("NPLS") AND DEBT SECURITIES (continued)
27.4 Analysed by geography

GROUP ($ million)	Singapore	Malaysia	Rest of the World	Total
2009				
Substandard	**163**	**427**	**166**	**755**
Doubtful	**164**	**155**	**132**	**452**
Loss	**90**	**53**	**98**	**241**
	417	**635**	**396**	**1,448**
Specific allowances	**(76)**	**(230)**	**(173)**	**(479)**
	341	**405**	**223**	**969**
2008				
Substandard	107	290	74	471
Doubtful	184	121	310	615
Loss	104	85	73	262
	395	496	457	1,348
Specific allowances	(150)	(239)	(310)	(699)
	245	257	147	649

Non-performing loans ("NPLs") and debt securities 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 6.2% (2008: 8.3%) and 8.7% (2008: 9.5%) for the Group and the Bank respectively.

	2009		2008	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**45**	**2**	52	5
Doubtful	**30**	**29**	40	42
Loss	**15**	**4**	19	8
	90	**35**	111	55
BANK				
Substandard	**39**	**–**	47	3
Doubtful	**25**	**26**	25	28
Loss	**2**	**–**	1	1
	66	**26**	73	32

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28. SPECIFIC ALLOWANCES

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At 1 January	**549,079**	498,918	**280,277**	264,204
Currency translation	**14,407**	(36,945)	**10,947**	(11,955)
Bad debts written off	**(329,364)**	(58,733)	**(260,624)**	(54,970)
Recovery of amounts previously provided for	**(46,156)**	(61,100)	**(33,530)**	(32,512)
Allowances for loans	**287,422**	225,667	**205,820**	127,143
Net allowances charged to income statements (Note 9)	**241,266**	164,567	**172,290**	94,631
Interest recognition on impaired loans	**(22,279)**	(23,534)	**(9,871)**	(12,073)
Arising from acquisition of subsidiaries	**–**	1,614	**–**	–
Transfer from:				
Other provisions	**881**	2,680	**881**	440
Portfolio allowances (Note 29)	**–**	512	**–**	–
At 31 December (Note 26)	**453,990**	549,079	**193,900**	280,277

	Cumulative specific allowances		Specific allowances charged to income statements	
	2009 $ million	2008 $ million	2009 $ million	2008 $ million
Analysed by industry				
GROUP				
Agriculture, mining and quarrying	**2**	4	**3**	(3)
Manufacturing	**164**	184	**86**	103
Building and construction	**31**	31	**6**	(41)
Housing	**38**	34	**8**	7
General commerce	**107**	72	**77**	17
Transport, storage and communication	**21**	17	**6**	6
Financial institutions, investment and holding companies	**10**	84	**(3)**	(8)
Professionals and individuals	**64**	73	**47**	25
Others	**17**	50	**11**	59
	454	549	**241**	165
BANK				
Agriculture, mining and quarrying	**#**	#	**3**	(#)
Manufacturing	**75**	98	**71**	54
Building and construction	**5**	8	**1**	(19)
Housing	**5**	7	**1**	(4)
General commerce	**50**	37	**59**	15
Transport, storage and communication	**17**	13	**5**	6
Financial institutions, investment and holding companies	**10**	77	**(3)**	(10)
Professionals and individuals	**30**	35	**28**	(2)
Others	**2**	5	**7**	55
	194	280	**172**	95

"#" represents amounts less than $0.5 million.

29. PORTFOLIO ALLOWANCES

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At 1 January	**979,385**	959,946	**799,005**	789,983
Currency translation	**(3,091)**	(2,576)	**149**	(1,162)
Allowances charged to income statements (Note 9)	**22,863**	20,189	**–**	10,184
Arising from acquisition of subsidiaries	**–**	2,338	**–**	–
Transfer to specific allowances (Note 28)	**–**	(512)	**–**	–
Transfer to other provisions	**(667)**	–	**–**	–
At 31 December (Note 26)	**998,490**	979,385	**799,154**	799,005

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30. DEBT AND EQUITY SECURITIES

	GROUP 2009 $'000	GROUP 2008 $'000	BANK 2009 $'000	BANK 2008 $'000
Trading securities				
Quoted debt securities	**602,113**	443,197	**502,616**	420,152
Unquoted debt securities	**299,073**	198,199	**105,712**	1,397
Quoted equity securities	**164,583**	233,541	**148,445**	221,381
Quoted investment funds	**10,131**	1,845	**9,482**	1,148
	1,075,900	876,782	**766,255**	644,078
Available-for-sale securities				
Quoted debt securities	**4,669,858**	5,538,071	**4,200,743**	4,550,375
Unquoted debt securities	**2,754,705**	2,024,476	**1,583,427**	1,273,114
Quoted equity securities	**2,219,871**	1,242,568	**697,494**	399,948
Unquoted equity securities	**217,121**	180,925	**49,988**	64,975
Quoted investment funds	**88,487**	83,576	**17,283**	9,920
Unquoted investment funds	**197,529**	114,065	**42,751**	–
	10,147,571	9,183,681	**6,591,686**	6,298,332
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**480,594**	336,636	**450,356**	296,393
Allowance for impairment (Note 32)	**(24,213)**	(25,333)	**(21,953)**	(22,557)
Net carrying value	**456,381**	311,303	**428,403**	273,836
Total debt and equity securities				
Debt securities – gross	**8,806,343**	8,540,579	**6,842,854**	6,541,431
Allowance for impairment (Note 32)	**(24,213)**	(25,333)	**(21,953)**	(22,557)
Debt securities – net	**8,782,130**	8,515,246	**6,820,901**	6,518,874
Equity securities	**2,601,575**	1,657,034	**895,927**	686,304
Investment funds	**296,147**	199,486	**69,516**	11,068
Total securities	**11,679,852**	10,371,766	**7,786,344**	7,216,246
Assets pledged (Note 43)	**–**	(197,855)	**–**	(197,855)
	11,679,852	10,173,911	**7,786,344**	7,018,391
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**5,068,491**	4,923,086	**4,030,547**	3,729,604
Non-investment grade (BB to C)	**249,811**	255,006	**243,218**	252,681
Non-rated	**3,463,828**	3,337,154	**2,547,136**	2,536,589
	8,782,130	8,515,246	**6,820,901**	6,518,874
By credit quality				
Pass	**8,669,823**	8,356,095	**6,708,961**	6,362,143
Special mention	**111,895**	149,269	**111,895**	149,269
Substandard	**–**	–	**–**	–
Doubtful	**24,625**	31,745	**21,998**	30,019
Loss	**–**	3,470	**–**	–
Allowance for impairment (Note 32)	**(24,213)**	(25,333)	**(21,953)**	(22,557)
	8,782,130	8,515,246	**6,820,901**	6,518,874

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30. DEBT AND EQUITY SECURITIES (continued)

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**62,056**	172,666	**14,887**	81,248
Manufacturing	**1,032,057**	978,188	**561,219**	586,126
Building and construction	**1,242,614**	1,395,135	**909,636**	1,077,277
General commerce	**63,664**	167,786	**18,189**	94,985
Transport, storage and communication	**688,959**	731,447	**516,144**	604,841
Financial institutions, investment and holding companies	**7,060,814**	5,146,163	**5,215,002**	3,891,002
Others	**1,529,688**	1,780,381	**551,267**	880,767
	11,679,852	10,371,766	**7,786,344**	7,216,246
By issuer				
Public sector	**1,174,498**	1,294,044	**1,021,819**	1,167,451
Banks	**4,914,118**	2,565,621	**3,600,647**	1,771,304
Corporations	**5,300,366**	6,294,721	**3,096,045**	4,259,773
Others	**290,870**	217,380	**67,833**	17,718
	11,679,852	10,371,766	**7,786,344**	7,216,246
By geography				
Singapore	**3,753,018**	3,476,352	**2,458,240**	2,547,635
Malaysia	**1,231,199**	1,455,497	**282,273**	353,871
Other ASEAN	**143,183**	202,906	**76,954**	133,796
Greater China	**1,793,732**	1,067,825	**680,960**	596,339
Other Asia Pacific	**2,344,492**	1,541,371	**2,237,840**	1,414,393
Rest of the World	**2,414,228**	2,627,815	**2,050,077**	2,170,212
	11,679,852	10,371,766	**7,786,344**	7,216,246

Debt securities are 75% (2008: 82%) and 88% (2008: 90%) of total securities, for the Group and the Bank respectively. Included in debt securities is an amount of $0.1 billion (2008: $0.1 billion) relating to collateralised debt with credit default swaps where the Bank acts as the protection seller. Derivative receivables and payables arising from these credit default swaps are included in Note 18.

31. OTHER ASSETS

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Interest receivable	**579,725**	866,915	**454,137**	686,228
Sundry debtors (net)	**1,890,594**	1,134,354	**29,558**	84,949
Deposits and prepayments	**186,564**	198,508	**99,668**	124,873
Others	**253,611**	465,339	**105,442**	104,741
	2,910,494	2,665,116	**688,805**	1,000,791

At 31 December 2009, reinsurance assets included in "Others" amounted to $71.3 million (2008: $67.3 million).

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32. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS

GROUP ($'000)	Associates	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2008	–	25,588	81,309	17,498	25,016	149,411
Currency translation	–	(443)	(1,908)	(332)	(924)	(3,607)
Amounts written off	–	(60)	–	(100)	(3,994)	(4,154)
Impairment charge/(write-back) to income statements (Note 9)	5,200	445	(19,285)	(10,563)	4,742	(19,461)
Interest recognition on net NPLs	–	(197)	–	–	–	(197)
Arising from acquisition of subsidiaries	–	–	–	–	1,393	1,393
Transfers (to)/from other accounts	–	–	(1,797)	1,797	64	64
At 31 December 2008/1 January 2009	**5,200**	**25,333**	**58,319**	**8,300**	**26,297**	**123,449**
Currency translation	**–**	**(307)**	**(61)**	**4**	**(380)**	**(744)**
Amounts written off	**(5,200)**	**(1,036)**	**–**	**–**	**(3,382)**	**(9,618)**
Impairment charge/(write-back) to income statements (Note 9)	**–**	**370**	**–**	**(831)**	**3,923**	**3,462**
Impairment charge to profit from life assurance	**–**	**–**	**8,727**	**–**	**–**	**8,727**
Interest recognition on net NPLs	**–**	**(147)**	**–**	**–**	**–**	**(147)**
Transfers to other accounts	**–**	**–**	**–**	**–**	**(214)**	**(214)**
At 31 December 2009	**–**	**24,213**	**66,985**	**7,473**	**26,244**	**124,915**
	(Note 33)	(Note 30)	(Note 35)	(Note 36)		

