



International Financial Reporting Standards (IFRS)

*Its relevance and impact to
local/SME companies*

Agenda

- Background and overview of IFRS
- Impact of IFRS on local/SME companies
- Myanmar accounting standards

Background and overview of IFRS

1

What is IFRS?

What?

International Financial Reporting Standards is a set of accounting standards

Who?

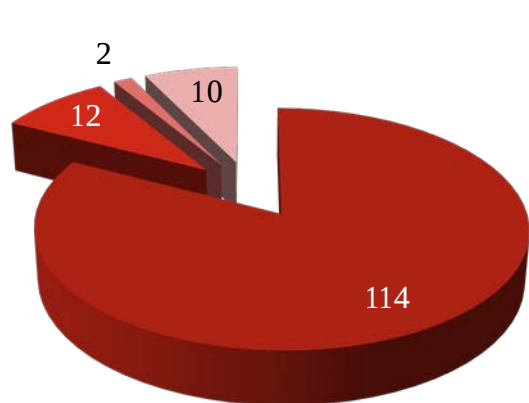
The standard setter is International Accounting Standards Board (IASB) based in London

The world has chosen IFRS

138

Use of IFRS by domestic listed companies

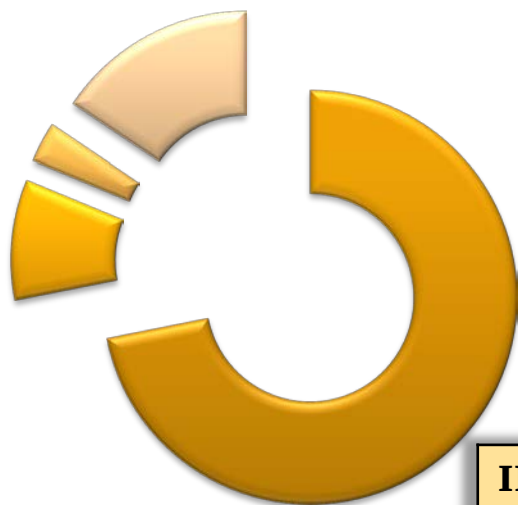
138 Jurisdictions in the world



- IFRS required for all or most companies
- IFRS permitted for all or most companies
- IFRS required for financial institutions only
- National standards (including in process of moving to IFRS)

The objective of IFRS is to improve financial reporting to meet the challenges posed by globalization and the integration of global financial markets

IFRS adoption status in Asia - Oceania



- Required
- Permitted
- Financial institutions
- National standards

**24 out of 33
jurisdiction require
IFRS or equivalent
in Asia-Oceania**

IFRS or local IFRS equivalent (24)	Afghanistan Azerbaijan Brunei Georgia Maldives Nepal Philippines Sri Lanka	Armenia Bangladesh Cambodia Hong Kong Mongolia New Zealand Korea Taiwan	Australia Bhutan Fiji Malaysia Myanmar Pakistan Singapore Turkey
Permitted (3)	India	Japan	Yemen
Financial institutions (1)	Uzbekistan		
National standards (5)	Indonesia China	Thailand Macao	Vietnam

Source: IFRS.org

Capital markets as a share of GDP

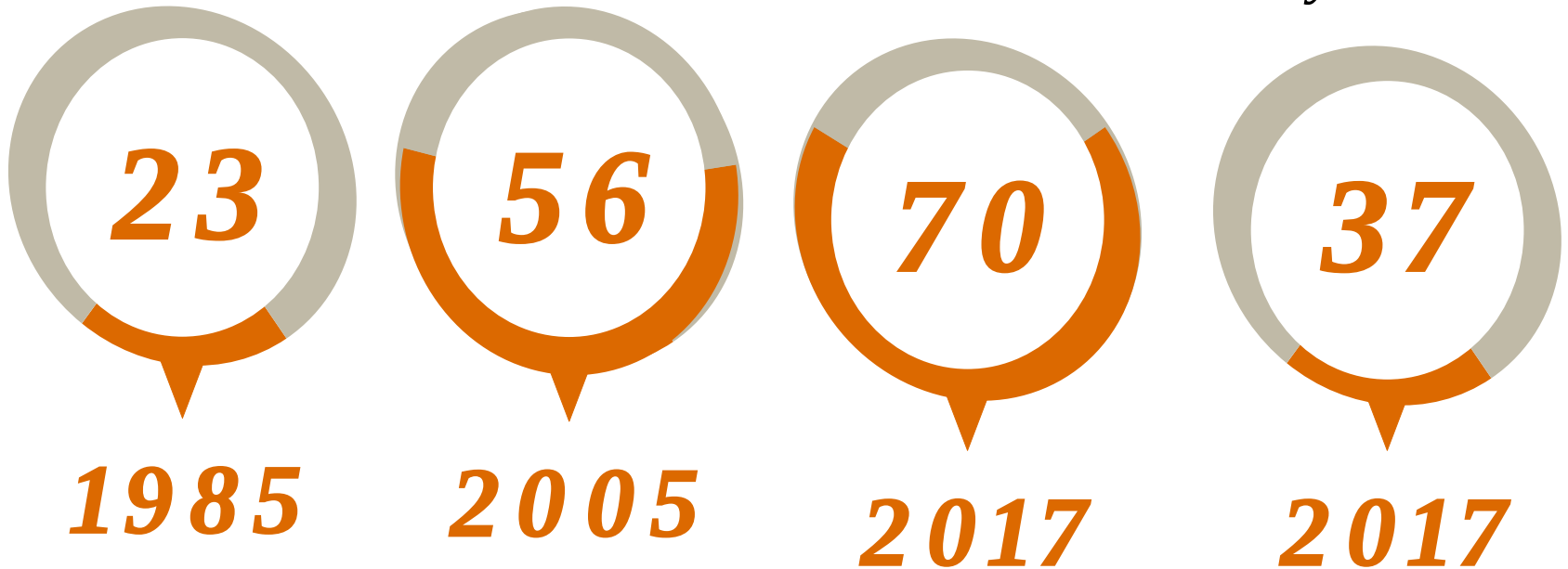
IFRS provide the financial information for capital markets covering over half of the world's GDP

- Capital market investors and lenders in jurisdictions with 58% of the world's GDP receive IFRS financial statements.
- IFRS are also used in some of the remaining economies, for example, by nearly 500 foreign companies whose securities trade in the United States.

