OFFER DOCUMENT DATED 19 JULY 2006

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about the Offer (as defined herein), you should consult your stockbroker, bank manager, solicitor or other professional adviser immediately.

If you have sold or transferred all your ordinary shares ("**Shares**") in the capital of Great Eastern Holdings Limited ("**GEH**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Offer Document and the accompanying Form of Acceptance and Authorisation ("**FAA**") to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee. If you have sold or transferred all your Shares not held through CDP, you should immediately hand this Offer Document and the accompanying Form of Acceptance and Transfer ("**FAT**") to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale, for onward transmission to the purchaser or transferee.

The views of the independent directors of GEH and the independent financial adviser of GEH on the Offer will be made available to you in due course. You may wish to consider their views before taking any decision on the Offer.

Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Offer Document.

VOLUNTARY UNCONDITIONAL CASH OFFER

by

OCBC Bank

Oversea-Chinese Banking Corporation Limited

(Incorporated in Singapore)
(Co. Reg. No: 193200032W)

to acquire all of the issued ordinary shares
in the capital of

Great Eastern

Great Eastern Holdings Limited

(Incorporated in Singapore)
(Co. Reg. No: 199903008M)

other than those already owned or agreed to be acquired by
Oversea-Chinese Banking Corporation Limited (the "**Offeror**") or its subsidiaries

ACCEPTANCES SHOULD BE RECEIVED BY 3.30 P.M. (SINGAPORE TIME) ON 16 AUGUST 2006.

PLEASE NOTE THAT THE OFFER PRICE IS FINAL. THE OFFEROR DOES NOT INTEND TO REVISE OR EXTEND THE OFFER BEYOND 16 AUGUST 2006. NOTICE IS HEREBY GIVEN THAT THE OFFER WILL NOT BE REVISED OR BE OPEN FOR ACCEPTANCE BEYOND 16 AUGUST 2006.

The procedures for acceptance are set out in Appendix 2 to this Offer Document and in the accompanying FAA and FAT.

CONTENTS

POINTS FOR SHAREHOLDERS OF GEH TO NOTE

Set out below is a summary of the principal terms and features of the Offer, which should be read in the context of the entirety of the Offer Document and in particular, the relevant pages referred to below:

- OCBC Bank is making an unconditional offer to acquire all the Offer Shares at S$16.00 per Offer Share (details on page 6).

- The Offer Price represents a premium of approximately 14 per cent. over the one-month average closing price and three-month average closing price prior to the Offer Announcement Date (details on page 9).

- OCBC Bank will pay cash to shareholders of GEH who accept the Offer in the form of S$ cheques within 21 days after receipt of their valid acceptances of the Offer (details on page 13).

- OCBC Bank does not intend to revise the Offer Price (details on page 6).

- OCBC Bank does not intend to extend the closing date of the Offer beyond 16 August 2006 (details on page 13).

- OCBC Bank and parties acting in concert with it may not under Rule 33 of the Code, acquire the Shares at above the Offer Price within six months of the close of the Offer (details on page 14).

- If OCBC Bank and parties acting in concert with it should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Shares, the SGX-ST may at any time suspend the listing of the Shares on the SGX-ST (details on page 8).

- If OCBC Bank, its related corporations and their respective nominees acquire 90 per cent. or more of the Shares, under Section 215(3) of the Companies Act, OCBC Bank is required to give notice to dissenting shareholders of GEH within one month from the date the 90 per cent. or more of the Shares is obtained, and such shareholders may, within three months from the giving of such notice, require OCBC Bank to acquire their Shares (details on page 9).

- Even if OCBC Bank and parties acting in concert with it should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Shares, OCBC Bank is not required to make another offer to the shareholders of GEH (details on page 8).

If you have any queries about the Offer, please call the helpline at 6530 2931 or 6530 4205 from 9 a.m. to 5 p.m. (Singapore time) on any day except on Saturdays, Sundays and public holidays, from now till 3.30 p.m. on 16 August 2006.

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Offer Document, the FAA and the FAT:

"**2004 Offer**"	:	The voluntary unconditional securities exchange offer by J.P. Morgan (S.E.A.) Limited, for and on behalf of OCBC Bank, to acquire all the Shares other than those already owned or agreed to be acquired by OCBC Bank or its subsidiaries on the terms and conditions set out in an offer document dated 17 May 2004 and the acceptance forms issued in connection therewith
"**CDP**"	:	The Central Depository (Pte) Limited
"**Closing Date**"	:	3.30 p.m. (Singapore time) on 16 August 2006, being the last day for the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers (as revised with effect from 1 January 2002)
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore
"**Despatch Date**"	:	19 July 2006, being the date of despatch of this Offer Document
"**Directors**"	:	Directors of the Offeror for the time being
"**FAA**"	:	Form of Acceptance and Authorisation, applicable to Shareholders whose Offer Shares are deposited with CDP, which forms part of this Offer Document
"**FAT**"	:	Form of Acceptance and Transfer, applicable to Shareholders whose Offer Shares are registered in their own names in the Register, which forms part of this Offer Document
"**FY**"	:	Financial year ended 31 December
"**GEH**"	:	Great Eastern Holdings Limited
"**GEH Group**"	:	GEH and its subsidiaries
"**Latest Practicable Date**"	:	7 July 2006, being the latest practicable date prior to the printing of this Offer Document
"**Listing Manual**"	:	The Listing Manual of the SGX-ST, as amended up to the Latest Practicable Date
"**Market Day**"	:	A day on which the SGX-ST is open for trading of securities
"**NTA**"	:	Net tangible assets
"**OCBC Group**"	:	OCBC Bank and its subsidiaries
"**Offer**"	:	The voluntary unconditional cash offer made by the Offeror to acquire the Offer Shares on the terms and subject to the conditions set out in this Offer Document, the FAA and FAT

"**Offer Announcement**"	:	The announcement of the Offer released by the Offeror, on the Offer Announcement Date
"**Offer Announcement Date**"	:	29 June 2006, being the date of the Offer Announcement
"**Offer Document**"	:	This document dated 19 July 2006 and any other document(s) which may be issued by the Offeror, to amend, revise, supplement or update the document(s) from time to time
"**Offer Price**"	:	S$16.00 in cash for each Offer Share
"**Offer Shares**"	:	All the Shares to which the Offer relates, as more particularly defined in Section 2.3 of this Offer Document
"**Offeror**" or "**OCBC Bank**"	:	Oversea-Chinese Banking Corporation Limited
"**Register**"	:	The register of holders of the Shares, as maintained by the Registrar
"**Registrar**"	:	M & C Services Private Limited
"**Securities Account**"	:	A securities account maintained by a CDP Depositor with CDP, but does not include a securities sub-account
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shares**"	:	Issued ordinary shares in the share capital of GEH
"**Shareholders**"	:	The holders of the Offer Shares, including persons whose Offer Shares are deposited with CDP
"**SIC**"	:	Securities Industry Council
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
"**%**" or "**per cent.**"	:	Percentage or per centum

Acting in Concert. The expression "**acting in concert**" shall have the meaning ascribed to it in the Code.

Announcement, Notice, etc. References to the making of an announcement or the giving of notice by the Offeror shall include the release of an announcement by advertising agents, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone, telex, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

Depositors. The expressions "**CDP Depositor**", "**CDP Depositors**" and "**Depository Register**" shall have the same meaning as ascribed to "Depositor", "Depositors" and "Depository Register" respectively in the Companies Act.

Genders. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender. References to persons shall, where applicable, include corporations.

Headings. The headings in this Offer Document are inserted for convenience only and shall be ignored in construing this Offer Document.

Shares in the Capital of GEH. In this Offer Document, the total number of Shares in the capital of GEH is 473,319,069 Shares as at the Latest Practicable Date.

Offer Document. References to "**Offer Document**" shall include the FAA and FAT.

Rounding. Any discrepancies in the tables in this Offer Document between the listed amounts and the totals thereof are due to rounding.

Shareholders. References to "**you**", "**your**" and "**yours**" in this Offer Document are, as the context so determines, to Shareholders.

Statutes. Any reference in this Offer Document to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Code, the Listing Manual or any modification thereof and used in this Offer Document shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code, the Listing Manual or that modification, as the case may be.

Time and Date. Any reference to a time of day and date in this Offer Document shall be a reference to Singapore time and date, unless otherwise specified.

Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)
(Co. Reg. No: 193200032W)

19 July 2006

To: The Shareholders of Great Eastern Holdings Limited

Dear Sir/Madam,

VOLUNTARY UNCONDITIONAL CASH OFFER BY THE OFFEROR FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement. On 29 June 2006, the Offeror announced that it would make a voluntary unconditional cash offer for GEH.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 Offer Document. This Offer Document contains the formal offer by the Offeror to acquire all the Offer Shares. This Offer Document shall be despatched on the Despatch Date.

2. TERMS OF THE OFFER

2.1 Offer Price. The Offeror hereby offers to acquire all the Offer Shares on the following basis:

For each Offer Share: S$16.00 in cash

2.2 No Revision. The Offer Price is Final. The Offeror does not intend to revise the terms of the Offer.

2.3 Offer Shares. The Offer is extended to all the Shares not already owned or agreed to be acquired by the Offeror or its subsidiaries, in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and the Code.

For the purpose of the Offer, the expression "**Offer Shares**" shall include the aforesaid Shares.

2.4 No Encumbrances. The Offer Shares will be acquired (a) fully paid, (b) free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by GEH on or after the Offer Announcement Date.

For the avoidance of doubt, in the event there is a dividend declaration by GEH, Shareholders on record in the Depository Register or the Register as at the record date for such dividend and who have tendered or will be tendering their Offer Shares in acceptance of the Offer, will receive for each Offer Share tendered, the Offer Price less the net dividend per Share to be paid by GEH.

3. UNCONDITIONAL OFFER

The Offer is unconditional in all respects.

4. WARRANTY

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever, and (c) together with all rights, benefits and entitlements attached thereto as of the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by GEH on or after the Offer Announcement Date.

5. DETAILS OF THE OFFER

Appendix 1 to this Offer Document sets out further details on (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement of the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances.

6. PROCEDURES FOR ACCEPTANCE

Appendix 2 to this Offer Document sets out the procedures for acceptance of the Offer.

7. DESCRIPTION OF THE OFFEROR

Appendix 3 to this Offer Document sets out information on the Offeror.

8. DESCRIPTION OF GEH

GEH, which is listed in Singapore, is an investment holding company and a substantially-owned subsidiary of OCBC Bank. It is the largest insurance group in Singapore and Malaysia, with more than S$39 billion in assets (as at 31 December 2005) and over 2.6 million policyholders. It is the market leader in both Singapore and Malaysia and has two successful distribution channels (tied agency and bancassurance). Through its subsidiary, Lion Capital Management Limited, it also engages in the business of asset management.

Appendix 4 to this Offer Document sets out additional information on GEH. Information on GEH is also available from its website at www.lifeisgreat.com.sg.

9. RATIONALE FOR THE OFFER

9.1 The acquisition in 2004 of a majority stake in GEH has transformed the OCBC Group into a bigger, stronger and balanced financial services group, boosting its total assets to S$131 billion as at 31 December 2005, making the OCBC Group one of the largest financial institutions in terms of assets in the combined Singapore-Malaysia markets. The inclusion of GEH's insurance business has helped to diversify the OCBC Group's income sources.

With the recent gains from divestment of non-core assets, OCBC Bank intends to use a portion of its surplus capital to increase its investment in GEH through the Offer. OCBC Bank believes an increased stake in GEH will enable OCBC Bank to capture a larger share of the value arising from the continuing co-operation and collaboration with GEH in bancassurance, wealth management and other business areas.

9.2 The trading liquidity of the Shares has generally been thin. The average daily trading volume of the Shares has been approximately 32,000 Shares over the 12-month period prior to the Offer Announcement Date, representing approximately 0.007 per cent. of the issued share capital of GEH.