BANK ($'000)	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2008	129,109	22,614	19,528	10,335	120	181,706
Currency translation	–	(24)	–	(250)	2	(272)
Amounts written off	(115,050)	–	–	(100)	(3,197)	(118,347)
(Write-back)/impairment charge to income statements (Note 9)	–	(32)	(16,782)	(6,598)	4,113	(19,299)
Interest recognition on net NPLs	–	(1)	–	–	–	(1)
Transfers (to)/from other accounts	–	–	(1,797)	1,797	–	–
At 31 December 2008/1 January 2009	**14,059**	**22,557**	**949**	**5,184**	**1,038**	**43,787**
Currency translation	**–**	**(557)**	**–**	**28**	**(4)**	**(533)**
Amounts written off	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Impairment charge/(write-back) to income statements (Note 9)	**25**	**(47)**	**–**	**(211)**	**886**	**653**
Transfers to other accounts	**–**	**–**	**–**	**–**	**(881)**	**(881)**
At 31 December 2009	**14,084**	**21,953**	**949**	**5,001**	**1,030**	**43,017**
	(Notes 33-34)	(Note 30)	(Note 35)	(Note 36)		

33. ASSOCIATES AND JOINT VENTURES

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Investment securities, at cost				
Quoted equities	**591**	591	**195**	195
Unquoted equities	**186,041**	102,194	**58,150**	13,529
Allowance for impairment (Note 32)	**–**	(5,200)	**(2,199)**	(2,199)
Net carrying value	**186,632**	97,585	**56,146**	11,525
Share of post-acquisition reserves	**34,512**	34,068	**–**	–
Amount due from associates (unsecured)	**4,875**	630	**–**	–
	226,019	132,283	**56,146**	11,525
Fair value of quoted associates	**41,092**	28,463	**13,561**	9,393

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33. ASSOCIATES AND JOINT VENTURES (continued)
33.1 Associates
The summarised financial information of associates not adjusted for the proportion of ownership interest held by the Group is as follows:

$'000	2009	2008
At 31 December:		
Assets	**592,020**	1,025,426
Liabilities	**(191,484)**	(158,502)
For the year ended:		
Total income	**163,714**	91,223
Profit/(loss)	**35,186**	(176,930)

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

Name of associate	Country of incorporation	Effective % interest held 2009	2008
Unquoted			
Network For Electronic Transfers (Singapore) Pte Ltd [1]	Singapore	**33**	33

[1] Audited by PricewaterhouseCoopers.

33.2 Joint ventures
The Group holds 50% interest in Great Eastern Life Assurance (China) Company Limited ("GEL China"). The summarised financial information of GEL China based on the Group's 50% interest is as follows:

$ million	2009	2008
At 31 December:		
Share of current assets	**117.4**	26.1
Share of non-current assets	**8.0**	17.9
Share of current liabilities	**(12.0)**	(1.5)
Share of non-current liabilities	**(25.4)**	(19.5)
For the year ended:		
Share of income	**24.2**	12.6
Share of expenses	**(30.2)**	(16.7)

34. SUBSIDIARIES

	BANK 2009 $'000	2008 $'000
Investments in subsidiaries, at cost		
Quoted security	**2,198,964**	2,198,964
Unquoted securities	**1,697,094**	1,705,393
Allowance for impairment (Note 32)	**(11,885)**	(11,860)
Net carrying value	**3,884,173**	3,892,497
Unsecured loans and receivables	**3,153,223**	2,134,304
Secured loans and receivables	**1,113,200**	1,146,700
Amount due from subsidiaries	**4,266,423**	3,281,004
Investments in and amount due from subsidiaries	**8,150,596**	7,173,501

At 31 December 2009, the fair value of the Bank's quoted subsidiary, Great Eastern Holdings Limited, was $5,387.2 million (2008: $3,630.3 million).

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34. SUBSIDIARIES (continued)

34.1 List of significant subsidiaries

Significant subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation	Effective % interest held [3] 2009	2008
Banking			
Singapore Island Bank Limited (formerly 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
P.T. Bank OCBC NISP Tbk [1]	Indonesia	**75**	75
P.T. Bank OCBC Indonesia	Indonesia	**100**	100
Insurance			
Great Eastern Life Assurance (Malaysia) Berhad [2]	Malaysia	**87**	87
Overseas Assurance Corporation (Malaysia) Berhad [2]	Malaysia	**87**	87
The Great Eastern Life Assurance Company Limited [2]	Singapore	**87**	87
The Overseas Assurance Corporation Limited [2]	Singapore	**87**	87
Asset management and investment holding			
Lion Global Investors Limited [2]	Singapore	**91**	91
Great Eastern Holdings Limited [2]	Singapore	**87**	87
PacificMas Berhad [2]	Malaysia	**64**	67
Stockbroking			
OCBC Securities Private Limited	Singapore	**100**	100

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

(1) Audited by PricewaterhouseCoopers.

(2) Audited by Ernst & Young.

(3) Rounded to the nearest percentage.

34.2 Disposal of interests in subsidiaries

During the year, a wholly-owned subsidiary of the Bank, OCBC Capital (Malaysia) Sdn Bhd, disposed 6,100,000 of its shares in PacificMas Berhad ("PacMas") for a total cash consideration of MYR18.9 million. Following the disposal, the Group's interest in its subsidiary PacMas decreased from 67.1% to 63.5%. Goodwill written off in conjunction with the disposal of shares was $0.2 million (Note 37).

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35. PROPERTY, PLANT AND EQUIPMENT

	2009				2008			
GROUP ($'000)	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	**1,431,203**	**778,896**	**341,004**	**2,551,103**	1,427,016	677,850	328,385	2,433,251
Currency translation	**4,333**	**2,878**	**2,200**	**9,411**	(22,515)	(15,399)	(10,324)	(48,238)
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	10,719	5,555	4,021	20,295
Additions	**12,241**	**93,634**	**35,365**	**141,240**	36,556	167,311	58,317	262,184
Disposals and other transfers	**(4,781)**	**(14,622)**	**(14,339)**	**(33,742)**	(325)	(56,421)	(23,164)	(79,910)
Transfer from/(to):								
Investment property (Note 36)	**1,336**	**–**	**–**	**1,336**	(19,627)	–	–	(19,627)
Life assurance fund assets	**(32,440)**	**–**	**–**	**(32,440)**	(621)	–	(16,231)	(16,852)
At 31 December	**1,411,892**	**860,786**	**364,230**	**2,636,908**	1,431,203	778,896	341,004	2,551,103
Accumulated depreciation								
At 1 January	**(246,909)**	**(385,515)**	**(194,903)**	**(827,327)**	(214,493)	(327,197)	(198,554)	(740,244)
Currency translation	**7,917**	**(86)**	**(838)**	**6,993**	(7,310)	8,118	13,366	14,174
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	(1,425)	(3,967)	(2,432)	(7,824)
Disposals and other transfers	**4,414**	**9,087**	**11,937**	**25,438**	85	35,429	22,715	58,229
Depreciation charge	**(15,799)**	**(76,366)**	**(30,376)**	**(122,541)**	(15,655)	(63,334)	(23,712)	(102,701)
Depreciation charge to profit from life assurance (Note 4)	**(13,203)**	**(25,713)**	**(6,133)**	**(45,049)**	(11,748)	(34,564)	(6,286)	(52,598)
Transfer to:								
Investment property (Note 36)	**1,269**	**–**	**–**	**1,269**	3,637	–	–	3,637
Life assurance fund assets	**268**	**–**	**–**	**268**	–	–	–	–
At 31 December	**(262,043)**	**(478,593)**	**(220,313)**	**(960,949)**	(246,909)	(385,515)	(194,903)	(827,327)
Accumulated impairment losses (Note 32)								
At 1 January	**(57,004)**	**(43)**	**(1,272)**	**(58,319)**	(80,309)	–	(1,000)	(81,309)
Currency translation	**71**	**(20)**	**10**	**61**	1,874	–	34	1,908
Write-back/(impairment charge) to income statements	**–**	**–**	**–**	**–**	19,634	(43)	(306)	19,285
Impairment charge to profit from life assurance	**(8,727)**	**–**	**–**	**(8,727)**	–	–	–	–
Transfer to investment property (Note 36)	**–**	**–**	**–**	**–**	1,797	–	–	1,797
At 31 December	**(65,660)**	**(63)**	**(1,262)**	**(66,985)**	(57,004)	(43)	(1,272)	(58,319)
Net carrying value, at 31 December	**1,084,189**	**382,130**	**142,655**	**1,608,974**	1,127,290	393,338	144,829	1,665,457
Freehold property	**326,701**				384,924			
Leasehold property	**757,488**				742,366			
Net carrying value	**1,084,189**				1,127,290			
Market value	**1,769,155**				1,950,763			

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35. PROPERTY, PLANT AND EQUIPMENT (continued)

BANK ($'000)	2009 Property-related	2009 Computer-related	2009 Others	2009 Total	2008 Property-related	2008 Computer-related	2008 Others	2008 Total
Cost								
At 1 January	**263,547**	**302,637**	**95,720**	**661,904**	258,745	231,880	82,430	573,055
Currency translation	**6**	**142**	**373**	**521**	(71)	(439)	(1,151)	(1,661)
Additions	**–**	**55,189**	**17,147**	**72,336**	–	81,950	26,512	108,462
Disposals and other transfers	**–**	**(4,247)**	**(6,667)**	**(10,914)**	–	(10,754)	(12,071)	(22,825)
Transfer (to)/from investment property (Note 36)	**(2,602)**	**–**	**–**	**(2,602)**	4,873	–	–	4,873
At 31 December	**260,951**	**353,721**	**106,573**	**721,245**	263,547	302,637	95,720	661,904
Accumulated depreciation								
At 1 January	**(51,658)**	**(143,504)**	**(60,124)**	**(255,286)**	(45,627)	(115,896)	(65,118)	(226,641)
Currency translation	**(2)**	**(127)**	**(334)**	**(463)**	25	402	858	1,285
Disposals and other transfers	**–**	**2,538**	**5,615**	**8,153**	–	10,729	11,923	22,652
Depreciation charge	**(4,922)**	**(49,403)**	**(11,275)**	**(65,600)**	(4,911)	(38,739)	(7,787)	(51,437)
Transfer to/(from) investment property (Note 36)	**1,445**	**–**	**–**	**1,445**	(1,145)	–	–	(1,145)
At 31 December	**(55,137)**	**(190,496)**	**(66,118)**	**(311,751)**	(51,658)	(143,504)	(60,124)	(255,286)
Accumulated impairment losses (Note 32)								
At 1 January	**(949)**	**–**	**–**	**(949)**	(19,528)	–	–	(19,528)
Write-back to income statements	**–**	**–**	**–**	**–**	16,782	–	–	16,782
Transfer to investment property (Note 36)	**–**	**–**	**–**	**–**	1,797	–	–	1,797
At 31 December	**(949)**	**–**	**–**	**(949)**	(949)	–	–	(949)
Net carrying value, at 31 December	**204,865**	**163,225**	**40,455**	**408,545**	210,940	159,133	35,596	405,669
Freehold property	**46,409**				65,879			
Leasehold property	**158,456**				145,061			
Net carrying value	**204,865**				210,940			
Market value	**306,195**				302,582			

