A different point of view

OCBC Bank

Oversea-Chinese Banking Corporation Limited Annual Report 2008

Purpose

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

Values

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

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

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

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

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

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

Contents

What’s the difference?
Faster response. Better dialogue.
First-of-its-kind services. Repeat customers.
Just what sets OCBC apart? Consider eight
different points of view.

Different experience for different engagement

At OCBC, we put our customers at the heart of everything we do. We work relentlessly to differentiate OCBC from our competitors by focusing on two aspects of service excellence. One is quality: making sure that we deliver with zero defects, on time, all the time. The other involves making our customers' experience at OCBC an exceptional one, which we call "building emotional engagement" with our customers. In addition, we continue to roll out many innovative products and services that cater to our customers' varying requirements, the result of customer insights gained through our extensive research of their needs. These efforts have not gone unnoticed, as our recent customer surveys reveal an increasing level of customer satisfaction with their OCBC banking experience.

Different setting for different banking

OCBC pioneered full-service Sunday Banking in Singapore in November 2006, and received overwhelmingly positive customer response. We have since tripled the number of Sunday Banking branches from five to 15, with these branches well spread across the island and in convenient locations such as shopping malls and near MRT stations. By offering a full suite of banking services in a fun and unique family-oriented branch environment, our customers can enjoy a quality conversation with us about important financial matters without the hustle and bustle of a typical working day. This initiative has helped drive an increase in our customer traffic and transaction volumes.

Different assurance for different confidence

Leveraging on our strategic relationship with Great Eastern, OCBC was the first bank to offer bancassurance products in Singapore in the early 1990s. We have consistently held the number one bancassurance position in Singapore since industry records began in 2001. We work closely with Great Eastern to tailor products catering to the varying insurance needs of our customers at different stages of their lives. Bancassurance forms an important component of our complete suite of wealth management products which also include equities, unit trusts, bonds, time deposits and structured deposits. Building on our successful bancassurance experience in Singapore, we are transferring the business model to China and Indonesia as we build our retail banking presence in these countries.

Different thoughts for different tots

In April 2008, our successful children savings programme (*Mighty Savers*™) received a boost with OCBC's appointment as the Managing Agent for the Children Development Account (CDA) under the Baby Bonus Scheme. Our CDA solutions complement our award-winning *Mighty Savers*™ deposit schemes, helping parents with financial planning for their children's future, right from the time of birth. By teaching children about regular savings in a fun and meaningful way, the *Mighty Savers*™ brand has become well-loved by children. One of the most popular features is the step ladders at our branches that children can use to engage our bank tellers face-to-face.

Different devices for different desires

OCBC is the first and only bank in the region to offer secure mobile banking service. Our customers can check their bank balances, transfer funds to third parties and pay bills using their mobile phones, at anytime, anywhere. Since the launch in 2006, the number of customers who signed up for mobile banking service has increased significantly. Using mobile phones as a banking channel complements our other delivery channels, giving our customers the added convenience of performing personal banking transactions according to their lifestyle needs and preferences. Today, our customers can conduct their banking on a wide range of popular mobile device platforms such as Symbian, BlackBerry, Windows Mobile and iPhone.

Different wheels for different deals

From insights gained through researching customer needs, we launched a series of service initiatives to make banking simple and convenient for our small and medium enterprises (SME) customers. First introduced in 2006, our *Quick Cheque Deposit* service for SMEs is now available at 14 petrol stations across Singapore and five petrol stations in Malaysia, allowing SMEs to drop their cheques at convenient locations. Our research tells us that the SME community in the Ubi-Paya Lebar area in Singapore had been underserved by banks for some time. In 2008, we opened our first full-service business banking branch in Ubi and also launched *OCBC BizExpress*, a mobile document collection service that uses a van to deliver and receive banking documents from SMEs operating from the many industrial buildings in the area.

Different niche for different needs

In retail banking, OCBC China has introduced RMB mortgages, wealth management and investment products to serve the growing affluent segment in China. With affluent customers in China becoming more discerning in their banking needs, OCBC China as a relatively new entity is working hard to differentiate itself from competitors, by focusing on quality service and providing relevant financial products and services. Today, we have a total of nine branches and sub-branches in six cities across China, including our headquarters in Shanghai. The design of our new retail branches and sub-branches in Chengdu and Shanghai reflect our strong Singapore heritage and values through the interplay of modern orchid motif and Chinese architecture. Our Chengdu Shangri-La Sub-Branch received the inaugural Model Sub-Branch Award 2008 in the Sichuan Province.

Different customs for different customers

In 2007, OCBC was one of the only two foreign banks in Malaysia to receive regulatory approval to set up an Islamic Banking subsidiary. In December 2008, OCBC Al-Amin, the wholly-owned Islamic Banking subsidiary of OCBC Malaysia, commenced operations, opening its first branch in the Klang Valley to serve both the Muslim and non-Muslim communities in Malaysia. Our inaugural OCBC Al-Amin branch performed well in its first month of operations, achieving a healthy level of customer account openings. Given the support of OCBC's strong presence in Malaysia and OCBC's branches and networks covering Indonesia, Singapore and Brunei, we intend to expand OCBC Al-Amin regionally to promote our capabilities in providing Shariah-compliant Islamic Banking facilities.

Letter to Shareholders

"While the financial crisis kept us on alert throughout the year, it did not detract us from continuing to invest in our service initiatives and delivery channels to better serve our customers and to provide a differentiated customer experience."

The past year was truly an economic *annus horribilis*. What began as a US sub-prime housing crisis in 2007 became a full-blown global financial crisis in 2008, resulting in an unprecedented liquidity and credit crunch, extreme upheavals in financial markets, numerous failed institutions, forced bank mergers and massive government intervention. The effects on the real economy began to show up world-wide in the fourth quarter of 2008, with most of the OECD world now in recession and many developing countries either in recession or facing dramatic declines in their GDP growth. It is clear that none of us have seen anything like the current global downturn in our professional lifetimes.

PERFORMANCE REVIEW

It is against this grim backdrop that we saw our core earnings decline after posting six consecutive years of growth. Our Group core net profit, which excludes non-recurring items, fell 21% to S$1,486 million in 2008, from S$1,878 million in 2007. Earnings were dragged down mainly by lower insurance, investment and trading income, and increased allowances. Including gains from the divestment of our remaining stakes in Straits Trading and Robinson & Company, and tax refunds and writebacks, our reported Group net profit was higher at S$1,749 million, although down 16% from the previous year's record of S$2,071 million.

Core net profit contribution from our insurance subsidiary Great Eastern Holdings (GEH) fell significantly from S$449 million to S$160 million, hurting the Group's consolidated profit. Excluding GEH, our core net profit showed a smaller decline of 7%. GEH's earnings were adversely affected by the weak and volatile equity and bond markets, which resulted in mark-to-market losses, lower investment profits and higher impairment provisions. However, its underlying insurance business remains healthy. New business premiums rose 32% for the year, and GEH maintained its leadership position, in terms of market share, in the life insurance business in Singapore and Malaysia, and in the bancassurance market in Singapore.

Our net interest income increased by 24% to S$2,783 million, driven by growth in interest earning assets and better margins. Loans grew 12% to S$81.3 billion, led by growth in business loans in Singapore as well as in overseas markets. Net interest margin widened from 2.10% to 2.27%, an eight-year high, as a result of higher loan spreads and lower funding costs, partially driven by strong growth in low cost deposits.

Non-interest income (excluding divestment gains) fell 25% to S$1,458 million, due mainly to lower insurance, investment and trading income. Fee and commission income held up reasonably well, falling 4% to S$774 million, as lower stockbroking, wealth management and fund management income was mitigated by growth in other fee-based businesses, in particular loan-related and trade-related income.

Our operating expenses rose 10% to S$1,854 million. Approximately 42% of this increase was due to the Group's overseas expansion, particularly in China, and the first-time consolidation of expenses from PacificMas Berhad, which became a subsidiary in April 2008. Our business-as-usual expenses increased by 7%, contributed mainly by higher base salaries, an increase in headcount, and higher depreciation, rental and business promotion costs.

Deterioration in credit markets and economic conditions resulted in a substantial increase in net allowances for loans and other assets to S$447 million, from S$36 million in 2007. This amount comprises S$185 million for loans (including portfolio allowances of S$20 million), S$87 million for CDOs (collateralised debt obligations) and S$175 million for other assets, mainly bonds. As at the end of 2008, our outstanding CDO investment exposure was S$453 million, of which 81% were covered by cumulative allowances and mark-to-market losses through the income statement, and another 15% covered through negative fair value adjustments in equity reserves.

Our non-performing loans (NPL) and NPL ratio fell steadily during the first nine months of the year but rose during the last quarter. At year-end, non-performing loans amounted to S$1,348 million, marginally below the end-2007 level, while the NPL ratio improved from 1.7% to 1.5%. Our allowance coverage ratio remains healthy, with cumulative allowances amounting to 125% of non-performing loans, up from 116%.

Our Malaysia and Indonesia banking subsidiaries performed well. OCBC Bank (Malaysia) Berhad grew its net profit by 20% to RM617 million (S$256 million), underpinned by higher net interest income, Islamic Banking income and non-interest income. Bank OCBC NISP in Indonesia achieved a 27% increase in net profit to IDR317 billion (S$40 million), driven by growth in net interest and non-interest income and a moderation in expense growth.

DIVIDENDS

The Board has recommended a final one-tier tax exempt dividend of 14 cents per share for ordinary shareholders, bringing the total distribution for 2008 to 28 cents, unchanged from 2007. The Board's decision takes into account the Group's strong capital position and anticipated capital needs, and its stated objective of maintaining, as far as possible, a steady dividend quantum to provide greater predictability to investors. The 2008 payout represents 58% of core net profit, above our target minimum of 45%.

We propose to reactivate our Scrip Dividend Scheme, which was approved by shareholders in 1996, to give shareholders the option of receiving their dividend in the form of shares instead of cash. This is subject to certain alterations being made to the scheme so that it conforms to the current SGX scrip dividend rules. For shareholders who elect to receive the final dividend in scrip, the issue price for the new shares to be alloted is proposed to be set at a 10% discount to the reference share price (the average closing price of OCBC shares from the ex-dividend date to the books closure date). The reason for offering the scrip option is to provide shareholders with a convenient way to re-invest their dividends in OCBC shares with minimal transaction costs.

CONTINUING TO INVEST FOR GROWTH

While the financial crisis kept us on alert throughout the year, it did not detract us from continuing to invest in our service initiatives and delivery channels to better serve our customers and to provide a differentiated customer experience.

Through our branch transformation initiative, we have to-date remodeled 26 of our branches in Singapore, including our main OCBC Centre, and nine branches in Malaysia. These branches now display our new branch design and layout which offers an enhanced level of service, convenience and interaction with our customers. In Singapore, we doubled our Premier Banking Centres from 5 to 10, opened a new service centre for our Private Bank clients, and extended our popular full-service Sunday Banking from 10 to 15 branches. In Malaysia, our wholly-owned Islamic Banking subsidiary, OCBC Al-Amin Bank Berhad, commenced operations in December 2008 with its first branch at Petaling Jaya. And in Hong Kong, we opened our first Premier Banking Centre.

Several key initiatives were launched in Singapore and across the region as part of our continuing focus on service innovation and excellence. In partnership with China Unionpay, we introduced *EasiRemit*, the first cross-border remittance service from Singapore to China that uses mobile phones and ATMs. *SmartChange* is a first-in-Asia save-as-you-spend feature which allows OCBC debit and credit cardmembers to save the small change on their card purchases in a designated OCBC savings account, matched by an equal contribution from OCBC for the first three months and a modest percentage thereafter. For our SME customers, we introduced *OCBC BizExpress* in Singapore, a free document collection service in industrial locations, and *Easi-Cash Collect* in Malaysia, a bulk cash collection service. Our first full-service Business Banking Centre was opened in Ubi, Singapore, dedicated to servicing the banking needs of companies in the industrial estate.

Letter to Shareholders

Worthy of pride was the selection of OCBC as one of two agent banks to manage the Children Development Accounts (CDA) under Singapore's Baby Bonus Scheme. More than 75% of parents moved their CDA accounts to OCBC, which clearly demonstrates the success of our family-centric initiatives such as the *OCBC Mighty Savers™* programme and our full-service Sunday Banking.

In China, our expansion plans are proceeding on track and are showing good results. OCBC China, which was incorporated in August 2007, achieved revenue growth of 78% in 2008, driven by growth in loans and deposits, and increased contributions from the treasury and financial institutions businesses. We added two new main branches in Guangzhou and Beijing and a second sub-branch in Chengdu, bringing our China network to nine branches and sub-branches in six cities. In tandem with the business expansion, our China staff strength more than doubled during the year. We have also commenced our retail RMB business, widening our product range to include mortgages, home equity loans, bancassurance and a children's savings programme. During the year we also launched Internet Banking for retail customers, and our cash management platform *Velocity@ocbc* for business customers.

In Indonesia, Bank NISP changed its name and logo to Bank OCBC NISP in December 2008, and launched a major transformation programme in conjunction with its brand positioning as a "Partner for Life" to its customers. The name change is a significant event that reflects the forging of closer ties between the two banks and our commitment to help transform Bank OCBC NISP into a top-tier bank in Indonesia. The bank added 24 new branches and 45 ATMs during the year, bringing its total network size to 370 branches and 537 ATMs. We also increased our stake in Bank OCBC NISP from 72.4% to 74.7%.

We are making good progress in our collaboration efforts with our partner banks, Bank of Ningbo in China and VP Bank in Vietnam, in areas such as risk management, product development and training. These partnerships remain important in complementing and supporting our organic growth ambitions in both markets. In October 2008, we increased our shareholding in VP Bank from 10% to 15%.

LOOKING AHEAD

It is clear that 2009 will remain a difficult year for businesses and individuals around the world. The official forecast is that the Singapore economy will shrink between 2% and 5%, following a meagre 1.2% growth in 2008. Likewise, the economic prognosis around the world is negative.

While there is much uncertainty and debate over the timing and shape of any recovery, we take some comfort in the things that we do know. Unlike during the Asian financial crisis, the region is not at the epi-center of the current financial storm. Asia's financial systems are generally healthy. The S$20.5 billion Resilience Package announced by the Singapore Government will certainly help the economy and provide some assistance to businesses and individuals. The Jobs Credit scheme in particular should help corporate cash flows and bolster employment levels, both of which will be important to us in keeping overall credit provisions down. And despite the budget deficit, Singapore is fortunate to be spending its own surpluses, rather than taking on more public debt that could burden future generations. Finally, we should be glad that inflation, a key concern a year ago, is now falling, and expected to be zero to negative in 2009.

OCBC has made great strides in recent years and we are fortunate to have excess liquidity, ample capital and a strong balance sheet. As at the end of 2008, we have S$14.3 billion in Tier 1 capital, and our Tier 1 capital adequacy ratio of 14.9% is high relative to most other banks globally. Importantly, we have strengthened our risk management capabilities and credit processes considerably following the lessons learnt from the Asian financial crisis of 1997-98 and the recession in 2001-2002. Going into this downturn, we believe we can manage our portfolio and overall risks better compared to previous downturns. Nevertheless, as weak consumer sentiment persists, unemployment rises and more businesses get into trouble, our earnings are likely to be negatively impacted in the year ahead.

In this environment, it is appropriate that we become more careful with our expenses. Therefore we will endeavour to keep our business-as-usual expenses flat relative to 2008. To do so we have tightened policies on discretionary expenses, including travel, entertainment, employee events and rewards programmes. We are also optimising our workforce levels and resources to do more with less. For example, we are moving colleagues from areas where volumes are down to where business is holding up well. While we will limit new hiring, there is currently no plan for retrenchment and we have announced to staff that we will only consider retrenchment as a last resort after other cost saving measures are implemented. Furthermore, we intend to maintain our training budget, continuing to invest in our people to improve their skills and help them develop their careers.

We also intend to continue to invest prudently to position ourselves for future growth. However, we will pace our investments and capability building projects in the year ahead, and slow down our investments in non-essential IT capability building projects.

Despite these difficult times, we will remain customer centric. This is perhaps more important now than in good times. Commercial banking is largely about customer relationships and building trust in lean times is fundamental to building lasting bonds. We intend to work closely with all our customers through this trying period so that we can strengthen relationships for the longer term and help those customers who cooperate with us to emerge as stronger players. For example, OCBC is already among the leading financial institutions participating in the various government loan assistance schemes for SMEs, and we will continue to take a very active role in supporting the latest programmes to ensure that credit continues to flow to worthy borrowers.

ACKNOWLEDGEMENTS

The Board extends a warm welcome to two new Directors who joined us in November 2008: Mrs Fang Ai Lian, who is also the Chairman of Great Eastern Holdings, and Mr Colm McCarthy, a former career banker with the Bank of America. We look forward to their contribution and the sharing of their views and expertise.

We would like to thank our fellow Board members for their valuable input and wise counsel, and our customers and shareholders for their continued support. Above all, we want to acknowledge the commitment and dedication of our staff. We are grateful for their deep sense of responsibility, and we know we can count on all of our colleagues to pull together to sustain our performance in the challenging year ahead.

Two Directors, Mr David Wong and Dr Tsao Yuan, have indicated that they do not wish to present themselves for re-election at the 2009 Annual General Meeting, having each served a total of nine and six years respectively. We thank them for their very useful contributions to the business of the Board during their terms of office and wish them well.

CHEONG CHOONG KONG
Chairman

DAVID CONNER
Chief Executive Officer

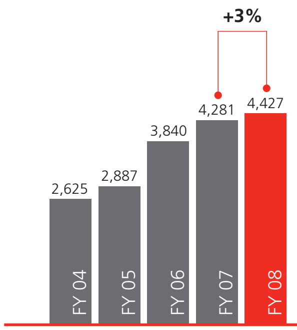
18 February 2009

Financial Highlights

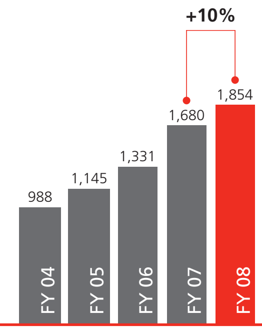
Group Five-Year Financial Summary

Financial year ended 31 December	**2008**	2007	2006	2005	2004
Income statements (S$ million)					
Total income	**4,427**	4,281	3,840	2,887	2,625
Operating expenses	**1,854**	1,680	1,331	1,145	988
Operating profit	**2,573**	2,601	2,508	1,742	1,637
Amortisation of goodwill and intangible assets	**47**	47	44	40	158
Allowances for loans and impairment of other assets	**447**	36	2	12	77
Profit before tax	**2,085**	2,539	2,476	1,706	1,491
Profit attributable to equity holders of the Bank	**1,749**	2,071	2,002	1,298	1,148
Cash basis profit attributable to equity holders of the Bank (1)	**1,796**	2,118	2,046	1,338	1,306
Balance sheets (S$ million)					
Non-bank customer loans (net of allowances)	**79,808**	71,316	59,309	55,134	51,829
Non-bank customer deposits	**94,078**	88,788	75,115	64,088	57,287
Total assets	**181,385**	174,607	151,220	134,710	121,935
Assets, excluding life assurance fund investment assets (2)	**142,508**	133,471	113,607	99,615	92,299
Total liabilities	**162,825**	157,768	136,729	121,223	110,216
Ordinary shareholders' equity	**13,978**	14,782	12,508	11,442	10,334
Total equity attributable to the Bank's shareholders	**15,874**	15,678	13,404	12,338	11,230
Per ordinary share (3)					
Basic earnings (cents)	**54.6**	65.9	63.4	40.1	35.4
Cash earnings (cents) (1)	**56.1**	67.4	64.8	41.4	40.4
Net interim and final dividend (cents) (4)	**28.0**	28.0	23.0	18.4	12.7
Net special and bonus dividend (cents) (5)	**–**	–	–	41.7	–
Net asset value (S$)	**4.51**	4.79	4.07	3.67	3.27
Ratios (%)					
Return on ordinary shareholders' equity	**11.8**	14.8	16.6	11.4	11.3
Return on assets (6)	**1.23**	1.66	1.92	1.30	1.28
Dividend cover (number of times)	**1.95**	2.35	2.77	2.19	2.75
Cost to income	**41.9**	39.2	34.7	39.6	37.6
Capital adequacy ratio (7)					
Tier 1	**14.9**	11.5	13.1	13.2	12.6
Total	**15.1**	12.4	15.8	17.3	17.7

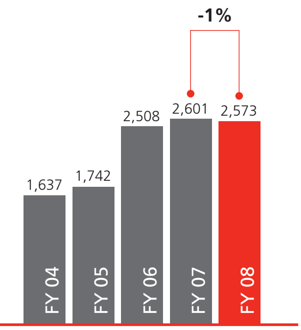
(1) Excludes amortisation of goodwill and intangible assets.
(2) 2004 to 2006 figures were restated for the reclassification of life assurance fund's property, plant and equipment from life assurance fund investment assets.
(3) 2004 figures were restated for the effects of 1-for-5 rights issue and sub-division of one ordinary share to two ordinary shares, effected on 18 July 2005 and 5 August 2005 respectively.
(4) Dividends are stated net of tax, where relevant. With effect from the 2007 final dividend, the Group's dividends are on a one-tier tax exempt basis.
(5) 2005 bonus dividend was announced on 11 May 2005, with an option to elect for the subscription of a renounceable non-underwritten 1-for-5 rights issue in the capital of OCBC Bank.
(6) The computation of return on average assets does not include life assurance fund investment assets.
(7) 2008 capital adequacy ratio is computed under the Basel II framework, in accordance with the revised MAS Notice 637 to Banks, dated 14 December 2007.



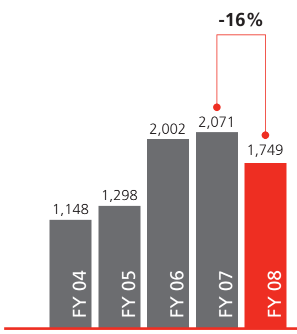
Total Income (S$ million)



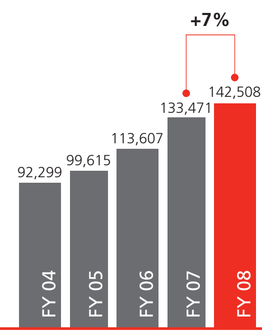
Operating Expenses (S$ million)



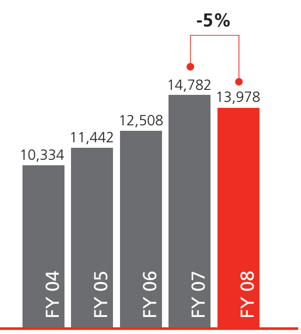
Operating Profit (S$ million)



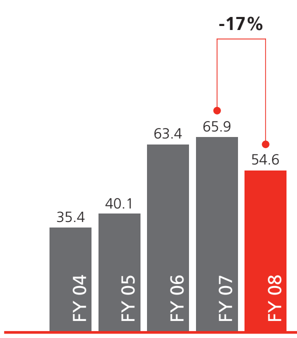
Profit Attributable to Equity Holders of the Bank (S$ million)



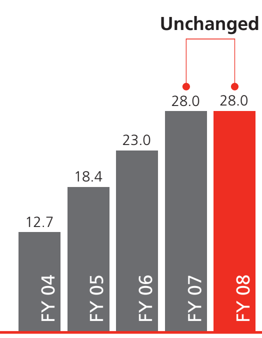
Assets, Excluding Life Assurance Fund Investment Assets (S$ million)



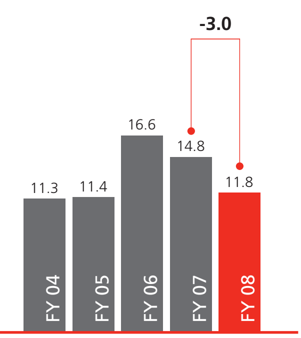
Ordinary Shareholders' Equity (S$ million)



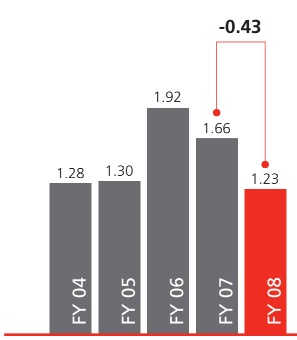
Basic Earnings Per Share (cents)



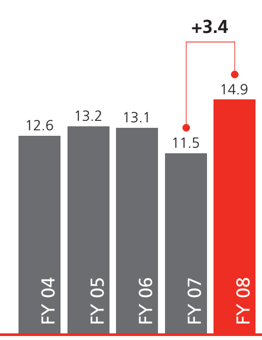
Net Dividend Per Share (cents)



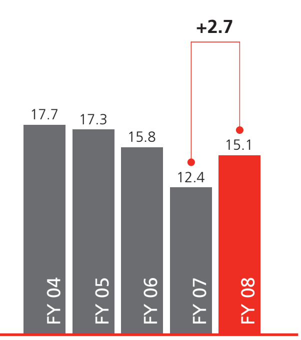
Return on Ordinary Shareholders' Equity (%)



Return on Assets (%)



Tier 1 CAR (%)



Total CAR (%)

Board of Directors

DR CHEONG CHOONG KONG, CHAIRMAN

Dr Cheong was first appointed to the Board on 1 July 1999 and last re-elected as a Director on 17 April 2008. On 1 July 2003, he was appointed Chairman, after having served as Vice Chairman from 26 March 2002 to 30 June 2003. Dr Cheong brings with him a wealth of experience gained in his extensive career, including 29 years at Singapore Airlines Ltd, where he last held the position of Deputy Chairman and Chief Executive Officer. He is a Director of several companies, including Great Eastern Holdings Ltd. Dr Cheong holds a Bachelor of Science with First Class Honours in Mathematics from the University of Adelaide and a Master of Science and a Ph.D. in Mathematics from the Australian National University. Age 67.

MR BOBBY CHIN

Mr Chin was appointed to the Board on 1 October 2005 and elected as a Director on 20 April 2006. He is presently the Chairman of Singapore Totalisator Board and serves on the board of several companies, including Neptune Orient Lines Ltd and Sembcorp Industries Ltd. He also serves as a Director of Singapore Labour Foundation, a Board Trustee of Singapore Indian Development Association and a Member of the Competition Commission of Singapore. Mr Chin was formerly Managing Partner of KPMG Singapore, from which he retired in 2005 after a 30-year career. Mr Chin holds a Bachelor of Accountancy from University of Singapore and is an Associate Member of the Institute of Chartered Accountants in England and Wales, and a Member of the Institute of Certified Public Accountants of Singapore. Age 57.

MR DAVID CONNER, CHIEF EXECUTIVE OFFICER

Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 19 April 2007. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently Chairman of Bank of Singapore Ltd, a Commissioner of PT Bank OCBC NISP Tbk and a Director of several companies, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad, OCBC Al-Amin Bank Berhad and Lion Global Investors Ltd. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 60.

MRS FANG AI LIAN

Mrs Fang was appointed to the Board on 1 November 2008. She is presently the Chairman of Great Eastern Holdings Ltd and a Director of several companies, including Singapore Telecommunications Ltd, Metro Holdings Ltd, Banyan Tree Holdings Ltd and MediaCorp Pte Ltd. She also serves as a Director and Member of several institutions, including Public Utilities Board, International Enterprise Singapore and Governing Council of the Singapore Institute of Directors. Mrs Fang was formerly Chairman of Ernst & Young, from which she retired after a 34-year career. She is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Institute of Certified Public Accountants of Singapore. Age 59.

MR GIAM CHIN TOON, S.C.

Mr Giam, Senior Counsel, was first appointed to the Board on 1 January 2005 and last re-elected as a Director on 19 April 2007. He is presently a Senior Partner of law firm Wee Swee Teow & Co, and a Director and Member of several companies and institutions, including Guthrie GTS Ltd, Ascott Residence Trust Management Ltd, Singapore Institute of Directors, Inland Revenue Authority of Singapore and Securities Industry Council. He was appointed Senior Counsel in 1997. Mr Giam is also the Singapore Ambassador (Non-Resident) to Peru and Singapore High Commissioner (Non-Resident) to Ghana. He holds an LLB (Honours) and an LLM degree from the University of Singapore. Age 66.

MR LEE SENG WEE

Mr Lee was first appointed to the Board on 25 February 1966 and last re-appointed as a Director on 17 April 2008. He was Chairman of OCBC Bank from 1 August 1995 to 30 June 2003, and continues to serve on the Board Executive Committee and the Board Nominating Committee. He is presently Chairman of the Board of Trustee of the Temasek Trust and a Director of several companies, including Great Eastern Holdings Ltd, GIC Real Estate Pte Ltd, Lee Rubber Group of Companies and Lee Foundation. Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario. Age 78.

DR LEE TIH SHIH

Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 17 April 2008. He is presently an Associate Professor at the Duke University Medical School in Durham, USA and Duke-NUS Graduate Medical School in Singapore. He has previously served in senior positions at both OCBC Bank and the Monetary Authority of Singapore. He is a Director of Lee Foundation and several Lee Rubber Group of Companies. Dr Lee graduated with M.D. and Ph.D. degrees from Yale University and is a Fellow of the Royal College of Physicians (Canada). He also holds a Master of Business Administration with Distinction from Imperial College, London. Age 45.

MR COLM MCCARTHY

Mr McCarthy was appointed to the Board on 1 November 2008. He served for 29 years with Bank of America where he last held the position of President, Bank of America, Asia, from 2001 to 2008. He had held various key positions in Bank of America, including Chief Executive Officer of Singapore, Head of South Asia and Head of Southeast Asia, and was a Board Member of Bank of America's legal entities in Singapore, Malaysia, Hong Kong and Japan. He is also presently a Director of Wheelock Properties (S) Ltd. He holds a Bachelor of Commerce and a Master of Business Studies from University College Dublin. Age 51.

Board of Directors

PROFESSOR NEO BOON SIONG

Professor Neo was first appointed to the Board on 1 January 2005 and last re-elected as a Director on 17 April 2008. He is presently Director of the Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy in National University of Singapore, and serves as a Director and Member of several companies and institutions, including Great Eastern Holdings Ltd, Keppel Offshore & Marine Ltd, Securities Industry Council, Income Tax Board of Review and Goods and Services Tax Board of Review. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and a Master of Business Administration and Ph.D. from University of Pittsburgh. Age 51.

MR PRAMUKTI SURJAUDAJA

Mr Pramukti was appointed to the Board on 1 June 2005 and elected as a Director on 20 April 2006. He has been with PT Bank OCBC NISP Tbk for 20 years, holding key positions, including President Director, and is presently President Commissioner of the bank. He was also a Commissioner of Bank OCBC–NISP from 1997 to 2000. Mr Pramukti holds a Bachelor of Science (Finance & Banking) from San Francisco State University, a Master of Business Administration (Banking) from Golden Gate University and has participated in Special Programs in International Relations in International University of Japan. Age 46.

DR TSAO YUAN (ALSO KNOWN AS DR LEE TSAO YUAN)

Dr Tsao Yuan was first appointed to the Board on 3 April 2002 and last re-elected as a Director on 19 April 2007. She is presently a Director of Keppel Corporation Ltd, Singapore Land Authority and Skills Development Centre Pte Ltd. She is an Executive Coach and Coach Practice Leader with SDC Consulting. Dr Tsao Yuan holds a Bachelor of Economics and Statistics with First Class Honours from the University of Singapore and a Ph.D. in Economics from Harvard University. Age 53.

MR DAVID WONG

Mr Wong was first appointed to the Board on 1 August 1999 and last re-elected as a Director on 19 April 2007. He is presently Chairman of Ascendas Funds Management (S) Ltd and a Director of several companies, including OCBC Bank (Malaysia) Berhad, OCBC Al-Amin Bank Berhad, PacificMas Berhad, Pacific Mutual Fund Berhad, The Pacific Insurance Berhad and LMA International NV. He is also a Member of the Casino Regulatory Authority of Singapore and the Board of the National Environment Agency. Mr Wong holds a Bachelor of Arts with Honours in Economics and a Master of Arts from the University of Cambridge, and is a Member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Singapore. Age 55.

MR WONG NANG JANG

Mr Wong was first appointed to the Board on 1 August 1998 and last re-elected as a Director on 17 April 2008. He served more than 20 years at OCBC Bank where he last held the position of Deputy President. Prior to joining OCBC Bank, he was Regional Vice President of Citibank in Singapore. He is presently Chairman of WBL Corporation Ltd and a Director of Singapore Symphonia Co Ltd. Mr Wong holds a Bachelor of Arts degree with Honours in Economics from the University of Singapore. Age 69.

MR PATRICK YEOH

Mr Yeoh was first appointed to the Board on 9 July 2001 and last re-appointed as a Director on 17 April 2008. He served for more than 25 years at Development Bank of Singapore where he last held the position of President and Director. He is presently Chairman of Tuan Sing Holdings Ltd and a Director of several companies, including MobileOne Ltd and Accuron Technologies Ltd. Mr Yeoh holds a Bachelor of Science with Honours from the University of Malaya (Singapore). Age 71.

Principal Officers

MR DAVID CONNER, CHIEF EXECUTIVE OFFICER

Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 19 April 2007. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently Chairman of Bank of Singapore Ltd, a Commissioner of PT Bank OCBC NISP Tbk and a Director of several companies, including Great Eastern Holdings Ltd, OCBC Bank (Malaysia) Berhad and Lion Global Investors Ltd. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 60.

MR SAMUEL N. TSIEN, GLOBAL CORPORATE BANK

Mr Tsien was appointed Senior Executive Vice President in July 2007 when he joined OCBC Group. As Head of the Global Corporate Bank, he has bankwide responsibilities for corporate, commercial and institutional banking, covering Singapore and all overseas countries. Since July 2008, he also oversees the International and Transaction Banking divisions of the Bank. Mr Tsien has 31 years of banking experience and has held various senior management roles in corporate banking, retail banking and risk management at Bank of America. Prior to joining OCBC, he was President and Chief Executive Officer of Bank of America (Asia) and China Construction Bank (Asia) Corporation respectively. He holds a BA (Hons) in Economics from the University of California, Los Angeles (UCLA). Age 54.

MR JEFFREY CHEW, DIRECTOR AND CEO, OCBC BANK MALAYSIA

Mr Chew was appointed Executive Vice President in October 2006. He currently oversees the Group's Malaysian business. He joined OCBC Bank Malaysia in April 2003 initially as Head of the Bank's SME business and subsequently, as Head of Business Banking. Mr Chew began his career at PriceWaterhouse Coopers and subsequently joined Citibank in Malaysia where he held various roles over 12 years, including customer relationship management, risk management and international offshore banking and product management. A qualified accountant by training, he is a fellow member of the Chartered Association of Certified Accountants, UK. Age 43.

MR ANDREW LEE KOK KENG, GLOBAL CONSUMER FINANCIAL SERVICES

Mr Lee was appointed Senior Executive Vice President in June 2007. He was appointed Head of Global Consumer Financial Services in June 2005 and is responsible for OCBC Bank's consumer banking business. Mr Lee has 29 years of banking experience in several senior level executive positions, involving strategy, overseeing implementation and setting new standards of banking performance. He holds a Bachelor of Social Science (Honours in Economics) from the University of Singapore. Age 56.

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

Mr Goh was appointed Executive Vice President in April 2004 when he joined the OCBC Group as Head of International. Presently, as Global Head of Enterprise Banking and Financial Institutions, he has responsibility for the Bank's commercial and financial institutions banking businesses internationally. Mr Goh has over 22 years of banking experience, including 17 years at Citibank N.A. Singapore, where he held several senior positions overseeing corporate banking, financial institutions, e-business and transaction banking. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from the National University of Singapore. Age 46.

MR NA WU BENG, INTERNATIONAL
Mr Na was appointed Executive Vice President in March 2001. Currently assigned to PT Bank OCBC NISP Tbk, he joined its Board of Directors as Deputy President Director in September 2005 with responsibility over risk management. Mr Na joined the OCBC Group in February 1990, and was responsible for the Bank's operations in Hong Kong and North Asia. Prior to that, he was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honours from Coventry (Lanchester) University, UK. Age 52.

MR LAI TECK POH, GROUP AUDIT
Mr Lai was appointed Executive Vice President in January 1988 and is currently Head of Group Audit. During his tenure with OCBC Bank, he has had senior management responsibilities for a wide range of functions including Corporate Banking, Investment Management, IT and Central Operations, Group Risk Management and Group Audit. Mr Lai has about 41 years of banking experience, including 20 years in Citibank, N.A. Singapore with overseas assignments in Jakarta, New York and London. He holds a Bachelor of Arts with Honours from the University of Singapore. Age 64.

MR GEORGE LEE LAP WAH, GROUP INVESTMENT BANKING
Mr Lee was appointed Executive Vice President in August 2005. As the Head of Group Investment Banking, he oversees the Group's debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr Lee has more than 26 years of banking experience and has held senior level positions in Credit Suisse First Boston, Credit Suisse Singapore and Security Pacific National Bank. Mr Lee holds a Bachelor of Business Administration with Honours from the University of Singapore and is a Chartered Financial Analyst. Age 56.

MR LAM KUN KIN, GLOBAL TREASURY
Mr Lam was appointed Executive Vice President in January 2007, and oversees the Group's financial market businesses and asset liability management in Singapore, Malaysia and other overseas markets. With over 22 years of treasury experience, Mr Lam has held senior positions in the Government of Singapore Investment Corporation and Citibank N.A. Singapore. Prior to joining the Group, he was managing director of Asia Financial Holdings, a subsidiary of Temasek Holdings. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and is a Chartered Financial Analyst. Age 46.

MR NEO BOCK CHENG, GROUP TRANSACTION BANKING – GLOBAL CORPORATE BANK
Mr Neo joined OCBC in October 2003 as Head of Cash Management. He was appointed Senior Vice President in April 2005 to oversee the Group Transaction Banking Division which provides cash management, trade finance, trustee and nominee services to corporate and commercial banking customers. Mr Neo brings with him more than 19 years of relationship management experience from several major international banks which include Citibank and Chase Manhattan Bank. Mr Neo graduated with a Bachelor of Engineering (Civil and Construction) degree from Nanyang Technological University. Age 44.

Principal Officers

MR SOON TIT KOON, GROUP INVESTMENTS

Mr Soon was the Chief Financial Officer from 2002 to June 2008 and was appointed Senior Executive Vice President in April 2007. He is now the Head of Group Investments responsible for managing OCBC Bank's strategic investments and joint ventures, as well as non-core investments in equities and real estate. He was formerly the Chief Financial Officer of Wilmar Holdings and Managing Director of Citicorp Investment Bank, Singapore where he worked for 17 years. Mr Soon holds a Master of Business Administration from the University of Chicago and a Bachelor of Science with Honours from the University of Singapore. Age 57.

MR CHING WEI HONG, GROUP FINANCE AND GROUP OPERATIONS AND TECHNOLOGY

Mr Ching was appointed Senior Executive Vice President in April 2007. He oversees the Group's Finance, Operations and Technology functions. His responsibilities as CFO include capital management, financial and management accounting, legal and regulatory compliance, and investor relations. As Head of Group Operations and Technology, he oversees the Group's transaction processing and technology operations. Mr Ching has more than 24 years of experience in regional finance, corporate banking and cash management. Before joining the Group, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. Age 49.

MR GILBERT KOHNKE, GROUP RISK MANAGEMENT

Mr Kohnke was appointed Executive Vice President and Head of Group Risk Management in September 2005. As Chief Risk Officer, he covers full spectrum of risk, including Credit, Information Security, Liquidity, Market and Operational risk management. Jointly reporting to both the CEO and the Board Risk Committee of OCBC Group, he has been leading the change in redefining the risk management approaches used by the Bank in a Basel II world. He has over 20 years of banking experience. Prior to joining OCBC, he was Head of Risk Management for Asia at Canadian Imperial Bank of Commerce, and subsequently, Head of European Portfolio Management of CIBC based in London. He holds a BA in Economics from the University of Western Ontario, a Bachelor of Commerce in Accounting from the University of Windsor, Ontario and a Master of Business Administration from the University of Hawaii. Age 50.

MRS TENG SOON LANG, GROUP QUALITY & SERVICE EXCELLENCE

Mrs Teng was appointed Executive Vice President and Head of Group Quality and Process Innovation in January 2003. In September 2007, she took on the additional responsibility for Group Quality & Service Excellence. She joined OCBC in 1996 as the Group Chief Information Officer. Mrs Teng holds a Bachelor of Accounting (Hons) and a Master of Science (Computer and Information Sciences) from the National University of Singapore as well as a Post Graduate Qualification from the Institute of Cost and Management Accountants, UK. Age 58.

MS CYNTHIA TAN GUAN HIANG, GROUP HUMAN RESOURCES

Ms Tan was appointed Executive Vice President in April 2005. Being Head of Group Human Resources, she is responsible for the management as well as training and development of OCBC's human capital. Ms Tan has over 24 years of experience in this field, having held senior level positions in DFS Ventures, Mentor Graphics, Apple Computer and National Semiconductor. She was also a former lecturer in Business Studies at Ngee Ann Polytechnic. She holds a Masters in Business Administration from the University of Hull, UK. Age 58.

MS LEONG WAI LENG, CHAIRMAN, OCBC BANK CHINA

A Singaporean and a graduate of the National University of Singapore with a Bachelor's degree in Business Administration, Ms Leong has been living in China for the past eight years. Ms Leong has 13 years of banking experience with Citibank, JP Morgan Chase and HSBC and seven years of corporate experience. She worked for Philips Electronics China Group, where her roles included country treasurer and group CFO for Philips China. Her role before the OCBC appointment was Managing Director, Head of Corporate and Institutional Bank at HSBC Bank (China) Co. Ms Leong has overall responsibility for directing and executing OCBC Bank's growth strategy in China in her current role. Age 43.

MR VINCENT SOH, GROUP PROPERTY MANAGEMENT

Mr Soh was appointed Senior Vice President in June 2004. As Head of Group Property Management, he is responsible for managing the Group's real estate portfolio. Mr Soh has over 28 years of experience in real estate management, having held senior level positions in public and private sectors. Mr Soh holds a Master of Science (Property & Maintenance Management) and Master of Public Policy, both from the National University of Singapore. He is also an Associate Member of the Royal Institution of Chartered Surveyors, UK. Age 53.

MR PETER YEOH, GROUP SECRETARIAT

Mr Yeoh was appointed Senior Vice President in January 1997 and Company Secretary in August 2002. Since joining OCBC, he has held responsibilities in finance, accounting and management information services. Mr Yeoh was previously with Price Waterhouse. He holds a Bachelor of Commerce from the University of Western Australia, and is a Member of the Institute of Chartered Accountants in Australia and a Member of the Institute of Certified Public Accountants of Singapore. Age 54.

MS KOH CHING CHING, GROUP CORPORATE COMMUNICATIONS

Ms Koh was appointed Head of Group Corporate Communications in November 2004 and Senior Vice President in April 2006. She leads OCBC Bank's group communications initiatives with the media, employees, customers, shareholders and the general public. Prior to her role in corporate communications, she led the Group's franchise expansion efforts in trade finance in Malaysia. Before this, Ms Koh had 16 years of corporate and retail banking experience, having held various senior customer and product positions in local and foreign financial institutions. She graduated with First Class Honours in Business Administration from the National University of Singapore. Age 41.

New Horizons II

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

Seek International Growth

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

Build a High Performance Bank

CUSTOMERS

We aim to sustain our top 3 consumer banking position and become one of the top 3 corporate banks in the combined Singapore-Malaysia market.

RISK MANAGEMENT

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

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

PEOPLE

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

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

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

PRODUCTS

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

We aim to be one of the top 3 banks for wealth management, credit cards and unsecured lending in the combined Singapore-Malaysia market.

PRODUCTIVITY

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

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

SHAREHOLDER VALUE

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

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

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

2008 Report Card

CUSTOMERS

- Expanded consumer customer base by 11%
- Awarded the Best Retail Bank in Singapore 2008 by The Asian Banker
- Maintained No. 1 position in bancassurance business
- Introduced iQ programme which offers banking convenience to mass affluent customers in Malaysia
- Re-modelled 30 branches and increased full-service Sunday Banking branches to 15
- Re-launched Private Bank in Singapore with a new centre
- Rolled out financial services proposition for the family, capturing over 75% of Baby Bonus' Children Development Accounts
- Launched EasiRemit real time remittance to China via ATMs and Mobile Banking
- Launched the first all-network mobile phone banking service in Malaysia
- Expanded SME customer base by 15%
- Launched full-service Business Banking Centre in Ubi, Singapore
- Introduced BizExpress, a document collection service for SMEs

PRODUCTS

- Launched 66 new products which accounted for 7.2% of total revenue
- Ranked Best SME Cash Management Solution Bank by The Asset
- Ranked Best Cash Management Solution in SE Asia by Alpha SE Asia
- Ranked Best Cash Management Bank by FinanceAsia and Alpha SE Asia
- Ranked Best Foreign Cash Management Bank in Malaysia by Asiamoney poll
- Ranked first in Singapore Dollar-denominated categories and Malaysian Ringgit-denominated categories by Asia Risk End User Survey 2008
- Lion Global Investors awarded the Edge-Lipper's Best Fund Group over three years – Mixed Assets Group, Morningstar's Best Asean Equity Award for 2007 and Best Equity Japan Fund
- Lion Global Investors garnered 12 local and overseas awards
- Awarded Best Deposit-linked Product for Mighty Savers™ by The Asian Banker

RISK MANAGEMENT

- Adopted Basel II Pillar 1 Internal Ratings Based Approach for more than 80% of credit portfolios, and Standardised Approaches for Operational Risk and Market Risk
- Maintained strong credit ratings: Aa1 by Moody's, A+ by S&P and AA- by Fitch
- Extended internal control attestation process to OCBC Malaysia
- Enhanced oversight of overseas offices for better portfolio quality management
- Completed hubbing of collection activities in Singapore and Malaysia

PRODUCTIVITY

- Improved productivity by 10% and reduced unit processing cost by 5% across 15 operations factories
- Completed cross-border hubbing for another two work streams, with up to 70% of Singapore transactions now being processed in Malaysia
- Executed 10 process improvement projects with estimated margin improvements of S$26 million

PEOPLE

- Improved employee engagement scores by 29% since 2002
- Maintained employee share ownership above 30%
- Exceeded average training days per staff target by 56%
- Relocated another 84 employees overseas for cross-border assignments
- Extended leadership training programme to senior executives of Bank OCBC NISP and GEH
- Launched a structured in-house Banking & Finance curriculum with over 50 programmes
- Enhanced OCBC Flex Plan for all employees and extended family-related benefits to non-Singaporean children

SHAREHOLDER VALUE

- Core ROE declined to 9.9% due to difficult operating environment
- Core EPS declined by 23%
- Maintained net dividend per share at 28 cents with increase in payout ratio to 58% of core earnings
- Realised S$174 million non-core asset divestment gains
- Invested S$188 million in total in acquisition of PacificMas and increased holdings in VP Bank, Bank OCBC NISP and GEH
- Raised S$2.5 billion in Tier 1 preference shares in Singapore, and RM1.6 billion in Lower Tier 2 subordinated bonds in Malaysia

OVERSEAS EXPANSION

Malaysia

- Established Islamic subsidiary, OCBC Al-Amin, with first branch opened in Petaling Jaya

Indonesia

- Expanded Bank OCBC NISP's network by 24 new branches and 45 new ATMs
- Rebranded Bank NISP to Bank OCBC NISP to reflect the strategic partnership between both banks
- Launched Quality training in Bank OCBC NISP, with a total of 1,280 employees trained
- Launched Premier Banking with five Premier Centres and three Premier in-branch locations

China

- Obtained regulatory approval to offer retail RMB business in April 2008
- Opened branches in Guangzhou and Beijing, and one new sub-branch in Chengdu
- Expanded retail customer base by over 230%, using reinforced "family focused bank" concept
- Launched branding campaign in Shanghai and Chengdu to build OCBC's brand recognition
- Established Cash Management and Trade Finance teams to support corporate customers

Vietnam

- Acquired an additional 5% stake in VP Bank
- Transferred full card centre management ownership to VP Bank
- Commenced Technical Assistance programme covering Credit Risk Management, Treasury and Consumer Banking

Operations Review

Our core business units delivered satisfactory results despite a difficult operating environment. Proactive risk management was a priority throughout the year as the global financial crisis intensified. Still, as we steered through uncertain times, we remained focused on our New Horizons II strategy, striving to grow our businesses, designated markets and priority customer segments. And we continued to invest in various service excellence initiatives to provide a differentiated experience for our customers.

