FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

	2015	2014	+/(-) %
Selected Income Statement Items (S$ million)			
Net interest income	5,189	4,736	10
Non-interest income	3,533	3,213	10
Total core income	8,722	7,949	10
Operating expenses	(3,664)	(3,258)	12
Operating profit before allowances and amortisation	5,058	4,691	8
Amortisation of intangible assets	(98)	(74)	32
Allowances for loans and impairment of other assets	(488)	(357)	37
Operating profit after allowances and amortisation	4,472	4,260	5
Share of results of associates and joint ventures	353	112	215
Profit before income tax	4,825	4,372	10
Core net profit attributable to shareholders	3,903	3,451	13
Gain on remeasurement	–	391	(100)
Reported net profit attributable to shareholders	3,903	3,842	2
Cash basis net profit attributable to shareholders (1)	4,001	3,916	2
Selected Balance Sheet Items (S$ million)			
Ordinary equity	33,053	29,701	11
Total equity (excluding non-controlling interests)	34,553	31,097	11
Total assets	390,190	401,226	(3)
Assets excluding life assurance fund investment assets	333,207	343,940	(3)
Loans and bills receivable (net of allowances)	208,218	207,535	–
Deposits of non-bank customers	246,277	245,519	–
Per Ordinary Share			
Basic earnings (cents) (2)	95.2	91.9	
Basic earnings – Cash basis (cents) (2)	97.6	94.0	
Diluted earnings (cents) (2)	95.1	91.8	
Net asset value – Before valuation surplus (S$)	8.03	7.46	
Net asset value – After valuation surplus (S$)	9.59	9.53	
Key Financial Ratios (%)			
Return on equity (2)(3)	12.3	13.2	
Return on equity – Cash basis (2)(3)	12.6	13.5	
Return on assets (4)	1.14	1.11	
Return on assets – Cash basis (4)	1.17	1.13	
Net interest margin	1.67	1.68	
Non-interest income to total income	40.5	40.4	
Cost to income	42.0	41.0	
Loans to deposits	84.5	84.5	
NPL ratio	0.9	0.6	
Total capital adequacy ratio (5)	16.8	15.9	
Tier 1 ratio (5)	14.8	13.8	
Common Equity Tier 1 (5)	14.8	13.8	
Leverage Ratio (6)	8.0	na	

(1) Excludes amortisation of intangible assets.
(2) Calculated based on core net profit less preference share dividends and distributions on other equity instruments paid and estimated to be due at the end of the financial period.
(3) Preference equity, other equity instruments and non-controlling interests are not included in the computation for return on equity.
(4) Computation of return on assets excludes life assurance fund investment assets.
(5) Capital adequacy ratios are computed based on MAS' Basel III transitional arrangements.
(6) Leverage ratio is computed based on the revised MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore, which took effect on 1 January 2015.

Amounts less than S$0.5 million are shown as "0". "na" denotes not applicable.

The Group reported a net profit after tax of S$3.90 billion for the financial year ended 31 December 2015. Excluding a one-off gain of S$391 million in 2014, core net profit after tax rose 13% to a new record, underpinned by higher net interest income, fee and commission income growth, as well as improved trading and investment income. The Group's results also included the full year earnings contribution of OCBC Wing Hang, which became a subsidiary in the third quarter of 2014.

Net interest income grew 10% to a new high of S$5.19 billion, from S$4.74 billion a year ago, largely driven by an 11% increase in average balances of customer loans, which included the full year consolidation of OCBC Wing Hang. Net interest margin was stable at 1.67% for 2015 as compared with a year ago, reflecting improved customer loan yields, particularly in Singapore, which were offset by reduced returns from money market gapping activities.

Non-interest income, before one-off gains, grew 10% to S$3.53 billion from S$3.21 billion in 2014. Fee and commission income climbed 10% to a new record of S$1.64 billion, mainly from growth in wealth management, brokerage and fund management fees. Net trading income, primarily treasury-related income from customer flows, rose 52% to S$552 million, while net gains of S$204 million from the sale of investment securities were 53% higher than the previous year. Life assurance profit from Great Eastern Holdings ("GEH") of S$630 million was 18% below the previous year, largely as a result of unrealised mark-to-market losses in its bond investment portfolio. The Group's share of results of associates and joint ventures in 2015 was S$353 million, up from S$112 million a year ago, largely attributable to the full year consolidation of income contribution from Bank of Ningbo ("BON") as an associated company of the Group.

Reflected in the previous year's earnings was a one-off gain of S$391 million that arose from the Group's increased stake in BON, which became a 20%-owned associated company on 30 September 2014. In accordance with accounting standards, the Group's initial available-for-sale 15.3% investment was deemed disposed of and its related fair value reserve was recognised in the income statement as a one-off gain.

Operating expenses of S$3.66 billion were 12% higher from S$3.26 billion a year ago, after taking into account the full year impact of consolidating OCBC Wing Hang. Excluding OCBC Wing Hang, operating expenses rose 5%, primarily from an increase in staff costs commensurate with business volume growth. The cost-to-income ratio was 42.0% in 2015 as compared with 41.0% the previous year. Net allowances for loans and other assets amounted to S$488 million and were higher than S$357 million in 2014.

Full year core return on equity was 12.3% as compared with 13.2% a year ago. The year-on-year decline was attributable to the rights issue in September 2014 which resulted in an enlarged share base. Core earnings per share, on the other hand, increased to 95.2 cents from 91.9 cents in 2014.

Net allowances for loans and other assets for 2015 were S$488 million, higher than S$357 million a year ago. Specific allowances for loans, net of recoveries and write-backs, of S$232 million were up from S$196 million in 2014. Net specific allowances represented 11 basis points of loans as compared with 10 basis points a year ago. Portfolio allowances were S$177 million as compared with S$163 million the previous year. Allowances for other assets, mainly investments, were S$79 million for the year.

The non-performing loan ("NPL") ratio was 0.9% as at 31 December 2015, higher than 0.6% a year ago. Absolute amount of NPLs of S$1.97 billion in 2015 were up from S$1.28 billion the previous year, largely arising from the classification of a few large corporate accounts associated with the oil and gas services sector. The overall quality of the Group's loan portfolio remained sound and comfortable allowance coverage ratios were maintained, with total cumulative allowances covering 417% of unsecured non-performing assets ("NPAs") and 120% of total NPAs.

The Group's funding and capital position remained sound. As at the end of 31 December 2015, non-bank customer loans amounted to S$211 billion, with customer deposits at S$246 billion. The Group's loans-to-deposits ratio for 2015 was 84.5% and comparable to the previous year. The ratio of current and savings deposits to total non-bank deposits rose to 48.9%, up from 44.6% a year ago.

For the fourth quarter of 2015, the average Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang) were 253% and 124% respectively, higher as compared to the respective regulatory ratios of 100% and 60%. OCBC Wing Hang's liquidity coverage ratios will be incorporated into the overall Group position in due course.

The Group's Common Equity Tier 1 capital adequacy ratio ("CAR") as at 31 December 2015, was 14.8% and Tier 1 CAR and Total CAR were 14.8% and 16.8% respectively. Based on Basel III transitional arrangements, these ratios were well above the respective regulatory minima of 6.5%, 8% and 10%. The Group's leverage ratio of 8.0% was higher than the 3% minimum requirement as guided by the Basel Committee.

Great Eastern Holdings underlying insurance business continued to grow, with total weighted new sales up 8% from a year ago and new business embedded value growth of 3%. As a result of the close partnership with Great Eastern Holdings, OCBC remained the bancassurance market leader in Singapore for the 15th consecutive year. For 2015, Great Eastern Holdings reported a net profit after tax of S$785 million which was 11% lower from a year ago, mainly as a result of unrealised mark-to-market losses in its bond investment portfolio. Its net profit after tax contribution to the Group was S$639 million, which represented 16% of the Group's 2015 earnings.

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OCBC Bank (Malaysia) Berhad reported a 6% rise in 2015 net profit after tax of RM883 million (S$311 million), driven by 10% growth in Islamic Financing income and a 26% increase in non-interest income, mainly fee and commission income and net trading income. Customer loans grew 9% from a year ago and the NPL ratio was 2.1% as at 31 December 2015.

Bank OCBC NISP achieved a record net profit after tax of IDR1,501 billion (S$153 million), 13% higher from IDR1,332 billion (S$143 million) a year ago. Its full year performance was driven by broad-based income growth, with net interest income up 18% and non-interest income 15% higher than the previous year. Total customer loans grew 26% and the NPL ratio of 1.3% was unchanged from a year ago. Customer deposits increased 20% and the CASA ratio improved to 41.4% from 34.7% in 2014.

2015 marks the first full year since our acquisition of OCBC Wing Hang. The integration of OCBC Wing Hang is progressing well and according to plan. OCBC Wing Hang has leveraged on the strength and expertise of the OCBC Group to deliver positive synergistic value. OCBC Wing Hang's full year earnings contribution to the Group of HK$1.73 billion (S$307 million) accounted for 8% of the Group's net profit after tax. As at 31 December 2015, customer loans were HK$154 billion (S$28 billion) and customer deposits totaled HK$188 billion (S$34 billion). Including OCBC Wing Hang Bank, Greater China's contribution to the Group's profit before tax increased to 20%, from 12% in 2014. Greater China customer loans were S$56 billion as at 31 December 2015 and the asset quality of the portfolio remained sound, with the NPL ratio at a low 0.4%.

Bank of Singapore's assets under management increased 7% to US$55 billion (S$77 billion) from US$51 billion (S$67 billion) a year ago. Its earnings asset base, which includes loans that are extended on a secured basis, rose 5% to US$68 billion (S$96 billion) from US$65 billion (S$86 billion) in 2014. The Group's 2015 wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose 6% to a new high of S$2.35 billion, an increase from S$2.22 billion a year ago. As a proportion of the Group's total income, wealth management contributed 27%, as compared with 28% in 2014.

The Board has proposed a final tax exempt dividend of 18 cents per share, bringing the 2015 total dividend to 36 cents per share, unchanged from 2014. The Scrip Dividend Scheme will be applicable to the final dividend, giving shareholders the option to receive the dividend in the form of shares. The issue price of the shares will be set at a 10% discount to the average daily volume-weighted average prices between 26 April 2016 (the ex-dividend date) and 28 April 2016 (the books closure date), both dates inclusive.

Net Interest Income

AVERAGE BALANCE SHEET

	2015			2014		
	Average Balance S$ million	Interest S$ million	Average Rate %	Average Balance S$ million	Interest S$ million	Average Rate %
Interest earning assets						
Loans and advances to non-bank customers	**208,012**	**6,501**	**3.13**	187,261	5,493	2.93
Placements with and loans to banks	**58,312**	**845**	**1.45**	52,148	1,026	1.97
Other interest earning assets	**44,101**	**1,140**	**2.59**	41,958	1,088	2.59
Total	**310,425**	**8,486**	**2.73**	281,367	7,607	2.70
Interest bearing liabilities						
Deposits of non-bank customers	**249,966**	**2,731**	**1.09**	215,779	2,313	1.07
Deposits and balances of banks	**15,853**	**134**	**0.84**	22,644	153	0.67
Other borrowings	**27,017**	**432**	**1.60**	28,803	405	1.41
Total	**292,836**	**3,297**	**1.13**	267,226	2,871	1.07
Net interest income/margin		**5,189**	**1.67**		4,736	1.68

Net interest income increased 10% to S$5.19 billion in 2015, up from S$4.74 billion a year ago, underpinned by growth in interest earning assets. Net interest margin for 2015 was relatively stable at 1.67% as compared with 1.68% a year ago. Customer loan yields improved, particularly in Singapore, but this was offset by reduced returns from money market gapping activities.

Net Interest Income (continued)

Volume and Rate Analysis

Increase/(decrease) for 2015 over 2014	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	609	399	1,008
Placements with and loans to banks	121	(302)	(181)
Other interest earning assets	56	(4)	52
Total	786	93	879
Interest expense			
Deposits of non-bank customers	367	51	418
Deposits and balances of banks	(46)	27	(19)
Other borrowings	(25)	52	27
Total	296	130	426
Impact on net interest income	490	(37)	453
Due to change in number of days			–
Net interest income			453

Non-Interest Income

	2015 S$ million	2014 S$ million	+/(-) %
Fees and commissions			
Brokerage	**87**	64	37
Wealth management	**506**	467	8
Fund management	**132**	108	22
Credit card	**138**	100	39
Loan-related	**311**	300	4
Trade-related and remittances	**224**	237	(6)
Guarantees	**21**	21	(1)
Investment banking	**86**	86	–
Service charges	**83**	75	11
Others	**55**	37	46
Sub-total	**1,643**	1,495	10
Dividends	**93**	106	(12)
Rental income	**100**	76	31
Profit from life assurance	**630**	768	(18)
Premium income from general insurance	**151**	162	(7)
Other income			
Net trading income	**552**	364	52
Net gain from investment securities	**204**	134	53
Net gain from disposal of interests in subsidiaries, associates and joint venture	**3**	31	(91)
Net gain from disposal of properties	**66**	9	632
Others	**91**	68	33
Sub-total	**916**	606	51
Total core non-interest income	**3,533**	3,213	10
Gain on remeasurement	**–**	391	(100)
Total non-interest income	**3,533**	3,604	(2)
Fees and commissions/Total income [1]	**18.8%**	18.8%	
Non-interest income/Total income [1]	**40.5%**	40.4%	

[1] Excludes one-off gain from remeasurement of equity stake in an associate.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-Interest Income (continued)

Core non-interest income increased 10% to S$3.53 billion in 2015 compared with S$3.21 billion a year ago.

Fee and commission income for the year was S$1.64 billion, representing a 10% increase from S$1.50 billion in 2014, led by growth in wealth management, brokerage and fund management fees. Net trading income, primarily made up of treasury-related income from customer flows, was higher at S$552 million as compared with S$364 million a year ago. Net realised gains from the sale of investment securities increased to S$204 million from S$134 million in 2014, primarily attributed to the realisation of a S$136 million gain from an investment in GEH's equity portfolio. Profit from life assurance was S$630 million for the year, 18% lower as compared with S$768 million in 2014, mainly attributable to unrealised mark-to-market losses in GEH's bond investment portfolio.

Reflected in 2014 was a one-off gain of S$391 million from the remeasurement of the Group's increased stake in BON, which became a 20%-owned associated company on 30 September 2014.

Operating Expenses

	2015 S$ million	2014 S$ million	+/(-) %
Staff costs			
Salaries and other costs	**2,054**	1,823	13
Share-based expenses	**38**	33	18
Contribution to defined contribution plans	**162**	147	10
	2,254	2,003	13
Property and equipment			
Depreciation	**293**	248	18
Maintenance and hire of property, plant & equipment	**112**	94	19
Rental expenses	**97**	82	19
Others	**235**	195	20
	737	619	19
Other operating expenses	**673**	636	6
Total operating expenses	**3,664**	3,258	12
Group staff strength			
Period end	**29,847**	29,512	1
Average	**29,601**	27,318	8
Cost to income ratio [1]	**42.0%**	41.0%	

(1) Excludes one-off gain from remeasurement of equity stake in an associate.