IFRS then and now

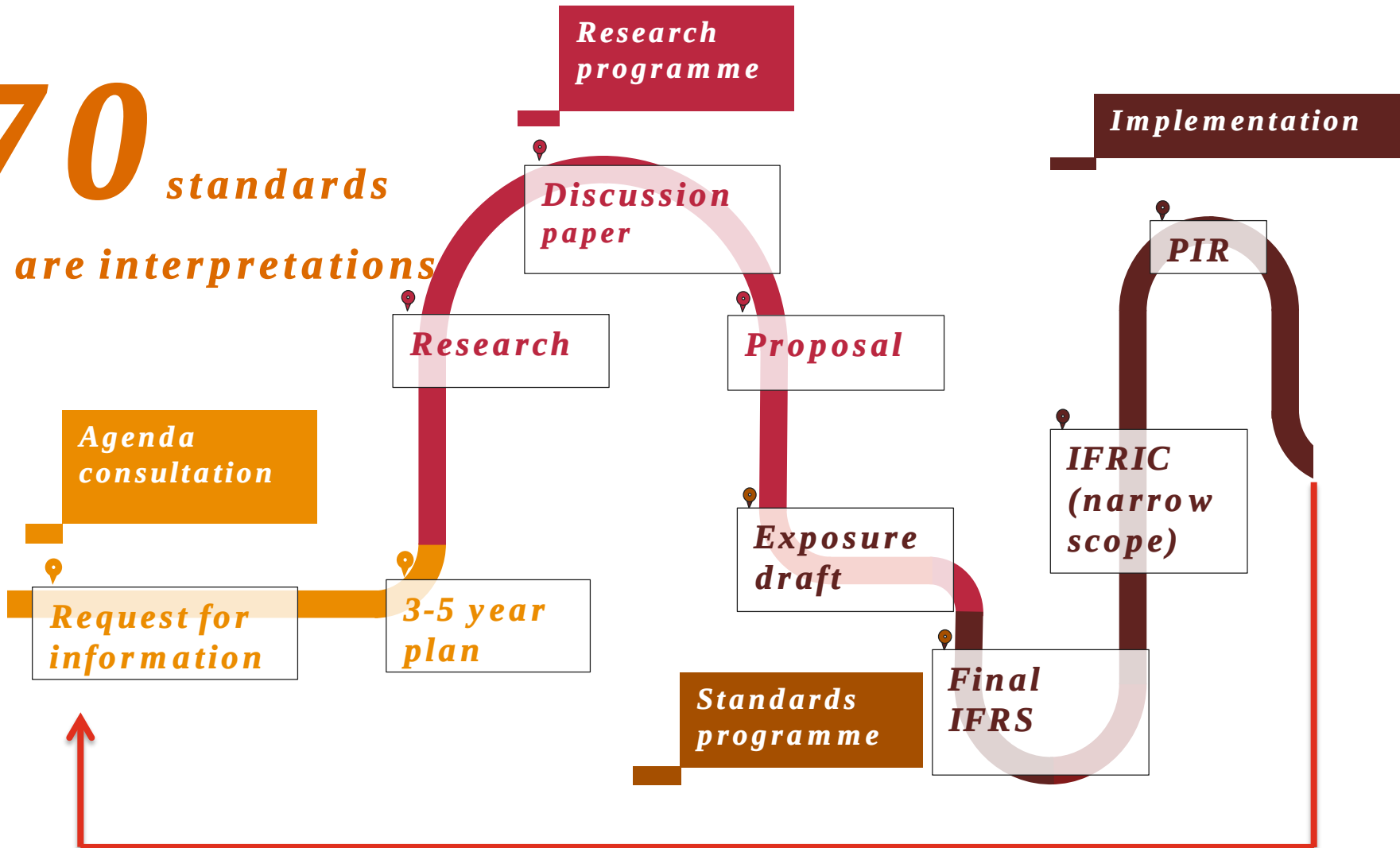
Number of standards and interpretations

Myanmar



How IFRS is being developed?

70 standards
25 are interpretations



Recent new standards issued by IASB

Newly issued IFRS

- IFRS 9, Financial Instruments (July 2014) effective 1 Jan 2018
- IFRS 15, Revenue from contracts with customers (May 2014) effective 1 Jan 2018
- IFRS 16, Leases (January 2016) effective 1 Jan 2019
- IFRS 17, Insurance contracts (May 2017), effective 2021

Impact of IFRS on companies

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Why IFRS?

Investors

- Provide transparency and comparability in financial reporting
- Provide opportunities to diversify portfolio and investment