GLOBAL CONSUMER FINANCIAL SERVICES

In a turbulent year marked by weakening consumer confidence, particularly in the second half, our consumer banking business managed to deliver healthy earnings growth. Propelled by higher net interest income and fee income, revenue grew 13% to S$1.31 billion and pretax profit rose 17% to S$678 million. Our consumer franchise continues to improve as evidenced by an 11% increase in our retail customer base.

In Singapore, we maintained our number one bancassurance position with a market share of 46%, up from 40% in 2007. We continued to leverage on our strategic relationship with Great Eastern Holdings to cross-sell products that meet the diverse needs of our customers.

Home loans remain an important segment of our consumer loans portfolio. In 2008, we grew our Singapore and Malaysia home loan portfolios, albeit at a prudent pace due to softening property valuations. Our unsecured lending and credit card business across the region grew by 8%, reflecting our successful efforts to introduce new product features and to further engage customers through integrated marketing and promotional campaigns.

We also continued to invest in our service and delivery channels to provide a superior and differentiated banking experience. To date, 26 branches in Singapore, including our main OCBC Centre, and nine branches in Malaysia have been re-modelled with our new branch design and layout which offers an enhanced level of service, convenience and interaction with our customers. In Singapore we doubled our Premier Banking Centres from five to 10, and opened a new service centre for our Private Bank clients. In response to positive customer feedback, we extended our full-service Sunday Banking offering in Singapore from 10 to 15 branches, and launched the same service in Malaysia at our Melaka branch. Our wholly-owned Islamic Banking subsidiary in Malaysia, named OCBC Al-Amin Bank Berhad, commenced operations in December 2008 at its first branch in Petaling Jaya. We also opened our first Premier Banking Centre in Hong Kong.

Our collaboration with NTUC, through supermarket banking *FairPrice Plus*, and co-branded financial services programme *NTUC Plus*, showed good progress as we achieved a combined customer base of close to a quarter million customers by the end of 2008. *FairPrice Plus*, which was first launched in April 2007, achieved 80% customer growth during the year. In October 2008, we introduced the *U-Plus* credit and debit cards, the latest generation multi-benefit payment, loyalty and membership card for NTUC members. OCBC Bank received a "U-Star Award" from NTUC for our contributions to NTUC and the labour movement, a first for any bank.

Another important milestone was our appointment as one of two managing agent banks for the Children Development Accounts (CDA) under the Singapore Baby Bonus Scheme. Reflecting our success with family-centric initiatives such as the *OCBC Mighty Savers*™ programme and full-service Sunday Banking, more than 75% of the parents with CDA account chose to move to OCBC. Growing this business forms an important component of our strategy to nurture a new generation of customers.

Several key initiatives were launched in Singapore and across the region as part of our continuing focus on service innovation and excellence. In partnership with China Unionpay, we launched *EasiRemit*, the first real-time remittance service from Singapore to China using mobile phones and ATMs. Together with comGateway, we introduced an online shopping portal, *ShopOnLine*, that provides OCBC cardholders with seamless access to more than 300,000 online retailers in the US. A first-in-Asia, our *SmartChange* offering has a save-as-you-spend feature which allows OCBC debit and credit cardmembers to elect to save the small change on their card spend into a designated savings account, matched by an equal contribution from OCBC for the first three months and a modest percentage thereafter. To better meet customers' financial needs beyond the single revolving credit line, we also introduced *Paylite*, a product that allows customers to finance major purchases in interest-free installments at a low processing fee.

OCBC continued to receive awards in recognition of our innovative service and efforts to provide more convenience to our customers. Most notable were three awards for 2009 presented by *The Asian Banker* for the Best Retail Bank in Singapore for Excellence in Retail Financial Services, a joint award with Great Eastern Holdings for Excellence in Bancassurance, and an Award for Excellence in Customer Advocacy. In 2008, we were recognised by *The Asian Banker* for Best Deposit-Linked Product (*Mighty Savers*™) across the Asia-Pacific region. Our Mobile Banking offering garnered two awards, one for Excellence in Mobile Phone Banking by *The Asian Banker* and another for business innovation by financial services firms across the Asia-Pacific by *Financial Insights Innovation*. Our Singapore Contact Centre won the Gold Award for the Best Contact Centre of the Year for the second consecutive year at the International Contact Centre Awards Ceremony. Other awards include Best Security Initiative and Best Anti-Fraud awards from *The Asian Banking & Finance Retail Banking* for developing the best-in-class two-factor authentication security features for our Internet Banking.

GLOBAL CORPORATE BANK

Global Corporate Bank achieved 20% increase in revenue to S$1.43 billion, led by growth in net interest income and higher fee income from treasury and investment banking products. Pre-tax profit

Operations Review

increased by a more moderate 4% to S$853 million, as we set aside more allowances for loans as compared to a net writeback of allowances in the previous year. While Singapore continues to be the largest revenue contributor, we also achieved double-digit revenue growth in markets outside of Singapore and Malaysia, particularly in Greater China as we delivered on the local and regional financing needs of our network customers.

In Singapore, loan growth was strong in the large corporate segment and healthy in the small and medium enterprises (SME) segment. Despite the turbulent debt and equity capital markets, successful cross-sell efforts resulted in our being awarded a number of major investment banking mandates, contributing to growth in our fee income. We were the joint financial adviser and underwriter for Parkway Holdings' S$782 million rights issue, one of the largest equity capital transactions in Singapore in 2008. We were also mandated joint lead arranger and bookrunner for the largest commercial as well as residential real estate financing transactions in Singapore.

In Malaysia, we achieved broad-based loan growth across various customer segments. Major financing mandates include the RM220 million syndicated term loan facility for the construction of the Eastern Dispersal Link Expressway in Johor Bahru, and a S$1 billion syndicated loan facility to a subsidiary of Khazanah Nasional Berhad for the acquisition of an equity interest in Parkway Holdings.

Several key initiatives targeted at SMEs were launched, contributing to a healthy 15% increase in our SME customer base. In Singapore, we introduced *OCBC BizExpress*, a free document collection service in industrial areas to complement our existing branch network. We opened our first full-service Business Banking Centre in Ubi, which is dedicated to servicing companies in the vicinity. We now have eight Business Banking Centres located islandwide. We launched several new products, including *OCBC Express Equipment and Machinery Financing* and *OCBC FlexCash Solutions*, a flexible working capital solution. *Easi-ProCheck*, which has been a proven success in Malaysia, was introduced to our customers in Singapore, replacing the manual cheque issuance process with cheques printed using our secured cheque writing software.

In Malaysia, we launched a bulk cash collection service, *Easi-Cash Collect* and rolled out enhancements to our *Easi-GIRO*, *Easi-FPX* and *Easi-Alerts* services to augment the functionality of these products and services.

Group Transaction Banking

We strengthened our position as a leading cash management provider in Singapore and Malaysia. The customer base of *Velocity@ocbc* grew 38% in Singapore and doubled in Malaysia, while transaction volumes increased 18% in Singapore and almost tripled in Malaysia. OCBC became the first bank in Singapore to enable employers to submit and pay their employees' CPF contributions through Internet Banking with CPF eSubmission via *Velocity@ocbc*. In China, we launched *Velocity@ocbc* and established our cash management and trade finance teams to support our business customers.

Our trade finance business registered a steady 12% growth in transaction volume in both Singapore and Malaysia, despite challenging market conditions in the latter half of 2008. We introduced *Trade eAlerts* for our corporate customers, an email/SMS notification service providing status updates on their trade documents.

OCBC garnered several regional cash management awards in 2008, including Best SME Cash Management Solution Bank by *The Asset* and Best Cash Management Solution in Southeast Asia by *Alpha Southeast Asia*. For the second year running, we were awarded *FinanceAsia's* Best Cash Management Bank in Singapore. We were also voted Best Foreign Cash Management Bank in Malaysia by small, medium and large corporates in *Asiamoney's* 2008 Cash Management Poll.

GLOBAL TREASURY

Our Treasury division managed through the financial crisis with stronger operating results and a strengthened business franchise. We kept to our vision of becoming a dominant and preferred provider for Asian treasury product and advisory sales, and were disciplined in the way we took advantage of market opportunities, managing our risks tightly. Pro-active risk management and vigilant controls in place have allowed us to cope with heightened stress in market and liquidity risks. Our investments in building up our talent pool and infrastructure support, as well as diversification of product capabilities and revenue streams across asset classes and geographies, have resulted in a well-balanced and sustainable business.

For the year, our global treasury revenue rose 55% to S$683 million and pre-tax profit increased 59% to S$478 million. Revenue from overseas centres including Malaysia grew by a robust 91%, in line with our New Horizons II strategy of deepening our penetration in regional markets. Increased market volatility throughout the year exacerbated risks while creating opportunities for both our customer and risk taking treasury activities. Judicious management of our business resulted in revenue from sales and trading growing by more than 60%, with risks contained at the appropriate levels.

In recognition of our strengths in treasury product coverage, product innovation and customer service, we were ranked top in several Asian polls for various Asian local currency treasury products. In *Asia Risk End User Survey 2008*, OCBC was ranked first in the list of Top 5 regional banks and was the only Singapore bank in the list of Overall Top 10 banks. We were also awarded Best Structured Product Solution of the Year in South East Asia by *Alpha South East Asia* and House of the Year, Singapore by *AsiaRisk*.

GROUP INVESTMENT BANKING

OCBC topped the *International Financing Review (IFR) Asia* league tables for Singapore syndicated loans, with US$4.1 billion in 16 deals representing 15% market share, and for Singapore dollar bonds, with S$4.5 billion in 26 issues representing 30% market share. Our Capital Markets team lead-managed key deals including financing for the MGP Berth, acquisition financings for Tuas Power and Senoko Power, capital instrument issues for OCBC Bank and Maybank and bond issues for SP PowerAssets.

We ranked second in the underwriters' league table for secondary equity capital raising deals in Singapore. One of the key transactions was Parkway Holdings' rights issue of S$782 million for which we acted as the joint financial advisor and underwriter.

In Malaysia, we lead-managed the maiden S$1 billion loan syndication for Khazanah Nasional Berhad and a US$1 billion loan syndication for MISC Capital (L) Limited, among others. Another major transaction was Muhibbah Engineering Berhad's RM400

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million Private Debt Securities Programme, the first Sukuk Mudharabah issuance by a listed Malaysian corporation. In recognition of our structuring capabilities, we won the Country Deal of the Year by *Asiamoney* and Malaysia Capital Markets Deal by *IFR Asia* for our role as the joint lead manager for a RM19 billion multi-tranche bond to finance the privatisation of Maxis Communications Berhad, which was the largest ever bond issue in Malaysia and one of the largest in Asia ex-Japan to date.

OCBC MALAYSIA

OCBC Malaysia is one of the largest foreign banks by assets and loans in Malaysia, with a network of 29 branches. Our net profit grew 20% to RM617 million (S$256 million) in 2008, with broad-based contributions from net interest, non-interest and Islamic Banking income. Customer loans increased by 13% to RM31 billion, supported by business loans, particularly SME loans, and steady housing loans growth.

We introduced various product and service innovations, including a dedicated hotline to help SMEs seek financing, *OCBC Mobile Banking* to allow customers to manage their accounts via their mobile phones, and the *iQ* account for our mass affluent customers. For Islamic banking, we introduced *Next Day Cash*, the country's first Shariah-compliant personal financing product that allows customers to obtain their cash within a day of applying.

Since the launch of the branch transformation in 2007, we have to-date revamped nine of our 29 branches with the new branch design. We also relocated our branches in Segamat and Melaka to better reach out to customers. Our Melaka branch is the first bank in the state to open seven days a week.

We achieved a major milestone with the establishment of OCBC Al-Amin Bank Berhad, our Islamic Banking subsidiary which commenced operations on 1 December 2008 at its first branch at Petaling Jaya. While OCBC Malaysia has been offering a limited number of Islamic banking products and services under our conventional license over the past 13 years, our full-fledged Islamic Banking subsidiary will now offer the full range of Shariah-compliant universal banking services, including Islamic hire-purchase and corporate finance activities.

BANK OCBC NISP, INDONESIA

Our subsidiary Bank OCBC NISP reported healthy financial results for the year. Net profit grew by 27% to IDR317 billion (S$40 million), led by 24% increase in revenue and a moderation in expenses growth. Total assets grew 18%, with loans increasing by 9%. During the year, we increased our shareholding in Bank OCBC NISP from 72.4% to 74.7%.

Bank OCBC NISP embarked on a significant transformation programme bankwide in 2008 to position itself as a "Partner for Life" to its customers. The transformation included changing its brand name from Bank NISP to Bank OCBC NISP in December 2008, and launching a streamlined organisation model as well as the adoption of various industry best practices to be made effective in 2009. Supported by OCBC, our colleagues at Bank OCBC NISP also embarked on a Quality culture transformation, with quality training programmes rolled out for management and staff to inculcate a deeper understanding of quality practices throughout the organisation.

To further cement the relationship and share best practices, cross border programmes were implemented for consumer banking, business banking, treasury and operations and technology. Successful programmes launched as a result of this collaboration include Bank OCBC NISP Premier Banking, which allows customers to enjoy a suite of banking and lifestyle privileges across the OCBC franchise in Indonesia, Singapore and Malaysia. Bank OCBC NISP also launched a *Liquid Platinum* credit card with privileges across 550 merchants in Indonesia, Singapore and Malaysia, and unique regional rewards redemption.

As part of its network strategy to acquire more deposits and grow electronic transaction fee income, 24 branches and 45 ATMs were added in 2008, bringing the total network size to 370 branches and 537 ATMs.

OCBC CHINA

Our China operations achieved revenue growth of 78% in 2008, largely driven by growth in loans and deposits in corporate banking, and higher contributions from our treasury and financial institutions businesses. In tandem with business expansion, our China staff strength increased by more than 50% in 2008.

We achieved a significant milestone in April 2008 when we obtained regulatory approval to offer retail RMB products in China. We have since expanded our consumer products and services to include mortgages, home equity loans, bancassurance, and also reinforced our "family focused bank" proposition by rolling out a children savings programme. This contributed to a tripling in our retail customer base. In December 2008, we also launched our retail Internet Banking to better serve our target customers. On the corporate banking front, we further expanded our local Chinese corporate business while deepening our relationships with Taiwanese and other network customers. We also obtained RMB corporate business licenses for our branches in Xiamen, Tianjin and Guangzhou.

We added two new main branches in Guangzhou and Beijing, expanding our foothold in the Pearl River Delta and Bohai Rim. A second sub-branch was set up in Chengdu, bringing our China network to a total of five main branches and four sub-branches in six cities, with our headquarters in Shanghai. We have obtained approval to establish a new main branch in Chongqing, West China, which is expected to open in the first half of 2009.

We launched a well-received corporate branding campaign in Shanghai and Chengdu in October 2008. The campaign serves to differentiate OCBC China from our competitors and to position us as a Singapore bank with international financial expertise that will help individuals and businesses fulfill their aspirations. Furthermore, as a bank with a heritage dating back to 1912, the campaign underscores the fact that OCBC shares common values with our customers in China.

PARTNER BANKS

Bank of Ningbo, China

Bank of Ningbo (BoN), in which OCBC holds a 10% stake, achieved strong results during the year, with its net profit rising 40% to RMB1.33 billion (S$280 million). Its customer loans rose almost 35%, driven by its rapid business expansion within and outside Ningbo, and healthy demand from customers for financing and other products. BoN's non-performing loans ratio remained low at 0.9% as at end-2008.

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BoN opened three new branches outside its home city, in Hangzhou, Nanjing and Shenzhen, adding to the Shanghai branch that was opened in 2007. This brings its nationwide branch network (inclusive of its sub-branches) to 81, including 75 branches in Ningbo. During the year, OCBC and BoN continued to deepen collaboration in areas including new product development, risk management, information technology and talent development.

VP Bank, Vietnam
OCBC completed its acquisition of an additional 5% stake in VP Bank in October 2008, increasing its shareholding to 15%. With the opening of 13 full branches in 2008, VP Bank now has a total of 135 branches and transaction offices nationwide, including 27 in Ho Chi Minh City and 47 in Hanoi. OCBC and VP Bank teams continue to work closely together in areas including training and technical assistance, in particular in the credit reviews of VP Bank's portfolios and training for treasury personnel.

GROUP OPERATIONS AND TECHNOLOGY

Group Operations & Technology achieved further progress in its mission, focusing on service differentiation, productivity and unit cost reduction. New targets of an 18% improvement in productivity and 12% reduction in unit costs have been set for 2008-2009 for all our processing factories. In 2008, we made healthy progress towards these targets, with productivity gains of 10% and unit cost reductions of 5% across 15 processing factories in Singapore and Malaysia.

A number of quality and hubbing initiatives were executed, leading to cost savings and service improvement. We streamlined the processing of cashier's orders and implemented instant corporate account opening in Malaysia. We completed the hubbing of two additional work streams in Malaysia bringing the total to eight since we started hubbing activities 2005, allowing us to reap significant benefits from lower staff and real estate costs.

We continue to build on our IT architecture and long-term system application roadmap, and to strengthen our service management and project delivery capability. Our project highlights for the year include the following:

- Roll out of trade finance, local currency payment, and corporate Internet Banking in China.
- Supporting the launch of our Islamic Banking subsidiary in Malaysia.
- Deployment of application suites to support the Children Development Accounts under the Baby Bonus Scheme, real-time remittance service from Singapore to China via ATM or mobile banking, and the *SmartChange* credit card feature.
- Deployment of new payment processing system that enhances productivity and reduces operational risk.
- Implementation of an enterprise reconciliation system to streamline and automate reconciliation processes and enable better management of operational risks.

GROUP QUALITY & SERVICE EXCELLENCE

We continue to drive our bank-wide Service Excellence transformation agenda so that our customers enjoy a deliberate and differentiated OCBC customer experience across all our touch points. This involves focusing on two aspects of service excellence. One is Quality; making sure we deliver with zero defects, on time, all the time. We executed another 10 cross-functional process improvement projects in Singapore, Malaysia and Indonesia, with potential margin improvements of S$26 million.

The other aspect of service excellence focuses on building strong emotional engagement with our customers. To cultivate the right service mindset, we enhanced our BEE™ (Building Emotional Engagement) training and certification program for front-line and support staff across Singapore, Malaysia and China. We also launched a new programme to develop service coaches as an integral part of our training roadmap to achieve our service excellence mission.

During the year, 171 of our employees won the Excellent Service Award in the Silver, Gold, and Star categories. This national award managed by the *Association of Banks in Singapore* and *SPRING Singapore* recognises individuals for delivering outstanding service to customers. One of our staff from Transactional Banking clinched the highest honor in the banking and financial services sector by winning the SuperStar Award.

PROPERTY MANAGEMENT

Our office and residential investment properties, with an aggregate of approximately two million square feet of net lettable area, achieved full or near full occupancy in 2008.

We completed the upgrading of 23 branches in 2008 under our branch transformation programme, including our flagship branch in OCBC Centre. In line with our commitment to be environmentally responsible, we have also launched several "Go Green" initiatives. These include the use of NEWater in our central air-conditioning chiller systems and sculpture water feature, various energy saving measures, tenants' education, recycling initiatives as well as the use of environmentally friendly products in our renovation and maintenance works.

GROUP HUMAN RESOURCES

Our Group staff strength, including Bank OCBC NISP and Great Eastern Holdings, was 19,900 as at the end of 2008, an increase of 6% from 2007. Most of the increase was in Malaysia, Indonesia and China, our designated New Horizons II target growth markets.

We continue to invest in our people and develop talent within the Group through our training and career development programmes. We expanded our training facilities in Singapore and Malaysia, and invested in virtual classroom technology to provide a more global reach for our training programmes. Average training man-days per employee in 2008 was well above our target of five man-days. The *OCBC Executive Development Programme*, launched in 2007 to train and develop our future leaders, was extended to our employees from Bank OCBC NISP and Great Eastern Holdings.

Our employee engagement score improved from the previous year and has increased 29% since our first survey was conducted in 2002. Our employee share ownership schemes received encouraging participation bankwide; the percentage of bank employees who are OCBC shareholders increased to 53% (including the share options and deferred shares) at the end of 2008, above our minimum target of 30%. The third offering of the *Employee Share Purchase Plan* in July 2008 achieved a high participation rate with the number of participants increasing by 88% over the previous Plan. For the first time, the plan was extended to our employees in China, Vietnam, Brunei and Great Eastern Holdings.

Corporate Social Responsibility

Our Corporate Social Responsibility programme focuses on helping children and young adults realise their full potential.

2008 marked the fifth year of support we have given to our partner charity in Singapore, the Singapore Children's Society (SCS), with a total donation of S$2.5 million over the five-year period. Beyond financial support, we have also actively engaged the SCS with our OCBC staff volunteer programme. Many of our employees volunteered their time and skills to help the children and young adults in various activities. In August 2008, 173 young adults from Project CABIN, a school based youth outreach project managed by the SCS to provide an alternative place for young adults to socialise after school hours, worked on an assignment to demonstrate how one can recycle materials for good use again. Called the "SAVEnvironment Project", these young adults learnt to appreciate environmental activism by designing posters and creating sculptures using recycled materials, and presenting the final creations in a friendly competition.

Our contribution of S$450,000 over three years to the Bright Horizons Fund since 2006 helped raise the literacy level of more than 300 less privileged students from the NTUC First Campus.

We continue to encourage and support academic excellence by awarding book prizes and bond-free scholarships to outstanding young adults from our core markets, Singapore, Malaysia, Indonesia and China, to pursue higher education in Singapore and Malaysia. To date, we have awarded more than 400 bond-free undergraduate scholarships. We offer a variety of internships to OCBC Bank Scholars that allow them to experience working in OCBC Bank during their varsity vacations.

In November 2008, our community engagement efforts took on a higher profile as we announced OCBC's support as the title sponsor of Singapore's first mass participation cycling event on public roads. This event, named "OCBC Cycle Singapore", caters to every level of cyclists from beginners to professionals and aims to promote an active lifestyle among people of all ages and fitness levels. The 2009 event took place on 22 February and was a big success, drawing enthusiastic response from a wide segment of the public. The inclusive nature of the activity and its ability to bring people closer together, are consistent with the Bank's value of Teamwork as well as its business propositions aimed at families. We expect this to be an annual event going forward.

In addition, OCBC Bank together with the Singapore Sports Council (SSC) and the Singapore Amateur Cycling Association entered into a one-year partnership from December 2008, to train and develop a pool of talented young cyclists who will represent Singapore at major international games. The Singapore team is sponsored by OCBC Bank and trained by the SSC. With our sponsorship, SSC embarked on a structured talent identification and development programme to train and nurture a steady pool of talented young cyclists to compete for Singapore. The OCBC Singapore Cycling Team will work to compete for the first time at the 25th SEA Games in Vientiane, Laos in 2009.

OCBC Bank's philanthropic heritage of supporting children and education extends to China where we committed in 2007 to donate RMB1.5 million (S$300,000) over six years to the Soong Ching Ling Foundation. The funds, disbursed through the Soong Ching Ling Scholarship (SCLS) under the SCLS-OCBC Fund, provides financial assistance to some 800 outstanding children across China. The SCLS Scholarship was awarded to 200 children from across China for the first time in Kunming, China on 1 August 2008.

During the year we also donated RMB1 million (S$200,000) to support rebuilding efforts in Sichuan, China after the destructive earthquake and contributed S$40,000 to the Singapore Red Cross Society to support the cyclone relief efforts in Myanmar. We opened up our banking channels to facilitate donations and our customers as well as employees responded generously by donating over S$700,000 to both relief efforts. The funds raised for the rebuilding efforts in Sichuan were used to rebuild Shi He Primary School which is located in Mianzhu City in Sichuan Province, one of the areas hardest hit by the Sichuan earthquake. The school was officially opened on 22 October 2008.

Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Banking (Corporate Governance) Regulations 2005 and corporate governance guidelines issued by the Monetary Authority of Singapore ("MAS"), as well as with the Code of Corporate Governance 2005 (the "Code") adopted by the Singapore Exchange Securities Trading Ltd ("SGX-ST").

BOARD OF DIRECTORS

Board Composition and Independence

OCBC Bank defines the independence of its Directors in accordance with the Banking (Corporate Governance) Regulations 2005 and with the Code. An independent Director is one who is independent from any management and business relationship with the Bank, and independent from any substantial shareholder of the Bank. The Board comprises 14 Directors, of whom, a majority or nine are independent Directors. They are Mr Bobby Chin, Mrs Fang Ai Lian, Mr Giam Chin Toon, Mr Colm McCarthy, Professor Neo Boon Siong, Dr Tsao Yuan, Mr David Wong, Mr Wong Nang Jang and Mr Patrick Yeoh. In addition, another two Directors are independent from management and business relationships. They are Mr Lee Seng Wee and Dr Lee Tih Shih. Altogether, a significant 11 out of the 14 Directors are either independent Directors or independent from management and business relationships. The Chairman, Dr Cheong Choong Kong, although a non-executive Director, is deemed not independent from business relationship because of an agreement made between Dr Cheong and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank, under which Dr Cheong is appointed as a consultant and entitled to certain payments and benefits (details of which are provided in the Directors' Report). Mr David Conner and Mr Pramukti Surjaudaja are not independent from management: the former is executive Director and Chief Executive Officer ("CEO") of the Bank while the latter has recently been President Director of PT Bank OCBC NISP Tbk, a subsidiary of the Bank. Mr Pramukti Surjaudaja is now President Commissioner of PT Bank OCBC NISP Tbk.

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

The members of the Board as a group provide core competencies to ensure the effectiveness of the Board. The competencies include banking, insurance, accounting, finance, law, strategy formulation, business acumen, management experience, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors' professional qualifications and background can be found on pages 156 to 160.

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank's Articles of Association provide for the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by the MAS. The Directors have multiple board representations, but the Nominating Committee is satisfied that the Directors have been able to devote adequate time and attention to fulfill their duties as Directors of the Bank. Given the size of the Bank, its business complexity and the number of board committees, the Board considered that an appropriate Board size is between 12 and 14 members. The actual Board size currently is 14.

Board Conduct and Responsibilities

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

- reviewing and approving overall business strategy, as well as organisation structure, developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Committee, the quality of the risk management processes and systems;
- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;
- ensuring that the necessary human resources are in place for the Bank to meet its objectives, as well as appointing and removing management;
- reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- setting corporate values and standards, which emphasise integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- providing a balanced and understandable assessment of the Bank's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- ensuring that obligations to shareholders and others are understood and met; and
- maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken.

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

Corporate Governance

In 2008, the Board and its committees held a total of 34 meetings. Prior to each meeting, members are provided with timely and complete information to enable them to fulfill their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

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

The Directors receive appropriate structured training. This includes introductory information, briefings by senior executives on their respective areas and attendance at relevant external courses. The Board as a whole also receives briefings on relevant new laws, risk management updates and changes in accounting standards.

Board Performance

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

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

BOARD COMMITTEES

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

Executive Committee

The Executive Committee comprises Dr Cheong Choong Kong (Chairman), Mr David Conner, Mr Lee Seng Wee, Mr Wong Nang Jang and Mr Patrick Yeoh.

The Committee has written terms of reference that describe the responsibilities of its members.

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

Nominating Committee

The Nominating Committee comprises Mr Wong Nang Jang (Chairman), Dr Cheong Choong Kong, Mrs Fang Ai Lian, Mr Giam Chin Toon, Mr Lee Seng Wee and Mr David Wong. The Committee has written terms of reference that describe the responsibilities of its members.

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

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

Audit Committee

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

The Audit Committee performs the functions specified in the Companies Act, the Code, the SGX-ST Listing Manual, and the MAS' corporate governance guidelines. Details of the duties and responsibilities of the Audit Committee are found in the Directors' Report on page 69 and in the "Audit Function" section of this chapter on pages 34 to 35.

Remuneration Committee

The Remuneration Committee comprises Dr Tsao Yuan (Chairman), Dr Cheong Choong Kong, Mrs Fang Ai Lian, Dr Lee Tih Shih and Mr Wong Nang Jang. All the Committee members are well versed with executive compensation matters, given their extensive

Corporate Governance

experience in senior corporate positions and major appointments. The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee determines and recommends to the Board the remuneration and fees of non-executive Directors as well as the compensation of executive Directors. It is also empowered to review the human resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries, as well as the remuneration of senior executives. In addition, it administers the various employee share ownership schemes. The Remuneration Committee, if necessary, will seek expert advice from outside the Bank on the remuneration of Directors.

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

The Risk Committee reviews the overall risk management philosophy, guidelines and major policies for effective risk management, risk disclosure policy, risk management systems and risk capital allocation methodology. The Committee also reviews the scope, effectiveness and objectivity of Group Risk Management and the risk reports that monitor and control risk exposures.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2008

	Board		Executive Committee			Audit Committee		
Name of Director	Scheduled Meeting		Scheduled Meeting		Ad Hoc Meeting	Scheduled Meeting		Ad Hoc Meeting
	Held[1]	Attended	Held[1]	Attended	Attended	Held[1]	Attended	Attended
Cheong Choong Kong	8	8	7	7	1	–	–	–
Bobby Chin	8	7	–	–	–	6	6	2
David Conner	8	8	7	7	1	–	–	–
Fang Ai Lian[2]	1	1	–	–	–	–	–	–
Giam Chin Toon[3]	8	8	–	–	–	–	–	–
Lee Seng Wee	8	8	7	7	–	–	–	–
Lee Tih Shih	8	8	–	–	–	–	–	–
Colm McCarthy[4]	1	1	–	–	–	–	–	–
Neo Boon Siong	8	8	–	–	–	6	6	2
Pramukti Surjaudaja	8	7	–	–	–	–	–	–
Tsao Yuan	8	8	–	–	–	6	5	2
David Wong	8	8	–	–	–	6	6	2
Wong Nang Jang[5]	8	8	7	7	1	–	–	–
Patrick Yeoh	8	7	7	7	1	–	–	–
Michael Wong Pakshong[6]	3	3	–	–	–	–	–	–
Nasruddin Bin Bahari[7]	3	3	–	–	–	2	2	1

	Nominating Committee			Remuneration Committee			Risk Committee	
Name of Director	Scheduled Meeting		Ad Hoc Meeting	Scheduled Meeting		Ad Hoc Meeting	Scheduled Meeting	
	Held[1]	Attended	Attended	Held[1]	Attended	Attended	Held[1]	Attended
Cheong Choong Kong	2	2	1	2	2	1	4	4
Bobby Chin	–	–	–	–	–	–	–	–
David Conner	–	–	–	–	–	–	4	4
Fang Ai Lian[2]	–	–	–	–	–	–	–	–
Giam Chin Toon[3]	2	2	1	1	1	1	1	1
Lee Seng Wee	2	2	1	–	–	–	–	–
Lee Tih Shih	–	–	–	2	2	1	–	–
Colm McCarthy[4]	–	–	–	–	–	–	1	1
Neo Boon Siong	–	–	–	–	–	–	4	4
Pramukti Surjaudaja	–	–	–	–	–	–	4	4
Tsao Yuan	–	–	–	2	2	1	–	–
David Wong	2	2	1	–	–	–	–	–
Wong Nang Jang[5]	1	1	1	1	1	1	–	–
Patrick Yeoh	–	–	–	–	–	–	4	4
Michael Wong Pakshong[6]	1	1	–	1	1	–	–	–
Nasruddin Bin Bahari[7]	–	–	–	1	1	–	–	–

Notes:
1 Reflects the number of meetings held during the time the Director held office.
2 Appointed to the Board, and Nominating and Remuneration Committees, on 1 November 2008.
3 Appointed to the Remuneration Committee on 17 April 2008 and stepped down on 1 November 2008. He also stepped down from the Risk Committee on 17 April 2008.
4 Appointed to the Board, and Audit and Risk Committees, on 1 November 2008.
5 Appointed to the Nominating and Remuneration Committees on 17 April 2008.
6 Retired from the Board, and Nominating and Remuneration Committees, on 17 April 2008.
7 Retired from the Board, and Audit and Remuneration Committees, on 17 April 2008.

Corporate Governance

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

AUDIT FUNCTION

Audit Committee

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

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy of the system of internal controls including financial, operational and compliance controls; and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The Audit Committee also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements, announcements relating to financial performance, and arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed-up. It meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a quarterly basis. The Board is updated on these reports. The Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors are compatible with maintaining the independence of the external auditors.

In respect of the 2008 financial year, the Audit Committee

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

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

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

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

In October 2008, the Audit Committee Guidance Committee issued the Guidebook for Audit Committees in Singapore. The Guidebook has been distributed to all members of the Audit Committee and the Board. Where appropriate, the Audit Committee will adopt relevant best practices set out in the Guidebook, which will be used as references to assist the Committee in performing its functions.

Internal Audit Function

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

Group Audit has implemented risk-based audit processes. Audit work is prioritised and scoped according to an assessment of potential exposure to risks. This includes not only financial risks, but operational, technology and strategic risks as well. Group Audit works with Group Risk Management to review risk management processes as a whole.

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

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Group Audit reports functionally to the Audit Committee and administratively to the CEO, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. Currently, the number of internal audit staff is 112 in the division (and 183 in the Group). The division is organised into departments that are aligned with the structure of the Bank. The Audit Committee approves the appointment and removal of the Head of Group Audit.

Corporate Governance

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

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

REMUNERATION POLICY

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

The total compensation package for employees comprises basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. In determining the composition of the package, the nature of the role performed and market practice are taken into consideration. To ensure that its remuneration package is competitive, the Bank regularly reviews its base salary ranges and benefits package based on market data provided by recognised surveys of comparative groups in the financial sector.

For executives, the Bank adopts a performance-driven approach to compensation, with rewards linked to individual, team and corporate performance. Executives' compensation is reviewed each year based on information from market surveys and advice from reputable management consultants. The compensation for senior executives is reviewed by the Remuneration Committee.

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

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

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

The Remuneration Committee has considered market practices for non-executive director compensation and on its recommendation, the Board has decided to adopt the following fee structure to compute the fee for each non-executive Director of the Bank:
- Annual board chairman fee of S$45,000;
- Annual retainer fee of S$45,000;
- Annual committee chairperson fee of S$40,000 for Audit Committee, Risk Committee and Executive Committee, and S$20,000 for Nominating and Remuneration Committees;
- Annual committee member fee of S$20,000 for Audit Committee, Risk Committee and Executive Committee, and S$10,000 for Nominating and Remuneration Committees (committee chairpersons are not awarded these fees); and
- Attendance fee of S$3,000 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognise their commitment and time spent in attending each meeting.

The previous year, shareholders approved the grant of 4,800 remuneration shares to each non-executive Director who had served a full annual term with the Board. The remuneration shares align the interest of non-executive Directors with the interest of shareholders. At the Remuneration Committee's recommendation, the Board has decided to continue with the grant of 4,800 new ordinary shares to each non-executive Director who has served a full annual term in 2008 with the Board. The resolution proposing these share grants will be presented to shareholders at the AGM/EGM on 17 April 2009. The CEO is not eligible to receive the Directors' fees and remuneration shares.

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

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

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

Remuneration of Top 5 Key Executives in 2008
The Code suggests the disclosure of the remuneration of the Bank's top five key executives. The Board considered this matter carefully and has decided against such disclosure for the time being. Given the wage disparities in the industry and the likely competitive pressures resulting from such disclosures, it was felt that the disadvantages of disclosure will outweigh the benefits.

Corporate Governance

DIRECTORS' REMUNERATION IN 2008

Name	Remuneration Band (S$)	Salary and Fees[e] (%)	Performance-Based Remuneration: Bonuses (%)	Performance-Based Remuneration: Value of Share Options Granted[a] (%)	Performance-Based Remuneration: Value of Deferred Shares/Share Awards Granted (%)	Other Benefits[b] (%)	Value of Remuneration Shares Awarded[c,e] (%)	Total Remuneration (%)	Options Granted (No.)	Acquisition Price (S$)	Exercise Period
Bobby Chin	below 250,000	87.1	–	–	–	–	12.9	100	–	–	–
Fang Ai Lian[d]	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Giam Chin Toon	below 250,000	85.1	–	–	–	–	14.9	100	–	–	–
Lee Seng Wee	below 250,000	87.0	–	–	–	–	13.0	100	–	–	–
Lee Tih Shih	below 250,000	82.1	–	–	–	–	17.9	100	–	–	–
Colm McCarthy[d]	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Neo Boon Siong	below 250,000	88.2	–	–	–	–	11.8	100	–	–	–
Pramukti Surjaudaja[d]	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Tsao Yuan	below 250,000	87.6	–	–	–	–	12.4	100	–	–	–
David Wong	below 250,000	87.2	–	–	–	–	12.8	100	–	–	–
Wong Nang Jang	below 250,000	88.8	–	–	–	–	11.2	100	–	–	–
Patrick Yeoh	below 250,000	89.3	–	–	–	–	10.7	100	–	–	–
Michael Wong Pakshong[d]	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Nasruddin Bin Bahari[d]	below 250,000	100.0	–	–	–	–	–	100	–	–	–
Cheong Choong Kong	2,000,000 to 2,249,999	61.2	22.9	10.5	–	5.4	–	100	162,958	4.138	17/03/2010 to 16/03/2014
David Conner	3,750,000 to 3,999,999	31.1	22.5	–	45.3	1.1	–	100	–	–	–

Notes:

[a] Share option was valued using the Binomial valuation model.
[b] Represents non-cash component and comprises club and car benefits and employer's contribution to CPF.
[c] Value of remuneration shares was estimated based on closing price of ordinary shares on 11 March 2009, i.e. S$4.12.
[d] Directors who did not receive any remuneration shares because they did not serve a full annual term as non-executive Directors.
[e] Fees and remuneration shares for non-executive Directors refer to those for 2008 financial year that are subject to approval by shareholders at the AGM on 17 April 2009.

SHARE OPTION SCHEMES

OCBC Executives' Share Option Scheme 1994

The Bank has a share option plan available for executives of the Bank and OCBC Bank (Malaysia) Berhad, viz. OCBC Executives' Share Option Scheme 1994 (the "1994 Scheme"). The objective is to enable officers of the rank of Manager and above as well as executive Directors of the Bank to participate in the equity of the Bank. This 1994 Scheme, which has been replaced by OCBC Share Option Scheme 2001, was terminated on 3 August 2001. However, this will not affect the rights of the holders of outstanding options granted under the 1994 Scheme to acquire shares.

OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 (the "2001 Scheme") was approved in 2001.

The 2001 Scheme seeks to inculcate in all participants a stronger and more lasting sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Manager and above and any Group Executive Director selected by the Remuneration Committee, as well as non-executive Directors of the Group, are eligible to participate in the 2001 Scheme.

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

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

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

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

Corporate Governance

The Committee has adopted the following vesting schedule:

Vesting Schedule

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

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

Shares granted on exercise of options are allocated from treasury shares or from the issue of new ordinary shares by the Bank.

OCBC Deferred Share Plan

The OCBC Deferred Share Plan ("Plan") aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee are eligible to participate in the Plan. In 2008, the participants are executives of the Bank, selected overseas locations and subsidiaries.

The share awards are granted annually to eligible executives, the value of which is presently at least 25% of their total variable performance bonus for the year. The share awards will vest with the executives at the end of three years. Prior to the vesting date, the executives will not be accorded voting rights on the shares. Shares granted are allocated from treasury shares or acquired from the market in accordance with guidelines established under the Plan.

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

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

During the financial year, an aggregate of 4,424,988 ordinary shares were granted to eligible executives of the Group pursuant to the Plan.

OCBC Employee Share Purchase Plan

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

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

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

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

The aggregate number of new ordinary shares issued by the Bank pursuant to the 2001 Scheme and the ESPP cannot exceed 5 per cent of the Bank's total number of issued ordinary shares.

COMMUNICATION WITH SHAREHOLDERS

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

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

RELATED PARTY TRANSACTIONS

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

Corporate Governance

ETHICAL STANDARDS

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

Additional Information Required under the SGX Listing Manual

INTERESTED PERSON TRANSACTIONS

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2008 S$'000	Aggregate value of all interested person transactions during the financial year under review conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 2008 S$'000
Tenancy agreement with lessee, Lee Rubber Company (Pte) Limited – lease of office premises at OCBC Centre	12,441	–
Tenancy agreement with lessor, Dasar Sentral (M) Sdn Bhd (1) – lease of office premises at Wisma Lee Rubber, Kuala Lumpur	3,955	–
Dr Cheong Choong Kong	See below (2)	–

(1) Wholly-owned subsidiary of Lee Rubber Company (Pte) Limited.
(2) In the Bank's Annual Report 2006, the Bank disclosed the consultancy agreement made on 12 June 2006 between Dr Cheong Choong Kong ("Dr Cheong"), non-executive Director and Chairman of the Bank, and OCBC Management Services Private Limited, a wholly-owned subsidiary of the Bank. Please see "Directors' Contractual Benefits" in the Directors' Report for details of payments made to Dr Cheong during the financial year under review.

MATERIAL CONTRACTS

Since the end of the previous financial year, no material contract involving the interest of any Director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiary companies, and no such contract subsisted as at 31 December 2008.

Risk Management

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

DEVELOPMENTS IN 2008

The unfolding global financial crisis, unprecedented in scale and impact, led to challenging business conditions and market uncertainty that underscored much of 2008. Against this environment, OCBC Group benefited from ongoing investments in risk management infrastructure that enabled us to actively manage our risks and businesses amid the financial turmoil. As conditions deteriorated, we took quick decisive actions to ensure adequate liquidity was maintained at all times and to closely manage our counterparty risks.

In the past year, we continued to strengthen and refine our risk management processes to create an integrated and holistic view of risks. Initiatives included strengthening our regular and comprehensive assessments of emerging risks and trends, identifying risk concentrations of concern, and instituting appropriate early mitigation strategies. An Internal Capital Adequacy Assessment Process (ICAAP) was also established during the year. This enabled the Group to assess various scenarios to better understand how risks interact, and incorporate the results of stress tests into our capital adequacy assessment.

OCBC Group has had little direct impact from the fallout of the subprime crisis. We have had to set aside provisions for investments in collateralised debt obligations in 2007 and 2008, which had been undertaken to diversify our revenue sources and reduce our portfolio concentrations. This experience has reinforced to us the importance of staying true to what we know best as a commercial bank. By focusing on our core competencies, coupled with better-equipped risk systems, OCBC Group will be able to sustain our competitiveness and meet our long-term commitment to our customers and the communities in which we serve.

RISK MANAGEMENT IN OCBC GROUP

At OCBC Group, we believe that sound risk management is essential to ensuring success in the provision of financial services. Our philosophy is to ensure that risks undertaken are commensurate with returns and are within our established risk appetite. To this end, we regularly refine our risk management approaches to enable us to identify, measure, control, re-position, manage, and report risks appropriately.

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

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

Key to the Group's effective risk management is the tone from the top and direction provided by the Board of Directors and senior management, emphasising well-considered risk-taking and proactive risk management. This is reinforced with appropriate risk management staff, ongoing investments in risk systems, and regular review and enhancement of risk management policies and procedures for consistent application and a strong internal control environment throughout the Group. Accountability for managing risks is shared among customer-facing and product business units, dedicated functional risk management units, as well as other support units such as Operations and Technology, and Group Audit. Rigorous stress testing and scenario analyses identify possible events or market conditions that could adversely affect the Group. These results are taken into account, as applicable, in the Group's capital adequacy assessment.

The discussion in this risk management chapter covers the risk management practices, policies, and frameworks of OCBC Group, excluding Great Eastern Holdings (GEH) and Bank OCBC NISP. With the exception of these two entities, other banking subsidiaries are required to implement risk management policies that conform to the Group's standards, with approving authorities and limits as determined by the Head Office.

GEH and Bank OCBC NISP are listed on Singapore Exchange and Indonesia Stock Exchange, respectively. As listed companies, GEH and Bank OCBC NISP publish their own annual reports, which contain information on their risk management frameworks and practices (refer to Note 39 in the Group's Financial Statements for information on GEH's risk management). The Group collaborates with GEH and Bank OCBC NISP on aligning their risk management infrastructure through knowledge transfer and training assistance.

RISK GOVERNANCE AND ORGANISATION

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

The Board Risk Committee is supported by Group Risk Management Division, which has functional responsibility on a day-to-day basis for providing independent risk control and managing credit, market, operational, liquidity, and other key risks. Within the division, risk officers are dedicated to establishing Group-wide policies, risk measurement and methodology, as well as monitoring the Group's risk profiles and portfolio concentrations. Credit officers are also involved in transaction approvals. Approval limits are based on the relevant experience of the officers and portfolio coverage. Representatives from the division also provide expertise during the design and approval process for new products offered by the Group. This ensures that new or emerging risks from new products are adequately identified, measured, and managed within existing risk systems and processes.

Various risk management committees have been established for active senior management oversight, understanding, and dialogue

Risk Management

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

on policies, profiles, and activities pertaining to the relevant risk types. These include the Credit Risk Management Committee, the Market Risk Management Committee, the Asset and Liability Management Committee, and the Operational Risk Management and Information Security Committee. Both risk-taking and risk control units are represented on these committees, emphasising shared risk management responsibilities.

Group Audit conducts regular independent reviews of loan portfolios and business processes to ensure compliance with the Group's risk management frameworks, policies, processes, and methodologies.

BASEL II

The Group has implemented Monetary Authority of Singapore (MAS) Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore with effect from 1 January 2008. MAS Notice 637 adopts the Basel Committee on Banking Supervision's proposal on "International Convergence of Capital Measurement and Capital Standards," commonly referred to as Basel II. This risk-based capital adequacy framework requires banks to enhance their risk management practices and establishes minimum capital requirements to support credit, market, and operational risks. With this new framework, there is a stronger correlation between capital requirements and the level of risks undertaken.

MAS Notice 637 specifies the regulatory guidelines on the approaches, methodologies, and processes that banks in Singapore should adopt under the new risk-based capital adequacy framework. The framework comprises three pillars: Pillar 1 prescribes the minimum capital requirements to support a bank's credit, market, and operational risks; Pillar 2 requires banks to have a holistic internal capital adequacy assessment process and requires supervisors to review the adequacy of the process and the sufficiency of the Bank's capital for all material risks; and Pillar 3 prescribes minimum disclosures on risk profile and capital adequacy to facilitate market discipline.