The proposed Offer will provide an opportunity for the remaining shareholders of GEH to realise their investments for a cash consideration at a premium over the market prices of the Shares prior to the Offer Announcement Date, an opportunity that may otherwise not be available given the low liquidity of the Shares.

10. THE OFFEROR'S INTENTIONS IN RELATION TO GEH

10.1 **The Offeror's Future Plans for GEH.** It is the intention of the Offeror to continue to develop and grow the businesses of the GEH Group and pursue opportunities for revenue synergies, particularly in the areas of wealth management, bancassurance, credit cards and housing loans. The Offeror also intends to explore opportunities for cost synergies such as shared services, where appropriate. Save for the foregoing, the Offeror currently has no intention to introduce any major changes to the businesses of the GEH Group or the continued employment of the employees of the GEH Group or to redeploy or otherwise realise the fixed assets of the GEH Group.

10.2 **Listing Status of GEH.** Under Rule 1105 of the Listing Manual, in the event that the Offeror or parties acting in concert with it should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Shares, the SGX-ST may suspend the listing of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least ten per cent. of the Shares are held by at least 500 shareholders of GEH who are members of the public.

In addition, under Rule 724 of the Listing Manual, if the percentage of the Shares held in public hands falls below ten per cent., GEH must, as soon as possible, announce that fact and the SGX-ST may at any time suspend trading of all the Shares on the SGX-ST. Rule 725 of the Listing Manual states that the SGX-ST may allow GEH a period of three months, or such longer period as the SGX-ST may agree, for the proportion of Shares held by members of the public to be raised to at least ten per cent. (the "**Shareholding Requirement**") failing which GEH may be de-listed from the SGX-ST.

In the event GEH does not meet the foregoing requirements under the Listing Manual, the Offeror does not intend to support any action to be taken to maintain the listing status of GEH and accordingly, does not intend to place out any Shares held by the Offeror to members of the public to meet the Shareholding Requirement. If applicable, the Offeror will exercise its right of compulsory acquisition as described in paragraph 10.3 below.

The Offeror is not required under the Listing Manual to offer an exit alternative to the shareholders of GEH upon occurrence of the foregoing.

10.3 **Compulsory Acquisition.** Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances of the Offer or acquires the Offer Shares during the offer period otherwise than through valid acceptances of the Offer in respect of not less than 90 per cent. of the Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of this Offer Document), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of shareholders of GEH who have not accepted the Offer ("**Dissenting Shareholders**").

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer on the same terms as the Offer (which would include the terms set out in Section 2.4 of this Offer Document, which provides that the Offer Shares will be acquired, *inter alia*, together with the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by GEH on or after the Offer Announcement Date). The Offeror will then proceed to delist GEH from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer or otherwise, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares (the "**90 per cent. Threshold**"). OCBC Bank is required to give notice to Dissenting Shareholders within one month from the date the 90 per cent. Threshold is obtained and Dissenting Shareholders may within three months from the giving of such notice require OCBC Bank to acquire their Shares on the same terms as the Offer (which would include the terms set out in Section 2.4 of this Offer Document, which provides that the Offer Shares will be acquired, *inter alia*, together with the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by GEH on or after the Offer Announcement Date) or such other terms as may be agreed or as the court, on the application of either the Offeror or the Dissenting Shareholders, thinks fit to order. Dissenting Shareholders who wish to exercise their right under Section 215(3) of the Companies Act are advised to seek their own independent legal advice.

11. FINANCIAL ASPECTS OF THE OFFER

11.1 Market Quotations

The Offer Price[1]:

(i) represents a discount of approximately 0.62 per cent. to the last transacted price of S$16.100 per Share on the Latest Practicable Date as quoted on SGX-ST;

(ii) represents a premium of approximately 14.29 per cent. to the last transacted price of S$14.000 per Share as quoted on the SGX-ST on 27 June 2006 (being the last market day on which there were trades on the SGX-ST prior to the Offer Announcement Date);

(iii) represents a premium of approximately 14.38 per cent. to the average closing price of approximately S$13.989 per Share on the SGX-ST for the one-month period prior to the Offer Announcement Date;

(iv) represents a premium of approximately 13.67 per cent. to the average closing price of approximately S$14.076[2] per Share on the SGX-ST for the three-month period prior to the Offer Announcement Date; and

(v) represents a premium of approximately 11.71 per cent. over the average closing price of approximately S$14.323[2] per Share on the SGX-ST for the six-month period prior to the Offer Announcement Date.

11.2 NTA

The Offer Price represents:

(a) a premium of approximately 198.51 per cent. to GEH's audited consolidated NTA per Share of S$5.36 as at 31 December 2005; and

(b) a premium of approximately 186.23 per cent. to GEH's unaudited consolidated NTA per Share of S$5.59 as at 31 March 2006.

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[1] The figures set out in Section 11.1 of this Offer Document are based on data extracted from Bloomberg and do not include the after-market deal of 240,000 Shares transacted at S$13.95 on 27 June 2006. There were no trades transacted on 28 June 2006.

[2] The figures set out in Sections 11.1(iv) and (v) of this Offer Document are not adjusted for the final dividend of S$0.20 (gross) per Share, less 20 per cent. of Singapore income tax that was announced by GEH on 24 February 2006. Please note, however, that for the purposes of computing the average closing price in paragraphs 7.2(iii) and (iv) of the Offer Announcement, the historical prices of the Shares (prior to the ex-dividend date, being 25 April 2006) were adjusted for the final dividend.

11.3 Earnings

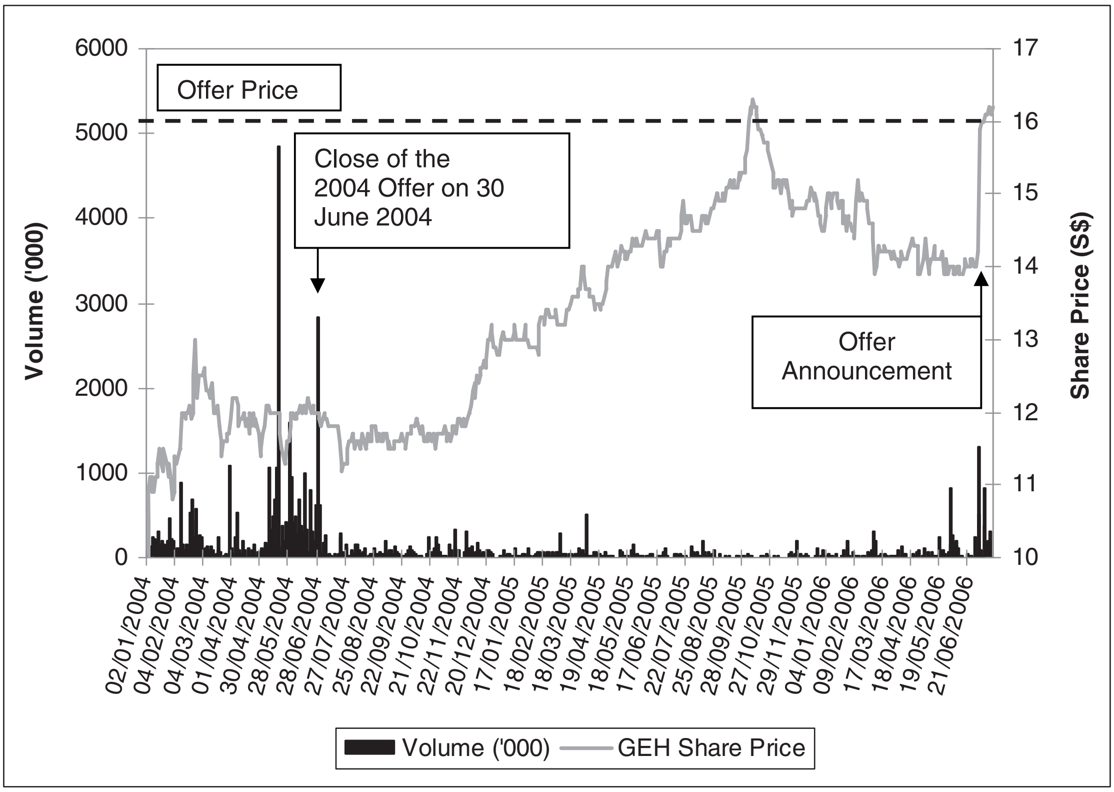
The Offer Price implies a price to earnings ratio of approximately 20.25 times based on GEH's audited consolidated basic earnings per Share for the financial year ended 31 December 2005 of approximately S$0.79.

11.4 Price/Embedded Value

The Offer Price implies a Price/Embedded Value ratio of 1.51 times, based on the Embedded Value of GEH of S$10.598 per Share as at 31 December 2005.

11.5 Historical Share Prices[3]

The chart below gives an overview of the historical prices of the Shares over a period which includes the close of the 2004 Offer on 30 June 2004 and the Offer Announcement Date.



12. CONFIRMATION OF FINANCIAL RESOURCES

Kim Eng Securities Pte. Ltd. confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares.

13. DISCLOSURES

13.1 Holdings and Dealings in Shares

(a) **The Offeror and its Concert Parties. Appendix 5** to this Offer Document sets out the disclosures on the holdings of, and dealings in, the Offer Shares by the Offeror and parties acting in concert with the Offeror, required to be made in connection with the Offer.

(b) **No Other Holdings.** Save as disclosed in this Offer Document, none of the Offeror and parties acting in concert with the Offeror owns, controls or has agreed to acquire any Shares or securities which carry voting rights in GEH.

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[3] Extracted from Bloomberg.

(c) **No Dealings or Irrevocable Undertakings.** Save as disclosed in this Offer Document, none of the Offeror and the parties acting in concert with the Offeror (i) has dealt for value in any Shares during the three-month period immediately preceding the Offer Announcement Date and ending on the Latest Practicable Date or (ii) has received any irrevocable undertaking from any party to accept or reject the Offer.

14. OVERSEAS SHAREHOLDERS

14.1 Overseas Shareholders. The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register (each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable requirements in their own jurisdictions. For the avoidance of doubt, the Offer is made to all Shareholders including those to whom this Offer Document and the relevant acceptance forms have not been, or will not be, sent.

14.2 Copies of Offer Document. Shareholders and Overseas Shareholders may obtain copies of this Offer Document, the relevant acceptance forms and any related documents, during normal business hours up to the Closing Date from M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906. Alternatively, an Overseas Shareholder may write to OCBC Bank c/o M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 to request for this Offer Document, the relevant acceptance forms and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to three Market Days prior to the Closing Date.

14.3 Overseas Jurisdiction. It is the responsibility of any Shareholder outside Singapore who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.

14.4 Notice. The Offeror reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Overseas Shareholders by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.

15. GENERAL

15.1 Valid Acceptances. The Offeror reserves the right to treat acceptances of the Offer as valid if received by or on its behalf at any place or places determined by it otherwise than as stated herein or in the FAA or the FAT, as the case may be, or if made otherwise than in accordance with the provisions herein and instructions printed on the FAA and the FAT.

15.2 Governing Law and Jurisdiction. The Offer, this Offer Document, the FAA and the FAT, and all acceptances of the Offer and all contracts made pursuant thereto and actions taken or made or deemed to be taken or made thereunder shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Offeror and each accepting Shareholder submit to the non-exclusive jurisdiction of the Singapore courts.

15.3 No Third Party Rights. Unless expressly provided to the contrary in this Offer Document, the FAA and the FAT, a person who is not a party to any contracts made pursuant to the Offer, this Offer Document, the FAA and the FAT has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.

15.4 Accidental Omission. Accidental omission to despatch this Offer Document, the FAA and the FAT or any notice or announcement required to be given under the terms of the Offer or any failure to receive the same by any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way.