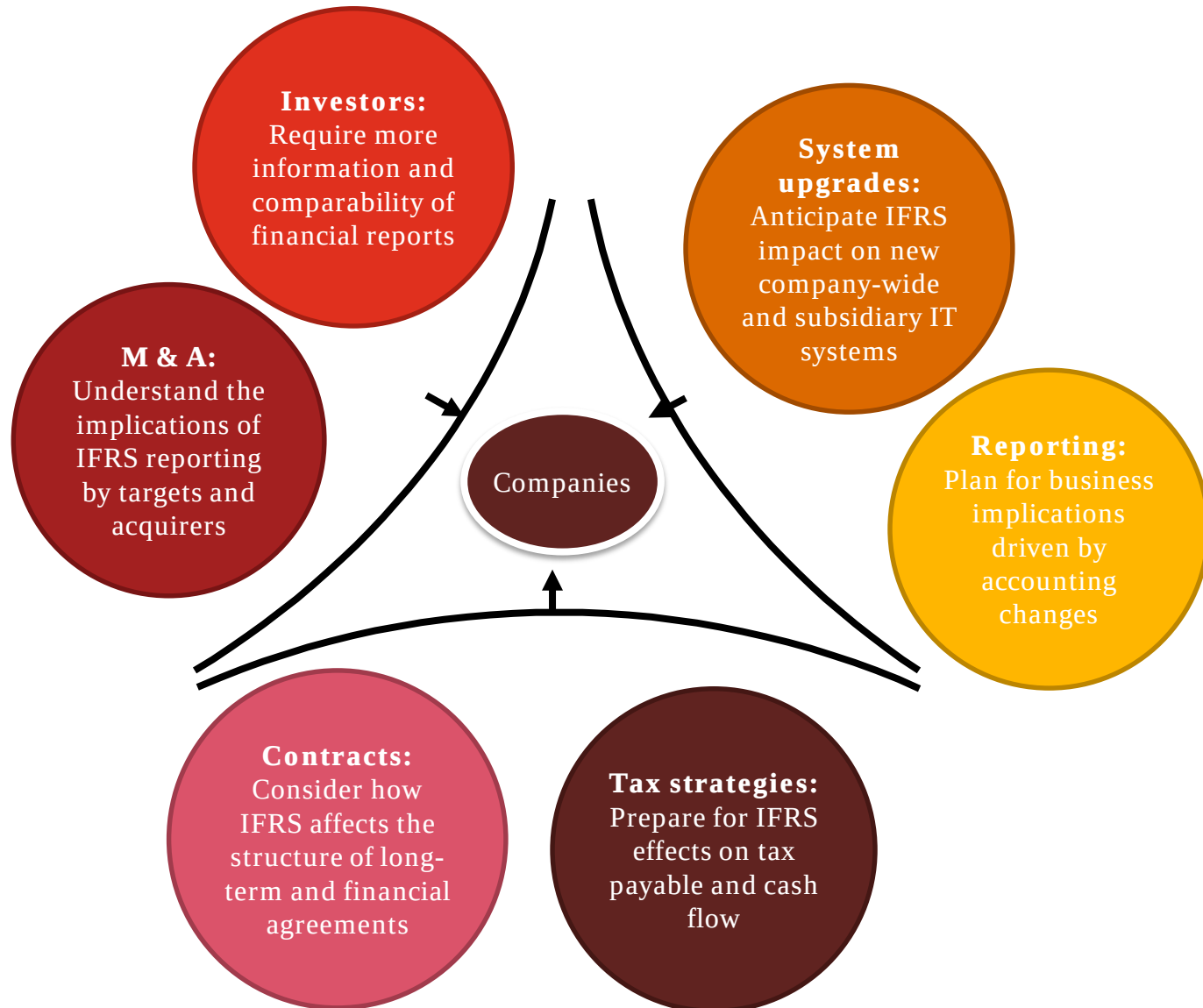
Companies

- Increase opportunities for investments from foreign investors
- Reduce cost of capital by providing more trust to investors
- Enable raising capital anywhere in the world

Capital markets

- Increase in foreign direct investment
- Quality of domestic governance standards

How IFRS is affecting companies now



Key IFRS affecting companies

Financial instruments

- Classification and measurement
- Cost vs. fair value
- Fair value of derivatives

Consolidations

- Assessment of control
- Data required to provide disclosures

Business combination

- Treatment of intangibles and fair value measurement
- Determination of impairment of goodwill

Disclosures

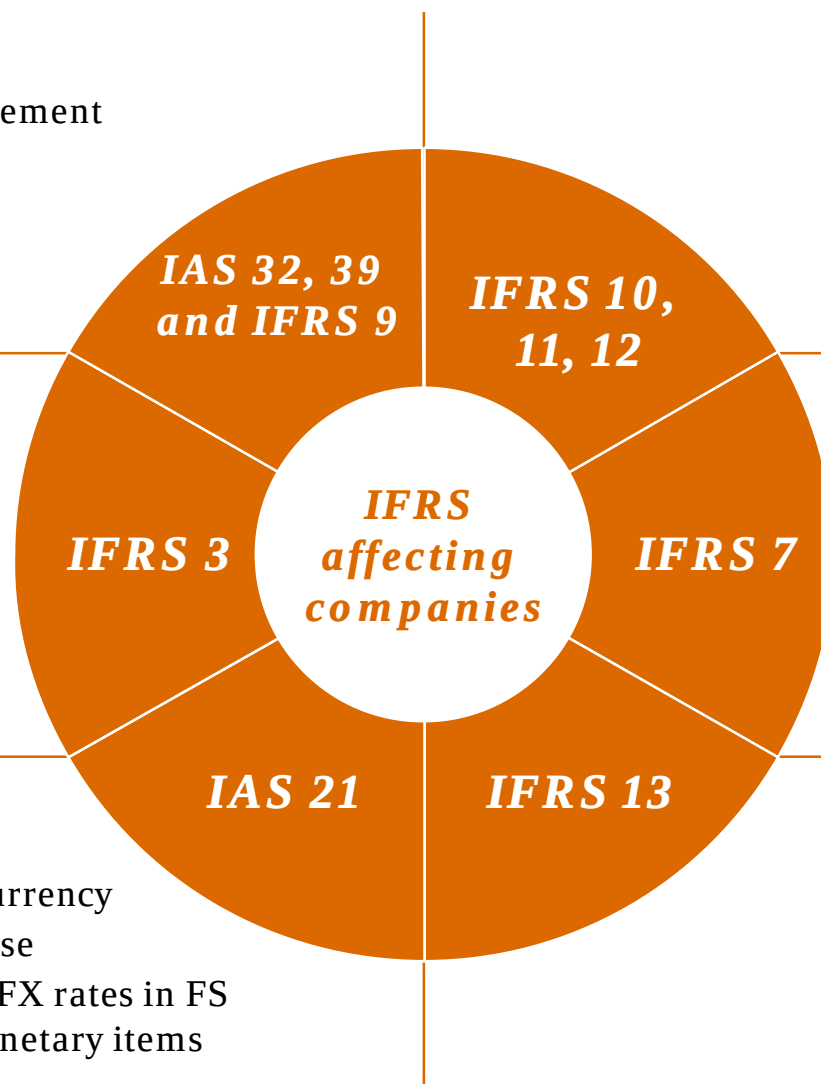
- Risk management disclosures
- Availability of data for disclosure requirements