For Pillar 1, the Group has adopted the foundation internal ratings-based (F-IRB) approach to calculate credit risk-weighted assets for major non-retail portfolios, and the advanced internal ratings-based (A-IRB) approach for major retail portfolios. Other credit portfolios are on the standardised approach (SA) and will be progressively migrated to the internal ratings-based approaches. The regulatory capital to be set aside for credit risk-weighted assets depends on various factors, including internal risk grades, product type, counterparty type, and maturity.

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

To meet Pillar 2 requirements, the Group has established an Internal Capital Adequacy Assessment Process (ICAAP). The process will be refined progressively, taking into account changes in the Group's risk appetite, business strategies, stress test results, and market developments.

As part of enhanced public disclosures on risk profile and capital adequacy under Pillar 3, the Group has made additional disclosures in the 2008 annual report. Please refer to the OCBC Group Basel II Pillar 3 Market Disclosure section in the annual report for more information.

CREDIT RISK MANAGEMENT

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

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

Credit Risk Management Oversight and Organisation

The Credit Risk Management Committee (CRMC) is the senior management committee that supports the CEO and the Board Risk Committee in credit risk management oversight. CRMC reviews the Group's credit risk philosophy, framework, and policies; aligns credit risk management with business strategy and planning; recommends credit approval authority limits; reviews the credit profile of material portfolios; and recommends actions where necessary to ensure that credit risks remain within established risk tolerances.

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

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

Credit Risk Management Approach

Our credit risk management framework includes comprehensive credit risk policies for approval and management of credit risk, as well as methodologies and models to quantify these risks consistently. This is complemented by expert judgement by officers, regular credit reviews, and independent internal audit review. Early

Risk Management

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

problem identification is emphasised. During 2008, credit underwriting criteria relating to retail and corporate lending were updated to reflect the changing economic conditions in our key markets. In addition, we were very selective in purchasing international debt securities. Portfolio reviews and stress tests were increased in order to identify vulnerabilities to the deteriorating credit conditions.

Lending to Consumers and Small Businesses

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

Lending to Corporate and Institutional Customers

Loans to corporate and institutional customers are individually underwritten and risk-rated. Credit officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support. Credit extensions have to meet pre-defined target market and risk acceptance criteria.

To ensure objectivity in credit extensions, co-grantor approvals – or joint approvals – are required from both the business unit as well as credit controllers from the credit risk function.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, the Group is exposed to credit risks from trading, derivative and debt securities activities, as well as counterparty exposure. Counterparty credit risk is the risk of loss from a counterparty defaulting on its contractual obligations to the Group.

The Group has limited exposure to asset-backed securities and collateralised debt obligations. The Group also participates in securitisations, where it may have the role of arranger, underwriter, or investor to support securitisation of customer assets.

Internal Credit Rating Models

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

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

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

A-IRB for Major Retail Portfolios

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

F-IRB for Major Non-Retail Portfolios

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

IRB Approach for Securitisation Exposures

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

Standardised Approach for Other Portfolios

Other credit portfolios, such as small business lending, commercial property loans, and exposures to sovereigns are under the standardised approach. Under this approach, regulatory prescribed risk weights based on asset class and external ratings from approved credit rating agencies, where available, are used to determine the

Risk Management

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risk weighted assets and regulatory capital. Approved external rating agencies include Standard & Poor's, Moody's, and Fitch.

Credit Risk Control

Credit Risk Mitigation

To mitigate risk on its credit portfolios, the Group accepts collateral as security, subject to the Group's policies that govern the eligibility of collateral used for credit risk mitigation.

The key types of collateral taken by the Group are:

- Cash and marketable securities
- Residential and commercial real estate
- Vessels, aircraft, and automobiles
- Other tangible business assets, such as inventory and equipment.

The value of collateral is prudently assessed on a regular basis. Valuations are performed by independent appraisers approved by the Group. Discounts are applied to the market value of collateral, reflecting the quality, liquidity, volatility, and collateral type. Loan-to-value ratio is a key factor taken into consideration in the credit granting decision.

OCBC Group also accepts guarantees from individuals, corporates, and institutions to mitigate credit risk, subject to internal guidelines on eligibility.

Managing Credit Risk Concentrations

Concentration limits

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

While we are steadily diversifying our exposure, the bulk of credit risk concentrations continue to be in our traditional home markets of Singapore and Malaysia, where we have exposures to many sectors of the economy. In terms of industries, we have a significant exposure to the real estate market in Singapore. This is supported by dedicated specialist teams in origination as well as credit risk management. Particular attention is paid to borrower and collateral quality, project feasibility, and emerging market conditions. Regular stress tests are performed on the portfolio. The Bank is in compliance with Section 35 of the Banking Act, which limits its exposure to real estate in Singapore to not more than 35% of its total eligible loan assets.

Counterparty limits

Credit limits are also established to manage trading counterparty and issuer risks. Derivative contracts are transacted under master agreements, such as those from International Swaps and Derivatives Association (ISDA), which allow for close out netting in the event of a default by a counterparty. The Group also establishes settlement and pre-settlement limits for all counterparties arising from the clearing or settlement of any trading or payment clearing activities.

For derivative contracts, the total credit exposure of the contract is the mark-to-market value plus the estimate of the potential credit exposure over the remaining term of the contract. The Group calculates such exposures and uses statistical modelling tools to estimate the potential worst-case scenario.

To mitigate counterparty risk, financial collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. A haircut is normally applied on the collateral to cover potential adverse market volatility and currency risk. The collateral agreement typically includes a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed the agreed threshold amount.

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

Remedial Management

Loans are categorised as "Pass" or "Special Mention," while non-performing loans (NPLs) are categorised as "Substandard," "Doubtful," or "Loss" in accordance with MAS Notice 612. In addition, internal loan policies are in place to promote early problem recognition.

Loans are restructured when borrowers face financial difficulties in meeting the original contractual terms of the credit facility, and where the borrowers have viable longer-term business prospects. During loan restructuring, credit facility conditions are modified upon mutual agreement between the Group and the borrower.

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

Impairment Allowances for Loans

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

Specific allowance is established when the present value of future recoverable cash flows of the impaired loan is lower than the carrying value of the loan. Assessment for impairment is conducted on a loan-by-loan basis. The exceptions are homogenous loans (such as housing loans, consumer loans, and credit card receivables) below a certain materiality threshold, where such loans may be

Risk Management

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pooled together according to their risk characteristics and collectively assessed according to the degree of impairment, taking into account the historical loss experience on such loans.

Portfolio allowances are set aside based on management's credit experiences and judgement for estimated inherent losses that may exist but have not been identified to any specific financial asset. Credit experiences are based on historical loss rates that take into account geographic and industry factors. A minimum 1% portfolio allowance is set aside under the transitional arrangement in MAS Notice 612.

Write-Offs

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

Ceasing of Interest Accrual on Loans

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

Collateral Held Against NPLs

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

MARKET RISK MANAGEMENT

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

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

Market Risk Management Oversight and Organisation

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

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

Market Risk Management Approach

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

Market Risk Identification

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

Market Risk Measurement

Value-At-Risk

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

Other Risk Measures

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

Stress Testing and Scenario Analyses

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

Risk Management

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

The table below provides a summary of the Group's trading VaR profile by risk types for 2008.

VaR by Risk Type – Trading Portfolio

	2008				2007			
SGD Millions	Year -end	Ave	Min	Max	Year -end	Ave	Min	Max
Interest Rate Risk	**9.36**	**9.63**	**6.13**	**14.67**	8.94	6.77	3.23	12.34
Foreign Exchange Risk	**4.35**	**7.43**	**2.54**	**15.11**	8.85	5.67	0.86	13.42
Equity Risk	**0.49**	**1.60**	**0.07**	**3.34**	2.77	2.04	0.67	3.57
Volatility Risk [1]	**3.14**	**2.86**	**1.18**	**12.94**	1.64	1.38	0.49	3.74
Credit Spread Risk	**3.69**	**2.65**	**0.25**	**6.24**	0.86	0.90	0.29	1.78
Diversification Effect [2]	**6.67**	**9.93**	**NM[3]**	**NM[3]**	8.63	6.20	NM	NM
Aggregate Risk	**14.37**	**14.25**	**9.59**	**21.58**	14.43	10.56	4.83	19.68

[1] Volatility VaR includes risk related to option's volatility arising from all asset classes, i.e. interest rate, foreign exchange, and equity.
[2] Year-end and average aggregate VaR are not equal to the sum of the VaR of the respective risk type due to portfolio diversifications.
[3] NM – Not meaningful as the minimum and maximum VaR for each risk type and the aggregate VaR occurred on different days.

Risk Monitoring and Control

Limits

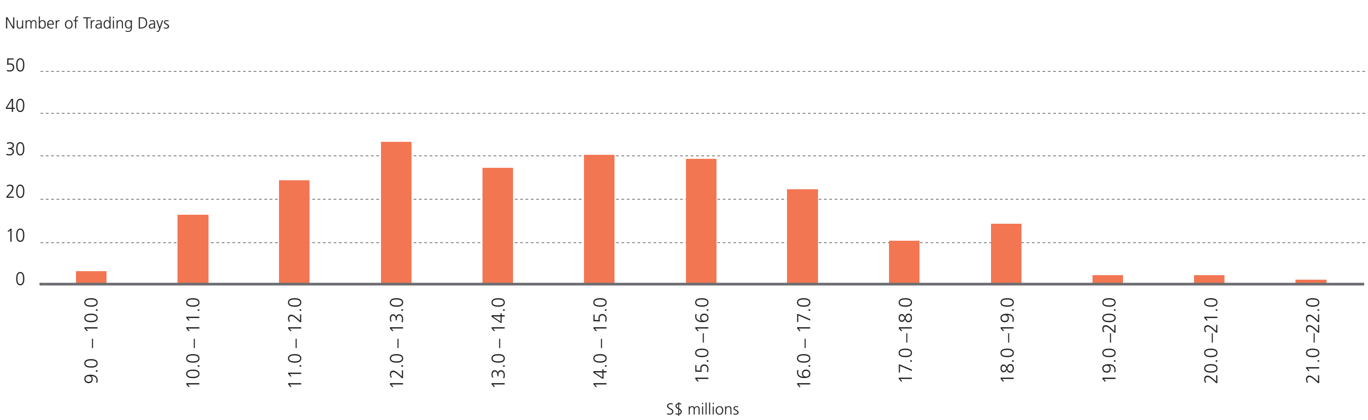
Only authorised trading activities may be undertaken by the various business units within the allocated limits. All trading risk positions are monitored on a daily basis against these limits by independent support units. Limits are approved for various business activity levels, with clearly defined exception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

Model and Valuation Control

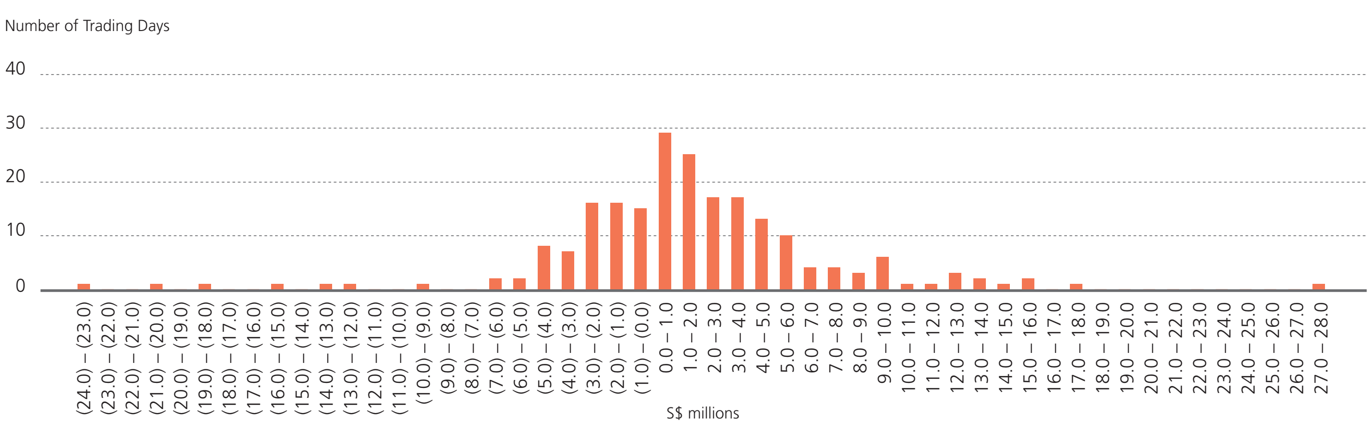
Model and valuation control is also an integral part of the Group's risk control process. Valuation and risk models are deployed in the Group for pricing of financial instruments and VaR calculation, respectively. The Group ensures the models used are fit for their intended purpose, through verifying the parameters, assumptions, and robustness associated with each model before it is commissioned for use.

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

Frequency Distribution of Trading Book Daily VaR (One-Day Holding Period) for FY 2008



Frequency Distribution of Trading Book Daily Revenue for FY 2008



Risk Management

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

ASSET LIABILITY MANAGEMENT

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

Asset Liability Management Oversight and Organisation

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

Asset Liability Management Approach

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

Structural Interest Rate Risk

The Group faces interest rate risks arising from re-pricing mismatches of assets and liabilities from its banking businesses. These risks are monitored through tenor limits and net interest income changes. Structural interest rate risk policies are established and reviewed annually.

The Group performs in-depth analyses of current and projected balance sheet positions and the likely impact on the Group's net interest income. Group Treasury actively manages the re-pricing mismatches with the aid of daily re-pricing gap and sensitivity reports, against defined sensitivity limits. The re-pricing gap reports allow for the analysis of the re-pricing profile for the Group's assets and liabilities, while sensitivity reports identify the parts of the yield curve where the Group is most vulnerable to changes in interest rates.

The funding mix varies across the Group. In Singapore, the lending portfolio is largely funded by demand, savings, and fixed deposits. The major component of interest rate risks lies in the Group's extension of fixed rate products, such as housing loans, automobile loans, and term loans. The Group uses the interest rate swap market actively to manage these fixed rate exposures within its risk appetite.

Structural Foreign Exchange Risk

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

Liquidity Risk

The Group ensures that we have sufficient funds to meet our contractual and regulatory financial obligations, as well as to undertake new transactions.

Our liquidity management process involves establishing liquidity risk limits, appropriate liquidity management policies, and contingency funding plans. In addition, the Group maintains ample and diversified funding sources and regularly accesses the wholesale financial markets. These processes are subject to regular reviews to ensure adequacy and appropriateness.

The Group has a liquidity framework that monitors liquidity positions and the management of liquidity risks from various scenarios. As a policy, the Group requires most subsidiaries and key overseas branches to be self-sufficient and to fund their own operations. It is the responsibility of each local management team to ensure compliance with local regulations and the Group's requirements on liquidity management. ALCO provides the oversight at the Group level, while each branch or subsidiary manages their liquidity risks by taking into account the complexity of the individual balance sheet, as well as the depth and liquidity of the local market.

The Group's liquidity position is monitored and managed through a maturity mismatch analysis that is performed on a contractual and behavioural basis across the major currencies. Simulations of the liquidity risk profile under stressed market scenarios are also performed. The Group also uses structural liquidity indicators, such as liquidity and deposit concentration ratios, to maintain an optimal funding mix and asset composition.

OPERATIONAL RISK MANAGEMENT

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

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

Operational Risk Management Oversight and Organisation

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

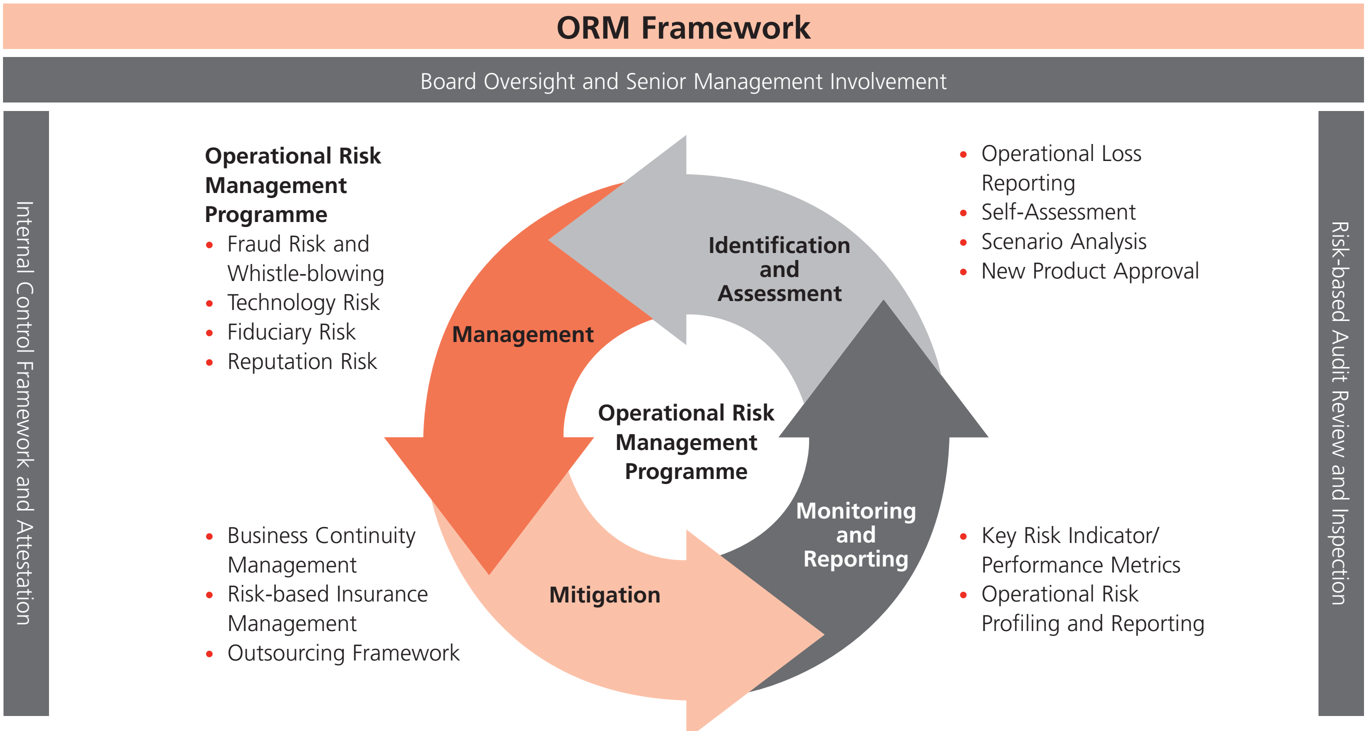
The Operational Risk Management (ORM) Department of Group Risk Management Division has established the ORM framework, including policies and methodologies. The ORM department also provides independent oversight of operational risk monitoring and control. The ORM programmes are actively implemented through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

Operational Risk Management Approach

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

Risk Management

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



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

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

For information security, the Group protects and ensures the confidentiality, integrity, and availability of its information assets through implementing appropriate security controls to protect against the misuse or compromise of information assets.

The Group also monitors the health and security environment of the locations of the Group's key operations to assess possible threats that may adversely affect the Group and its employees.

To mitigate the impact of unforeseen operational risk events, the Group has business continuity management and crisis management programmes to ensure the uninterrupted availability of all business resources to support essential business activities. The Group also has insurance programmes, primarily to mitigate the risk of catastrophic events.

The Group's Fraud Risk Management (FRM) and whistle-blowing programmes help prevent and detect fraud or misconduct, as well as enable rapid and co-ordinated incident responses, including establishing the cause, remedial actions, and damage control procedures.

Reputation Risk Management

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

Fiduciary Risk Management

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

Regulatory and Legal Risks

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

Capital Management

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

CAPITAL POLICY

OCBC Group's policy is to maintain a strong capital position, to enable the Bank to not only meet regulatory requirements, but also to seize opportunities for strategic investments and business growth and maintain investor, depositor, customer and market confidence at all times. In line with this, OCBC aims to maintain a minimum credit rating of "A" and ensure that its regulatory capital adequacy ratios are comfortably above regulatory minima while balancing shareholders' desire for sustainable returns and high standards of prudence.

OCBC actively manages its capital composition to achieve an efficient mix of different capital instruments in order to lower its overall cost of capital. We evaluate and access international and local capital markets for different forms of additional capital if necessary. Over the years, OCBC's capital composition has been adjusted by issuing non-dilutive perpetual preference shares, tax deductible non-dilutive innovative Tier 1 preference shares, Upper Tier 2 subordinated notes and Lower Tier 2 subordinated notes. A description of the key terms and conditions of all capital instruments included within Total Eligible Capital can be found in Notes 13, 16 and 21 of the financial statements.

REGULATORY CAPITAL

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

OCBC Group's capital adequacy ratios are amongst the strongest within its peer group. The table below shows the composition of the Group's regulatory capital and capital adequacy ratios as of 31 December 2008, determined according to the requirements as per MAS Notice 637, which specifies the definition of regulatory capital and deductions required, including the cost of investment in subsidiaries, goodwill, intangibles and other capital investments. Disclosure on the approaches adopted under MAS Notice 637 for the computation of risk-weighted assets can be found in the Risk Management Chapter.

$ million	**Basel II 2008**	**Basel I 2007**
Tier 1 Capital		
Ordinary shares	**4,741**	4,624
Preference shares	**1,896**	896
Innovative Tier 1 capital instruments	**1,900**	400
Disclosed reserves	**9,019**	8,379
Minority interests	**618**	587
	18,174	14,886
Goodwill/others	**(3,422)**	(3,455)
Deductions from Tier 1 capital [1]	**(491)**	–
Eligible Tier 1 Capital	**14,261**	11,431
Tier 2 Capital		
Subordinated term notes/others	**2,844**	3,610
Deductions from Tier 2 capital [1]	**(2,592)**	–
Total Capital	**14,513**	15,041
Capital investments in insurance subsidiaries [1]	**–**	(2,506)
Others [1]	**–**	(124)
Eligible Total Capital	**14,513**	12,411
Credit	**80,281**	89,343
Market	**9,144**	10,038
Operational	**6,097**	–
Risk Weighted Assets	**95,522**	99,381
Tier 1 capital adequacy ratio	**14.9%**	11.5%
Total capital adequacy ratio	**15.1%**	12.4%

[1] In accordance with the revised MAS Notice 637, capital investments in insurance subsidiaries and other items are deducted against Tier 1 and Tier 2 capital under the Basel II framework. Under Basel I, these items were deducted against total capital.

Capital Management

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

CAPITAL PLANNING AND MONITORING

OCBC Group's capital is closely monitored and actively managed to ensure that there is sufficient capital in place to support our business growth, as well as to pursue strategic businesses and investment opportunities that will create value for our stakeholders, while taking into consideration the Group's risk appetite.

OCBC Group's internal capital adequacy assessment process ("ICAAP"), which is carried out at least annually, involves a comprehensive assessment of all material risks that the Group is exposed to and an evaluation of the adequacy of the Group's capital in relation to its risks. As part of the annual ICAAP, a 3-year capital plan is prepared which takes into consideration the Group's business growth strategy, the market environment as well as the desired capital target and composition of the Group. Periodic capital stress tests are also conducted to evaluate how the Group can continue to meet its minimum capital requirements under severe economic stress.

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

DIVIDEND

Our dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on at least a half-yearly basis. For the year ended 31 December 2008, the Board of Directors is recommending a final one-tier tax exempt dividend of 14 cents per share, with a scrip dividend alternative, bringing the total net dividend for 2008 to 28 cents per share, or an estimated total net dividend of $868 million, representing 58% of the Group's core net profit of $1,486 million (2007: Total net dividend of $865 million, or 46% of core net profit of $1,878 million).

SHARE BUYBACK AND TREASURY SHARES

Shares purchased under the share buyback programme are held as treasury shares. These are recorded as a deduction against share capital, and may be subsequently sold, cancelled, distributed as bonus shares, or used to meet delivery obligations under various employee share incentive schemes. There was no share buyback in the financial year ended 31 December 2008.

Financial Report

Management Discussion and Analysis

OVERVIEW

	2008	2007	+/(-) %
Selected Income Statement Items (S$m)			
Net interest income	**2,783**	2,244	24
Non-interest income	**1,458**	1,944	(25)
Total core income	**4,241**	4,188	1
Operating expenses	**(1,854)**	(1,680)	10
Operating profit before allowances and amortisation	**2,387**	2,508	(5)
Amortisation of intangible assets	**(47)**	(47)	–
Allowances for loans and impairment of other assets	**(447)**	(36)	NM
Operating profit after allowances and amortisation	**1,893**	2,425	(22)
Share of results of associates and joint ventures	**6**	21	(74)
Profit before income tax	**1,899**	2,446	(22)
Core net profit attributable to shareholders	**1,486**	1,878	(21)
Divestment gains (net of tax)	**174**	90	94
Tax refunds/write-backs	**89**	103	(14)
Reported net profit attributable to shareholders	**1,749**	2,071	(16)
Cash basis net profit attributable to shareholders [1]	**1,796**	2,117	(15)
Selected Balance Sheet Items (S$m)			
Ordinary equity	**13,978**	14,782	(5)
Total equity (excluding minority interests)	**15,874**	15,678	1
Total assets	**181,385**	174,607	4
Assets excluding life assurance fund investment assets	**142,508**	133,471	7
Loans and bills receivable (net of allowances)	**79,808**	71,316	12
Deposits of non-bank customers	**94,078**	88,788	6
Per Ordinary Share – Based on Core Earnings			
Basic earnings (cents) [2]	**46.1**	59.7	(23)
Basic earnings – Cash basis (cents) [2]	**47.6**	61.2	(22)
Diluted earnings (cents) [2]	**45.9**	59.3	(23)
Net asset value (S$)			
– Before valuation surplus	**4.51**	4.79	(6)
– After valuation surplus	**5.18**	6.46	(20)
Key Financial Ratios – Based on Core Earnings (%)			
Return on equity [2][3]	**9.9**	13.4	
Return on equity – Cash basis [2][3]	**10.3**	13.7	
Return on assets [4]	**1.05**	1.51	
Return on assets – Cash basis [4]	**1.08**	1.55	
Net interest margin	**2.27**	2.10	
Non-interest income to total income	**34.4**	46.4	
Cost to income	**43.7**	40.1	
Loans to deposits	**84.8**	80.3	
NPL ratio	**1.5**	1.7	
Total capital adequacy ratio [5]	**15.1**	12.4	
Tier 1 ratio [5]	**14.9**	11.5	

(1) Excludes amortisation of intangible assets.

(2) In computing earnings per share and return on equity, preference dividends paid and estimated to be due as at the end of the financial year are deducted from core earnings.

(3) Preference equity and minority interests are not included in the computation for return on equity.

(4) The computation for return on assets does not include life assurance fund investment assets.

(5) The capital adequacy ratios for 2008 are computed in accordance with Basel II rules while the ratios for 2007 are computed based on Basel I rules.

"NM" denotes not meaningful.

Management Discussion and Analysis

Group net profit attributable to shareholders ("net profit") for the financial year ended 31 December 2008 declined 16% to S$1,749 million, from S$2,071 million in 2007. Core net profit, which excludes divestment gains and tax refunds from both periods, fell by 21% to S$1,486 million.

The severe market conditions and depressed economic environment during the year, especially in the second half, resulted in declines in the Group's insurance, investment and trading income and a significant increase in allowances for loans and other assets, which offset the robust growth in net interest income. Non-interest income (excluding divestment gains) declined by 25% to S$1,458 million, while net allowances increased from S$36 million to S$447 million. Net interest income grew 24% to S$2,783 million, led by loan growth and improved interest margins. Operating expenses increased by 10% to S$1,854 million.

Return on equity, based on core earnings, was 9.9% in 2008, down from 13.4% in 2007. Core earnings per share fell 23% to 46.1 cents. Core earnings in 2008 excluded S$174 million gains from the sale of the Group's remaining stakes in The Straits Trading Company and Robinson & Company Limited, as well as tax refunds and tax write-backs amounting to S$89 million. In 2007, divestment gains amounted to S$90 million and tax refunds were S$103 million.

The Group continues to maintain a strong capital position. The Group's Tier 1 capital was S$14.3 billion as at 31 December 2008. Its Tier 1 ratio of 14.9% was well above the regulatory minimum of 6%, while the total capital adequacy ratio was 15.1% as compared to the regulatory requirement of 10%.

The performance of key subsidiaries of the Group was mixed. Great Eastern Holdings ("GEH") reported a 50% decline in net profit for the year to S$272 million, as its life assurance profits and shareholders' fund investments were affected by mark-to-market losses, weak investment profits, and higher impairment provisions. GEH's contribution to the Group's core earnings, after deducting amortisation of intangible assets, non-core gains, tax write-backs and minority interests, was S$160 million, down sharply from S$449 million in 2007. Excluding GEH, the Group's core net profit showed a decline of 7% to S$1,326 million.

The Group's Malaysia and Indonesia banking subsidiaries performed well. OCBC Bank (Malaysia) Berhad grew its net profit by 20% to RM617 million (S$256 million), underpinned by higher net interest income, Islamic Banking income and non-interest income. Bank OCBC NISP achieved a 27% increase in net profit to IDR 317 billion (S$40 million), driven by growth in net interest and non-interest income and a moderation in expense growth.

A final one-tier tax exempt dividend of 14 cents per share has been proposed, bringing the full year dividend to 28 cents per share, unchanged from 2007 and representing a payout of 58% of core earnings. The Bank proposes to reactivate its Scrip Dividend Scheme, subject to alterations being made to the scheme to conform to the current SGX scrip dividend rules, to allow shareholders the option of receiving the final dividend in the form of shares instead of cash.

NET INTEREST INCOME

Average Balance Sheet

	2008			2007		
	Average Balance S$m	**Interest S$m**	**Average Rate %**	**Average Balance S$m**	**Interest S$m**	**Average Rate %**
Interest earning assets						
Loans and advances to non-bank customers	**76,610**	**3,651**	**4.77**	63,811	3,535	5.54
Placements with and loans to banks	**23,762**	**780**	**3.28**	22,441	863	3.84
Other interest earning assets (1)	**22,422**	**836**	**3.73**	20,643	867	4.20
Total	**122,794**	**5,267**	**4.29**	106,895	5,265	4.93
Interest bearing liabilities						
Deposits of non-bank customers	**93,554**	**1,815**	**1.94**	82,080	2,175	2.65
Deposits and balances of banks	**13,951**	**430**	**3.08**	12,831	569	4.44
Other borrowings (2)	**6,420**	**239**	**3.72**	5,543	277	5.00
Total	**113,925**	**2,484**	**2.18**	100,454	3,021	3.01
Net interest income/margin (3)		**2,783**	**2.27**		2,244	2.10

(1) Comprise corporate debts and government securities.

(2) Comprise mainly debts issued, including Tier 2 subordinated debt.

(3) Net interest margin is net interest income as a percentage of interest earning assets.

Management Discussion and Analysis

NET INTEREST INCOME (continued)

Net interest income grew 24% year-on-year to S$2,783 million in 2008, underpinned by growth in interest earning assets and improved margins. Average balances of non-bank customer loans grew by 20%, contributed mainly by growth in business loans in Singapore as well as overseas markets.

Net interest margin improved by 17 basis points from 2.10% to 2.27%, an eight-year high, as a result of higher loan spreads and lower funding costs, partially driven by strong growth in low cost deposits.

Volume and Rate Analysis

Increase/(decrease) for 2008 over 2007	Volume S$m	Rate S$m	Net change S$m
Interest income			
Loans and advances to non-bank customers	711	(605)	106
Placements with and loans to banks	51	(137)	(86)
Other interest earning assets	75	(108)	(33)
Total	837	(850)	(13)
Interest expense			
Deposits of non-bank customers	305	(671)	(366)
Deposits and balances of banks	50	(191)	(141)
Other borrowings	43	(82)	(39)
Total	398	(944)	(546)
Impact on net interest income	439	94	533
Due to change in number of days			6
Net interest income			539

NON-INTEREST INCOME

	2008 S$m	2007 S$m	+/(-) %
Fees and commissions			
Brokerage	**74**	136	(46)
Wealth management	**132**	163	(19)
Fund management	**79**	86	(9)
Credit card	**55**	56	(3)
Loan-related	**153**	124	23
Trade-related and remittances	**129**	115	12
Guarantees	**27**	23	19
Investment banking	**51**	41	23
Service charges	**50**	44	15
Others	**24**	20	30
Sub-total	**774**	808	(4)
Dividends	**72**	56	29
Rental income	**68**	62	10
Profit from life assurance	**300**	509	(41)
Premium income from general insurance	**109**	65	67
Other income			
Net dealing income:			
Foreign exchange	**151**	186	(19)
Derivatives and securities	**(108)**	(12)	(777)
Net gain/(loss) from investment securities	**18**	202	(91)
Net gain/(loss) from disposal of properties	**8**	5	61
Others	**66**	63	6
Sub-total	**135**	444	(70)
Total core non-interest income	**1,458**	1,944	(25)
Divestment gains	**186**	93	101
Total non-interest income	**1,644**	2,037	(19)
Fees and commissions/Total income [(1)]	**18.2%**	19.3%	
Non-interest income/Total income [(1)]	**34.4%**	46.4%	

[(1)] Excludes divestment gains.

Management Discussion and Analysis

NON-INTEREST INCOME (continued)

Non-interest income (excluding divestment gains) declined 25% to S$1,458 million in 2008. Challenging market conditions throughout the year resulted in lower life assurance profits and reduced gains from the sale of investment securities, as well as trading losses in securities and derivatives. Profit from life assurance fell 41% to S$300 million, as the weak and volatile equity and bond markets impacted subsidiary GEH's insurance profits, in particular for its non-participating fund. Gains from the sale of investment securities dropped to S$18 million, from S$202 million in the previous year. Losses from derivatives and securities dealing widened to S$108 million from S$12 million previously.

Fee and commission income, which accounts for about half of total non-interest income, held up reasonably well, decreasing by a modest 4% to S$774 million. Declines in stockbroking, wealth management and fund management income were mitigated by growth in other fee-based activities.

OPERATING EXPENSES

	2008 S$m	2007 S$m	+/(-) %
Staff costs	**1,045**	946	11
Property and equipment			
Depreciation	**116**	104	11
Maintenance and hire	**68**	66	4
Rental expenses	**43**	30	40
Others	**113**	101	12
	340	301	13
Other operating expenses	**469**	433	8
Total operating expenses	**1,854**	1,680	10
Group staff strength			
Period end	**19,876**	18,676	6
Average	**19,541**	17,431	12
Cost to income ratio (1)	**43.7%**	40.1%	

(1) Excludes divestment gains.

Operating expenses increased by 10% to S$1,854 million in 2008. Approximately 42% of the increase was due to the Group's overseas expansion, particularly in China, and the first-time consolidation of expenses from PacificMas Berhad which became a subsidiary in April 2008. Excluding these factors, the Group's business-as-usual expenses rose by 7%.

Staff costs rose by 11% to S$1,045 million in 2008, mainly due to higher base salaries and an increase of 12% in average headcount. Property and equipment expenses increased 13% to S$340 million, with increases mainly in rental expenses, property tax, as well as higher depreciation and maintenance costs for computer software and equipment which were partly driven by infrastructural investments made in tandem with the Group's regional expansion. Other operating expenses increased by 8% to S$469 million due to higher business promotion and other miscellaneous expenses.

As Group core revenue grew 1% while expenses rose 10% for the year, the cost to income ratio increased to 43.7% in 2008, compared with 40.1% for 2007.

Management Discussion and Analysis

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2008 S$m	2007 S$m	+/(-) %
Specific allowances/(write-back) for loans			
Singapore	**2**	(58)	(103)
Malaysia	**40**	(12)	(431)
Others	**123**	(38)	(423)
	165	(108)	(253)
Portfolio allowances for loans	**20**	–	–
Allowances for CDOs	**87**	231	(63)
Allowances and impairment charges/(write-back) for other assets	**175**	(87)	(302)
Net allowances and impairment	**447**	36	NM

The Group provided S$447 million in net allowances for loans and other assets in 2008, compared with S$36 million in 2007.

The allowances in 2008 included S$165 million in specific allowances for loans, S$87 million for the CDO portfolio, and S$175 million for other assets, mainly debt securities. Portfolio allowances of S$20 million were also set aside for the loan portfolio. In comparison, in 2007 the CDO-related allowances of S$231 million were largely offset by net write-back in specific allowances for loans of S$108 million due to loan recoveries, repayments and upgrades, and net write-back in allowances for other assets of S$87 million, mainly properties.

Specific Allowances for Loans by Industry [1]

	2008 S$m
Agriculture, mining and quarrying	(3)
Manufacturing	103
Building and construction	(41)
Housing	7
General commerce	17
Transport, storage and communication	6
Financial institutions, investment and holding companies	(8)
Professionals and individuals	25
Others	59
Total specific allowances for loans	**165**

(1) First-time disclosure in accordance with Basel II Pillar 3 requirements under MAS Notice 637.

Management Discussion and Analysis

LOANS AND ADVANCES

	2008 S$m	2007 S$m	+/(-) %
By Industry			
Agriculture, mining and quarrying	**1,315**	1,116	18
Manufacturing	**6,612**	6,278	5
Building and construction	**17,176**	13,653	26
Housing loans	**19,785**	19,247	3
General commerce	**7,072**	6,943	2
Transport, storage and communication	**5,471**	3,922	39
Financial institutions, investment and holding companies	**11,201**	10,610	6
Professionals and individuals	**7,358**	7,385	–
Others	**5,346**	3,621	48
	81,336	72,775	12
By Currency			
Singapore Dollar	**47,174**	42,617	11
United States Dollar	**10,671**	9,417	13
Malaysian Ringgit	**12,220**	10,869	12
Indonesian Rupiah	**2,269**	2,402	(6)
Others	**9,002**	7,470	20
	81,336	72,775	12
By Geography [1]			
Singapore	**49,285**	45,311	9
Malaysia	**14,335**	12,102	18
Other ASEAN	**4,602**	4,446	4
Greater China	**6,874**	5,133	34
Other Asia Pacific	**3,242**	3,073	6
Rest of the World	**2,998**	2,710	11
	81,336	72,775	12

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

The Group's loan book increased 12% year-on-year, to S$81.3 billion as at 31 December 2008. This was mainly from growth in business loans in Singapore as well as overseas markets. By industry, the growth was broad-based, with the largest increase in loans to the building and construction sector, transport and communications sector, as well as to financial institutions, investment and holding companies and the housing sector.

Management Discussion and Analysis

NON-PERFORMING LOANS

NPLs by Grading and Geography

	Total NPLs [1] S$m	Substandard S$m	Doubtful S$m	Loss S$m	Secured NPLs/ Total NPLs %	Non-bank NPLs/ Non-bank loans [2] %
Singapore						
2008	**395**	**107**	**184**	**104**	**58.1**	**0.8**
2007	512	185	185	142	66.6	1.1
Malaysia						
2008	**496**	**290**	**121**	**85**	**59.2**	**3.3**
2007	548	336	114	98	63.0	4.3
Others						
2008	**457**	**74**	**310**	**73**	**26.6**	**1.8**
2007	294	71	151	72	47.4	1.3
Group						
2008	**1,348**	**471**	**615**	**262**	**47.8**	**1.5**
2007	1,354	592	450	312	60.9	1.7

(1) Comprise non-bank loans, debt securities and contingent facilities; include CDOs of S$109 million and S$86 million for 2008 and 2007 respectively.

(2) Exclude debt securities.

As at 31 December 2008, total NPLs were S$1,348 million, marginally below the S$1,354 million in December 2007. Singapore NPLs amounted to S$395 million, while Malaysia NPLs were S$496 million. These accounted for 29% and 37% of total NPLs respectively. Of the total NPLs, 35% were in the substandard category while 48% were secured by collateral.

The Group's NPL ratio was 1.5% as at 31 December 2008, lower than the 1.7% in December 2007.

	2008 S$m	2008 % of gross loans	2007 S$m	2007 % of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**6**	**0.5**	12	1.0
Manufacturing	**339**	**5.1**	271	4.3
Building and construction	**113**	**0.7**	187	1.4
Housing loans	**243**	**1.2**	301	1.6
General commerce	**147**	**2.1**	146	2.1
Transport, storage and communication	**24**	**0.4**	22	0.6
Financial institutions, investment and holding companies	**125**	**1.1**	68	0.6
Professionals and individuals	**126**	**1.7**	170	2.3
Others	**59**	**1.1**	61	1.7
Sub-total	**1,182**	**1.5**	1,238	1.7
Debt securities	**166**		116	
	1,348		1,354	

Management Discussion and Analysis

CUMULATIVE ALLOWANCES FOR LOANS

	Total cumulative allowances S$m	Specific allowances [1] S$m	Portfolio allowances S$m	Specific allowances as % of total NPLs %	Cumulative allowances as % of total NPLs %
Singapore					
2008	**655**	**151**	**504**	**38.1**	**165.8**
2007	739	202	537	39.5	144.4
Malaysia					
2008	**462**	**242**	**220**	**48.7**	**93.0**
2007	422	232	190	42.3	77.1
Others					
2008	**568**	**313**	**255**	**68.6**	**124.5**
2007	410	177	233	60.4	139.5
Group					
2008	**1,685**	**706**	**979**	**52.3**	**125.0**
2007	1,571	611	960	45.2	116.1

(1) Include allowances of S$108 million and S$82 million for classified CDOs as at 31 December 2008 and 31 December 2007 respectively.

As at 31 December 2008, the Group's total cumulative allowances for loans were S$1,685 million, comprising S$706 million in specific allowances and S$979 million in portfolio allowances. The cumulative specific allowances included S$108 million in allowances for classified CDOs. Total cumulative allowances were 125.0% of total NPLs at 31 December 2008, compared with the coverage of 116.1% at 31 December 2007.

Cumulative Specific Allowances by Industry [1]

	2008 S$m
Agriculture, mining and quarrying	4
Manufacturing	186
Building and construction	32
Housing	34
General commerce	72
Transport, storage and communication	18
Financial institutions, investment and holding companies	234
Professionals and individuals	73
Others	53
Total	**706**

(1) First-time disclosure in accordance with Basel II Pillar 3 requirements under MAS Notice 637.

Management Discussion and Analysis

COLLATERALISED DEBT OBLIGATIONS (CDOs)

As at 31 December 2008, the Bank has investments of S$453 million in CDOs, including S$252 million in asset-backed securities CDOs ("ABS CDOs"). The exposure to US sub-prime mortgages amounted to approximately 18% of the ABS CDOs. The ABS CDO exposure of S$252 million were 100% covered by cumulative allowances as at the end of 2008.

The corporate CDO investment portfolio was S$201 million at 31 December 2008, lower than the S$360 million exposure as at 31 December 2007 due to the maturity and sale of some corporate CDOs in the fourth quarter of 2008. Of the S$201 million exposure, S$6 million are invested in an equity tranche. As at 31 December 2008, cumulative write-downs of S$113 million (56%) for the corporate CDOs have been taken to the income statement, comprising cumulative allowances of S$47 million and cumulative mark-to-market losses of S$66 million for the related credit default swaps. In addition, negative fair value adjustments of S$70 million (35%) have been taken to the equity reserves.

As at 31 December 2008, the credit rating profile of the total CDO portfolio of S$453 million was as follows: 14% – A, 19% – BBB, 6% – BB, 39% – CCC, 19% – CC and 3% – C.

	2008		2007	
Type of CDO	Exposure S$m	Allowance S$m	Exposure S$m	Allowance S$m
ABS CDO Investment Portfolio	**252**	**(252)**	260	(219)
Corporate CDO Investment Portfolio	**201**	**(47)** [1]	360	–
Total CDO Portfolio	**453**	**(299)**	620	(219)

[1] In addition to the cumulative allowances of S$47 million, the Bank has also taken cumulative mark-to-market losses of S$66 million to the income statement and negative fair value adjustments of S$70 million to equity reserves for the corporate CDO portfolio as at 31 December 2008.

DEPOSITS

	2008 S$m	2007 S$m	+/(-) %
Deposits of non-bank customers	**94,078**	88,788	6
Deposits and balances of banks	**10,113**	14,726	(31)
Total deposits	**104,191**	103,514	1
Non-Bank Deposits By Product			
Fixed deposits	**57,218**	58,765	(3)
Savings deposits	**16,104**	12,999	24
Current account	**16,090**	12,538	28
Others	**4,666**	4,486	4
	94,078	88,788	6
Non-Bank Deposits By Currency			
Singapore Dollar	**53,745**	52,873	2
United States Dollar	**12,105**	11,473	6
Malaysian Ringgit	**14,672**	13,633	8
Indonesian Rupiah	**3,039**	2,903	5
Others	**10,517**	7,906	33
	94,078	88,788	6
Loans to deposits ratio (net non-bank loans/non-bank deposits)	**84.8%**	80.3%	

As at 31 December 2008, total deposits were S$104.2 billion, marginally above the S$103.5 billion as at 31 December 2007. Non-bank customer deposits grew by 6% to S$94.1 billion, with increases of 24% in savings deposits, and 28% in current account deposits. Deposits and balances of banks declined 31% to S$10.1 billion.

The Group's loans to deposits ratio was 84.8% at 31 December 2008, compared to 80.3% at 31 December 2007.

Management Discussion and Analysis

PERFORMANCE BY BUSINESS SEGMENT

OCBC Group's businesses are presented in the following customer and product segments: Global Consumer Financial Services, Global Corporate Banking, Global Treasury and Insurance.

Revenue and Operating Profit by Business Segment

	Total Income			Operating Profit after allowances and amortisation		
	2008 S$m	2007 S$m	+/(-) %	2008 S$m	2007 S$m	+/(-) %
Global Consumer Financial Services	**1,308**	1,160	13	**678**	581	17
Global Corporate Banking	**1,428**	1,194	20	**853**	818	4
Global Treasury	**683**	440	55	**478**	301	59
Insurance [(1)]	**482**	812	(41)	**229**	636	(64)
Others [(2)]	**340**	582	(42)	**(345)**	89	(487)
Group	**4,241**	4,188	1	**1,893**	2,425	(22)

(1) Pre-tax divestment gains of S$41 million for 2008 are not included.

(2) Pre-tax divestment gains of S$145 million for 2008 and S$93 million for 2007 are not included.

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).

For 2008, operating profit of the consumer segment grew by 17% to S$678 million, as broad-based growth in net interest income more than offset the increase in expenses.

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 Corporate Banking's operating profit increased by 4% to S$853 million in 2008. Growth in net interest income due to strong loans and deposits growth and higher fee income was partly offset by higher expenses.

Global Treasury

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

Global Treasury's operating profit rose 59% to S$478 million in 2008. The strong profit growth was driven by higher net interest income and foreign exchange gains, partly offset by losses from dealing in securities and derivatives, increased allowances and higher expenses.

Insurance

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

For 2008, operating profit from GEH fell by 64% to S$229 million, due mainly to declines in insurance income and income from investments and securities and derivatives dealing, higher operating expenses and increased allowances. After minority interests and tax, and excluding non-core gains and tax write-backs, GEH's contribution to the Group's core net profit was S$160 million in 2008, compared with S$449 million in 2007.