Notes to the Financial Statements

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36. INVESTMENT PROPERTY

	GROUP		BANK	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Cost				
At 1 January	**891,912**	820,317	**573,267**	566,465
Currency translation	**(2,017)**	(2,358)	**(447)**	(560)
Acquisition of subsidiaries	**–**	40,761	**–**	–
Additions	**58,769**	15,479	**58,416**	14,149
Disposals	**(7,389)**	(1,914)	**(3,509)**	(1,914)
Transfer (to)/from:				
Assets held for sale	**(215)**	–	**(27)**	–
Property, plant and equipment (Note 35)	**(1,336)**	19,627	**2,602**	(4,873)
At 31 December	**939,724**	891,912	**630,302**	573,267
Accumulated depreciation				
At 1 January	**(157,535)**	(136,087)	**(68,325)**	(62,844)
Currency translation	**330**	200	**142**	(34)
Acquisition of subsidiaries	**–**	(5,447)	**–**	–
Disposals	**4,228**	375	**416**	375
Depreciation charge	**(12,685)**	(12,939)	**(7,001)**	(6,967)
Transfer to/(from):				
Assets held for sale	**47**	–	**–**	–
Property, plant and equipment (Note 35)	**(1,269)**	(3,637)	**(1,445)**	1,145
At 31 December	**(166,884)**	(157,535)	**(76,213)**	(68,325)
Accumulated impairment losses (Note 32)				
At 1 January	**(8,300)**	(17,498)	**(5,184)**	(10,335)
Currency translation	**(4)**	332	**(28)**	250
Disposals	**–**	100	**–**	100
Write-back to income statements	**831**	10,563	**211**	6,598
Transfer from property, plant and equipment (Note 35)	**–**	(1,797)	**–**	(1,797)
At 31 December	**(7,473)**	(8,300)	**(5,001)**	(5,184)
Net carrying value				
Freehold property	**308,972**	242,101	**142,448**	69,134
Leasehold property	**456,395**	483,976	**406,640**	430,624
At 31 December	**765,367**	726,077	**549,088**	499,758
Market value	**2,363,869**	2,380,930	**1,265,896**	1,314,886

Notes to the Financial Statements

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37. GOODWILL AND INTANGIBLE ASSETS

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Goodwill				
At 1 January	**2,642,368**	2,669,691	**1,867,176**	1,867,176
(Disposal)/acquisition of interests in:				
– Great Eastern Holdings Limited	**–**	1,075	**–**	–
– PacificMas Berhad (Note 34.2)	**(235)**	4,637	**–**	–
– P.T. Bank OCBC NISP Tbk	**–**	7,659	**–**	–
Currency translation	**32,944**	(40,694)	**–**	–
At 31 December	**2,675,077**	2,642,368	**1,867,176**	1,867,176
Intangible asset [1]				
At 1 January	**733,158**	774,729		
Amortisation charged to income statements	**(46,636)**	(46,472)		
Acquisition of additional interests in GEH	**–**	4,901		
At 31 December	**686,522**	733,158		
Total goodwill and intangible assets	**3,361,599**	3,375,526	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**2,675,077**	2,642,368	**1,867,176**	1,867,176
Intangible asset, at cost	**932,715**	932,715	**–**	–
Accumulated amortisation for intangible asset	**(246,193)**	(199,557)	**–**	–
	3,361,599	3,375,526	**1,867,176**	1,867,176

[1] The value of in-force life assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2009, the intangible asset has a remaining useful life of 15 years (2008: 16 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 2009 $'000	Carrying value 2008 $'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
PacificMas Berhad	Value-in-use	**4,153**	4,447
P.T. Bank OCBC NISP Tbk	Value-in-use	**275,548**	242,545
Lion Global Investors Limited	Value-in-use	**29,419**	29,419
		2,675,077	2,642,368

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 2009, the discount rates used ranged from 8.3% to 14.0% (2008: 8.5% to 15.9%). 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% (2008: 2.0% to 6.0%). 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.

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37. GOODWILL AND INTANGIBLE ASSETS (continued)

For the insurance CGU, the Group applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life assurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 8.0% (2008: 8.0%) and 9.5% (2008: 9.5%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life assurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales. The returns assumed, after investment expenses, are 5.25%, 4.0% and 7.0% (2008: 5.15% – 5.25%, 4.25% and 7%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.0%, 5.1% and 7.0% (2008: 6.5%, 6.0% 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 Financial Services	Global Corporate Banking	Global Treasury	Insurance	Others	Elimination	Group
Year ended 31 December 2009							
Total income	1,218	1,479	816	758	933	(389)	4,815
Operating profit before allowances and amortisation	662	1,010	611	642	459	(365)	3,019
Amortisation of intangible assets	–	–	–	(47)	–	–	(47)
Allowances for loans and impairment for other assets	(57)	(180)	(11)	(16)	(165)	–	(429)
Operating profit after allowances and amortisation	605	830	600	579	294	(365)	2,543
Other information:							
Capital expenditure	24	8	1	24	143	–	200
Depreciation	16	9	1	2	107	–	135
At 31 December 2009							
Segment assets	27,899	56,549	46,761	49,634	21,744		202,587
Unallocated assets							98
Elimination							(8,385)
Total assets							194,300
Segment liabilities	44,658	48,653	23,405	43,824	18,814		179,354
Unallocated liabilities							1,552
Elimination							(8,385)
Total liabilities							172,521
Other information:							
Gross non-bank loans	26,702	49,878	1,046	289	4,426		82,341
NPAs (include debt securities)	309	1,018	–	7	114		1,448

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For the financial year ended 31 December 2009

38. SEGMENT INFORMATION (continued)
38.1 Business segments (continued)

$ million	Global Consumer Financial Services	Global Corporate Banking	Global Treasury	Insurance	Others	Elimination	Group
Year ended 31 December 2008							
Total income	1,307	1,411	682	523	891	(387)	4,427
Operating profit before allowances and amortisation	711	934	497	372	445	(386)	2,573
Amortisation of intangible assets	–	–	–	(47)	–	–	(47)
Allowances for loans and impairment for other assets	(37)	(100)	(19)	(55)	(236)	–	(447)
Operating profit after allowances and amortisation	674	834	478	270	209	(386)	2,079
Other information:							
Capital expenditure	24	8	1	90	155	–	278
Depreciation	9	4	#	1	102	–	116
At 31 December 2008							
Segment assets	26,590	57,219	39,009	45,195	20,309		188,322
Unallocated assets							132
Elimination							(7,069)
Total assets							181,385
Segment liabilities	40,574	46,361	25,343	40,337	16,202		168,817
Unallocated liabilities							1,077
Elimination							(7,069)
Total liabilities							162,825
Other information:							
Gross non-bank loans	25,347	51,312	715	430	3,532		81,336
NPAs (include debt securities)	319	811	2	14	202		1,348

"#" represents amounts less than $0.5 million.

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

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

Global Corporate Banking
Global Corporate Banking provides comprehensive financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management, trustee and custodian services.

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2009

38. SEGMENT INFORMATION (continued)
38.1 Business segments (continued)
Others
The "Others" segment comprise P.T. Bank OCBC NISP, PacificMas Berhad, corporate finance, capital markets, property holding, stock brokerage and investment holding.

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:
(a) income and expenses are attributable to each segment based on the internal management reporting policies;
(b) in determining the segment results, balance sheet items are internally transfer priced; and
(c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. There are no material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet and excluding items such as income tax and borrowings.

38.2 Geographical segments

$ million	Total income	Profit/(loss) before income tax	Capital expenditure	Total assets	Total liabilities
2009					
Singapore	**2,912**	**1,594**	**143**	**125,001**	**115,633**
Malaysia	**1,239**	**800**	**30**	**43,070**	**36,757**
Other ASEAN	**370**	**125**	**20**	**6,922**	**5,901**
Greater China	**179**	**(4)**	**6**	**10,291**	**8,139**
Other Asia Pacific	**63**	**45**	**#**	**5,463**	**2,924**
Rest of the World	**52**	**(17)**	**1**	**3,553**	**3,167**
	4,815	**2,543**	**200**	**194,300**	**172,521**
2008					
Singapore	2,870	1,430	192	118,157	111,031
Malaysia	914	519	53	38,402	33,379
Other ASEAN	326	81	23	5,853	5,012
Greater China	207	56	9	9,861	8,276
Other Asia Pacific	65	(11)	#	5,168	2,945
Rest of the World	45	10	1	3,944	2,182
	4,427	2,085	278	181,385	162,825

"#" represents amounts less than $0.5 million.

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

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	**2009**	**2008**	**2009**	**2008**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**80,876**	79,808	**78,275**	76,769
Placements with and loans to banks	**15,821**	15,353	**17,074**	16,644
Government treasury bills and securities	**16,487**	13,992	**16,908**	12,757
Debt securities	**8,782**	8,317	**7,907**	9,313
Amount due from associates	**5**	1	**2**	5
Assets pledged	**279**	837	**379**	756
Derivative receivables	**3,973**	6,655	**4,792**	4,503
Other assets, comprise interest receivables and sundry debtors	**2,470**	2,001	**2,436**	2,131
	128,693	126,964	**127,773**	122,878
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**7,314**	8,661	**7,536**	9,129
Credit commitments	**42,584**	45,007	**43,319**	42,928
	49,898	53,668	**50,855**	52,057
Total maximum credit risk exposure	**178,591**	180,632	**178,628**	174,935

Collaterals

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

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

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	**2009**	**2008**	**2009**	**2008**
Neither past due nor impaired	**15,466**	15,272	**80,245**	79,244
Not impaired	**–**	#	**1,039**	1,045
Impaired	**–**	–	**863**	958
Past due loans	**–**	#	**1,902**	2,003
Impaired but not past due	**–**	–	**194**	89
Gross loans	**15,466**	15,272	**82,341**	81,336
Specific allowances	**–**	–	**(454)**	(549)
Portfolio allowances	**–**	–	**(998)**	(979)
Net loans	**15,466**	15,272	**80,889**	79,808

"#" represents amounts less than $0.5 million.