Effects of changes in foreign exchange rates

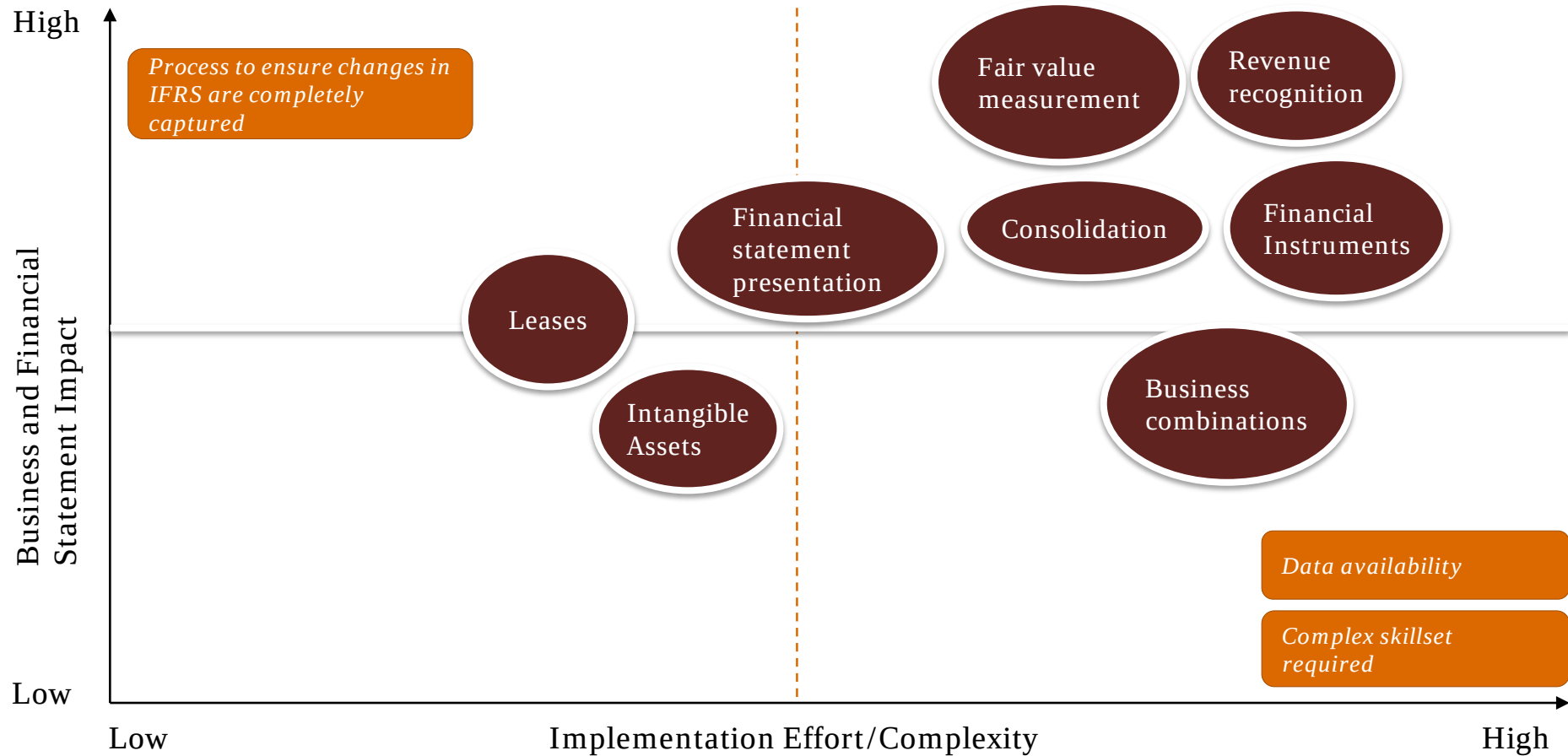
- Determining functional currency
- Identification of rates to use
- Appropriate treatment of FX rates in FS for monetary and non-monetary items

Fair value measurement

- Use of fair value methodologies
- Fair value hierarchy
- Disclosures



Key areas of IFRS that have significant impact for companies



The cost of not getting it right

BOAML

Over-reported \$4.3
billion of capital

Fined \$7.65 million

Lehman Brothers

Over-valuation of mortgage
portfolio

Declared bankruptcy

Enron

Special Purpose Vehicles
off balance sheet

Collapsed

Myanmar Accounting Standards

3

IFRS adoption in Myanmar

- The current Myanmar Financial Reporting Standards (MFRS) issued in English by the Myanmar Accountancy Council is effective from 4 January 2011 .
- It comprised 29 Myanmar Accounting Standards (MAS) and 8 Myanmar Financial Reporting Standards (MFRS), collectively known as MFRS.

Comparison to IFRS:

- MFRS adopted all IFRS standards in place as at 4 January 2011 with no modifications.
- MFRS did not adopt any Interpretations from IFRICs and SIC (more than 25)
- Since then, there are no new standards issued or revisions/amendments to MFRS.
- Hence, all new and revised standards in IFRS have not been adopted. For example:
 - IFRS 9: Financial Instruments
 - IFRS 10: Consolidated Financial Statements
 - IFRS 11: Joint Arrangements
 - IFRS 12: Disclosure of Interest in Other Entities
 - IFRS 13: Fair Value Measurement
 - IFRS 14: Regulatory deferral accounts
 - IFRS 15: Revenue from contracts with customers
 - IFRS 16: Leases

List of Myanmar Financial Reporting Standards

As at 31 March 2018

MFRS 1	First-time adoption of Myanmar Financial Reporting Standards	MAS 21	The effects of changes in foreign exchange rates
MFRS 2	Share-based payment	MAS 23	Borrowing costs
MFRS 3	Business combinations	MAS 24	Related party disclosures
MFRS 4	Insurance contracts	MAS 26	Accounting and reporting by retirement benefit plans
MFRS 5	Non-current assets held for sale and discontinued operations	MAS 27	Consolidated and separate financial statements
MFRS 6	Exploration for and evaluation of mineral resources	MAS 28	Investments in associates
MFRS 7	Financial instruments: Disclosures	MAS 29	Financial reporting in hyper-inflationary economies
MFRS 8	Operating segments	MAS 31	Interests in joint ventures
MAS 1	Presentation of financial statements	MAS 32	Financial instruments: Presentation
MAS 2	Inventories	MAS 33	Earnings per share
MAS 7	Statement of cash flows	MAS 34	Interim financial reporting
MAS 8	Accounting policies, changes in accounting estimates and errors	MAS 36	Impairment of assets
MAS 10	Events after the reporting period	MAS 37	Provisions, contingent liabilities and contingent assets
MAS 11	Construction contracts	MAS 38	Intangible assets
MAS 12	Income taxes	MAS 39	Financial instruments: Recognition and measurement
MAS 16	Property, plant and equipment	MAS 40	Investment Property
MAS 17	Leases	MAS 41	Agriculture
MAS 18	Revenue		
MAS 19	Employee benefits		
MAS 20	Accounting for government grants and disclosure of government assistance		