Others

The "Others" segment comprises Bank OCBC NISP, PacificMas Berhad, corporate finance, capital markets, property holding, stock brokerage and investment holding, support units, other investments and items not attributed to business segments. Operating losses of S$345 million in 2008 were mainly due to joint income offset, and increased allowances and investment losses as a result of the deterioration in the financial markets.

Management Discussion and Analysis

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2008		2007	
	S$m	%	S$m	%
Total core income				
Singapore [1]	**2,684**	**63**	2,717	65
Malaysia [2]	**914**	**22**	961	23
Other ASEAN	**326**	**8**	315	7
Asia Pacific	**272**	**6**	157	4
Rest of the World	**45**	**1**	38	1
	4,241	**100**	4,188	100
Profit before income tax				
Singapore [1] [2]	**1,244**	**66**	1,596	65
Malaysia [2]	**519**	**27**	670	28
Other ASEAN	**81**	**4**	93	4
Asia Pacific	**45**	**2**	63	2
Rest of the World	**10**	**1**	24	1
	1,899	**100**	2,446	100
Total assets				
Singapore	**118,157**	**66**	117,833	67
Malaysia	**38,402**	**21**	36,309	21
Other ASEAN	**5,853**	**3**	5,940	4
Asia Pacific	**15,029**	**8**	10,951	6
Rest of the World	**3,944**	**2**	3,574	2
	181,385	**100**	174,607	100

(1) Pre-tax divestment gains of S$186 million for 2008 and S$93 million for 2007 are not included in total core income and profit before income tax.
(2) Certain numbers for 2007 were reclassified for comparative purpose.

The geographical segment analysis is based on the location where assets or transactions are booked. For 2008, Singapore accounted for 63% of total income and 66% of pre-tax profit, while Malaysia accounted for 22% of total income and 27% of pre-tax profit. Pre-tax profit for Singapore declined by 22% in 2008 due mainly to lower insurance profits, weaker investment and trading income and increased net allowances for loans and other assets. Malaysia's pre-tax profit fell by 23% in 2008, largely due to the decline in insurance contribution.

CAPITAL ADEQUACY RATIOS

Based on the revised MAS Notice 637 effective January 2008, the Group's total capital adequacy ratio ("CAR") under the Basel II framework was 15.1% and the Tier 1 CAR was 14.9% as at 31 December 2008. The total and Tier 1 CAR as at 31 December 2007, which were computed under the Basel I framework, were 12.4% and 11.5% respectively. The Group's capital ratios remain well above the MAS minimum requirement of 6% for Tier 1 CAR and 10% for total CAR.

During the year, the Group raised S$2.5 billion of Tier 1 non-cumulative, non-convertible preference shares in the Singapore market, and RM1.6 billion of Lower Tier 2 subordinated notes in Malaysia. (Details on the components of the Group's CAR can be found in the chapter on Capital Management)

VALUATION SURPLUS

	2008	2007
	S$m	S$m
Properties [1]	**2,369**	2,513
Equity securities [2]	**(277)**	2,654
Total	**2,092**	5,167

(1) Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at year-end.
(2) Comprises investments in quoted associates and subsidiaries, which are valued based on their market prices at the end of the financial year.

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

As at 31 December 2008, the Group's valuation surplus was S$2.09 billion, 60% lower compared to 31 December 2007, due mainly to significant falls in quoted prices of equity securities as a result of the global financial crisis. The deficit of S$277 million on equity securities valuation was primarily from the Group's stakes in Bank OCBC NISP, GEH and PacificMas Berhad.

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2008)

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

Exposures and Risk Weighted Assets (RWA) by Portfolio

	EAD S$ million	RWA S$ million
Credit Risk		
Standardised Approach		
Corporate	6,308	5,873
Sovereign	20,035	176
Bank	1,429	642
Regulatory Retail	5,067	3,848
Residential Mortgage	605	229
Equity & PE/VC	1,139	1,157
Others	4,749	4,224
Total Standardised	39,332	16,149
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	44,069	36,441
Specialised Lending	16,322	18,074
Bank	22,978	3,502
Advanced IRB		
Residential Mortgage	23,590	3,916
Qualifying Revolving Retail	3,085	1,386
Other Retail	1,836	332
Securitisation IRB		
Securitisation	345	481
Total IRB	112,225	64,132
Total Credit Risk	151,557	80,281
Market Risk		
Standardised Approach		9,144
Operational Risk		
Standardised Approach		5,662
Basic Indicator Approach		435
Total Operational Risk		6,097
Total RWA		**95,522**

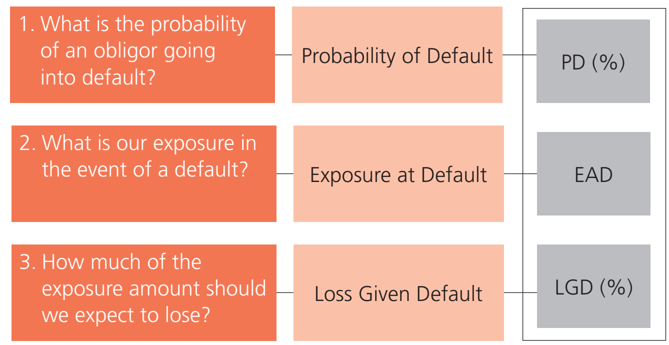
Capital Adequacy Ratio (CAR) for Significant Banking Subsidiaries

Subsidiary	Tier 1 CAR	Total CAR
Bank of Singapore Limited	104.0%	104.0%
OCBC Bank (Malaysia) Berhad	8.4%	11.2%
OCBC Al-Amin Bank Berhad	6.5%	11.0%
OCBC Bank (China) Limited	43.5%	45.6%
P.T. Bank OCBC NISP Tbk	14.2%	17.0%
P.T. Bank OCBC Indonesia	20.5%	32.0%

Note: The capital adequacy ratio of Bank of Singapore Limited is computed based on the standardised approach under the Basel II framework. Capital adequacy ratio computations at the overseas banking subsidiaries are currently based on Basel I requirements.

CREDIT RISK

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



Credit Exposures under Standardised Approach

Credit exposures under standardised approach are mainly exposures to sovereign, debt securities, commercial property loans and lending to small businesses. Rated exposures relate mainly to debt securities and sovereign portfolios while unrated exposures relate mainly to small businesses and other assets.

Risk Weight	EAD S$ million
0%	20,244
20% – 35%	1,281
50% – 75%	6,706
100%	9,794
>100%	168
Total	**38,193**
Rated exposures	20,862
Unrated exposures	17,331

Equity and PE/VC Exposures under Standardised Approach

Equities and private equity venture capital investments for regulatory capital computation were taken at cost and risk weighted and/or deducted from capital in accordance with MAS Notice 637 under the standardised approach. Equity exposure of S$31 million has been deducted from regulatory capital.

Risk Weight	EAD S$ million
100%	1,121
200%	18
Total	**1,139**

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2008)

Specialised Lending Exposures under Supervisory Slotting Criteria

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

Risk Weight	EAD S$ million
50%	3,429
70%	2,480
90%	894
115%	7,995
250%	1,440
Default	84
Total	**16,322**

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

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

Corporate Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	5,636	17%
> 0.05 to 0.5%	9,712	43%
> 0.5 to 2.5%	17,214	86%
> 2.5 to 15%	10,115	146%
> 15%	732	222%
Default	660	0%
Total	**44,069**	**83%**

Bank Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	19,687	10%
> 0.05 to 0.5%	2,241	27%
> 0.5 to 2.5%	968	82%
> 2.5 to 15%	69	128%
> 15%	3	237%
Default	10	0%
Total	**22,978**	**15%**

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

Residential Mortgages are loans to individuals secured by residential properties. Qualifying Revolving Retail exposures are revolving unsecured loans to individuals e.g. credit cards. Other Retail exposures are mainly auto loans in Singapore.

Residential Mortgages

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	13,059	1,921	11%	5%
> 0.5 to 3%	6,710	681	11%	17%
> 3 to 10%	2,863	169	16%	55%
> 10%	676	7	11%	61%
100%	282	–	16%	60%
Total	**23,590**	**2,778**	**12%**	**17%**

Qualifying Revolving Retail Exposures

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	1,639	1,236	88%	9%
> 0.5 to 3%	819	444	86%	44%
> 3 to 10%	453	166	90%	115%
> 10%	148	38	90%	237%
100%	26	–	89%	4%
Total	**3,085**	**1,884**	**88%**	**45%**

Other Retail Exposures

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	1,253	#	26%	11%
> 0.5 to 3%	454	2	27%	29%
> 3 to 10%	87	#	28%	45%
> 10%	39	#	28%	66%
100%	3	–	28%	1%
Total	**1,836**	**2**	**26%**	**18%**

Amount less than $0.5 million.

Actual Loss for Exposures under Foundation and Advanced IRB Approaches

Actual loss refers to specific allowances net of write-backs and recoveries. Discussion of the factors that impacted on the loss experience in the preceding period is not provided as the Group has only operated on IRB approaches since 1 Jan 2008.

	S$ million
Corporate and Specialised Lending	57
Bank	10
Retail	33
Total	**100**

Securitisation Exposures Purchased/Retained

	S$ million			
	EAD			
Risk Weight	Asset-Backed	Others	Total	RWA
up to 20%	142	–	142	21
> 20% to 50%	24	21	45	17
> 50% to 100%	22	73	95	75
> 100% to 500%	–	27	27	123
> 500%	–	36	36	245
Total	**188**	**157**	**345**	**481**
Deductions from Tier 1 and Tier 2 Capital	189	–	189	

Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2008)

Exposures Covered by Credit Risk Mitigation

Standardised Approach

	Eligible Financial Collateral S$ million
Corporate	116
Sovereign	1,048
Bank	–
Regulatory Retail	241
Residential Mortgage	#
Others	73
Total	**1,479**

Amount less than $0.5 million.

Foundation IRB Approach

	Eligible Financial Collateral S$ million	Other Eligible IRB Collateral S$ million
Corporate	1,583	6,184
Bank	128	–
Total	**1,711**	**6,184**

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

Counterparty Credit Risk Exposures

	S$ million
Replacement Cost	6,232
Potential Future Exposure	2,062
Effects of Netting	(1,280)
EAD under Current Exposure Method	**7,014**
Analysed by type:	
Foreign Exchange Contracts and Gold	3,491
Interest Rate Contracts	3,123
Equity Contracts	89
Precious Metals Contracts	–
Other Commodities Contracts	12
Credit Derivative Contracts	299
Cash Collateral Held	**75**
Net Derivatives Credit Exposure	**6,939**

Note: Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.

Credit Derivatives

	S$ million Notional Amount	
	Bought	Sold
Swaps		
for own credit portfolio	1,948	1,821
for intermediation activities	5	–
Total	**1,953**	**1,821**

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

MARKET RISK

Capital Requirement by Market Risk Type under Standardised Approach

	S$ million
Interest rate risk	350
Equity position risk	3
Foreign exchange risk	379
Commodity risk	–
Total	**732**

EQUITY EXPOSURES

Disclosures on valuation and accounting treatment of equity holdings can be found in Notes to the Financial Statements 2.2.3, 2.6.2, 2.12.2 and 2.23.3.

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

Equity exposures calculated in accordance with the Accounting Standards differ from the regulatory definition under MAS Notice 637 in the following key areas:
1. Equity investments held by insurance subsidiaries (included below) are not consolidated for regulatory computation.
2. Debt instruments approved for inclusion as Tier 1 capital are treated as equity exposures under MAS Notice 637.

Carrying Value of Equity Exposures

	S$ million
Quoted equity exposure – AFS	1,326
Unquoted equity exposure – AFS	295
Quoted equity exposure – Associates	6
Unquoted equity exposure – Associates	126
Total	**1,753**

Realised and Unrealised Gains and Losses

	S$ million
Gains from disposal of AFS equities	217
Unrealised gains included in fair value reserve	303
Total	**520**

Directors' Report

For the financial year ended 31 December 2008

The directors present their report to the members together with the audited consolidated financial statements of the Group and the income statement, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2008.

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 (appointed on 1 November 2008)
Giam Chin Toon
Lee Seng Wee
Lee Tih Shih
Colm Martin McCarthy (appointed on 1 November 2008)
Neo Boon Siong
Pramukti Surjaudaja
Tsao Yuan, also known as Lee Tsao Yuan
David Wong Cheong Fook
Wong Nang Jang
Patrick Yeoh Khwai Hoh

Mr Bobby Chin Yoke Choong and Mr Pramukti Surjaudaja retire by rotation under Articles 95 and 96 of the Articles of Association of the Bank and, being eligible, offer themselves for re-election.

Dr Tsao Yuan and Mr David Wong Cheong Fook, who retire pursuant to Articles 95 and 96 of the Articles of Association of the Bank, have expressed their wish to retire at this forthcoming annual general meeting and will not offer themselves for re-election.

Mrs Fang Ai Lian and Mr Colm McCarthy, who were appointed to the Board under Article 101 of the Articles of Association of the Bank retire in accordance with the provisions of that Article and, being eligible, offer themselves for re-election.

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

Directors' Report

For the financial year ended 31 December 2008

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 31.12.2008	At 1.1.2008/ Date of appointment	At 31.12.2008	At 1.1.2008/ Date of appointment
BANK				
Ordinary shares				
Cheong Choong Kong	**127,982**	97,179	**39,715** [1]	69,487 [2]
Bobby Chin Yoke Choong	**9,600**	4,800	**40,000** [5]	40,000 [5]
David Conner	**1,120,542**	1,009,393	**401,493** [3]	288,018 [4]
Giam Chin Toon	**14,400**	9,600	**–**	–
Lee Seng Wee	**6,653,994**	6,649,194	**3,901,094** [5]	3,901,094 [5]
Lee Tih Shih	**2,362,752**	2,357,952	**–**	–
Neo Boon Siong	**14,400**	9,600	**–**	–
Tsao Yuan	**19,200**	14,400	**936** [5]	936 [5]
David Wong Cheong Fook	**28,400**	21,600	**–**	–
Wong Nang Jang	**586,146**	379,746	**165,322** [5]	165,322 [5]
Patrick Yeoh Khwai Hoh	**19,200**	14,400	**–**	–
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** [5]	8,227 [5]
David Conner	**50,000**	50,000	–	–
Lee Seng Wee	**800,000**	800,000	**600,000** [5]	600,000 [5]
Lee Tih Shih	**240,000**	240,000	**–**	–
Tsao Yuan	**–**	–	**7,000** [5]	7,000 [5]
Wong Nang Jang	**38,216**	38,216	**21,372** [5]	21,372 [5]
OCBC Capital Corporation (2008)				
5.1% Non-cumulative non-convertible guaranteed preference shares				
Cheong Choong Kong	**10,000**	–	**–**	–
Lee Tih Shih	**10,000**	–	**–**	–
Tsao Yuan	**3,000**	–	**–**	–
David Wong Cheong Fook	**200**	–	**–**	–
Patrick Yeoh Khwai Hoh	**10,000**	–	**10,000** [5]	–

[1] Comprises interest of 9,600 ordinary shares held by spouse and 30,115 ordinary shares under OCBC Deferred Share Plan.

[2] Comprises interest of 9,600 ordinary shares held by spouse and 59,887 ordinary shares under OCBC Deferred Share Plan.

[3] 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.

[4] Comprises interest of 276,856 ordinary shares under OCBC Deferred Share Plan and acquisition rights of 11,162 ordinary shares under OCBC Employee Share Purchase Plan.

[5] Ordinary shares/preference shares held by spouse.

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

Directors' Report

For the financial year ended 31 December 2008

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

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

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 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. Under the agreement, in respect of the financial year ended 31 December 2008, Dr Cheong has received payments and benefits amounting to $1,111,560, and will receive a variable bonus of $100,000, or any additional bonus as may be determined by the Remuneration Committee and the Board of Directors of the Bank. In respect of financial year ended 31 December 2007, Dr Cheong received aggregate payments and benefits of $1,090,562 and variable bonus of a total amount of $1,350,000 comprising bonus of $100,000 and additional bonus of $1,250,000.

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 2008 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:

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

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 2008

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 1998R, 1999R, 2000, 2001, 2002, 2002A, 2002B, 2003, 2004, 2004A, 2004B, 2005, 2005A, 2006, 2006A, 2006B, 2007, 2007A, 2007B and 2007NED were set out in the Directors' Reports for the financial years ended 31 December 1999 to 2007.

During the financial year, pursuant to the 2001 Scheme, options to acquire 5,579,220 ordinary shares at $7.52 per share were granted to 532 eligible executives of the Group ("2008 Options"), as well as to a non-executive director of the Bank ("2008NED 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 2008 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2008 Outstanding	At 31.12.2008 Exercisable
1998R	22.01.2001 to 21.01.2008	2.675	291,448	280,124	–	–
1999R	10.12.2001 to 09.12.2008	3.139	1,355,176	1,284,280	–	–
2000	06.12.2002 to 05.12.2009	4.542	266,371	266,371	2,416,424	2,416,424
2001	05.12.2003 to 04.12.2010	5.367	394,638	390,175	3,923,848	3,923,848
2002	09.04.2003 to 08.04.2012	5.742	641,226	627,918	5,840,395	5,840,395
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	514,021	508,386	4,767,256	4,767,256
2004	16.03.2005 to 14.03.2014	5.142	386,968	381,569	4,326,837	4,326,837
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	474,151	469,211	4,219,066	4,219,066
2005A	09.04.2006 to 07.04.2015	5.784	452,088	432,324	1,438,228	1,438,228
2006	15.03.2007 to 13.03.2016	6.820	212,252	210,891	3,488,402	2,193,556
2006A	24.01.2007 to 22.01.2016	6.780	8,184	8,184	–	–
2006B	24.05.2007 to 22.05.2016	6.580	102,190	96,648	1,059,040	634,040
2007	15.03.2008 to 13.03.2017	8.590	29,469	28,503	3,476,226	1,142,109
2007A	16.01.2008 to 14.01.2017	7.600	–	–	445,000	146,850
2007B	15.03.2008 to 13.03.2017	8.590	12,870	12,870	951,010	313,170
2007NED	15.03.2008 to 13.03.2012	8.590	–	–	200,000	66,000
2008	15.03.2009 to 13.03.2018	7.520	–	–	5,173,720	–
2008NED	15.03.2009 to 13.03.2013	7.520	–	–	200,000	–
			5,141,052	4,997,454	43,089,452	32,591,779

Directors' Report

For the financial year ended 31 December 2008

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.

The Bank's second offering of ESP Plan, which commenced on 1 July 2006, had expired on 30 June 2008. During the financial year, 5,456,660 ordinary shares were transferred from Treasury Shares' account to participants upon exercise of acquisition rights and upon conversion at the end of the offering period.

In June 2008, the Bank launched its third offering of ESP Plan, which commenced on 1 July 2008 and will expire on 30 June 2010. Under the third offering, 6,281 employees (including a director of the Bank) enrolled to participate in the ESP Plan to acquire 11,423,533 ordinary shares at $8.27 per ordinary share. The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately preceding the price fixing date.

(c) OCBC Deferred Share Plan

The Bank implemented the OCBC Deferred Share Plan ("DSP") in 2003. The DSP is a discretionary incentive and retention award program extended to executives of the Group 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 4,424,988 ordinary shares (including 202,469 ordinary shares to a director of the Bank) were granted to eligible executives under the DSP for the financial year ended 31 December 2008. In addition, total awards of 239,895 ordinary shares (including 14,480 ordinary shares to directors of the Bank) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2007 and interim dividend for financial year ended 31 December 2008. During the financial year, 1,161,934 deferred shares were released to grantees, of which 130,790 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 31.12.2008	Aggregate number of options granted/rights subscribed since commencement of scheme/plan to 31.12.2008	Aggregate number of options/rights exercised/ converted since commencement of scheme/plan to 31.12.2008	Aggregate number of options/rights outstanding at 31.12.2008
Option Scheme				
Cheong Choong Kong	200,000	914,800	–	914,800
David Conner	450,000	4,565,000	720,000	3,845,000
Wong Nang Jang	–	927,539	735,539	192,000
ESP Plan				
Cheong Choong Kong	–	14,257	14,257	–
David Conner	8,706	34,125	25,419	8,706

There were no changes to any of the above mentioned interests in the Bank between the end of the financial year and 21 January 2009.

Directors' Report
For the financial year ended 31 December 2008

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

Bobby Chin Yoke Choong, Chairman
Colm Martin McCarthy
Neo Boon Siong
Tsao Yuan
David Wong Cheong Fook

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
18 February 2009

Statement by Directors
For the financial year ended 31 December 2008

In the opinion of the directors,

(a) the financial statements set out on pages 72 to 147 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2008, the results and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date; and

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

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

On behalf of the Board of Directors,

CHEONG CHOONG KONG
Director

DAVID PHILBRICK CONNER
Director

Singapore
18 February 2009

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 2008, the income statements and statements of changes in equity of the Group and the Bank and cash flow statement of the Group for the year then ended; a summary of significant accounting policies and other explanatory notes set out on pages 72 to 147.

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, 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 2008, 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
18 February 2009

Income Statements

For the financial year ended 31 December 2008

	Note	GROUP 2008 $'000	GROUP 2007 $'000	BANK 2008 $'000	BANK 2007 $'000
Interest income		**5,266,993**	5,265,312	**3,653,818**	3,814,182
Interest expense		**(2,483,595)**	(3,021,103)	**(1,797,259)**	(2,353,201)
Net interest income	3	**2,783,398**	2,244,209	**1,856,559**	1,460,981
Premium income		**6,805,646**	5,793,155	**–**	–
Investment income		**(399,777)**	3,075,450	**–**	–
Net claims, surrenders and annuities		**(4,226,976)**	(4,843,439)	**–**	–
Change in life assurance fund contract liabilities		**(1,192,612)**	(2,543,523)	**–**	–
Commission and others		**(685,931)**	(972,438)	**–**	–
Profit from life assurance	4	**300,350**	509,205	**–**	–
Premium income from general insurance		**108,606**	64,939	**–**	–
Fees and commissions (net)	5	**773,517**	808,036	**453,804**	427,613
Dividends	6	**71,711**	55,405	**382,450**	618,302
Rental income		**68,163**	62,182	**29,795**	23,282
Other income	7	**320,989**	536,640	**773,961**	238,346
Non-interest income		**1,643,336**	2,036,407	**1,640,010**	1,307,543
Total income		**4,426,734**	4,280,616	**3,496,569**	2,768,524
Staff costs		**(1,045,421)**	(946,010)	**(486,437)**	(457,683)
Other operating expenses		**(809,100)**	(733,644)	**(582,659)**	(535,946)
Total operating expenses	8	**(1,854,521)**	(1,679,654)	**(1,069,096)**	(993,629)
Operating profit before allowances and amortisation		**2,572,213**	2,600,962	**2,427,473**	1,774,895
Amortisation of intangible assets	37	**(46,472)**	(46,391)	**–**	–
Allowances for loans and impairment for other assets	9	**(446,750)**	(36,164)	**(315,541)**	(328)
Operating profit after allowances and amortisation		**2,078,991**	2,518,407	**2,111,932**	1,774,567
Share of results of associates and joint ventures		**5,511**	20,937	**–**	–
Profit before income tax		**2,084,502**	2,539,344	**2,111,932**	1,774,567
Income tax expense	10	**(224,492)**	(356,104)	**(64,687)**	(153,653)
Profit for the year		**1,860,010**	2,183,240	**2,047,245**	1,620,914
Attributable to:					
Equity holders of the Bank		**1,749,443**	2,070,754		
Minority interests		**110,567**	112,486		
		1,860,010	2,183,240		
Earnings per share (cents)	11				
Basic		**54.6**	65.9		
Diluted		**54.5**	65.6		

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 2008

		GROUP		BANK	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**6,637,508**	5,520,141	**6,637,508**	5,520,141
Capital reserves	14	**1,329,156**	1,732,178	**1,099,054**	1,452,581
Fair value reserves		**221,844**	1,725,964	**12,003**	430,074
Revenue reserves	15	**7,685,161**	6,699,307	**5,076,140**	3,709,757
		15,873,669	15,677,590	**12,824,705**	11,112,553
Minority interests	16	**2,686,068**	1,161,222	**–**	–
Total equity		**18,559,737**	16,838,812	**12,824,705**	11,112,553
LIABILITIES					
Deposits of non-bank customers	17	**94,078,421**	88,788,394	**73,237,580**	70,415,116
Deposits and balances of banks	17	**10,113,219**	14,726,082	**9,048,750**	13,023,929
Due to subsidiaries		**–**	–	**1,399,156**	1,189,337
Due to associates		**94,534**	59,500	**87,583**	47,157
Trading portfolio liabilities		**1,111,143**	171,993	**1,111,143**	171,993
Derivative payables	18	**7,675,456**	2,696,546	**7,415,345**	2,589,755
Other liabilities	19	**2,929,859**	3,313,170	**943,598**	1,064,705
Current tax		**500,667**	648,669	**277,519**	319,513
Deferred tax	20	**576,063**	1,162,693	**41,154**	123,130
Debts issued	21	**6,009,529**	4,969,577	**7,553,935**	5,032,021
		123,088,891	116,536,624	**101,115,763**	93,976,656
Life assurance fund liabilities	22	**39,736,525**	41,231,856	**–**	–
Total liabilities		**162,825,416**	157,768,480	**101,115,763**	93,976,656
Total equity and liabilities		**181,385,153**	174,607,292	**113,940,468**	105,089,209
ASSETS					
Cash and placements with central banks	23	**7,027,689**	8,396,398	**4,266,733**	5,493,125
Singapore government treasury bills and securities	24	**9,214,572**	8,762,171	**8,635,841**	8,208,665
Other government treasury bills and securities	24	**4,776,972**	3,445,746	**1,257,386**	571,865
Placements with and loans to banks	25	**15,353,359**	15,105,109	**12,633,881**	13,210,696
Loans and bills receivable	26–29	**79,807,864**	71,316,000	**62,068,780**	54,490,406
Debt and equity securities	30	**10,173,911**	13,624,912	**7,018,391**	8,800,396
Assets pledged	43	**837,108**	888,654	**837,108**	888,654
Assets held for sale	44	**–**	912	**–**	2
Derivative receivables	18	**6,654,637**	2,937,082	**6,244,771**	2,817,939
Other assets	31	**2,665,116**	2,981,856	**1,000,791**	1,312,620
Deferred tax	20	**97,701**	45,449	**19,157**	666
Associates and joint ventures	33	**132,283**	243,416	**11,525**	96,416
Subsidiaries	34	**–**	–	**7,173,501**	6,510,411
Property, plant and equipment	35	**1,665,457**	1,611,698	**405,669**	326,886
Investment property	36	**726,077**	666,732	**499,758**	493,286
Goodwill and intangible assets	37	**3,375,526**	3,444,420	**1,867,176**	1,867,176
		142,508,272	133,470,555	**113,940,468**	105,089,209
Life assurance fund investment assets	22	**38,876,881**	41,136,737	**–**	–
Total assets		**181,385,153**	174,607,292	**113,940,468**	105,089,209
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	41	**8,660,691**	8,861,142	**7,213,079**	7,137,357
Commitments	42	**46,654,598**	45,050,761	**37,478,046**	36,279,739
Derivative financial instruments	18	**365,904,304**	339,925,452	**343,629,954**	319,968,864

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 2008

In $'000	Attributable to equity holders of the Bank: Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total	Minority interests	Total equity
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
Movements in fair value reserves:							
Net valuation changes taken to equity	–	–	(1,439,682)	–	(1,439,682)	(48,239)	(1,487,921)
Transferred to income statements on sale	–	–	(200,322)	–	(200,322)	(3,548)	(203,870)
Tax on net movements	–	–	135,884	–	135,884	10,260	146,144
Currency translation	–	–	–	(203,615)	(203,615)	(32,344)	(235,959)
Net income recognised directly in equity	–	–	(1,504,120)	(203,615)	(1,707,735)	(73,871)	(1,781,606)
Profit for the year	–	–	–	1,749,443	1,749,443	110,567	1,860,010
Total recognised income and expense for the financial year	–	–	(1,504,120)	1,545,828	41,708	36,696	78,404
Transfers	–	(363,562)	–	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
Transfer share-based reserves for options and rights exercised	28,913	(28,913)	–	–	–	–	–
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 – Group

For the financial year ended 31 December 2008

	Attributable to equity holders of the Bank						
In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total	Minority interests	Total equity
Balance at 1 January 2007	5,480,943	2,131,073	667,712	5,124,544	13,404,272	1,086,631	14,490,903
Movements in fair value reserves:							
Net valuation changes taken to equity	–	–	1,232,861	–	1,232,861	14,908	1,247,769
Transferred to income statements on sale	–	–	(192,374)	–	(192,374)	(9,777)	(202,151)
Tax on net movements	–	–	17,765	–	17,765	(107)	17,658
Currency translation	–	–	–	(60,120)	(60,120)	(15,745)	(75,865)
Net income recognised directly in equity	–	–	1,058,252	(60,120)	998,132	(10,721)	987,411
Profit for the year	–	–	–	2,070,754	2,070,754	112,486	2,183,240
Total recognised income and expense for the financial year	–	–	1,058,252	2,010,634	3,068,886	101,765	3,170,651
Transfers	–	(404,824)	–	404,824	–	–	–
Dividends to minority interests	–	–	–	–	–	(59,036)	(59,036)
Ordinary and preference dividends	–	–	–	(840,695)	(840,695)	–	(840,695)
Rights issue by a subsidiary and change in minority interests	–	–	–	–	–	31,862	31,862
Share-based staff costs capitalised	–	10,915	–	–	10,915	–	10,915
Share buyback held in treasury	(43,491)	–	–	–	(43,491)	–	(43,491)
Shares issued to non-executive directors	502	–	–	–	502	–	502
Shares purchased by DSP Trust	–	(10,540)	–	–	(10,540)	–	(10,540)
Shares vested under DSP Scheme	–	5,554	–	–	5,554	–	5,554
Treasury shares transferred/sold	82,187	–	–	–	82,187	–	82,187
Balance at 31 December 2007	5,520,141	1,732,178	1,725,964	6,699,307	15,677,590	1,161,222	16,838,812
Included:							
Share of reserves of associates and joint ventures	–	2,934	125	28,600	31,659	(147)	31,512

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 2008

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2008	**5,520,141**	**1,452,581**	**430,074**	**3,709,757**	**11,112,553**
Movements in fair value reserves:					
Net valuation changes taken to equity	**–**	**–**	**(444,340)**	**–**	**(444,340)**
Transferred to income statements on sale	**–**	**–**	**(53,099)**	**–**	**(53,099)**
Tax on net movements	**–**	**–**	**79,368**	**–**	**79,368**
Currency translation	**–**	**–**	**–**	**(96,952)**	**(96,952)**
Net income recognised directly in equity	**–**	**–**	**(418,071)**	**(96,952)**	**(515,023)**
Profit for the year	**–**	**–**	**–**	**2,047,245**	**2,047,245**
Total recognised income and expense for the financial year	**–**	**–**	**(418,071)**	**1,950,293**	**1,532,222**
Transfers	**–**	**(339,626)**	**–**	**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**
Transfer share-based reserves for options and rights exercised	**28,913**	**(28,913)**	**–**	**–**	**–**
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**
Balance at 1 January 2007	5,480,943	1,781,292	405,102	2,561,840	10,229,177
Movements in fair value reserves:					
Net valuation changes taken to equity	–	–	108,594	–	108,594
Transferred to income statements on sale	–	–	(99,394)	–	(99,394)
Tax on net movements	–	–	15,772	–	15,772
Currency translation	–	–	–	28,072	28,072
Net income recognised directly in equity	–	–	24,972	28,072	53,044
Profit for the year	–	–	–	1,620,914	1,620,914
Total recognised income and expense for the financial year	–	–	24,972	1,648,986	1,673,958
Transfers	–	(339,626)	–	339,626	–
Ordinary and preference dividends	–	–	–	(840,695)	(840,695)
Share-based staff costs capitalised	–	10,915	–	–	10,915
Share buyback held in treasury	(43,491)	–	–	–	(43,491)
Shares issued to non-executive directors	502	–	–	–	502
Treasury shares transferred/sold	82,187	–	–	–	82,187
Balance at 31 December 2007	5,520,141	1,452,581	430,074	3,709,757	11,112,553

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 ended 31 December 2008

In $'000	2008	2007
Cash flows from operating activities		
Profit before income tax	**2,084,502**	2,539,344
Adjustments for non-cash items:		
Amortisation of intangible assets	**46,472**	46,391
Allowances for loans and impairment for other assets	**446,750**	36,164
Change in fair value for hedging transactions and trading securities	**292,121**	(3,383)
Depreciation of property, plant and equipment and investment property	**115,640**	104,095
Net gain on disposal of government, debt and equity securities	**(203,870)**	(202,151)
Net gain on disposal of property, plant and equipment and investment property	**(8,355)**	(97,187)
Net loss on disposal of an associate	**408**	–
Share-based staff costs	**13,066**	10,018
Share of results of associates and joint ventures	**(5,511)**	(20,937)
Write-off of plant and equipment	**–**	9,521
Items relating to life assurance fund		
Surplus before income tax	**45,235**	794,366
Surplus transferred from life assurance fund	**(300,350)**	(509,205)
Operating profit before change in operating assets and liabilities	**2,526,108**	2,707,036
Change in operating assets and liabilities:		
Deposits of non-bank customers	**5,324,003**	13,611,656
Deposits and balances of banks	**(4,651,373)**	2,856,830
Derivative payables and other liabilities	**4,401,788**	1,280,294
Trading portfolio liabilities	**939,150**	(249,802)
Government securities and treasury bills	**(1,137,594)**	(989,494)
Trading securities	**258,484**	(953,734)
Placements with and loans to banks	**(337,677)**	2,853,564
Loans and bills receivable	**(8,508,577)**	(11,896,898)
Derivative receivables and other assets	**(3,118,916)**	(952,151)
Net change in investment assets and liabilities of life assurance fund	**579,679**	(122,900)
Cash (used in)/from operating activities	**(3,724,925)**	8,144,401
Income tax paid	**(362,357)**	(286,560)
Net cash (used in)/from operating activities	**(4,087,282)**	7,857,841
Cash flows from investing activities		
Acquisition of minority interests	**(31,158)**	–
Dividends from associates	**2,495**	35,950
Decrease in associates and joint ventures	**3,611**	49,108
Net cash outflow from acquisition of subsidiaries	**(124,195)**	–
Purchases of debt and equity securities	**(4,424,295)**	(6,920,902)
Purchases of property, plant and equipment and investment property	**(277,664)**	(237,580)
Proceeds from disposal of an associate	**1,046**	–
Proceeds from disposal of debt and equity securities	**5,218,721**	2,686,071
Proceeds from disposal of property, plant and equipment and investment property	**41,589**	156,670
Net cash from/(used in) investing activities	**410,150**	(4,230,683)
Cash flows from financing activities		
Dividends paid to equity holders of the Bank	**(926,581)**	(840,695)
Dividends and liquidation distribution to minority interests	**(98,131)**	(59,036)
Increase/(decrease) in debts issued	**939,192**	(113,618)
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	**58,203**	82,187
Proceeds from issue of preference shares by a subsidiary	**1,500,000**	–
Proceeds from minority interests on subscription of shares in a subsidiary	**–**	32,325
Share buyback	**–**	(43,491)
Net cash from/(used in) financing activities	**2,471,344**	(942,328)
Net currency translation adjustments	**(162,921)**	(29,775)
Net change in cash and cash equivalents	**(1,368,709)**	2,655,055
Cash and cash equivalents at 1 January	**8,396,398**	5,741,343
Cash and cash equivalents at 31 December	**7,027,689**	8,396,398

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 2008

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 18 February 2009.

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 #29-00, 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 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.

In 2008, the Accounting Standards Council issued amendments to FRS 39 *Financial Instruments: Recognition and Measurement* and FRS 107 *Financial Instruments: Disclosure*. The amendments, to be applied on or after 1 July 2008, permit the reclassification of certain financial instruments out of the "fair value through profit and loss" and "available-for-sale" categories under prescribed circumstances.

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.

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 whereby the Group and its joint venture partners have entered into a contractual arrangement to undertake an economic activity, which is jointly controlled and none of the parties involved unilaterally have 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.

Notes to the Financial Statements
For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

2.2.3 Associates and joint ventures (continued)
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 at 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 at the date when the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as available-for-sale financial assets are included in the fair value reserve in 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 the currency translation reserve. When a foreign operation is disposed, in part or in full, the relevant amount in the currency translation reserve is included in the gain or loss on disposal of the operation.

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

2.5 Financial instruments

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

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

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

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

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

2.6 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.

Notes to the Financial Statements

For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Non-derivative financial assets (continued)

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 fair value reserve in equity. 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 fair value reserve in 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 and loss

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

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

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

2.6.4 Held-to-maturity investments

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

2.7 Derivative financial instruments

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

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

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

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

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

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

2.8 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

Notes to the Financial Statements

For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, plant and equipment (continued)

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.

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 CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of CGU is the higher of the CGU's 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.

Notes to the Financial Statements
For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group designates the liabilities at fair value through the income statement. Financial liabilities are designated 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 is a defined contribution plan and is calculated in accordance with the terms and conditions in the respective Life Assurance Sales Representative's Agreements. The terms and conditions of the Agreement stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the agent shall be allocated a deferred benefit/retirement benefit. The deferred benefit/retirement benefit accumulated at balance sheet date, include accrued interest. The accrued deferred benefit shall only become payable provided the Agreement has been in force for certain continuous contract years and the agent has attained the minimum age stipulated in the Agreement.

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.

2.16 Insurance contracts
Certain subsidiaries within the Group write insurance contracts in accordance with the 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 is not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the insurance income statement. The Group does not adopt a policy of deferring acquisition costs for its insurance contracts.

Life Assurance Fund contract liabilities
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 fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as elected 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 vary according to the investment performance of the fund. The Group does not recognise the guaranteed component separately from the discretionary participation feature.

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 deposit component. 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 insurance contracts at balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance contracts (continued)

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.

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 for insurance funds regulated in Malaysia.

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

	Singapore	Malaysia
Valuation method	Gross Premium	Net Premium for Participating and Non-participating Fund. Cash flow projection for Investment-Linked Fund.
Interest rate	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. Data source: SGS website	Rates equal to or more conservative than the minimum rate prescribed by the Insurance Act and Regulations. Participating Fund: Either 3.5% or 4.0% for regular premium within respective product groups and 4.5% for single premium products. Non-participating Fund and Investment-Linked Fund: 4.0% for regular premium and 4.5% for single premium products. Data source: Rates equal to or more conservative than the minimum rate prescribed by the Act.
Mortality	Best estimates plus provision for adverse deviation. Data source: Internal experience studies	Prescribed table per regulation Participating and Non-participating Funds: Table: 100% Statutory Mortality Valuation Table ("SMVT") 1996 Investment-linked Fund: Table: 100% M8388 Industry Table Adjustment for females: 3 years setback
Disability	Best estimates plus provision for adverse deviation. Data source: Internal experience studies	Included in death rates
Dread disease	Best estimates plus provision for adverse deviation. Data source: Internal experience studies	Table: 150% Cologne Re male smoker mortality rates
Expenses	Best estimates plus provision for adverse deviation. Data source: Internal experience studies	Participating and Non-participating Funds: Not applicable Investment-Linked Fund: Best estimates
Lapse & surrenders	Best estimates plus provision for adverse deviation. Data source: Internal experience studies	Participating and Non-participating Funds: Not applicable Investment-linked Fund: Best estimates

* Refer to Note 2.23 on Critical accounting estimates and judgements

Notes to the Financial Statements

For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance contracts (continued)

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

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

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

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.

Claims on general insurance contracts are payable on a claim-occurrence basis. The Group is liable for insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. Hence, liability claims could be settled over a long period of time. The Group uses a combination of estimates derived from loss-ratio estimate and actual claims experience, to estimate the loss reserves and incurred but not reported ("IBNR") claim reserves. 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 level of 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. The provision for IBNR claims is classified as liabilities and included in other liabilities.

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 reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the income statements. Gains or losses of the reinsurance are recognised in the income statements immediately at the date of contract. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurers where the Group assumes insurance risks. Amounts payable are estimated according to the provisions in the reinsurance contract.

2.17 Unexpired risk reserve

The Unexpired Risk Reserve ("URR") represents the portion of the written premiums of general insurance policies, gross of commission payable to intermediaries attributable to periods after balance sheet date, in the form of unearned premium. The change in the provision for unearned premium is taken to the income statement 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 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 Group 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, is recognised as a change 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.

Notes to the Financial Statements
For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Recognition of income and expense

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

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

2.19.2 Profit from life assurance
Profit from life assurance business is derived from insurance funds 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 is approved by the Board of Directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective subsidiary.

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

(c) Investment-linked Fund
Revenue comprises bid-ask spread, fees for mortality and other insured event, 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.

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 reporting date are adjusted through the unexpired risk reserve (Note 2.17). The commission expense is accrued in full upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from the 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 reporting date are adjusted through the 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, equity compensation schemes and 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.

Equity compensation schemes and plan 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.

Notes to the Financial Statements

For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Recognition of income and expense (continued)

2.19.7 Employee benefits (continued)

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

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

2.19.8 Lease payments

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

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

2.20 Income tax expense

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

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 Banking, 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, ensures adequate provision of reserves which are monitored against current and future premiums. For those contracts that insure risk to longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of life style could result in significant changes to the expected future exposures. All of these result in even more uncertainty in estimating the ultimate liabilities.

At each reporting date, these estimates are re-assessed for adequacy and changes will be reflected as adjustments to the liabilities. In addition to the expected outcome, solvency margins prescribed by regulations are included in these key estimates.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Critical accounting estimates and judgements (continued)

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 numerous 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 determined based on historical default rates which take into account risk factors including internal risk ratings, geographic, industry and economic conditions at reporting date. 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. There are contracts sold where the Group exercises judgement about the level of insurance risk transferred. Typically, these contracts contain a significant savings component. 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 amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date, these insurance risks are deemed not significant.

3. NET INTEREST INCOME

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest income				
Loans to non-bank customers	**3,650,920**	3,534,958	**2,496,945**	2,491,126
Placements with and loans to banks	**779,663**	862,837	**573,106**	713,480
Other interest-earning assets	**836,410**	867,517	**583,767**	609,576
	5,266,993	5,265,312	**3,653,818**	3,814,182
Interest expense				
Deposits of non-bank customers	**(1,814,950)**	(2,174,716)	**(1,166,428)**	(1,568,490)
Deposits and balances of banks	**(429,683)**	(569,071)	**(373,785)**	(510,969)
Other borrowings	**(238,962)**	(277,316)	**(257,046)**	(273,742)
	(2,483,595)	(3,021,103)	**(1,797,259)**	(2,353,201)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**5,117,888**	5,132,777	**3,541,249**	3,716,980
Income – Assets at fair value through profit or loss	**149,105**	132,535	**112,570**	97,202
Expense – Liabilities not at fair value through profit or loss	**(2,470,172)**	(3,009,333)	**(1,784,279)**	(2,341,431)
Expense – Liabilities at fair value through profit or loss	**(13,423)**	(11,770)	**(12,981)**	(11,770)
Net interest income	**2,783,398**	2,244,209	**1,856,559**	1,460,981

Included in interest income were interest on impaired assets of $24.7 million (2007: $37.4 million) and $12.5 million (2007: $21.0 million) for the Group and Bank respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2008

4. PROFIT FROM LIFE ASSURANCE

	GROUP 2008 $ million	GROUP 2007 $ million
Income		
Annual	**3,658.7**	3,494.2
Single	**3,225.7**	2,378.5
Gross premiums	**6,884.4**	5,872.7
Reassurances	**(78.7)**	(79.6)
Premium income (net)	**6,805.7**	5,793.1
Investment (loss)/income	**(399.8)**	3,075.5
Total income	**6,405.9**	8,868.6
Expenses		
Gross claims, surrenders and annuities	**(4,261.2)**	(4,874.9)
Claims, surrenders and annuities recovered from reinsurers	**34.2**	31.5
Net claims, surrenders and annuities	**(4,227.0)**	(4,843.4)
Change in life assurance fund contract liabilities (Note 22)	**(1,192.7)**	(2,543.5)
Commission and agency expenses	**(531.1)**	(491.0)
Depreciation – property, plant and equipment (Note 35)	**(52.6)**	(43.1)
Other expenses [(1)]	**(325.9)**	(218.6)
Total expenses	**(6,329.3)**	(8,139.6)
Surplus from operations	**76.6**	729.0
Share of results of associates and joint ventures	**(31.4)**	65.3
Income tax credit/(expense)	**255.1**	(285.1)
Profit from life assurance	**300.3**	509.2

(1) Included in other expenses were directors' emoluments of $3.9 million (2007: $3.9 million).

Profit from life assurance is presented net of tax in the income statement as the tax liability is borne by the respective life funds.

5. FEES AND COMMISSIONS (NET)

	GROUP 2008 $'000	GROUP 2007 $'000	BANK 2008 $'000	BANK 2007 $'000
Fee and commission income	**833,817**	891,546	**482,276**	434,917
Fee and commission expense	**(60,300)**	(83,510)	**(28,472)**	(7,304)
Fees and commissions (net)	**773,517**	808,036	**453,804**	427,613
Analysed by major sources:				
Brokerage	**73,559**	136,391	**(101)**	1,763
Credit card	**54,739**	56,406	**38,962**	42,083
Fund management	**78,527**	85,894	**(285)**	(263)
Guarantees	**26,858**	22,536	**21,038**	18,295
Investment banking	**51,008**	41,372	**50,271**	38,308
Loan-related	**152,508**	123,902	**112,962**	87,239
Service charges	**50,418**	44,017	**32,572**	32,191
Trade-related and remittances	**128,515**	115,064	**84,981**	73,698
Wealth management	**132,404**	163,281	**111,615**	132,732
Others	**24,981**	19,173	**1,789**	1,567
	773,517	808,036	**453,804**	427,613

Notes to the Financial Statements

For the financial year ended 31 December 2008

6. DIVIDENDS

	GROUP		BANK	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Subsidiaries	**–**	–	**353,022**	563,110
Associates	**–**	–	**2,108**	31,686
Trading securities	**15,004**	6,536	**14,353**	6,386
Available-for-sale securities	**56,707**	48,869	**12,967**	17,120
	71,711	55,405	**382,450**	618,302

7. OTHER INCOME

	GROUP		BANK	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Foreign exchange [1]	**150,887**	186,003	**107,650**	151,026
Hedging activities [2]				
Hedging instruments	**77,109**	(96,384)	**69,566**	(93,453)
Hedged items	**(60,824)**	89,415	**(54,860)**	86,485
Fair value hedges	**16,285**	(6,969)	**14,706**	(6,968)
Ineffective portion of investment hedge	**–**	–	**–**	–
Interest rate and other derivatives [3]	**280,237**	(63,028)	**256,163**	(83,416)
Trading securities	**(404,840)**	57,652	**(375,265)**	50,623
Net trading income	**42,569**	173,658	**3,254**	111,265
Disposal of securities classified as available-for-sale	**203,870**	202,151	**53,099**	99,394
Disposal/liquidation of subsidiaries and associates	**(408)**	–	**681,120**	4,680
Disposal of plant and equipment	**385**	(220)	**(26)**	(216)
Disposal of property	**7,970**	97,407	**5,827**	1,928
Computer-related services income	**36,179**	36,903	**–**	–
Property-related income	**8,206**	8,059	**378**	464
Others	**22,218**	18,682	**30,309**	20,831
	320,989	536,640	**773,961**	238,346

[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 mainly gains and losses from interest rate, equity options and other derivative instruments.