Notes to the Financial Statements
For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)
39.2 Credit risk (continued)
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	**2009**	**2008**	**2009**	**2008**
Grades				
Satisfactory and special mention	**15,466**	15,272	**80,157**	79,197
Substandard but not impaired	**–**	–	**88**	47
Neither past due nor impaired	**15,466**	15,272	**80,245**	79,244

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

	Bank loans		Non-bank loans	
$ million	**2009**	**2008**	**2009**	**2008**
By industry				
Agriculture, mining and quarrying	**–**	–	**47**	14
Manufacturing	**–**	–	**374**	330
Building and construction	**–**	–	**145**	104
General commerce	**–**	–	**262**	210
Transport, storage and communication	**–**	–	**58**	33
Financial institutions, investment and holding companies	**–**	#	**61**	53
Professionals and individuals (include housing)	**–**	–	**898**	1,096
Others	**–**	–	**57**	163
	–	#	**1,902**	2,003
By geography				
Singapore	**–**	–	**743**	1,020
Malaysia	**–**	–	**650**	611
Rest of the World	**–**	#	**509**	372
	–	#	**1,902**	2,003

"#" represents amounts less than $0.5 million.

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	**2009**	**2008**
Past due		
Less than 30 days	**399**	450
30 to 90 days	**474**	527
Over 90 days	**166**	68
Past due but not impaired	**1,039**	1,045

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

$ million	**2009**	**2008**
Business segment		
Global Consumer Financial Services	**248**	269
Global Corporate Banking	**711**	714
Others	**80**	48
Individually impaired loans	**1,039**	1,031

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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

Renegotiated loans

Loans that would have been past due or impaired had they not been renegotiated amounted to $324.8 million for the year ended 31 December 2009 (2008: $93.8 million).

Collateral and other credit enhancements obtained

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

$ million	2009	2008
Properties	**2**	1
Others	**–**	#
Carrying amount of assets obtained during the year	**2**	1

"#" represents amounts less than $0.5 million.

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

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 2009					
United Kingdom	**4,740**	**412**	**462**	**5,614**	**3.7**
Malaysia	**1,893**	**–**	**2,603**	**4,496**	**3.0**
China	**2,977**	**6**	**1,103**	**4,086**	**2.7**
Indonesia	**1,536**	**179**	**1,657**	**3,372**	**2.2**
United States	**616**	**180**	**1,399**	**2,195**	**1.5**
Australia	**1,322**	**258**	**507**	**2,087**	**1.4**
31 December 2008					
Malaysia	5,889	128	3,974	9,991	7.0
United Kingdom	7,081	2	122	7,205	5.1
China	2,553	–	931	3,484	2.4
South Korea	2,798	233	280	3,311	2.3
Indonesia	853	223	1,792	2,868	2.0
Australia	1,545	–	671	2,216	1.6
Germany	1,977	21	135	2,133	1.5
United States	1,019	34	1,047	2,100	1.5
Hong Kong SAR	963	–	985	1,948	1.4
Netherlands	1,544	–	349	1,893	1.3

(1) Assets (excluding life assurance fund investment assets) of $151,223 million (2008: $142,508 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.

Notes to the Financial Statements

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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
2009								
Cash and placements with central banks	**4,248**	**5,881**	**1,080**	**53**	**–**	**–**	**1,909**	**13,171**
Placements with and loans to banks	**2,242**	**3,083**	**5,578**	**4,559**	**1**	**–**	**3**	**15,466**
Loans and bills receivable [1]	**8,009**	**19,997**	**32,752**	**6,936**	**3,823**	**9,982**	**(610)**	**80,889**
Securities [2]	**766**	**2,070**	**6,232**	**5,355**	**5,058**	**6,057**	**2,895**	**28,433**
Other assets [3]	**–**	**1**	**–**	**3**	**1**	**–**	**6,883**	**6,888**
Financial assets	**15,265**	**31,032**	**45,642**	**16,906**	**8,883**	**16,039**	**11,080**	**144,847**
Deposits of non-bank customers	**20,833**	**18,983**	**34,025**	**13,638**	**802**	**227**	**12,125**	**100,633**
Deposits and balances of banks	**4,246**	**3,458**	**2,484**	**589**	**165**	**–**	**16**	**10,958**
Trading portfolio liabilities	**–**	**46**	**–**	**–**	**1,572**	**398**	**#**	**2,016**
Other liabilities [3]	**17**	**2**	**56**	**45**	**–**	**–**	**7,132**	**7,252**
Debts issued	**52**	**612**	**392**	**19**	**3,208**	**2,563**	**17**	**6,863**
Financial liabilities	**25,148**	**23,101**	**36,957**	**14,291**	**5,747**	**3,188**	**19,290**	**127,722**
On-balance sheet sensitivity gap	**(9,883)**	**7,931**	**8,685**	**2,615**	**3,136**	**12,851**		
Off-balance sheet sensitivity gap	**933**	**(3,286)**	**(2,473)**	**583**	**2,238**	**2,005**		
Net interest sensitivity gap	**(8,950)**	**4,645**	**6,212**	**3,198**	**5,374**	**14,856**		
2008								
Cash and placements with central banks	940	2,271	506	427	–	16	2,868	7,028
Placements with and loans to banks	3,326	2,790	6,533	2,612	9	–	2	15,272
Loans and bills receivable [1]	6,674	25,936	31,306	9,722	3,826	3,043	(699)	79,808
Securities [2]	838	2,004	4,735	3,915	4,053	7,190	1,720	24,455
Other assets [3]	–	–	–	–	–	–	9,320	9,320
Financial assets	11,778	33,001	43,080	16,676	7,888	10,249	13,211	135,883
Deposits of non-bank customers	19,699	21,514	28,833	13,356	1,016	216	9,444	94,078
Deposits and balances of banks	3,801	3,246	2,393	374	168	60	71	10,113
Trading portfolio liabilities	–	460	170	268	111	93	9	1,111
Other liabilities [3]	11	7	34	43	–	–	10,605	10,700
Debts issued	23	637	194	1	3,895	1,260	#	6,010
Financial liabilities	23,534	25,864	31,624	14,042	5,190	1,629	20,129	122,012
On-balance sheet sensitivity gap	(11,756)	7,137	11,456	2,634	2,698	8,620		
Off-balance sheet sensitivity gap	(290)	2,752	(1,057)	(5,152)	4,028	(281)		
Net interest sensitivity gap	(12,046)	9,889	10,399	(2,518)	6,726	8,339		

(1) The negative balance represents mainly 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.

"#" represents amounts less than $0.5 million.

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

The Bank's interest rate risk is monitored on a daily basis and behavioural assumptions for indeterminate deposits as well as prepayment assumptions for significant loan portfolios have been implemented. The impact on net interest income of the banking book is simulated under various interest rate assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar and Malaysian Ringgit, net interest income is estimated to increase by $133 million (2008: $61 million). The corresponding impact from a 100 bp decrease is an estimated reduction of $132 million (2008: $216 million) in net interest income. As a percentage of reported net interest income, the maximum exposure would be -4.5% (2008: -7.7%).

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

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

$ million	SGD	USD	MYR	Others	Total
2009					
Cash and placements with central banks	**8,051**	**31**	**4,484**	**605**	**13,171**
Placements with and loans to banks	**318**	**6,040**	**1,506**	**7,602**	**15,466**
Loans and bills receivable	**45,153**	**10,966**	**12,891**	**11,879**	**80,889**
Securities [1]	**15,272**	**3,273**	**2,266**	**7,622**	**28,433**
Other assets [2]	**4,663**	**866**	**845**	**514**	**6,888**
Financial assets	**73,457**	**21,176**	**21,992**	**28,222**	**144,847**
Deposits of non-bank customers	**58,458**	**11,144**	**16,286**	**14,745**	**100,633**
Deposits and balances of banks	**791**	**5,840**	**663**	**3,664**	**10,958**
Trading portfolio liabilities	**2,016**	**–**	**–**	**–**	**2,016**
Other liabilities [2]	**4,602**	**294**	**709**	**1,647**	**7,252**
Debts issued	**3,955**	**1,285**	**1,115**	**508**	**6,863**
Financial liabilities	**69,822**	**18,563**	**18,773**	**20,564**	**127,722**
Net financial assets exposure	**3,635**	**2,613**	**3,219**	**7,658**	
2008					
Cash and placements with central banks	3,507	28	2,195	1,298	7,028
Placements with and loans to banks	1,177	8,239	590	5,266	15,272
Loans and bills receivable	46,261	10,576	11,870	11,101	79,808
Securities [1]	13,178	3,247	3,576	4,454	24,455
Other assets [2]	5,439	1,769	1,017	1,095	9,320
Financial assets	69,562	23,859	19,248	23,214	135,883
Deposits of non-bank customers	53,744	12,105	14,672	13,557	94,078
Deposits and balances of banks	1,210	4,650	693	3,560	10,113
Trading portfolio liabilities	1,109	–	–	2	1,111
Other liabilities [2]	6,328	1,083	948	2,341	10,700
Debts issued	4,188	359	967	496	6,010
Financial liabilities	66,579	18,197	17,280	19,956	122,012
Net financial assets exposure	2,983	5,662	1,968	3,258	

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

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For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk and asset liability management (continued)

Structural foreign exchange risk

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

$ million	2009 Structural currency exposure	2009 Hedging financial instruments	2009 Net structural currency exposure	2008 Structural currency exposure	2008 Hedging financial instruments	2008 Net structural currency exposure
US Dollar	**549**	**419**	**130**	551	–	551
Malaysian Ringgit	**1,471**	**406**	**1,065**	1,231	412	819
Others	**2,743**	**–**	**2,743**	1,764	6	1,758
Total	**4,763**	**825**	**3,938**	3,546	418	3,128

Liquidity risk

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

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2009							
Cash and placements with central banks	**4,498**	**5,881**	**1,080**	**53**	**–**	**1,659**	**13,171**
Placements with and loans to banks	**4,952**	**2,413**	**3,780**	**4,272**	**47**	**2**	**15,466**
Loans and bills receivable	**5,739**	**6,094**	**6,409**	**9,452**	**17,751**	**35,444**	**80,889**
Securities [(1)]	**1,253**	**1,226**	**3,263**	**4,997**	**6,918**	**10,776**	**28,433**
Other assets [(2)]	**896**	**779**	**1,476**	**2,880**	**670**	**187**	**6,888**
Financial assets	**17,338**	**16,393**	**16,008**	**21,654**	**25,386**	**48,068**	**144,847**
Deposits of non-bank customers	**55,119**	**19,044**	**10,687**	**13,843**	**1,577**	**363**	**100,633**
Deposits and balances of banks	**4,262**	**3,458**	**2,484**	**589**	**165**	**–**	**10,958**
Trading portfolio liabilities	**#**	**46**	**–**	**–**	**1,572**	**398**	**2,016**
Other liabilities [(2)]	**1,426**	**1,221**	**1,553**	**2,237**	**371**	**444**	**7,252**
Debts issued	**73**	**608**	**382**	**19**	**2,974**	**2,807**	**6,863**
Financial liabilities	**60,880**	**24,377**	**15,106**	**16,688**	**6,659**	**4,012**	**127,722**
Net liquidity gap – financial assets less financial liabilities	**(43,542)**	**(7,984)**	**902**	**4,966**	**18,727**	**44,056**	
2008							
Cash and placements with central banks	3,253	2,271	506	427	–	571	7,028
Placements with and loans to banks	4,409	2,395	5,750	2,621	90	7	15,272
Loans and bills receivable	6,095	6,045	7,231	9,537	15,588	35,312	79,808
Securities [(1)]	746	1,190	2,292	3,387	6,292	10,548	24,455
Other assets [(2)]	834	1,419	1,635	3,405	1,464	563	9,320
Financial assets	15,337	13,320	17,414	19,377	23,434	47,001	135,883
Deposits of non-bank customers	47,362	20,516	10,755	12,895	2,264	286	94,078
Deposits and balances of banks	3,830	3,229	2,433	392	168	61	10,113
Trading portfolio liabilities	9	460	170	268	111	93	1,111
Other liabilities [(2)]	1,253	2,011	2,673	3,872	321	570	10,700
Debts issued	23	637	184	1	3,895	1,270	6,010
Financial liabilities	52,477	26,853	16,215	17,428	6,759	2,280	122,012
Net liquidity gap – financial assets less financial liabilities	(37,140)	(13,533)	1,199	1,949	16,675	44,721	

(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.