15.5 Independent Advice. The views of the independent directors of GEH and the financial adviser to the independent directors of GEH on the Offer will be made available to Shareholders in due course and in any event, they are required under the Code to despatch their views within 14 days of the posting of this Offer Document. Shareholders may wish to consider their advice before taking any action in relation to the Offer.

15.6 GEH Financial Results. GEH is required under the Listing Manual to announce its unaudited consolidated financial results for the six months ended 30 June 2006 (the "**GEH 1H Results**") no later than 45 days after 30 June 2006 i.e. the GEH 1H Results should be announced by 14 August 2006. Shareholders may wish to review the GEH 1H Results before taking any action in relation to the Offer.

15.7 General Information. **Appendix 6** to this Offer Document sets out additional general information relating to the Offer.

16. RESPONSIBILITY STATEMENT

The Directors of the Offeror (including any who may have delegated detailed supervision of this Offer Document) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Offer Document are fair and accurate and that no material facts have been omitted from this Offer Document, and they jointly and severally accept responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to the GEH Group), the sole responsibility of the Directors of the Offeror has been to ensure that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Offer Document.

Yours faithfully
for and on behalf of
Oversea-Chinese Banking Corporation Limited

Tsai Ai Liang
Head, Corporate Finance

DETAILS OF THE OFFER

1. DURATION OF THE OFFER

The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder. **Accordingly, the Offer will close at 3.30 p.m. (Singapore time) on 16 August 2006. The Offeror does not intend to revise the terms of the Offer or to extend the Offer beyond 3.30 p.m. on 16 August 2006. Notice is hereby given that the Offer will not be revised or be open for acceptance beyond 3.30 p.m. on 16 August 2006.**

2. SETTLEMENT

2.1 **When Settlement Due for all Shareholders.** Subject to the receipt by the Offeror from accepting Shareholders of all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions given in this Offer Document and in the FAA and/or FAT, as the case may be, and in the case of a CDP Depositor, the receipt by the Offeror of a confirmation satisfactory to it that the Shares stand to the credit of the "Free Balance" of the CDP Depositor's Securities Account at the relevant time, **remittances in the form of S$ cheques** for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to the accepting Shareholders (or in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by ordinary post, at the risk of the accepting Shareholders as soon as practicable and in any case, **within 21 days after receipt of such acceptances**.

2.2 **Method of Settlement for all Shareholders.** Payment of the Offer Price will be made by way of cheques in S$ for the appropriate amounts.

3. ANNOUNCEMENTS

3.1 **Timing and Contents.** By 8.00 a.m. (Singapore time) on the Market Day ("**Relevant Day**") immediately after the day on which the Offer is due to expire, the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (as nearly as practicable):

(a) for which valid acceptances of the Offer have been received;

(b) held by the Offeror and any party acting in concert with it before the offer period (as defined in the Code); and

(c) acquired or agreed to be acquired by the Offeror and any party acting in concert with it during the offer period (as defined in the Code),

and will specify the percentages of the issued shares in the capital of GEH represented by such numbers.

3.2 **Suspension.** If the Offeror is unable, within the time limit, to comply with any of the requirements of Paragraph 3.1 ("**Timing and Contents**") of this Appendix, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.

3.3 Valid Acceptances for Offer Shares. Subject to Section 15.1 ("**Valid Acceptance**") of this Offer Document, in computing the number of Offer Shares represented by acceptances, the Offeror will, at the time of making an announcement, take into account:

(a) acceptances which are valid in all respects; and

(b) acceptances which are duly completed and accompanied, in respect of a purchase by the accepting Shareholder of Offer Shares which are deposited with CDP (subject to the "Free Balance" of the Securities Account of the accepting Shareholder being credited with the relevant number of such Offer Shares within five (5) Market Days of the date of the relevant original contract statement(s)), by the relevant original contract statements, validly issued by a member company of the SGX-ST in the name of the accepting Shareholder.

Acceptances of the Offer will only be treated as valid for the purposes of the acceptance condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.

4. RIGHT OF WITHDRAWAL

4.1 Acceptances Irrevocable. Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.

4.2 Right of Withdrawal for Shareholders. A Shareholder who has accepted the Offer may withdraw his acceptance immediately if the Offeror fails to comply with any of the requirements set out in Paragraph 3.1 ("**Timing and Contents**") of this Appendix by 3.30 p.m. (Singapore time) on the Relevant Day. Subject to Rule 22.9 of the Code in relation to the Final Day Rule, the Offeror may terminate this right of withdrawal not less than eight days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in Paragraph 3.1 ("**Timing and Contents**") of this Appendix.

4.3 Method of Withdrawal. To withdraw his acceptance, a Shareholder who has accepted the Offer must give written notice to the Offeror at OCBC Bank c/o M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906. Such notice of withdrawal shall be effective only when actually received by the Offeror.

5. NO ACQUISITION AT ABOVE THE OFFER PRICE

Under Rule 33 of the Code, the Offeror and parties acting in concert with it may not within six months of the close of the Offer make a second offer to, or acquire any Shares from, any shareholder of GEH on terms better than those made available under the Offer.

PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. OFFER

1.1 CDP Depositors

1.1.1 **CDP Depositors whose Securities Accounts are credited with Offer Shares**. If you have Offer Shares standing to the credit of the "Free Balance" of your Securities Account, you should receive this Offer Document together with an FAA.

Acceptance. If you wish to accept the Offer, you should:

(1) complete the FAA in accordance with this Offer Document and the instructions printed on the FAA. In particular, you must state in **Part A** of the FAA, the number of Offer Shares in respect of which you wish to accept the Offer. If you:

(a) do not specify such number; or

(b) specify a number which exceeds the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account as of 5.00 p.m. on the date of receipt of the FAA by CDP ("**Date of Receipt**"),

you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the Date of Receipt;

(2) sign the FAA in accordance with this Offer Document and the instructions printed on the FAA; and

(3) deliver the completed and signed FAA:

(a) by hand to Oversea-Chinese Banking Corporation Limited c/o The Central Depository (Pte) Limited, 4 Shenton Way, #02-01, SGX Centre 2, Singapore 068807; or

(b) by post, in the enclosed pre-addressed envelope at your own risk, to Oversea-Chinese Banking Corporation Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in each case so as to arrive not later than 3.30 p.m. (Singapore time) on 16 August 2006.

If you have sold or transferred all your Offer Shares, you need not forward this Offer Document and/or the FAA to the purchaser or transferee (the "**Purchaser**") as arrangements will be made by CDP for a separate Offer Document and FAA to be issued to the Purchaser. Purchasers should note that CDP will, on behalf of the Offeror, send a copy of this Offer Document and the FAA by ordinary post at the Purchasers' own risk to their respective addresses as they appear in the records of CDP.

1.1.2 **CDP Depositors whose Securities Accounts will be credited with Offer Shares**. If you purchase Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Offer Document together with an FAA.

Acceptance. If you wish to accept the Offer, you should:

(1) complete the FAA in accordance with this Offer Document and the instructions printed on the FAA and submit the original "bought" contract statements validly issued by a member company of the SGX-ST in your name together with the completed FAA. In particular, you must state in **Part B** of the FAA, the number of Offer Shares in respect of which you wish to accept the Offer. If you:

(a) do not specify such number; or

(b) specify a number which exceeds the number of Offer Shares represented by the original "bought" contract statement(s), validly issued by a member company of the SGX-ST in your name, in respect of such Offer Shares,

you shall be deemed to have accepted the Offer in respect of all the Offer Shares represented by the relevant original contract statement(s). If the FAA is received by CDP without the relevant original contract statement(s), then you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the "Free Balance" of your Securities Account as at 5.00 p.m. on the Date of Receipt or the number of Offer Shares specified in Part B, whichever is less;

(2) sign the FAA in accordance with this Offer Document and the instructions printed on the FAA; and

(3) deliver the completed and signed FAA and the relevant original "bought" contract statement(s) validly issued by a member company of the SGX-ST in your name:

(a) by hand to Oversea-Chinese Banking Corporation Limited c/o The Central Depository (Pte) Limited, 4 Shenton Way, #02-01, SGX Centre 2, Singapore 068807; or

(b) by post, in the enclosed pre-addressed envelope at your own risk, to Oversea-Chinese Banking Corporation Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in each case so as to arrive not later than 3.30 p.m. (Singapore time) on 16 August 2006.

Credit into "Free Balance". By accepting the Offer, you undertake to procure that the "Free Balance" of your Securities Account will be credited with the number of Offer Shares in respect of which you wish to accept the Offer by 5.00 p.m. (Singapore time) on the fifth (5th) Market Day following the date of the relevant original contract statement(s). If by such time, your "Free Balance" is not credited with, or is credited with less than, the relevant number of Offer Shares, you shall be deemed to have accepted the Offer only in respect of the lower of:

(1) the number of Offer Shares as may be standing to the credit of your "Free Balance" as of such time; or

(2) the number of Offer Shares inserted in Part B of the FAA or, if no such number is inserted, the number of Offer Shares represented by the relevant original contract statement(s).

Rejection. If it is established that the Offer Shares represented by the relevant original contract statement(s) will not be credited (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected and neither the CDP nor the Offeror accept any responsibility or liability for the consequences of such a rejection.

1.1.3 **CDP Depositors whose Securities Accounts are and will be credited with Offer Shares**. If you have Offer Shares credited to your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to your Securities Account, you may accept the Offer in respect of both the Offer Shares standing to the credit of the "Free Balance" of your Securities Account as well as the additional Offer Shares purchased which are in the process of being credited to your Securities Account. The provisions set out above shall apply *mutatis mutandis* to your acceptance of the Offer.

1.1.4 **General**. CDP will acknowledge receipt of the FAA if it is submitted by hand to CDP. No acknowledgement will be given for FAAs deposited into boxes located at CDP's premises. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number by e-mail if you have registered for the CDP e-mail service. Alternatively, you may call personally at CDP with your identity card or passport to verify such number.

1.1.5 **Suspense Account.** Upon receipt of the FAA (and the relevant original contract statement(s), if applicable), CDP will transfer the Offer Shares in respect of which you have accepted the Offer from the "Free Balance" of your Securities Account to a "Suspense Account". Such Offer Shares will be held in the "Suspense Account" until the consideration for such Offer Shares has been despatched to you.

1.2 Scrip Holders

If you hold Offer Shares which are not deposited with CDP ("**in scrip form**"), you should receive this Offer Document together with an FAT.

Acceptance. If you wish to accept the Offer, you should:

(1) complete the FAT in accordance with this Offer Document and the instructions printed on the FAT. If you:

(a) do not specify a number in the space provided in the FAT; or

(b) specify a number which exceeds the number of Offer Shares represented by the attached share certificate(s),

you shall be deemed to have accepted the Offer in respect of the total number of Offer Shares comprised in the share certificate(s) accompanying the FAT;

(2) sign the FAT in accordance with this Offer Document and the instructions printed on the FAT; and

(3) deliver:

(a) the completed and signed FAT;

(b) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure GEH to issue such share certificate(s) in accordance with the Memorandum and Articles of Association of GEH and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document; and

(c) where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of transferee left blank (to be completed by the Offeror or a person authorised by it),

to OCBC Bank c/o M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 **so as to arrive not later than 3.30 p.m. (Singapore time) on 16 August 2006**.

Receipt. No acknowledgement of receipt of any FAT, share certificate, other document of title, transfer form and/or any other document required by the Offeror will be given.

2. GENERAL

2.1 Disclaimer. The Offeror will be entitled to reject any acceptance which does not comply with the terms of this Offer Document and the relevant acceptance forms or which is otherwise incomplete, incorrect or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAA and/or FAT, as the case may be, is properly completed in all respects and all required documents are provided. Any decision to reject any acceptance will be final and binding and none of the Offeror, the Registrar and CDP accepts any responsibility or liability for the consequences of such a decision.