Notes to the Financial Statements
For the financial year ended 31 December 2008

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
8.1 Staff costs				
Salaries and other costs	**929,824**	846,136	**435,070**	412,628
Share-based expenses	**12,617**	9,516	**9,010**	7,044
Contribution to defined contribution plans	**78,497**	68,040	**34,201**	29,889
	1,020,938	923,692	**478,281**	449,561
Directors' emoluments: (1)				
Remuneration of Bank's directors	**7,196**	7,560	**6,087**	5,923
Remuneration of directors of subsidiaries	**12,500**	9,321	**–**	–
Fees of Bank's directors (2)	**2,974**	3,395	**2,069**	2,199
Fees of directors of subsidiaries	**1,813**	2,042	**–**	–
	24,483	22,318	**8,156**	8,122
Total staff costs	**1,045,421**	946,010	**486,437**	457,683
8.2 Other operating expenses				
Property, plant and equipment: (3)				
Depreciation (4)	**115,640**	104,095	**58,404**	51,145
Maintenance and hire	**68,374**	65,532	**26,496**	25,796
Rental expenses	**42,733**	30,433	**66,366**	35,456
Write-off of plant and equipment	**–**	9,521	**–**	8,839
Others	**113,256**	91,535	**62,801**	52,929
	340,003	301,116	**214,067**	174,165
Auditors' remuneration				
Payable to auditors of the Bank	**1,180**	1,120	**853**	823
Payable to associated firms of auditors of the Bank	**694**	565	**160**	398
Payable to other auditors	**1,330**	1,435	**35**	39
	3,204	3,120	**1,048**	1,260
Other fees				
Payable to auditors of the Bank	**67**	407	**37**	407
Payable to associated firms of auditors of the Bank	**303**	787	**117**	30
	370	1,194	**154**	437
Hub processing charges	**–**	–	**137,208**	130,170
General insurance claims	**54,301**	37,663	**–**	–
Others (5)	**411,222**	390,551	**230,182**	229,914
Total other operating expenses	**809,100**	733,644	**582,659**	535,946
8.3 Staff costs and other operating expenses	**1,854,521**	1,679,654	**1,069,096**	993,629

(1) Directors' emoluments pertaining to life assurance funds are disclosed in Note 4 – Profit from life assurance.
(2) Included share-based payment of $0.4 million (2007: $0.5 million) made to non-executive directors.
(3) Direct operating expenses on leased investment property for the Group and the Bank amounted to $18.7 million (2007: $14.4 million) and $6.6 million (2007: $3.9 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $0.6 million (2007: $0.6 million) and $0.4 million (2007: $0.2 million) respectively.
(4) Included depreciation for investment property of $12.9 million (2007: $12.2 million) and $7.0 million (2007: $7.2 million) for the Group and Bank respectively.
(5) Others included professional fees paid to a firm which is related to a director, the amount paid was less than $0.2 million for 2008 and 2007 respectively.

Notes to the Financial Statements
For the financial year ended 31 December 2008

9. ALLOWANCES FOR LOANS AND IMPAIRMENT FOR OTHER ASSETS

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Allowances/(write-back of allowances) for loans (Note 28)	**164,567**	(107,763)	**94,631**	(78,191)
Portfolio allowances for loans (Note 29)	**20,189**	–	**10,184**	–
Impairment charge for available-for-sale securities	**191,943**	3,632	**143,517**	47
Allowances for collateralised debt obligations (CDOs)	**89,512**	230,888	**86,508**	226,249
Write-back for other assets (Note 32)	**(19,461)**	(90,593)	**(19,299)**	(147,777)
Net allowances and impairment	**446,750**	36,164	**315,541**	328

10. INCOME TAX EXPENSE

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current tax expense	**380,682**	458,248	**176,073**	261,021
Deferred tax (credit)/expense (Note 20)	**(15,772)**	14,899	**(8,706)**	8,438
	364,910	473,147	**167,367**	269,459
Over provision in prior periods and tax refunds	**(140,418)**	(117,043)	**(102,680)**	(115,806)
Charge to income statements	**224,492**	356,104	**64,687**	153,653

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

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Operating profit after allowances and amortisation	**2,078,991**	2,518,407	**2,111,932**	1,774,567
Prima facie tax calculated at tax rate of 18% (2007: 18%)	**374,218**	453,313	**380,148**	319,422
Effect of change in tax rates	**2,186**	(3,194)	**–**	(4,262)
Effects of different tax rates in other countries	**60,532**	84,559	**3,186**	14,021
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**633**	725	**633**	725
Income not assessable for tax	**(25,225)**	(14,466)	**(183,490)**	(39,791)
Income taxed at concessionary rate	**(55,013)**	(21,627)	**(54,795)**	(25,730)
Tax credit on Singapore life assurance fund	**(24,415)**	(38,397)	**–**	–
Amortisation of intangibles	**8,365**	8,350	**–**	–
Non-deductible allowances/(non-taxable write-backs)	**4,702**	(8,816)	**3,120**	(1,730)
Others	**18,927**	12,700	**18,565**	6,804
	364,910	473,147	**167,367**	269,459
The deferred tax (credit)/expense comprised:				
Accelerated tax depreciation	**9,957**	4,273	**8,760**	1,855
Allowances/(write-back of allowances) for assets	**(18,941)**	(2,148)	**(17,913)**	3,922
Debt and equity securities	**(3,008)**	5,993	**(424)**	(985)
Fair value on properties from business combinations	**2,822**	241	**2,152**	2,034
Tax losses	**(2,415)**	2,254	**–**	1,686
Others	**(4,187)**	4,286	**(1,281)**	(74)
	(15,772)	14,899	**(8,706)**	8,438

Notes to the Financial Statements
For the financial year ended 31 December 2008

11. EARNINGS PER SHARE

	GROUP	
$'000	2008	2007
Profit attributable to ordinary equity holders of the Bank	**1,749,443**	2,070,754
Preference dividends paid	**(59,352)**	(39,125)
Profit attributable to ordinary equity holders of the Bank after preference dividends	**1,690,091**	2,031,629
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**3,094,473**	3,081,324
Adjustment for assumed conversion of share options and acquisition rights	**8,781**	16,794
For diluted earnings per share	**3,103,254**	3,098,118
Earnings per share (cents)		
Basic	**54.6**	65.9
Diluted	**54.5**	65.6

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 dilutive share options and acquisition rights, with the potential ordinary shares weighted for the period outstanding.

12. UNAPPROPRIATED PROFIT

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit attributable to equity holders of the Bank	**1,749,443**	2,070,754	**2,047,245**	1,620,914
Add: Unappropriated profit at 1 January	**5,755,694**	4,120,811	**2,799,983**	1,680,138
Total amount available for appropriation	**7,505,137**	6,191,565	**4,847,228**	3,301,052
Appropriated as follows:				
Ordinary dividends:				
2006 final tax exempt dividend of 12 cents	**–**	(369,746)	**–**	(369,746)
2007 interim dividend of 14 cents net of Malaysia tax	**–**	(431,824)	**–**	(431,824)
2007 final tax exempt dividend of 14 cents	**(433,244)**	–	**(433,244)**	–
2008 interim tax exempt dividend of 14 cents	**(433,985)**	–	**(433,985)**	–
Preference dividends:				
Class B 5.1% tax exempt	**(20,120)**	–	**(20,120)**	–
Class E 4.5% tax exempt (2007: 4.5% tax exempt)	**(22,562)**	(22,500)	**(22,562)**	(22,500)
Class G 4.2% tax exempt (2007: 4.2% net of Malaysia tax)	**(16,670)**	(16,625)	**(16,670)**	(16,625)
Transfer from:				
Capital reserves (Note 14)	**363,562**	404,824	**339,626**	339,626
General reserves (Note 15.1)	**307**	–	**292**	–
	(562,712)	(435,871)	**(586,663)**	(501,069)
At 31 December (Note 15)	**6,942,425**	5,755,694	**4,260,565**	2,799,983

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 2008, totalling $434.1 million, will be proposed. The dividends will be accounted for as a distribution in the 2009 financial statements.

Notes to the Financial Statements
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13. SHARE CAPITAL
13.1 Issued share capital

GROUP AND BANK	2008 Shares ('000)	2007 Shares ('000)	2008 $'000	2007 $'000
Ordinary shares				
At 1 January	**3,126,513**	3,126,460	**4,941,919**	4,941,417
Shares issued to non-executive directors	**53**	53	**449**	502
Preference shares' issue expense	**–**	–	**(1,339)**	–
Transfer from share-based reserves				
for options and rights exercised (Note 14)	**–**	–	**28,913**	–
At 31 December	**3,126,566**	3,126,513	**4,969,942**	4,941,919
Treasury shares				
At 1 January	**(40,292)**	(51,669)	**(317,609)**	(356,305)
Share buyback – held in treasury	**–**	(4,986)	**–**	(43,491)
Share Option Schemes	**4,997**	14,951	**34,177**	100,616
Share Purchase Plan	**5,457**	1,412	**37,317**	9,641
Treasury shares transferred to DSP Trust	**4,091**	–	**31,141**	–
Loss on treasury shares transferred/sold	**–**	–	**(13,291)**	(28,070)
At 31 December	**(25,747)**	(40,292)	**(228,265)**	(317,609)
Preference shares				
At 1 January:				
Class E	**5,000**	5,000	**500,000**	500,000
Class G	**395,831**	395,831	**395,831**	395,831
			895,831	895,831
Class B shares issued during the year	**10,000**	–	**1,000,000**	–
At 31 December			**1,895,831**	895,831
Issued share capital, at 31 December			**6,637,508**	5,520,141

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 preference	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	4.2%	SGD1	14 Jan 2008; 14 Jul 2013; dividend payment dates after 14 Jul 2013

At 31 December 2008, associates of the Group held 420 (2007: 420) ordinary shares and nil Class B, E (2007: 2,500) and G preference shares in the capital of the Bank.

Notes to the Financial Statements

For the financial year ended 31 December 2008

13. SHARE CAPITAL (continued)

13.2 Share option schemes

In March 2008, the Bank granted 5,579,220 options (2007: 5,510,350) to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 650,000 (2007: 751,000) options granted to directors of the Bank. The fair value of options granted, determined using the binomial valuation model, was $9.9 million (2007: $9.4 million). Significant inputs to the valuation model are set out below:

	2008	2007
Acquisition price ($)	**7.52**	7.60 – 8.59
Average share price from grant date to acceptance date ($)	**8.16**	7.75 – 9.00
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**25.23**	17.15 – 20.21
Risk-free rate based on SGS bond yield at acceptance date (%)	**1.63 and 2.27**	2.73 – 3.11
Expected dividend yield (%)	**3.43**	2.56 – 2.97
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:

	2008		2007	
	Number of options	Average price	Number of options	Average price
At 1 January	**43,412,224**	**$5.708**	53,868,989	$5.231
Granted	**5,579,220**	**$7.520**	5,510,350	$8.510
Exercised	**(5,141,052)**	**$4.671**	(15,368,896)	$5.004
Forfeited/lapsed	**(760,940)**	**$6.851**	(598,219)	$6.670
At 31 December	**43,089,452**	**$6.046**	43,412,224	$5.708
Exercisable options at 31 December	**32,591,779**	**$5.508**	31,550,155	$5.107
Average share price underlying the options exercised		**$7.826**		$8.904

At 31 December 2008, the weighted average remaining contractual life of outstanding share options was 5.4 years (2007: 5.7 years). The aggregate outstanding number of options held by directors of the Bank was 4,951,800 (2007: 4,503,400).

13.3 Employee share purchase plan

In June 2008, the Bank launched its third offering of ESP Plan for Group employees to acquire the Bank's ordinary shares at $8.27 per share, which commenced on 1 July 2008 and expire on 30 June 2010. The fair value of rights, determined using the binomial valuation model was $13.1 million. Significant inputs to the model were average share price of $8.08, expected volatility of 24.17%, dividend yield of 2.4% and annual risk-free interest rate based on 2-year swap rate of 2.74%.

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

	2008		2007	
	Number of acquisition rights	Acquisition price	Number of acquisition rights	Acquisition price
At 1 January	**5,483,991**	**$6.450**	7,640,257	$6.450
Exercised and conversion upon expiry	**(5,456,660)**	**$6.450**	(1,411,607)	$6.450
Forfeited	**(1,236,787)**	**$8.230**	(744,659)	$6.450
Subscription	**11,423,533**	**$8.270**	–	–
At 31 December	**10,214,077**	**$8.270**	5,483,991	$6.450
Average share price underlying acquisition rights exercised/converted		**$8.328**		$8.963

At 31 December 2008, a director of the Bank has 8,706 (2007: 11,162) acquisition rights under the ESP Plan.

Notes to the Financial Statements

For the financial year ended 31 December 2008

13. SHARE CAPITAL (continued)

13.4 Deferred share plan

During the year, 4,424,988 (2007: 1,438,600) ordinary shares were granted to executives of the Group, of which 202,469 (2007: 80,287) were granted to a director of the Bank. The fair value of the shares at grant date was $33.6 million (2007: $12.4 million).

During the year, 1,161,934 (2007: 868,964) deferred shares were released to employees, of which 130,790 (2007: 93,866) were released to directors. At 31 December 2008, the directors of the Bank have deemed interest of 422,902 (2007: 336,743) deferred shares.

14. CAPITAL RESERVES

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
At 1 January	**1,732,178**	2,131,073	**1,452,581**	1,781,292
Share-based staff costs capitalised	**15,012**	10,915	**15,012**	10,915
Shares purchased by DSP Trust	**(33,140)**	(10,540)	**–**	–
Shares vested under DSP Scheme	**7,581**	5,554	**–**	–
Transfer to unappropriated profit (Note 12)	**(363,562)**	(404,824)	**(339,626)**	(339,626)
Transfer to share capital (Note 13.1)	**(28,913)**	–	**(28,913)**	–
At 31 December	**1,329,156**	1,732,178	**1,099,054**	1,452,581

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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Unappropriated profit (Note 12)	**6,942,425**	5,755,694	**4,260,565**	2,799,983
General reserves	**1,322,893**	1,320,155	**978,753**	976,000
Currency translation reserves	**(580,157)**	(376,542)	**(163,178)**	(66,226)
At 31 December	**7,685,161**	6,699,307	**5,076,140**	3,709,757
15.1 General reserves				
At 1 January	**1,320,155**	1,320,155	**976,000**	976,000
DSP reserve from dividends on unvested shares	**3,045**	–	**3,045**	–
Transfer to unappropriated profits (Note 12)	**(307)**	–	**(292)**	–
At 31 December	**1,322,893**	1,320,155	**978,753**	976,000
15.2 Currency translation reserves				
At 1 January	**(376,542)**	(316,422)	**(66,226)**	(94,298)
Adjustments for the year	**(227,417)**	(94,531)	**(100,531)**	16,457
Effective portion of hedge	**23,802**	34,411	**3,579**	11,615
At 31 December	**(580,157)**	(376,542)	**(163,178)**	(66,226)

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.

Notes to the Financial Statements

For the financial year ended 31 December 2008

16. MINORITY INTERESTS

	GROUP	
	2008	**2007**
	$'000	**$'000**
Minority interests in subsidiaries	**620,272**	587,334
Preference shares issued by subsidiaries		
OCBC Bank (Malaysia) Berhad	**165,796**	173,888
OCBC Capital Corporation	**400,000**	400,000
OCBC Capital Corporation (2008)	**1,500,000**	–
Total minority interests	**2,686,068**	1,161,222

OCBC Bank (Malaysia) Berhad ("OBMB"), a wholly-owned subsidiary of the Bank, issued the RM400 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 on each dividend payment date thereafter. Dividends, payable at the discretion of the Board of Directors of OBMB, shall be made semi-annually on 20 March and 20 September in each year. On or prior to the 10th anniversary, dividend is fixed at 4.51% per annum on net dividend basis and thereafter, at a floating rate which will be determined for each dividend payment 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 ("OCC-A Preference Shares") on 2 February 2005. The proceeds were 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 OCC-A Preference Shares. The shares are redeemable in whole at the option of OCC on 20 March 2015 and on each dividend payment date thereafter. Dividends, if declared by the Board of Directors of OCC, are payable semi-annually on 20 March and 20 September in each year to 20 March 2015 at 3.93% per annum and thereafter, payable quarterly at a floating rate 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 ("OCC2008-B Preference Shares") on 27 August 2008. The proceeds were 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 OCC2008 Preference Shares. The shares are redeemable in whole at the option of OCC2008 on 20 September 2018 and on each dividend payment date thereafter. Dividends, if declared by the Board of Directors of OCC2008, are payable semi-annually on 20 March and 20 September in each year to 20 September 2018 at 5.1% per annum and thereafter, payable quarterly at a floating rate 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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Deposits of non-bank customers				
Current accounts	**16,090,004**	12,538,308	**12,655,242**	9,759,688
Savings deposits	**16,104,417**	12,999,311	**14,392,344**	11,291,823
Term deposits	**54,259,733**	54,993,992	**42,446,111**	44,724,063
Structured deposits	**2,958,088**	3,770,988	**2,422,407**	3,505,284
Certificate of deposits issued	**1,515,766**	1,015,258	**1,168,051**	905,252
Other deposits	**3,150,413**	3,470,537	**153,425**	229,006
	94,078,421	88,788,394	**73,237,580**	70,415,116
Deposits and balances of banks	**10,113,219**	14,726,082	**9,048,750**	13,023,929
	104,191,640	103,514,476	**82,286,330**	83,439,045

17.1 Deposits of non-bank customers

Analysed by currency

	GROUP 2008 $'000	GROUP 2007 $'000	BANK 2008 $'000	BANK 2007 $'000
Singapore Dollar	**53,745,472**	52,873,226	**53,540,225**	52,689,903
US Dollar	**12,104,820**	11,472,660	**10,924,873**	10,359,859
Malaysian Ringgit	**14,671,512**	13,632,898	**–**	–
Indonesian Rupiah	**3,038,517**	2,903,460	**1**	–
Japanese Yen	**667,583**	846,667	**650,286**	835,834
Hong Kong Dollar	**1,620,754**	1,243,826	**1,620,535**	1,243,742
British Pound	**1,079,947**	1,298,226	**1,053,990**	1,282,650
Australian Dollar	**4,071,475**	2,591,494	**3,743,605**	2,502,868
Euro	**892,126**	757,884	**850,143**	736,698
Others	**2,186,215**	1,168,053	**853,922**	763,562
	94,078,421	88,788,394	**73,237,580**	70,415,116

17.2 Deposits and balances of banks

Analysed by currency

	GROUP 2008 $'000	GROUP 2007 $'000	BANK 2008 $'000	BANK 2007 $'000
Singapore Dollar	**1,210,810**	3,645,225	**1,210,810**	3,645,225
US Dollar	**4,649,713**	7,608,540	**4,435,646**	6,682,017
Malaysian Ringgit	**692,733**	408,221	**–**	–
Indonesian Rupiah	**1,201**	41,607	**–**	–
Japanese Yen	**130,574**	170	**130,573**	170
Hong Kong Dollar	**1,478,667**	1,038,959	**1,478,666**	1,038,959
British Pound	**330,916**	174,903	**330,916**	174,693
Australian Dollar	**204,395**	362,011	**202,574**	361,179
Euro	**847,719**	843,720	**826,463**	843,720
Others	**566,491**	602,726	**433,102**	277,966
	10,113,219	14,726,082	**9,048,750**	13,023,929

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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.

GROUP ($'000)	2008 Principal notional amount	2008 Derivative receivables	2008 Derivative payables	2007 Principal notional amount	2007 Derivative receivables	2007 Derivative payables
Foreign exchange derivatives "FED"						
Forwards	**29,561,053**	**1,248,615**	**1,054,396**	34,330,587	245,798	267,185
Swaps	**63,289,062**	**1,241,613**	**2,597,304**	69,512,048	1,091,064	1,051,689
OTC options – bought	**5,306,449**	**241,978**	**98**	6,214,438	83,752	1,933
OTC options – sold	**4,945,635**	**102**	**224,104**	4,645,703	1,933	51,225
Exchange traded options – bought	**–**	**–**	**–**	55	13	–
Exchange traded options – sold	**–**	**–**	**–**	55	–	13
	103,102,199	**2,732,308**	**3,875,902**	114,702,886	1,422,560	1,372,045
Interest rate derivatives "IRD"						
Forwards	**400,000**	**–**	**300**	3,500,000	1,074	1,310
Swaps	**244,415,954**	**3,696,927**	**3,546,240**	209,638,207	1,403,750	1,197,833
OTC options – bought	**4,899,190**	**56,179**	**–**	5,034,437	24,499	7
OTC options – sold	**5,106,568**	**–**	**30,316**	2,287,761	7	9,519
Exchange traded futures – bought	**1,749,643**	**5,607**	**292**	2,173,864	1,208	298
Exchange traded futures – sold	**461,109**	**600**	**3,814**	590,617	1,198	625
	257,032,464	**3,759,313**	**3,580,962**	223,224,886	1,431,736	1,209,592
Equity derivatives						
Forwards	**–**	**–**	**–**	5,489	292	–
Swaps	**550,202**	**14,351**	**3,318**	86,505	2,769	2,769
OTC options – bought	**269,044**	**21,084**	**22**	357,177	47,283	–
OTC options – sold	**250,926**	**22**	**21,348**	332,698	–	62,828
Exchange traded futures – bought	**1,715**	**19**	**–**	4,160	6	61
Exchange traded futures – sold	**629**	**–**	**27**	11,003	89	50
	1,072,516	**35,476**	**24,715**	797,032	50,439	65,708
Credit derivatives						
Swaps – protection buyer	**1,953,489**	**91,956**	**25,597**	–	–	–
Swaps – protection seller	**1,821,065**	**18,017**	**150,713**	275,262	319	17,331
	3,774,554	**109,973**	**176,310**	275,262	319	17,331
Other derivatives						
Precious metals – bought	**126**	**–**	**2**	10,263	214	–
Precious metals – sold	**126**	**2**	**–**	4,556	–	23
OTC options – bought	**–**	**–**	**–**	12,297	695	–
OTC options – sold	**–**	**–**	**–**	12,308	–	728
Others	**922,319**	**17,565**	**17,565**	885,962	31,119	31,119
	922,571	**17,567**	**17,567**	925,386	32,028	31,870
Total	**365,904,304**	**6,654,637**	**7,675,456**	339,925,452	2,937,082	2,696,546
Included items designated for hedges:						
Fair value hedge – FED	**2,643,795**	**249,654**	**509,629**	2,668,538	266,471	519,874
Fair value hedge – IRD	**5,135,848**	**316,821**	**91,352**	5,156,237	172,012	28,087
Hedge of net investments – FED	**11,770**	**367**	**–**	2,892,430	20,317	7,288
	7,791,413	**566,842**	**600,981**	10,717,205	458,800	555,249

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18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2008			2007		
BANK ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives "FED"						
Forwards	**26,496,895**	**1,212,152**	**1,033,570**	29,663,538	220,914	239,986
Swaps	**58,277,257**	**1,129,136**	**2,510,878**	65,970,598	1,056,739	1,014,341
OTC options – bought	**3,520,322**	**162,231**	**94**	5,385,253	79,868	1,604
OTC options – sold	**3,926,342**	**93**	**194,903**	4,075,097	1,604	47,017
	92,220,816	**2,503,612**	**3,739,445**	105,094,486	1,359,125	1,302,948
Interest rate derivatives "IRD"						
Forwards	**400,000**	**–**	**300**	3,500,000	1,074	1,310
Swaps	**234,098,576**	**3,532,156**	**3,433,657**	200,402,230	1,364,831	1,172,321
OTC options – bought	**4,515,977**	**51,622**	**–**	4,349,764	20,104	–
OTC options – sold	**4,864,979**	**–**	**29,590**	2,021,469	–	8,616
Exchange traded futures – bought	**1,749,643**	**5,607**	**292**	2,169,546	1,196	298
Exchange traded futures – sold	**461,109**	**600**	**3,814**	581,992	1,198	625
	246,090,284	**3,589,985**	**3,467,653**	213,025,001	1,388,403	1,183,170
Equity derivatives						
Forwards	**–**	**–**	**–**	5,489	292	–
Swaps	**476,962**	**14,164**	**3,132**	86,505	2,769	2,769
OTC options – bought	**64,264**	**9,451**	**–**	284,215	34,914	–
OTC options – sold	**78,159**	**–**	**11,211**	271,469	–	51,561
Exchange traded futures – bought	**1,715**	**19**	**–**	4,160	6	61
Exchange traded futures – sold	**629**	**–**	**27**	11,003	89	50
	621,729	**23,634**	**14,370**	662,841	38,070	54,441
Credit derivatives						
Swaps – protection buyer	**1,953,489**	**91,956**	**25,597**	–	–	–
Swaps – protection seller	**1,821,065**	**18,017**	**150,713**	275,262	319	17,331
	3,774,554	**109,973**	**176,310**	275,262	319	17,331
Other derivatives						
Precious metals – bought	**126**	**–**	**2**	9,657	209	–
Precious metals – sold	**126**	**2**	**–**	3,950	–	18
OTC options – bought	**–**	**–**	**–**	5,847	694	–
OTC options – sold	**–**	**–**	**–**	5,858	–	728
Others	**922,319**	**17,565**	**17,565**	885,962	31,119	31,119
	922,571	**17,567**	**17,567**	911,274	32,022	31,865
Total	**343,629,954**	**6,244,771**	**7,415,345**	319,968,864	2,817,939	2,589,755
Included items designated for hedges:						
Fair value hedge – FED	**2,629,435**	**249,654**	**508,958**	2,668,538	266,471	519,874
Fair value hedge – IRD	**4,884,923**	**307,190**	**85,176**	5,027,630	171,984	25,245
Hedge of net investments – FED	**11,770**	**367**	**–**	451,842	4,001	–
	7,526,128	**557,211**	**594,134**	8,148,010	442,456	545,119

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18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**5,492,660**	2,402,939	**5,293,406**	2,325,692
Other financial institutions	**271,275**	194,433	**271,117**	194,068
Corporates	**747,578**	214,773	**558,781**	184,659
Individuals	**117,291**	123,485	**95,634**	112,080
Others	**25,833**	1,452	**25,833**	1,440
	6,654,637	2,937,082	**6,244,771**	2,817,939
Analysed by geography				
Singapore	**2,893,737**	1,018,597	**2,895,389**	1,008,081
Malaysia	**407,976**	103,770	**49,195**	11,802
Other ASEAN	**73,681**	42,389	**46,063**	41,255
Greater China	**223,666**	76,234	**219,712**	77,985
Other Asia Pacific	**423,082**	205,071	**422,838**	193,021
Rest of the World	**2,632,495**	1,491,021	**2,611,574**	1,485,795
	6,654,637	2,937,082	**6,244,771**	2,817,939

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

19. OTHER LIABILITIES

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Bills payable	**267,454**	313,548	**135,693**	177,297
Interest payable	**496,220**	622,388	**358,852**	508,850
Sundry creditors	**1,542,942**	1,951,756	**254,504**	211,315
Others	**623,243**	425,478	**194,549**	167,243
	2,929,859	3,313,170	**943,598**	1,064,705

At 31 December 2008, reinsurance liabilities included in "Others" amounted to $19.7 million (2007: $16.1 million).

20. DEFERRED TAX

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
At 1 January	**1,117,244**	949,057	**122,464**	134,921
Currency translation and others	**5,294**	(477)	**81**	44
(Credit)/expense to income statements	**(17,952)**	18,093	**(8,706)**	12,700
Effect of change in tax rates	**2,180**	(3,194)	**–**	(4,262)
Net (credit)/expense to income statements (Note 10)	**(15,772)**	14,899	**(8,706)**	8,438
Over provision in prior years	**(5,956)**	(5,167)	**(12,474)**	(5,167)
Deferred tax on fair value changes	**(145,627)**	(4,060)	**(79,368)**	(7,095)
Effect of change in tax rates	**(517)**	(13,598)	–	(8,677)
Net deferred tax change taken to equity	**(146,144)**	(17,658)	**(79,368)**	(15,772)
Net change in life assurance fund tax	**(477,901)**	176,590	**–**	–
Arising from acquisition of subsidiaries	**1,597**	–	**–**	–
At 31 December	**478,362**	1,117,244	**21,997**	122,464

Notes to the Financial Statements
For the financial year ended 31 December 2008

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	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Deferred tax liabilities	**576,063**	1,162,693	**41,154**	123,130
Deferred tax assets	**(97,701)**	(45,449)	**(19,157)**	(666)
	478,362	1,117,244	**21,997**	122,464

Deferred tax assets and liabilities (prior to offsetting within the same tax jurisdiction) comprise:

	GROUP		BANK	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Accelerated tax depreciation	**58,596**	43,710	**24,504**	15,746
Debt and equity securities	**56,176**	348,618	**(1,825)**	77,958
Fair value on properties from business combinations	**80,103**	77,281	**74,110**	71,957
Provision for policy liabilities	**397,313**	734,977	**–**	–
Unremitted income and others	**22,949**	9,587	**720**	360
Deferred tax liabilities	**615,137**	1,214,173	**97,509**	166,021
Allowances for assets	**(105,432)**	(88,686)	**(67,818)**	(40,467)
Tax losses	**(3,390)**	(973)	**(643)**	(639)
Others	**(27,953)**	(7,270)	**(7,051)**	(2,451)
Deferred tax assets	**(136,775)**	(96,929)	**(75,512)**	(43,557)
Net deferred tax liabilities	**478,362**	1,117,244	**21,997**	122,464

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 2008, unutilised tax losses for which no deferred income tax asset has been recognised amounted to $20.6 million (2007: $22.5 million) and nil (2007: $1.4 million) for the Group and Bank respectively.

21. DEBTS ISSUED

	GROUP	
	2008	2007
	$'000	$'000
Subordinated debts (unsecured) [Note 21.1]	**5,154,684**	4,365,919
Commercial papers (unsecured) [Note 21.2]	**842,987**	574,910
Structured notes (unsecured) [Note 21.3]	**11,858**	28,748
	6,009,529	4,969,577

Notes to the Financial Statements

For the financial year ended 31 December 2008

21. DEBTS ISSUED (continued)

21.1 Subordinated debts (unsecured)

	Note	Issue Date	Maturity Date	GROUP 2008 $'000	GROUP 2007 $'000
Issued by the Bank:					
EUR400 million 7.25% notes	(a)	6 Jul 2001	6 Sep 2011	**860,775**	874,598
SGD975 million 5% notes	(a)	6 Jul 2001	6 Sep 2011	**1,025,115**	1,002,903
USD1.25 billion 7.75% notes	(a)	6 Jul 2001	6 Sep 2011	**2,008,715**	1,925,764
SGD225 million 3.78% notes	(b)	28 Nov 2007	28 Nov 2017	**235,958**	225,098
MYR1 billion 4.6% bonds	(c)	27 Mar 2008	27 Mar 2018	**414,187**	–
MYR600 million 4.6% bonds	(c)	6 Jun 2008	6 Jun 2018	**275,039**	–
SGD400 million 3.93% notes	(d)	2 Feb 2005	20 Mar 2055	**400,000**	400,000
SGD1.5 billion 5.1% notes	(e)	27 Aug 2008	20 Sep 2058	**1,500,000**	–
				6,719,789	4,428,363
Subordinated debts issued to subsidiaries				**(1,900,000)**	(400,000)
Net subordinated debts issued by the Bank				**4,819,789**	4,028,363
Issued by OCBC Bank (Malaysia) Berhad:					
MYR200 million Islamic bonds	(f)	24 Nov 2006	24 Nov 2021	**82,898**	86,944
MYR400 million bonds	(g)	30 Nov 2007	30 Nov 2017	**173,897**	173,920
				256,795	260,864
Issued by P.T. Bank OCBC NISP Tbk:					
Series A – IDR455 billion				**–**	69,506
Series B – USD5 million				**–**	7,186
Subordinated Bonds I	(h)	10 Mar 2003	12 Mar 2013	**–**	76,692
Subordinated Bonds II – IDR600 billion	(i)	12 Mar 2008	11 Mar 2018	**78,100**	–
				78,100	76,692
Total subordinated debts				**5,154,684**	4,365,919

(a) Interest is payable at fixed interest rates, semi-annually on 6 March and 6 September in each year for the SGD and USD subordinated notes and annually on 6 September in each year for the EUR subordinated notes. The Bank has entered into interest rate and currency swaps to manage the interest rate and foreign exchange risks of the subordinated notes. The cumulative fair value change of the risks hedged is included in the carrying value. Currently, 40% of these subordinated notes qualify as Tier 2 capital for the Group.

(b) Interest is payable semi-annually on 28 May and 28 November in each year to 28 November 2012 at 3.78% per annum and thereafter, quarterly at a floating rate 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 has entered into interest rate swaps to hedge the risk of the subordinated notes. 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.

(c) Interest is payable semi-annually at 4.6% per annum for the first 5 years. The subordinated bonds are redeemable in whole at the option of the Bank on the 5th anniversary of the issue date and on every coupon payment date thereafter. If the redemption option is not exercised, the interest rate will be reset to 5.6% per annum, payable semi-annually from the 6th year. The Bank has entered into interest rate swaps to manage the interest rate risks of the MYR600 million subordinated bonds and the cumulative fair value change of the risks hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(d) The subordinated notes were issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation in exchange for the proceeds from the issue of the OCC-A Preference Shares (Note 16). Interest will, if payable, be made semi-annually on 20 March and 20 September in each year to 20 March 2015 at 3.93% per annum and thereafter, quarterly at a floating rate equal to the 3-month Singapore Swap Offer Rate plus 1.85%.

Notes to the Financial Statements

For the financial year ended 31 December 2008

21. DEBTS ISSUED (continued)

21.1 Subordinated debts (unsecured) (continued)

(e) The subordinated notes were issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation (2008) in exchange for the proceeds from the issue of the OCC2008 Preference Shares (Note 16). Interest will, if payable, be made semi-annually on 20 March and 20 September in each year to 20 September 2018 at 5.1% per annum and thereafter, quarterly at a floating rate equal to the 3-month Singapore Swap Offer Rate plus 2.5%.

(f) The redeemable Islamic subordinated bonds were issued under the Mudharabah (profit sharing) principle at a projected constant rate of 5.4% per annum, payable semi-annually, for the first 10 years. The subordinated bonds are redeemable in whole at the option of OBMB on the 10th anniversary from the issue date and on every profit payment date thereafter. If the redemption option is not exercised, there will be a step-up of 100 basis points from the 11th year, and the subordinated bonds shall be redeemed in full in 5 equal and consecutive annual payments, with the first redemption commencing on the date falling on the expiry of 11 years from the issue date. The subordinated bonds qualify as Tier 2 capital for the Group.

(g) Interest is payable semi-annually at 4.55% for the first 5 years. The subordinated bonds are redeemable in whole on the 5th anniversary and on every coupon payment date thereafter. If the redemption option is not exercised by OBMB, there will be a step-up of 100 basis points from the 6th year and the subordinated bonds shall be redeemed in full by 5 equal and consecutive annual payments with the first redemption commencing on the 6th anniversary of the issue date. OBMB has entered into interest rate swaps to manage the risks of the subordinated bonds. 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.

(h) The subordinated bonds were redeemed in whole by P.T. Bank OCBC NISP on 12 March 2008.

(i) Interest is payable quarterly at 11.1% per annum for the first 5 years. If the bonds are not redeemed in whole by P.T. Bank OCBC NISP on 12 March 2013, the interest rate will be reset to 19.1% per annum.

21.2 Commercial papers (unsecured)

	GROUP	
	2008	**2007**
	$'000	**$'000**
Issued by the Bank [Note (a)]	**822,288**	574,910
Issued by a subsidiary [Note (b)]	**20,699**	–
	842,987	574,910

(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 2008 were issued between 10 September 2008 (2007: 28 June 2007) and 29 December 2008 (2007: 28 December 2007), and mature between 5 January 2009 (2007: 2 January 2008) and 2 March 2009 (2007: 28 February 2008), yielding between 0.42% and 4.90% (2007: 2.25% and 9.20%).

(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 2008 were issued between 10 October 2008 and 19 December 2008, and mature between 9 January 2009 and 23 January 2009, with interest rate ranging from 3.90% to 4.15%.

Notes to the Financial Statements

For the financial year ended 31 December 2008

21. DEBTS ISSUED (continued)

21.3 Structured notes (unsecured)

Issued by the Bank:	Note	Issue Date	Maturity Date	GROUP AND BANK 2008 $'000	2007 $'000
USD10 million Series 10-CRAN	(a)	19 Oct 2004	19 Oct 2014	**–**	14,374
USD10 million Series 15-CRAN	(a)	11 Apr 2005	11 Apr 2015	**–**	14,374
Callable range accrual notes ("CRAN")				**–**	28,748
Equity CRAN notes	(b)	27 Aug 2008	27 Aug 2009	**1,398**	–
Equity linked notes	(c)	10 – 31 Dec 2008	7 – 29 Jan 2009	**460**	–
Credit linked notes	(d)	17 Nov 2008	20 Dec 2013	**10,000**	–
				11,858	28,748

(a) Both notes were early redeemed by the Bank on 21 April 2008 and 23 December 2008 respectively.

(b) The equity callable range note will be early redeemed if the closing price of the reference share, quoted on the Singapore Exchange, is equal to or more than the strike price. Interest is payable quarterly in arrears and no interest will be paid for the trading days on which the closing price of the reference share is less than the interest barrier.

(c) The payouts at maturity are linked to the closing value of certain underlying equities quoted on the Singapore Exchange.

(d) The credit linked notes will be early redeemed upon the occurrence of a credit event with respect to any of the reference entities. Interest is payable quarterly in arrears, commencing on 20 December 2008 till maturity date, at 3-month SGD-SOR-Reuters plus 2.10% per annum and 3-month SGD-SOR-Reuters plus 1.37% per annum respectively. Interest will cease to accrue upon the occurrence of any credit event and interest determined up to the credit event determination date.

22. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP 2008 $ million	2007 $ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**38,243.7**	35,142.9
Currency translation	**(673.2)**	(83.0)
Fair value reserve movements	**(2,907.4)**	640.3
Change in life assurance fund contract liabilities (Note 4)	**1,192.7**	2,543.5
At 31 December	**35,855.8**	38,243.7
Policy benefits	**1,839.6**	1,645.2
Others	**2,041.1**	1,342.9
	39,736.5	41,231.8
Life assurance fund investment assets		
Deposits with banks and financial institutions	**2,842.9**	1,998.6
Loans	**3,695.9**	3,325.9
Securities	**30,110.0**	33,642.9
Investment property	**1,073.5**	1,178.3
Others [(1)]	**1,154.6**	991.0
	38,876.9	41,136.7
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**12.7**	2.8
Capital commitment authorised and contracted	**80.1**	82.1
Derivative financial instruments (principal notional amount)	**7,531.3**	6,939.0
Derivative receivables	**313.7**	149.9
Derivative payables	**40.6**	22.4
Minimum lease rental receivables under non-cancellable operating leases	**67.2**	61.5

[(1)] Others comprised interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.

Notes to the Financial Statements
For the financial year ended 31 December 2008

23. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash on hand	**546,931**	497,080	**361,541**	359,796
Balances with central banks	**2,659,689**	2,422,801	**1,927,112**	1,707,389
Money market placements and reverse repos	**3,821,069**	5,476,517	**1,978,080**	3,425,940
	7,027,689	8,396,398	**4,266,733**	5,493,125

Balances with central banks include mandatory reserve deposits of $2,333.0 million (2007: $2,272.7 million) and $1,603.1 million (2007: $1,564.0 million) for the Group and Bank respectively.

24. GOVERNMENT TREASURY BILLS AND SECURITIES

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**607,103**	3,264,361	**607,103**	3,264,361
Available-for-sale, at fair value	**8,692,557**	6,016,988	**8,113,826**	5,463,482
Gross securities	**9,299,660**	9,281,349	**8,720,929**	8,727,843
Assets pledged (Note 43)	**(85,088)**	(519,178)	**(85,088)**	(519,178)
	9,214,572	8,762,171	**8,635,841**	8,208,665
Other government treasury bills and securities				
Trading, at fair value	**773,127**	1,115,928	**662,527**	383,379
Available-for-sale, at fair value	**4,010,179**	2,337,069	**601,193**	195,737
Gross securities	**4,783,306**	3,452,997	**1,263,720**	579,116
Assets pledged (Note 43)	**(6,334)**	(7,251)	**(6,334)**	(7,251)
	4,776,972	3,445,746	**1,257,386**	571,865
Gross securities analysed by geography				
Singapore	**9,299,660**	9,281,349	**8,720,929**	8,727,843
Malaysia	**2,450,046**	2,096,412	**–**	–
Other ASEAN	**1,347,116**	1,007,464	**369,438**	250,394
Greater China	**246,155**	9,197	**231,468**	9,197
Other Asia Pacific	**226,208**	304,582	**226,208**	303,015
Rest of the World	**513,781**	35,342	**436,606**	16,510
	14,082,966	12,734,346	**9,984,649**	9,306,959

25. PLACEMENTS WITH AND LOANS TO BANKS

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
At fair value:				
Certificate of deposits purchased (Available-for-sale)	**3,988,626**	1,907,118	**3,489,202**	1,635,419
Forfaiting loans (Trading)	**202,880**	222,398	**202,880**	222,398
	4,191,506	2,129,516	**3,692,082**	1,857,817
At amortised cost:				
Placements with and loans to banks	**10,073,030**	11,696,611	**8,659,458**	10,829,803
Market bills purchased	**758,712**	1,290,500	**593,249**	885,301
Reverse repos	**248,314**	–	**236,923**	–
	11,080,056	12,987,111	**9,489,630**	11,715,104
Balances with banks	**15,271,562**	15,116,627	**13,181,712**	13,572,921
Assets pledged (Note 43)	**(547,831)**	(362,225)	**(547,831)**	(362,225)
Bank balances of life assurance fund	**629,628**	350,707	**–**	–
	15,353,359	15,105,109	**12,633,881**	13,210,696

Notes to the Financial Statements

For the financial year ended 31 December 2008

25. PLACEMENTS WITH AND LOANS TO BANKS (continued)

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**1,176,755**	403,998	**1,103,923**	328,591
US Dollar	**8,239,329**	6,966,504	**7,753,073**	5,934,551
Malaysian Ringgit	**589,642**	310,043	**28**	65
Indonesian Rupiah	**11,114**	1,225	**12**	15
Japanese Yen	**396,164**	145,693	**360,093**	110,118
Hong Kong Dollar	**175,915**	278,971	**174,584**	278,762
British Pound	**1,697,744**	2,915,013	**1,664,874**	2,914,714
Australian Dollar	**1,200,379**	2,042,605	**1,063,819**	2,034,951
Euro	**1,072,262**	453,250	**1,007,822**	434,738
Others	**712,258**	1,599,325	**53,484**	1,536,416
	15,271,562	15,116,627	**13,181,712**	13,572,921
By geography				
Singapore	**1,957,078**	1,434,632	**1,865,286**	1,302,994
Malaysia	**826,758**	598,531	**27**	48,229
Other ASEAN	**233,593**	151,028	**171,955**	129,580
Greater China	**1,331,881**	998,584	**314,668**	457,930
Other Asia Pacific	**2,305,263**	4,822,683	**2,282,198**	4,608,574
Rest of the World	**8,616,989**	7,111,169	**8,547,578**	7,025,614
	15,271,562	15,116,627	**13,181,712**	13,572,921

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

26. LOANS AND BILLS RECEIVABLE

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Gross loans	**81,336,328**	72,774,864	**63,148,062**	55,544,593
Specific allowances (Note 28)	**(549,079)**	(498,918)	**(280,277)**	(264,204)
Portfolio allowances (Note 29)	**(979,385)**	(959,946)	**(799,005)**	(789,983)
Net loans	**79,807,864**	71,316,000	**62,068,780**	54,490,406
Bills receivable	**1,193,733**	1,176,680	**267,240**	455,190
Loans	**78,614,131**	70,139,320	**61,801,540**	54,035,216
Net loans	**79,807,864**	71,316,000	**62,068,780**	54,490,406
26.1 Analysed by currency				
Singapore Dollar	**47,174,368**	42,616,719	**46,618,723**	41,728,171
US Dollar	**10,671,018**	9,416,538	**8,763,741**	7,335,929
Malaysian Ringgit	**12,219,948**	10,868,691	**73**	72
Indonesian Rupiah	**2,268,870**	2,401,928	**–**	–
Japanese Yen	**1,577,963**	847,967	**1,478,984**	802,834
Hong Kong Dollar	**2,749,893**	1,838,140	**2,716,129**	1,826,804
British Pound	**781,261**	852,916	**779,943**	851,702
Australian Dollar	**1,806,368**	1,872,154	**1,804,781**	1,870,267
Euro	**378,083**	540,391	**367,419**	512,371
Others	**1,708,556**	1,519,420	**618,269**	616,443
	81,336,328	72,774,864	**63,148,062**	55,544,593

Notes to the Financial Statements

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26. LOANS AND BILLS RECEIVABLE (continued)

	GROUP 2008 $'000	GROUP 2007 $'000	BANK 2008 $'000	BANK 2007 $'000
26.2 Analysed by product				
Overdrafts	**3,598,009**	3,773,234	**1,796,355**	1,960,485
Short-term and revolving loans	**12,963,971**	11,932,681	**9,997,853**	8,449,382
Syndicated and term loans	**34,980,622**	27,671,742	**28,184,427**	21,601,871
Housing and commercial property loans	**21,463,230**	21,019,337	**17,637,589**	17,514,007
Car, credit card and share margin loans	**2,920,296**	3,512,982	**2,387,499**	2,526,914
Others	**5,410,200**	4,864,888	**3,144,339**	3,491,934
	81,336,328	72,774,864	**63,148,062**	55,544,593
26.3 Analysed by industry				
Agriculture, mining and quarrying	**1,315,165**	1,116,239	**335,892**	214,016
Manufacturing	**6,611,530**	6,277,880	**2,590,558**	2,262,535
Building and construction	**17,175,854**	13,652,614	**14,335,817**	11,106,762
Housing	**19,784,937**	19,247,165	**15,948,165**	15,678,412
General commerce	**7,071,803**	6,942,776	**4,568,028**	5,080,803
Transport, storage and communication	**5,470,653**	3,921,919	**5,013,324**	3,470,143
Financial institutions, investment and holding companies	**11,200,700**	10,609,594	**10,576,340**	10,146,287
Professionals and individuals	**7,358,423**	7,385,310	**6,446,678**	5,964,694
Others	**5,347,263**	3,621,367	**3,333,260**	1,620,941
	81,336,328	72,774,864	**63,148,062**	55,544,593
26.4 Analysed by interest rate sensitivity				
Fixed				
Singapore	**6,588,552**	7,518,671	**6,524,306**	7,395,784
Malaysia	**1,497,272**	1,148,349	**61,561**	49,425
Other ASEAN	**179,008**	185,960	**18,557**	31,337
Greater China	**91,727**	92,833	**178**	479
Other Asia Pacific	**278,533**	208,115	**278,533**	208,115
Rest of the World	**13,556**	15,291	**13,556**	15,291
	8,648,648	9,169,219	**6,896,691**	7,700,431
Variable				
Singapore	**46,430,758**	40,547,397	**45,747,360**	39,731,727
Malaysia	**13,330,290**	11,512,555	**2,261,462**	1,330,602
Other ASEAN	**3,439,083**	3,542,281	**403,517**	373,534
Greater China	**5,106,574**	3,685,633	**3,458,057**	2,090,520
Other Asia Pacific	**2,710,175**	2,558,229	**2,710,175**	2,558,229
Rest of the World	**1,670,800**	1,759,550	**1,670,800**	1,759,550
	72,687,680	63,605,645	**56,251,371**	47,844,162
Total	**81,336,328**	72,774,864	**63,148,062**	55,544,593

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

	GROUP 2008 $'000	GROUP 2007 $'000	BANK 2008 $'000	BANK 2007 $'000
26.5 Analysed by geography				
Singapore	**49,285,437**	45,310,606	**48,664,268**	44,442,452
Malaysia	**14,334,887**	12,101,623	**1,738,123**	829,445
Other ASEAN	**4,602,216**	4,446,496	**1,392,840**	1,106,925
Greater China	**6,873,912**	5,133,159	**5,149,277**	3,438,576
Other Asia Pacific	**3,242,173**	3,072,651	**3,223,045**	3,050,609
Rest of the World	**2,997,703**	2,710,329	**2,980,509**	2,676,586
	81,336,328	72,774,864	**63,148,062**	55,544,593

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						
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**
2007						
Classified loans	586	350	302	1,238	(499)	739
Classified debt securities	6	100	10	116	(112)	4
Total classified assets	592	450	312	1,354	(611)	743
BANK						
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**
2007						
Classified loans	232	262	153	647	(265)	382
Classified debt securities	–	100	–	100	(100)	–
Total classified assets	232	362	153	747	(365)	382

	GROUP 2008 $ million	GROUP 2007 $ million	BANK 2008 $ million	BANK 2007 $ million
27.1 Analysed by period overdue				
Over 180 days	**568**	696	**168**	324
Over 90 days to 180 days	**193**	190	**135**	125
30 days to 90 days	**188**	137	**132**	71
Less than 30 days	**230**	191	**229**	98
No overdue	**169**	140	**104**	129
	1,348	1,354	**768**	747
27.2 Analysed by collateral type				
Property	**599**	744	**280**	380
Fixed deposit	**9**	3	**7**	2
Stock and shares	**5**	23	**5**	7
Motor vehicles	**4**	6	**3**	4
Secured – Others	**27**	48	**5**	28
Unsecured – Corporate and other guarantees	**197**	229	**194**	226
Unsecured – Clean	**507**	301	**274**	100
	1,348	1,354	**768**	747
27.3 Analysed by industry				
Agriculture, mining and quarrying	**6**	12	**–**	1
Manufacturing	**342**	275	**158**	105
Building and construction	**113**	187	**38**	92
Housing	**243**	301	**133**	194
General commerce	**147**	146	**74**	54
Transport, storage and communication	**25**	23	**18**	14
Financial institutions, investment and holding companies	**284**	179	**259**	152
Professionals and individuals	**126**	170	**65**	110
Others	**62**	61	**23**	25
	1,348	1,354	**768**	747

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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
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**
2007				
Substandard	185	336	71	592
Doubtful	185	114	151	450
Loss	142	98	72	312
	512	548	294	1,354
Specific allowances	(201)	(230)	(180)	(611)
	311	318	114	743

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 8.3% (2007: 13.7%) and 9.5% (2007: 13.1%) for the Group and the Bank respectively.