Source:

<http://www.oagmac.gov.mm/content/myanmar-financial-reporting-standard-mfrs-small-and-medium%E2%80%90sized-entities>

<http://www.oagmac.gov.mm/sites/default/files/styles/oag/activities/MAS.pdf>

Common differences in practice

Area	IFRS / MFRS	In practice	Impact to financial statements?
Preparation of financial statements	An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.	Many Myanmar companies continue to operate on cash basis and apply cash accounting	Yes. Balance sheet and PL impact
Classification of cash and cash equivalents	- Cash comprises cash on hand and demand deposits. - Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.	Company's cash are held in bank accounts under owner's name. Co-mingled bank accounts	Yes. Balance sheet classification

Common differences in practice

Area	IFRS / MFRS	In practice	Impact to financial statements?
Classification and measurement of financial assets	- Financial assets should be classified into four categories: - Held for trading - Loans and receivables - Held to maturity - Available for sale - Extensive use and disclosures, stringent rules in measurement of fair value	Generally the investments are held at cost.	Yes. Balance sheet and P&L impact

Common differences in practice

Area	IFRS / MFRS	In practice	Impact to financial statements?
Impairment of financial assets	• An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired • A financial asset measured at amortised cost is impaired when its carrying value exceeds the present value of the future cash flows discounted at the financial asset's original effective interest rate.	No impairment loss considered	Yes. Balance sheet and P&L impact

Common differences in practice

Area	IFRS / MFRS	In practice	Impact to financial statements?
IAS 2: Inventories	Inventory are measured at net realisable value at certain stages of production. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories, shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula.	• Cost of inventories not assigned using the FIFO or weighted average cost formula • No inventory obsolescence and provision considered • Lack of inventory count procedures • Cut-off procedures not considered	Yes. Balance sheet and P&L impact

Common differences in practice

Area	IFRS / MFRS	In practice	Impact to financial statements?
Recognition of interest	IAS 39 requires use of effective interest rate method . The effective interest rate is the rate that exactly discounts the estimated stream of future cash payments/receipts through the expected life of the financial instrument.	Various methods are currently used to recognise interest income or expense, including accrual using contract rate or cash basis.	Yes. Balance sheet and P&L impact

Common differences in practice

Area	IFRS / MFRS	In practice	Impact to financial statements?
Accounting for deferred tax	IAS 12 requires an entity to account for deferred tax arising from timing differences and temporary differences. Timing differences are differences between taxable profit and accounting profit that originate in one period and reverse in one or more subsequent periods. using the liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position.	Deferred income tax is not considered and not accounted for.	Yes. Balance sheet and P&L impact

Common differences in practice

Area	IFRS / MFRS	In practice	Impact to financial statements?
IFRS 10: Consolidated Financial Statements	IFRS 10 is applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent. The standard also applied in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate financial statements. Although IFRS 10 is not yet adopted in Myanmar, MFRS 27 <i>Consolidated and Separate Financial Statements</i> has similar consolidation requirements.	Most group companies in Myanmar do not prepare consolidated financial statements, and only the stand alone financial statements of each group entity are filed with the authorities.	Yes. No consolidated accounts prepared which is a requirement of MFRS/IFRS and overseas regulators, investors and banks.

Common differences in practice

Area	IFRS	In practice	Impact to financial statements?
IFRS 7: Financial Instruments: Disclosures	IFRS 7 require entities to disclose in their financial statements information that enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.	Disclosures are more focused on regulatory compliance rather than meeting IFRS 7 objectives.	Yes, lack of disclosures as IFRS and regulatory forms can have varying levels of details required. See the Appendix for sample of disclosure of risks arising from financial instruments.

Appendices

About the Speaker

Belinda, NEO

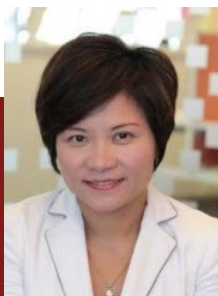
Director, Risk Assurance

PwC Myanmar

Belinda NEO

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Belinda is a Director in PwC with more than 18 years of experience in providing audit and advisory services, having previously worked in Singapore and Hong Kong. Currently, she spends her time in Myanmar to support companies and businesses in Myanmar with Business Transformation initiatives including finance operations improvement review, financial reporting and internal controls needs and requirements.

Belinda was previously leading the Singapore Assurance service group for government and public sector entities, providing assurance services to some of the biggest public service providers for housing, education and social and economic development.

She has extensive experience in dealing with accounting, auditing and regulatory reporting regimes for both private and public sector entities. She has led global and regional audits of local multinational corporations and is also experienced in assisting companies with their initial public offerings processes.

Relevant experience

- Assisted in several pre-acquisition accounting review of business and funding structures in Myanmar, helping to plan for and ensure an efficient structure which meets the financial requirements of the regulators and investors.
- Engagement leader for various IFRS-related projects in Myanmar, including IFRS audits for companies with operations in FMCG, telecommunications, transport and logistics, etc.
- Led multiple internal audit and control reviews of various companies in Myanmar
- Trainer for IFRS trainings conducted in Myanmar

Qualifications

- Bachelor of Accountancy (Honours), Nanyang Technological University, Singapore
- Public Accountant and Chartered Accountant (CA) of Singapore
- Member of the Institute of Singapore Chartered Accountants (ISCA)
- ASEAN Chartered Professional Accountant (ASEAN CPA)

Appendix - Extensive risk management disclosures

45 RISK GOVERNANCE

Under the Group's risk governance framework, the Board of Directors, through the Board Risk Management Committee, oversees the establishment of robust enterprise-wide risk management policies and processes. Where necessary, the Group sets risk appetite limits to guide risk-taking.

Management is accountable to the Board for ensuring the effectiveness of risk management and adherence to risk appetite limits. To provide risk oversight, senior management risk committees are mandated to focus on specific risk areas. These oversight committees are the Risk Executive Committee, the Group Market Risk Committee, the Group Credit Risk Committee, the Group Operational Risk Committee and the Group Commitments and Conflicts Committee.