Operating expenses of S$3.66 billion were 12% higher from S$3.26 billion a year ago, mainly from the full year consolidation of OCBC Wing Hang. Staff costs were 13% higher at S$2.25 billion from S$2.00 billion in 2014. Property and equipment-related expenses were S$737 million, up 19% from S$619 million a year ago, primarily from higher depreciation expenses and technology-related costs. Other operating expenses were 6% higher year-on-year at S$673 million as compared with S$636 million in 2014.

The cost-to-income ratio was 42.0% in 2015, as compared with 41.0% a year ago.

Allowances for Loans and Other Assets

	2015 S$ million	2014 S$ million	+/(-) %
Specific allowances for loans			
Singapore	**71**	63	14
Malaysia	**81**	66	23
Greater China	**37**	45	(18)
Others	**43**	22	89
	232	196	18
Portfolio allowances for loans	**177**	163	8
Allowances and impairment charges/(write-back) for other assets	**79**	(2)	nm
Allowances for loans and impairment of other assets	**488**	357	37

Allowances for loans and other assets were S$488 million in 2015 compared with S$357 million a year ago.

Specific allowances for loans, net of recoveries and writebacks were S$232 million for the year compared with S$196 million in 2014, with the increase mainly from the loan portfolio of Malaysia and the Rest of the World. Net specific allowances remained low at 11 basis points of loans. Portfolio allowances for loans were S$177 million in 2015, up 8% from S$163 million a year ago. Net allowances for other assets were S$79 million for the year, mainly for equity securities investments.

Loans and Advances

	2015 S$ million	2014 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**7,394**	8,750	(16)
Manufacturing	**13,222**	12,746	4
Building and construction	**34,407**	32,175	7
Housing loans	**56,058**	54,207	3
General commerce	**26,128**	30,218	(14)
Transport, storage and communication	**12,360**	12,365	–
Financial institutions, investment and holding companies	**27,463**	25,360	8
Professionals and individuals	**23,464**	22,511	4
Others	**10,169**	11,490	(11)
	210,665	209,822	–
By Currency			
Singapore Dollar	**80,496**	76,613	5
United States Dollar	**49,408**	55,697	(11)
Malaysian Ringgit	**21,273**	23,040	(8)
Indonesian Rupiah	**6,511**	5,282	23
Hong Kong Dollar	**29,457**	25,770	14
Chinese Renminbi	**7,509**	10,229	(27)
Others	**16,011**	13,191	21
	210,665	209,822	–
By Geography [1]			
Singapore	**87,540**	86,700	1
Malaysia	**28,599**	28,909	(1)
Indonesia	**17,216**	13,982	23
Greater China	**56,416**	55,585	1
Other Asia Pacific	**10,644**	9,218	15
Rest of the World	**10,250**	15,428	(34)
	210,665	209,822	–

(1) Loans by geography are based on where the credit risks reside, which may be different from the borrower's country of residence or the booking location of the loans.

Gross loans to customers were S$211 billion as at 31 December 2015 compared with S$210 billion a year ago. The year-on-year loan growth was diversified across major customer segments and key geographies, with average balances up 11% from a year ago.

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Non-Performing Assets

	Total NPAs (1) S$ million	Substandard S$ million	Doubtful S$ million	Loss S$ million	Secured NPAs/ Total NPAs %	NPLs (2) S$ million	NPL Ratio (2) %
Singapore							
2015	**545**	**337**	**113**	**95**	**78.8**	**545**	**0.6**
2014	274	72	116	86	71.1	274	0.3
Malaysia							
2015	**732**	**628**	**77**	**27**	**85.8**	**707**	**2.5**
2014	532	378	117	37	70.1	507	1.8
Indonesia							
2015	**400**	**316**	**10**	**74**	**36.1**	**400**	**2.3**
2014	98	26	7	65	39.8	98	0.7
Greater China							
2015	**241**	**74**	**112**	**55**	**80.5**	**207**	**0.4**
2014	185	101	27	57	81.2	185	0.3
Other Asia Pacific							
2015	**80**	**80**	**–**	**–**	**61.9**	**80**	**0.7**
2014	180	168	12	–	77.2	180	2.0
Rest of the World							
2015	**41**	**21**	**19**	**1**	**21.0**	**30**	**0.3**
2014	48	43	4	1	10.1	35	0.2
Group							
2015	**2,039**	**1,456**	**331**	**252**	**71.3**	**1,969**	**0.9**
2014	1,317	788	283	246	68.4	1,279	0.6

(1) Comprise non-bank loans, debt securities and contingent liabilities.
(2) Exclude debt securities and contingent liabilities.

The Group's asset quality remained sound. Non-performing assets ("NPAs") were S$2.04 billion as at 31 December 2015, an increase of 55% compared with S$1.32 billion a year ago. The year-on-year increase in NPAs was mainly from the classification of a few large corporate accounts associated with the oil and gas services sector.

The Group's NPL ratio was 0.9%, an increase from 0.6% a year ago. Of the total NPAs, 71% were in the substandard category and 71% were secured by collateral.

Non-Performing Assets (continued)

	2015		2014	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**337**	**4.6**	8	0.1
Manufacturing	**428**	**3.2**	302	2.4
Building and construction	**105**	**0.3**	173	0.5
Housing loans	**278**	**0.5**	274	0.5
General commerce	**194**	**0.7**	152	0.5
Transport, storage and communication	**274**	**2.2**	174	1.4
Financial institutions, investment and holding companies	**197**	**0.7**	24	0.1
Professionals and individuals	**129**	**0.6**	103	0.5
Others	**27**	**0.3**	69	0.6
Total NPLs	**1,969**	**0.9**	1,279	0.6
Classified debt securities	**40**		5	
Classified contingent liabilities	**30**		33	
Total NPAs	**2,039**		1,317	

	2015		2014	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**590**	**29**	476	36
Over 90 to 180 days	**378**	**19**	146	11
30 to 90 days	**284**	**14**	122	9
Less than 30 days	**206**	**10**	22	2
Not overdue	**581**	**28**	551	42
	2,039	**100**	1,317	100

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Cumulative Allowances for Assets

	Total cumulative allowances S$ million	Specific allowances S$ million	Portfolio allowances S$ million	Specific allowances as % of total NPAs %	Cumulative allowances as % of total NPAs %
Singapore					
2015	**857**	**85**	**772**	**15.6**	**157.2**
2014	746	70	676	25.6	272.8
Malaysia					
2015	**539**	**148**	**391**	**20.2**	**73.7**
2014	549	150	399	28.1	103.2
Indonesia					
2015	**268**	**58**	**210**	**14.4**	**66.8**
2014	207	40	167	41.2	210.7
Greater China					
2015	**581**	**70**	**511**	**29.1**	**240.8**
2014	528	62	466	33.6	285.0
Other Asia Pacific					
2015	**98**	**1**	**97**	**1.2**	**123.1**
2014	115	24	91	13.3	63.6
Rest of the World					
2015	**95**	**16**	**79**	**39.9**	**235.3**
2014	102	4	98	8.8	213.0
Group					
2015	**2,438**	**378**	**2,060**	**18.6**	**119.6**
2014	2,247	350	1,897	26.6	170.6

As at 31 December 2015, the Group's total cumulative allowances for assets were S$2.44 billion, comprising S$378 million in specific allowances and S$2.06 billion in portfolio allowances. Allowance coverage ratios remained at healthy levels, with total cumulative allowances at 417% of total unsecured NPAs and 120% of total NPAs, as compared with the respective ratios of 539% and 171% as at 31 December 2014.

Deposits

	2015 S$ million	2014 S$ million	+/(-) %
Deposits of non-bank customers	**246,277**	245,519	–
Deposits and balances of banks	**12,047**	20,503	(41)
Total deposits	**258,324**	266,022	(3)
Non-Bank Deposits By Product			
Fixed deposits	**106,375**	109,104	(3)
Savings deposits	**43,099**	39,913	8
Current account	**77,298**	69,572	11
Others	**19,505**	26,930	(28)
	246,277	245,519	–
Non-Bank Deposits By Currency			
Singapore Dollar	**88,905**	91,520	(3)
United States Dollar	**72,583**	62,333	16
Malaysian Ringgit	**22,616**	25,583	(12)
Indonesian Rupiah	**5,692**	5,235	9
Hong Kong Dollar	**23,692**	22,120	7
Chinese Renminbi	**10,501**	13,689	(23)
Others	**22,288**	25,039	(11)
	246,277	245,519	–
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**84.5%**	84.5%	

Deposits (continued)

Non-bank customer deposits as at 31 December 2015 were S$246 billion, higher from a year ago. Year-on-year, current account deposits and savings deposits grew by 11% and 8% respectively, offset by declines in fixed deposits and other deposits. As a result, the ratio of current and savings deposits to total non-bank deposits increased to 48.9% as at 31 December 2015, from 44.6% a year ago. The Group's loan-to-deposit ratio was 84.5%, unchanged from a year ago. For the fourth quarter of 2015, the average Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang) were 253% and 124% respectively compared to the respective regulatory ratios of 100% and 60%. OCBC Wing Hang's liquidity coverage ratios will be incorporated in the overall Group position in due course.

Performance by Business Segment

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and OCBC Wing Hang.

OPERATING PROFIT BY BUSINESS SEGMENT

	2015 S$ million	2014 S$ million	+/(-) %
Global Consumer/Private Banking	**980**	750	31
Global Corporate/Investment Banking	**1,902**	1,946	(2)
Global Treasury and Markets	**618**	774	(20)
Insurance	**853**	946	(10)
OCBC Wing Hang	**360**	94	284
Others [1]	**(241)**	(250)	(4)
Operating profit after allowances and amortisation	**4,472**	4,260	5

(1) Excludes one-off gain from remeasurement of equity stake in an associate.

GLOBAL CONSUMER/PRIVATE BANKING

Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

Operating profit after allowances increased 31% to S$980 million from S$750 million in 2014, driven by broad-based income growth, which more than offset an increase in expenses and allowances.

GLOBAL CORPORATE/INVESTMENT BANKING

Global Corporate/Investment Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management and custodian services. Investment Banking comprises a comprehensive range of financing solutions, syndicated loans and advisory services, corporate finance services for initial public offerings, secondary fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

Global Corporate/Investment Banking's 2015 operating profit after allowances declined 2% to S$1.90 billion, down from S$1.95 billion a year ago, mainly attributable to an increase in expenses and allowances which more than offset higher net interest income.

GLOBAL TREASURY AND MARKETS

Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers of other business segments, such as Global Consumer/Private Banking and Global Corporate/Investment Banking, is reflected in the respective business segments.

Global Treasury's operating profit in 2015 fell 20% year-on-year to S$618 million, largely attributable to a decline in net interest income from limited gapping opportunities and from an increase in expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

INSURANCE
The Group's insurance business, including its fund management activities, is undertaken by 87.6%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

GEH's 2015 operating profit after allowances was 10% lower at S$853 million. This was mainly attributable to lower insurance income as a result of unrealised mark-to-market losses in GEH's bond investment portfolio and slightly increased allowances, which more than offset gains realised from the sale of an equity portfolio investment.

After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S$639 million in 2015.

OCBC WING HANG
The Group acquired a majority stake in OCBC Wing Hang on 15 July 2014 and it became a wholly-owned subsidiary on 15 October 2014. OCBC Wing Hang offers a comprehensive range of commercial banking and related financial services such as consumer financing, share brokerage and insurance.

OCBC Wing Hang contributed S$360 million in 2015 to the Group's operating profit after allowances.

OTHERS
Others comprise mainly property holding, investment holding and items not attributable to the business segments described above.

Performance By Geographical Segment

	2015		2014	
	S$ million	%	S$ million	%
Total core income				
Singapore	**5,106**	**58**	4,768	60
Malaysia	**1,395**	**16**	1,421	18
Indonesia	**564**	**6**	499	6
Greater China	**1,362**	**16**	954	12
Other Asia Pacific	**148**	**2**	152	2
Rest of the World	**147**	**2**	155	2
	8,722	**100**	7,949	100
Profit before income tax				
Singapore	**2,665**	**55**	2,579	59
Malaysia	**807**	**17**	833	19
Indonesia	**200**	**4**	185	4
Greater China	**968**	**20**	524	12
Other Asia Pacific	**84**	**2**	106	3
Rest of the World	**101**	**2**	145	3
	4,825	**100**	4,372	100
Total assets				
Singapore	**214,358**	**55**	221,378	55
Malaysia	**59,952**	**15**	65,456	16
Indonesia	**12,604**	**3**	11,146	3
Greater China	**71,512**	**18**	74,696	19
Other Asia Pacific	**10,665**	**3**	9,668	2
Rest of the World	**21,099**	**6**	18,882	5
	390,190	**100**	401,226	100

The geographical segment analysis is based on the location where assets or transactions are booked. For 2015, Singapore accounted for 58% of total income and 55% of pre-tax profit, while Malaysia accounted for 16% of total income and 17% of pre-tax profit. Greater China, including OCBC Wing Hang, accounted for 16% of total income and 20% of pre-tax profit.

Performance By Geographical Segment (continued)

Pre-tax profit for Singapore was up 3% to S$2.67 billion in 2015, from S$2.58 billion a year ago, boosted by higher net interest income, fee and trading income, which outpaced the increase in operating expenses and allowances. Malaysia's pre-tax profit was S$807 million, 3% lower year-on-year from S$833 million in 2014, as higher net interest income and trading income were offset by higher expenses. In constant currency terms, Malaysia's profit grew by 7% from a year ago. Pre-tax profit for Greater China was S$968 million in 2015, up from S$524 million a year ago, partly from the consolidation of OCBC Wing Hang.

Capital Adequacy Ratios

The Group remained strongly capitalised, with a Common Equity Tier 1 ("CET1") capital adequacy ratio ("CAR") of 14.8%, and Tier 1 and total CAR of 14.8% and 16.8% respectively. These ratios, based on Basel III transitional arrangements, were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2015.

The Group's CET1 CAR, based on Basel III rules which will be effective from 1 January 2018, was 11.8%, compared with 10.6% a year ago.

Leverage Ratio

In January 2014, the Basel Committee on Banking Supervision ("BCBS") issued the leverage ratio framework and its public disclosure requirements. In line with this, a revised MAS Notice 637 was issued in October 2014 requiring Singapore-incorporated banks to make leverage ratio disclosures with effect from 1 January 2015 to enhance the transparency and comparability of these disclosures across banks.

The leverage ratio is an indicator of capital strength to supplement the risk-based capital requirements and is the ratio of Tier 1 Capital to total exposures (comprising on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items). As at 31 December 2015, the Group's leverage ratio was 8.0%, above the minimum requirement of 3% which is being tested by BCBS during the parallel run period from 2013 to 2017.

Unrealised Valuation Surplus

	2015 S$ million	2014 S$ million
Properties [(1)]	**3,915**	3,956
Equity securities [(2)]	**2,508**	4,315
Total	**6,423**	8,271

(1) Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at the end of the year.