	2008		2007	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**52**	**5**	95	5
Doubtful	**40**	**42**	59	69
Loss	**19**	**8**	32	14
	111	**55**	186	88
BANK				
Substandard	**47**	**3**	55	5
Doubtful	**25**	**28**	40	50
Loss	**1**	**1**	3	1
	73	**32**	98	56

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28. SPECIFIC ALLOWANCES

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
At 1 January	**498,918**	862,259	**264,204**	505,023
Currency translation	**(36,945)**	(10,520)	**(11,955)**	(4,475)
Bad debts written off	**(58,733)**	(200,819)	**(54,970)**	(127,994)
Recovery of amounts previously provided for	**(61,100)**	(55,057)	**(32,512)**	(43,401)
Allowances/(write-back of allowances) for loans	**225,667**	(52,706)	**127,143**	(34,790)
Net allowances/(write-back) to income statements (Note 9)	**164,567**	(107,763)	**94,631**	(78,191)
Interest recognition on impaired loans	**(23,534)**	(36,526)	**(12,073)**	(20,698)
Arising from acquisition of subsidiaries	**1,614**	–	**–**	–
Transfer from/(to):				
Available-for-sale securities	**–**	(7,713)	**–**	(6,063)
Other provisions	**2,680**	–	**440**	–
Portfolio allowances (Note 29)	**512**	–	**–**	–
Subsidiary upon incorporation	**–**	–	**–**	(3,398)
At 31 December (Note 26)	**549,079**	498,918	**280,277**	264,204

29. PORTFOLIO ALLOWANCES

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
At 1 January	**959,946**	961,099	**789,983**	807,136
Currency translation	**(2,576)**	(1,153)	**(1,162)**	(430)
Allowances charged to income statements (Note 9)	**20,189**	–	**10,184**	–
Arising from acquisition of subsidiaries	**2,338**	–	**–**	–
Transfer to specific allowances (Note 28)	**(512)**	–	**–**	–
Transfer to subsidiary upon incorporation	**–**	–	**–**	(16,723)
At 31 December (Note 26)	**979,385**	959,946	**799,005**	789,983

30. DEBT AND EQUITY SECURITIES

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trading securities				
Quoted debt securities	**443,197**	663,553	**420,152**	648,848
Unquoted debt securities	**198,199**	532,670	**1,397**	–
Quoted equity securities	**235,386**	241,290	**222,529**	231,257
	876,782	1,437,513	**644,078**	880,105
Available-for-sale securities				
Quoted debt securities	**5,538,071**	5,936,281	**4,550,375**	4,919,451
Unquoted debt securities	**2,024,476**	3,056,470	**1,273,114**	2,177,755
Quoted equity securities	**1,326,144**	2,770,556	**409,868**	560,033
Unquoted equity securities	**294,990**	162,891	**64,975**	26,805
	9,183,681	11,926,198	**6,298,332**	7,684,044
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**336,636**	286,789	**296,393**	258,861
Allowance for impairment	**(25,333)**	(25,588)	**(22,557)**	(22,614)
Net carrying value	**311,303**	261,201	**273,836**	236,247
Total debt and equity securities				
Debt securities – gross	**8,540,579**	10,475,763	**6,541,431**	8,004,915
Allowance for impairment (Note 32)	**(25,333)**	(25,588)	**(22,557)**	(22,614)
Debt securities – net	**8,515,246**	10,450,175	**6,518,874**	7,982,301
Equity securities	**1,856,520**	3,174,737	**697,372**	818,095
Total securities	**10,371,766**	13,624,912	**7,216,246**	8,800,396
Assets pledged (Note 43)	**(197,855)**	–	**(197,855)**	–
	10,173,911	13,624,912	**7,018,391**	8,800,396

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30. DEBT AND EQUITY SECURITIES (continued)

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**4,923,086**	6,018,370	**3,729,604**	4,244,234
Non-investment grade (BB to C)	**255,006**	748,172	**252,681**	677,078
Non-rated	**3,337,154**	3,683,633	**2,536,589**	3,060,989
	8,515,246	10,450,175	**6,518,874**	7,982,301
By credit quality				
Pass	**8,356,095**	10,290,536	**6,362,143**	7,826,928
Special mention	**149,269**	155,327	**149,269**	155,327
Substandard	**–**	3,333	**–**	–
Doubtful	**31,745**	22,660	**30,019**	22,660
Loss	**3,470**	3,907	**–**	–
Allowance for impairment (Note 32)	**(25,333)**	(25,588)	**(22,557)**	(22,614)
	8,515,246	10,450,175	**6,518,874**	7,982,301
Total securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**172,666**	183,407	**81,248**	40,264
Manufacturing	**978,188**	1,224,089	**586,126**	730,393
Building and construction	**1,395,135**	1,502,022	**1,077,277**	968,110
General commerce	**167,786**	282,651	**94,985**	166,543
Transport, storage and communication	**731,447**	949,579	**604,841**	756,135
Financial institutions, investment and holding companies	**5,146,163**	7,209,320	**3,891,002**	5,156,258
Others	**1,780,381**	2,273,844	**880,767**	982,693
	10,371,766	13,624,912	**7,216,246**	8,800,396
By issuer				
Public sector	**1,294,044**	995,003	**1,167,451**	890,526
Banks	**2,565,621**	3,426,985	**1,771,304**	2,984,297
Corporations	**6,294,721**	9,004,891	**4,259,773**	4,905,836
Others	**217,380**	198,033	**17,718**	19,737
	10,371,766	13,624,912	**7,216,246**	8,800,396
By geography				
Singapore	**3,476,352**	4,214,487	**2,547,635**	2,601,311
Malaysia	**1,455,497**	1,556,542	**353,871**	334,698
Other ASEAN	**202,906**	200,912	**133,796**	156,719
Greater China	**1,067,825**	1,655,758	**596,339**	431,412
Other Asia Pacific	**1,541,371**	1,683,239	**1,414,393**	1,523,302
Rest of the World	**2,627,815**	4,313,974	**2,170,212**	3,752,954
	10,371,766	13,624,912	**7,216,246**	8,800,396

Debt securities are 82% (2007: 77%) and 90% (2007: 91%) of total securities, for the Group and the Bank respectively. Included in debt securities is an amount of $0.1 billion (2007: $0.2 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.

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31. OTHER ASSETS

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest receivable	**866,915**	1,082,265	**686,228**	946,791
Sundry debtors (net)	**1,134,354**	1,344,128	**84,949**	42,777
Deposits and prepayments	**198,508**	163,261	**124,873**	104,465
Others	**465,339**	392,202	**104,741**	218,587
	2,665,116	2,981,856	**1,000,791**	1,312,620

At 31 December 2008, reinsurance assets included in "Others" amounted to $66.6 million (2007: $65.6 million).

32. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS

GROUP ($'000)	Associates	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2007	–	18,540	118,410	103,614	25,523	266,087
Currency translation	–	(1,602)	(69)	313	(1,100)	(2,458)
Amounts written off	–	–	(2,910)	(5,763)	(2,622)	(11,295)
Impairment charge/(write-back) to income statements (Note 9)	–	9,312	(16,675)	(86,445)	3,215	(90,593)
Interest recognition on net NPLs	–	(662)	–	–	–	(662)
Transfer from/(to):						
Assets held for sale	–	–	–	(475)	–	(475)
Life assurance fund investment assets	–	–	(11,193)	–	–	(11,193)
Other accounts	–	–	(6,254)	6,254	–	–
At 31 December 2007/1 January 2008	**–**	**25,588**	**81,309**	**17,498**	**25,016**	**149,411**
Currency translation	**–**	**(443)**	**(1,909)**	**(332)**	**(924)**	**(3,608)**
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 from/(to) other accounts	**–**	**–**	**(1,797)**	**1,797**	**64**	**64**
At 31 December 2008	**5,200**	**25,333**	**58,318**	**8,300**	**26,297**	**123,448**
	(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 2007	149,832	17,635	34,951	95,984	35,939	334,341
Currency translation	–	(1,366)	–	277	–	(1,089)
Amounts written off	(2,754)	–	–	–	(744)	(3,498)
(Write-back)/impairment charge	(17,969)	6,616	(15,423)	(85,926)	(35,075)	(147,777)
Interest recognition on net NPLs	–	(271)	–	–	–	(271)
At 31 December 2007/1 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)/charge to income statement (Note 9)	**–**	**(32)**	**(16,782)**	**(6,598)**	**4,113**	**(19,299)**
Interest recognition on net NPLs	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Transfers from/(to) other accounts	**–**	**–**	**(1,797)**	**1,797**	**–**	**–**
At 31 December 2008	**14,059**	**22,557**	**949**	**5,184**	**1,038**	**43,787**
	(Notes 33-34)	(Note 30)	(Note 35)	(Note 36)		

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33. ASSOCIATES AND JOINT VENTURES

	GROUP		BANK	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Investment securities, at cost				
Quoted equities	**591**	87,384	**195**	85,556
Unquoted equities	**102,194**	108,654	**13,529**	14,561
Allowance for impairment (Note 32)	**(5,200)**	–	**(2,199)**	(3,701)
Net carrying value	**97,585**	196,038	**11,525**	96,416
Share of post-acquisition reserves	**34,068**	31,512	**–**	–
Amount due from associates (unsecured)	**630**	15,866	**–**	–
	132,283	243,416	**11,525**	96,416
Fair value of quoted associates	**28,463**	98,699	**9,393**	72,197

33.1 Associates

The summarised financial information of associates is as follows:

$'000	2008	2007
At 31 December:		
Assets	**1,025,426**	1,891,590
Liabilities	**158,502**	271,837
Share of contingent liabilities	**–**	14,195
For the year ended:		
Total income	**91,223**	337,606
Profit/(loss)	**(176,930)**	112,456

Details of significant associates of the Group are as follows:

Name of associates	Country of incorporation	Effective % interest held 2008	2007
Quoted			
British and Malayan Trustees Limited [1]	Singapore	**43**	43
PacificMas Berhad (Note 34.2) [1]	Malaysia	**–**	28
Unquoted			
Network For Electronic Transfers (Singapore) Pte Ltd [2]	Singapore	**33**	33

[1] Audited by Ernst & Young.

[2] Audited by PricewaterhouseCoopers.

33.2 Joint ventures

The Group holds 50% interest in Great Eastern Life Assurance (China) Company Limited ("GEL China"). The summarised financial information of GEL China is as follows:

$ million	2008	2007
At 31 December:		
Share of current assets	**26.1**	10.9
Share of non-current assets	**17.9**	22.6
Share of current liabilities	**(1.5)**	(6.6)
Share of non-current liabilities	**(19.5)**	(1.8)
For the year ended:		
Share of income	**12.6**	4.4
Share of expenses	**(16.7)**	(6.4)

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34. SUBSIDIARIES

	BANK	
	2008 $'000	2007 $'000
Investments in subsidiaries, at cost		
Quoted security	**2,198,964**	2,187,919
Unquoted securities	**1,705,393**	1,703,235
Allowance for impairment (Note 32)	**(11,860)**	(125,408)
Net carrying value	**3,892,497**	3,765,746
Unsecured loans and receivables	**2,134,304**	2,261,965
Secured loans and receivables	**1,146,700**	482,700
Amount due from subsidiaries	**3,281,004**	2,744,665
Investments in and amount due from subsidiaries	**7,173,501**	6,510,411

34.1 List of significant subsidiaries
Details of the significant subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation	Effective % interest held 2008	2007
Banking			
Bank of Singapore Limited	Singapore	**100**	100
OCBC Al-Amin Bank Berhad #	Malaysia	**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 (formerly P.T. Bank NISP Tbk) (1)	Indonesia	**75**	72
P.T. Bank OCBC Indonesia (1)	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) (formerly Lion Capital Management Limited)	Singapore	**91**	91
Great Eastern Holdings Limited (2)	Singapore	**87**	87
PacificMas Berhad (2)	Malaysia	**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
Incorporated during the year

At 31 December 2008, the fair value of the Bank's quoted subsidiary, Great Eastern Holdings Limited, was $3,630.3 million (2007: $6,620.5 million).

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34. SUBSIDIARIES (continued)

34.2 Acquisition of interest in subsidiaries

On 4 January 2008, the Bank announced the intention of its wholly-owned subsidiary, OCBC Capital (Malaysia) Sdn Bhd ("OCSB", formerly known as OSPL Holdings Sdn Bhd) to undertake a conditional cash offer ("Offer") for all the voting shares in PacificMas Berhad ("PacMas") not already owned by OCSB, at a price of RM4.30 per share.

At the close of Offer on 8 April 2008, OCSB's total shareholdings amounted to 114,686,956 shares or 67.1% of the issued and paid-up capital of PacMas. Prior to the Offer, the Group owned 28.2% or 48,125,642 PacMas shares. The purchase consideration (including cost directly attributable to the acquisition) of acquiring the additional 38.9% or 66,561,314 PacMas shares amounted to RM287.1 million or $124.2 million, comprising the following:

(i) 7,666,100 PacMas shares (4.48%) purchased from the open market for a consideration of RM32.75 million at an average price of RM4.27 per share, and

(ii) 58,895,214 PacMas shares (34.44%) from valid acceptances of the Offer for a consideration of RM254.35 million.

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

$ million	2008
Cash and cash equivalents	#
Government, debt and equity securities	156.9
Placements with and loans to banks	96.3
Loans and bills receivable	154.8
Other assets	22.8
Property, plant and equipment and investment property	47.8
Deposits of non-bank customers	(1.1)
Deposits and balances with banks	(38.5)
Other liabilities	(75.2)
Debts issued	(51.9)
Net identifiable assets acquired	311.9
Minority interests	(103.7)
Share of net identifiable assets acquired	208.2
Goodwill (Note 37)	4.6
Cost of business combination	212.8
Cost of investment of 28.2% stake prior to the Offer	(88.6)
Purchase consideration of acquiring the additional stake of 38.9%, settled in cash	124.2
Cash and cash equivalents acquired	(#)
Net cash outflow arising from acquisition	124.2

represents amount less than $0.1 million.

The increase in stake in PacMas has contributed $5.4 million to the Group's profit after tax for the financial year ended 31 December 2008. If the acquisition had occurred at 1 January 2008, the Group's total income and profit after tax would have been $4,453.3 million and $1,750.6 million respectively.

34.3 Acquisition of minority interests

(a) During the year, a subsidiary of the Bank, OCBC Overseas Investments Pte. Ltd., purchased 135,296,328 shares in P.T. Bank OCBC NISP ("Bank NISP"), a subsidiary listed on the Indonesia Stock Exchange, at IDR950 per share for a total cash consideration of $20.1 million. The Group's interest in Bank NISP increased from 72.40% to 74.73% and goodwill arising thereon was $7.7 million (Note 37).

(b) During the year, the Bank acquired 788,000 shares in Great Eastern Holdings Limited ("GEH"), a subsidiary listed on the Singapore Stock Exchange, at $14 per share for a total cash consideration of $11.0 million. Consequently, the Group's interest in GEH increased from 86.9% to 87.1%, and resulted in the recognition of incremental goodwill and intangible asset of $1.1 million (Note 37) and $4.9 million (Note 37) respectively.

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35. PROPERTY, PLANT AND EQUIPMENT

GROUP ($'000)	2008 Property-related	2008 Computer-related	2008 Others	2008 Total	2007 Property-related	2007 Computer-related	2007 Others	2007 Total
Cost								
At 1 January	**1,427,016**	**677,850**	**328,385**	**2,433,251**	1,412,770	642,211	322,162	2,377,143
Currency translation	**(22,515)**	**(15,399)**	**(10,324)**	**(48,238)**	(7,779)	(3,710)	(3,299)	(14,788)
Acquisition of subsidiaries	**10,719**	**5,555**	**4,021**	**20,295**	–	–	–	–
Additions	**36,556**	**167,311**	**58,317**	**262,184**	26,435	139,411	61,261	227,107
Disposals and other transfers	**(325)**	**(56,421)**	**(23,164)**	**(79,910)**	(704)	(100,062)	(21,979)	(122,745)
Transfer from/(to):								
Investment property (Note 36)	**(19,627)**	**–**	**–**	**(19,627)**	22,247	–	(29,760)	(7,513)
Life assurance fund assets	**(621)**	**–**	**(16,231)**	**(16,852)**	(25,953)	–	–	(25,953)
At 31 December	**1,431,203**	**778,896**	**341,004**	**2,551,103**	1,427,016	677,850	328,385	2,433,251
Accumulated depreciation								
At 1 January	**(214,493)**	**(327,197)**	**(198,554)**	**(740,244)**	(170,226)	(328,976)	(217,487)	(716,689)
Currency translation	**(7,310)**	**8,118**	**13,366**	**14,174**	1,000	2,157	2,168	5,325
Acquisition of subsidiaries	**(1,425)**	**(3,967)**	**(2,432)**	**(7,824)**	–	–	–	–
Disposals and other transfers	**85**	**35,429**	**22,715**	**58,229**	358	77,550	17,179	95,087
Depreciation charge	**(15,655)**	**(63,334)**	**(23,712)**	**(102,701)**	(15,292)	(55,381)	(21,223)	(91,896)
Depreciation charge to profit from life assurance (Note 4)	**(11,748)**	**(34,564)**	**(6,286)**	**(52,598)**	(12,719)	(22,547)	(7,866)	(43,132)
Transfer to/(from):								
Investment property (Note 36)	**3,637**	**–**	**–**	**3,637**	(6,537)	–	28,675	22,138
Life assurance fund assets	**–**	**–**	**–**	**–**	(11,077)	–	–	(11,077)
At 31 December	**(246,909)**	**(385,515)**	**(194,903)**	**(827,327)**	(214,493)	(327,197)	(198,554)	(740,244)
Accumulated impairment losses (Note 32)								
At 1 January	**(80,309)**	**–**	**(1,000)**	**(81,309)**	(114,519)	–	(3,891)	(118,410)
Currency translation	**1,874**	**–**	**34**	**1,908**	68	–	1	69
Disposals and other transfers	**–**	**–**	**–**	**–**	–	20	2,890	2,910
Write-back/(impairment charge) to income statements	**19,634**	**(43)**	**(306)**	**19,285**	16,695	(20)	–	16,675
Transfer to:								
Investment property (Note 36)	**1,797**	**–**	**–**	**1,797**	6,254	–	–	6,254
Life assurance fund assets	**–**	**–**	**–**	**–**	11,193	–	–	11,193
At 31 December	**(57,004)**	**(43)**	**(1,272)**	**(58,319)**	(80,309)	–	(1,000)	(81,309)
Net carrying value, at 31 December	**1,127,290**	**393,338**	**144,829**	**1,665,457**	1,132,214	350,653	128,831	1,611,698
Freehold property	**352,798**				339,658			
Leasehold property	**774,492**				792,556			
Net carrying value	**1,127,290**				1,132,214			
Market value	**1,950,763**				2,039,516			

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35. PROPERTY, PLANT AND EQUIPMENT (continued)

	2008				2007			
BANK ($'000)	Property-related	Computer-related	Others	Total	Property-related	Computer-related	Others	Total
Cost								
At 1 January	**258,745**	**231,880**	**82,430**	**573,055**	264,690	212,281	77,844	554,815
Currency translation	**(71)**	**(439)**	**(1,151)**	**(1,661)**	134	4	(262)	(124)
Additions	**–**	**81,950**	**26,512**	**108,462**	221	57,633	12,521	70,375
Disposals and other transfers	**–**	**(10,754)**	**(12,071)**	**(22,825)**	–	(36,939)	(4,537)	(41,476)
Transfer from/(to):								
Subsidiary upon incorporation	**–**	**–**	**–**	**–**	(4,547)	(1,099)	(3,136)	(8,782)
Investment property (Note 36)	**4,873**	**–**	**–**	**4,873**	(1,753)	–	–	(1,753)
At 31 December	**263,547**	**302,637**	**95,720**	**661,904**	258,745	231,880	82,430	573,055
Accumulated depreciation								
At 1 January	**(45,627)**	**(115,896)**	**(65,118)**	**(226,641)**	(43,206)	(112,660)	(64,950)	(220,816)
Currency translation	**25**	**402**	**858**	**1,285**	(51)	(7)	243	185
Disposals and other transfers	**–**	**10,729**	**11,923**	**22,652**	–	28,950	4,105	33,055
Depreciation charge	**(4,911)**	**(38,739)**	**(7,787)**	**(51,437)**	(4,942)	(33,016)	(5,998)	(43,956)
Transfer from/(to):								
Subsidiary upon incorporation	**–**	**–**	**–**	**–**	2,020	837	1,482	4,339
Investment property (Note 36)	**(1,145)**	**–**	**–**	**(1,145)**	552	–	–	552
At 31 December	**(51,658)**	**(143,504)**	**(60,124)**	**(255,286)**	(45,627)	(115,896)	(65,118)	(226,641)
Accumulated impairment losses (Note 32)								
At 1 January	**(19,528)**	**–**	**–**	**(19,528)**	(34,951)	–	–	(34,951)
Write-back to income statements	**16,782**	**–**	**–**	**16,782**	15,423	–	–	15,423
Transfer to investment property (Note 36)	**1,797**	**–**	**–**	**1,797**	–	–	–	–
At 31 December	**(949)**	**–**	**–**	**(949)**	(19,528)	–	–	(19,528)
Net carrying value, at 31 December	**210,940**	**159,133**	**35,596**	**405,669**	193,590	115,984	17,312	326,886
Freehold property	**33,753**				31,294			
Leasehold property	**177,187**				162,296			
Net carrying value	**210,940**				193,590			
Market value	**302,582**				308,950			

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36. INVESTMENT PROPERTY

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cost				
At 1 January	**820,317**	899,961	**566,465**	567,689
Currency translation	**(2,358)**	(3,098)	**(560)**	(689)
Acquisition of subsidiaries	**40,761**	–	**–**	–
Additions	**15,479**	10,473	**14,149**	4,191
Disposals	**(1,914)**	(92,238)	**(1,914)**	(2,384)
Transfer from/(to):				
Assets held for sale	**–**	(2,294)	**–**	(2)
Property, plant and equipment (Note 35)	**19,627**	7,513	**(4,873)**	1,753
Subsidiary upon incorporation	**–**	–	**–**	(4,093)
At 31 December	**891,912**	820,317	**573,267**	566,465
Accumulated depreciation				
At 1 January	**(136,087)**	(152,071)	**(62,844)**	(58,086)
Currency translation	**200**	281	**(34)**	259
Acquisition of subsidiaries	**(5,447)**	–	**–**	–
Disposals	**375**	49,616	**375**	1,510
Depreciation charge	**(12,939)**	(12,199)	**(6,967)**	(7,189)
Transfer (from)/to:				
Assets held for sale	**–**	424	**–**	–
Property, plant and equipment (Note 35)	**(3,637)**	(22,138)	**1,145**	(552)
Subsidiary upon incorporation	**–**	–	**–**	1,214
At 31 December	**(157,535)**	(136,087)	**(68,325)**	(62,844)
Accumulated impairment losses (Note 32)				
At 1 January	**(17,498)**	(103,614)	**(10,335)**	(95,984)
Currency translation	**332**	(313)	**250**	(277)
Disposals	**100**	5,763	**100**	–
Write-back to income statements	**10,563**	86,445	**6,598**	85,926
Transfer (from)/to:				
Assets held for sale	**–**	475	**–**	–
Property, plant and equipment (Note 35)	**(1,797)**	(6,254)	**(1,797)**	–
At 31 December	**(8,300)**	(17,498)	**(5,184)**	(10,335)
Net carrying value				
Freehold property	**255,408**	205,932	**82,441**	70,474
Leasehold property	**470,669**	460,800	**417,317**	422,812
At 31 December	**726,077**	666,732	**499,758**	493,286
Market value	**2,380,930**	2,448,219	**1,314,886**	1,436,090

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37. GOODWILL AND INTANGIBLE ASSETS

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Goodwill				
At 1 January	**2,669,691**	2,699,829	**1,867,176**	1,867,176
Acquisition of additional interests in:				
– PacificMas Berhad [Note 34.2]	**4,637**	–	**–**	–
– P.T. Bank OCBC NISP Tbk [Note 34.3(a)] (formerly known as P.T. Bank NISP Tbk)	**7,659**	206	**–**	–
– Great Eastern Holdings Limited [Note 34.3(b)]	**1,075**	–	**–**	–
Currency translation	**(40,694)**	(30,344)	**–**	–
At 31 December	**2,642,368**	2,669,691	**1,867,176**	1,867,176
Intangible asset [1]				
At 1 January	**774,729**	821,120		
Amortisation charged to income statements	**(46,472)**	(46,391)		
Acquisition of additional interests in GEH [Note 34.3(b)]	**4,901**	–		
At 31 December	**733,158**	774,729		
Total goodwill and intangible assets	**3,375,526**	3,444,420	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**2,642,368**	2,669,691	**1,867,176**	1,867,176
Intangible asset, at cost	**932,715**	927,814	**–**	–
Accumulated amortisation for intangible asset	**(199,557)**	(153,085)	**–**	–
	3,375,526	3,444,420	**1,867,176**	1,867,176

Note:

[1] The value of in-force life assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2008, the intangible asset has a remaining useful life of 16 years (2007: 17 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 2008 $'000	Carrying value 2007 $'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**	426,385
PacificMas Berhad	Value-in-use	**4,447**	–
P.T. Bank OCBC NISP Tbk	Value-in-use	**242,545**	275,390
Lion Global Investors Limited	Value-in-use	**29,419**	29,419
		2,642,368	2,669,691

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 2008, the discount rates used ranged from 8.5% to 16% (2007: 8.5% to 15%). 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% to 6% (2007: 2% to 10%). 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)

The Group's insurance CGU 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% (2007: 8.0%) and 9.5% (2007: 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 5.15% – 5.25%, 4.25% and 7% (2007: 5.15% – 5.25%, 4.25% and 7%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.5%, 6.0% and 7.0% (2007: 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	Group
Year ended 31 December 2008						
Total income	1,308	1,428	683	523	485	4,427
Operating profit before allowances and amortisation	715	953	497	372	36	2,573
Amortisation of intangible assets	–	–	–	(47)	–	(47)
(Allowances and impairment)/ write-back for loans and other assets	(37)	(100)	(19)	(55)	(236)	(447)
Operating profit/(loss) after allowances and amortisation	678	853	478	270	(200)	2,079
Other information:						
Capital expenditure	24	23	1	90	140	278
Depreciation	9	4	–	1	102	116
At 31 December 2008						
Segment assets	26,656	57,150	39,011	45,195	20,310	188,322
Unallocated assets						132
Elimination						(7,069)
Total assets						181,385
Segment liabilities	40,556	46,019	25,653	40,337	16,252	168,817
Unallocated liabilities						1,077
Elimination						(7,069)
Total liabilities						162,825
Other information:						
Gross non-bank loans	25,414	51,245	715	430	3,532	81,336
NPLs (include debt securities)	319	811	2	14	202	1,348

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38. SEGMENT INFORMATION (continued)

38.1 Business segments (continued)

$ million	Global Consumer Financial Services	Global Corporate Banking	Global Treasury	Insurance	Others	Group
Year ended 31 December 2007						
Total income	1,160	1,194	440	812	675	4,281
Operating profit before allowances and amortisation	599	756	301	688	257	2,601
Amortisation of intangible assets	–	–	–	(47)	–	(47)
(Allowances and impairment)/ write-back for loans and other assets	(18)	62	–	(5)	(75)	(36)
Operating profit after allowances and amortisation	581	818	301	636	182	2,518
Other information:						
Capital expenditure	15	7	–	84	132	238
Depreciation	8	4	–	2	90	104
At 31 December 2007						
Segment assets	25,917	51,190	35,119	47,727	19,241	179,194
Unallocated assets						87
Elimination						(4,674)
Total assets						174,607
Segment liabilities	38,858	43,258	24,668	41,911	11,936	160,631
Unallocated liabilities						1,811
Elimination						(4,674)
Total liabilities						157,768
Other information:						
Gross non-bank loans	24,303	44,118	382	252	3,720	72,775
NPLs (include debt securities)	387	802	–	8	157	1,354

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.

Notes to the Financial Statements
For the financial year ended 31 December 2008

38. SEGMENT INFORMATION (continued)
38.1 Business segments (continued)
Insurance
The Group's insurance business, including its fund management activities, is carried out by the Bank's subsidiary GEH, which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

Others
The "Others" segment comprise P.T. Bank OCBC NISP, newly acquired PacificMas Berhad, corporate finance, capital markets, property holding, stock brokerage and investment holding, support units, other investments, items not attributed to business segments, and one-time divestment gains.

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
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**
2007					
Singapore	2,810	1,689	128	117,833	109,271
Malaysia	961	670	64	36,309	32,698
Other ASEAN	315	93	39	5,940	4,864
Greater China	117	40	6	7,150	6,453
Other Asia Pacific	40	23	–	3,801	2,004
Rest of the World	38	24	1	3,574	2,478
	4,281	2,539	238	174,607	157,768

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.

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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	**2008**	**2007**	**2008**	**2007**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**79,808**	71,316	**76,769**	64,123
Placements with and loans to banks	**15,353**	15,105	**16,644**	17,005
Government treasury bills and securities	**13,992**	12,208	**12,757**	11,410
Debt securities	**8,317**	10,450	**9,313**	8,371
Amount due from associates	**1**	16	**5**	18
Assets pledged	**837**	889	**756**	1,390
Derivative receivables	**6,655**	2,937	**4,503**	2,279
Other assets, comprise interest receivables and sundry debtors	**2,001**	2,426	**2,131**	2,896
	126,964	115,347	**122,878**	107,492
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**8,661**	8,861	**9,129**	7,952
Credit commitments	**45,007**	43,563	**42,928**	40,843
	53,668	52,424	**52,057**	48,795
Total maximum credit risk exposure	**180,632**	167,771	**174,935**	156,287

As presented in the above table, the Group's gross maximum exposure to credit risk comprise 53% (2007: 52%) derived primarily from its lending activities to banks and customers and 12% (2007: 14%) from its investments in government and debt securities.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

Total loans and advances – Credit quality

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

	Bank loans		Non-bank loans	
$ million	**2008**	**2007**	**2008**	**2007**
Neither past due nor impaired	**15,272**	15,117	**79,244**	70,620
Not impaired	**–**	–	**1,045**	1,045
Impaired	**–**	–	**958**	1,039
Past due loans	**–**	–	**2,003**	2,084
Impaired but not past due	**–**	–	**89**	71
Gross loans	**15,272**	15,117	**81,336**	72,775
Specific allowances	**–**	–	**(549)**	(499)
Portfolio allowances	**–**	–	**(979)**	(960)
Net loans	**15,272**	15,117	**79,808**	71,316

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	**2008**	**2007**	**2008**	**2007**
Grades				
Satisfactory and special mention	**15,272**	15,117	**79,197**	70,581
Substandard but not impaired	**–**	–	**47**	39
Neither past due nor impaired	**15,272**	15,117	**79,244**	70,620

Past due loans

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

	Bank loans		Non-bank loans	
$ million	**2008**	**2007**	**2008**	**2007**
By industry				
Agriculture, mining and quarrying	**–**	–	**14**	13
Manufacturing	**–**	–	**330**	261
Building and construction	**–**	–	**104**	216
General commerce	**–**	–	**210**	155
Transport, storage and communication	**–**	–	**33**	21
Financial institutions, investment and holding companies	**#**	–	**53**	62
Professionals and individuals (include housing)	**–**	–	**1,096**	1,274
Others	**–**	–	**163**	82
	#	–	**2,003**	2,084
By geography				
Singapore	**–**	–	**1,020**	1,828
Malaysia	**–**	–	**611**	17
Rest of the World	**#**	–	**372**	239
	#	–	**2,003**	2,084

Represents amount less than $0.5 million.

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For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

Loans past due but not impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group's non-bank loans which are past due but not impaired are as follows:

$ million	2008	2007
Past due		
Less than 30 days	**450**	579
30 to 90 days	**527**	407
Over 90 days	**68**	59
Past due but not impaired	**1,045**	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	2008	2007
Business segment		
Global Consumer Financial Services	**269**	339
Global Corporate Banking	**714**	727
Others	**48**	30
Individually impaired loans	**1,031**	1,096

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

Renegotiated loans

Loans that would have been past due or impaired had they not been renegotiated amounted to $93.8 million for the year ended 31 December 2008 (2007: $55.9 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	2008	2007
Properties	**1**	18
Others	**#**	#
Carrying amount of assets obtained during the year	**1**	18

Represents amount 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.

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For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

Country risk

The Group's country risk framework covers the assessment and rating of countries, as well as the maximum cross-border transfer risk limit granted to any one country based on its risk rating. The risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time-bands and vary according to the risk rating of the country and the political and economic outlook. Cross-border transfer risk exposures of more than 1% of assets were as follows:

$ million	Banks	Government and official institutions	Loans to financial institutions and customers	Total exposure	As % of assets
Exposure [1]					
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**
2007					
Malaysia	4,163	190	2,886	7,239	5.4
United Kingdom	6,485	3	323	6,811	5.1
Hong Kong SAR	2,402	–	1,026	3,428	2.6
Indonesia	1,320	121	1,715	3,156	2.4
China	2,051	1	1,021	3,073	2.3
South Korea	1,591	274	854	2,719	2.0
Australia	1,285	16	814	2,115	1.6
United States	1,060	18	791	1,869	1.4
Japan	1,020	–	502	1,522	1.1

[1] Assets (excluding life assurance fund investment assets) of $142,508 million (2007: $133,471 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

For the financial year ended 31 December 2008

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
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**		
2007								
Cash and placements with central banks	1,400	1,701	2,030	646	–	–	2,619	8,396
Placements with and loans to banks	1,213	3,123	5,692	5,077	3	–	9	15,117
Loans and bills receivable [(1)]	4,612	24,481	29,372	7,916	2,937	2,898	(900)	71,316
Securities [(2)]	691	2,456	5,493	4,389	3,792	6,527	3,011	26,359
Other assets [(3)]	7	9	–	–	–	–	5,919	5,935
Financial assets	7,923	31,770	42,587	18,028	6,732	9,425	10,658	127,123
Deposits of non-bank customers	18,739	21,213	26,320	13,894	557	394	7,671	88,788
Deposits and balances of banks	7,167	3,205	3,079	1,096	179	–	–	14,726
Trading portfolio liabilities	1	–	–	–	94	73	4	172
Other liabilities [(3)]	3	23	26	6	–	–	6,011	6,069
Debts issued	24	540	117	–	–	4,289	–	4,970
Financial liabilities	25,934	24,981	29,542	14,996	830	4,756	13,686	114,725
On-balance sheet sensitivity gap	(18,011)	6,789	13,045	3,032	5,902	4,669		
Off-balance sheet sensitivity gap	(1,020)	5,799	(3,909)	(1,173)	(1,059)	1,362		
Net interest sensitivity gap	(19,031)	12,588	9,136	1,859	4,843	6,031		

(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.

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For the financial year ended 31 December 2008

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 $61 million. The corresponding impact from a 100 bp decrease is an estimated reduction of $216 million in net interest income. As a percentage of reported net interest income, the maximum exposure would be -7.7% (2007: -2.2%).

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
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/(liabilities) exposure	**2,983**	**5,662**	**1,968**	**3,258**	
2007					
Cash and placements with central banks	4,741	53	2,315	1,287	8,396
Placements with and loans to banks	404	6,967	310	7,436	15,117
Loans and bills receivable	41,647	9,336	10,543	9,790	71,316
Securities (1)	13,836	3,762	3,378	5,383	26,359
Other assets (2)	3,633	1,717	590	(5)	5,935
Financial assets	64,261	21,835	17,136	23,891	127,123
Deposits of non-bank customers	52,873	11,473	13,633	10,809	88,788
Deposits and balances of banks	3,645	7,609	408	3,064	14,726
Trading portfolio liabilities	168	–	–	4	172
Other liabilities (2)	3,529	1,335	637	568	6,069
Debts issued	4,044	393	261	272	4,970
Financial liabilities	64,259	20,810	14,939	14,717	114,725
Net financial assets/(liabilities) exposure	2	1,025	2,197	9,174	

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2008

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	2008 Structural currency exposure	2008 Hedging financial instruments	2008 Net structural currency exposure	2007 Structural currency exposure	2007 Hedging financial instruments	2007 Net structural currency exposure
US Dollar	**551**	**–**	**551**	343	357	(14)
Malaysian Ringgit	**1,231**	**–**	**1,231**	1,059	–	1,059
Others	**1,764**	**6**	**1,758**	1,678	437	1,241
Total	**3,546**	**6**	**3,540**	3,080	794	2,286

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
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**	
2007							
Cash and placements with central banks	3,675	1,627	1,720	956	–	418	8,396
Placements with and loans to banks	1,215	2,884	5,318	5,488	187	25	15,117
Loans and bills receivable	5,959	6,178	6,685	7,332	12,040	33,122	71,316
Securities (1)	817	1,467	2,819	4,005	5,450	11,801	26,359
Other assets (2)	1,016	1,555	927	1,447	432	558	5,935
Financial assets	12,682	13,711	17,469	19,228	18,109	45,924	127,123
Deposits of non-bank customers	40,261	20,389	11,896	12,690	2,587	965	88,788
Deposits and balances of banks	7,213	3,159	3,079	1,096	179	–	14,726
Trading portfolio liabilities	5	–	–	–	94	73	172
Other liabilities (2)	1,436	1,259	1,095	1,547	253	479	6,069
Debts issued	167	368	117	–	–	4,318	4,970
Financial liabilities	49,082	25,175	16,187	15,333	3,113	5,835	114,725
Net liquidity gap – financial assets less financial liabilities	(36,400)	(11,464)	1,282	3,895	14,996	40,089	

(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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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
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**
2007							
Deposits of non-bank customers [1]	40,290	20,519	12,022	13,016	2,724	1,029	89,600
Deposits and balances of banks [1]	7,216	3,178	3,123	1,119	189	–	14,825
Trading portfolio liabilities	172	–	–	–	–	–	172
Other liabilities [2]	1,256	365	256	167	223	411	2,678
Debts issued	167	369	211	178	546	4,567	6,038
Net settled derivatives							
Trading	202	62	136	332	416	253	1,401
Hedging	–	(1)	–	10	21	5	35
Gross settled derivatives							
Trading – Outflow	15,748	18,531	33,044	24,571	204	658	92,756
Trading – Inflow	(15,817)	(18,632)	(33,112)	(24,611)	(194)	(686)	(93,052)
Hedging – Outflow	1,673	513	343	481	246	3,066	6,322
Hedging – Inflow	(1,680)	(517)	(342)	(533)	(317)	(2,840)	(6,229)
	49,227	24,387	15,681	14,730	4,058	6,463	114,546

[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.

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 2008

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management

This note sets out the risk management information of GEH Group.

Governance framework

The underlying premise of GEH Group's Enterprise Risk Management ("ERM") Framework is that the Group exists to provide value for its stakeholders, and in growing stakeholder value, GEH Group will need to undertake risks. The challenge is to strike an optimal balance between building controls to protect against risks while not jeopardising the Group's resilience and competitiveness. Risk management is considered an integral part of managing GEH Group's core business and the ERM Framework is designed to identify potential events that may affect the Group, and to manage risks within approved risk appetite and to provide reasonable assurance regarding the achievement of the Group's objectives.

The risk management policies described are generally adopted by GEH and its subsidiaries. However, certain deviations and modifications exist to comply with specific regulations of the respective country jurisdiction in which the subsidiary operates. Group Risk Management department spearheads the development and implementation of the ERM Framework for the Group.

The Risk and Investment Committee ("RIC") was constituted to provide oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by GEH Group Management Committees comprising the Chief Executive Officer and key senior management executives of its key operating subsidiaries, namely: Group Management Team ("GMT") and Group Asset-Liability Committee ("Group ALC").

GMT is responsible for formulating GEH Group's corporate vision, mission, core values, financial goals, business portfolio mix and risk profile. It also reviews and monitors the execution of the Group's corporate strategy and oversees the development and deployment of resources for growth in markets in which the Group operates. In addition, GMT is responsible for the oversight of operational risks faced by the Group, including the monitoring of related limits and policies such as underwriting limits and business continuity plans. GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC") at the key operating subsidiaries. SMTs oversee business and operational risks at the local level while PDCs oversee the product development and launch process.

Group ALC is responsible for managing the Group's balance sheet, including the insurance, market and credit risks faced by the Group. This includes the formulation of the group wide investment strategy, asset mix and group level risk policies such as the risk and capital management policy, asset-liability management policy and credit policy. Group ALC is supported by the local Asset-Liability Committee ("ALC") at the key operating subsidiaries, which is in turn supported by sub-committees focusing on each asset class such as Credit Risk Committee ("CRC") and Alternative Investment Committee.

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.

Risk and capital management framework

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

The management of capital and risk is guided by the GEH Risk and Capital Management Framework, known as RK20.12, where R stands for risk, K stands for capital, and 20 and 12 represent the 20 business and operational risks and 12 financial risks which the framework encompasses. RK20.12 comprises two distinct components, namely the risk measurement model for financial risks and the control self assessment process for business and operational risks. The risk measurement model strives to achieve the dual objectives of consistency and measurements/parameters based on economic factors. The model defines risk using the Value-at-Risk measure calibrated to the 99.5th percentile confidence level over a one-year horizon. The control self assessment is a systematic process by which individual business unit analyses its own business processes methodically to identify the strengths and weaknesses of its risk control environment that could have a potential impact on its ability to achieve the Group's business objectives. Together, the two components of RK20.12 provide a disciplined risk management framework that guides the Group in the achievement of its goals and objectives through active asset and liability management, as well as strategic and tactical risk and capital allocations.

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39. FINANCIAL RISK MANAGEMENT (continued)
39.5 Insurance-related risk management (continued)
Regulatory capital

The insurance subsidiaries of the Group are required to comply with capital ratios prescribed in the insurance regulations of the jurisdiction in which the subsidiary operates.

In Singapore, the minimum capital requirement under the Risk-based Capital Framework regulated by the Monetary Authority of Singapore is 120% for each insurance entity. The capital requirements include capital residing in the participating fund which is not fungible. Regulated capital of the consolidated Singapore insurance subsidiaries as at 31 December 2008 comprised available capital of $6.0 billion (2007: $7.4 billion), risk capital of $2.6 billion (2007: $2.9 billion) and Capital Adequacy Ratio 227% (2007: 252%). Including capital at GEH, overall Singapore Capital Adequacy Ratio was 249% (2007: 272%).

In Malaysia and other subsidiaries, margins of solvency are prescribed. Assets are not marked to market under this regime. A proxy for measurement of financial soundness and strength is the ratio of fund surplus computed under margin of solvency rules over the long term actuarial liabilities whose valuation are prescribed by the insurance regulations. In Malaysia, the ratio on marked to market basis was 33% as at 31 December 2008 (2007: 45%) based on actuarial liability reserve of $9.0 billion (2007: $8.5 billion). Risk-based Capital Framework will come into effect in Malaysia in 2009. The Malaysia insurance subsidiaries will have Capital Adequacy Ratio well above the regulatory minimum of 130%.

Dividend

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

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

Insurance risk

Insurance risk arise when we underwrite 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 risk include policy lapses and policy claims such as mortality, morbidity and expenses.

The Group utilises reinsurance to manage the mortality and morbidity risks. The Group's reinsurance management strategy and policy are reviewed annually by RIC and SMT. 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. The 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.