On a day-to-day basis, business units have responsibility for risk management. In partnership with independent control functions provide senior management with timely assessment of key risk exposures and the associated management responses. These units also recommend risk appetite and control limits for approval in line with the Group's risk governance framework.

46 CREDIT RISK

Credit risk is the risk of loss resulting from the failure of borrowers or counterparties to meet their debt or contractual obligations. Senior management sets the overall direction and policy for managing credit risk at the enterprise level. In so doing, it directs the risk appetite and underwriting activities for various countries, industries and counterparties taking into account factors such as prevailing business and economic conditions. The Core Credit Risk Policy and the accompanying supplemental policies set forth the principles by which the Group conducts its credit risk underwriting activities. The Group Credit Risk Committee serves as the executive forum for overseeing various aspects of credit risk taking including framework, limit management, policies, processes, methodologies and systems.

Exposure to credit risks arises from lending, sales and trading as well as derivative activities. Lending exposures are typically represented by the notional value or principal amount of on-balance sheet financial instruments. Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans even though they are of contingent nature. Documentary and commercial letters of credit, which are undertakings by the Group on behalf of a customer, are usually collateralised by the underlying shipments of goods to which they relate and therefore exhibit different risk characteristics from direct lending. Commitments to extend credit include

unused portions of loan commitments, guarantees or letters of credit. The majority of unused commitments are contingent upon customers observing or meeting certain credit terms and conditions.

The credit exposure of derivative transactions is based on the positive mark-to-market value to the Group, which in general is only a fraction of the derivative contract or notional amount used to express the volume of instruments. This credit exposure, together with potential exposures from market movements, is managed as part of the overall lending limits to the counterparties. Credit exposures on these instruments are usually unsecured, except where the Group enters into collateralised margin transactions with counterparties. The

Summary quantitative data of risk exposures

The risk management of the exposures is conducted through the credit application process which includes the assessment of repayment likelihood and the establishment of appropriate credit limits. The Group uses various internal and external risk rating systems (credit scorecards, customer risk grading and bureau score) to assess the level of credit risk accepted by the Group. Business units and credit approvers have the responsibility to ensure that credits are properly assessed and classified. Business units also assume the responsibility to ensure all crucial information is included in the application process for the purpose of assessment and approval.

The Group adopts a multi-level credit approval process requiring loan approval at successively higher levels and/or committees (as delegated) depending on, among other things, the size, nature of the proposed transactions and credit quality. Exposures are monitored against credit limits and other control limits (such as large exposures and concentration limits) by credit management units at the transaction and the portfolio levels, as appropriate.

In addition to the consideration of the primary recourse to the obligor for the credit risk underwritten, the employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support as well as the use of credit derivatives to hedge or transfer risk to other third parties form an integral part of the credit risk management process. Some specific mitigation measures are outlined below:

Collateral

Where possible, the Group takes collateral as a secondary recourse to the borrower. Collaterals include cash, marketable

securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. The Group may also take fixed and floating charges on assets of borrowers. It has put in place policies which governs the determination of eligibility of various collaterals to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants. For collateral taken in the global financial market operations, the collateral is marked to market on a mutually agreed period with the respective counterparties. For collateral taken for commercial banking, the collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. Whilst real estate properties constitute the largest percentage of the collateral assets, the Group generally considers the collateral assets to be diversified.

Master netting arrangements

The Group further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities as transactions are usually accounted for individually on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis.

Other risk mitigating factors

In addition, the Group also uses guarantees, credit derivatives and credit insurance as credit risk mitigating factors. Whilst the Group may accept guarantees from any counterparty, it sets a threshold internally for considering guarantors to be eligible for credit risk mitigation. Credit derivatives are used as credit risk mitigating factors mainly in structured transactions and for global financial market operations.

46.1 Maximum exposure to credit risk

The maximum exposure to credit risk at the balance sheet date is the amounts on the balance sheet as well as commitments to extend credit, without taking into account the fair value of any collateral and master netting arrangements. The table below shows the maximum exposure and average gross exposures to credit risk for the components of the balance sheet:

In \$ millions	The Group			
	Average 2009	Average 2008	2009	2008
Cash and balances with central banks (excludes cash on hand)	17,939	16,153	21,127	14,750
Singapore Government securities and treasury bills	15,378	15,115	15,960	14,797
Due from banks	21,335	21,689	22,203	20,467
Financial assets at fair value through profit or loss (excludes equity securities)				
Other government securities and treasury bills	3,022	2,439	3,918	2,126
Corporate debt securities	4,553	8,280	4,459	4,647
Loans and advances to customers	626	1,365	610	641
Other financial assets	1,839	1,476	1,986	1,692
Positive fair values for financial derivatives	24,172	22,723	16,015	32,328
Loans and advances to customers	127,907	116,092	129,973	125,841
Financial investments (excludes equity securities)				
Other government securities and treasury bills	6,117	3,399	7,685	4,549
Corporate debt securities	17,060	15,850	17,030	17,089
Securities pledged				
Singapore Government securities and treasury bills	120	227	55	186
Other government securities and treasury bills	754	2,218	702	806
Corporate debt securities	16	112	27	5
Other assets	6,049	5,863	6,011	6,089
Credit exposure	246,887	233,001	247,761	246,013
Contingent liabilities and commitments (excludes operating lease and capital commitments)	94,370	98,736	97,238	91,501
Total credit exposure	341,257	331,737	344,999	337,514

Appendix - Extensive risk management disclosures

Concentration of credit risk disclosure

The geographic distribution of credit exposures are as follows:

The Group 2009						
In \$ millions	Singapore	Hong Kong	Rest of Greater China	South and Southeast Asia	Rest of the World	Total
Cash and balances with central banks (excludes cash on hand)	19,109	158	1,644	212	4	21,127
Due from banks	16,822	2,519	1,172	542	1,148	22,203
Financial assets at fair value through profit or loss (excludes equity securities)	7,599	392	411	2,147	424	10,973
Other securities ^(a) (excludes equity securities)	28,773	7,467	452	1,087	3,680	41,459
Loans and advances to customers	72,961	32,818	9,979	7,874	6,341	129,973
Other assets ^(a)	16,325	3,953	478	771	499	22,026
Credit exposure	161,589	47,307	14,136	12,633	12,096	247,761
Contingent liabilities and commitments (excludes operating lease and capital commitments)	51,853	26,195	5,432	5,682	8,076	97,238
Total credit exposure	213,442	73,502	19,568	18,315	20,172	344,999