(2) Comprises mainly investments in quoted subsidiaries and an associate, which are valued based on their market prices at the end of the year.

The Group's unrealised valuation surplus largely represents the difference between the carrying values of its properties and investments in quoted subsidiaries and an associate, and the market values of those properties and quoted investments at the respective periods. The carrying values of subsidiaries and associate on the balance sheet are measured at cost plus post-acquisition reserves, while those of properties are measured at cost less accumulated depreciation, and impairment, if any.

The valuation surplus as at 31 December 2015 was S$6.42 billion, 22% lower from S$8.27 billion as at 31 December 2014, mainly from lower equity securities valuation from the Group's equity stakes in GEH and Bank OCBC NISP.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

The directors present this statement to the members of the Bank together with the audited consolidated financial statements of the Group and the income statement, statement of comprehensive income, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2015.

In our opinion:

(a) the financial statements set out on pages 102 to 209 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2015, the financial performance and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, including the modification of the requirements of Singapore Financial Reporting Standard 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore; and

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

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

Directors

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

Ooi Sang Kuang, Chairman
Samuel N. Tsien, Chief Executive Officer
Cheong Choong Kong
Lai Teck Poh
Lee Tih Shih
Quah Wee Ghee
Pramukti Surjaudaja
Tan Ngiap Joo
Teh Kok Peng
Wee Joo Yeow
Christina Hon Kwee Fong (Christina Ong) (Appointed on 15 February 2016)

Cheong Choong Kong and Lai Teck Poh will retire under the respective resolutions passed at the annual general meeting of the Bank held on 28 April 2015 pursuant to Section 153(6) of the Act (which was then in force). A resolution will be proposed for the re-appointment of Lai Teck Poh at the forthcoming annual general meeting of the Bank. Cheong Choong Kong has notified the Bank that he will not be seeking re-appointment as a Director at the forthcoming annual general meeting of the Bank.

Pramukti Surjaudaja, Tan Ngiap Joo and Teh Kok Peng will retire by rotation under Article 95 of the Constitution of the Bank at the forthcoming annual general meeting of the Bank and, being eligible, will offer themselves for re-election thereat.

Christina Ong will retire under Article 101 of the Constitution of the Bank at the forthcoming annual general meeting of the Bank and, being eligible, will offer herself for re-election thereat.

Arrangements to Enable Directors to Acquire Shares and Debentures

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

Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings, the directors holding office at the end of the financial year had interests in shares in the Bank and its related corporations, as follows:

	Direct interest		Deemed interest [1]	
	At 31.12.2015	**At 1.1.2015**	**At 31.12.2015**	**At 1.1.2015**
BANK				
Ordinary shares				
Ooi Sang Kuang	**19,793**	13,033	**–**	–
Samuel N. Tsien	**472,303**	315,460	**–**	–
Cheong Choong Kong	**1,337,466**	1,013,990	**13,152**	12,646
Lai Teck Poh	**1,035,820**	790,694	**–**	–
Lee Tih Shih	**3,286,468**	3,154,358	**–**	–
Quah Wee Ghee	**20,650**	13,856	**576**	553
Pramukti Surjaudaja	**43,344**	35,680	**–**	–
Tan Ngiap Joo	**1,239,780**	1,112,490	**–**	–
Teh Kok Peng	**485,361**	460,735	**–**	–
Wee Joo Yeow	**39,639**	22,500	**4,689**	4,509
Options/ rights/ awards in respect of ordinary shares				
Samuel N. Tsien	**3,959,340** [3]	3,078,279 [2]	**–**	–
Cheong Choong Kong	**1,339,720** [4]	1,802,173 [4]	**–**	–
Lai Teck Poh	**–**	200,518 [4]	**–**	–
Tan Ngiap Joo	**113,113** [4]	211,829 [4]	**–**	–
4.2% Class G non-cumulative non-convertible preference shares				
Cheong Choong Kong	**Nil** [5]	15,000	**–**	–
Lee Tih Shih	**Nil** [5]	240,000	**–**	–
Teh Kok Peng	**Nil** [5]	40,000	**–**	–
OCBC Capital Corporation				
3.93% non-cumulative non-convertible guaranteed preference shares				
Tan Ngiap Joo	**–**	–	**Nil** [6]	2,500
OCBC Capital Corporation (2008)				
5.1% non-cumulative non-convertible guaranteed preference shares				
Cheong Choong Kong	**10,000**	10,000	**–**	–
Lee Tih Shih	**10,000**	10,000	**–**	–
Quah Wee Ghee	**–**	–	**2,100**	2,100

(1) Ordinary shares/preference shares held by spouse.
(2) Comprises: (i) 2,545,137 options granted under the OCBC Share Option Scheme 2001; (ii) 7,592 rights to acquire shares granted under the OCBC Employee Share Purchase Plan; and (iii) 525,550 unvested shares granted under the OCBC Deferred Share Plan.
(3) Comprises: (i) 3,290,004 options granted under the OCBC Share Option Scheme 2001; (ii) 7,377 rights to acquire shares granted under the OCBC Employee Share Purchase Plan; and (iii) 661,959 unvested shares granted under the OCBC Deferred Share Plan.
(4) Comprises options granted under the OCBC Share Option Scheme 2001.
(5) All of the 4.2% Class G non-cumulative non-convertible preference shares were fully redeemed and cancelled on 20 December 2015.
(6) All of the OCBC Capital Corporation 3.93% non-cumulative non-convertible guaranteed preference shares were fully redeemed and cancelled on 20 March 2015.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

Directors' Interests in Shares or Debentures (continued)

None of the directors holding office at the end of the financial year have any direct or deemed interests in the 4.0% Class M non-cumulative non-convertible preference shares of the Bank.

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

There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2016.

Share-Based Compensation Plans

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

Wee Joo Yeow, Chairman
Ooi Sang Kuang
Quah Wee Ghee
Tan Ngiap Joo
Teh Kok Peng

Under the share-based compensation plans, no options or rights have been granted to controlling shareholders of the Bank or their associates, nor has any participant received 5% or more of the total number of options or rights available under each respective scheme or plan during the financial year. No options or rights were granted at a discount during the financial year. The persons to whom the options or rights were issued have no right by virtue of these options or rights to participate in any share issue of any other company. The disclosure requirement in Rule 852(1)(c) of the SGX Listing Manual relating to the grant of options to directors and employees of the parent company and its subsidiaries is not applicable to the Bank's share-based compensation plans.

The Bank's share-based compensation plans are as follows:

(a) OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 ("2001 Scheme"), which was implemented in 2001, was extended for another 10 years from 2011 to 2021, with the approval of shareholders. Executives of the Group ranked Manager and above and non-executive directors of the Group are eligible to participate in this scheme. The Bank will either issue new shares or transfer treasury shares to the participants upon the exercise of their options.

Particulars of Options 2005, 2005A, 2006, 2006B, 2007, 2007A, 2007B, 2008, 2009, 2010, 2010NED, 2011, 2011NED, 2012, 2012NED, 2013, 2013NED, 2014 and 2014GK were set out in the Directors' Reports for the financial years ended 31 December 2005 to 2014.

During the financial year, pursuant to the 2001 Scheme, options to acquire 7,030,679 ordinary shares at S$10.378 per ordinary share were granted to 157 eligible executives of the Group ("2015 Options"). The acquisition price was equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over the five consecutive trading days immediately prior to the date of grant. In addition, options to acquire 31,779 ordinary shares at S$10.254 per ordinary share and 29,848 ordinary shares at S$9.030 per ordinary share were also granted to two senior executives of the Bank in conjunction with the cessation of their employment contracts in 2015 ("2015CT" and "2015JL" respectively). The acquisition prices for these grants were equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over the five consecutive trading days immediately prior to the respective dates of grant.

Share-Based Compensation Plans (continued)

(a) OCBC Share Option Scheme 2001 (continued)

Details of unissued ordinary shares under the 2001 Scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2015 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2015 Outstanding	At 31.12.2015 Exercisable
2005	15.03.2006 to 13.03.2015	5.608	1,194,542	1,193,877	–	–
2005A	09.04.2006 to 07.04.2015	5.625	35,373	31,870	–	–
2006	15.03.2007 to 13.03.2016	6.632	279,913	279,913	1,081,126	1,081,126
2006B	24.05.2007 to 22.05.2016	6.399	52,037	52,037	57,987	57,987
2007	15.03.2008 to 13.03.2017	8.354	773,569	773,569	1,563,681	1,563,681
2007A	16.01.2008 to 14.01.2017	7.391	–	–	457,593	457,593
2007B	15.03.2008 to 13.03.2017	8.354	19,470	19,470	134,769	134,769
2008	15.03.2009 to 13.03.2018	7.313	641,980	640,557	1,417,725	1,417,725
2009	17.03.2010 to 15.03.2019	4.024	226,432	225,649	1,238,633	1,238,633
2010	16.03.2011 to 14.03.2020	8.521	184,324	182,666	1,792,986	1,792,986
2010NED	16.03.2011 to 14.03.2015	8.521	240,341	240,341	–	–
2011	15.03.2012 to 13.03.2021	9.093	144,376	144,376	1,818,518	1,818,518
2011NED	15.03.2012 to 13.03.2016	9.093	–	–	335,536	335,536
2012	15.03.2013 to 13.03.2022	8.556	212,412	212,412	3,309,924	3,309,924
2012NED	15.03.2013 to 13.03.2017	8.556	–	–	350,572	350,572
2013	15.03.2014 to 13.03.2023	10.018	94,992	81,410	7,783,596	5,094,749
2013NED	15.03.2014 to 13.03.2018	10.018	–	–	464,817	306,778
2014	15.03.2015 to 13.03.2024	9.169	98,290	98,290	5,804,539	1,861,683
2014GK	12.09.2015 to 10.09.2024	9.732	–	–	135,753	44,798
2015	16.03.2016 to 15.03.2025	10.378	–	–	6,997,097	–
2015CT	30.06.2016 to 29.06.2025	10.254	–	–	31,779	–
2015JL	16.11.2016 to 15.11.2025	9.030	–	–	29,848	–
			4,198,051	4,176,437	34,806,479	20,867,058

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

Share-Based Compensation Plans (continued)

(b) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESP Plan"), which was implemented in 2004, was extended for another 10 years from 2014 to 2024, with the approval of shareholders. Employees of the Group who have attained the age of 21 years and been employed for not less than six months are eligible to participate in the ESP Plan.

At an extraordinary general meeting held on 17 April 2009, alterations to the ESP Plan were approved to enable two (but not more than two) Offering Periods to be outstanding on any date. Since each Offering Period currently consists of a 24-month period, these alterations will enable the Bank to prescribe Offering Periods once every 12 months (instead of once every 24 months as was previously the case).

In June 2015, the Bank launched its tenth offering under the ESP Plan, which commenced on 1 July 2015 and will expire on 30 June 2017. Under the tenth offering, 6,692 employees enrolled to participate in the ESP Plan to acquire 8,472,121 ordinary shares at S$10.24 per ordinary share. The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately preceding the price fixing date. Particulars of the first to ninth offerings under the ESP Plan were set out in the Directors' Reports for the financial years ended 31 December 2004 to 2014. During the financial year, 5,742,812 ordinary shares were delivered to participants under the ESP Plan. As at the end of the financial year, (i) rights to acquire 503 ordinary shares at S$9.65 per ordinary share granted under the eighth offering (which had expired on 30 June 2015) pending transfer to employees, (ii) rights to acquire 6,581,548 ordinary shares at S$9.32 per ordinary share granted under the ninth offering (which will expire on 30 June 2016), and (iii) rights to acquire 7,639,405 ordinary shares at S$10.24 per ordinary share granted under the tenth offering (which will expire on 30 June 2017) remained outstanding. Further details on the ESP Plan can be found in Note 13.3 of the Notes to the Financial Statements.

Details of options granted under the 2001 Scheme and acquisition rights granted under the ESP Plan to directors of the Bank are as follows:

Name of director	Options/rights granted during the financial year ended 31.12.2015	Aggregate number of options/ rights granted since commencement of scheme/ plan to 31.12.2015	Aggregate number of options exercised/ rights converted since commencement of scheme/plan to 31.12.2015	Aggregate number of options/ rights outstanding at 31.12.2015 (1)
2001 SCHEME				
Samuel N. Tsien	744,867	3,540,004	250,000	3,290,004
Cheong Choong Kong	–	2,480,331	1,140,611	1,339,720
Lai Teck Poh	–	560,518	560,518	–
Tan Ngiap Joo	–	811,829	698,716	113,113
ESP PLAN				
Samuel N. Tsien	3,515	31,982	20,491 (2)	7,377

(1) These details have already been disclosed in the section on "Directors' interests in shares or debentures" above.

(2) Excludes 4,114 rights which were not converted into shares upon expiry of the fifth offering as the average market price at that time was lower than the acquisition price. This was in line with the terms and conditions of the ESP Plan.

There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2016.

Share-Based Compensation Plans (continued)

(c) OCBC Deferred Share Plan

The Bank implemented the OCBC Deferred Share Plan ("DSP") in 2003. The DSP is a discretionary incentive and retention award programme extended to executives of the Group at the absolute discretion of the Remuneration Committee.

Awards over an aggregate of 5,517,597 ordinary shares (including awards over 246,063 ordinary shares granted to a director of the Bank) were granted to eligible executives under the DSP during the financial year ended 31 December 2015. In addition, existing awards were adjusted following the declarations of final dividend for the financial year ended 31 December 2014, and interim dividend for the financial year ended 31 December 2015, resulting in an additional 477,643 ordinary shares being subject to awards under the DSP (including an additional 25,404 ordinary shares being subject to awards held by a director of the Bank holding office as at the end of the financial year). During the financial year, 4,196,495 deferred shares were released to grantees, of which 135,058 deferred shares were released to a director of the Bank who held office as at the end of the financial year.

Except as disclosed above, there were no unissued shares of the Bank or its subsidiaries under options granted by the Bank or its subsidiaries as at the end of the financial year.

Audit Committee

The members of the Audit Committee during the financial year and at the date of this statement are:

Tan Ngiap Joo, Chairman
Lai Teck Poh
Teh Kok Peng

The Audit Committee performed the functions specified in the Act, the SGX Listing Manual, the Banking (Corporate Governance) Regulations 2005, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance 2012. In performing these functions, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, as well as the results of the auditors' examination and their evaluation of the system of internal controls.