SMT 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 investment-linked funds, the risk exposure for the 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

For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Table 39.5(A): Concentration of life insurance risk

Life assurance contract liabilities ($ million)	2008	2007
(a) By class of business		
Whole life	**14,619**	16,201
Endowment	**14,262**	14,069
Term	**452**	437
Accident and health	**494**	438
Annuity	**627**	611
Others	**1,295**	1,086
Total	**31,749**	32,842
(b) By country		
Singapore	**20,431**	21,888
Malaysia	**11,162**	10,798
Others	**156**	156
Total	**31,749**	32,842

The sensitivity analyses below shows the impact of change in key parameters on the value of policy liabilities, and hence on the profit and loss statements. 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	+ 25% for all future years
(f) Scenario 6 – Lapse and Surrender	– 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
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)**
2007							
Gross impact	(4.2)	(46.1)	109.9	(138.6)	25.9	(37.0)	(20.6)
Reinsurance ceded [(1)]	–	–	–	–	–	–	–
Net impact	(4.2)	(46.1)	109.9	(138.6)	25.9	(37.0)	(20.6)

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

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
2008 and 2007							
Gross impact	–	–	–	–	–	–	–
Reinsurance ceded [(1)]	–	–	–	–	–	–	–
Net impact	–	–	–	–	–	–	–

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

Notes to the Financial Statements
For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)
39.5 Insurance-related risk management (continued)
The impact on profit and loss after tax does not take into account of changes in other variables. Impact of interest rate on liability is tested concurrently with assets and impact of other variables is considered to be not material. Such assessment and the relative materiality of individual variables may change in the future.

The sensitivity testing on the Malaysia segment was performed by applying the sensitivities to the best estimate assumptions used in the Liabilities Adequacy Test. The resulting reserves from the Liabilities Adequacy Test were compared to the minimum policy liabilities prescribed by regulator and any shortfall would be charged to the income statement. The Liabilities Adequacy Test reserves derived under all scenarios were lower than the minimum policy liabilities prescribed by the regulator; therefore there was no impact on profit after tax.

Insurance risk of non-life insurance contracts
Risks under non-life insurance policies usually cover 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 contract liabilities ($ million)	2008 Net premium liabilities	2008 Net claims liabilities	2007 Net premium liabilities	2007 Net claims liabilities
(a) By class of business				
Fire	**7**	**3**	7	4
Motor	**11**	**28**	9	30
Marine and aviation	**#**	**1**	#	1
Workmen's compensation	**3**	**6**	3	7
Personal accident and health	**17**	**5**	13	4
Others	**5**	**6**	5	8
Total	**43**	**49**	37	54
(b) By country				
Singapore	**21**	**17**	17	14
Malaysia	**22**	**32**	20	40
Others	**–**	**–**	–	–
Total	**43**	**49**	37	54

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.

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

$ million	Before 2004	2004	2005	2006	2007	2008
(a) Estimate of cumulative claims						
Accident Year	142	29	29	32	35	39
One year later	80	25	26	29	32	–
Two years later	74	22	22	25	–	–
Three years later	71	20	21	–	–	–
Four years later	68	19	–	–	–	–
Five years later	66	–	–	–	–	–
Estimate of cumulative claims	**501**	**115**	**98**	**86**	**67**	**39**
Current estimate	**66**	**19**	**21**	**25**	**32**	**39**

Notes to the Financial Statements

For the financial year ended 31 December 2008

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)

$ million	Before 2004	2004	2005	2006	2007	2008
(b) Estimate of cumulative payments						
Accident Year	53	11	12	13	14	17
One year later	54	17	18	21	24	–
Two years later	55	16	17	20	–	–
Three years later	56	17	18	–	–	–
Four years later	57	17	–	–	–	–
Five years later	58	–	–	–	–	–
Estimate of cumulative payments	**333**	**78**	**65**	**54**	**38**	**17**
Current estimate	**58**	**17**	**18**	**20**	**24**	**17**
(c) Total non-life net claim liabilities	**8**	**2**	**3**	**5**	**8**	**22**

Market and credit risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Change 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.

The 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 (formerly known as Lion Capital Management Limited), investment risks are borne by investors and the Group does not assume any liability in the event of occurrence of loss or write-down on the investments' 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 the 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. The management of asset liability mismatch is guided by the Asset-Liability Management Framework.

(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.

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

Notes to the Financial Statements

For the financial year ended 31 December 2008

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

$ million	SGD	MYR	USD	Others	Total
2008					
Equities and collective investments	**2,032**	**2,530**	**1,558**	**2,272**	**8,392**
Government securities, loan stocks and bonds	**9,083**	**10,037**	**2,326**	**1,026**	**22,472**
Derivatives and embedded derivatives	**3,429**	**15**	**(2,037)**	**(476)**	**931**
Loans	**2,111**	**1,680**	**–**	**19**	**3,810**
Reinsurance assets	**34**	**33**	**–**	**#**	**67**
Outstanding premiums	**70**	**107**	**–**	**#**	**177**
Other debtors and interfund balances	**1,514**	**246**	**–**	**1**	**1,761**
Cash and cash equivalents	**2,649**	**1,119**	**77**	**185**	**4,030**
Financial assets	**20,922**	**15,767**	**1,924**	**3,027**	**41,640**
Other creditors and interfund balances	**1,686**	**344**	**–**	**7**	**2,037**
Reinsurance liabilities	**51**	**24**	**–**	**1**	**76**
Unexpired risk reserve	**–**	**–**	**–**	**67**	**67**
Policy benefits	**815**	**1,025**	**–**	**#**	**1,840**
Claims admitted or intimated	**57**	**121**	**–**	**#**	**178**
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	**22,884**	**12,415**	**58**	**872**	**36,229**
2007					
Equities and collective investments	3,650	3,764	1,935	3,070	12,419
Government securities, loan stocks and bonds	9,490	9,301	2,141	1,243	22,175
Derivatives and embedded derivatives	3,947	40	(1,914)	(673)	1,400
Loans	1,806	1,660	–	3	3,469
Reinsurance assets	41	38	–	#	79
Outstanding premiums	79	90	–	#	169
Other debtors and interfund balances	970	396	–	#	1,366
Cash and cash equivalents	1,589	853	205	121	2,768
Financial assets	21,572	16,142	2,367	3,764	43,845
Other creditors and interfund balances	992	451	–	1	1,444
Reinsurance liabilities	33	35	–	#	68
Unexpired risk reserve	27	33	–	–	60
Policy benefits	792	853	–	#	1,645
Claims admitted or intimated	45	119	–	1	165
Agents' retirement benefits	2	182	–	–	184
General insurance fund contract liabilities	39	62	–	–	101
Life assurance fund contract liabilities	21,642	10,798	140	262	32,842
Financial liabilities	23,572	12,533	140	264	36,509

Represents amount less than $0.5 million.

(c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the 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.

Notes to the Financial Statements

For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

(d) Credit spread risk

Exposure to credit spread risk exists in the 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 the Group's bond portfolio.

(e) Alternative investment risk

The 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 is reviewed and approved by the appropriate committee based on an authority matrix approved by the Board of Directors.

(f) Commodity risk

The 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 at reasonable cost 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 the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

The following tables show the cash flows of GEH Group's liabilities and assets:

$ million	Less than 1 year	1 to 5 years	Over 5 years	Unit-linked	Total
2008					
Income tax	**170**	**–**	**–**	**–**	**170**
Other creditors and interfund balances	**1,677**	**71**	**289**	**–**	**2,037**
Reinsurance liabilities	**41**	**25**	**10**	**–**	**76**
Unexpired risk reserve	**–**	**67**	**–**	**–**	**67**
Policy benefits	**1,825**	**13**	**2**	**–**	**1,840**
Claims admitted or intimated	**175**	**3**	**–**	**–**	**178**
Agents' retirement benefits	**182**	**–**	**1**	**–**	**183**
Deferred tax	**–**	**51**	**435**	**–**	**486**
General insurance fund contract liabilities	**–**	**99**	**–**	**–**	**99**
Life assurance fund contract liabilities	**2,432**	**5,518**	**21,071**	**2,728**	**31,749**
Liabilities	**6,502**	**5,847**	**21,808**	**2,728**	**36,885**

Notes to the Financial Statements
For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)
39.5 Insurance-related risk management (continued)
(g) Cash flow and liquidity risk (continued)

$ million	Less than 1 year	1 to 5 years	Over 5 years	Unit-linked	Total
2007					
Income tax	259	–	–	–	259
Other creditors and interfund balances	972	76	396	–	1,444
Reinsurance liabilities	28	35	5	–	68
Unexpired risk reserve	54	6	–	–	60
Policy benefits	1,626	15	4	–	1,645
Claims admitted or intimated	163	2	#	–	165
Agents' retirement benefits	34	148	2	–	184
Deferred tax	–	284	735	–	1,019
General insurance fund contract liabilities	91	10	–	–	101
Life assurance fund contract liabilities	1,788	5,146	22,150	3,758	32,842
Liabilities	5,015	5,722	23,292	3,758	37,787

$ million	Current*	Non-current	Unit-linked	Total
2008				
Cash and cash equivalents	**3,847**	**–**	**183**	**4,030**
Other debtors and interfund balances	**594**	**1,122**	**45**	**1,761**
Outstanding premiums	**177**	**#**	**–**	**177**
Reinsurance assets	**36**	**31**	**–**	**67**
Loans	**2,412**	**1,398**	**–**	**3,810**
Investments, including derivative instruments	**9,482**	**20,159**	**2,154**	**31,795**
Associates and joint ventures	**6**	**455**	**–**	**461**
Goodwill	**–**	**26**	**–**	**26**
Property, plant and equipment	**–**	**804**	**–**	**804**
Investment properties	**–**	**1,073**	**–**	**1,073**
Assets	**16,554**	**25,068**	**2,382**	**44,004**
2007				
Cash and cash equivalents	2,500	–	268	2,768
Other debtors and interfund balances	893	438	35	1,366
Outstanding premiums	168	1	–	169
Reinsurance assets	53	26	–	79
Loans	967	2,502	–	3,469
Investments, including derivative instruments	12,261	20,124	3,609	35,994
Associates and joint ventures	66	582	–	648
Goodwill	–	25	–	25
Property, plant and equipment	–	819	–	819
Investment properties	–	1,178	–	1,178
Assets	16,908	25,695	3,912	46,515

* Represents expected recovery or settlement within 12 months from the balance sheet date.
\# Represents amount less than $0.5 million.

Notes to the Financial Statements
For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)
39.5 Insurance-related risk management (continued)
(g) Cash flow and liquidity risk (continued)
Derivative financial instruments used by GEH Group for managing interest rate, currency and equity risk exposures were as follows:

$ million	2008 Principal notional amount	2008 Derivative receivables	2008 Derivative payables	2007 Principal notional amount	2007 Derivative receivables	2007 Derivative payables
Foreign exchange						
Forwards	**1,942**	**30**	**7**	2,860	26	#
Currency swaps	**1,248**	**66**	**4**	1,020	112	–
Interest rate						
Swaps	**2,854**	**213**	**29**	1,968	6	21
Swaptions and options	**7**	**–**	**#**	9	#	#
Exchange traded futures	**1,564**	**6**	**1**	1,091	3	2
Equity						
Futures	**19**	**#**	**#**	141	1	#
OTC options	**25**	**1**	**–**	25	3	–
	7,659	**316**	**41**	7,114	151	23

Represents amount less than $0.5 million.

(h) Credit risk
GEH Group is 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 investments 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 CRCs which in turn report to the local ALCs. 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. The 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. 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	2008 Carrying value of loans	2008 Fair value of collaterals	2007 Carrying value of loans	2007 Fair value of collaterals
Type of collaterals				
Policy loans – Cash value of policies	**2,179**	**4,154**	2,101	4,221
Secured loans				
Properties	**1,511**	**3,578**	1,044	2,588
Shares	**73**	**187**	215	520
Bankers' guarantees	**26**	**26**	34	34
Others	**4**	**7**	4	7
	3,793	**7,952**	3,398	7,370

Notes to the Financial Statements

For the financial year ended 31 December 2008

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 $110.0 million and $116.4 million respectively as at 31 December 2008 (2007: $529.0 million and $546.9 million respectively). As at reporting date, no investments (2007: $15.4 million) 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.

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

$ million	Neither past due nor impaired: Investment grade @	Neither past due nor impaired: Non-investment grade @	Neither past due nor impaired: Non-rated	Unit linked/ not subject to credit risk	Past due or impaired	Total
2008	(AAA–BBB)	(BB–C)				
Equities and collective investments	**–**	**–**	**–**	**8,392**	**–**	**8,392**
Government securities, loan stocks and bonds	**18,903**	**770**	**1,903**	**896**	**–**	**22,472**
Derivatives and embedded derivatives	**404**	**61**	**(4)**	**470**	**–**	**931**
Loans	**–**	**–**	**3,810**	**–**	**–**	**3,810**
Reinsurance assets	**–**	**–**	**33**	**–**	**34**	**67**
Outstanding premiums	**–**	**–**	**104**	**–**	**73**	**177**
Other debtors and interfund balances	**–**	**–**	**1,430**	**45**	**286**	**1,761**
Cash and cash equivalents	**3,722**	**–**	**125**	**183**	**–**	**4,030**
Financial assets	**23,029**	**831**	**7,401**	**9,986**	**393**	**41,640**
2007						
Equities and collective investments	–	–	–	12,419	–	12,419
Government securities, loan stocks and bonds	19,615	164	1,777	619	–	22,175
Derivatives and embedded derivatives	466	22	440	472	–	1,400
Loans	–	–	3,469	–	–	3,469
Reinsurance assets	–	–	39	–	40	79
Outstanding premiums	–	–	91	–	78	169
Other debtors and interfund balances	–	–	1,231	35	100	1,366
Cash and cash equivalents	2,489	3	8	268	–	2,768
Financial assets	22,570	189	7,055	13,813	218	43,845

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

Notes to the Financial Statements
For the financial year ended 31 December 2008

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**
2008						
Loans	**–**	**–**	**#**	**#**	**–**	**#**
Reinsurance assets	**3**	**–**	**31**	**34**	**–**	**34**
Outstanding premiums	**70**	**2**	**1**	**73**	**–**	**73**
Other debtors and interfund balances	**281**	**3**	**2**	**286**	**–**	**286**
Total	**354**	**5**	**34**	**393**	**–**	**393**
2007						
Reinsurance assets	14	–	26	40	–	40
Outstanding premiums	77	1	1	79	–	79
Other debtors and interfund balances	39	59	1	99	–	99
Total	130	60	28	218	–	218

\# Represents amount 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.

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 had 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 period. 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	**2008**	**2007**	**2008**	**2007**
Change in variables:				
Interest rate				
+100 basis points	**(196.5)**	(95.5)	**(237.0)**	(125.6)
–100 basis points	**189.7**	92.6	**230.2**	122.8
LTRFDR				
+10 basis points	**35.0**	32.0	**35.0**	32.0
–10 basis points	**(35.0)**	(32.0)	**(35.0)**	(32.0)
Foreign currency				
Market value of assets in foreign currency +5%	**10.7**	15.4	**20.9**	31.6
Market value of assets in foreign currency –5%	**(10.7)**	(15.4)	**(20.9)**	(31.6)
Equity				
Market value of all equities +20%	**27.9**	24.8	**99.2**	157.4
Market value of all equities –20%	**(31.4)**	(24.8)	**(102.8)**	(157.4)
Credit				
Spread +100%	**(100.8)**	(79.5)	**(114.8)**	(93.6)
Spread –100%	**100.8**	79.5	**114.8**	93.6
Alternative investments				
Market value of all alternative investments +10%	**10.2**	8.7	**21.0**	20.8
Market value of all alternative investments –10%	**(10.2)**	(8.7)	**(21.0)**	(20.8)

Notes to the Financial Statements

For the financial year ended 31 December 2008

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Insurance-related risk management (continued)

Business and operational risk

Based on GEH Group's ERM Framework, business and operational risks have been grouped into five main categories:

(a) *Business risk* includes failure of business strategy, failure of product design, development and pricing strategy, failure of marketing and communication strategy, and market misconduct.

(b) *Operational risk* – external events includes changes in regulatory requirements, liability and legal disputes, fraud, business interruption, failure of outsourced service providers and vendors, and damage to property and environment.

(c) *Operational risk* – processes includes failure of control processes and procedures, expense and cost overrun, and project failure.

(d) *Operational risk* – systems includes failure of systems availability, capacity, utilisation and information technology infrastructure and failure of systems security.

(e) *Operational risk* – people includes lagging customer service quality, lack of core competencies, lack of succession of key positions and fiduciary risk.

The day-to-day management of business and operational 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

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 following table summarises the carrying amounts and fair values of financial instruments of the Group.

	2008		2007	
$ million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities				
Non-bank customer deposits	**94,172**	94,266	**88,847**	88,991
Debts issued	**6,010**	5,719	**4,971**	5,158

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 (Note 24) and debt and equity securities (Note 30) 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.

Notes to the Financial Statements
For the financial year ended 31 December 2008

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 on customers. The Group issues guarantees on the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on presentation of stipulated documents. As the Group will only be required to meet these obligations in the event of customer's default, the cash requirements of these instruments are expected to be considerably below their nominal contractual amounts.

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Acceptances and endorsements	**825,777**	917,413	**105,760**	169,643
Guarantees and standby letters of credit	**6,711,662**	6,385,351	**6,379,052**	5,962,627
Documentary credits and other short term trade-related transactions	**965,141**	1,514,456	**728,267**	1,005,087
Others	**158,111**	43,922	**–**	–
	8,660,691	8,861,142	**7,213,079**	7,137,357
41.1 Analysed by industry				
Agriculture, mining and quarrying	**78,558**	152,996	**12,046**	37,376
Manufacturing	**1,974,213**	2,335,804	**1,442,938**	1,511,658
Building and construction	**1,898,109**	1,946,472	**1,393,909**	1,351,587
General commerce	**1,537,874**	1,927,195	**1,036,021**	1,395,682
Transport, storage and communication	**401,622**	279,589	**320,874**	247,011
Financial institutions, investment and holding companies	**984,101**	1,090,790	**1,050,405**	1,398,969
Professionals and individuals	**146,229**	105,994	**93,536**	81,424
Others	**1,639,985**	1,022,302	**1,863,350**	1,113,650
	8,660,691	8,861,142	**7,213,079**	7,137,357
41.2 Analysed by geography				
Singapore	**5,347,699**	5,258,131	**5,630,183**	5,535,836
Malaysia	**1,551,289**	1,564,255	**814,954**	554,065
Other ASEAN	**786,661**	867,557	**50,795**	60,493
Greater China	**535,415**	690,272	**275,897**	505,918
Other Asia Pacific	**99,957**	142,310	**99,957**	142,311
Rest of the World	**339,670**	338,617	**341,293**	338,734
	8,660,691	8,861,142	**7,213,079**	7,137,357

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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
42.1 Credit commitments				
Undrawn credit facilities:				
Original term to maturity of one year or less	**30,438,618**	31,400,955	**25,559,448**	26,640,858
Original term to maturity of more than one year	**14,498,050**	12,112,927	**10,291,320**	8,153,314
	44,936,668	43,513,882	**35,850,768**	34,794,172
Undrawn note issuance and revolving underwriting facilities	**70,747**	49,455	**22,666**	16,416
	45,007,415	43,563,337	**35,873,434**	34,810,588

Notes to the Financial Statements
For the financial year ended 31 December 2008

42. COMMITMENTS (continued)

	GROUP 2008 $'000	GROUP 2007 $'000	BANK 2008 $'000	BANK 2007 $'000
42.2 Other commitments				
Operating lease (non-cancellable) commitments:				
Within 1 year	**23,504**	17,238	**12,830**	11,625
After 1 year but within 5 years	**34,817**	22,142	**19,757**	15,331
Over 5 years	**3,395**	4,266	**3,395**	4,266
	61,716	43,646	**35,982**	31,222
Capital commitment authorised and contracted	**82,571**	110,427	**58,090**	62,635
Forward deposits and assets purchase/sale	**1,502,896**	1,333,351	**1,510,540**	1,375,294
	1,647,183	1,487,424	**1,604,612**	1,469,151
42.3 Total commitments	**46,654,598**	45,050,761	**37,478,046**	36,279,739
42.4 Credit commitments analysed by industry				
Agriculture, mining and quarrying	**625,852**	544,701	**150,579**	56,211
Manufacturing	**4,689,696**	5,478,012	**3,052,170**	3,949,927
Building and construction	**10,957,936**	8,793,633	**9,480,798**	7,431,735
General commerce	**5,750,646**	5,384,457	**4,289,516**	4,114,247
Transport, storage and communication	**2,631,378**	2,646,983	**2,503,758**	2,497,749
Financial institutions, investment and holding companies	**6,431,016**	7,659,349	**6,431,837**	7,694,120
Professionals and individuals	**7,624,554**	7,089,500	**7,254,025**	6,630,766
Others	**6,296,337**	5,966,702	**2,710,751**	2,435,833
	45,007,415	43,563,337	**35,873,434**	34,810,588
42.5 Credit commitments analysed by geography				
Singapore	**33,362,611**	32,058,587	**33,254,267**	31,806,582
Malaysia	**7,795,308**	7,409,011	**151,682**	103,233
Other ASEAN	**1,184,422**	995,757	**260,034**	261,166
Greater China	**1,063,772**	1,361,393	**604,154**	899,024
Other Asia Pacific	**1,060,718**	948,868	**1,062,713**	950,862
Rest of the World	**540,584**	789,721	**540,584**	789,721
	45,007,415	43,563,337	**35,873,434**	34,810,588

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

43. ASSETS PLEDGED

	GROUP 2008 $'000	GROUP 2007 $'000	BANK 2008 $'000	BANK 2007 $'000
Government treasury bills and securities (Note 24)				
Singapore	**85,088**	519,178	**85,088**	519,178
Others	**6,334**	7,251	**6,334**	7,251
Placements with and loans to banks (Note 25)	**547,831**	362,225	**547,831**	362,225
Debt securities (Note 30)	**197,855**	–	**197,855**	–
	837,108	888,654	**837,108**	888,654
Repo balances for assets pledged	**682,207**	877,585	**682,207**	877,585

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 $770.8 million (2007: $575.3 million).

The fair value of financial assets accepted as collateral that have been sold or re-pledged is $58.5 million (2007: $224.0 million). 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.

Notes to the Financial Statements

For the financial year ended 31 December 2008

44. ASSETS HELD FOR SALE

Assets held for sale comprise properties which the Group is disposing, subject to terms that are usual and customary in the completion of the sale. The transactions are not expected to have a material impact on the Group's net earnings and net assets for the current financial year.

45. MINIMUM LEASE RENTAL RECEIVABLE

The future minimum lease rental receivable under non-cancellable operating leases by remaining period to lease expiry is as follows:

	GROUP		BANK	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Within 1 year	**54,977**	71,334	**19,591**	18,174
After 1 year but within 5 years	**50,356**	87,462	**10,140**	13,835
Over 5 year	**4,126**	–	**–**	–
	109,459	158,796	**29,731**	32,009

46. RELATED PARTY TRANSACTIONS

Loans and deposits transactions with related parties arise from the ordinary course of business and are not treated any differently from loans and deposits transactions with other customers of the Group. Credit facilities granted are subject to the same credit evaluation, approval, monitoring and reporting processes. All transactions with related parties are conducted on commercial terms.

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

GROUP ($ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2008	16	88	8	–
Net decrease	(15)	(36)	(2)	–
At 31 December 2008	**1**	**52**	**6**	**–**
(b) Deposits, borrowings and other payables				
At 1 January 2008	60	369	16	1,100
Net increase/(decrease)	35	(25)	8	(472)
At 31 December 2008	**95**	**344**	**24**	**628**
(c) Off-balance sheet credit facilities [(1)]				
At 1 January 2008	–	70	–	–
Net decrease	–	(42)	–	–
At 31 December 2008	**–**	**28**	**–**	**–**
(d) Income statement transactions				
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**
Year ended 31 December 2007:				
Interest income	1	4	#	#
Interest expense	1	7	#	18
Rental income	#	1	–	#
Fee and commission and other income	3	1	#	52
Rental and other expenses	8	#	#	7

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

represents amount less than $0.5 million.

Notes to the Financial Statements
For the financial year ended 31 December 2008

46. RELATED PARTY TRANSACTIONS (continued)

BANK ($ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2008	2,745	–	88	8	–
Net increase/(decrease)	536	–	(40)	(2)	–
At 31 December 2008	**3,281**	**–**	**48**	**6**	**–**
(b) Deposits, borrowings and other payables					
At 1 January 2008	1,589	47	356	16	679
Net increase/(decrease)	1,710	41	(24)	8	(399)
At 31 December 2008	**3,299**	**88**	**332**	**24**	**280**
(c) Off-balance sheet credit facilities [(1)]					
At 1 January 2008	868	–	70	–	–
Net increase/(decrease)	198	–	(42)	–	–
At 31 December 2008	**1,066**	**–**	**28**	**–**	**–**
(d) Income statement transactions					
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**	**#**	**#**	**#**
Year ended 31 December 2007:					
Interest income	82	–	4	#	#
Interest expense	45	#	6	#	10
Rental income	2	–	–	–	–
Fee and commission and other income	13	–	#	#	42
Rental and other expenses	163	7	#	#	#

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

46.2 Key management personnel compensation

	BANK 2008 $ million	BANK 2007 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**30**	29
Share-based benefits	**7**	5
	37	34

During the financial year, total options granted to key management personnel of the Bank amounted to $4.1 million (2007: $4.5 million). Included in the above table are directors' emoluments which were disclosed in Note 8.1. Equity-settled compensation to directors of the Bank is disclosed in Notes 13.2, 13.3 and 13.4.

47. SUBSEQUENT EVENT
On 22 January 2009, the Singapore Minister of Finance announced a reduction in the corporate tax rate from 18% to 17% with effect from Year of Assessment 2010. The effects of the reduced tax rate will be reflected in the financial statements for the year ending 31 December 2009.

Notes to the Financial Statements
For the financial year ended 31 December 2008

48. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS
As of balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. For the Group, the following relevant new/revised standards and interpretations are mandatory with effect from the annual period commencing 1 January 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 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. In addition, a statement of financial position is 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.

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

Group's Major Properties

As at 31 December 2008

	Purpose	Effective stake (%)	Gross floor area (sq ft)	Carrying value S$'000	Market value [1] S$'000
Singapore					
65 Chulia Street, OCBC Centre	Office	100	993,089	31,872	770,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	105,256	267,000
18 Church Street, OCBC Centre South	Office	100	118,909	77,717	112,200
63 Market Street	Office	100	248,996	308,063	415,000
11 Tampines Central 1	Office	100	115,782	69,534	82,500
31 Tampines Finance Park Avenue 4	Office	100	97,537	53,488	64,000
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04 #15-01 to 04, #17-01 to 04 The Octagon Building	Office	100	34,550	42,328	44,000
260 Tanjong Pagar Road	Office	100	44,940	5,637	30,300
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	15,984	1,995	18,900
110 Robinson Road	Office	100	22,120	4,654	15,000
460 North Bridge Road	Office	100	26,576	3,371	17,500
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	42,539	220,400
2 Mt Elizabeth Link, Somerset Compass	Residential	100	104,377	23,265	150,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	14,507	41,000
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	24,421	2,888	14,500
277 Orchard Road	Land under development	100	69,001[2]	17,952	500,000
Land at Bassein Road, Lot 45L, Town subdivision 29	Land for development	100	17,203[2]	105	20,500
				805,171	2,782,800
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	40,103	51,811
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	75	362,313	17,257	28,821
Other properties in					
Singapore				159,647	342,131
Malaysia				74,420	139,038
Other ASEAN				37,948	47,341
Other Asia Pacific				105,135	206,595
Rest of the World				2,302	11,628
				379,452	746,733
Total [3]				**1,241,983**	**3,610,165**

[1] Valuations were made by independent firms of professional valuers.

[2] Refers to land area.

[3] Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.

Ordinary/Preference Shareholding Statistics

As at 2 March 2009

CLASS OF SHARES

Ordinary Shares.

NUMBER OF ORDINARY SHAREHOLDERS

The number of ordinary shareholders of the Bank as at 2 March 2009 is 61,926.

VOTING RIGHTS

The Articles of Association provide for a member (other than the Bank where it is a member by reason of its holding of ordinary shares as treasury shares) to have:

(a) on a show of hands: 1 vote
(b) on a poll: 1 vote for each ordinary share held

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Size of Holdings	Number of Ordinary Shareholders	%	Ordinary Shares Held	%
1 – 999	4,701	7.60	1,522,897	0.05
1,000 – 10,000	45,425	73.35	151,840,298	4.86
10,001 – 1,000,000	11,657	18.82	570,256,126	18.24
1,000,001 and above	143	0.23	2,402,946,191	76.85
Total	61,926	100.00	3,126,565,512	100.00

Number of ordinary shares held in treasury: 25,623,764
Percentage of such holding against the total number of issued ordinary shares (excluding ordinary shares held in treasury): 0.83%

TWENTY LARGEST ORDINARY SHAREHOLDERS

Ordinary Shareholders	Number of Ordinary Shares Held	%*
1. DBS Nominees (Private) Limited	453,512,094	14.62
2. Selat (Pte) Limited	348,957,470	11.25
3. Citibank Nominees Singapore Pte Ltd	244,331,143	7.88
4. DBSN Services Pte. Ltd.	194,859,801	6.28
5. HSBC (Singapore) Nominees Pte Ltd	194,430,912	6.27
6. Singapore Investments (Pte) Limited	112,134,760	3.62
7. Lee Foundation	110,784,042	3.57
8. Lee Rubber Company (Pte) Limited	92,739,108	2.99
9. United Overseas Bank Nominees (Private) Limited	66,991,424	2.16
10. Raffles Nominees (Pte.) Limited	43,052,060	1.39
11. Lee Latex (Pte) Limited	42,809,414	1.38
12. Kallang Development (Pte) Limited	28,810,836	0.93
13. Lee Pineapple Company (Pte) Limited	20,000,000	0.64
14. Kew Estate Limited	19,900,000	0.64
15. DB Nominees (Singapore) Pte Ltd	17,154,011	0.55
16. Lee Brothers (Wee Kee) Private Limited	15,753,000	0.51
17. Tropical Produce Company (Pte) Limited	14,599,660	0.47
18. Kota Trading Company Sendirian Berhad	14,527,176	0.47
19. Island Investment Company (Private) Limited	14,365,260	0.46
20. BMT A/C Estate of Lim Yew Teok Deceased	12,944,000	0.42
Total	2,062,656,171	66.50

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 2 March 2009, excluding any ordinary shares held in treasury as at that date.

Approximately 68.09% of the issued ordinary shares (excluding ordinary shares held in treasury) are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

Ordinary/Preference Shareholding Statistics

As at 2 March 2009

SUBSTANTIAL ORDINARY SHAREHOLDERS

According to the register required to be kept under section 88 of the Companies Act, Cap. 50, the following are the only substantial ordinary shareholders of the Bank having an interest of 5 per cent or more of the total votes attached to all the voting shares in the Bank as undernoted:

Substantial Ordinary Shareholders	Ordinary shares registered in the name of the substantial ordinary shareholders	Ordinary shares held by the substantial ordinary shareholders in the name of nominees	Ordinary shares in which the substantial ordinary shareholders are deemed to be interested	Total	Percentage* of issued ordinary shares
	As at 2.3.2009	As at 2.3.2009	As at 2.3.2009	As at 2.3.2009	
Lee Foundation	110,784,042	–	482,883,510 (1)	593,667,552	19.14%
Selat (Pte) Limited	348,957,470	–	15,511,614 (2)	364,469,084	11.75%
Aberdeen Asset Management PLC	–	–	157,744,530 (3)	157,744,530	5.09%

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Bank as at 2 March 2009, excluding any ordinary shares held in treasury as at that date.

(1) This represents Lee Foundation's deemed interest in (a) the 20,000,000 ordinary shares held by Lee Pineapple Company (Pte) Limited, (b) the 348,957,470 ordinary shares held by Selat (Pte) Limited, (c) the 112,134,760 ordinary shares held by Singapore Investments (Pte) Limited and (d) the 1,791,280 ordinary shares held by Peninsula Plantations Sendirian Berhad.

(2) This represents Selat (Pte) Limited's deemed interest in (a) the 1,146,354 ordinary shares held by South Asia Shipping Company Private Limited and (b) the 14,365,260 ordinary shares held by Island Investment Company (Private) Limited.

(3) This represents the deemed interest in 157,744,530 ordinary shares held by Aberdeen Asset Management PLC and its subsidiaries, Aberdeen Asset Management Asia Limited, Aberdeen Asset Managers Limited, Aberdeen International Fund Managers Limited, Aberdeen Unit Trust Managers Limited, Aberdeen Asset Management Inc., Edinburgh Fund Managers Plc, Aberdeen Asset Management Sdn Bhd, Aberdeen Asset Management Limited, Aberdeen Private Wealth Management Limited and Aberdeen Fund Management Limited (together, the "AAM Group"), through various custodians, on behalf of the accounts managed by the AAM Group. The Bank has been advised by Aberdeen Asset Management PLC that the AAM Group holds a total of 157,744,530 ordinary shares in the Bank across all mandates, equivalent to 5.09% of the Bank's issued ordinary shares (excluding ordinary shares held in Treasury), of which the AAM Group is given disposal rights and proxy voting rights for 96,737,659 ordinary shares equivalent to 3.12% and disposal rights without proxy voting rights for 61,006,871 ordinary shares.

Ordinary/Preference Shareholding Statistics

As at 2 March 2009

CLASS OF SHARES

Non-Cumulative Non-Convertible Class B Preference Shares.

NUMBER OF CLASS B PREFERENCE SHAREHOLDERS

The number of Class B Preference Shareholders of the Bank as at 2 March 2009 is 9,239.

VOTING RIGHTS

Except as provided below, the Class B Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class B Preference Shareholders shall be entitled to attend a class meeting of the Class B Preference Shareholders. Every Class B Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class B Preference Share of which he is the holder.

If dividends with respect to the Class B Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class B Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class B Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class B Preference Shareholders). Every Class B Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class B Preference Share of which he is the holder.

DISTRIBUTION OF CLASS B PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class B Preference Shareholders	%	Number of Class B Preference Shares Held	%
1 – 999	7,594	82.20	2,356,800	23.57
1,000 – 10,000	1,582	17.12	3,474,500	34.74
10,001 – 1,000,000	62	0.67	2,467,050	24.67
1,000,001 and above	1	0.01	1,701,650	17.02
Total	9,239	100.00	10,000,000	100.00

TWENTY LARGEST CLASS B PREFERENCE SHAREHOLDERS

Class B Preference Shareholders	Number of Class B Preference Shares Held	%
1. Citibank Nominees Singapore Pte Ltd	1,701,650	17.02
2. United Overseas Bank Nominees (Private) Limited	493,500	4.94
3. DBS Nominees (Private) Limited	308,600	3.09
4. HSBC (Singapore) Nominees Pte Ltd	235,400	2.35
5. NTUC Fairprice Co-Operative Ltd	120,000	1.20
6. Raffles Nominees (Pte.) Limited	86,800	0.87
7. TM Asia Life Singapore Ltd.	65,000	0.65
8. DB Nominees (Singapore) Pte Ltd	58,100	0.58
9. NTUC Thrift & Loan Co-Operative Limited	50,000	0.50
10. The Lotus Sanctuary Hospitality Pte Ltd	50,000	0.50
11. Liew Yeow Weng	46,200	0.46
12. Ng Bee Kiok Jane Kimberly	42,200	0.42
13. OCBC Securities Private Limited	36,800	0.37
14. Tan Boy Tee	35,000	0.35
15. BNP Paribas Nominees Singapore Pte Ltd	34,150	0.34
16. Liauw Samin	32,500	0.33
17. Merrill Lynch (Singapore) Pte. Ltd.	31,700	0.32
18. UOB Kay Hian Private Limited	30,400	0.30
19. Lim Earn Sian	30,000	0.30
20. Kota Trading Company Sendirian Berhad	25,000	0.25
Total	3,513,000	35.14

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap 50 in relation to the Class B Preference Shares.

Ordinary/Preference Shareholding Statistics
As at 2 March 2009

CLASS OF SHARES
Non-Cumulative Non-Convertible Class E Preference Shares.

NUMBER OF CLASS E PREFERENCE SHAREHOLDERS
The number of Class E Preference Shareholders of the Bank as at 2 March 2009 is 2,136.

VOTING RIGHTS
Except as provided below, the Class E Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class E Preference Shareholders shall be entitled to attend a class meeting of the Class E Preference Shareholders. Every Class E Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class E Preference Share of which he is the holder.

If dividends with respect to the Class E Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class E Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class E Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class E Preference Shareholders). Every Class E Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class E Preference Share of which he is the holder.

DISTRIBUTION OF CLASS E PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class E Preference Shareholders	%	Number of Class E Preference Shares Held	%
1 – 999	1,359	63.62	430,750	8.61
1,000 – 10,000	724	33.90	1,939,440	38.79
10,001 – 1,000,000	53	2.48	2,629,810	52.60
Total	2,136	100.00	5,000,000	100.00

TWENTY LARGEST CLASS E PREFERENCE SHAREHOLDERS

Class E Preference Shareholders	Number of Class E Preference Shares Held	%
1. Citibank Nominees Singapore Pte Ltd	856,650	17.13
2. Pan-United Investments Pte. Ltd.	148,300	2.97
3. Infocomm Investments Pte Ltd	143,000	2.86
4. HSBC (Singapore) Nominees Pte Ltd	140,900	2.82
5. E M Services Private Limited	137,800	2.76
6. DBS Nominees (Private) Limited	135,360	2.71
7. National Council of Social Service	80,000	1.60
8. Raffles Nominees (Pte.) Limited	73,200	1.46
9. United Overseas Bank Nominees (Private) Limited	56,200	1.12
10. Tan Chee Jin	55,000	1.10
11. DBSN Services Pte. Ltd.	37,300	0.75
12. DB Nominees (Singapore) Pte Ltd	35,400	0.71
13. NTUC Thrift & Loan Co-Operative Limited	35,000	0.70
14. AXA Insurance Singapore Pte Ltd	30,000	0.60
15. Hobee Print Pte Ltd	30,000	0.60
16. Phng Hooi Chay	30,000	0.60
17. Lee Cheok Yew	28,000	0.56
18. Tang Wee Loke	27,500	0.55
19. Titular Roman Catholic Archbishop of Singapore	26,000	0.52
20. Fu Mary	25,000	0.50
Total	2,130,610	42.62

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap 50 in relation to the Class E Preference Shares.

Ordinary/Preference Shareholding Statistics

As at 2 March 2009

CLASS OF SHARES

Non-Cumulative Non-Convertible Class G Preference Shares.

NUMBER OF CLASS G PREFERENCE SHAREHOLDERS

The number of Class G Preference Shareholders of the Bank as at 2 March 2009 is 6,067.

VOTING RIGHTS

Except as provided below, the Class G Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class G Preference Shareholders shall be entitled to attend a class meeting of the Class G Preference Shareholders. Every Class G Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class G Preference Share of which he is the holder.

If dividends with respect to the Class G Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class G Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class G Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class G Preference Shareholders). Every Class G Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class G Preference Share of which he is the holder.

DISTRIBUTION OF CLASS G PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Class G Preference Shareholders	%	Number of Class G Preference Shares Held	%
1 – 999	642	10.58	282,346	0.07
1,000 – 10,000	3,384	55.78	14,088,844	3.56
10,001 – 1,000,000	2,017	33.24	152,764,976	38.59
1,000,001 and above	24	0.40	228,694,718	57.78
Total	6,067	100.00	395,830,884	100.00

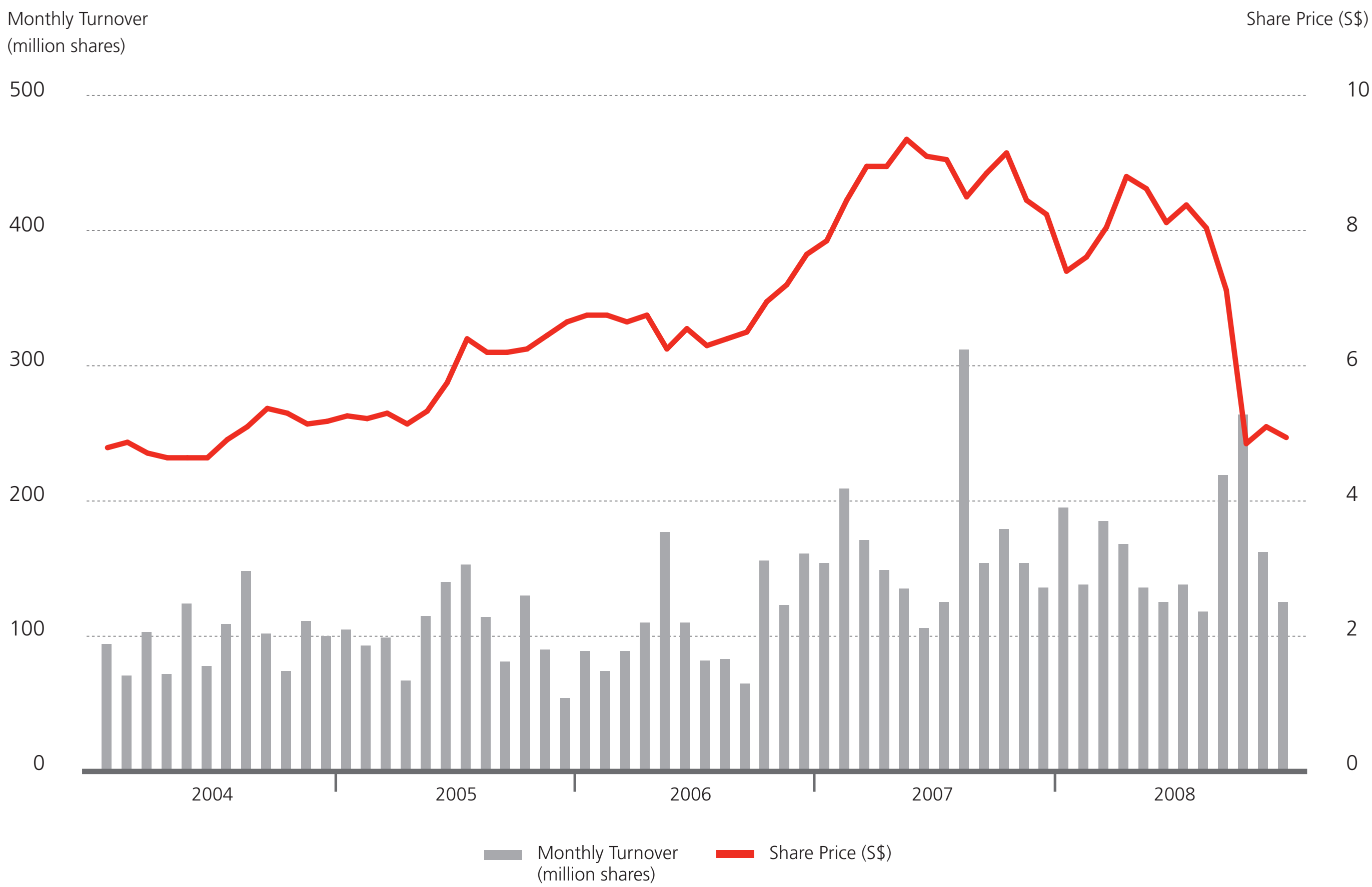
TWENTY LARGEST CLASS G PREFERENCE SHAREHOLDERS

Class G Preference Shareholders	Number of Class G Preference Shares Held	%
1. Citibank Nominees Singapore Pte Ltd	67,474,451	17.05
2. Selat (Pte) Limited	53,879,531	13.61
3. Lee Rubber Company (Pte) Limited	18,564,085	4.69
4. Lee Foundation, States of Malaya	16,000,000	4.04
5. Singapore Investments (Pte) Limited	10,642,763	2.69
6. Lee Latex (Pte) Limited	8,609,432	2.18
7. United Overseas Bank Nominees (Private) Limited	8,593,290	2.17
8. Lee Foundation	7,080,009	1.79
9. Fraser And Neave Limited.	6,069,458	1.53
10. DBS Nominees (Private) Limited	4,064,452	1.03
11. TM Asia Life Singapore Ltd.	4,000,000	1.01
12. Tokio Marine Insurance Singapore Ltd.	3,948,000	1.00
13. Tan Chee Jin	3,000,000	0.76
14. Lee Plantations (Pte) Ltd	2,323,572	0.59
15. Island Investment Company (Private) Limited	2,301,287	0.58
16. Y.S. Fu Holdings (2002) Pte. Ltd.	1,700,000	0.43
17. Chong Chew Lim @ Chong Ah Kau	1,682,212	0.42
18. Kota Trading Company Sendirian Berhad	1,680,093	0.42
19. Lee Sang Ming	1,383,000	0.35
20. HSBC (Singapore) Nominees Pte Ltd	1,221,083	0.31
Total	224,216,718	56.65

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap 50 in relation to the Class G Preference Shares.

Investor Reference

FIVE-YEAR SHARE PRICE AND TURNOVER



	2004	2005	2006	2007	2008
Share price (S$) [(1)]					
Highest	5.92	6.70	7.75	9.70	**9.02**
Lowest	4.83	5.58	6.20	7.50	**4.50**
Average	5.34	6.03	6.75	8.84	**7.41**
Last done	5.63	6.70	7.70	8.29	**4.99**
Per ordinary share [(1)]					
Basic earnings (cents)	35.4	40.1	63.4	65.9	**54.6**
Net interim and final dividend (cents) [(2)]	12.7	18.4	23.0	28.0	**28.0**
Net special/bonus dividend (cents) [(2)]	–	41.7	–	–	**–**
Net asset value (NAV) (S$)	3.27	3.67	4.07	4.79	**4.51**
Ratios					
Price-earnings ratio [(3)]	15.08	15.05	10.65	13.41	**13.57**
Net dividend yield (%) [(3)]	2.37	3.05	3.41	3.17	**3.78**
Dividend cover (number of times) [(4)]	2.75	2.19	2.77	2.35	**1.95**
Price/NAV (number of times) [(3)]	1.63	1.64	1.66	1.85	**1.64**

[(1)] Share price and per ordinary share data have been adjusted for the effects of the 1-for-5 rights Issue and 2-for-1 sub-division of shares, effected on 18 July 2005 and 5 August 2005 respectively.
[(2)] Dividends net of tax or tax exempt dividends.
[(3)] Based on average share prices. Net dividend yield excludes special and bonus dividends.
[(4)] Profit attributable to equity holders of the Bank (after preference dividends) divided by net dividends (excluding special and bonus dividends).