Appendix - Extensive risk management disclosures

The industry distribution of credit exposures are as follows:

In \$ millions	The Group 2009									Total
	Manufacturing	Building and construction	General commerce	Transportation, storage and communications	Financial institutions, investment and holding companies	Government	Housing loans	Professional and private individuals (excluding housing loans)	Others	
Cash and balances with central banks (excludes cash on hand)	–	–	–	–	21,127	–	–	–	–	21,127
Due from banks	–	–	–	–	22,203	–	–	–	–	22,203
Financial assets at fair value through profit or loss (excludes equity securities)	524	199	81	341	4,762	3,918	–	–	1,148	10,973
Other securities ^(a) (excludes equity securities)	554	580	571	1,252	10,011	24,402	–	–	4,089	41,459
Loans and advances to customers	15,553	18,171	12,911	12,026	15,881	–	33,036	10,648	11,747	129,973
Other assets ^(a)	653	166	127	683	13,909	–	–	11	6,477	22,026
Credit exposure	17,284	19,116	13,690	14,302	87,893	28,320	33,036	10,659	23,461	247,761
Contingent liabilities and commitments (excludes operating lease and capital commitments)	16,872	5,811	11,579	5,006	15,633	189	5,010	22,856	14,282	97,238
Total credit exposure	34,156	24,927	25,269	19,308	103,526	28,509	38,046	33,515	37,743	344,999

Industry distribution of credit exposures

(a) Other assets include positive fair values for financial derivatives and other assets

(b) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged

Appendix - Extensive risk management disclosures

46.2 Performing and non-performing assets

The Group classifies its credit facilities in accordance with MAS Notice to Banks No. 612, "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore (MAS). These guidelines require the Group to categorise its credit portfolios according to its assessment of a borrower's ability to repay a credit facility from his normal sources of income. There are five categories of assets as follows:

Performing assets

- Pass grade indicates that the timely repayment of the outstanding credit facilities is expected.
- Special mention grade indicates that there is potential weakness in the credit facility which may adversely affect the timely repayment of the credit facility.

Classification of credit exposures between performing and non-performing

Classified or non-performing assets

- Substandard grade indicates that the credit facilities exhibit definable weaknesses either in respect of business, cash flow or financial position of the borrower that may jeopardise repayment on existing terms.
- Doubtful grade indicates that the credit facilities exhibit severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.
- Loss grade indicates the amount of recovery is assessed to be insignificant.

by a split classification to any credit facility. In the event of a split classification, when a non-performing loan is covered by the amount realisable, the loan is classified as substandard while the remaining amount is classified as doubtful or loss, as appropriate.

46.3 Loans and advances to customers

Loans and advances to customers are summarised as follows:

In \$ millions	The Group	
	2009	2008
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	128,253	124,493
– Past due but not impaired (ii)	774	1,274
Non-Performing Loans		
– Impaired (iii)	3,783	1,958
Total gross loans (Note 20)	132,810	127,725

(i) Loans and advances neither past due nor impaired, analysed by loan grading and industry

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice to Banks No. 612, "Credit Files, Grading and Provisioning" are as follows:

In \$ millions	Pass	The Group Special mention	Total
2009			
Manufacturing	13,544	1,731	15,275
Building and construction	17,916	319	18,235
Housing loans	32,539	256	32,795
General commerce	12,145	559	12,704
Transportation, storage and communications	11,112	782	11,894
Financial institutions, investments and holding companies	14,255	709	14,964
Professionals and private individuals (except housing loans)	10,498	62	10,560
Others	11,193	633	11,826
Total	123,202	5,051	128,253

In \$ millions	Pass	The Group Special mention	Total
2008			
Manufacturing	13,990	725	14,715
Building and construction	18,029	255	18,284
Housing loans	30,018	261	30,279
General commerce	9,352	875	10,227
Transportation, storage and communications	12,160	430	12,590
Financial institutions, investments and holding companies	13,250	307	13,557
Professionals and private individuals (except housing loans)	8,931	85	9,016
Others	15,220	605	15,825
Total	120,950	3,543	124,493

(ii) Loans and advances past due but not impaired, analysed by past due period and industry

In \$ millions	Up to 30 days past due	30-59 days past due	60-90 days past due	Total
2009				
Manufacturing	109	11	7	127
Building and construction	99	1	2	102
Housing loans	128	4	8	140
General commerce	129	6	2	137
Transportation, storage and communications	109	3	8	120
Financial institutions, investment and holding companies	2	–	–	2
Professionals and private individuals (except housing loans)	89	6	8	103
Others	16	27	–	43
Total	681	58	35	774

In \$ millions	Up to 30 days past due	30-59 days past due	60-90 days past due	Total
2008				
Manufacturing	134	21	39	194
Building and construction	144	12	2	158
Housing loans	175	15	2	192
General commerce	207	40	33	280
Transportation, storage and communications	173	41	39	253
Financial institutions, investment and holding companies	2	–	–	2
Professionals and private individuals (except housing loans)	84	12	66	162
Others	25	8	–	33
Total	944	149	181	1,274

Analysis of credit risks relating to past due but not impaired

Credit quality information of performing assets

Appendix - Extensive risk management disclosures

47 MARKET RISK

47.1 Market risk

Market risk arises from the changes in value from changes in interest rate yields, foreign exchange rates, equity prices, commodity prices, credit spreads and the impact of changes in the correlations and volatilities of these risk factors.

The Group manages market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Group also manages banking book interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges), including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. To optimise its income and balance sheet management, the Group deploys funds in debt securities, equities and funds or in the interbank market. All types of FX risk (including unhedged structural FX risk arising from the Group's investment in strategic foreign currency investments) are risk managed as part of the trading book.

The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including limit setting and independent model validation, monitoring and valuation.