The Audit Committee also reviewed the following:

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

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

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors of the Bank at the forthcoming annual general meeting of the Bank.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

Auditors

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

On behalf of the Board of Directors,

OOI SANG KUANG
Director

SAMUEL N. TSIEN
Director

Singapore
16 February 2016

INDEPENDENT AUDITORS' REPORT

To The Members Of Oversea-Chinese Banking Corporation Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group"), which comprise the balance sheets of the Group and the Bank as at 31 December 2015, the income statements, statements of comprehensive income and statements of changes in equity of the Group and the Bank and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 102 to 209.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2015 and the financial performance and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
16 February 2016

INCOME STATEMENTS

For the financial year ended 31 December 2015

	Note	GROUP 2015 $'000	GROUP 2014 $'000	BANK 2015 $'000	BANK 2014 $'000
Interest income		**8,486,454**	7,606,871	**4,361,730**	4,119,993
Interest expense		**(3,297,032)**	(2,870,745)	**(1,481,774)**	(1,305,881)
Net interest income	3	**5,189,422**	4,736,126	**2,879,956**	2,814,112
Premium income		**7,946,252**	7,808,057	**–**	–
Investment income		**2,254,059**	2,410,787	**–**	–
Net claims, surrenders and annuities		**(4,880,046)**	(5,308,981)	**–**	–
Change in life assurance fund contract liabilities		**(3,348,865)**	(2,779,322)	**–**	–
Commission and others		**(1,341,657)**	(1,362,734)	**–**	–
Profit from life assurance	4	**629,743**	767,807	**–**	–
Premium income from general insurance		**150,979**	162,263	**–**	–
Fees and commissions (net)	5	**1,642,883**	1,494,702	**824,191**	808,531
Dividends	6	**93,115**	105,574	**469,201**	609,200
Rental income		**100,325**	76,458	**64,782**	37,350
Other income	7	**915,361**	997,169	**331,333**	104,199
Non-interest income		**3,532,406**	3,603,973	**1,689,507**	1,559,280
Total income		**8,721,828**	8,340,099	**4,569,463**	4,373,392
Staff costs		**(2,254,258)**	(2,002,474)	**(802,613)**	(748,268)
Other operating expenses		**(1,409,738)**	(1,255,080)	**(827,710)**	(811,573)
Total operating expenses	8	**(3,663,996)**	(3,257,554)	**(1,630,323)**	(1,559,841)
Operating profit before allowances and amortisation		**5,057,832**	5,082,545	**2,939,140**	2,813,551
Amortisation of intangible assets	37	**(97,613)**	(74,205)	**–**	–
Allowances for loans and impairment for other assets	9	**(488,058)**	(357,082)	**(289,250)**	(136,656)
Operating profit after allowances and amortisation		**4,472,161**	4,651,258	**2,649,890**	2,676,895
Share of results of associates and joint ventures		**352,422**	111,947	**–**	–
Profit before income tax		**4,824,583**	4,763,205	**2,649,890**	2,676,895
Income tax expense	10	**(716,782)**	(687,499)	**(333,881)**	(355,794)
Profit for the year		**4,107,801**	4,075,706	**2,316,009**	2,321,101
Attributable to:					
Equity holders of the Bank		**3,903,107**	3,841,954		
Non-controlling interests		**204,694**	233,752		
		4,107,801	4,075,706		
Earnings per share (cents)	11				
Basic		**95.3**	102.5		
Diluted		**95.2**	102.4		

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	GROUP 2015 $'000	GROUP 2014 $'000	BANK 2015 $'000	BANK 2014 $'000
Profit for the year		**4,107,801**	4,075,706	**2,316,009**	2,321,101
Other comprehensive income:					
Available-for-sale financial assets					
(Losses)/gains for the year		**(73,709)**	428,128	**(122,544)**	88,799
Reclassification of (gains)/losses to income statement					
- on disposal		**(203,974)**	(500,540)	**(59,073)**	(55,822)
- on impairment		**71,408**	922	**43,557**	(265)
Tax on net movements	20	**18,989**	(54,272)	**8,213**	(2,657)
Defined benefit plans remeasurements [(1)]		**6,007**	(64)	**–**	–
Exchange differences on translating foreign operations		**(155,831)**	162,462	**18,514**	13,288
Other comprehensive income of associates and joint ventures		**76,152**	70,413	**–**	–
Total other comprehensive income, net of tax		**(260,958)**	107,049	**(111,333)**	43,343
Total comprehensive income for the year, net of tax		**3,846,843**	4,182,755	**2,204,676**	2,364,444
Total comprehensive income attributable to:					
Equity holders of the Bank		**3,683,686**	3,913,782		
Non-controlling interests		**163,157**	268,973		
		3,846,843	4,182,755		

(1) Item that will not be reclassified to income statement.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2015

	Note	GROUP 2015 $'000	GROUP 2014 $'000	BANK 2015 $'000	BANK 2014 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13.1	**14,560,367**	13,752,110	**14,560,367**	13,752,110
Other equity instruments	13.5	**499,143**	–	**499,143**	–
Capital reserves	14	**526,910**	517,563	**94,749**	92,107
Fair value reserves		**234,357**	366,017	**37,728**	167,575
Revenue reserves	15	**18,732,172**	16,461,106	**11,545,456**	10,713,883
		34,552,949	31,096,796	**26,737,443**	24,725,675
Non-controlling interests	16	**2,557,862**	3,088,643	**–**	–
Total equity		**37,110,811**	34,185,439	**26,737,443**	24,725,675
LIABILITIES					
Deposits of non-bank customers	17	**246,277,331**	245,519,098	**154,167,752**	154,465,869
Deposits and balances of banks	17	**12,046,711**	20,502,731	**10,165,734**	18,512,056
Due to subsidiaries		**–**	–	**9,963,183**	5,153,973
Due to associates		**334,208**	294,436	**144,249**	149,372
Trading portfolio liabilities		**644,685**	706,723	**644,685**	706,723
Derivative payables	18	**6,068,545**	6,632,027	**4,739,556**	5,641,621
Other liabilities	19	**4,906,519**	5,027,598	**1,506,438**	1,534,436
Current tax		**1,000,423**	898,303	**403,433**	387,111
Deferred tax	20	**1,327,355**	1,376,315	**51,762**	61,767
Debt issued	21	**23,479,029**	28,859,406	**23,436,919**	28,631,983
		296,084,806	309,816,637	**205,223,711**	215,244,911
Life assurance fund liabilities	22	**56,994,024**	57,223,946	**–**	–
Total liabilities		**353,078,830**	367,040,583	**205,223,711**	215,244,911
Total equity and liabilities		**390,189,641**	401,226,022	**231,961,154**	239,970,586
ASSETS					
Cash and placements with central banks	23	**21,179,896**	25,313,854	**15,645,717**	18,791,398
Singapore government treasury bills and securities	24	**8,635,493**	10,100,218	**8,339,191**	9,423,876
Other government treasury bills and securities	24	**12,366,061**	12,148,522	**6,793,843**	4,944,270
Placements with and loans to banks	25	**35,790,761**	41,220,140	**28,952,455**	28,266,366
Loans and bills receivable	26–29	**208,218,258**	207,534,631	**128,630,174**	129,823,147
Debt and equity securities	30	**22,786,463**	23,466,271	**11,354,838**	13,184,166
Assets pledged	46	**1,451,885**	1,536,302	**1,007,700**	1,181,120
Assets held for sale	47	**5,605**	1,885	**2,420**	–
Derivative receivables	18	**6,247,638**	5,919,479	**4,915,455**	4,931,454
Other assets	31	**4,341,383**	4,771,382	**1,486,848**	1,614,991
Deferred tax	20	**135,371**	118,009	**40,657**	39,617
Associates and joint ventures	33	**2,248,367**	2,096,474	**596,306**	610,275
Subsidiaries	34	**–**	–	**21,231,315**	24,198,318
Property, plant and equipment	35	**3,466,926**	3,408,836	**536,126**	520,407
Investment property	36	**1,137,861**	1,147,084	**560,933**	574,005
Goodwill and intangible assets	37	**5,195,231**	5,156,590	**1,867,176**	1,867,176
		333,207,199	343,939,677	**231,961,154**	239,970,586
Life assurance fund investment assets	22	**56,982,442**	57,286,345	**–**	–
Total assets		**390,189,641**	401,226,022	**231,961,154**	239,970,586

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - GROUP

For the financial year ended 31 December 2015

In $'000	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2015	13,752,110	517,563	366,017	16,461,106	31,096,796	3,088,643	34,185,439
Total comprehensive income for the year							
Profit for the year	–	–	–	3,903,107	3,903,107	204,694	4,107,801
Other comprehensive income							
Available-for-sale financial assets							
Losses for the year	–	–	(71,972)	–	(71,972)	(1,737)	(73,709)
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(187,000)	–	(187,000)	(16,974)	(203,974)
- on impairment	–	–	67,835	–	67,835	3,573	71,408
Tax on net movements	–	–	16,377	–	16,377	2,612	18,989
Defined benefit plans remeasurements	–	–	–	5,220	5,220	787	6,007
Exchange differences on translating foreign operations	–	–	–	(126,289)	(126,289)	(29,542)	(155,831)
Other comprehensive income of associates and joint ventures	–	–	43,100	33,308	76,408	(256)	76,152
Total other comprehensive income, net of tax	–	–	(131,660)	(87,761)	(219,421)	(41,537)	(260,958)
Total comprehensive income for the year	–	–	(131,660)	3,815,346	3,683,686	163,157	3,846,843
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	9,126	15,562	–	(24,688)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(124,053)	(124,053)
DSP reserve from dividends on unvested shares	–	–	–	4,417	4,417	–	4,417
Ordinary and preference dividends	–	–	–	(332,753)	(332,753)	–	(332,753)
Perpetual capital securities issued	499,143	–	–	–	499,143	–	499,143
Redemption of preference shares issued by the Bank	(391,873)	–	–	(3,958)	(395,831)	–	(395,831)
Redemption of preference shares issued by subsidiaries	–	–	–	–	–	(543,814)	(543,814)
Share-based staff costs capitalised	–	11,768	–	–	11,768	–	11,768
Share buyback held in treasury	(117,496)	–	–	–	(117,496)	–	(117,496)
Shares issued in-lieu of ordinary dividends	1,170,656	–	–	(1,170,656)	–	–	–
Shares issued to non-executive directors	737	–	–	–	737	–	737
Shares transferred to DSP Trust	–	(4,417)	–	–	(4,417)	–	(4,417)
Shares vested under DSP Scheme	–	38,543	–	–	38,543	–	38,543
Treasury shares transferred/sold	137,107	(52,109)	–	–	84,998	–	84,998
Total contributions by and distributions to owners	1,307,400	9,347	–	(1,527,638)	(210,891)	(667,867)	(878,758)
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(16,642)	(16,642)	(26,071)	(42,713)
Total changes in ownership interests in subsidiaries	–	–	–	(16,642)	(16,642)	(26,071)	(42,713)
Balance at 31 December 2015	15,059,510	526,910	234,357	18,732,172	34,552,949	2,557,862	37,110,811
Included:							
Share of reserves of associates and joint ventures	–	–	71,939	569,538	641,477	(277)	641,200

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - GROUP

For the financial year ended 31 December 2015

In $'000	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2014	9,448,282	418,368	493,473	14,755,420	25,115,543	2,963,937	28,079,480
Total comprehensive income for the year							
Profit for the year	–	–	–	3,841,954	3,841,954	233,752	4,075,706
Other comprehensive income							
Available-for-sale financial assets							
Gains for the year	–	–	392,249	–	392,249	35,879	428,128
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(495,591)	–	(495,591)	(4,949)	(500,540)
- on impairment	–	–	770	–	770	152	922
Tax on net movements	–	–	(48,995)	–	(48,995)	(5,277)	(54,272)
Defined benefit plans remeasurements	–	–	–	(69)	(69)	5	(64)
Exchange differences on translating foreign operations	–	–	–	153,263	153,263	9,199	162,462
Other comprehensive income of associates and joint ventures	–	–	24,111	46,090	70,201	212	70,413
Total other comprehensive income, net of tax	–	–	(127,456)	199,284	71,828	35,221	107,049
Total comprehensive income for the year	–	–	(127,456)	4,041,238	3,913,782	268,973	4,182,755
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	13,429	100,738	–	(114,167)	–	–	–
Acquisition/establishment of subsidiaries	–	–	–	–	–	2,109,242	2,109,242
Dividends to non-controlling interests	–	–	–	–	–	(132,757)	(132,757)
DSP reserve from dividends on unvested shares	–	–	–	3,824	3,824	–	3,824
Ordinary and preference dividends	–	–	–	(255,352)	(255,352)	–	(255,352)
Share-based staff costs capitalised	–	11,496	–	–	11,496	–	11,496
Share buyback held in treasury	(161,634)	–	–	–	(161,634)	–	(161,634)
Shares issued in-lieu of ordinary dividends	1,014,597	–	–	(1,014,597)	–	–	–
Shares issued pursuant to Rights Issue	3,307,112	–	–	–	3,307,112	–	3,307,112
Shares issued to non-executive directors	735	–	–	–	735	–	735
Shares transferred to DSP Trust	–	(3,674)	–	–	(3,674)	–	(3,674)
Shares vested under DSP Scheme	–	32,709	–	–	32,709	–	32,709
Treasury shares transferred/sold	129,589	(42,074)	–	–	87,515	–	87,515
Total contributions by and distributions to owners	4,303,828	99,195	–	(1,380,292)	3,022,731	1,976,485	4,999,216
Changes in ownership interests in subsidiaries that do not result in loss of control							
Changes in non-controlling interests	–	–	–	(955,260)	(955,260)	(2,120,752)	(3,076,012)
Total changes in ownership interests in subsidiaries	–	–	–	(955,260)	(955,260)	(2,120,752)	(3,076,012)
Balance at 31 December 2014	13,752,110	517,563	366,017	16,461,106	31,096,796	3,088,643	34,185,439
Included:							
Share of reserves of associates and joint ventures	–	–	28,839	257,284	286,123	(2,809)	283,314

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - BANK

For the financial year ended 31 December 2015

In $'000	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2015	**13,752,110**	**92,107**	**167,575**	**10,713,883**	**24,725,675**
Total comprehensive income for the year (1)	**–**	**–**	**(129,847)**	**2,334,523**	**2,204,676**
Transfers	**9,126**	**(9,126)**	**–**	**–**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**4,417**	**4,417**
Ordinary and preference dividends	**–**	**–**	**–**	**(332,753)**	**(332,753)**
Perpetual capital securities issued	**499,143**	**–**	**–**	**–**	**499,143**
Redemption of preference shares issued by the Bank	**(391,873)**	**–**	**–**	**(3,958)**	**(395,831)**
Share-based staff costs capitalised	**–**	**11,768**	**–**	**–**	**11,768**
Share buyback held in treasury	**(117,496)**	**–**	**–**	**–**	**(117,496)**
Shares issued in-lieu of ordinary dividends	**1,170,656**	**–**	**–**	**(1,170,656)**	**–**
Shares issued to non-executive directors	**737**	**–**	**–**	**–**	**737**
Treasury shares transferred/sold	**137,107**	**–**	**–**	**–**	**137,107**
Balance at 31 December 2015	**15,059,510**	**94,749**	**37,728**	**11,545,456**	**26,737,443**
Balance at 1 January 2014	9,448,282	94,040	137,520	9,645,619	19,325,461
Total comprehensive income for the year (1)	–	–	30,055	2,334,389	2,364,444
Transfers	13,429	(13,429)	–	–	–
DSP reserve from dividends on unvested shares	–	–	–	3,824	3,824
Ordinary and preference dividends	–	–	–	(255,352)	(255,352)
Share-based staff costs capitalised	–	11,496	–	–	11,496
Share buyback held in treasury	(161,634)	–	–	–	(161,634)
Shares issued in-lieu of ordinary dividends	1,014,597	–	–	(1,014,597)	–
Shares issued pursuant to Rights Issue	3,307,112	–	–	–	3,307,112
Shares issued to non-executive directors	735	–	–	–	735
Treasury shares transferred/sold	129,589	–	–	–	129,589
Balance at 31 December 2014	13,752,110	92,107	167,575	10,713,883	24,725,675

(1) Refer to Statements of Comprehensive Income for detailed breakdown.