"#" represents amounts less than $0.5 million.

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39. FINANCIAL RISK MANAGEMENT (continued)
39.3 Market risk and asset liability management (continued)
Contractual maturity for financial liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities. Information on cash outflow of gross loan commitments is set out in Note 42. The expected cash flows of these liabilities could vary significantly from what is shown in the table. For example, deposits of non-bank customers included demand deposits, such as current and savings (Note 17) which are expected to remain stable, and unrecognised loan commitments are not all expected to be drawn down immediately.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2009							
Deposits of non-bank customers [1]	**55,131**	**19,091**	**10,736**	**13,995**	**1,601**	**380**	**100,934**
Deposits and balances of banks [1]	**4,264**	**3,460**	**2,486**	**591**	**169**	**–**	**10,970**
Trading portfolio liabilities	**–**	**46**	**#**	**–**	**1,572**	**398**	**2,016**
Other liabilities [2]	**1,286**	**526**	**293**	**291**	**215**	**277**	**2,888**
Debts issued	**74**	**610**	**488**	**250**	**3,237**	**3,775**	**8,434**
Net settled derivatives							
Trading	**361**	**95**	**301**	**883**	**893**	**247**	**2,780**
Hedging	**#**	**3**	**(1)**	**6**	**21**	**38**	**67**
Gross settled derivatives							
Trading – Outflow	**16,993**	**21,997**	**26,600**	**24,330**	**3,041**	**1,339**	**94,300**
Trading – Inflow	**(17,047)**	**(22,033)**	**(26,794)**	**(24,442)**	**(3,063)**	**(1,330)**	**(94,709)**
Hedging – Outflow	**–**	**420**	**36**	**37**	**2,980**	**–**	**3,473**
Hedging – Inflow	**–**	**(419)**	**(20)**	**(73)**	**(2,637)**	**–**	**(3,149)**
	61,062	**23,796**	**14,125**	**15,868**	**8,029**	**5,124**	**128,004**
2008							
Deposits of non-bank customers [1]	47,381	20,528	10,860	13,123	2,338	311	94,541
Deposits and balances of banks [1]	3,833	3,238	2,447	401	169	61	10,149
Trading portfolio liabilities	1,111	–	–	–	–	–	1,111
Other liabilities [2]	877	583	206	224	207	356	2,453
Debts issued	23	637	290	195	4,175	1,609	6,929
Net settled derivatives							
Trading	398	116	352	814	1,311	875	3,866
Hedging	#	2	3	30	48	24	107
Gross settled derivatives							
Trading – Outflow	14,465	20,949	23,228	25,789	1,290	711	86,432
Trading – Inflow	(14,377)	(21,156)	(22,711)	(25,160)	(1,311)	(719)	(85,434)
Hedging – Outflow	201	761	885	51	3,117	–	5,015
Hedging – Inflow	(190)	(768)	(848)	(83)	(2,870)	–	(4,759)
	53,722	24,890	14,712	15,384	8,474	3,228	120,410

[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.
"#" represents amounts less than $0.5 million.

39.4 Other risk areas
Details of the Group's management of operational, fiduciary and reputation risks are disclosed in the Risk Management Section.

Notes to the Financial Statements
For the financial year ended 31 December 2009

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. As stated in the Enterprise Risk Management ("ERM") Framework, the Group shall:
- Always operate within the risk appetite set by the Board; and
- Ensure reward commensurates for any risk taken.

GEH Group's Risk Management department spearheads the development and implementation of the ERM Framework for the Group.

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

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

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

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

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

Regulatory capital
The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed in the insurance regulations of the jurisdiction in which the subsidiaries operate.

In Singapore, the minimum Capital Adequacy Ratio under the Risk-based Capital Framework regulated by the Monetary Authority of Singapore is 120% for each insurance entity. The capital requirements also include Fund Solvency Ratios of the respective insurance funds operated by GEH Group. Regulatory capital of the consolidated Singapore insurance subsidiaries as at 31 December 2009 comprised Available Capital of $7.0 billion (2008: $6.0 billion), Risk Capital of $3.0 billion (2008: $2.6 billion) and Capital Adequacy Ratio of 235% (2008: 227%).

Risk-based Capital Framework for the insurance industry in Malaysia came into effect on 1 January 2009. Under this new framework, insurance assets and liabilities are subject to mark-to-market rules. The minimum capital requirement under the Risk-based Capital Framework regulated by Bank Negara, Malaysia is 130% for each insurance entity. Regulated capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2009 comprised Available Capital of $0.7 billion (2008: $0.5 billion), Risk Capital of $0.2 billion (2008: $0.2 billion) and Capital Adequacy Ratio of 323% (2008: 229%).

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

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

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

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Financial risk management

The principal activities of GEH Group are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness and personal accident), property and casualty.

GEH Group's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, GEH Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in GEH Group's activities include but are not limited to the risks discussed below.

Insurance risk

Insurance risks arise when GEH Group underwrites insurance contracts. A mis-estimation of the assumptions used in pricing the insurance products as well as subsequent setting of the technical provisions may give rise to potential shortfalls when actual experience is different from expected experience. Sources of assumptions affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses. These risks do not vary significantly in relation to the location of the risk insured by GEH Group, type of risk insured or by industry.

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group's reinsurance management strategy and policy are reviewed annually by RIC and Group ALC. Reinsurance structures are set based on the type of risk. Retention limits for mortality risk per life are limited to a maximum of $700,000 in Singapore and MYR350,000 in Malaysia. Retention limits for critical illness per life are limited to a maximum of $400,000 in Singapore and MYR250,000 in Malaysia. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

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

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

Insurance risk of life insurance contracts

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

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected. For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

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

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Table 39.5(A): Concentration of life insurance risk, gross of reinsurance

Life assurance contract liabilities $ million	2009	2008
(a) By class of business		
Whole life	**17,695**	14,619
Endowment	**14,973**	14,262
Term	**338**	452
Accident and health	**613**	494
Annuity	**634**	627
Others	**305**	1,295
Total	**34,558**	31,749
(b) By country		
Singapore	**22,976**	20,431
Malaysia	**11,385**	11,162
Others	**197**	156
Total	**34,558**	31,749

The sensitivity analyses below shows the impact of change in key parameters on the value of policy liabilities, and hence on the income statements and shareholders' equity. Sensitivity analyses produced below are based on parameters set out as follows:

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

Table 39.5(B1): Profit/(loss) after tax and shareholders' equity sensitivity for the Singapore segment
Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2009							
Gross impact	**(16.6)**	**(33.3)**	**103.8**	**(116.9)**	**34.3**	**(57.1)**	**(21.6)**
Reinsurance ceded [(1)]	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(16.6)**	**(33.3)**	**103.8**	**(116.9)**	**34.3**	**(57.1)**	**(21.6)**
2008							
Gross impact	(15.7)	(30.8)	82.1	(106.5)	26.7	(35.9)	(19.6)
Reinsurance ceded [(1)]	–	–	–	–	–	–	–
Net impact	(15.7)	(30.8)	82.1	(106.5)	26.7	(35.9)	(19.6)

[(1)] The effect of sensitivity analyses on reinsurance ceded are not material.

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (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
2009							
Gross impact	**(50.4)**	**55.3**	**(9.2)**	**9.2**	**(3.7)**	**4.8**	**(6.0)**
Reinsurance ceded [1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(50.4)**	**55.3**	**(9.2)**	**9.2**	**(3.7)**	**4.8**	**(6.0)**
2008							
Gross impact	–	–	–	–	–	–	–
Reinsurance ceded [1]	–	–	–	–	–	–	–
Net impact	–	–	–	–	–	–	–

[1] The effect of sensitivity analyses on reinsurance ceded are not material.

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 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 claim 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.

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

Non-life insurance contracts $ million	2009 Gross premium liabilities	2009 Reinsured premium liabilities	2009 Net premium liabilities	2008 Gross premium liabilities	2008 Reinsured premium liabilities	2008 Net premium liabilities
(a) By class of business						
Fire	**17**	**(11)**	**6**	17	(10)	7
Motor	**24**	**(3)**	**21**	15	(4)	11
Marine and aviation	**1**	**(1)**	**#**	1	(1)	#
Workmen's compensation	**4**	**(1)**	**3**	4	(1)	3
Personal accident and health	**9**	**(1)**	**8**	9	(2)	7
Miscellaneous	**24**	**(6)**	**18**	21	(6)	15
Total	**79**	**(23)**	**56**	67	(24)	43
(b) By country						
Singapore	**41**	**(12)**	**29**	34	(13)	21
Malaysia	**38**	**(11)**	**27**	33	(11)	22
Total	**79**	**(23)**	**56**	67	(24)	43

"#" represents amounts less than $0.5 million.

Notes to the Financial Statements

For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

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

Non-life insurance contracts $ million	2009 Gross claims liabilities	2009 Reinsured claims liabilities	2009 Net claims liabilities	2008 Gross claims liabilities	2008 Reinsured claims liabilities	2008 Net claims liabilities
(a) By class of business						
Fire	**26**	**(22)**	**4**	19	(16)	3
Motor	**36**	**(8)**	**28**	35	(8)	27
Marine and aviation	**2**	**(1)**	**1**	2	(1)	1
Workmen's compensation	**7**	**(1)**	**6**	7	(#)	7
Personal accident and health	**6**	**#**	**6**	5	(#)	5
Miscellaneous	**15**	**(11)**	**4**	31	(13)	18
Total	**92**	**(43)**	**49**	99	(38)	61
(b) By country						
Singapore	**28**	**(17)**	**11**	42	(18)	24
Malaysia	**64**	**(26)**	**38**	57	(20)	37
Total	**92**	**(43)**	**49**	99	(38)	61

"#" represents amounts less than $0.5 million.