The Board establishes the Group's risk appetite for market risk. The CEO delegates responsibility to the Risk Executive Committee to allocate risk appetite limits to risk-taking units. The Market Risk Committee, which reports into the Risk Executive Committee, oversees the Group's market risk management infrastructure, sets market risk control limits and provides enterprise-wide oversight of all market risks and their management.

The independent market risk management function comprising risk control, model analytics, and risk architecture reports to the Chief Risk Officer and is responsible for day-to-day risk monitoring and analysis.

The principal market risk appetite measures for market risk are Value-at-Risk (VaR) and stress loss. The VaR is supplemented by risk control measures, such as sensitivities to risk factors, including their volatilities, as well as loss triggers for management action.

The Group's general market risk Value-at-Risk (VaR) methodology uses a historical simulation approach to forecast the Group's market risk. The methodology is also used to compute stressed VaR and average tail loss metrics. VaR risk factor scenarios are aligned to parameters and market data used for valuation. The scenarios are maintained in the risk

system and are used to compute VaR for each business unit and location, and at Group level. Trading book VaR is back-tested against the corresponding profit and loss to monitor its predictive power.

The following table shows the period-end, average, high and low VaR (at a 99% confidence level over a one-day holding period) for trading book market risk:

In \$ millions	The Group 1 Jan 2009 to 31 Dec 2009*			
	As at 31 Dec 2009	Average	High	Low
Total	22	33	52	21

* Using a two-year historical observation period up to 31 May 2009, and using a one-year historical observation period from 1 June 2009 onwards

In \$ millions	The Group 1 Jan 2008 to 31 Dec 2008**			
	As at 31 Dec 2008	Average	High	Low
Total	32	33	60	21

** Using a two-year historical observation period

Although VaR provides valuable insights, no single measure can capture all aspects of market risk. Therefore, regular stress testing is carried out to monitor the Group's vulnerability to shocks.

Since February 2009, the Group has had a comprehensive capital-linked risk appetite framework for all types of market risk, including interest rate risk in the banking book, in line with its internal capital adequacy assessment process. The Group level total VaR associated with this framework is tabulated below, showing the period-end, average, high and low VaR (at a 99% confidence level over a one-day holding period).

In \$ millions	The Group 28 Feb 2009 to 31 Dec 2009*			
	As at 31 Dec 2009	Average	High	Low
Total	81	76	94	58

* Using a two-year historical observation period up to 31 May 2009, and using a one-year historical observation period from 1 June 2009 onwards

For the financial year ended 31 December 2008, the sensitivity analyses for non-trading foreign exchange, interest rate and equity risk were disclosed separately using different methods. In 2009, as the Group has migrated to a sensitivity analysis which fully reflects the interdependence between risk variables, the comparative figures for 2008 are as shown in the 2008 financial statements Note 47.2.

Market risks disclosures:

- Policy, process and procedures to manage market risk
- Sensitivity analysis of market risk exposures

Appendix - Extensive risk management disclosures

48 LIQUIDITY RISK

Funding liquidity risk (or liquidity risk) is defined as the current and prospective risk arising from the inability of the Group to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group seeks to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The primary tool of monitoring liquidity is the maturity mismatch analysis, which presents the profile of future expected cashflows under defined scenarios. This is monitored over successive time bands and across major currencies under normal and adverse market scenario conditions.

The Group and country s are the primary committees responsible for liquidity management based on guidelines approved by the Board Risk Management Committee.

Limits are set on maturity mismatches under normal and stress scenarios, liquidity ratios and deposit concentration risks. As part of the liquidity management, the Group will set limits to ensure that the funding requirements will not exceed the available funding and liquid assets available for both normal and stress scenarios.

As part of its management of liquidity risk inherent in its derivative and non-derivative financial liabilities, the Group employs a number of strategies. These include maintaining sufficient liquid assets, maintaining diversified sources of liquidity, and having robust internal control processes and contingency plans.

- Policy, process and procedures to manage liquidity risk

Appendix - Extensive risk management disclosures

The table below analyses assets and liabilities of the Group at 31 December based on the remaining period at balance sheet date and the contractual maturity date:

In \$ millions	Up to 1 year	2009 More than 1 year	Total	Up to 1 year	2008 More than 1 year	
Cash and balances with central banks	22,515	–	22,515	15,790	–	
Singapore Government securities and treasury bills	5,822	10,138	15,960	3,284	11,513	14,797
Due from banks	19,652	2,551	22,203	17,338	3,129	20,467
Financial assets at fair value through profit or loss	7,319	3,938	11,257	3,655	5,746	9,401
Positive fair values for financial derivatives	16,015	–	16,015	32,328	–	32,328
Loans and advances to customers	44,471	85,502	129,973	50,036	75,805	125,841
Financial investments	6,910	18,821	25,731	5,499	17,283	22,782
Securities pledged	505	279	784	362	635	997
Investments in associates	–	672	672	–	604	604
Goodwill on consolidation	–	5,847	5,847	–	5,847	5,847
Properties and other fixed assets	–	1,134	1,134	–	1,311	1,311
Investment properties	–	398	398	–	293	293
Deferred tax assets	–	144	144	–	171	171
Other assets	5,640	371	6,011	6,039	50	6,089
Total assets	128,849	129,795	258,644	134,331	122,387	256,718
Due to banks	9,108	–	9,108	8,972	49	9,021
Due to non-bank customers	176,554	1,894	178,448	162,195	1,164	163,359
Financial liabilities at fair value through profit or loss	4,087	5,130	9,217	3,994	7,288	11,282
Negative fair values for financial derivatives	16,406	–	16,406	31,918	–	31,918
Bills payable	501	–	501	714	–	714
Current tax liabilities	807	–	807	779	–	779
Deferred tax liabilities	–	54	54	–	45	45
Other liabilities	2,966	3,523	6,489	5,317	557	5,874
Other debt securities in issue	44	369	413	263	375	638
Subordinated term debts	715	6,987	7,702	1,099	7,986	9,085
Total liabilities	211,188	17,957	229,145	215,251	17,464	232,715
Minority interests	–	4,126	4,126	–	4,184	4,184
Shareholders' funds	–	25,373	25,373	–	19,819	19,819
Total equity	–	29,499	29,499	–	24,003	24,003

- Contractual maturity analysis of financial instruments based on contractual undiscounted repayment obligations

Thank you

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