An analysis of the movements in each component within 'Share capital and other equity', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 15.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2015

In $'000	2015	2014
Cash flows from operating activities		
Profit before income tax	4,824,583	4,763,205
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	488,058	357,082
Amortisation of intangible assets	97,613	74,205
Change in fair value for hedging transactions and trading and fair value through profit and loss securities	(12,165)	(20,935)
Depreciation of property, plant and equipment and investment property	293,350	247,990
Net gain on disposal of government, debt and equity securities	(203,983)	(524,825)
Net gain on disposal of property, plant and equipment and investment property	(64,723)	(6,960)
Net gain on disposal of interests in subsidiaries, associates and joint venture	(2,766)	(31,092)
Share-based costs	11,214	11,300
Share of results of associates and joint ventures	(352,422)	(111,947)
Items relating to life assurance fund		
Surplus before income tax	789,672	968,290
Surplus transferred from life assurance fund	(606,343)	(767,807)
Operating profit before change in operating assets and liabilities	5,262,088	4,958,506
Change in operating assets and liabilities:		
Deposits of non-bank customers	798,005	17,223,312
Deposits and balances of banks	(8,456,020)	(1,213,395)
Derivative payables and other liabilities	(505,585)	1,642,971
Trading portfolio liabilities	(62,038)	(191,151)
Restricted balances with central banks [1]	710,843	(731,602)
Government securities and treasury bills	1,375,314	105,127
Trading and fair value through profit and loss securities	579,378	(859,268)
Placements with and loans to banks	5,306,862	3,729,375
Loans and bills receivable	(1,056,998)	(16,712,586)
Derivative receivables and other assets	(10,071)	(1,855,753)
Net change in investment assets and liabilities of life assurance fund	(60,697)	47,188
Cash from operating activities	3,881,081	6,142,724
Income tax paid	(660,492)	(714,839)
Net cash from operating activities	3,220,589	5,427,885
Cash flows from investing activities		
Dividends from associates	71,747	10,781
Increase in associates and joint ventures	(25,530)	(416,084)
Net cash outflow from acquisition/establishment of subsidiaries	–	(549,065)
Purchases of debt and equity securities	(12,536,528)	(11,375,093)
Purchases of property, plant and equipment and investment property	(341,445)	(332,099)
Proceeds from disposal of debt and equity securities	12,806,016	11,216,404
Proceeds from disposal of interests in associates and joint venture	478	64,650
Proceeds from disposal of property, plant and equipment and investment property	85,022	18,096
Net cash from/(used in) investing activities	59,760	(1,362,410)
Cash flows from financing activities		
Changes in non-controlling interests	(42,713)	(3,076,012)
Dividends paid to non-controlling interests	(124,053)	(132,757)
Dividends paid to equity holders of the Bank	(332,753)	(255,352)
(Decrease)/increase in other debt issued	(5,337,008)	194,399
Issue of subordinated debt	–	2,488,245
Net proceeds from issue of perpetual capital securities	499,143	–
Net proceeds from Rights Issue	–	3,307,112
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	84,998	87,515
Redemption of preference shares issued by the Bank	(395,831)	–
Redemption of preference shares issued by subsidiaries	(543,814)	–
Redemption of subordinated debt issued	(163,768)	(1,358,358)
Share buyback held in treasury	(117,496)	(161,634)
Net cash (used in)/from financing activities	(6,473,295)	1,093,158
Net currency translation adjustments	(230,169)	82,809
Net change in cash and cash equivalents [1]	(3,423,115)	5,241,442
Cash and cash equivalents at 1 January [1]	19,324,013	14,082,571
Cash and cash equivalents at 31 December [1] **(Note 23)**	15,900,898	19,324,013

[1] Comparatives have been restated to conform to current year's presentation.

The accompanying notes, as well as the Capital Management and Risk Management sections, form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 16 February 2016.

1. General

Oversea-Chinese Banking Corporation Limited ("the Bank") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of the Bank's registered office is 63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514.

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

2. Summary of Significant Accounting Policies

2.1 BASIS OF PREPARATION

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

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

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

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2015:

FRS 19 (Amendments)	*Defined Benefits Plans: Employee Contributions*
Improvements to FRSs 2014	

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

2.2 BASIS OF CONSOLIDATION

2.2.1 Subsidiaries

Subsidiaries are entities over which the Group controls when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date when control is transferred to the Group and cease to be consolidated on the date when that control ceases. The Group reassesses whether it controls an investee if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect its returns.

In preparing the consolidated financial statements, intra-group transactions and balances, together with unrealised income and expenses arising from the intra-group transactions among group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies within the Group.

Non-controlling interests ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to shareholders of the Bank, and are presented separately from equity attributable to equity holders of the Bank. For NCI that arise through minority unit holders' interest in the insurance subsidiaries of Great Eastern Holdings Limited ("GEH") consolidated investment funds, they are recognised as a liability. These interests qualify as a financial liability as they give the holder the right to put the instrument back to the issuer for cash. Changes in these liabilities are recognised in the income statement as expenses.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any NCI either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets on an acquisition-by-acquisition basis.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair values of any previously held equity interest in the acquiree over the fair value of the identifiable nets assets acquired is recognised as goodwill.

2.2.2 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control and is generally established for a narrow and well-defined objective.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of Significant Accounting Policies (continued)

2.2 BASIS OF CONSOLIDATION (continued)

2.2.2 Structured entities (continued)

For the purpose of disclosure, the Group would be considered to sponsor a structured entity if it has a key role in establishing the structured entity or its name appears in the overall structure of the structured entity.

2.2.3 Associates and joint ventures

The Group applies FRS 28 *Investments in Associates and Joint Ventures* and FRS 111 *Joint Arrangements* for its investments in associates and joint ventures.

Associates are entities over which the Bank has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Joint ventures are arrangements to undertake economic activities in which the Group has joint control and rights to the net assets of the entity.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. Under equity accounting, the investment is initially recognised at cost, and the carrying amount is adjusted for post-acquisition changes of the Group's share of the net assets of the entity until the date the significant influence or joint control ceases. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, where applicable. When the Group's share of losses equals or exceeds its interests in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entities.

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

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

2.2.4 Life assurance companies

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

2.2.5 Accounting for subsidiaries and associates by the Bank

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

2.3 CURRENCY TRANSLATION

2.3.1 Foreign currency transactions

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

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

2.3.2 Foreign operations

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

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

2.4 CASH AND CASH EQUIVALENTS

In the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances, money market placements and reverse repo transactions with central banks which are generally short-term financial instruments or repayable on demand.

2. Summary of Significant Accounting Policies (continued)

2.5 FINANCIAL INSTRUMENTS

2.5.1 Recognition

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

2.5.2 De-recognition

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

2.5.3 Offsetting

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

2.5.4 Sale and repurchase agreements (including securities lending and borrowing)

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

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

2.6 NON-DERIVATIVE FINANCIAL ASSETS

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

2.6.1 Loans and receivables

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

2.6.2 Available-for-sale financial assets

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

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

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

2.6.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are acquired by the trading business units of the Group for the purpose of selling them in the near term. The Group may also designate financial assets under the fair value option if they are managed on a fair value basis, contain embedded derivatives that would otherwise be required to be separately accounted for or if by doing so would eliminate or significantly reduce accounting mismatch that would otherwise arise.

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

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

2.6.4 Held-to-maturity investments

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

2.7 DERIVATIVE FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of Significant Accounting Policies (continued)

2.7 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

2.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

2.9 INVESTMENT PROPERTY

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

Investment property held under the Group's life assurance fund is stated at fair value at the balance sheet date and collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life assurance business. The fair value of the investment properties is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying value resulting from revaluation are recognised in the income statement of the life assurance fund.

2.10 GOODWILL AND INTANGIBLE ASSETS

2.10.1 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest over the fair value of the identifiable net assets acquired.

2. Summary of Significant Accounting Policies (continued)

2.10 GOODWILL AND INTANGIBLE ASSETS (continued)

2.10.1 Goodwill (continued)

Goodwill is stated at cost less impairment loss. Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

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

2.10.2 Intangible assets

Intangible assets are separately identifiable intangible items arising from acquisitions and are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised over their estimated useful lives. The useful life of an intangible asset is reviewed at least at each financial year end.

2.11 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

2.12 IMPAIRMENT OF ASSETS

Financial assets

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

2.12.1 Loans and receivables/financial assets carried at amortised cost

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

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

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

2.12.2 Other non-derivative financial assets

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

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

Other assets

2.12.3 Goodwill

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

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

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

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

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

2.13 INSURANCE RECEIVABLES

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of Significant Accounting Policies (continued)

2.14 FINANCIAL LIABILITIES

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

(a) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
(b) the fair value option designation eliminates or significantly reduces accounting mismatch that would otherwise arise; or
(c) the financial liability contains an embedded derivative that would need to be separately recorded.

2.15 PROVISIONS AND OTHER LIABILITIES

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

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

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

2.16 INSURANCE CONTRACTS

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

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

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

Certain subsidiaries within the Group, primarily Great Eastern Holdings Limited and its subsidiaries ("GEH Group"), write insurance contracts in accordance with insurance regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:

(a) Life Assurance Fund contract liabilities, comprising
  - Participating Fund contract liabilities;
  - Non-participating Fund contract liabilities; and
  - Investment-linked Fund contract liabilities.
(b) General Insurance Fund contract liabilities
(c) Reinsurance contracts

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

Life Assurance Fund contract liabilities

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

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

2. Summary of Significant Accounting Policies (continued)

2.16 INSURANCE CONTRACTS (continued)

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

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

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

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

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

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

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

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

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

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 ("MAS Regulations"); and
(b) Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required under the respective insurance regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to 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 benefits and the discretionary participating features; 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 compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of Significant Accounting Policies (continued)

2.16 INSURANCE CONTRACTS (continued)

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

	Singapore	Malaysia
Valuation method [1]	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) Guaranteed cashflows discounted using Malaysia Government Securities ("MGS") zero coupon spot yields (as outlined below).
Interest rate [1]	(i) Singapore Government Securities ("SGS") zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate ("LTRFDR") for cash flows between 15 to 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For the fair value hedge portfolio, Singapore Government Securities zero coupon spot yields for cash flows up to year 30, the 30 year rate for cash flows beyond 30 years. Interpolation for years where rates are unavailable. *Data source: MAS website and Bloomberg*	Malaysia Government Securities yields determined based on the following: (i) For cashflows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. *Data source: Bond Pricing Agency Malaysia*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [1]	Participating Fund: (i) Best estimates for Gross Premium Valuation method (ii); (ii) Best estimates plus provision for adverse deviation ("PAD") for Gross Premium Valuation method (iii). Non-Participating and Non-Unit reserves of Investment-linked Fund: Best estimates plus provision for adverse deviation ("PAD"). *Data source: Internal experience studies*	Participating Fund: (i) Best estimates for Gross Premium Valuation method (i); (ii) Best estimates plus provision for risk of adverse deviation ("PRAD") for Gross Premium Valuation method (ii). Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus provision for risk of adverse deviation ("PRAD"). *Data source: Internal experience studies*

[1] Refer to Note 2.23 on Critical accounting estimates and judgements.

2. Summary of Significant Accounting Policies (continued)

2.16 INSURANCE CONTRACTS (continued)

General Insurance Fund contract liabilities

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

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

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

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

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

Reinsurance contracts

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

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

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

2.17 UNEXPIRED RISK RESERVE

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

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

2.18 SHARE CAPITAL AND DIVIDEND

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of Significant Accounting Policies (continued)

2.18 SHARE CAPITAL AND DIVIDEND (continued)

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

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

2.19 RECOGNITION OF INCOME AND EXPENSE

2.19.1 Interest income and expense

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

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

2.19.2 Profit from life assurance

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

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

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

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

Recurring premiums from policyholders are recognised as revenue on their respective payment due dates. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business, universal life and certain Takaful non-participating products are recognised as revenue when payment is received.

2.19.3 Premium income from general insurance

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

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

2. Summary of Significant Accounting Policies (continued)

2.19 RECOGNITION OF INCOME AND EXPENSE (continued)

2.19.4 Fees and commissions

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

2.19.5 Dividends

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

2.19.6 Rental

Rental income on tenanted areas of the buildings owned by the Group is recognised in the income statement on a straight line basis over the term of the lease.

2.19.7 Employee benefits

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

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and past service costs. Remeasurements of defined benefit plans are recognised in other comprehensive income in the period in which they arise.

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

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

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

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

2.19.8 Lease payments

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

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

2.20 INCOME TAX EXPENSE

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of Significant Accounting Policies (continued)

2.21 FIDUCIARY ACTIVITIES

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

2.22 SEGMENT REPORTING

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and OCBC Wing Hang. All operating segments' results are reviewed regularly by the senior management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. In determining the segment results, balance sheet items are internally transfer priced and revenues and expenses are attributed to each segment based on internal management reporting policies. Transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

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

2.23 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

2.23.1 Liabilities of insurance business

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

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

Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance fund contract liabilities.

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

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

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

2. Summary of Significant Accounting Policies (continued)

2.23 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.23.2 Impairment of goodwill and intangible assets

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

2.23.3 Fair value estimation

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

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

2.23.4 Income taxes

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

2.23.5 Impairment of loans

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

2.23.6 Impairment of available-for-sale financial assets

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

2.23.7 Insurance contract classification

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. Net Interest Income

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Interest income				
Loans to non-bank customers	**6,501,108**	5,492,754	**3,196,503**	2,820,292
Placements with and loans to banks	**845,089**	1,026,242	**581,554**	674,773
Other interest-earning assets	**1,140,257**	1,087,875	**583,673**	624,928
	8,486,454	7,606,871	**4,361,730**	4,119,993
Interest expense				
Deposits of non-bank customers	**(2,731,265)**	(2,313,413)	**(923,840)**	(739,558)
Deposits and balances of banks	**(133,415)**	(152,632)	**(171,569)**	(168,532)
Other borrowings	**(432,352)**	(404,700)	**(386,365)**	(397,791)
	(3,297,032)	(2,870,745)	**(1,481,774)**	(1,305,881)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**8,169,955**	7,326,794	**4,142,253**	3,892,954
Income – Assets at fair value through profit or loss	**316,499**	280,077	**219,477**	227,039
Expense – Liabilities not at fair value through profit or loss	**(3,279,763)**	(2,850,112)	**(1,464,560)**	(1,285,253)
Expense – Liabilities at fair value through profit or loss	**(17,269)**	(20,633)	**(17,214)**	(20,628)
Net interest income	**5,189,422**	4,736,126	**2,879,956**	2,814,112

Included in interest income were interest on impaired assets of $6.7 million (2014: $4.2 million) and $4.4 million (2014: $2.2 million) for the Group and Bank respectively.