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 2009 (excluding provision for liability adequacy)

$ million	Before 2004	2004	2005	2006	2007	2008	2009	Total
(a) Estimate of cumulative claims								
Accident Year	248	71	62	49	73	57	65	
One year later	229	62	67	50	73	57	–	
Two years later	225	63	65	48	69	–	–	
Three years later	229	63	64	47	–	–	–	
Four years later	219	62	62	–	–	–	–	
Five years later	208	62	–	–	–	–	–	
Six years later	215	–	–	–	–	–	–	
Current estimate of cumulative claims	**215**	**62**	**62**	**47**	**69**	**57**	**65**	
(b) Estimate of cumulative payments								
Accident Year	184	19	20	18	24	22	21	
One year later	207	41	51	36	50	44	–	
Two years later	211	54	55	41	57	–	–	
Three years later	220	57	56	43	–	–	–	
Four years later	211	58	57	–	–	–	–	
Five years later	203	59	–	–	–	–	–	
Six years later	207	–	–	–	–	–	–	
Cumulative payments	**207**	**59**	**57**	**43**	**57**	**44**	**21**	
(c) Total non-life gross claim liabilities	**8**	**3**	**5**	**4**	**12**	**13**	**44**	**89**

Notes to the Financial Statements

For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

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

(ii) Non-life insurance contract liabilities, net of reinsurance liabilities for 2009 (excluding provision for liability adequacy)

$ million	Before 2004	2004	2005	2006	2007	2008	2009	Total
(a) Estimate of cumulative claims								
Accident Year	169	27	27	29	32	37	49	
One year later	159	27	27	30	33	38	–	
Two years later	156	27	27	29	32	–	–	
Three years later	160	26	26	28	–	–	–	
Four years later	152	26	26	–	–	–	–	
Five years later	143	25	–	–	–	–	–	
Six years later	117	–	–	–	–	–	–	
Current estimate of cumulative claims	**117**	**25**	**26**	**28**	**32**	**38**	**49**	
(b) Estimate of cumulative payments								
Accident Year	138	11	11	13	14	17	22	
One year later	146	19	20	22	25	30	–	
Two years later	147	22	22	24	28	–	–	
Three years later	154	23	23	25	–	–	–	
Four years later	147	24	24	–	–	–	–	
Five years later	140	24	–	–	–	–	–	
Six years later	115	–	–	–	–	–	–	
Cumulative payments	**115**	**24**	**24**	**25**	**28**	**30**	**22**	
(c) Total non-life net claim liabilities	**2**	**1**	**2**	**3**	**4**	**8**	**27**	**47**

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

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

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

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

		Impact on			
$ million	Change in assumptions	Gross liabilities	Net liabilities	Profit before tax	Equity
2009					
Provision for adverse deviation margin	**+20%**	**3**	**1**	**1**	**1**
Loss ratio	**+20%**	**10**	**6**	**6**	**6**
Claims handling expenses	**+20%**	**1**	**1**	**1**	**1**
2008					
Provision for adverse deviation margin	+20%	3	2	2	2
Loss ratio	+20%	8	5	5	5
Claims handling expenses	+20%	1	1	1	1

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

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 asset and liability of the Insurance Funds. As for the funds managed by its asset management subsidiary, Lion Global Investors Limited, investment risks are borne by investors and GEH Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

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

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

The 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 the Group ALC and local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets. With the use of the Long Term Risk Free Discount Rate ("LTRFDR") formulated under the Singapore regulations governed by MAS to discount liability cash flows with duration of more than 15 years, the Singapore non-participating funds could have negative earnings impact when the LTRFDR decreases.

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

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

(b) Foreign currency risk

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

GEH Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major exposure for GEH Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM. The Group does not hedge against this exposure. The following table shows the foreign exchange position of GEH Group by major currencies.

Notes to the Financial Statements
For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)
39.5 Insurance-related risk management (continued)
(b) Foreign currency risk (continued)

$ million	SGD	MYR	USD	Others	Total
2009					
Available-for-sale securities					
Equity securities	**1,679**	**3,059**	**637**	**2,037**	**7,412**
Debt securities	**8,328**	**10,841**	**3,562**	**627**	**23,358**
Other investments	**363**	**10**	**1,015**	**227**	**1,615**
Securities at fair value through profit or loss					
Equity securities	**257**	**461**	**293**	**968**	**1,979**
Debt securities	**41**	**218**	**223**	**167**	**649**
Other investments	**515**	**14**	**48**	**90**	**667**
Derivative assets and embedded derivatives	**4,828**	**3**	**(3,325)**	**(304)**	**1,202**
Loans	**1,564**	**368**	**–**	**–**	**1,932**
Insurance receivables	**944**	**1,492**	**2**	**17**	**2,455**
Other debtors and interfund balances	**1,314**	**497**	**#**	**24**	**1,835**
Cash and cash equivalents	**2,089**	**958**	**74**	**95**	**3,216**
Financial assets	**21,922**	**17,921**	**2,529**	**3,948**	**46,320**
Other creditors and interfund balances	**1,218**	**638**	**–**	**10**	**1,866**
Insurance payables	**907**	**1,290**	**1**	**9**	**2,207**
Unexpired risk reserve	**40**	**39**	**–**	**–**	**79**
Derivative payables	**32**	**–**	**10**	**5**	**47**
Agents' retirement benefits	**1**	**191**	**–**	**–**	**192**
General insurance fund contract liabilities	**28**	**64**	**–**	**–**	**92**
Life assurance fund contract liabilities	**22,949**	**11,385**	**47**	**177**	**34,558**
Financial liabilities	**25,175**	**13,607**	**58**	**201**	**39,041**
2008					
Available-for-sale securities					
Equity securities	1,288	2,287	411	1,086	5,072
Debt securities	9,047	9,824	1,960	752	21,583
Other investments	246	11	914	594	1,765
Securities at fair value through profit or loss					
Equity securities	121	223	195	546	1,085
Debt securities	37	213	365	274	889
Other investments	377	9	37	47	470
Derivative assets and embedded derivatives	3,474	15	(1,988)	(441)	1,060
Loans	1,242	389	–	–	1,631
Insurance receivables	969	1,430	3	20	2,422
Other debtors and interfund balances	1,514	247	–	1	1,762
Cash and cash equivalents	2,649	1,119	77	185	4,030
Financial assets	20,964	15,767	1,974	3,064	41,769
Other creditors and interfund balances	1,686	344	–	7	2,037
Insurance payables	921	1,169	2	2	2,094
Unexpired risk reserve	60	7	–	–	67
Derivative payables	45	–	49	35	129
Agents' retirement benefits	1	182	–	–	183
General insurance fund contract liabilities	42	57	–	–	99
Life assurance fund contract liabilities	20,232	10,662	58	797	31,749
Financial liabilities	22,987	12,421	109	841	36,358

"#" represents amounts less than $0.5 million.

Notes to the Financial Statements

For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

(c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where GEH Group, through investments in both Shareholders' Funds and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. A robust monitoring process is in place to manage equity price risk by activating appropriate hedging and risk transfer strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk

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

(e) Alternative investment risk

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

(f) Commodity risk

GEH Group does not have a direct or significant exposure to commodity risk.

(g) Cash flow and liquidity risk

Cash flow and liquidity risk arises when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the maturity profile of GEH Group's liabilities and assets and the expected recovery or settlement of assets (contractual undiscounted cash flow basis for non-derivatives):

$ million	Less than 1 year	1 to 5 years	Over 5 years	No maturity date	Total
2009					
Available-for-sale securities					
Equity securities	**–**	**–**	**–**	**7,412**	**7,412**
Debt securities	**5,387**	**11,975**	**5,996**	**–**	**23,358**
Other investments	**–**	**–**	**–**	**1,615**	**1,615**
Securities at fair value through profit or loss					
Equity securities	**–**	**–**	**–**	**1,979**	**1,979**
Debt securities	**91**	**304**	**254**	**–**	**649**
Other investments	**–**	**–**	**–**	**667**	**667**
Embedded derivatives	**251**	**385**	**243**	**–**	**879**
Loans	**421**	**1,143**	**368**	**–**	**1,932**
Insurance receivables	**232**	**14**	**–**	**2,209**	**2,455**
Other debtors and interfund balances	**1,103**	**732**	**–**	**–**	**1,835**
Cash and cash equivalents	**3,216**	**–**	**–**	**–**	**3,216**
Financial assets	**10,701**	**14,553**	**6,861**	**13,882**	**45,997**
Other creditors and interfund balances	**881**	**6**	**979**	**–**	**1,866**
Insurance payables	**272**	**23**	**14**	**1,898**	**2,207**
Agents' retirement benefits	**43**	**43**	**106**	**–**	**192**
General insurance fund contract liabilities	**83**	**9**	**–**	**–**	**92**
Life assurance fund contract liabilities	**5,248**	**7,280**	**21,977**	**53**	**34,558**
Financial liabilities	**6,527**	**7,361**	**23,076**	**1,951**	**38,915**
2008					
Available-for-sale securities					
Equity securities	–	–	–	5,072	5,072
Debt securities	4,733	11,114	5,736	–	21,583
Other investments	–	–	–	1,765	1,765
Securities at fair value through profit or loss					
Equity securities	–	–	–	1,085	1,085
Debt securities	125	417	347	–	889
Other investments	–	–	–	470	470
Embedded derivatives	187	287	182	–	656
Loans	343	933	355	–	1,631
Insurance receivables	244	–	–	2,178	2,422
Other debtors and interfund balances	952	810	–	–	1,762
Cash and cash equivalents	4,030	–	–	–	4,030
Financial assets	10,614	13,561	6,620	10,570	41,365
Other creditors and interfund balances	1,677	70	290	–	2,037
Insurance payables	2,042	41	11	–	2,094
Agents' retirement benefits	39	42	102	–	183
Amounts due to joint venture	1	–	–	–	1
General insurance fund contract liabilities	89	10	–	–	99
Life assurance fund contract liabilities	4,975	5,677	21,071	26	31,749
Financial liabilities	8,823	5,840	21,474	26	36,163

Notes to the Financial Statements
For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)
39.5 Insurance-related risk management (continued)
(g) Cash flow and liquidity risk (continued)
The following tables show the current/non-current classification of assets:

$ million	Current *	Non-current	Unit-linked	Total
2009				
Cash and cash equivalents	**2,986**	**–**	**230**	**3,216**
Other debtors and interfund balances	**1,124**	**691**	**20**	**1,835**
Insurance receivables	**1,608**	**847**	**–**	**2,455**
Amount due from joint venture	**6**	**–**	**–**	**6**
Loans	**406**	**1,526**	**–**	**1,932**
Investments, including derivative instruments	**11,307**	**22,266**	**3,309**	**36,882**
Associates and joint ventures	**–**	**324**	**–**	**324**
Goodwill	**–**	**19**	**–**	**19**
Property, plant and equipment	**–**	**743**	**–**	**743**
Investment properties	**–**	**1,119**	**–**	**1,119**
Assets	**17,437**	**27,535**	**3,559**	**48,531**
2008				
Cash and cash equivalents	3,845	–	185	4,030
Other debtors and interfund balances	594	1,122	45	1,761
Insurance receivables	2,391	31	–	2,422
Amount due from joint venture	6	–	–	6
Deferred tax	–	22	–	22
Loans	233	1,398	–	1,631
Investments, including derivative instruments	9,506	20,224	2,194	31,924
Associates and joint ventures	–	455	–	455
Goodwill	–	26	–	26
Property, plant and equipment	–	804	–	804
Investment properties	–	1,074	–	1,074
Assets	16,575	25,156	2,424	44,155

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

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

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

The loans in GEH Group's portfolio are generally secured by collaterals, with a maximum loan to value of 70% predominantly. The amount and type of collateral required depends 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. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collaterals, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

$ million	2009 Carrying value of loans	2009 Fair value of collaterals	2008 Carrying value of loans	2008 Fair value of collaterals
Type of collaterals				
Policy loans – Cash value of policies	**2,209**	**3,505**	2,179	4,154
Secured loans				
Properties	**1,863**	**4,156**	1,511	3,578
Shares	**43**	**89**	73	187
Bankers' guarantees	**23**	**23**	26	26
Others	**3**	**6**	4	7
	4,141	**7,779**	3,793	7,952

Notes to the Financial Statements

For the financial year ended 31 December 2009

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

(h) Credit risk (continued)

Investments lent and collaterals received under securities lending arrangements amounted to $43.4 million and $45.1 million respectively as at 31 December 2009 (2008: $110.0 million and $116.4 million respectively). As at the balance sheet date, no investments (2008: 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.

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

	Neither past due nor impaired					
$ million	**Investment grade @**	**Non-investment grade @**	**Non-rated**	**Unit linked/ not subject to credit risk**	**Past due**	**Total**
2009	(AAA–BBB)	(BB–C)				
Available-for-sale securities						
Equity securities	**–**	**–**	**–**	**7,412**	**–**	**7,412**
Debt securities	**21,767**	**118**	**1,473**	**–**	**–**	**23,358**
Other investments	**–**	**–**	**–**	**1,615**	**–**	**1,615**
Securities at fair value through profit or loss						
Equity securities	**–**	**–**	**1**	**1,978**	**–**	**1,979**
Debt securities	**5**	**–**	**2**	**642**	**–**	**649**
Other investments	**–**	**–**	**53**	**614**	**–**	**667**
Derivative assets and embedded derivatives	**349**	**#**	**268**	**585**	**–**	**1,202**
Loans	**–**	**–**	**1,932**	**–**	**–**	**1,932**
Insurance receivables	**–**	**–**	**2,409**	**–**	**46**	**2,455**
Other debtors and interfund balances	**–**	**–**	**1,608**	**20**	**207**	**1,835**
Cash and cash equivalents	**2,970**	**–**	**16**	**230**	**–**	**3,216**
Financial assets	**25,091**	**118**	**7,762**	**13,096**	**253**	**46,320**
2008						
Available-for-sale securities						
Equity securities	–	–	–	5,072	–	5,072
Debt securities	18,910	770	1,903	–	–	21,583
Other investments	–	–	–	1,765	–	1,765
Securities at fair value through profit or loss						
Equity securities	–	–	–	1,085	–	1,085
Debt securities	(7)	–	–	896	–	889
Other investments	–	–	–	470	–	470
Derivative assets and embedded derivatives	390	62	99	509	–	1,060
Loans	–	–	1,631	–	#	1,631
Deferred tax	–	–	22	–	–	22
Insurance receivables	–	–	2,315	–	107	2,422
Other debtors and interfund balances	–	–	1,430	45	287	1,762
Cash and cash equivalents	3,722	–	123	185	–	4,030
Financial assets	23,015	832	7,523	10,027	394	41,791

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

"#" represents amounts less than $0.5 million.

Notes to the Financial Statements
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39. FINANCIAL RISK MANAGEMENT (continued)
39.5 Insurance-related risk management (continued)
(h) Credit risk (continued)
Ageing analysis of financial assets past due:

	Past due but not impaired					
$ million	**Less than 6 months**	**6 to 12 months**	**Over 12 months**	**Sub-total**	**Past due and impaired @**	**Total**
2009						
Insurance receivables	**17**	**#**	**29**	**46**	**#**	**46**
Other debtors and interfund balances	**204**	**3**	**#**	**207**	**–**	**207**
Total	**221**	**3**	**29**	**253**	**#**	**253**
2008						
Loans	–	–	#	#	–	#
Insurance receivables	72	3	31	106	1	107
Other debtors and interfund balances	282	3	2	287	–	287
Total	354	6	33	393	1	394

@ for assets to be classified as "past due and impaired", contractual payments must be in arrears for more than 90 days.
"#" 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.

Market risk sensitivity analysis
The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair values and/or amortised costs of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. The movements in these variables are non-linear. The method for deriving the sensitivity information and significant variables used did not change from the previous year. The impact on profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuations of insurance contract liabilities. The impact on equity represents the impact on profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Funds.

	Impact on profit after tax		Impact on equity	
$ million	**2009**	**2008**	**2009**	**2008**
Change in variables:				
Interest rate				
+100 basis points	**(122.8)**	(197.5)	**(145.7)**	(238.0)
–100 basis points	**56.6**	188.7	**73.9**	229.2
LTRFDR				
+10 basis points	**14.0**	35.0	**14.0**	35.0
–10 basis points	**(14.0)**	(35.0)	**(14.0)**	(35.0)
Foreign currency				
Market value of assets in foreign currency +5%	**13.6**	10.7	**23.1**	20.9
Market value of assets in foreign currency –5%	**(13.6)**	(10.7)	**(23.1)**	(20.9)
Equity				
Market value of all equities +20%	**24.7**	27.9	**135.4**	99.2
Market value of all equities –20%	**(24.7)**	(31.4)	**(135.4)**	(102.8)
Credit				
Spread +100 basis points	**(139.9)**	(100.9)	**(157.4)**	(114.8)
Spread –100 basis points	**139.9**	100.9	**157.4**	114.8
Alternative investments (1)				
Market value of all alternative investments +10%	**16.6**	6.2	**21.9**	17.1
Market value of all alternative investments –10%	**(16.6)**	(6.2)	**(21.9)**	(17.1)

(1) Alternative investments comprise investment in real estate and hedge funds.

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Operational and compliance risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- laws, regulations and rules governing insurance business and financial activities undertaken by GEH;
- codes of practice promoted by industry associations; and
- internal standards and guidelines.

The day-to-day management of operational and compliance risk is through the maintenance of a comprehensive system of internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMT reviews business and operational issues on a group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. The Internal Audit team reviews the system of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to the Audit Committee of GEH Group.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

40.1 Fair values

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument can be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. 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.

The following table is a summary of financial liabilities for which carrying amounts do not approximate fair value.

	2009		2008	
$ million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities				
Non-bank customer deposits [1]	**100,752**	**100,760**	94,173	94,266
Debts issued	**6,863**	**6,888**	6,010	5,719

[1] Includes amounts due to associates.

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40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

40.2 Fair value hierarchy

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

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data); and
- Level 3 – inputs for the valuation that are not based on observable market data.

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

	2009				2008			
$ million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value								
CDs purchased	**–**	**4,371**	**–**	**4,371**	–	3,418	–	3,418
Debt and equity securities	**2,640**	**8,167**	**325**	**11,132**	1,616	7,811	404	9,831
Derivative receivables	**25**	**3,837**	**111**	**3,973**	38	6,469	148	6,655
Government treasury bills and securities	**15,366**	**1,121**	**–**	**16,487**	13,250	742	–	13,992
LAF investment assets [1]	**16,478**	**18,043**	**–**	**34,521**	14,586	15,132	–	29,718
Other financial assets	**267**	**187**	**19**	**473**	91	949	203	1,243
Total	**34,776**	**35,726**	**455**	**70,957**	29,581	34,521	755	64,857
Liabilities measured at fair value								
Derivative payables	**18**	**3,747**	**153**	**3,918**	31	7,407	237	7,675
Trading portfolio liabilities	**2,015**	**1**	**–**	**2,016**	1,110	1	–	1,111
Other financial liabilities	**–**	**5,026**	**–**	**5,026**	131	4,592	–	4,723
Total	**2,033**	**8,774**	**153**	**10,960**	1,272	12,000	237	13,509

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

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

	2009				2008			
$ 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	**404**	**203**	**148**	**755**	659	222	184	1,065
Purchases	**62**	**–**	**15**	**77**	110	372	10	492
Settlements/disposals	**(175)**	**(200)**	**–**	**(375)**	(224)	(327)	–	(551)
Transfers out of Level 3 [1]	**(17)**	**–**	**–**	**(17)**	–	–	–	–
Gains/(losses) recognised in								
– profit or loss	**97**	**(2)**	**(52)**	**43**	71	(3)	(46)	22
– other comprehensive income	**(46)**	**18**	**(#)**	**(28)**	(212)	(61)	(#)	(273)
At 31 December	**325**	**19**	**111**	**455**	404	203	148	755
Total gains/(losses) included in profit or loss for assets held at the end of the year	**104**	**1**	**27**	**132**	87	(2)	102	187

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

	2009				2008			
$ million	**Net interest income**	**Trading income**	**Other income**	**Total**	**Net interest income**	**Trading income**	**Other income**	**Total**
Total gains/(losses) included in profit or loss for the year ended	**2**	**(61)**	**102**	**43**	(2)	(71)	95	22
Total gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**28**	**104**	**132**	–	100	87	187

[1] During the year, certain equities held at cost were transferred out of Level 3.

"#" represents amounts less than $0.5 million.