2.2 Discretion. The Offeror reserves the right to treat acceptances of the Offer as valid if received by or on its behalf at any place or places determined by it otherwise than as stated in this Offer Document and in the FAA and the FAT, as the case may be, or if made otherwise than in accordance with the provisions of this Offer Document and in the FAA and the FAT, as the case may be.

2.3 Scrip and Scripless Offer Shares. If you hold some Offer Shares in scrip form and others with CDP, you should complete an FAT for the former and an FAA for the latter in accordance with the respective procedures set out in this Appendix if you wish to accept the Offer in respect of such Offer Shares.

2.4 Deposit Time. If you hold Offer Shares in scrip form, the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer if you were to deposit your share certificate with CDP after the Despatch Date. If you wish to accept the Offer in respect of such Offer Shares, you should complete an FAT and follow the procedures set out in Paragraph 1.2 ("**Scrip Holders**") of this Appendix.

2.5 Correspondences. All communications, certificates, notices, documents and remittances to be delivered or sent to you (or your designated agent or, in the case of joint accepting Shareholders who have not designated any agent, to the one first named in the Register) will be sent by ordinary post to your respective addresses as they appear in the records of CDP or the Register, as the case may be, at the risk of the person entitled thereto (or for the purposes of remittances only, to such different name and addresses as may be specified by you in the FAA or FAT, as the case may be, at your own risk).

INFORMATION ON THE OCBC GROUP

1. DIRECTORS

The names, addresses and descriptions of the Directors of the Offeror as at the Latest Practicable Date are as follows:

Name	Address	Description
Cheong Choong Kong	10 Maryland Drive Singapore 277506	Chairman
Michael Wong Pakshong	12 Swiss Club Road Singapore 288105	Vice Chairman
Bobby Chin Yoke Choong	7 Maple Lane Singapore 277551	Director
David Conner	93 Grange Road #18-07 Grange Residences Singapore 249614	Chief Executive Officer
Giam Chin Toon	3 Bishopsgate Singapore 249969	Director
Lee Seng Wee	17 Rochalie Drive Singapore 248248	Director
Lee Tih Shih	17 Rochalie Drive Singapore 248248	Director
Nasruddin Bin Bahari	5 Lorong Limau Manis Dua Bangsar Park 59000 Kuala Lumpur Malaysia	Director
Neo Boon Siong	150C Coronation Road West Singapore 269368	Director
Pramukti Surjaudaja	Jalan Lombok No 32, Menteng Jakarta Pusat Indonesia	Director
Tsao Yuan	151G King's Road #24-26 Farrer Court Singapore 268164	Director
David Wong Cheong Fook	14 Joan Road Singapore 298892	Director
Wong Nang Jang	21 Peck Hay Road #14-21 Singapore 228314	Director
Patrick Yeoh Khwai Hoh	10 Seletar Close Singapore 807218	Director

2. PRINCIPAL ACTIVITIES AND SHARE CAPITAL

OCBC Bank was incorporated in Singapore in October 1932 to carry on the business of banking and finance. It was formed through the amalgamation of three banks: The Chinese Commercial Bank Limited, The Ho Hong Bank Limited and Oversea-Chinese Bank Limited.

The OCBC Group offers a wide range of specialist financial services including consumer, corporate, investment, private and transaction banking, treasury, stockbroking, asset management and insurance. The OCBC Group has total assets of S$131 billion as at 31 December 2005, with more than 310 branches and representative offices in 15 countries and territories, including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Vietnam, Brunei, Japan, Australia, UK and USA. This network includes more than 200 branches and offices in Indonesia operated by OCBC Bank's subsidiary, P.T. Bank NISP Tbk ("**Bank NISP**").

The OCBC Group is one of the largest financial institutions in the combined Singapore-Malaysia market in terms of assets. In Malaysia, OCBC Bank's wholly-owned subsidiary, OCBC Bank (Malaysia) Berhad is ranked as one of the largest foreign banks in Malaysia by assets and loans. OCBC Bank's substantially-owned subsidiary, GEH, is the largest insurance group in both Singapore and Malaysia in terms of assets and market share. GEH's asset management subsidiary, Lion Capital Management Limited, is one of the largest asset management companies in Southeast Asia with approximately S$32 billion in assets under management. In Indonesia, OCBC Bank owns 72.3 per cent. of Bank NISP, the 14th largest Indonesian bank by assets as at 31 December 2005.

As at the Latest Practicable Date, the total number of issued shares in the capital of the Offeror is 3,125,015,689 shares.

3. FINANCIAL SUMMARY

Set out below are certain financial information extracted from the OCBC Annual Reports for FY2005, FY2004 and FY2003 respectively and from the unaudited consolidated interim financial results of the OCBC Group for the three months ended 31 March 2006. The financial information for FY2005, FY2004 and FY2003 should be read in conjunction with the audited consolidated financial statements of the OCBC Group for FY2005, FY2004 and FY2003. In addition, the financial information for the three months ended 31 March 2006 should be read in conjunction with the unaudited consolidated interim financial results of the OCBC Group for the same period.

	3 months ended 31 March 2006	**FY 2005**	**FY 2004**	**FY 2003**
	S$ million	S$ million	S$ million	S$ million
Income before operating expenses	743	2,887	2,625	2,193
Profit before tax	435	1,706	1,491	1,222
Profit after tax	347	1,397	1,222	956
Minority interests	29	99	73	2
Basic earnings per ordinary share (cents)(1)	41(2)	40	35	30

Notes:

(1) Basic earnings per ordinary share of OCBC Bank for financial periods prior to 2005 were restated for the effects of a 1-for-5 rights issue and the sub-division of one ordinary share of OCBC Bank of par value S$1.00 to two ordinary shares of OCBC Bank of par value S$0.50, effected on 18 July 2005 and 5 August 2005 respectively.

(2) Calculated on an annualised basis.

Set out below is also a summary of the dividend per ordinary share of OCBC Bank declared in respect of each of FY2005, FY2004 and FY2003 by OCBC Bank. This information was also extracted from the OCBC Annual Reports for FY2005, FY2004 and FY2003. No interim dividend on the ordinary shares of OCBC Bank was declared in respect of the three months ended 31 March 2006.

	Cents
In respect of FY2005	
– Bonus cash dividend for every S$1.00 ordinary stock unit less Singapore income tax at 20%	125
– Interim dividend for every S$0.50 ordinary stock unit less Singapore income tax at 20%	11
– Final dividend for every ordinary stock unit less Singapore income tax at 20%	12
In respect of FY2004	
– Interim dividend for every S$1.00 ordinary stock unit less Singapore income tax at 20%	19
– Final dividend for every S$1.00 ordinary stock unit less Singapore income tax at 20%	19
In respect of FY2003	
– Special dividend for every S$1.00 ordinary stock unit less Singapore income tax at 22%	63.78
– Interim dividend for every S$1.00 ordinary stock unit less Singapore income tax at 22%	11
– Final dividend for every S$1.00 ordinary stock unit less Singapore income tax at 20%	12

The balance sheets of the OCBC Group as at 31 March 2006 and as at 31 December 2005 are summarised in the table set out in **Appendix 7**. The summary should be read in conjunction with the audited consolidated financial statements of the OCBC Group for FY2005 and the unaudited consolidated interim financial results of the OCBC Group for the three months ended 31 March 2006.

4. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in the unaudited consolidated interim financial results of the OCBC Group for the three months ended 31 March 2006 as announced on 15 May 2006 and any other information on the OCBC Group which is publicly available (including without limitation, the announcements released by the OCBC Group on the SGX-ST), there have been no material changes to the financial position of OCBC Bank since 31 December 2005, being the date of the last audited accounts of OCBC Bank laid before the shareholders of OCBC Bank in general meeting.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the OCBC Group are disclosed in Note 2 of the audited consolidated financial statements of the OCBC Group for FY2005 as extracted from the OCBC Annual Report for FY2005 are set out in **Appendix 8**.

6. CHANGES IN ACCOUNTING POLICIES

The changes in the significant accounting policies of the OCBC Group are disclosed in Note 2 of the audited consolidated financial statements of the OCBC Group for FY2005 as extracted from the OCBC Annual Report for FY2005 are set out in **Appendix 8**.

7. REGISTERED OFFICE

The registered office of OCBC Bank is at 65 Chulia Street #29-00, OCBC Centre, Singapore 049513.

ADDITIONAL INFORMATION ON THE GEH GROUP

1. DIRECTORS

The names of the directors of GEH are as follows:

Name	Description
Michael Wong Pakshong	Chairman
Tan Beng Lee	Director and Group Chief Executive Officer
Cheong Choong Kong	Director
David Conner	Director
Ho Tian Yee	Director
Lee Seng Wee	Director
Lee Chien Shih	Director
Tan Sri Dato' Dr Lin See-Yan	Director
Neo Boon Siong	Director
Tan Yam Pin	Director

2. SHARE CAPITAL

As at the Latest Practicable Date, the total number of Shares in the capital of GEH is 473,319,069 Shares.

3. MATERIAL CHANGES IN FINANCIAL POSITION

To the best knowledge of the Offeror, save as disclosed in the unaudited consolidated interim financial results of GEH Group for the three months ended 31 March 2006 as announced on 10 May 2006 and any other information on GEH which is publicly available (including without limitation, the announcements released by GEH on the SGX-ST), there are no material changes in the financial position or prospects of GEH since the date of the last balance sheet laid before the shareholders of GEH in general meeting.

4. REGISTERED OFFICE

The registered office of GEH is at 1 Pickering Street #16-01, Great Eastern Centre, Singapore 048659.

DISCLOSURES RELATING TO HOLDINGS AND DEALINGS IN SHARES

1. HOLDINGS OF SHARES

The tables below set out the number of Shares held by the Offeror and parties acting in concert with the Offeror as at the Latest Practicable Date:

1.1 The Offeror and its Subsidiaries and Associated Companies

Name	Number of Shares	Type of Interest
OCBC Bank	384,852,418	Direct
Eastern Realty Company Limited	9,425,619	Direct
Singapore Building Corporation Limited	633,600	Direct
Lion Capital Management Limited	126,000	See Note (1)

Note:

(1) The Shares are held in discretionary accounts managed by Lion Capital Management Limited.

1.2 Directors of the Offeror

	Number of Shares	
Name	**Direct Interest**	**Deemed Interest**
Cheong Choong Kong	–	–
Michael Wong Pakshong	75,160	36,000
Bobby Chin Yoke Choong	–	–
David Conner	–	–
Giam Chin Toon	–	–
Lee Seng Wee	–	–
Lee Tih Shih	–	–
Nasruddin Bin Bahari	–	–
Neo Boon Siong	–	–
Pramukti Surjaudaja	–	–
Tsao Yuan	–	–
David Wong Cheong Fook	–	–
Wong Nang Jang	–	–
Patrick Yeoh Khwai Hoh	–	–

1.3 Directors of the Subsidiaries and Associated Companies of the Offeror

Name	Number of Shares	Type of Interest
Foong Soo Hah	82,000	Direct
Ip Ka Cheung Norman	11,000	Direct
Victoria Ko Miu Ha	6,000	Direct
Lee Yung-Shih Colin	100,000	Direct
Tan Beng Lee	110,000	Direct
Tan Hock Lye	15,000	Direct
Joachim Toh Wen Keong	9,000	Direct

1.4 Other Presumed Concert Parties of the Offeror

Name	Number of Shares	Type of Interest
Lee Seok Chee	348,480	Direct
Lee Seok Keng	11,000	Direct
Lee Shih Kwei	115,920	Direct
Geh Min	168,960	Direct
Eng Hsi Ko Peter	99,160	Direct
Eng Siu Sien Lisa	116,160	Direct
Eng Siu Lan Sibyl	116,160	Direct

2. DEALINGS IN SHARES

Save as disclosed below, none of the Offeror and the parties acting in concert with the Offeror (a) has dealt for value in any Shares during the three-month period immediately preceding the Offer Announcement Date and ending on the Latest Practicable Date (the "**Reference Period**") or (b) has received any irrevocable undertaking from any party to accept or reject the Offer.