4. Profit from Life Assurance

	GROUP	
	2015 $ million	2014 $ million
Income		
Annual	**5,998.0**	5,896.9
Single	**2,495.5**	2,050.6
Gross premiums	**8,493.5**	7,947.5
Reinsurances	**(547.3)**	(139.4)
Premium income (net)	**7,946.2**	7,808.1
Investment income (net)	**2,254.0**	2,410.7
Total income	**10,200.2**	10,218.8
Expenses		
Gross claims, surrenders and annuities	**(4,963.4)**	(5,394.7)
Claims, surrenders and annuities recovered from reinsurers	**83.4**	85.7
Net claims, surrenders and annuities	**(4,880.0)**	(5,309.0)
Change in life assurance fund contract liabilities (Note 22)	**(3,348.9)**	(2,779.3)
Commission and agency expenses	**(739.7)**	(754.1)
Depreciation – property, plant and equipment (Note 35)	**(47.7)**	(47.5)
Other expenses [1]	**(373.0)**	(358.3)
Total expenses	**(9,389.3)**	(9,248.2)
Surplus from operations	**810.9**	970.6
Share of results of associates and joint ventures	**(0.2)**	(2.3)
Income tax expense	**(181.0)**	(200.5)
Profit from life assurance	**629.7**	767.8

(1) Included in other expenses were directors' emoluments of $2.2 million (2014: $3.7 million).

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

5. Fees and Commissions (Net)

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Fee and commission income	**1,668,679**	1,527,283	**830,943**	821,104
Fee and commission expense	**(25,796)**	(32,581)	**(6,752)**	(12,573)
Fees and commissions (net)	**1,642,883**	1,494,702	**824,191**	808,531
Analysed by major sources:				
Brokerage	**87,635**	64,020	**185**	188
Credit card	**138,305**	99,565	**106,848**	82,630
Fund management	**131,755**	108,082	**(1,487)**	(1,820)
Guarantees	**21,103**	21,422	**13,106**	13,820
Investment banking	**85,888**	85,672	**62,942**	65,659
Loan-related	**310,708**	300,006	**240,675**	245,344
Service charges	**82,813**	74,790	**64,991**	59,767
Trade-related and remittances	**223,686**	236,769	**158,560**	169,217
Wealth management	**506,025**	466,777	**174,504**	167,162
Others	**54,965**	37,599	**3,867**	6,564
	1,642,883	1,494,702	**824,191**	808,531

6. Dividends

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Subsidiaries	**–**	–	**400,944**	581,208
Associates	**–**	–	**49,110**	5,994
Trading and fair value through profit and loss securities	**17,387**	5,230	**2,406**	4,903
Available-for-sale securities	**75,728**	100,344	**16,741**	17,095
	93,115	105,574	**469,201**	609,200

7. Other Income

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Foreign exchange [1]	**505,279**	110,622	**223,303**	(205,316)
Hedging activities [2]				
Hedging instruments	**(48,903)**	(141,871)	**(53,839)**	(140,812)
Hedged items	**49,695**	139,448	**54,313**	138,445
Fair value hedges	**792**	(2,423)	**474**	(2,367)
Interest rate and other derivatives [3]	**55,986**	145,543	**27,295**	133,750
Trading and fair value through profit and loss securities	**(9,480)**	105,680	**(23,813)**	73,215
Others	**(991)**	4,376	**(1,114)**	4,251
Net trading income	**551,586**	363,798	**226,145**	3,533
Disposal of securities classified as available-for-sale [4]	**203,974**	524,821	**59,073**	71,759
Disposal of securities classified as loans and receivables	**9**	4	**9**	4
Disposal of interests in subsidiaries, associates and joint venture	**2,766**	31,092	**(11,551)**	–
Disposal of plant and equipment	**(1,546)**	(2,098)	**(1,116)**	(1,546)
Disposal of property	**66,269**	9,058	**38,842**	4,712
Computer-related services income	**42,336**	38,849	**–**	–
Property-related income	**12,397**	8,245	**316**	362
Others	**37,570**	23,400	**19,615**	25,375
	915,361	997,169	**331,333**	104,199

(1) "Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.
(2) "Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "Hedged items".
(3) "Interest rate and other derivatives" include gains and losses from interest rate derivative instruments, equity options and other derivative instruments.
(4) Includes one-off gain of $391.2 million from remeasurement of equity stake in initial investment in Bank of Ningbo Co., Ltd ("BON") upon BON becoming an associate of the Group in September 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. Staff Costs and Other Operating Expenses

	GROUP 2015 $'000	GROUP 2014 $'000	BANK 2015 $'000	BANK 2014 $'000
8.1 STAFF COSTS				
Salaries and other costs [1]	**2,010,812**	1,785,947	**705,255**	659,894
Share-based expenses [1]	**38,650**	32,679	**22,351**	19,593
Contribution to defined contribution plans	**161,816**	146,572	**61,015**	55,044
	2,211,278	1,965,198	**788,621**	734,531
Directors' emoluments:				
Remuneration of Bank's directors	**9,860**	9,011	**9,482**	8,983
Remuneration of directors of subsidiaries	**21,671**	17,191	**–**	–
Fees of Bank's directors [2]	**6,325**	6,844	**4,510**	4,754
Fees of directors of subsidiaries	**5,124**	4,230	**–**	–
	42,980	37,276	**13,992**	13,737
Total staff costs	**2,254,258**	2,002,474	**802,613**	748,268
8.2 OTHER OPERATING EXPENSES				
Property, plant and equipment: [3]				
Depreciation	**293,350**	247,990	**121,388**	120,987
Maintenance and hire	**112,262**	94,520	**38,349**	35,053
Rental expenses	**97,296**	81,862	**68,524**	65,497
Others	**234,296**	195,063	**93,096**	82,999
	737,204	619,435	**321,357**	304,536
Auditors' remuneration				
Payable to auditors of the Bank	**2,605**	2,250	**1,808**	1,541
Payable to associated firms of auditors of the Bank	**2,608**	1,888	**318**	255
Payable to other auditors	**1,428**	1,412	**102**	50
	6,641	5,550	**2,228**	1,846
Other fees				
Payable to auditors of the Bank [4]	**1,493**	2,244	**866**	1,839
Payable to associated firms of auditors of the Bank	**1,179**	511	**47**	199
	2,672	2,755	**913**	2,038
Hub processing charges	**–**	–	**191,002**	210,918
General insurance claims	**79,189**	77,124	**–**	–
Others [5]	**584,032**	550,216	**312,210**	292,235
	663,221	627,340	**503,212**	503,153
Total other operating expenses	**1,409,738**	1,255,080	**827,710**	811,573
8.3 STAFF COSTS AND OTHER OPERATING EXPENSES	**3,663,996**	3,257,554	**1,630,323**	1,559,841

(1) Comparatives have been restated to conform to current year's presentation.

(2) Includes remuneration shares amounting to $0.7 million (2014: $0.7 million) issued to directors.

(3) Direct operating expenses on leased investment property for the Group and the Bank amounted to $20.1 million (2014: $16.9 million) and $4.5 million (2014: $6.1 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.3 million (2014: $1.3 million) and $1.0 million (2014: $0.9 million) respectively.

(4) Other fees payable to auditors of the Bank relate mainly to engagement in connection with the Bank's note issuances, taxation compliance and advisory services, miscellaneous attestations and audit certifications.

(5) Included in other expenses were printing, stationery, communication, advertisement and promotion expenses, legal and professional fees and changes in third-party interests in consolidated investment funds.

9. Allowances for Loans and Impairment for Other Assets

	GROUP		BANK	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Specific allowances for loans (Note 28)	**231,922**	196,054	**109,340**	65,149
Portfolio allowances for loans (Note 29)	**176,630**	163,002	**103,665**	80,710
Impairment charge/(write-back) for securities classified as available-for-sale	**71,408**	9,242	**43,557**	(265)
Write-back for securities classified as loans and receivables (Note 32)	**–**	(9,214)	**–**	(9,214)
Impairment charge/(write-back) for associates, subsidiaries and other assets (Note 32)	**8,098**	(2,002)	**32,688**	276
Net allowances and impairment	**488,058**	357,082	**289,250**	136,656

10. Income Tax Expense

	GROUP		BANK	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Current tax expense	**761,837**	692,370	**354,298**	357,146
Deferred tax (credit)/expense (Note 20)	**(10,040)**	25,053	**(10,146)**	6,369
	751,797	717,423	**344,152**	363,515
Over provision in prior years and tax refunds	**(35,015)**	(29,924)	**(10,271)**	(7,721)
Charge to income statements	**716,782**	687,499	**333,881**	355,794

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

	GROUP		BANK	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Operating profit after allowances and amortisation	**4,472,161**	4,651,258	**2,649,890**	2,676,895
Prima facie tax calculated at tax rate of 17%	**760,267**	790,714	**450,481**	455,072
Effect of change in tax rates	**(722)**	–	**384**	–
Effect of different tax rates in other countries	**83,958**	106,849	**5,847**	25,425
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**5,291**	5,062	**1,074**	878
Income not assessable for tax	**(63,722)**	(126,139)	**(127,822)**	(123,073)
Income taxed at concessionary rate	**(72,076)**	(65,690)	**(57,325)**	(50,180)
Effect of Singapore life assurance fund	**(46,123)**	(66,265)	**–**	–
Non-deductible amortisation of intangibles	**16,594**	12,615	**–**	–
(Non-taxable write-backs)/non-deductible allowances	**(561)**	785	**4,824**	–
Others	**68,891**	59,492	**66,689**	55,393
	751,797	717,423	**344,152**	363,515
The deferred tax expense/(credit) comprised:				
Accelerated tax depreciation	**1,485**	(1,720)	**4,582**	726
(Write-back of allowances)/impairment charge for assets	**(7,917)**	3,825	**(2,591)**	484
Debt and equity securities	**(175)**	206	**–**	–
Fair value on properties from business combinations	**(4,025)**	(1,894)	**(3,357)**	(1,673)
Tax losses (carried forward)/utilised	**(774)**	3,596	**(1,158)**	3,094
Others	**1,366**	21,040	**(7,622)**	3,738
	(10,040)	25,053	**(10,146)**	6,369

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11. Earnings Per Share

	GROUP 2015	GROUP 2014
$'000		
Profit attributable to ordinary equity holders of the Bank	**3,903,107**	3,841,954
Preference dividends declared in respect of the period	**(56,625)**	(56,625)
Profit attributable to ordinary equity holders of the Bank after preference dividends	**3,846,482**	3,785,329
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**4,035,313**	3,691,630
Adjustment for assumed conversion of share options and acquisition rights	**3,485**	4,158
For diluted earnings per share	**4,038,798**	3,695,788
Earnings per share (cents)		
Basic	**95.3**	102.5
Diluted	**95.2**	102.4

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from share options and acquisition rights, with the potential ordinary shares weighted for the period outstanding.

12. Unappropriated Profit

	GROUP 2015 $'000	GROUP 2014 $'000	BANK 2015 $'000	BANK 2014 $'000
Profit attributable to equity holders of the Bank	**3,903,107**	3,841,954	**2,316,009**	2,321,101
Add: Unappropriated profit at 1 January	**16,037,596**	14,532,895	**9,780,004**	8,726,521
Total amount available for appropriation	**19,940,703**	18,374,849	**12,096,013**	11,047,622
Appropriated as follows:				
Ordinary dividends:				
2013 final tax exempt dividend of 17 cents	**–**	(584,368)	**–**	(584,368)
2014 interim tax exempt dividend of 18 cents	**–**	(628,956)	**–**	(628,956)
2014 final tax exempt dividend of 18 cents	**(717,586)**	–	**(717,586)**	–
2015 interim tax exempt dividend of 18 cents	**(729,198)**	–	**(729,198)**	–
Preference dividends:				
Class G 4.2% tax exempt (2014: 4.2% tax exempt)	**(16,625)**	(16,625)	**(16,625)**	(16,625)
Class M 4.0% tax exempt (2014: 4.0% tax exempt)	**(40,000)**	(40,000)	**(40,000)**	(40,000)
Transfer (to)/from:				
Capital reserves (Note 14)	**(24,688)**	(114,167)	**–**	–
Currency translation reserves (Note 15.2)	**–**	(173)	**–**	–
Fair value reserves	**–**	34	**–**	–
General reserves (Note 15.1)	**3,906**	2,331	**3,906**	2,331
Defined benefit plans remeasurements	**5,220**	(69)	**–**	–
Redemption of preference shares	**(3,958)**	–	**(3,958)**	–
Transactions with non-controlling interests	**(16,642)**	(955,260)	**–**	–
	(1,539,571)	(2,337,253)	**(1,503,461)**	(1,267,618)
At 31 December (Note 15)	**18,401,132**	16,037,596	**10,592,552**	9,780,004

At the annual general meeting to be held, a final tax exempt dividend of 18 cents per ordinary share in respect of the financial year ended 31 December 2015, totalling $740.8 million, will be proposed. The dividends will be accounted for as a distribution in the 2016 financial statements.

13. Share Capital and Other Equity

13.1 SHARE CAPITAL

GROUP AND BANK	2015 Shares ('000)	2014 Shares ('000)	2015 $'000	2014 $'000
Ordinary shares				
At 1 January	**3,992,929**	3,441,177	**12,619,172**	8,283,299
Redemption of preference shares	**–**	–	**3,958**	–
Shares issued in-lieu of ordinary dividends	**128,564**	114,901	**1,170,656**	1,014,597
Shares issued pursuant to Rights Issue	**–**	436,775	**–**	3,307,112
Shares issued to non-executive directors	**68**	76	**737**	735
Transfer from share-based reserves				
for options and rights exercised (Note 14)	**–**	–	**9,126**	13,429
At 31 December	**4,121,561**	3,992,929	**13,803,649**	12,619,172
Treasury shares				
At 1 January	**(9,043)**	(8,368)	**(262,893)**	(230,848)
Share buyback	**(11,750)**	(16,387)	**(117,496)**	(161,634)
Share Option Schemes	**4,176**	5,083	**29,692**	32,549
Share Purchase Plan	**5,743**	6,278	**55,305**	54,966
Treasury shares transferred to DSP Trust	**4,788**	4,351	**52,110**	42,074
At 31 December	**(6,086)**	(9,043)	**(243,282)**	(262,893)
Preference shares				
At 1 January				
Class G	**395,831**	395,831	**395,831**	395,831
Class M	**1,000,000**	1,000,000	**1,000,000**	1,000,000
			1,395,831	1,395,831
Class G shares redeemed during the year	**(395,831)**	–	**(395,831)**	–
At 31 December			**1,000,000**	1,395,831
Issued share capital, at 31 December			**14,560,367**	13,752,110

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

On 18 August 2014, the Bank announced a renounceable underwritten rights issue ("Rights Issue") of new ordinary shares in the capital of the Bank at an issue price of $7.65 for each rights share, on the basis of one rights share for every eight ordinary shares held. On 26 September 2014, the Bank allotted and issued 436,775,254 rights shares for valid acceptances received.