Investor Reference

FIVE-YEAR ORDINARY SHARE CAPITAL HISTORY

		Number of ordinary shares ('000)		
Year	Particulars	Issued	Held in treasury	In circulation
2004	Beginning Balance	1,280,076		
	Selective capital reduction	(80,192)		
	Share buyback	(24,309)		
	Issue of shares pursuant to voluntary unconditional offer for GEH	136,207		
	Issue of shares pursuant to Share Option Schemes	4,761		
	Year end balance	1,316,543		1,316,543
2005	1-for-5 rights issue	262,138		
	2-for-1 sub-division of shares	1,565,781		
	Share buyback	(54,756)		
	Acquisition of additional shares in GEH	13,848		
	Issue of shares pursuant to Share Option Schemes	9,180		
	Issue of shares pursuant to Employee Share Purchase Plan	1,590		
	Shares issued to non-executive directors	14		
	Year end balance	3,114,338		3,114,338
2006	Share buyback	(7,008)	(59,265)	
	Acquisition of additional shares in GEH	6,020		
	Issue of shares pursuant to Share Option Schemes	11,334	5,338	
	Issue of shares pursuant to Employee Share Purchase Plan	1,728	2,258	
	Shares issued to non-executive directors	48		
	Year end balance	3,126,460	(51,669)	3,074,791
2007	Shares issued to non-executive directors	53		
	Share buyback		(4,986)	
	Issue of shares pursuant to Share Option Schemes		14,951	
	Issue of shares pursuant to Employee Share Purchase Plan		1,412	
	Year end balance	3,126,513	(40,292)	3,086,221
2008	Shares issued to non-executive directors	53		
	Issue of shares pursuant to Share Option Schemes		4,997	
	Issue of shares pursuant to Employee Share Purchase Plan		5,457	
	Issue of shares pursuant to Deferred Share Plan		4,091	
	Year end balance	3,126,566	(25,747)	3,100,819

Further Information on Directors

DR CHEONG CHOONG KONG

Current Directorships (and Appointments)

1.	Great Eastern Holdings Ltd*	Director
2.	OCBC Management Services Pte Ltd	Director
3.	The Overseas Assurance Corporation Ltd	Director

Listed company

Directorships (and Appointments) for the past 3 years

1.	Dominant China Finance Ltd	Director
2.	Singapore Press Holdings Ltd	Director
3.	The Great Eastern Life Assurance Co Ltd	Director
4.	United Eagle Airlines Co Ltd	Director
5.	Vickers Private Equity Investment Consultancy Co, Ltd	Director

Academic and Professional Qualifications
Bachelor of Science (First Class Honours in Mathematics), University of Adelaide
Master of Science and Ph.D. in Mathematics, Australian National University, Canberra

OCBC Board Committees Served On
Chairman, Executive Committee
Member, Nominating Committee
Member, Remuneration Committee
Member, Risk Committee

Date of First Appointment as a Director of OCBC
Director since 1 July 1999
Vice Chairman from 26 March 2002 to 30 June 2003
Chairman since 1 July 2003

Date of Last Re-election as a Director of OCBC
17 April 2008

Independent Status
Non-executive and non-independent director

MR BOBBY CHIN

Current Directorships (and Appointments)

1.	Singapore Totalisator Board	Chairman
2.	A V Jennings Ltd*	Director
3.	Frasers Centrepoint Asset Management Ltd	Director
4.	Ho Bee Investment Ltd*	Director
5.	Neptune Orient Lines Ltd*	Director
6.	Sembcorp Industries Ltd*	Director
7.	Singapore Cooperation Enterprise	Director
8.	Singapore Labour Foundation	Director
9.	Singapore Power Ltd	Director
10.	Y C Chin Investment Pte Ltd	Director
11.	Yeo Hiap Seng Ltd*	Director
12.	Competition Commission of Singapore	Member
13.	Singapore Chinese Chamber of Commerce and Industry	Council Member
14.	Singapore Indian Development Association	Board Trustee

Listed companies

Directorships (and Appointments) for the past 3 years

1.	Changi Airports International Pte Ltd	Chairman
2.	Singapore Changi Airport Enterprise Pte Ltd	Chairman
3.	The Straits Trading Co Ltd	Chairman
4.	Urban Redevelopment Authority	Chairman
5.	Singapore Chinese Chamber of Commerce Foundation	Director
6.	Stamford Land Corporation Ltd	Director
7.	Singapore Business Federation	Council Member
8.	Singapore Management University	Board Trustee

Academic and Professional Qualifications
Bachelor of Accountancy, University of Singapore
Associate Member of the Institute of Chartered Accountants in England and Wales
Member of the Institute of Certified Public Accountants of Singapore

OCBC Board Committees Served On
Chairman, Audit Committee

Date of First Appointment as a Director of OCBC
Director since 1 October 2005

Date of Election as a Director of OCBC
20 April 2006

Independent Status
Independent director

MR DAVID CONNER

Current Directorships (and Appointments)

1.	Association of Banks in Singapore	Chairman
2.	Bank of Singapore Ltd	Chairman
3.	International Advisory Council for Asia, Washington University in St Louis	Chairman
4.	Asean Finance Corporation Ltd	Director
5.	Dr Goh Keng Swee Scholarship Fund	Director
6.	Great Eastern Holdings Ltd*	Director
7.	International Monetary Conference	Director
8.	KTB Ltd	Director
9.	Lion Global Investors Ltd	Director
10.	OCBC Al-Amin Bank Berhad	Director
11.	OCBC Bank (Malaysia) Berhad	Director
12.	OCBC Overseas Investments Pte. Ltd.	Director
13.	The Overseas Assurance Corporation Ltd	Director
14.	PT Bank OCBC NISP Tbk*	Commissioner
15.	Advisory Board of Lee Kong Chian School of Business	Member
16.	Asian Pacific Bankers Club	Member
17.	MAS Financial Sector Development Fund Advisory Committee	Member
18.	The f-Next Council of Institute of Banking & Finance	Member
19.	Singapore Business Federation	Council Member
20.	Washington University in St Louis	Ethan A H Shepley Trustee

Listed companies

Directorships (and Appointments) for the past 3 years

1.	The Esplanade Co Ltd	Director
2.	The Great Eastern Life Assurance Co Ltd	Director
3.	Advisory Council of the American Chamber of Commerce in Singapore (AmCham)	Member

Further Information on Directors

Academic and Professional Qualifications
Bachelor of Arts, Washington University, St. Louis, Missouri
Master of Business Administration, Columbia University, New York

OCBC Board Committees Served On
Member, Executive Committee
Member, Risk Committee

Date of First Appointment as a Director of OCBC
Director since 15 April 2002

Date of Last Re-election as a Director of OCBC
19 April 2007

Independent Status
Executive director

MRS FANG AI LIAN

Current Directorships (and Appointments)

1.	Board of Directors for Tax Academy of Singapore	Chairman
2.	Charity Council	Chairman
3.	Great Eastern Holdings Ltd*	Chairman
4.	The Great Eastern Life Assurance Co Ltd	Chairman
5.	The Overseas Assurance Corporation Ltd	Chairman
6.	Banyan Tree Holdings Ltd*	Director
7.	MediaCorp Pte Ltd	Director
8.	Metro Holdings Ltd*	Director
9.	Singapore Telecommunications Ltd*	Director
10.	Zender-Fang Associates Pte Ltd	Director
11.	Breast Cancer Foundation	President
12.	Home Nursing Foundation	President
13.	International Enterprise Singapore	Board Member
14.	Public Utilities Board	Board Member
15.	Board of Trustees of the Singapore Business Federation	Member
16.	Governing Board of the Duke-NUS Graduate Medical School Singapore	Member
17.	Governing Council of the Singapore Institute of Directors	Member

* *Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Ernst & Young	Chairman

Academic and Professional Qualifications
Fellow of the Institute of Chartered Accountants in England and Wales

OCBC Board Committees Served On
Member, Nominating Committee
Member, Remuneration Committee

Date of First Appointment as a Director of OCBC
Director since 1 November 2008

Date of Election as a Director of OCBC
–

Independent Status
Independent director

MR GIAM CHIN TOON, S.C.

Current Directorships (and Appointments)

1.	Inquiry Panel of the Law Society of Singapore	Chairman
2.	Wee Swee Teow & Co	Senior Partner
3.	Ascott Residence Trust Management Ltd*	Director
4.	Guthrie GTS Ltd*	Director
5.	NED Advisory Services Pte Ltd	Director
6.	Singapore Institute of Directors	Director
7.	Singapore Mediation Centre	Director
8.	The Executives' Club	President
9.	Inland Revenue Authority of Singapore	Member
10.	Securities Industry Council	Member
11.	Singapore Ambassador (Non-Resident) to Peru	
12.	Singapore High Commissioner Designate (Non-Resident) to Ghana	

* *Listed companies*

Directorships (and Appointments) for the past 3 years

1.	John Wiley & Sons (Asia) Pte Ltd	Director
2.	Raffles Holdings Ltd	Director
3.	SembCorp Logistics Ltd	Director
4.	Singapore Island Country Club	President
5.	The Executives' Club	Treasurer
6.	Energy Market Authority	Member
7.	Health Sciences Authority	Member

Academic and Professional Qualifications
LLB (Honours) and LLM, University of Singapore

OCBC Board Committees Served On
Member, Nominating Committee

Date of First Appointment as a Director of OCBC
Director since 1 January 2005

Date of Last Re-election as a Director of OCBC
19 April 2007

Independent Status
Independent director

MR LEE SENG WEE

Current Directorships (and Appointments)

1.	Board of Trustees of the Temasek Trust	Chairman
2.	GIC Real Estate Pte Ltd	Director
3.	Great Eastern Holdings Ltd*	Director
4.	Lee Foundation	Director
5.	Lee Rubber Group of Companies	Director
6.	The Overseas Assurance Corporation Ltd	Director

* *Listed company*

Directorships (and Appointments) for the past 3 years

1.	The Great Eastern Life Assurance Co Ltd	Director

Academic and Professional Qualifications
Bachelor of Applied Science (Engineering), University of Toronto
Master of Business Administration, University of Western Ontario

Further Information on Directors

OCBC Board Committees Served On
Member, Executive Committee
Member, Nominating Committee

Date of First Appointment as a Director of OCBC
Director since 25 February 1966
Chairman from 1 August 1995 to 30 June 2003

Date of Last Re-appointment as a Director of OCBC
17 April 2008

Independent Status
Independent from management and business relationships

DR LEE TIH SHIH

Current Directorships (and Appointments)

1.	Lee Foundation, Singapore	Director
2.	Lee Rubber Co Pte Ltd	Alternate Director
3.	Selat Pte Ltd	Director
4.	Singapore Investments Pte Ltd	Director
5.	Duke-NUS Graduate Medical School (Singapore)/Duke University Medical School (USA)/Singapore General Hospital	Employee

Directorships (and Appointments) for the past 3 years

1.	Fraser & Neave Ltd	Director
2.	PT Bank NISP Tbk	Commissioner

Academic and Professional Qualifications
MBA with Distinction, Imperial College, London
MD, Yale University, New Haven
Ph.D., Yale University, New Haven
Fellow, Royal College of Physicians (Canada)

OCBC Board Committees Served On
Member, Remuneration Committee

Date of First Appointment as a Director of OCBC
Director since 4 April 2003

Date of Last Re-election as a Director of OCBC
17 April 2008

Independent Status
Independent from management and business relationships

MR COLM MCCARTHY

Current Directorships (and Appointments)

1.	Wheelock Properties (S) Ltd*	Director

* *Listed company*

Directorships (and Appointments) for the past 3 years

1.	Bank of America Singapore Ltd	Chairman
2.	Bank of America Ltd, Hong Kong	Chairman
3.	Bank of America Securities Japan	Director

Academic and Professional Qualifications
Bachelor of Commerce (Second Class Honours), University College Dublin
Master of Business Studies (First Class Honours), University College Dublin

OCBC Board Committees Served On
Member, Audit Committee
Member, Risk Committee

Date of First Appointment as a Director of OCBC
Director since 1 November 2008

Date of Election as a Director of OCBC
–

Independent Status
Independent director

PROFESSOR NEO BOON SIONG

Current Directorships (and Appointments)

1.	Asia Competitiveness Institute of the Lee Kuan Yew School of Public Policy in National University of Singapore	Director/ Employee
2.	English Xchange Pte Ltd	Director
3.	Great Eastern Holdings Ltd*	Director
4.	J. Lauritzen Singapore Pte Ltd	Director
5.	Keppel Offshore & Marine Ltd	Director
6.	The Overseas Assurance Corporation Ltd	Director
7.	Goods and Services Tax Board of Review	Member
8.	Income Tax Board of Review	Member
9.	Securities Industry Council	Member

* *Listed company*

Directorships (and Appointments) for the past 3 years

1.	The Great Eastern Life Assurance Co Ltd	Director
2.	Education Services Accreditation Council	Member
3.	Institute of Defence & Strategic Studies	Governor

Academic and Professional Qualifications
Bachelor of Accountancy (Honours), National University of Singapore
Master of Business Administration and Ph.D., University of Pittsburgh

OCBC Board Committees Served On
Member, Audit Committee
Member, Risk Committee

Date of First Appointment as a Director of OCBC
Director since 1 January 2005

Date of Last Re-election as a Director of OCBC
17 April 2008

Independent Status
Independent director

Further Information on Directors

MR PRAMUKTI SURJAUDAJA

Current Directorships (and Appointments)

1.	PT Bank OCBC NISP Tbk*	President Commissioner
2.	Indonesian Private Banks Association	Board Member
3.	Indonesian Chamber of Commerce	Board Member
4.	Parahyangan Catholic University	Board of Advisors
5.	International and East Asia Councils of Insead, France	Council Member
6.	American Alumni for Education	President

* *Listed company*

Directorships (and Appointments) for the past 3 years

1.	PT Bank NISP Tbk	CEO

Academic and Professional Qualifications
Bachelor of Science (Finance & Banking), San Francisco State University
Master of Business Administration (Banking), Golden Gate University, San Francisco
Participant in Special Programs in International Relations, International University of Japan

OCBC Board Committees Served On
Member, Risk Committee

Date of First Appointment as a Director of OCBC
Director since 1 June 2005

Date of Election as a Director of OCBC
20 April 2006

Independent Status
Not independent director

DR TSAO YUAN

Current Directorships (and Appointments)

1.	Keppel Corporation Ltd*	Director
2.	SDC Consulting (Shanghai) Co Ltd	Director
3.	Singapore Land Authority	Director
4.	Skills Development Centre Pte Ltd	Director

* *Listed company*

Directorships (and Appointments) for the past 3 years

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Academic and Professional Qualifications
Bachelor of Economics and Statistics (First Class Honours), University of Singapore
Ph.D. (Economics), Harvard University

OCBC Board Committees Served On
Chairman, Remuneration Committee
Member, Audit Committee

Date of First Appointment as a Director of OCBC
Director since 3 April 2002

Date of Last Re-election as a Director of OCBC
19 April 2007

Independent Status
Independent director

MR DAVID WONG

Current Directorships (and Appointments)

1.	Ascendas Funds Management (S) Ltd	Chairman
2.	APL Japan Trust Management (Singapore) Ltd	Director
3.	Banking Computer Services Pte Ltd	Director
4.	Energy Market Co Pte Ltd	Director
5.	Jurong International Holdings Pte Ltd	Director
6.	LMA International NV*	Director
7.	OCBC Al-Amin Bank Berhad	Director
8.	OCBC Bank (Malaysia) Berhad	Director
9.	PacficMas Berhad*	Director
10.	Pacific Mutual Fund Berhad	Director
11.	Teva Pharmaceutical Investments Singapore Pte Ltd	Director
12.	The Pacific Insurance Berhad	Director
13.	Board of Governance of the Methodist Welfare Services	Treasurer
14.	National Environment Agency	Board Member
15.	Casino Regulatory Authority of Singapore	Member

* *Listed companies*

Directorships (and Appointments) for the past 3 years

1.	EM Services Pte Ltd	Chairman
2.	Bank of Singapore Ltd	Director
3.	BCS Information Systems Pte Ltd	Director
4.	Pan-United Marine Ltd	Director
5.	Singapore Chinese Girls' School	Director
6.	Housing & Development Board	Member

Academic and Professional Qualifications
Bachelor of Arts (Honours) in Economics, University of Cambridge
Master of Arts, University of Cambridge
Member of the Institute of Chartered Accountants in England and Wales
Member of the Institute of Certified Public Accountants of Singapore

OCBC Board Committees Served On
Member, Audit Committee
Member, Nominating Committee

Date of First Appointment as a Director of OCBC
Director since 1 August 1999

Date of Last Re-election as a Director of OCBC
19 April 2007

Independent Status
Independent director

Further Information on Directors

MR WONG NANG JANG

Current Directorships (and Appointments)

1.	WBL Corporation Ltd*	Chairman
2.	OCBC Management Services Pte Ltd	Director
3.	Singapore Symphonia Co Ltd	Director
4.	PT Bank OCBC NISP Tbk*	Advisor

* *Listed companies*

Directorships (and Appointments) for the past 3 years

1.	Banking Computer Services Pte Ltd	Chairman
2.	BCS Information Systems Pte Ltd	Chairman
3.	Bank of Singapore Ltd	Director
4.	PacificMas Berhad	Director
5.	SIA Engineering Co Ltd	Director
6.	PT Bank NISP Tbk	Commissioner

Academic and Professional Qualifications
Bachelor of Arts in Economics (Honours), University of Singapore

OCBC Board Committees Served On
Chairman, Nominating Committee
Member, Executive Committee
Member, Remuneration Committee

Date of First Appointment as a Director of OCBC
Director since 1 August 1998

Date of Last Re-election as a Director of OCBC
17 April 2008

Independent Status
Independent director

MR PATRICK YEOH

Current Directorships (and Appointments)

1.	Tuan Sing Holdings Ltd*	Chairman
2.	Accuron Technologies Ltd	Director
3.	MobileOne Ltd*	Director
4.	Nuri Holdings (S) Pte Ltd	Advisor
5.	The EDB Society	Advisor

* *Listed companies*

Directorships (and Appointments) for the past 3 years

1.	GITI Tire Co Ltd	Deputy Chairman
2.	Shanghai GT Courtyard Cultural Investments Co Ltd (aka "Three on the Bund Ltd")	Director
3.	Times Publishing Ltd	Director

Academic and Professional Qualifications
Bachelor of Science (Honours), University of Malaya (Singapore)

OCBC Board Committees Served On
Chairman, Risk Committee
Member, Executive Committee

Date of First Appointment as a Director of OCBC
Director since 9 July 2001

Date of Last Re-appointment as a Director of OCBC
17 April 2008

Independent Status
Independent director

Principal Network

BANKING

OVERSEA-CHINESE BANKING CORPORATION LIMITED

Singapore (Head Office)
65 Chulia Street
#29-00 OCBC Centre
Singapore 049513
Tel: (65) 6318 7222
Fax: (65) 6533 7955

OCBC Bank has 56 branches in Singapore

AUSTRALIA

Sydney Branch
Level 2
75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9221 4360

Melbourne Branch
Level 15
565 Bourke Street
Melbourne VIC 3000
Australia
Tel: (61) 3 9612 7588
Fax: (61) 3 9614 2286

BRUNEI

Bandar Seri Begawan Branch
Unit G 03 Ground Floor Block D
Kompleks Yayasan
Sultan Haji Hassanal Bolkiah
Jalan Pretty
Bandar Seri Begawan BS 8711
Brunei Darussalam
Tel: (673) 2230 826
Fax: (673) 2230 283

CHINA

OCBC Bank (China) Head Office
Level 20 & 21, One Lujiazui
No.68 Yin Cheng Zhong Road
Pudong, Shanghai 200120
People's Republic of China
Tel: (86) 21 5820 0200
Fax: (86) 21 6876 6793

Shanghai DongFang Road Sub-Branch
710 Dong Fang Road
Unit 102
Tomson Commercial Building
Pudong, Shanghai 200122
People's Republic of China
Tel: (86) 21 6146 1246
Fax: (86) 21 5830 0657

Shanghai Luwan Sub-Branch
644 Fu Xing Zhong Road
Shanghai 200020
People's Republic of China
Tel: (86) 21 5466 3000
Fax: (86) 21 5466 3900

Chengdu Branch
19 Ren Min Nan Road Section 4
Unit 7A-H, Western China
Business Tower
Chengdu, Sichuan 610041
People's Republic of China
Tel: (86) 28 8663 9888
Fax: (86) 28 8526 8638

Chengdu Shangri-La Sub-Branch
No.9 Bin Jiang Dong Road
Shangri-La Centre
Chengdu, Sichuan 610021
People's Republic of China
Tel: (86) 28 6680 7888
Fax: (86) 28 6685 1800

Chengdu Shanghai Gardens Sub-Branch
No.39 Shen Xian Shu South Road
Shanghai Gardens Unit 33
Chengdu, Sichuan 610042
People's Republic of China
Tel: (86) 28 6555 6888
Fax: (86) 28 6606 6008
CFS Complaint Line:
(86) 28 8663 9888 12

Guangzhou Branch
No.8 Hua Xia Road
He Jing International Finance
Place Unit 903 – 904
Guangzhou 510623
People's Republic of China
Tel: (86) 20 2802 3000
Fax: (86) 20 2802 3100

Tianjin Branch
Unit 2808, The Exchange 2
189 Nanjing Road
Tianjin 300051
People's Republic of China
Tel: (86) 22 2339 5911
Fax: (86) 22 2339 9611

Xiamen Branch
8 Lu Jiang Dao
23E, 27F International Plaza
Xiamen 361001
People's Republic of China
Tel: (86) 592 202 2653
Fax: (86) 592 203 5182

Beijing Branch
Unit 1107, Excel Centre
No.6 Wudinghou Street
Xicheng District, Beijing 100140
People's Republic of China
Tel: (86) 10 5931 5188
Fax: (86) 10 5931 5162

Chongqing Branch
(To be ready by 2Q2009)
Unit 5, 6, 7, 20/F
No.131 Zou Rong Road
Yuzhong District
Chongqing 400010
People's Republic of China
Tel: (86) 23 6370 8877
Fax: (86) 23 6370 7171

Qingdao Rep Office
7th Floor, Unit 700
9 Nanhai Road
Huiquan Dynasty Hotel
Qingdao, Shandong 266003
People's Republic of China
Tel: (86) 532 8296 2398
Fax: (86) 532 8296 1092

OCBC Bank (China) has nine main branches and sub-branches with one rep office in China (Excluding Chongqing Branch)

HONG KONG SAR

Hong Kong Branch
9/F, Nine Queen's Road Central
Hong Kong SAR
Tel: (852) 2840 6200
Fax: (852) 2845 3439

INDONESIA

Jakarta Main Branch
Wisma GKBI Suite 2201
Jalan Jendral Sudirman No. 28
Jakarta 10210
Indonesia
Tel: (62) 21 574 0222
Fax: (62) 21 574 2666

Surabaya Branch
Wisma Tiara
Jl. Panglima Sudirman
No. 66 – 68
Surabaya 60271
Indonesia
Tel: (62) 31 532 0703
Fax: (62) 31 532 0705

Medan Branch
Wisma Bank International Indonesia
6th Floor Suite 602
Jl. Diponegoro No. 18
Medan 20152
Indonesia
Tel: (62) 61 415 8779
Fax: (62) 61 415 5990

Bandung
Graha Bumi Putera
3rd Floor Suite 302
Jl. Asia Afrika No. 141 – 149
Bandung 40112 Java Barat
Indonesia
Tel: (62) 22 420 2132/2133
Fax: (62) 22 420 2455

PT Bank OCBC NISP Tbk
Bank OCBC NISP Tower
Jl. Prof. Dr. Satrio Kav.25
Jakarta 12940
Indonesia
Tel: (62) 21 2553 3888
Fax: (62) 21 5794 4000

PT Bank OCBC NISP Tbk has over 370 branches and offices in Indonesia

JAPAN

Tokyo Branch
Akasaka Twin Tower Main Building
15th Floor
17 – 22 Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan
Tel: (81) 3 5570 3421
Fax: (81) 3 5570 3426

LABUAN

Labuan Branch
Level 8(C), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan
Federal Territory Malaysia
Tel: (087) 423 381/82
Fax: (087) 423 390

MALAYSIA

OCBC Bank (Malaysia) Berhad
Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Tel: (603) 2034 5034
Fax: (603) 2698 4363
Online Banking:
www.ocbc.com.my
OCBC Contact Centre:
Within Malaysia
1300 88 5000 (Personal)
1300 88 7000 (Corporate)
Outside Malaysia
(603) 8317 5000 (Personal)
(603) 8317 5200 (Corporate)

OCBC Bank (Malaysia) has 29 branches in Malaysia

Principal Network

OCBC Al-Amin Bank Berhad
25th Floor, Wisma Lee Rubber
1 Jalan Melaka
50100 Kuala Lumpur
Tel: (603) 2034 5034
Fax: (603) 2698 4363
General Inquiries:
Within Malaysia
Tel: 1300 88 0310 (Personal)
Tel: 1300 88 0255 (Corporate)
Outside Malaysia
Tel: (603) 8914 9310 (Personal)
Tel: (603) 8314 9090 (Corporate)

MYANMAR
Myanmar Representative Office
Sakura Tower
Unit 1202, 12th Floor
339 Bogyoke Aung San Road
Kyauktada Township
Yangon
Union of Myanmar
Tel: (951) 255 409
Fax: (951) 255 410

SOUTH KOREA
Seoul Branch
Seoul Finance Centre
9th Floor, 84 Taepyung-ro,1-ka
Chung-ku, Seoul 100-768
Republic of Korea
Tel: (82) 2 754 4355
Fax: (82) 2 754 2343

TAIWAN
Taipei Branch
205 Tun Hwa North Road
Bank Tower
Suite 203, 2nd Floor
Taipei 105, Taiwan
Republic of China
Tel: (886) 2 2718 8819
Fax: (886) 2 2718 0138

THAILAND
Bangkok Branch
Unit 2501 – 2, 25th Floor
Q House Lumpini
1 South Sathorn Road
Tungmahamek
Bangkok 10120
Thailand
Tel: (66) 2 287 9888
Fax: (66) 2 287 9898

UNITED KINGDOM
London Branch
8th Floor, Aldermary House
10 – 15 Queen Street
London EC4N 1TX
United Kingdom
Tel: (44) 20 7653 0900
Fax: (44) 20 7489 1132

UNITED STATES OF AMERICA
Los Angeles Agency
801 South Figueroa Street
Suite 970
Los Angeles CA 90017
United States of America
Tel: (1) 213 624 1189
Fax: (1) 213 624 1386

New York Agency
1700 Broadway 18/F
New York NY 10019
United States of America
Tel: (1) 212 586 6222
Fax: (1) 212 586 0636

VIETNAM
Ho Chi Minh City Branch
Unit 708 – 709, Level 7
Saigon Tower
29 Le Duan Street
District 1
Ho Chi Minh City
Vietnam
Tel: (84) 8 3823 2627
Fax: (84) 8 3823 2611

BANK OF SINGAPORE LIMITED
Registered Address:
65 Chulia Street
#29-00 OCBC Centre
Singapore 049513

Business Address:
63 Chulia Street
#08-00 OCBC Centre East
Singapore 049514
Tel: 1800 438 3883/
(65) 6438 3883 (from overseas)
Fax: (65) 6438 3718

INSURANCE
Great Eastern Holdings Ltd
1 Pickering Street #13-01
Great Eastern Centre
Singapore 048659
Tel: (65) 6248 2000
Fax: (65) 6532 2214

ASSET MANAGEMENT
SINGAPORE
Lion Global Investors Ltd
One George Street #08-01
Singapore 049145
Tel: (65) 6417 6800
Fax: (65) 6417 6801

NOMINEES
SINGAPORE
Oversea-Chinese Bank Nominees Private Limited
65 Chulia Street
#11-00 OCBC Centre
Singapore 049513
Tel: (65) 6530 1235
Fax: (65) 6533 3770

AUSTRALIA
OCBC Nominees (Australia) Pty Limited
Level 2
75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9221 4360

HONG KONG SAR
OCBC Nominees (Hong Kong) Limited
9/F, Nine Queen's Road Central
Hong Kong SAR
Tel: (852) 2840 6200
Fax: (852) 2845 3439

MALAYSIA
Malaysia Nominees (Asing) Sendirian Berhad
Malaysia Nominees (Tempatan) Sendirian Berhad
13th Floor
Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel: (603) 2034 5929
Fax: (603) 2698 4420/
(603) 2694 3691

OCBC Advisers (Malaysia) Sdn Bhd
13th Floor, Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel: (603) 2034 5649
Fax: (603) 2691 6616

PROPERTY MANAGEMENT
SINGAPORE
OCBC Property Services Private Limited
18 Cross Street #11-01/03
China Square Central
Singapore 048423
Tel: (65) 6533 0818
Fax: (65) 6536 1464

STOCKBROKING
SINGAPORE
OCBC Securities Private Limited
18 Church Street #01-00
OCBC Centre South
Singapore 049479
Tel: (65) 6535 2882
Fax: (65) 6538 9115

TRUSTEE
SINGAPORE
OCBC Trustee Limited
65 Chulia Street #11-00
OCBC Centre
Singapore 049513
Tel: (65) 6530 1675
Fax: (65) 6538 6916

Financial Calendar

Announcement of annual results for 2008	18 February 2009
Annual General Meeting	17 April 2009
Announcement of first quarter results for 2009	6 May 2009
Payment of 2008 final dividend on ordinary shares (subject to shareholders' approval at AGM)	June 2009
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	22 June 2009
Announcement of second quarter results for 2009	August 2009
Payment of 2009 interim dividend (subject to approval of the Board)	September/October 2009
Announcement of third quarter results for 2009	October 2009
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	21 December 2009

Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated In Singapore)
Company Registration Number: 193200032W

NOTICE IS HEREBY GIVEN that the Seventy-Second Annual General Meeting of Oversea-Chinese Banking Corporation Limited ("the Bank") will be held at Raffles City Convention Centre, Level 4, Canning Room, 2 Stamford Road, Singapore 178882, on Friday, 17 April 2009 at 2.30 p.m. to transact the following business:

1 To receive and consider the audited Accounts for the financial year ended 31 December 2008 and the reports of the Directors and Auditors thereon.

2 To re-appoint the following Directors under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting:

(a) Mr Lee Seng Wee
(b) Mr Patrick Yeoh Khwai Hoh

3 To re-elect the following Directors retiring by rotation:

(a) Mr Bobby Chin Yoke Choong
(b) Mr Pramukti Surjaudaja

Mr David Wong Cheong Fook and Dr Tsao Yuan who are also retiring under Article 95 of the Bank's Articles of Association are not offering themselves for re-election.

4 To re-elect the following Directors retiring under Article 101 of the Bank's Articles of Association:

(a) Mrs Fang Ai Lian
(b) Mr Colm McCarthy

5 To approve a final one-tier tax exempt dividend of 14 cents per ordinary share, in respect of the financial year ended 31 December 2008.

6 To approve the remuneration of the non-executive Directors of the Bank for the financial year ended 31 December 2008 comprising the following:

(a) Directors' Fees of S$1,620,000 (2007: S$1,697,000).

(b) 4,800 ordinary shares in the capital of the Bank for each non-executive Director of the Bank (2007: 4,800 ordinary shares), and for this purpose to pass the following Resolution with or without amendments as an ordinary resolution:

That:

(i) pursuant to Article 140 of the Articles of Association of the Bank, the Directors of the Bank be and are hereby authorised to allot and issue an aggregate of 43,200 ordinary shares in the capital of the Bank (the "Remuneration Shares") as bonus shares for which no consideration is payable, to The Central Depository (Pte) Limited for the account of:

(1) Mr Bobby Chin Yoke Choong (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
(2) Mr Giam Chin Toon (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
(3) Mr Lee Seng Wee (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
(4) Dr Lee Tih Shih (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
(5) Professor Neo Boon Siong (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
(6) Dr Tsao Yuan (or for the account of such depository agent as she may direct) in respect of 4,800 Remuneration Shares;
(7) Mr David Wong Cheong Fook (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares;
(8) Mr Wong Nang Jang (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares; and
(9) Mr Patrick Yeoh Khwai Hoh (or for the account of such depository agent as he may direct) in respect of 4,800 Remuneration Shares,

as payment in part of their respective non-executive Directors' remuneration for the financial year ended 31 December 2008, the Remuneration Shares to rank in all respects *pari passu* with the existing ordinary shares; and

(ii) any Director of the Bank or the Secretary be authorised to do all things necessary or desirable to give effect to the above.

7 To appoint Auditors and fix their remuneration.

As Special Business

To consider and, if thought fit, to pass the following Resolutions with or without amendments as ordinary resolutions:

8(a) That authority be and is hereby given to the Directors of the Bank to:

(I) (i) issue ordinary shares in the capital of the Bank ("ordinary shares") whether by way of rights, bonus or otherwise; and/or

Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated In Singapore)
Company Registration Number: 193200032W

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require ordinary shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into ordinary shares,

on a *pro rata* basis to shareholders of the Bank, at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

(II) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue ordinary shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of ordinary shares to be issued pursuant to:

(a) this Resolution 8(a); and

(b) Resolution 8(b) below, if passed,

(including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 8(a) and/or Resolution 8(b), as the case may be) shall not exceed 50 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (as calculated in accordance with paragraph (2) below) (the "50% Limit");

(2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of ordinary shares that may be issued under paragraph (1) above, the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of ordinary shares;

(3) in exercising the authority conferred by this Resolution, the Bank shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Bank; and

(4) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

8(b) That authority be and is hereby given to the Directors of the Bank to:

(I) (i) issue ordinary shares; and/or

(ii) make or grant Instruments that might or would require ordinary shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into ordinary shares,

otherwise than on a *pro rata* basis to shareholders of the Bank, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(II) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue ordinary shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of ordinary shares to be issued pursuant to this Resolution 8(b) (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 8(b)) shall not exceed 20 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (as calculated in accordance with paragraph (3) below);

(2) the aggregate number of ordinary shares to be issued pursuant to:

(a) this Resolution 8(b); and

(b) Resolution 8(a) above, if passed,

(including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 8(b) and/or Resolution 8(a), as the case may be) shall not exceed the 50% Limit;

Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated In Singapore)
Company Registration Number: 193200032W

(3) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of ordinary shares that may be issued under paragraph (1) above, the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of ordinary shares;

(4) in exercising the authority conferred by this Resolution, the Bank shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Bank; and

(5) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

9 That authority be and is hereby given to the Directors of the Bank to:

(I) offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme") and/or grant rights to subscribe for ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"); and

(II) allot and issue from time to time such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of options under the 2001 Scheme and/or such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of rights to subscribe for ordinary shares under the Plan,

provided that the aggregate number of new ordinary shares to be issued pursuant to the 2001 Scheme and the Plan shall not exceed 5 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares from time to time.

10 That authority be and is hereby given to the Directors of the Bank to allot and issue from time to time such number of ordinary shares as may be required to be allotted and issued pursuant to the Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme.

11 That:

(I) authority be and is hereby given to the Directors of the Bank to:

(i) allot and issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 7J, 7K, 7L and 7M of the Articles of Association of the Bank, other preference shares or non-voting shares in the capital of the Bank whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options that might or would require preference shares referred to in sub-paragraph (i) above or non-voting shares to be issued, not being ordinary shares to which the authority referred to in Resolutions 8(a) and 8(b) above relates,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue preference shares referred to in sub-paragraph (i) above or non-voting shares in pursuance of any offers, agreements or options made or granted by the Directors while this Resolution was in force; and

(II) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

PETER YEOH
Secretary

Singapore
31 March 2009

Notes: A member of the Bank entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Bank. The instrument appointing a proxy or proxies must be deposited at the Share Registration Office of the Bank at M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time set for holding the Meeting.

Oversea-Chinese Banking Corporation Limited (Incorporated In Singapore)
Company Registration Number: 193200032W

Dear Members

We set out below a statement regarding the effect of the resolutions under Item 6(b) and under "Special Business" in Items 8, 9, 10 and 11 of the Notice of the forthcoming Annual General Meeting, namely –

The Ordinary Resolution set out in Item 6(b) authorises the Directors of the Bank to issue ordinary shares in the capital of the Bank to certain non-executive Directors as part of their remuneration for the financial year ended 31 December 2008. A non-executive Director of the Bank is only eligible for the award of ordinary shares if he has served a full annual term, that is, from 1 January to 31 December of the year preceding the award. The non-executive Directors who are eligible for, and will receive, the award of ordinary shares as part of their remuneration for the financial year ended 31 December 2008 are Mr Bobby Chin Yoke Choong, Mr Giam Chin Toon, Mr Lee Seng Wee, Dr Lee Tih Shih, Professor Neo Boon Siong, Dr Tsao Yuan, Mr David Wong Cheong Fook, Mr Wong Nang Jang and Mr Patrick Yeoh Khwai Hoh.

It is proposed that, for the financial year ended 31 December 2008, 4,800 ordinary shares be issued to each non-executive Director named above. The proposed award of ordinary shares is in addition to the Directors' fees in cash to be proposed under Item 6(a).

Dr Cheong Choong Kong and Mr Pramukti Surjaudaja, both non-executive Directors of the Bank, have each declined to accept any award of remuneration shares for the financial year ended 31 December 2008.

The issue of ordinary shares under Item 6(b) will be made pursuant to Article 140 of the Articles of Association of the Bank by way of the issue of bonus shares for which no consideration is payable. Such ordinary shares will, upon issue, rank *pari passu* with the existing ordinary shares in the capital of the Bank. The issue of such ordinary shares is also subject to the in-principle approval of the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of such ordinary shares. Such approval in-principle from the SGX-ST was given on 17 February 2009 subject to (a) compliance with the SGX-ST's listing requirements, and (b) Shareholders' approval at the forthcoming Annual General Meeting. The SGX-ST's approval in-principle is not an indication of the merits of the Bank, the proposed issue, or such ordinary shares.

The non-executive Directors who will each, subject to Shareholders' approval, be awarded 4,800 ordinary shares as part of their remuneration for the financial year ended 31 December 2008, will abstain from voting in respect of, and will procure their associates to abstain from voting in respect of, the Ordinary Resolution set out in Item 6(b), being the Ordinary Resolution relating to the proposed issue of ordinary shares to each of them respectively to be proposed at the forthcoming Annual General Meeting.

Special Business

Each of the Ordinary Resolutions set out in Items 8(a) and 8(b) authorises the Directors of the Bank to issue ordinary shares in the capital of the Bank or to make or grant instruments (such as warrants or debentures) convertible into ordinary shares ("Instruments").

The Ordinary Resolution set out in Item 8(a) authorises the Directors of the Bank from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue ordinary shares in the capital of the Bank and to make or grant Instruments, and to issue ordinary shares in pursuance of such Instruments, on a *pro rata* basis to shareholders of the Bank, provided that the aggregate number of ordinary shares to be issued pursuant to both this Ordinary Resolution and the Ordinary Resolution set out in Item 8(b) shall not exceed fifty per cent. (50%) of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares (the "50% Limit").

The Ordinary Resolution set out in Item 8(b) authorises the Directors of the Bank from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue ordinary shares in the capital of the Bank and to make or grant Instruments, and to issue ordinary shares in pursuance of such Instruments, other than on a *pro rata* basis to shareholders of the Bank, provided that (1) the aggregate number of ordinary shares to be issued pursuant to this Ordinary Resolution shall not exceed twenty per cent. (20%) of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares and (2) the aggregate number of ordinary shares to be issued pursuant to both this Ordinary Resolution and the Ordinary Resolution set out in Item 8(a) shall not exceed the 50% Limit.

In relation to each such Ordinary Resolution and for the purpose of determining the aggregate number of ordinary shares that may be issued pursuant to each such Ordinary Resolution, the total number of issued ordinary shares in the capital of the Bank excluding treasury shares shall be based on the total number of issued ordinary shares in the capital of the Bank excluding treasury shares at the time each such Ordinary Resolution is passed, after adjusting for (a) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time each such Ordinary Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary shares. For the avoidance of doubt, any consolidation or subdivision of ordinary shares in the capital of the Bank will require Shareholders' approval. The Directors will only issue ordinary shares under these Ordinary Resolutions or either of them if they consider it necessary and in the interests of the Bank.

The Ordinary Resolution set out in Item 9 authorises the Directors to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 (the "2001 Scheme") and/or to grant rights to subscribe for ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan (the "Plan"), and to allot and issue ordinary shares under the 2001 Scheme and the Plan. Although the Rules of the 2001 Scheme provide that the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme shall not exceed 10 per cent. of the total number of issued ordinary shares in the capital of the Bank from time to time, and the Rules of the Plan provide that the aggregate number of new ordinary shares which may be issued pursuant to the Plan, when aggregated with the aggregate number of new ordinary shares which may be issued pursuant to the OCBC Executives' Share Option Scheme 1994 and the 2001 Scheme, shall not exceed 15 per cent. of the total number of issued ordinary shares in the capital of the Bank from time to time, the Ordinary Resolution set out in Item 9 provides for a lower limit, namely, that the aggregate number of new ordinary shares which may be issued pursuant to the 2001 Scheme and the Plan shall not exceed 5 per cent. of the total number of issued ordinary shares in the capital of the Bank excluding treasury shares from time to time, as the Bank does not anticipate that it will require a higher limit before the next Annual General Meeting.

The Ordinary Resolution set out in Item 10 authorises the Directors of the Bank to issue ordinary shares pursuant to the Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

The Ordinary Resolution set out in Item 11 authorises the Directors of the Bank from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 7J, 7K, 7L and 7M of the Articles of Association of the Bank, other preference shares or non-voting shares in the capital of the Bank and/or to make or grant offers, agreements or options that might or would require such preference shares or non-voting shares to be issued. The Directors will only issue such preference shares or non-voting shares under this Resolution if they consider it necessary and in the interests of the Bank.

PETER YEOH
Secretary

Singapore
31 March 2009

Proxy Form

Oversea-Chinese Banking Corporation Limited (Incorporated In Singapore)
Company Registration Number: 193200032W

IMPORTANT:
1. If you have purchased Ordinary Shares using your CPF funds or hold non-cumulative non-convertible preference shares in the capital of the Bank, this Annual Report is forwarded to you for your information only and this Proxy Form is not valid for use by you.
2. CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their CPF Approved Nominees within the time frame specified. Any voting instructions must also be submitted to their CPF Approved Nominees within the time frame specified to enable them to vote on the CPF investor's behalf.

I/We, ____

of ____

being a shareholder/shareholders of the abovenamed Bank, hereby appoint

Name	Address	NRIC/Passport No	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Bank to be held at Raffles City Convention Centre, Level 4, Canning Room, 2 Stamford Road, Singapore 178882, on 17 April 2009 at 2.30 p.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Ordinary Resolutions	For	Against
1	Adoption of Reports and Accounts		
2 (a)	Re-appointment of Mr Lee Seng Wee		
2 (b)	Re-appointment of Mr Patrick Yeoh Khwai Hoh		
3 (a)	Re-election of Mr Bobby Chin Yoke Choong		
3 (b)	Re-election of Mr Pramukti Surjaudaja		
4 (a)	Re-election of Mrs Fang Ai Lian		
4 (b)	Re-election of Mr Colm McCarthy		
5	Approval of final one-tier tax exempt dividend		
6 (a)	Approval of amount proposed as Directors' Fees in cash		
6 (b)	Approval of allotment and issue of ordinary shares to certain non-executive Directors		
7	Appointment of Auditors and fixing their remuneration		
8 (a)	Authority to allot and issue ordinary shares on a *pro-rata* basis		
8 (b)	Authority to allot and issue ordinary shares on a non *pro-rata* basis		
9	Authority to grant options and/or rights to subscribe for ordinary shares and allot and issue ordinary shares (OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan)		
10	Authority to allot and issue ordinary shares pursuant to OCBC Scrip Dividend Scheme		
11	Authority to allot and issue preference/non-voting shares		

Dated this ____________ day of ____________ 2009.

Total Number of Ordinary Shares Held

____

Signature(s) of Shareholder(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of ordinary shares ("Shares") held by you. If you have Shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. An ordinary shareholder ("Shareholder") of the Bank entitled to attend and vote at a meeting of the Bank is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a Shareholder of the Bank.

3. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the Share Registration Office of the Bank at M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time set for holding the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.

6. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with section 179 of the Companies Act, Cap. 50 of Singapore.

7. The Bank shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a Shareholder whose Shares are entered in the Depository Register, the Bank may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Bank.

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BUSINESS REPLY SERVICE
PERMIT NO. 07548

Oversea-Chinese Banking Corporation Limited
c/o M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

3rd fold along this line and glue overleaf. Do not staple.

Request for Chinese Annual Report

Oversea-Chinese Banking Corporation Limited (Incorporated In Singapore)
Company Registration Number: 193200032W

Please send *me/us a Chinese version of the OCBC Bank 2008 Annual Report.

Name: ______________________________

Unit No.: ______________________________

Block No.: ______________________________

Building Name: ______________________________

Street Name: ______________________________

Postal Code: ______________________________

Country: ______________________________

* Please delete where appropriate

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2nd fold here

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BUSINESS REPLY SERVICE
PERMIT NO. 07547

The Company Secretary
Oversea-Chinese Banking Corporation Limited
65 Chulia Street #08-00
OCBC Centre
Singapore 049513

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Corporate Profile

OCBC Bank is Singapore's longest established local bank. It has assets of S$181 billion and a network of more than 480 branches and representative offices in 15 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Brunei, Japan, Australia, UK and USA. This network includes more than 370 branches and offices in Indonesia operated by OCBC Bank's subsidiary, Bank OCBC NISP. OCBC Bank and its banking subsidiaries offer a wide range of specialist financial services, from consumer, corporate, investment, private and transaction banking to treasury and stock-broking services to meet the needs of its customers across communities.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia, in terms of assets and market share, and its asset management subsidiary, Lion Global Investors is one of the largest asset management companies in Southeast Asia. Additional information may be found at www.ocbc.com.

Corporate Information

BOARD OF DIRECTORS
Dr Cheong Choong Kong
Chairman

Mr Bobby Chin
Mr David Conner
Mrs Fang Ai Lian
Mr Giam Chin Toon, S.C.
Mr Lee Seng Wee
Dr Lee Tih Shih
Mr Colm McCarthy
Professor Neo Boon Siong
Mr Pramukti Surjaudaja
Dr Tsao Yuan
Mr David Wong
Mr Wong Nang Jang
Mr Patrick Yeoh

NOMINATING COMMITTEE
Mr Wong Nang Jang
Chairman

Dr Cheong Choong Kong
Mrs Fang Ai Lian
Mr Giam Chin Toon, S.C.
Mr Lee Seng Wee
Mr David Wong

EXECUTIVE COMMITTEE
Dr Cheong Choong Kong
Chairman

Mr David Conner
Mr Lee Seng Wee
Mr Wong Nang Jang
Mr Patrick Yeoh

AUDIT COMMITTEE
Mr Bobby Chin
Chairman

Mr Colm McCarthy
Professor Neo Boon Siong
Dr Tsao Yuan
Mr David Wong

REMUNERATION COMMITTEE
Dr Tsao Yuan
Chairman

Dr Cheong Choong Kong
Mrs Fang Ai Lian
Dr Lee Tih Shih
Mr Wong Nang Jang

RISK COMMITTEE
Mr Patrick Yeoh
Chairman

Dr Cheong Choong Kong
Mr David Conner
Mr Colm McCarthy
Professor Neo Boon Siong
Mr Pramukti Surjaudaja

SECRETARY
Mr Peter Yeoh

REGISTERED OFFICE
65 Chulia Street
#29-00 OCBC Centre
Singapore 049513
Tel: (65) 6318 7222 (Main Line)
Fax: (65) 6533 7955
Email: ContactUs@ocbc.com
Website: www.ocbc.com

SHARE REGISTRATION OFFICE
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906
Tel: (65) 6223 3036

AUDITORS
KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Tel: (65) 6213 3388

PARTNER IN CHARGE OF THE AUDIT
Mr Ong Pang Thye
(Year of Appointment: 2006)

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OCBC Bank

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)

Company Registration Number: 193200032W