2.1 The Offeror and its Subsidiaries and Associated Companies

The details of the dealings in the Shares by the Offeror and its subsidiaries and associated companies during the Reference Period are set out below:

Name	Date	Number of Shares Bought	Transaction Price per Share (S$)
OCBC Bank	17/5/2006	199,000	14.00
OCBC Bank	1/6/2006	837,000	13.9836[1]
OCBC Bank	27/6/2006	240,000	13.95
OCBC Bank	30/6/2006	1,304,000	15.90
OCBC Bank	3/7/2006	3,000	15.90
OCBC Bank	5/7/2006	31,000	16.00
OCBC Bank	6/7/2006	25,860	16.00
OCBC Bank	7/7/2006	22,000	16.00

Note:

(1) Weighted average price derived from 137,000 Shares bought at S$13.90 per Share and 700,000 Shares bought at S$14.00 per Share.

Name	Date	Number of Shares Sold	Transaction Price per Share (S$)
Lion Capital Management Limited	22/6/2006	10,000	14.10
Lion Capital Management Limited	23/6/2006	10,000	14.10
Lion Capital Management Limited	26/6/2006	10,000	14.03
Lion Capital Management Limited	27/6/2006	4,000	14.075
Singapore Consortium Investment Management Limited	4/4/2006	20,000	14.10
Singapore Consortium Investment Management Limited	7/6/2006	26,000	13.90

2.2 Other Presumed Concert Parties of the Offeror

Save as disclosed in Paragraph 2.1 of this **Appendix 5**, none of the other parties presumed to be acting in concert with the Offeror has dealt in the Shares during the Reference Period.

GENERAL INFORMATION

1. DISCLOSURE OF INTERESTS

1.1 **No Agreement having any Connection with or Dependence upon Offer**. There is no agreement, arrangement or understanding between (a) the Offeror or any parties acting in concert with the Offeror and (b) any of the current or recent directors of GEH or any of the current or recent shareholders of GEH having any connection with or dependence upon the Offer.

1.2 **Transfer of Offer Shares**. There is no agreement, arrangement or understanding whereby any Offer Shares pursuant to the Offer will be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer Shares to any of its related companies (as defined in the Companies Act) or for the purpose of granting security in favour of financial institutions which have extended credit facilities to it.

1.3 **No Payment or Benefit to Directors of GEH**. There is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of GEH or any of its related corporations (as defined in the Companies Act) as compensation for loss of office or otherwise in connection with the Offer.

1.4 **No Agreement Conditional upon Outcome of Offer**. There is no agreement, arrangement or understanding between (a) the Offeror and (b) any of the directors of GEH or any other person in connection with or conditional upon the outcome of the Offer or is otherwise connected with the Offer.

1.5 **Transfer Restrictions**. The Memorandum and Articles of Association of GEH do not contain any restrictions on the right to transfer the Offer Shares.

2. GENERAL

2.1 **Costs and Expenses**. All costs and expenses of or incidental to the preparation and circulation of this Offer Document (other than professional fees and other costs incurred or to be incurred by GEH relating to the Offer) and stamp duty and transfer fees resulting from acceptances of the Offer will be paid by the Offeror.

2.2 **Consent**. Kim Eng Securities Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion of its name and all references to its name in the form and context in which it appears in this Offer Document.

3. MARKET QUOTATIONS

The closing price of the Shares on the SGX-ST, as reported in Bloomberg, on the Latest Practicable Date was S$16.10. There were no trades done on the SGX-ST on 28 June 2006 (being the last Market Day immediately preceding the Offer Announcement Date). The last transacted prices and trading volumes of the Shares on the SGX-ST on a monthly basis from December 2005 to May 2006 (being the six calendar months preceding the Offer Announcement Date), as reported in Bloomberg, are set out below:

Month	**Last Transacted Price (S$)**	**Volume of Shares Traded '000**
May 2006	14.00	1,068
April 2006	14.10	683
March 2006	14.10	959
February 2006	14.60	497
January 2006	14.70	421
December 2005	14.70	443

During the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date, the highest closing price for the Shares on the SGX-ST, as reported in Bloomberg, was S$16.10 which was last transacted on 7 July 2006 and the lowest closing price was S$13.90 which was last transacted on 14 June 2006.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Offeror at 65 Chulia Street #29-00, OCBC Centre, Singapore 049513 during normal business hours for the period for which the Offer remains open for acceptance:

(1) the Memorandum and Articles of Association of the Offeror;

(2) the annual reports of OCBC Bank for FY2005, FY2004 and FY2003 respectively;

(3) the unaudited consolidated interim financial results of the OCBC Group for the three months ended 31 March 2006; and

(4) the letter of consent of Kim Eng Securities Pte. Ltd. referred to in Paragraph 2.2 of this Appendix.

SUMMARY OF THE BALANCE SHEETS OF THE OCBC GROUP AS AT 31 MARCH 2006 AND AS AT 31 DECEMBER 2005

	GROUP	
	31 March 2006 S$ million	**31 December 2005 S$ million**
EQUITY		
Attributable to OCBC Bank's equity holders		
Share capital [(1)]	5,739	1,561
Capital reserves [(1)]	90	4,292
Statutory reserves	1,975	1,959
Fair value reserves	702	618
Revenue reserves	4,211	3,908
	12,717	12,338
Minority interests	1,163	1,149
Total equity	13,880	13,487
LIABILITIES		
Deposits of non-bank customers	64,506	64,088
Deposits and balances of banks	10,448	10,307
Due to associated companies	14	21
Trading portfolio liabilities [(2)]	367	456
Derivative payables	2,608	1,921
Other liabilities	2,957	2,669
Debts issued	5,202	5,519
	86,102	84,981
Life assurance fund	33,775	33,286
Total liabilities	119,877	118,267
Total equity and liabilities	133,757	131,754
ASSETS		
Cash and placements with central banks	4,862	4,182
Singapore government treasury bills and securities [(2)]	6,632	6,948
Other government treasury bills and securities	2,034	1,990
Placements with and loans to banks	12,110	11,538
Loans to and bills receivable from customers	54,561	55,134
Debt and equity securities	7,357	7,403
Assets pledged	2,288	1,917
Assets held for sale	60	–
Derivative receivables	2,934	2,378
Other assets	2,170	2,019
Associated and joint venture companies	219	186
Property, plant and equipment	1,380	1,429
Goodwill and intangible assets	3,375	3,344
	99,982	98,468
Life fund net assets attributable to policyholders	33,775	33,286
Total assets	133,757	131,754
OFF-BALANCE SHEET ITEMS		
Contingent liabilities	6,692	6,647
Commitments	34,252	33,133
Derivative financial instruments	274,477	263,296

Notes:

(1) As at 31 March 2006, share capital includes share premium and capital redemption reserves (previously included in capital reserves) in accordance with Companies (Amendment) Act 2005, Chapter 50 of Singapore which came into effect on 30 January 2006.

(2) 2005 comparatives were restated for OCBC Bank's short sell liabilities in Singapore government treasury bills and securities.

THE SIGNIFICANT ACCOUNTING POLICIES OF THE OCBC GROUP

The significant accounting policies of the OCBC Group set out below have been reproduced from the OCBC Annual Report for FY2005.

Notes to the Financial Statements

For the financial year ended 31 December 2005

2. 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"). In accordance with Section 201(19) of the Act, the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 'Credit Files, Grading and Provisioning' (dated 11 March 2005) issued by the Monetary Authority of Singapore. 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 in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. 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 2005, the Group and the Bank adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are applicable in the current financial year. The 2005 financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The following are the FRS and INT FRS that are relevant to the Group:

FRS	Title
FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004)	Events after the Balance Sheet Date
FRS 16 (revised 2004)	Property, Plant and Equipment
FRS 17 (revised 2004)	Leases
FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2004)	Related Party Disclosures
FRS 27 (revised 2004)	Consolidated and Separate Financial Statements
FRS 28 (revised 2004)	Investments in Associates
FRS 31 (revised 2004)	Interests in Joint Ventures
FRS 32 (revised 2004)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised 2004)	Earnings Per Share
FRS 36 (revised 2004)	Impairment of Assets
FRS 38 (revised 2004)	Intangible Assets
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS 102 (issued in 2004)	Share-based Payment
FRS 103 (issued in 2004)	Business Combinations
FRS 104 (issued in 2004)	Insurance Contracts
FRS 105 (issued in 2004)	Non-current Assets Held for Sale and Discontinued Operations
INT FRS 12 (revised 2004)	Consolidation – Special Purpose Entities

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies except as disclosed below.

2.1.1 FRS 1 (revised 2004) Presentation of Financial Statements

As permitted by FRS 1 (revised 2004) paragraph 33, profits transferred from Singapore life insurance funds are presented net of tax in the income statements. This is done to reflect the substance that the tax liability is borne by the respective Life Assurance Fund. The 2004 figures have been restated with the $18.0 million income tax netted off against income from insurance.

2.1.2 FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates

Previously, goodwill and fair value adjustments arising from the acquisition of a foreign entity were treated as assets and liabilities of the acquirer and expressed in the functional currency of the acquirer. FRS 21 (revised 2004) requires such goodwill and fair value adjustments to be treated as assets and liabilities of the foreign entity (Note 2.4.3) for acquisitions from 1 January 2005.

The effects on the balance sheet of the Group as at 31 December 2005 are disclosed in Note 2.1.10(c).

2.1.3 FRS 27 (revised 2004) Consolidated and Separate Financial Statements

Previously, there was no requirement for the presentation of minority interests within equity. FRS 27 (revised 2004) requires minority interests to be presented separately from the Bank's shareholders' equity but within equity of the Group retrospectively.

2.1.4 FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement and FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation

The adoption of FRS 39 (revised 2004) resulted in significant changes in accounting policies relating to the classification and measurement of financial assets and liabilities, including the application of hedge accounting criteria, effective interest rate method and loan impairment requirements. In accordance with the transitional provisions of FRS 39 (revised 2004), the effects of recognition, de-recognition and measurement of financial instruments for periods prior to 1 January 2005 are not restated.

The change was effected prospectively from 1 January 2005 and the effects are disclosed in Note 2.1.10(a).

(a) Classification and consequential accounting for financial assets and liabilities

(i) Previously, the Group's government securities were stated at the lower of cost and market value on an aggregated portfolio basis, except for long-term investments, which were stated at amortised cost less provision for diminution in value considered to be other than temporary on a line-by-line basis. In accordance with FRS 39 (revised 2004), government securities are now classified as "available-for-sale", "financial assets at fair value through profit or loss", "loans" and "held-to-maturity", depending on the purpose for which the assets were acquired. The measurement for each category of assets is disclosed in Note 2.7.

(ii) Previously, the Group's dealing securities which were intended for sale in the short-term were stated at the lower of cost and market value on an aggregated portfolio basis, with changes in market value included in the income statements. In accordance with FRS 39 (revised 2004), these investments are now classified as "financial assets at fair value through profit or loss" and are initially recognised at fair value and subsequently re-measured to fair value at the balance sheet date with all gains and losses recognised in the income statements in the period in which the change in fair value arises (Note 2.7).