Details of the Bank's non-cumulative non-convertible preference shares outstanding as at 31 December 2015 are set out in the table below. Preference dividends are payable semi-annually on 20 June and 20 December, subject to directors' approval. Preference shareholders will only be entitled to attend and vote at general meetings of the Bank if dividends have not been paid in full when due for a consecutive period of 12 months or more.

Preference shares	Issue date	Dividend rate p.a.	Liquidation value per share	Redemption option by the Bank on these dates
Class M	17 Jul 2012	4.0%	SGD1	17 Jan 2018; 17 Jul 2022; dividend payment dates after 17 Jul 2022

The 4.2% Class G non-cumulative non-convertible preference shares were fully redeemed by the Bank on 20 December 2015. The preference shares were redeemed out of distributable profits and pursuant to Sections 70(2) and 76G of the Singapore Companies Act, the equivalent amount redeemed out of profits (Note 12) was credited to ordinary share capital. As the Class G preference shares were issued at par value of $0.01 and liquidation value of $1 each, the redemption made out of profits under Section 62B(3) of the Singapore Companies Act was equal to the par value of $3,958,309.

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For the financial year ended 31 December 2015

13. Share Capital and Other Equity (continued)

13.1 SHARE CAPITAL (continued)

The issued ordinary shares qualify as Common Equity Tier 1 capital for the Group, while the Class M non-cumulative non-convertible preference shares qualify as Additional Tier 1 capital for the Group.

All issued shares were fully paid.

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2015 and 31 December 2014.

13.2 SHARE OPTION SCHEME

During the year, the Bank granted 7,092,306 options (2014: 7,045,439), of which 7,092,306 options (2014: 7,031,453) were accepted, to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 744,867 (2014: 647,892) options granted to a director of the Bank. The fair value of options granted, determined using the binomial valuation model, was $7.2 million (2014: $7.2 million). Significant inputs to the valuation model are set out below:

	2015	2014
Acquisition price ($)	**9.03 – 10.38**	9.43 – 9.73
Average share price from grant date to acceptance date ($)	**9.18 – 10.55**	9.51 – 9.76
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**13.10 – 17.13**	10.30 – 13.93
Risk-free rate based on SGS bond yield at acceptance date (%)	**2.01 – 2.63**	2.42 – 2.48
Expected dividend yield (%)	**3.41 – 3.92**	3.57 – 3.69
Exercise multiple (times)	**1.57**	1.57
Option life (years)	**10**	10

Movements in the number of options and the average acquisition prices are as follows:

	2015		2014	
	Number of options	Average price	Number of options	Average price
At 1 January	**32,090,197**	**$8.565**	32,080,174	$8.355 [(1)]
Adjustments for Rights Issue	**–**	**–**	962,145	–
Granted and accepted	**7,092,306**	**$10.372**	7,031,453	$9.434 [(1)]
Exercised	**(4,198,051)**	**$7.127**	(5,152,989)	$6.452
Forfeited/lapsed	**(177,973)**	**$8.127**	(2,830,586)	$9.280
At 31 December	**34,806,479**	**$9.109**	32,090,197	$8.565
Exercisable options at 31 December	**20,867,058**	**$8.543**	18,909,226	$7.933
Average share price underlying the options exercised		**$9.981**		$9.792

(1) Average price was computed without adjusting for the effect of Rights Issue.

At 31 December 2015, the weighted average remaining contractual life of outstanding share options was 6.3 years (2014: 6.0 years). The aggregate outstanding number of options held by directors of the Bank was 4,742,837 (2014: 4,759,657).

13.3 EMPLOYEE SHARE PURCHASE PLAN

In June 2015, the Bank launched its tenth offering of ESP Plan for Group employees, which commenced on 1 July 2015 and expire on 30 June 2017. Under the offering, the Bank granted 8,472,121 (2014: 8,255,709) rights to acquire ordinary shares in the Bank. There were 3,515 rights (2014: 3,757) granted to a director of the Bank. The fair value of rights, determined using the binomial valuation model was $6.2 million (2014: $4.9 million). Significant inputs to the valuation model are set out below:

	2015	2014
Acquisition price ($)	**10.24**	9.58
Closing share price at valuation date ($)	**10.13**	9.60
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**13.57**	11.70
Risk-free rate based on 2-year swap rate (%)	**0.93**	0.42
Expected dividend yield (%)	**2.84**	2.83

13. Share Capital and Other Equity (continued)

13.3 EMPLOYEE SHARE PURCHASE PLAN (continued)

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

	2015		2014	
	Number of acquisition rights	**Average price**	**Number of acquisition rights**	**Average price**
At 1 January	**13,681,668**	**$9.457**	13,104,783	$9.340 [(1)]
Adjustments for Rights Issue	**–**	**–**	393,869	–
Exercised and conversion upon expiry	**(5,742,812)**	**$9.631**	(6,277,663)	$8.756
Forfeited	**(2,189,521)**	**$9.711**	(1,795,030)	$9.588
Subscription	**8,472,121**	**$10.240**	8,255,709	$9.580 [(1)]
At 31 December	**14,221,456**	**$9.814**	13,681,668	$9.457
Average share price underlying acquisition rights exercised/converted		**$10.258**		$9.629

(1) Average price was computed without adjusting for the effect of Rights Issue.

At 31 December 2015, the weighted average remaining contractual life of outstanding acquisition rights was 1.0 years (2014: 1.1 years). There were 7,377 rights (2014: 7,592) held by a director of the Bank.

13.4 DEFERRED SHARE PLAN

Total awards of 5,517,597 (2014: 4,346,059) ordinary shares, which included 246,063 (2014: 238,347) ordinary shares to a director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2015. The fair value of the shares at grant date was $57.0 million (2014: $41.8 million).

During the year, 4,196,495 (2014: 3,669,828) deferred shares were released to employees, of which 135,058 (2014: 83,111) deferred shares were released to a director of the Bank who held office as at the end of the financial year. At 31 December 2015, a director of the Bank had deemed interest in 661,959 (2014: 525,550) deferred shares.

The nature, general terms and conditions of Share Option Scheme, Employee Share Purchase Plan and Deferred Share Plan are provided in the Directors' Statement and the Corporate Governance section of the Annual Report.

The accounting treatment of share-based compensation plan is set out in Note 2.19.7.

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For the financial year ended 31 December 2015

13. Share Capital and Other Equity (continued)

13.5 OTHER EQUITY INSTRUMENTS

	GROUP AND BANK	
	2015 $'000	2014 $'000
SGD500 million 3.80% non-cumulative non-convertible perpetual capital securities ("Capital Securities")	**499,143**	–

The Capital Securities issued by the Bank on 25 August 2015 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore ("MAS") Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore ("MAS Notice 637") on the basis that the Bank is subject to the application of MAS Notice 637.

The Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on or after 25 August 2020 ("First Reset Date"). Their terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2020, the Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The Capital Securities bear a fixed distribution rate of 3.80% per annum from the issue date to the First Reset Date and will be reset every 5 years thereafter to a fixed rate equal to the then-prevailing 5-year SGD Swap Offer Rate plus 1.51%. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in February and August, unless cancelled by the Bank at its option. The Capital Securities constitute unsecured and subordinated obligations, ranking senior only to shareholders of the Bank.

14. Capital Reserves

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	**517,563**	418,368	**92,107**	94,040
Share-based staff costs capitalised	**11,768**	11,496	**11,768**	11,496
Shares transferred to DSP Trust	**(56,526)**	(45,748)	**–**	–
Shares vested under DSP Scheme	**38,543**	32,709	**–**	–
Transfer from unappropriated profit (Note 12)	**24,688**	114,167	**–**	–
Transfer to share capital (Note 13.1)	**(9,126)**	(13,429)	**(9,126)**	(13,429)
At 31 December	**526,910**	517,563	**94,749**	92,107

Capital reserves include statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations.

Other capital reserves include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

15. Revenue Reserves

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Unappropriated profit (Note 12)	**18,401,132**	16,037,596	**10,592,552**	9,780,004
General reserves	**1,328,862**	1,328,351	**1,114,562**	1,114,051
Currency translation reserves	**(997,822)**	(904,841)	**(161,658)**	(180,172)
At 31 December	**18,732,172**	16,461,106	**11,545,456**	10,713,883

15. Revenue Reserves (continued)

15.1 GENERAL RESERVES

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	**1,328,351**	1,326,858	**1,114,051**	1,112,558
DSP reserve from dividends on unvested shares	**4,417**	3,824	**4,417**	3,824
Transfer to unappropriated profits (Note 12)	**(3,906)**	(2,331)	**(3,906)**	(2,331)
At 31 December	**1,328,862**	1,328,351	**1,114,562**	1,114,051

The general reserves have not been earmarked for any specific purpose, and include merger reserves arising from common control transactions, as well as dividends on unvested shares under the DSP.

15.2 CURRENCY TRANSLATION RESERVES

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	**(904,841)**	(1,104,333)	**(180,172)**	(193,460)
Movements for the year	**167,339**	461,458	**40,662**	12,610
Effective portion of hedge	**(260,320)**	(262,139)	**(22,148)**	678
Transfer to unappropriated profits (Note 12)	**–**	173	**–**	–
At 31 December	**(997,822)**	(904,841)	**(161,658)**	(180,172)

Currency translation reserves comprise exchange differences arising from the translation of the net assets of foreign operations and the effective portion of the hedge on exposure in foreign operations.

Refer to Note 39.3 Currency risk – Structural foreign exchange risk for management of structural foreign exchange risk.

16. Non-Controlling Interests

		GROUP	
	Note	2015 $'000	2014 $'000
Non-controlling interests in subsidiaries		**1,057,862**	1,037,361
Preference shares issued by subsidiaries			
OCBC Bank (Malaysia) Berhad	(a)	**–**	151,282
OCBC Capital Corporation	(b)	**–**	400,000
OCBC Capital Corporation (2008)	(c)	**1,500,000**	1,500,000
Total non-controlling interests		**2,557,862**	3,088,643

(a) The preference shares were fully redeemed by OCBC Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, on 20 September 2015.

(b) The preference shares were fully redeemed by OCBC Capital Corporation, a wholly-owned subsidiary of the Bank, on 20 March 2015.

(c) OCBC Capital Corporation (2008) ("OCC2008"), a wholly-owned subsidiary of the Bank, issued the $1.5 billion non-cumulative non-convertible guaranteed preference shares on 27 August 2008. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(f)], which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC2008 on 20 September 2018 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC2008, are payable semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised. The preference shares qualify as Additional Tier 1 capital for the Group.

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For the financial year ended 31 December 2015

17. Deposits and Balances of Non-Bank Customers and Banks

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deposits of non-bank customers				
Current accounts	**77,297,408**	69,571,814	**44,182,005**	42,391,941
Savings deposits	**43,099,363**	39,912,507	**34,624,496**	32,093,695
Term deposits	**101,133,221**	102,116,761	**55,223,444**	54,686,510
Structured deposits	**5,241,936**	6,987,725	**1,764,872**	1,516,831
Certificate of deposits issued	**13,655,489**	21,304,981	**13,772,689**	20,421,918
Other deposits	**5,849,914**	5,625,310	**4,600,246**	3,354,974
	246,277,331	245,519,098	**154,167,752**	154,465,869
Deposits and balances of banks	**12,046,711**	20,502,731	**10,165,734**	18,512,056
	258,324,042	266,021,829	**164,333,486**	172,977,925
17.1 DEPOSITS OF NON-BANK CUSTOMERS				
Analysed by currency				
Singapore Dollar	**88,904,684**	91,520,145	**86,012,531**	88,584,930
US Dollar	**72,583,100**	62,333,322	**48,238,934**	44,524,759
Malaysian Ringgit	**22,616,241**	25,583,257	**–**	–
Indonesian Rupiah	**5,692,421**	5,234,698	**–**	–
Japanese Yen	**1,270,133**	1,529,883	**734,218**	750,208
Hong Kong Dollar	**23,692,105**	22,119,444	**3,856,329**	3,191,766
British Pound	**6,858,168**	8,098,617	**5,620,814**	7,087,457
Australian Dollar	**8,007,273**	9,291,499	**5,078,686**	5,818,077
Euro	**2,011,252**	1,730,700	**924,231**	679,880
Chinese Renminbi	**10,500,802**	13,689,017	**2,412,033**	2,282,252
Others	**4,141,152**	4,388,516	**1,289,976**	1,546,540
	246,277,331	245,519,098	**154,167,752**	154,465,869
17.2 DEPOSITS AND BALANCES OF BANKS				
Analysed by currency				
Singapore Dollar	**551,515**	927,111	**549,089**	927,036
US Dollar	**5,950,862**	11,110,786	**5,401,654**	10,386,505
Malaysian Ringgit	**483,589**	211,036	**–**	–
Indonesian Rupiah	**154,039**	249,333	**–**	–
Japanese Yen	**19,019**	192	**16**	24
Hong Kong Dollar	**1,469,394**	1,748,322	**1,402,216**	1,404,238
British Pound	**165,275**	805,827	**164,693**	805,722
Australian Dollar	**1,643,675**	1,481,270	**1,642,657**	1,480,344
Euro	**109,320**	1,693,477	**108,931**	1,686,635
Chinese Renminbi	**806,798**	1,480,634	**203,718**	1,035,384
Others	**693,225**	794,743	**692,760**	786,168
	12,046,711	20,502,731	**10,165,734**	18,512,056

18. Derivative Financial Instruments

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

	2015			2014		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	52,000,434	499,078	434,467	48,139,317	487,141	495,203
Swaps	214,100,822	3,095,730	2,989,726	214,304,733	2,577,078	3,234,834
OTC options – bought	20,592,137	384,528	33,932	21,373,701	444,944	9,098
OTC options – sold	18,760,657	9,353	348,075	17,700,785	10,169	354,990
	305,454,050	3,988,689	3,806,200	301,518,536	3,519,332	4,094,125
Interest rate derivatives ("IRD")						
Swaps	300,103,519	1,947,619	1,961,409	270,258,891	1,946,128	2,083,052
OTC options – bought	210,236	637	–	716,612	1,373	2
OTC options – sold	1,680,402	–	9,460	1,862,896	–	11,138
Exchange traded options – bought	319,650	1,932	–	184,978	315	–
Exchange traded options – sold	319,650	–	1,687	–	–	–
Exchange traded futures – bought	53,860	3	22	404,077	5	3
Exchange traded futures – sold	2,344,975	350	60	3,107,400	–	1,047
	305,032,292	1,950,541	1,972,638	276,534,854	1,947,821	2,095,242
Equity derivatives						
Forwards	13,731	1,208	–	7,272	1,207	–
Swaps	486,337	23,425	23,821	1,285,095	95,919	95,517
OTC options – bought	1,474,060	82,396	3,504	1,266,619	59,171	7,573
OTC options – sold	1,163,251	4,888	68,894	1,023,253	7,570	51,328
Exchange traded options – bought	16,588	234	–	–	–	–
Exchange traded options – sold	13,676	–	204	–	–	–
Exchange traded futures – bought	8,512	19	#	6,617	52	1
Exchange traded futures – sold	111,510	148	231	85,298	76	193
Others	25,347	67	5,479	17,372	700	–
	3,313,012	112,385	102,133	3,691,526	164,695	154,612
Credit derivatives						
Swaps – protection buyer	10,541,377	55,206	106,865	11,083,976	73,513	146,618
Swaps – protection seller	10,120,161	109,800	50,180	9,918,359	151,976	80,066
	20,661,538	165,006	157,045	21,002,335	225,489	226,684
Other derivatives						
Precious metals – bought	428,679	40	10,610	605,186	4,824	13,101
Precious metals – sold	439,780	10,930	35	615,721	13,340	4,657
OTC options – bought	109,392	2,122	103	4,673	234	–
OTC options – sold	109,392	103	2,122	13,631	–	314
Futures – sold	2,234	8	–	–	–	–
Commodity swaps	27,198	17,814	17,659	84,565	43,295	43,292
Bond forward	–	–	–	28,365	449	–
	1,116,675	31,017	30,529	1,352,141	62,142	61,364
Total	635,577,567	6,247,638	6,068,545	604,099,392	5,919,479	6,632,027
Included items designated for hedges:						
Fair value hedge – FED	706,124	1,046	74,948	1,709,670	646	258,698
Fair value hedge – IRD	6,858,934	104,892	47,245	7,398,889	85,071	56,002
Hedge of net investments – FED	3,488,231	14,307	23,956	2,325,542	3,571	5,696
	11,053,289	120,245	146,149	11,434,101	89,288	320,396

(1) # represents amounts less than $500.

