Disclosure on Certain Financial Instruments

The following disclosures provides additional informationon certain investments the Group has made.

COLLATERALISED DEBT/LOAN OBLIGATIONS (CDO)

Type of CDO ($m)	31 Dec 2009 Exposure	31 Dec 2009 Allowance	31 Dec 2008 Exposure	31 Dec 2008 Allowance
Investment Portfolio	**195**	**137**	1,056	459
ABS CDO	**150**	**137**	264	246
Non-ABS CDO	**45**	**–**	792	213
CLO	**31**	**–**	691	193
Other CDOs	**14**	**–**	101	20
Trading Book	**91**	**–**	206	–
Total	**286**	**137**	1,262	459

MOODY'S RATINGS

Type of CDO	Aaa	Aa	A	Baa	Ba to B	Caa to C	Not Rated by Moody's (rated by the other)	Total
Investment Portfolio								
ABS CDO	–	–	–	–	–	56%	22%	78%
Non-ABS CDO	–	–	15%	7%	–	–	–	22%
CLO	–	–	15%	–	–	–	–	15%
Other CDOs	–	–	–	7%	–	–	–	7%
Total	–	–	15%	7%	–	56%	22%	100%

STANDARD & POOR'S RATINGS

Type of CDO	AAA	AA	A	BBB	BB to B	CCC to CC	Not Rated by S&P (rated by the other)	Total
Investment Portfolio								
ABS CDO	–	–	28%	–	5%	34%	11%	78%
Non-ABS CDO	–	–	15%	–	–	–	7%	22%
CLO	–	–	15%	–	–	–	–	15%
Other CDOs	–	–	–	–	–	–	7%	7%
Total	–	–	43%	–	5%	34%	18%	100%

The CDO portfolio comprised $150 million of asset-backed (ABS) CDOs and $45 million of non-ABS CDOs in the investment portfolio, and $91 million of CDOs in the trading portfolio.

The ABS CDOs have mortgage-backed securities (such as US sub-prime mortgages, Alt-A mortgages and ABS CDO tranches) as one of their asset classes, the percentage of which differs among the CDOs. The ABS CDO portfolio fell from $264 million a year ago to $150 million largely due to write-offs. By vintage, 47% of the remaining ABS CDOs were issued in 2004 or earlier and 53% in 2005. These ABS CDOs are 91% covered by allowances.

The bulk of the non-ABS CDO investment portfolio was disposed of during the year and the allowances that had been set aside for the portfolio were more than sufficient to offset the loss on sale of the portfolio.

The CDOs in the trading portfolio, which are designated at fair value, declined from $206 million a year ago to $91 million due to disposals. As these CDOs are designated at fair value, no allowances have been taken for them.

OTHER US SUB-PRIME AND ALT-A EXPOSURE

The Group does not have direct exposure to US sub-prime mortgages and Alt-A mortgages other than through its ABS CDOs as disclosed above.

COMMERCIAL MORTGAGE-BACKED SECURITIES

The Group had $64 million of investments in commercial mortgage-backed securities, representing less than 0.1% of the Group's total assets. By geography, 73% were in Singapore and 27% were in Hong Kong. By industry, retail accounted for 27% of the portfolio and commercial-cum-retail 73%. All the securities are rated A or above by Moody's or Standard & Poor's or both, with 86% rated AA or higher.

LEVERAGED FINANCE

Leveraged finance is defined in this disclosure as acquisition financing sponsored by funds (private equity or investment) and supported by leverage. The Group's exposure to such loans, amounting to $487 million, represented 0.2% of its total assets. Of the exposure, 4% was in Singapore, 43% in Rest of Greater China, 37% in South and South-East Asia, and the remaining 16% in other parts of Asia. By industry, they were primarily in finance, media, information technology services and manufacturing.

SPECIAL PURPOSE ENTITIES (SPE)

The list of material operating SPEs is summarised in the following table, all of which are involved in the issuance or distribution of structured investment products. None of the SPEs has any liquidity facility with the Group.

SPE Description	Collateral	Risk Factors
Constellation Investment Ltd (incorporated in Cayman Islands) • 100% consolidated under INT FRS12 Consolidation-SPE • SPE activity: Issuance of structured equity/ credit-linked notes to clients • SPE size: $0.4 billion • Group's role: Arranger, Market Agent, Calculation Agent, Custodian for assets held as collateral, Swap Counterparty	Cash deposits, Hong Kong government securities, structured notes from Zenesis SPC (collateral rated A+ to BB- by Fitch or S&P)	Investment product risk is borne by clients. Should the structured notes be redeemed early and the unwind cost of the structure be larger than the early redemption value of the collateral, the Group may have to bear the difference
Zenesis SPC (incorporated in Cayman Islands) • 100% consolidated under INT FRS12 Consolidation-SPE • SPE activity: Issuance of rated credit-linked notes to Constellation Investment Ltd and rated/unrated notes to other clients • SPE size: $0.4 billion • Group's role: Calculation Agent, Substitution Agent, Swap Counterparty	Cash deposits, Corporate bond (rated A- by S&P), FSA-guaranteed bonds	Investment product risk is borne by clients. Should the structured notes be redeemed early and the unwind cost of the structure be larger than the early redemption value of the collateral, the Group may have to bear the difference