(iii) Previously, the Group's investment securities comprising equity and debt securities, which were intended to be held for long-term or to maturity, were stated at cost or amortised cost less provision for diminution in value considered to be other than temporary on a line-by-line basis. In accordance with FRS 39 (revised 2004), investment securities are now classified as "available-for-sale", "loans" and "held-to-maturity", depending on the purpose for which the assets were acquired. The measurement for each category of assets is disclosed in Note 2.7.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.4 FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement and FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation (continued)

(a) Classification and consequential accounting for financial assets and liabilities (continued)

(iv) Previously, loans were stated net of unearned interest and provision for loan losses. Provision for loan losses comprises specific provision against certain loans, interest-in-suspense and general provision. Specific provision and suspension of interest are based on the borrower's debt servicing ability and adequacy of security. General provision was made against loans in respect of losses which although not specifically identified, was known from experience to be present in the portfolio of loans and receivables.

In accordance with FRS 39 (revised 2004), the Group's loans are now stated at cost and subsequently re-measured at amortised cost using the effective interest rate method less impairment allowances for loans (Note 2.7). Specific allowance is established when the present value of future recoverable cash flows for impaired loans is lower than the carrying value of the loan. Impaired loans are assessed 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. In accordance with FRS 39 (revised 2004) as modified by the Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, portfolio allowances for unimpaired loans are set aside based on management's credit experiences and judgements. Credit experiences are based on historical default rates which take into account risk factors, including internal risk ratings, geographic, industry and economic conditions as at reporting date.

(b) Interest recognition

Previously, interest was recognised in the income statements on an accrual basis based on contracted rates. In accordance with FRS 39 (revised 2004), interest is recognised in the income statements for all financial instruments measured at amortised cost using the effective interest rate 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, the Group estimated cash flows considering the contractual terms of the financial instruments including prepayment options, transaction costs and premiums or discounts. For financial assets written down due to impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

(c) Fair value of financial assets and liabilities

Previously, the Group used the last transacted prices of quoted financial instruments as the market prices. In accordance with FRS 39 (revised 2004), the Group now uses the market bid prices for the measurement of its available-for-sale financial assets (Note 2.7.2) and financial assets at fair value through profit or loss (Note 2.7.3).

Fair values of unquoted and non-actively traded financial assets were measured based on a number of methods, including last transacted prices of recent arm's length transactions, average of two or more prices quoted by the brokers and market makers and net assets value of the company. Fair value estimation is now carried out in accordance with the guidance set out in FRS 39 (revised 2004) disclosed in Note 2.23.1(d).

These changes did not materially affect the financial statements for the financial year ended 31 December 2005.

(d) Accounting for derivative financial instruments and hedging activities

The Group enters into derivative transactions for trading and hedging purposes. Derivative transactions were entered into to hedge the Group's exposures to interest rate, foreign currency and credit risks, arising from its banking activities of lending and accepting deposits. Previously, transactions for trading purposes were valued at market prices at the balance sheet date and the resultant gains and losses taken to the income statements, whilst hedging transactions were accounted for on an accrual basis consistent with the items being hedged. The fair values of the derivative financial instruments were not separately disclosed in the balance sheets.

In accordance with FRS 39 (revised 2004), all derivative financial instruments are valued at market prices at the balance sheet date and the resultant gains and losses taken to the income statements (Note 2.12).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.5 FRS 102 Share-based Payment

Previously, share options granted to employees did not result in any charge in the income statements. The Bank recognised an increase in share capital and share premium when the options were exercised. On adoption of FRS 102, an expense is recognised as part of staff costs in the income statements for share options issued over the vesting period with a corresponding increase in capital reserve (Note 2.2.6).

This change was effected retrospectively for share options granted after 22 November 2002 and not yet vested by 1 January 2005. Consequently, previously reported balances as at/for the financial year ended 31 December 2004 were adjusted and the effects are disclosed in Note 2.1.10(b).

2.1.6 FRS 103 Business Combinations, FRS 36 (revised 2004) Impairment of Assets and FRS 38 (revised 2004) Intangible Assets

(a) Goodwill

Until 31 December 2004, goodwill was amortised on a straight line basis over a period ranging from 5 to 20 years; and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit to which the goodwill is attached. In accordance with FRS 103 and FRS 36 (revised 2004), the Group and the Bank ceased amortisation of goodwill from 1 January 2005 and accumulated amortisation as at 31 December 2004 amounting to $440.4 million and $300.8 million for the Group and the Bank respectively, were eliminated against the cost of goodwill (Note 37). Goodwill is thereafter tested at least annually for impairment (Note 2.11.3).

The effects on the financial statements of the Group and the Bank as at/for the financial year ended 31 December 2005 are disclosed in Note 2.1.10(c).

(b) Accounting for acquisitions in 2005

FRS 22 (which has been superseded by FRS 103) did not require the recognition of contingent liabilities assumed in a business combination. However, this is required in FRS 103 (Note 2.3.1). In addition, FRS 22 allowed the recognition of liabilities for terminating or reducing the activities of the acquiree if certain conditions are met but FRS 103 allows these liabilities to be recognised only if the acquiree, at the acquisition date, had an existing obligation in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets. Previously, FRS 38 [superseded by FRS 38 (revised 2004)] did not include the presumption that future economic benefit is always satisfied for intangible assets acquired as part of a business combination. This presumption is included in FRS 38 (revised 2004).

The change did not materially affect the financial statements for the financial year ended 31 December 2005.

(c) Intangible assets

FRS 38 was based on the assumption that the useful life of an intangible asset is always finite, and included a rebuttable presumption that such useful life cannot exceed twenty years from the date the asset is available for use. This presumption was removed in FRS 38 (revised 2004). The Group reassessed the economic life of its intangible assets and no adjustment resulted from the assessment.

2.1.7 FRS 104 Insurance Contracts

The adoption of FRS 104 required the identification of insurance contracts which do not contain significant insurance risks to be reclassified as investment contracts. 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. Accordingly, all policy contracts issued by insurance subsidiaries within the Group are insurance contracts as at the balance sheet date. For purposes 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.

2.1.8 FRS 105 Non-current Assets Held for Sale and Discontinued Operations

With the adoption of FRS 105, non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

The change did not materially affect the financial statements of the Group for the financial year ended 31 December 2005, as the non-current assets held for sale are included in the net assets attributable to policyholders under the Group's Life Assurance Fund.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.9 INT FRS 12 (revised 2004) Consolidation – Special Purpose Entities

A trust is set up to administer the shares purchased under the Bank's Deferred Share Plan ("DSP") granted to employees of the Group as part of their performance bonus (Note 13.4). Previously, the Group did not consolidate the DSP trust account. In accordance with INT FRS 12 (revised 2004), the shares acquired and held in the trust account are now deducted against capital reserves and the trust liabilities included in other liabilities.

This change was effected retrospectively and previously reported balances as at 31 December 2004 were adjusted and the effects are disclosed in Note 2.1.10(b). The effects on the Group's financial statements as at 31 December 2005 are disclosed in Note 2.1.10(c).

2.1.10 Summary of effects on adoption of new or revised FRS and INT FRS

(a) Effects of restatement on 1 January 2005 balances

The effects on adoption of the above new and revised FRS and INT FRS as at 1 January 2005 and description of the changes affecting items in the equity are summarised as follows:

	GROUP			BANK		
	As previously reported $'000	Effect $'000	As restated $'000	As previously reported $'000	Effect $'000	As restated $'000
Capital reserves (Note 14.3)	189,516	5,565	195,081	40,830	17,837	58,667
– Share-based staff costs capitalised		17,837			17,837	
– Consolidation of DSP Trust		(12,272)			–	
Fair value reserves	–	648,633	648,633	–	436,504	436,504
– Fair value adjustments for available-for-sale assets		759,589			524,310	
– Deferred tax		(110,956)			(87,806)	
Unappropriated profit (Note 12)	3,752,950	(3,805)	3,749,145	2,466,840	37,006	2,503,846
– Share-based staff costs (Financial year 2003)		(3,773)			(2,812)	
– Share-based staff costs (Financial year 2004)		(14,064)			(10,366)	
– Tax on share-based costs		1,248			–	
– Fair value adjustment of trading securities		763			(409)	
– Fair value adjustment of derivative financial instruments		(3,285)			4,553	
– Effective interest rate adjustments		25,927			16,049	
– Foreign exchange difference		8,020			–	
– (Allowances)/writeback for loans		(2,797)			68,484	
– Writeback/(impairment) of securities		1,643			(191)	
– Writeback of provision for other assets		1,114			–	
– Current tax		(38,302)			(38,302)	
– Deferred tax		19,701			–	
Currency translation reserves (Note 16.2)	(278,116)	(695)	(278,811)	(63,559)	–	(63,559)
Minority interests	489,158	25,159	514,317			

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.10 Summary of effects on adoption of new or revised FRS and INT FRS (continued)

(b) Effects of restatement on 2004 comparatives

The adoption of FRS 102 and INT FRS 12 was effected retrospectively and previously reported balances as at 31 December 2004 and the results for the financial year ended 31 December 2004 were adjusted accordingly.

	Increase/(decrease) $'000	
	GROUP	**BANK**
Balance sheet items		
Capital reserves (Note 14.3)	5,565	17,837
– Share-based staff costs capitalised	17,837	17,837
– Consolidation of DSP Trust	(12,272)	–
Unappropriated profit	(17,837)	(13,178)
– Share-based staff costs (Financial year 2003)	(3,773)	(2,812)
– Share-based staff costs (Financial year 2004)	(14,064)	(10,366)
Amount due from subsidiaries	–	4,659
Income statement items		
Staff costs	14,064	10,366
Earnings per share		
Basic (cents)	#	
Diluted (cents)	#	

Less than 0.5 cents

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.10 Summary of effects on adoption of new or revised FRS and INT FRS (continued)

(c) Effects on 2005 financial statements

The effects of adopting new or revised FRS and INT FRS on the financial statements of the Group as at/for the financial year ended 31 December 2005 are summarised as follows:

	Increase/(decrease) $'000					
Description of change	FRS 21 (revised 2004)	FRS39 (revised 2004)	FRS 102	FRS 103	INT FRS 12 (revised 2004)	Total effects
GROUP						
Balance sheet items						
Capital reserves	–	–	31,689	–	(19,859)	11,830
Fair value reserves	–	617,819	–	–	–	617,819
Currency translation reserves	(18,971)	163	–	–	–	(18,808)
Unappropriated profit	–	49,599	(29,373)	154,624	–	174,850
Minority interests	–	27,378	–	–	–	27,378
Derivative payables	–	20,297	–	–	–	20,297
Other liabilities	–	–	–	–	19,859	19,859
Current tax liabilities	–	31,446	–	–	–	31,446
Deferred tax liabilities	–	121,434	(2,316)	–	–	119,118
Debts issued	–	219,954	–	–	–	219,954
Government securities	–	(65,850)	–	–	–	(65,850)
Debt and equity securities	–	839,148	–	–	–	839,148
Loans to non-bank customers	631	40,216	–	–	–	40,847
Derivative receivables	–	241,787	–	–	–	241,787
Other assets	–	32,789	–	–	–	32,789
Goodwill and intangible assets	(19,602)	–	–	154,624	–	135,022
Income statement items						
Interest income	–	48,813	–	–	–	48,813
Other income	–	(19,599)	–	–	–	(19,599)
Income from insurance	–	–	(954)	–	–	(954)
Staff costs	–	–	12,898	–	–	12,898
Amortisation of goodwill	–	–	–	(154,624)	–	(154,624)
Allowances for loans and impairment of other assets	–	(1,955)	–	–	–	(1,955)
Income tax	–	(6,383)	(1,068)	–	–	(7,451)
Net profit after tax	–	37,552	(12,784)	154,624	–	179,392
Earnings per share						
Basic (cents)	–	1	#	5	–	6
Diluted (cents)	–	1	#	5	–	6

Less than 0.5 cents

The effect of FRS 39 (revised 2004) in the above table did not include the impact on allowances for loans as it is impracticable for the Group to determine the amount of adjustment made for loan allowances under FRS 39 (revised 2004).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.10 Summary of effects on adoption of new or revised FRS and INT FRS (continued)