Notes to the Financial Statements

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40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

40.2 Fair value hierarchy (continued)

$ million	2009 Derivative payables	2009 Total	2008 Derivative payables	2008 Total
Liabilities measured at fair value				
At 1 January	**237**	**237**	202	202
Issues	**35**	**35**	13	13
Settlements/disposals	**–**	**–**	–	–
Transfers in/(out) of Level 3	**–**	**–**	–	–
(Gains)/losses recognised in				
– profit or loss	**(118)**	**(118)**	21	21
– other comprehensive income	**(1)**	**(1)**	1	1
At 31 December	**153**	**153**	237	237
Total gains/(losses) included in profit or loss for liabilities held at the end of the year	**35**	**35**	181	181

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

$ million	2009 Trading income	2009 Total	2008 Trading income	2008 Total
Total gains/(losses) included in profit or loss for the year ended	**118**	**118**	(21)	(21)
Total gains/(losses) included in profit or loss for liabilities held at the end of the year	**35**	**35**	181	181

41. CONTINGENT LIABILITIES

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

	GROUP 2009 $'000	GROUP 2008 $'000	BANK 2009 $'000	BANK 2008 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**3,339,108**	3,552,732	**3,405,231**	3,770,887
Term to maturity of more than one year	**2,491,301**	3,158,930	**2,090,373**	2,608,165
	5,830,409	6,711,662	**5,495,604**	6,379,052
Acceptances and endorsements	**349,865**	825,777	**223,996**	105,760
Documentary credits and other short term trade-related transactions	**1,022,010**	965,141	**738,890**	728,267
Others	**111,495**	158,111	**–**	–
	7,313,779	8,660,691	**6,458,490**	7,213,079

Notes to the Financial Statements
For the financial year ended 31 December 2009

41. CONTINGENT LIABILITIES (continued)

	GROUP		BANK	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
41.1 Analysed by industry				
Agriculture, mining and quarrying	**48,297**	78,558	**62,377**	12,046
Manufacturing	**1,642,199**	1,974,213	**1,277,677**	1,442,938
Building and construction	**1,523,120**	1,898,109	**1,160,331**	1,393,909
General commerce	**1,514,031**	1,537,874	**1,279,712**	1,036,021
Transport, storage and communication	**336,472**	401,622	**274,665**	320,874
Financial institutions, investment and holding companies	**976,218**	984,101	**1,093,792**	1,050,405
Professionals and individuals	**143,320**	146,229	**91,815**	93,536
Others	**1,130,122**	1,639,985	**1,218,121**	1,863,350
	7,313,779	8,660,691	**6,458,490**	7,213,079
41.2 Analysed by geography				
Singapore	**5,007,544**	5,347,699	**5,150,988**	5,630,183
Malaysia	**973,650**	1,551,289	**632,285**	814,954
Other ASEAN	**647,036**	786,661	**59,400**	50,795
Greater China	**335,454**	535,415	**265,722**	275,897
Other Asia Pacific	**121,524**	99,957	**121,524**	99,957
Rest of the World	**228,571**	339,670	**228,571**	341,293
	7,313,779	8,660,691	**6,458,490**	7,213,079

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

42. COMMITMENTS
Commitments comprise mainly agreements to provide credit facilities to customers. Such commitments can either be made for a fixed period, or have no specific maturity but are cancellable by the Group subject to notice requirements.

	GROUP		BANK	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
42.1 Credit commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**29,988,824**	30,438,618	**23,885,129**	25,559,448
Term to maturity of more than one year	**12,566,092**	14,498,050	**10,579,441**	10,291,320
	42,554,916	44,936,668	**34,464,570**	35,850,768
Undrawn note issuance and revolving underwriting facilities	**29,030**	70,747	**–**	22,666
	42,583,946	45,007,415	**34,464,570**	35,873,434
42.2 Other commitments				
Operating lease (non-cancellable) commitments:				
Within 1 year	**27,017**	23,504	**12,951**	12,830
After 1 year but within 5 years	**32,287**	34,817	**20,299**	19,757
Over 5 years	**2,560**	3,395	**2,465**	3,395
	61,864	61,716	**35,715**	35,982
Capital commitment authorised and contracted	**70,843**	82,571	**45,266**	58,090
Forward deposits and assets purchase/sale	**376,371**	1,502,896	**353,087**	1,510,540
	509,078	1,647,183	**434,068**	1,604,612
42.3 Total commitments	**43,093,024**	46,654,598	**34,898,638**	37,478,046

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42. COMMITMENTS (continued)

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
42.4 Credit commitments analysed by industry				
Agriculture, mining and quarrying	**609,108**	625,852	**357,346**	150,579
Manufacturing	**3,809,559**	4,689,696	**2,229,011**	3,052,170
Building and construction	**4,268,718**	7,698,914	**3,069,930**	6,224,946
General commerce	**5,543,581**	5,750,646	**4,144,054**	4,289,516
Transport, storage and communication	**3,368,352**	2,631,378	**3,128,796**	2,503,758
Financial institutions, investment and holding companies	**6,226,394**	6,431,016	**6,237,469**	6,431,837
Professionals and individuals	**13,586,083**	10,883,576	**12,871,327**	10,509,877
Others	**5,172,151**	6,296,337	**2,426,637**	2,710,751
	42,583,946	45,007,415	**34,464,570**	35,873,434
42.5 Credit commitments analysed by geography				
Singapore	**32,085,702**	33,362,611	**31,536,390**	33,254,267
Malaysia	**6,430,556**	7,795,308	**382,337**	151,682
Other ASEAN	**1,374,920**	1,184,422	**242,752**	260,034
Greater China	**935,895**	1,063,772	**544,217**	604,154
Other Asia Pacific	**1,189,860**	1,060,718	**1,191,861**	1,062,713
Rest of the World	**567,013**	540,584	**567,013**	540,584
	42,583,946	45,007,415	**34,464,570**	35,873,434

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

43. ASSETS PLEDGED

	GROUP		BANK	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Government treasury bills and securities (Note 24)				
Singapore	**260,367**	85,088	**260,367**	85,088
Others	**6,498**	6,334	**6,498**	6,334
Placements with and loans to banks (Note 25)	**–**	547,831	**–**	547,831
Loans and bills receivable (Note 26)	**12,266**	–	**–**	–
Debt securities (Note 30)	**–**	197,855	**–**	197,855
	279,131	837,108	**266,865**	837,108
Repo balances for assets pledged	**273,320**	682,207	**261,054**	682,207

The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is $1,049.4 million (2008: $770.8 million), of which $280.7 million (2008: $58.5 million) have been sold or re-pledged. The Group is obliged to return equivalent assets.

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

44. 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Within 1 year	**40,792**	54,977	**15,410**	19,591
After 1 year but within 5 years	**38,563**	50,356	**4,913**	10,140
Over 5 years	**7,749**	4,126	**–**	–
	87,104	109,459	**20,323**	29,731

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45. 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.

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

GROUP ($ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2009	1	52	6	–
Net increase/(decrease)	4	(50)	(4)	#
At 31 December 2009	**5**	**2**	**2**	**#**
(b) Deposits, borrowings and other payables				
At 1 January 2009	95	344	24	628
Net increase/(decrease)	27	(142)	6	(166)
At 31 December 2009	**122**	**202**	**30**	**462**
(c) Off-balance sheet credit facilities [1]				
At 1 January 2009	–	28	–	–
Net increase	–	17	–	–
At 31 December 2009	**–**	**45**	**–**	**–**
(d) Income statement transactions				
Year ended 31 December 2009:				
Interest income	**–**	**#**	**#**	**#**
Interest expense	**1**	**2**	**#**	**9**
Rental income	**#**	**4**	**–**	**#**
Fee and commission and other income	**#**	**1**	**#**	**41**
Rental and other expenses	**3**	**#**	**#**	**3**
Year ended 31 December 2008:				
Interest income	#	2	#	#
Interest expense	1	5	#	19
Rental income	#	2	–	#
Fee and commission and other income	1	1	#	77
Rental and other expenses	6	#	#	9

[1] Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies.

"#" represents amounts less than $0.5 million.

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45. RELATED PARTY TRANSACTIONS (continued)

BANK ($ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2009	3,281	–	48	6	–
Net increase/(decrease)	985	–	(46)	(4)	–
At 31 December 2009	**4,266**	**–**	**2**	**2**	**–**
(b) Deposits, borrowings and other payables					
At 1 January 2009	3,299	88	332	24	280
Net (decrease)/increase	(30)	30	(145)	5	53
At 31 December 2009	**3,269**	**118**	**187**	**29**	**333**
(c) Off-balance sheet credit facilities [(1)]					
At 1 January 2009	1,066	–	28	–	–
Net (decrease)/increase	(286)	–	17	–	–
At 31 December 2009	**780**	**–**	**45**	**–**	**–**
(d) Income statement transactions					
Year ended 31 December 2009:					
Interest income	**46**	**–**	**#**	**#**	**#**
Interest expense	**104**	**1**	**1**	**#**	**1**
Rental income	**4**	**–**	**–**	**–**	**–**
Fee and commission and other income	**4**	**–**	**#**	**#**	**29**
Rental and other expenses	**184**	**3**	**#**	**#**	**#**
Year ended 31 December 2008:					
Interest income	107	–	2	#	#
Interest expense	60	1	5	#	4
Rental income	4	–	–	–	–
Fee and commission and other income	21	–	#	#	65
Rental and other expenses	204	6	#	#	#

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

45.2 Key management personnel compensation

	BANK 2009 $ million	BANK 2008 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**31**	21
Share-based benefits	**11**	8
	42	29

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2009 included in the above table are subject to the approval of the Remuneration Committee.

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46. SUBSEQUENT EVENT

On 29 January 2010, OCBC Bank announced that it has completed the acquisition of ING Asia Private Bank Limited and its subsidiaries (together, "IAPB") for an investment amount of approximately US$1,446 million or S$2,024 million. IAPB has been re-named Bank of Singapore Limited ("Bank of Singapore") and is now a wholly-owned private banking subsidiary of OCBC Bank.

The private banking businesses of IAPB and OCBC Bank will be combined and operate as Bank of Singapore. This will result in the creation of a leading Asian private bank with over 7,000 clients and total private client assets under management of approximately US$23 billion. It will also occupy a unique position as the only dedicated private bank that is headquartered in Singapore.

47. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

As of balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. For the Group, the following relevant new/revised standards and interpretations are mandatory with effect from the annual period commencing 1 January 2010:

- FRS 27 (Revised) *Consolidated and Separate Financial Statements*
- FRS 103 (Revised) *Business Combinations*
- FRS 39 (Amendments) *Financial Instruments: Recognition and Measurement*
  - *Embedded Derivatives*
  - *Eligible Hedged Items*
- FRS 102 (Amendments) *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
- INT FRS 109 (Amendments) *Reassessment of Embedded Derivatives*
- INT FRS 117 *Distributions of Non-cash Assets to Owners*
- Improvements to FRSs 2008 *Amendments to FRS 105- Non-current Assets Held for Sale and Discontinued Operations*
- Improvements to FRSs 2009

The revised FRS 27 requires that changes in a parent's ownership interest in a subsidiary which do not result in a loss of control be accounted for as equity transactions, with resulting gains and losses taken to equity and not to the income statement.

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

The initial application of the above standards (including their consequential amendments) and interpretations are not expected to have any material impact on the Group's financial statements.