(c) Effects on 2005 financial statements (continued)

The effects of adopting new or revised FRS on the financial statements of the Bank as at/for the financial year ended 31 December 2005 are summarised as follows:

	Increase/(decrease) $'000			
Description of change	FRS 39 (revised 2004)	FRS 102	FRS 103	Total effects
BANK				
Balance sheet items				
Capital reserves	–	31,689	–	31,689
Fair value reserves	396,285	–	–	396,285
Unappropriated profit	70,624	(21,775)	120,979	69,828
Derivative payables	20,297	–	–	20,297
Current tax liabilities	25,463	–	–	25,463
Deferred tax liabilities	105,250	–	–	105,250
Debts issued	219,954	–	–	219,954
Government securities	(70,358)	–	–	(70,358)
Debt and equity securities	547,579	–	–	547,579
Loans to non-bank customers	95,201	–	–	95,201
Derivative receivables	250,721	–	–	250,721
Other assets	14,730	–	–	14,730
Amount due from subsidiaries	–	9,914	–	9,914
Goodwill and intangible assets	–	–	120,979	120,979
Income statement items				
Interest income	27,405	–	–	27,405
Other income	(19,804)	–	–	(19,804)
Staff costs	–	8,597	–	8,597
Amortisation of goodwill	–	–	(120,979)	(120,979)
Income tax	(12,839)	–	–	(12,839)
Net profit after tax	20,440	(8,597)	120,979	132,822

The effect of FRS 39 (revised 2004) in the above table did not include the impact on allowances for loans as it is impracticable for the Bank to determine the amount of adjustment made for loan allowances under FRS 39 (revised 2004).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Recognition of income and expense

2.2.1 Interest income and expense

Interest income and expense are recognised in the income statements for all financial instruments measured at amortised cost using the effective interest rate 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, the Group estimates cash flows considering the contractual terms of the financial instruments including prepayment options, transaction costs and premiums or discounts.

For financial assets that are written down due to impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

2.2.2 Fees and commissions

Fee and commission income is earned from a range of services rendered by the Group to its customers, comprising income earned from services rendered over a period of time and from providing transaction-type services.

Fees earned from providing services over a period of time is recognised over the service period during which the related service is provided or credit risk is undertaken. Fee and commission income from such services comprise mainly credit cards, loans, guarantees, fund management and other management and advisory fees. When a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised. Fees earned from providing transaction-type services are recognised when the service has been performed, which include underwriting fees and brokerage income.

Fee and commission expenses are netted off against the gross fee and commission income in the income statements.

2.2.3 Dividends

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

2.2.4 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.

2.2.5 Income from insurance

Life Assurance

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

(a) Participating Fund

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

(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 Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Recognition of income and expense (continued)

2.2.5 Income from insurance (continued)

(c) Investment Linked Fund

Revenue essentially consists of bid-ask spread and fees for mortality and other insured event, 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 after the 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.

Premiums from policyholders are recognised on their respective due dates. Premiums not received on due dates are recognised as revenue in the life assurance income statement with the corresponding outstanding premiums reported in the balance sheet. The commission expenses arising from these outstanding premiums are accrued in the same reporting period.

Premiums due after but received before the end of the financial year are recorded as advance premiums and this item is included as other creditors in the balance sheet. The commissions from these advance premiums, if any, are not accrued in the financial statements until the premiums are due and recognised as revenue in the income statements.

General Insurance

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods outside of the financial reporting period are adjusted through the movement in unexpired risk reserve (Note 2.16). 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 statements upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premium ceded out pertaining to periods outside of the financial reporting period are adjusted through the movement in unexpired risk reserve.

2.2.6 Employee benefits

Compensation package for staff consists of base salaries, allowances, commissions, cash bonuses, equity compensation schemes and plans. Salaries, allowances, commissions, bonuses and defined contribution under regulations, such as Central Provident Fund ("CPF") Act in Singapore, are recognised in the income statements when incurred. Employee leave entitlements are estimated according to the terms of the employment contract and accrued on balance sheet date.

Share options are awarded to staff as part of their performance bonus under the Bank's Share Option Schemes. Under the Bank's Option Schemes, options are granted to Group executives, of the rank of Assistant Manager and above, including executive and non-executive directors. Options granted generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from the date of grant.

The Employee Share Purchase Plan ("ESP Plan") is a savings-based plan whereby all employees are eligible to participate by making monthly contributions to the Plan Account and interest accrued at a preferential rate determined by the Remuneration Committee. The Committee will fix the offering period and subscription price for the new ordinary shares to be issued under the Plan. The balances are included in non-bank customer deposits.

The fair value of options is recognised as staff costs in the income statements. The Group uses the binomial model to calculate the fair value of share options granted under the Bank's Option Schemes and subscription rights to ordinary shares of the Bank under the ESP Plan. The value of the options and rights is recognised in the income statements over the vesting period of the share options or the offering period of the ESP Plan. At each balance sheet date, the Group revises its estimates of number of options that are expected to become exercisable, and the impact of the change to the original estimates, if any, is recognised in the income statements, and a corresponding adjustment to equity over the remaining vesting period.

Under the Deferred Share Plan, shares of the Bank are granted to executives (Note 13.4), and a trust is set up to administer the shares purchased under the plan. Shares granted under the plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period. The cost of the shares purchased is recognised in the income statements on the straight-line basis over the vesting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

2.3.1 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Group 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 cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to Note 2.10.1 for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between 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 with those of the Group.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Bank, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are attributed to the equity holders of the Bank until the minority's share of losses previously absorbed by the equity holders of the Bank has been recovered.

2.3.2 Associated and joint venture companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Joint venture companies 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 associated and joint venture companies are accounted for in the consolidated financial statements using the equity method of accounting. Investment in associated companies in the consolidated balance sheet includes goodwill (net of accumulated amortisation) identified on acquisition, where applicable. Please refer to Note 2.10.1 for the accounting policy on goodwill.

Equity accounting involves recording investments in associated and joint venture companies initially at cost, and recognising the Group's share of its associated and joint venture companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses equals or exceeds its interest in the associated and joint venture companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the companies.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associated and joint venture companies are eliminated to the extent of the Group's interest in the associated and joint venture companies. 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 associated and joint venture companies to ensure consistency of accounting policies with those of the Group.

The results of associated companies 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

2.3.3 Life assurance companies

Certain subsidiaries of the Group engaged in long-term life assurance business, are structured into one or more long-term life assurance funds, and shareholders' funds. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related long-term 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 long-term life assurance funds. To reflect the different nature of the shareholders' and policyholders' interests, the liabilities to policyholders and its net assets are shown under separate headings in the consolidated balance sheet.

2.3.4 Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

2.4 Currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Singapore dollars, which is the Bank's functional and presentation currency.

2.4.2 Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements, except for currency translation differences on net investment in foreign entities and borrowings and other currency instruments qualifying as net investment hedges for foreign operations in the consolidated financial statements.

2.4.3 Consolidation of foreign entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for balance sheet presented are translated at the closing rate at the date of the balance sheet;
(ii) Income and expenses for income statements presented are translated at average exchange rate; and
(iii) All resulting exchange differences are taken to the currency translation reserves within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the balance sheet. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition were used.

On consolidation, currency translation differences arising from the net investment in foreign entities and borrowings and other currency instruments designated as hedges of such investments are taken to the currency translation reserves. When a foreign operation is disposed of, such currency translation differences are recognised in the income statements as part of the gain or loss on disposal.

2.5 Cash and cash equivalents

Cash and cash equivalents are carried on the balance sheet at cost. For the preparation of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances and placements with central banks.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and stated on a net basis on the balance sheet when there is a legally enforceable right to set off the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Investments in financial assets

The Group classifies its investments in financial assets in the following categories: loans and receivables, available-for-sale, financial assets at fair value through profit or loss and held-to-maturity. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

2.7.1 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 arise primarily from the Group's banking business of providing lending directly to its customers, participation in a loan from another lender and purchased loans that are not quoted in an active market. They are recognised when cash is advanced to borrowers, and are subsequently re-measured at amortised cost using the effective interest rate method less impairment allowance for loans. The Group's loans and receivables comprise mainly placements with and loans to banks and loans to and bills receivable from customers.

2.7.2 Available-for-sale financial assets

Available-for-sale financial assets, comprising mainly government and corporate debt securities, are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Group uses settlement date accounting when recording investment portfolio transactions. Available-for-sale assets are recognised as financial assets on settlement date, at its initial fair value, including transaction costs. At each balance sheet date, it recognises from the date that transaction is entered into (trade date) any unrealised gains and losses arising from revaluing that contract to fair value reserve in equity. They are carried at fair value on the balance sheet with cumulative fair value changes reflected under fair value reserve in equity, and recognised in the income statements 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 based on market bid prices. For unquoted securities, fair value quotes are obtained from brokers and market makers. Other valuation techniques used by the Group include discounted cash flow analysis and other valuation techniques commonly used by market participants.

2.7.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprising liquid assets such as government securities, equity and corporate debt securities, which are acquired by trading business units of the Group for the purpose of selling them in the short-term to generate profits from fluctuation in price or dealer's margin.

The Group uses settlement date accounting when recording trading portfolio transactions. It recognises from the date that transaction is entered into (trade date) any unrealised profits and losses arising from revaluing that contract to fair value in the income statements. Subsequent to the trade date, when the transaction is settled, a resulting financial asset and liability is recognised on the balance sheet at the fair value of the consideration paid or received plus or minus the change in fair value of the contract since the trade date.

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 statements. Interest earned whilst holding trading assets is included in interest income.

2.7.4 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 initially recognised at fair value plus transaction costs, and are subsequently re-measured at amortised cost using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Outstanding premiums

Outstanding premiums are carried at cost, which approximate fair value.

Premiums of life assurance business which remained outstanding beyond the contractual date would automatically trigger premium loans which are taken against the cash value standing to the credit of the policy. Where the cash value is insufficient to activate a premium loan, the policy lapses and the insurance contract between the life assurance subsidiary and the policyholder is deemed cancelled without further liabilities accruing from either party.

Outstanding premiums from general insurance business which are outstanding for 90 days would lead to termination of insurance cover and the entire amount would be written off to the income statements in the year in which the 90-day credit expires.

2.9 Property, plant and equipment

Property, plant and equipment include own-used properties, investment properties, leasehold improvements, computer equipment, office equipment, motor vehicles and software costs. Computer software costs are capitalised and recognised as an intangible asset when it is probable that the costs will generate economic benefits beyond one year and the costs are associated with identifiable software products controlled by the Group.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The residual values and useful lives 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 or amortised on the straight-line basis over their estimated useful lives. Freehold land and leasehold land, with leases of more than 100 years to expiry, are not depreciated. Other leasehold land are amortised over 50 years or the period of the lease, whichever is shorter. The estimated useful lives of plant and equipment are:

Furniture and fixtures	-	5 to 10 years
Office equipment	-	5 to 10 years
Computer equipment	-	3 to 5 years
Software costs	-	3 to 10 years
Renovation	-	3 to 5 years
Motor vehicles	-	5 years

Costs incurred in developing properties, including interest on borrowings to finance the development of such properties during the period of time that is required to complete and prepare the asset for its intended use or sale, are capitalised and included in the carrying amount of the asset. All other borrowing costs are expensed.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the assets 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 statements during the financial year when it is incurred.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statements.

2.10 Goodwill and intangible assets

2.10.1 Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries or associated companies over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

(a) Acquisition pre 1 January 2001

Goodwill on acquisitions was adjusted against reserves in the year of acquisition. On disposal of the subsidiaries or associated companies, such goodwill and negative goodwill previously adjusted against reserves are not recognised in the income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Goodwill and intangible assets (continued)

2.10.1 Goodwill (continued)

(b) Acquisition post 1 January 2001

Goodwill on acquisition of subsidiaries is included in "Goodwill and intangible assets" on the balance sheet. Goodwill on acquisition of associated companies is included in investments in associated companies.

Goodwill for acquisitions post 1 January 2005 is determined after deducting the Group's share of their identifiable net assets and contingent liabilities.

From 1 January 2005, goodwill recognised is tested at least annually for impairment and carried at cost less accumulated impairment losses (Note 2.11.3).

Gains or losses on the disposal of subsidiaries and associated companies 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. The assets are stated at cost less accumulated amortisation and accumulated impairment losses on the balance sheet. The Group identified the value of in-force business arising from its acquisition of additional stake in Great Eastern Holdings Limited as intangible assets, amortised on the straight-line basis over its estimated economic useful life of 20 years.

2.11 Impairment of assets

2.11.1 Loans and receivables

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. Allowances for loans in the loan book comprise specific allowances as well as portfolio allowances. The specific allowance is established when the present value of future recoverable cash flows for impaired loans is lower than the carrying value of the loan. Impaired loans are assessed 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. Portfolio allowances are set aside for the unimpaired loans based on management's credit experiences and judgements. Credit experiences are based on historical default rates which take into account risk factors, including internal risk ratings, geographic, industry and economic conditions as at reporting date.

Specific allowances for loans are reversed to income statements when the loans are no longer considered impaired after a minimum cooling off period is observed. Allowances are also written back to the income statements, after the sale of collateral and the loss on the loan is determined to be less than the amount of specific allowance previously made. Write-offs of debts are made when recovery action has been instituted and the loss can be reasonably determined.

2.11.2 Investments in other 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. Impairment of investments is calculated as the difference between the asset's carrying amount and the estimated recoverable amount. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investments below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statements – is removed from the fair value reserve within equity and recognised in the income statements. Impairment losses recognised in the income statements on equity investments are not reversed through the income statements, until the equity investments are disposed off.

2.11.3 Goodwill

Goodwill is tested annually for impairment, as well as when there is indication that the goodwill may be impaired. 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 business segments as set out under the primary segment report has been determined as the CGU for impairment testing purposes as this is the level at which the performance of an investment is reviewed and assessed by management.

An impairment loss is recognised in the income statements when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of assets (continued)

2.11.3 Goodwill (continued)

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is not reversed in subsequent periods.

2.11.4 Investments in subsidiaries and associated companies
Property, plant and equipment
Intangible assets

Intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are reviewed for impairment wherever there is any indication that these assets may be impaired. If such an indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs to.

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

2.12 Derivative financial instruments and hedging activities

All derivative financial instruments are recognised at inception on the balance sheet (including transaction costs), which are normally zero or negligible at inception, and subsequent changes in fair value as a result of fluctuation in market interest rates or foreign exchange rates are recorded as derivative receivables (favourable) and derivative payables (unfavourable).

The Group enters into derivative transactions for trading purposes, and the realised and unrealised gains and losses are recognised in net trading income. 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.

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item. Documentation includes the risk management objectives and its strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedge. The Group formally assess, both at the inception of the hedge and on an on-going basis, whether the hedging derivatives have been "highly effective" in offsetting changes in the fair value or cash flows of the hedged items.

For qualifying fair value hedges, the change in the fair value of the derivative and the hedged item relating to the hedged risk are recognised in the income statements. 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 statements as a yield adjustment over the remaining maturity of the asset or liability. Adjustment will be on the straight-line method if amortisation using a re-calculated effective interest rate is not practicable.

The Group's fair value hedges primarily include hedges of fixed rate long-term debts issued, fixed rate available-for-sale debt securities and fixed rate loans. Interest rate swaps are the most common type of derivative instruments used by the Group to modify exposure to interest rate risks by converting fixed rate assets and liabilities to floating rate.

"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. Such gains and losses are recorded in current period income statements in net trading income.

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 statements. Amounts accumulated in equity are recycled to the income statements in the periods in which the hedged forecasted transaction affects the income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 Provision and other liabilities

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is highly 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.

Full provision is made for the estimated cost of all life assurance claims notified but not settled at balance sheet date. Provision is made for claims incurred but not reported for all classes of general insurance business written.

Policy benefits are recognised in the accounts when policyholder exercises the option to deposit the survival benefits with the life assurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiaries.

2.15 Insurance contracts

The insurance subsidiaries within the Group issue insurance contracts in accordance with the local Insurance Regulations prevailing in the respective jurisdictions in which these insurance subsidiaries operate.

Disclosures on the various insurance contracts and their 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 statements. The Group does not adopt a policy of deferred acquisition cost 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 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. The payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Insurance contracts (continued)

A significant portion of the insurance contracts issued by subsidiaries within the Group contain a discretionary participating feature. These contracts are classified as participating policies. In addition to benefits payable upon insured events associated with human life such as death or disability, the contract entitles the policyholder to receive benefits, commonly referred to as policyholder bonus, which is derived from the investment performance of the pool of assets of all the participating policies managed by each insurance subsidiary within the Group.

In addition to guaranteed benefits, set out in the participating policy contract which includes a representation, by the insurance subsidiary within the Group, to the effect that the amount and timing of payment or vesting of payable are at the sole discretion of the insurance subsidiary within the Group and are based on the performance of the pool of assets, including but not limited to the investment performance, the long term sustainability of the policyholder bonus scale, policyholders' expectations, and surplus or capital strength of the participating fund. Fund surplus, not distributed to shareholders or policyholders, of the participating life fund is classified as liability.

The Group does not recognise the guaranteed component separately from the discretionary participation feature; hence the Group classifies the whole contract as a liability in the financial statements.

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 the balance sheet date.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Insurance contracts (continued)

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

Valuation method	**Singapore Gross Premium**	**Malaysia Net Level Premium**
Interest Rate	Singapore Government Bond yields for cash flows prior to 10 years, the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows after 15 years, 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	Participating Fund: Either 3.5% or 4% for regular premium within respective product groups, 4.5% for single premium products. Non-Participating 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. Table: 100% Statutory Mortality Valuation Table ("SMVT") 1996. Adjustment for females: 3 years setback. Data source: prescribed rates
Disability	*Best estimates plus provision for adverse deviation. Data source: internal experience studies	Included in death rates. Data source: prescribed rates
Dread disease	*Best estimates plus provision for adverse deviation. Data source: internal experience studies	Table: 150% Cologne Re male smoker mortality rates. Data source: Reinsurers' rates
Expenses	*Best estimates plus provision for adverse deviation. Data source: internal experience studies	Not applicable.
Lapse & surrenders	*Best estimates plus provision for adverse deviation. Data source: internal experience studies	Not applicable.

*Refer to Note 2.23 on Critical Accounting Estimates and Judgements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Insurance contracts (continued)

Each insurance subsidiary within the Group is required under the 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, the basis adopted is prescribed by the Insurance Regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compare this amount to the carrying value of the liability. Any deficiency is charged to the income statements.

The Group issues investment linked contracts as an insurance contract 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. This embedded derivative meets the definition of insurance contract; hence need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies as prescribed by 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.

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 provision for incurred but not reported ("IBNR") claims is classified as liabilities and included in other liabilities.

The Group uses a combination of estimates derived from loss-ratio estimate and actual claims experience, to estimate the loss reserves and IBNR claims 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. Discounting is not used due to the short term nature of the Group's general insurance liabilities.

Reinsurance Contracts

Contracts entered into by the insurance subsidiaries within the Group with reinsurers where it is compensated for losses on one or more contracts issued are classified as insurance contracts. The benefits to which the Group is entitled under these contracts are recognised as reinsurance assets. Assets consisting of short term balances due from reinsurers, are classified as other debtors. Longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts are classified as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. These amounts are assessed for impairment at reporting date. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

2.16 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 the financial year, in the form of unearned premium. The change in the provision for unearned premium is taken to the income statements in the order that revenue is recognised over the period of the risk exposure. Further provisions are made for claims anticipated under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

URR is computed using the 1/24th method 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Repurchase and reverse repurchase agreements ("Repos" and "reverse repos")

Repos are treated as collateralised borrowing and the balances included in deposits and balances of non-bank customers and banks. The securities sold under repos are treated as pledged assets and continue to be recognised as assets. Reverse repos are treated as collateralised lending and the balances 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.

2.18 Debts issued

Borrowings from the issuance of debts are recognised initially at fair value, being the issue proceeds net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statements as interest expense over the period of the borrowing using the effective interest rate method.

Generally, it is the Group's policy to hedge the fixed interest rate risk on debt issues and apply fair value hedge accounting. When hedge accounting is applied to fixed rate debt instruments, the carrying values of debt issues are adjusted for changes in fair value related to the hedged exposure rather than carried at amortised cost.

2.19 Share capital and dividend

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

Costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction from the proceeds.

Interim dividends on ordinary shares and dividends on preference shares are recorded in the financial year in which they are declared payable by the board of directors. Final dividends proposed after year end are disclosed as subsequent event in Note 12 and will be recorded in the financial year in which the dividends are approved by shareholders at the annual general meeting.

2.20 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:
(a) represents a separate major line of business or geographical area of operations; or
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to sell.

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. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.22 Segment reporting

The Group identified different business segments representing the key customer and product groups for its reporting purposes: Consumer Banking, Business Banking, Treasury, Insurance and Others. A business segment is a group of assets and operations engaged in providing products and services that is subject to risks and returns that are different from other business segments. The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. 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 is engaged in providing products and services within a particular economic environment that is subject to risks and returns that are different from other geographical segments operating in other economic environment. The geographical segment information is prepared based on the country in which the transactions are booked and are presented after elimination of intra-group transactions and balances.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

2.23.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Liabilities of insurance business

The estimation of the ultimate liability arising from claims made under life 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 liability that the Group will ultimately be required to pay as claims.

For life insurance contracts, estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group based these estimates on standard industry and national mortality tables that reflects historical mortality experience, adjusted where appropriate to reflect the Group's unique risk exposure.The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to longevity, prudent provision is made for expected future mortality improvements, but epidemic, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure. All of these result in even more uncertainty in estimating the ultimate liability. Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

In addition to the expected outcome, solvency margins prescribed by regulations are included in these key estimates.

(b) Estimated impairment of goodwill and intangible assets

The Group tests annually whether goodwill and intangible assets have suffered any impairment in accordance with the accounting policies stated in Note 2.11.3 and 2.11.4 respectively. The recoverable amounts of CGU are determined based on the value-in-use method, which requires the use of estimates. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on budgets and forecasts approved by management covering a 5-year period. Cash flows beyond the fifth year are extrapolated using estimated terminal growth rates, which do not exceed the long-term average growth of the industry and country in which the CGU operates. The discount rates applied to the cash flow projections are derived from the CGU's weighted average cost of capital at the date of assessment. Changes to the assumptions used by management, particularly the discount rate and terminal growth rate, may significantly affect the results of the impairment test.

(c) Share option costs

The Group calculates the fair value of share options using the binomial model which requires input of certain variables determined based on assumptions made (see Note 2.2.6 and 13.3).

(d) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices or dealer quotes for similar instruments and discounted cash flows are some of the common techniques used to calculate the fair value of these instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Critical accounting estimates and judgements (continued)

2.23.1 Critical accounting estimates and assumptions (continued)

(e) 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 during the estimation of 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 audit 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.

2.23.2 Critical judgements in applying accounting policies

(a) 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. For homogeneous loans below a materiality threshold, which 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 as at reporting date.

The assumptions and judgements used by management may affect the allowances set aside for loans.

(b) Impairment of available-for-sale financial assets

The Group follows the guidance of FRS 39 (revised 2004) on determining when an investment is other-than-temporary 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 cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

2.24 Comparatives

Where necessary, certain comparative figures were adjusted to conform to current year's presentation of the financial statements.