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For the financial year ended 31 December 2015

18. Derivative Financial Instruments (continued)

BANK ($'000)	2015 Principal notional amount	2015 Derivative receivables	2015 Derivative payables	2014 Principal notional amount	2014 Derivative receivables	2014 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**22,736,454**	**269,529**	**202,509**	26,168,374	280,123	180,684
Swaps	**186,563,096**	**2,369,110**	**2,241,345**	196,238,622	2,225,523	2,968,634
OTC options – bought	**11,473,474**	**286,059**	**31,915**	13,751,534	335,300	7,580
OTC options – sold	**10,090,804**	**7,624**	**280,770**	10,411,028	8,655	258,702
	230,863,828	**2,932,322**	**2,756,539**	246,569,558	2,849,601	3,415,600
Interest rate derivatives ("IRD")						
Swaps	**262,788,965**	**1,777,127**	**1,790,272**	228,377,569	1,744,859	1,888,335
OTC options – bought	**169,379**	**394**	**–**	687,279	1,136	2
OTC options – sold	**1,318,728**	**–**	**7,696**	1,399,839	–	9,192
Exchange traded options – bought	**319,650**	**1,932**	**–**	184,978	315	–
Exchange traded options – sold	**319,650**	**–**	**1,687**	–	–	–
Exchange traded futures – bought	**53,860**	**3**	**22**	396,381	5	3
Exchange traded futures – sold	**2,309,637**	**323**	**60**	3,099,835	–	1,032
	267,279,869	**1,779,779**	**1,799,737**	234,145,881	1,746,315	1,898,564
Equity derivatives						
Swaps	**404,886**	**11,132**	**11,132**	798,109	61,449	61,067
OTC options – bought	**336,964**	**3,668**	**–**	198,332	7,372	–
OTC options – sold	**268,244**	**9,947**	**1,772**	60,501	1,029	625
Exchange traded options – bought	**16,588**	**234**	**–**	–	–	–
Exchange traded options – sold	**13,676**	**–**	**204**	–	–	–
Exchange traded futures – bought	**8,512**	**19**	**#**	6,189	50	1
Exchange traded futures – sold	**108,404**	**141**	**231**	85,298	76	193
Others	**7,949**	**67**	**27**	17,372	700	–
	1,165,223	**25,208**	**13,366**	1,165,801	70,676	61,886
Credit derivatives						
Swaps – protection buyer	**10,359,991**	**51,369**	**105,912**	10,697,847	71,636	144,412
Swaps – protection seller	**9,948,490**	**109,118**	**46,343**	9,535,956	149,758	78,188
	20,308,481	**160,487**	**152,255**	20,233,803	221,394	222,600
Other derivatives						
Precious metals – bought	**–**	**–**	**–**	21,083	146	346
Precious metals – sold	**–**	**–**	**–**	23,708	824	112
OTC options – bought	**–**	**–**	**–**	13,494	135	–
OTC options – sold	**–**	**–**	**–**	13,204	–	150
Commodity swaps	**24,758**	**17,659**	**17,659**	75,153	42,363	42,363
	24,758	**17,659**	**17,659**	146,642	43,468	42,971
Total	**519,642,159**	**4,915,455**	**4,739,556**	502,261,685	4,931,454	5,641,621
Included items designated for hedges:						
Fair value hedge – FED	**706,124**	**1,046**	**74,948**	1,709,670	646	258,698
Fair value hedge – IRD	**6,404,223**	**102,158**	**43,849**	6,797,690	85,040	49,965
Hedge of net investments – FED	**1,226,047**	**5,965**	**11,369**	222,255	618	1,074
	8,336,394	**109,169**	**130,166**	8,729,615	86,304	309,737

(1) # represents amounts less than $500.

18. Derivative Financial Instruments (continued)

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**3,735,395**	3,713,735	**2,902,714**	3,180,861
Other financial institutions	**1,405,657**	1,109,282	**1,203,486**	947,722
Corporates	**901,135**	754,179	**709,938**	637,814
Individuals	**167,903**	257,229	**61,769**	80,006
Others	**37,548**	85,054	**37,548**	85,051
	6,247,638	5,919,479	**4,915,455**	4,931,454
Analysed by geography				
Singapore	**1,039,659**	1,231,380	**1,035,808**	1,219,150
Malaysia	**708,804**	484,543	**51,419**	34,684
Indonesia	**82,227**	98,067	**18,852**	45,255
Greater China	**1,046,468**	699,270	**784,426**	543,470
Other Asia Pacific	**376,918**	488,615	**314,976**	435,535
Rest of the World	**2,993,562**	2,917,604	**2,709,974**	2,653,360
	6,247,638	5,919,479	**4,915,455**	4,931,454

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

19. Other Liabilities

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Bills payable	**253,658**	310,350	**179,589**	218,004
Interest payable	**879,597**	867,861	**411,874**	388,934
Sundry creditors	**2,584,728**	2,746,770	**450,258**	456,137
Others	**1,188,536**	1,102,617	**464,717**	471,361
	4,906,519	5,027,598	**1,506,438**	1,534,436

At 31 December 2015, reinsurance liabilities and third-party interests in consolidated investment funds included in "Others" amounted to $34.2 million (2014: $37.6 million) and $65.4 million (2014: Nil) respectively.

20. Deferred Tax

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	**1,258,306**	1,005,192	**22,150**	17,803
Currency translation and others	**(2,836)**	(4,090)	**(582)**	(905)
Net (credit)/expense to income statements (Note 10)	**(10,040)**	25,053	**(10,146)**	6,369
Under/(over) provision in prior years	**10,680**	(5,576)	**7,896**	(3,774)
Acquisition of subsidiaries	**–**	94,947	**–**	–
Deferred tax on fair value change taken to other comprehensive income	**(18,989)**	54,272	**(8,213)**	2,657
Net change in life assurance fund tax	**(45,137)**	88,508	**–**	–
At 31 December	**1,191,984**	1,258,306	**11,105**	22,150

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For the financial year ended 31 December 2015

20. Deferred Tax (continued)

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

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

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax liabilities				
Accelerated tax depreciation	**83,314**	83,197	**51,026**	46,447
Debt and equity securities	**189,553**	267,025	**8,952**	19,967
Fair value on properties from business combinations	**128,458**	127,866	**54,228**	57,585
Provision for policy liabilities	**847,081**	840,363	**–**	–
Others	**182,161**	159,789	**509**	575
	1,430,567	1,478,240	**114,715**	124,574
Amount offset against deferred tax assets	**(103,212)**	(101,925)	**(62,953)**	(62,807)
	1,327,355	1,376,315	**51,762**	61,767
Deferred tax assets				
Allowances for assets	**(159,065)**	(149,063)	**(87,891)**	(84,831)
Tax losses	**(3,337)**	(3,151)	**(1,461)**	(267)
Others	**(76,181)**	(67,720)	**(14,258)**	(17,326)
	(238,583)	(219,934)	**(103,610)**	(102,424)
Amount offset against deferred tax liabilities	**103,212**	101,925	**62,953**	62,807
	(135,371)	(118,009)	**(40,657)**	(39,617)
Net deferred tax liabilities	**1,191,984**	1,258,306	**11,105**	22,150

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2015, unutilised tax losses for which no deferred income tax asset has been recognised amounted to $50.1 million (2014: $42.1 million) and $8.4 million (2014: $6.1 million) for the Group and Bank respectively.

21. Debt Issued

	GROUP	
	2015 $'000	2014 $'000
Subordinated debt (unsecured) [Note 21.1]	**6,479,866**	6,359,467
Fixed and floating rate notes (unsecured) [Note 21.2]	**4,856,615**	5,903,000
Commercial papers (unsecured) [Note 21.3]	**10,879,247**	15,597,769
Structured notes (unsecured) [Note 21.4]	**1,263,301**	999,170
	23,479,029	28,859,406

21. Debt Issued (continued)

21.1 SUBORDINATED DEBT (UNSECURED)

	Note	Issue date	Maturity date	GROUP 2015 $'000	GROUP 2014 $'000
Issued by the Bank:					
USD500 million 3.75% notes	(a)	15 Nov 2010	15 Nov 2022	**715,697**	672,737
USD1 billion 3.15% notes	(b)	11 Sep 2012	11 Mar 2023	**1,411,763**	1,318,835
USD1 billion 4.00% notes	(c)	15 Apr 2014	15 Oct 2024	**1,423,960**	1,323,141
USD1 billion 4.25% notes	(d)	19 Jun 2014	19 Jun 2024	**1,463,029**	1,357,014
SGD400 million 3.93% notes	(e)	2 Feb 2005	20 Mar 2055	**–**	400,000
SGD1.5 billion 5.10% notes	(f)	27 Aug 2008	20 Sep 2058	**1,500,000**	1,500,000
				6,514,449	6,571,727
Subordinated debt issued to subsidiaries				**(1,500,000)**	(1,900,000)
Net subordinated debt issued by the Bank				**5,014,449**	4,671,727
Issued by OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"):					
MYR200 million 5.40% Islamic bonds	(g)	24 Nov 2006	24 Nov 2021	**65,894**	75,641
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(h)	17 Apr 2009	Not applicable	**131,788**	151,282
MYR500 million 4.20% bonds	(i)	4 Nov 2010	4 Nov 2020	**–**	189,015
MYR600 million 4.00% bonds	(j)	15 Aug 2012	15 Aug 2022	**196,265**	224,195
				393,947	640,133
Issued by OCBC Wing Hang Bank ("OCBC Wing Hang"):					
USD400 million 6.00% step-up perpetual notes	(k)	19 Apr 2007	Not applicable	**581,514**	555,226
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR880 billion 11.35% Subordinated Bonds III	(l)	30 Jun 2010	30 Jun 2017	**90,456**	92,981
Issued by The Great Eastern Life Assurance Company Limited ("GEL"):					
SGD400 million 4.60% notes	(m)	19 Jan 2011	19 Jan 2026	**399,500**	399,400
Total subordinated debt				**6,479,866**	6,359,467

(a) The subordinated notes are redeemable in whole at the option of the Bank on 15 November 2017. Interest is payable semi-annually on 15 May and 15 November each year at 3.75% per annum up to 15 November 2017, and thereafter quarterly on 15 February, 15 May, 15 August and 15 November each year at a floating rate per annum equal to the 3-month US Dollar London Interbank Offer Rate plus 1.848% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(b) The subordinated notes are redeemable in whole at the option of the Bank on 11 March 2018. Interest is payable semi-annually on 11 March and 11 September each year at 3.15% per annum up to 11 March 2018, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.279% if the redemption option is not exercised. The subordinated notes qualify as Tier 2 capital for the Group.

(c) The subordinated notes are redeemable in whole at the option of the Bank on 15 October 2019. They can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 15 April and 15 October each year at 4.00% per annum up to 15 October 2019, and thereafter at a fixed rate per annum equal to the then prevailing 5-year US Dollar Swap Rate plus 2.203% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

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21. Debt Issued (continued)

21.1 SUBORDINATED DEBT (UNSECURED) (continued)

(d) The subordinated notes can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 19 June and 19 December each year at 4.25% per annum. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated notes qualify as Tier 2 capital for the Group.

(e) The subordinated notes were fully redeemed by the Bank on 20 March 2015.

(f) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation (2008) in exchange for the proceeds from the issue of the $1.5 billion non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 September 2018 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 5.10% per annum up to 20 September 2018, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 2.50% if the redemption option is not exercised.

(g) The Islamic subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 24 November 2016 and each profit payment date thereafter. The subordinated bonds were issued under the Mudharabah (profit sharing) principle with a projected constant rate of 5.40% per annum, payable semi-annually on 24 May and 24 November each year, up to 24 November 2016, and thereafter at 6.40% per annum if the redemption option is not exercised. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 24 November 2017. The subordinated bonds qualify as Tier 2 capital for the Group.

(h) The Innovative Tier 1 ("IT1") Capital Securities are redeemable in whole at the option of OCBC Malaysia on 17 April 2019 and each interest payment date thereafter. Interest is payable semi-annually on 17 April and 17 October each year at 6.75% per annum up to 17 April 2019, and thereafter at a floating rate per annum equal to the 6-month Kuala Lumpur Interbank Offer Rate plus 3.32% if the redemption option is not exercised. In addition, the IT1 Capital Securities are to be redeemed in full with the proceeds from the issuance of non-cumulative non-convertible preference shares on 17 April 2039. The IT1 Capital Securities qualify as Additional Tier 1 capital for the Group.

(i) The subordinated bonds were fully redeemed by OCBC Malaysia on 4 November 2015.

(j) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 15 August 2017 and each interest payment date thereafter. Interest is payable semi-annually on 15 February and 15 August each year at 4.00% per annum. OCBC Malaysia had entered into interest rate swaps to partially manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

(k) The perpetual notes are redeemable in whole at the option of OCBC Wing Hang Bank on 20 April 2017 and each interest payment date thereafter. Interest is payable semi-annually on 20 April and 20 October each year at 6.00% per annum up to 19 April 2017, and thereafter at a floating rate of 3-month London Interbank Offer Rate plus 1.85% per annum if the redemption option is not exercised.

(l) Interest is payable quarterly on 30 March, 30 June, 30 September and 30 December each year at 11.35% per annum. The subordinated bonds qualify as Tier 2 capital for the Group.

(m) The subordinated notes are redeemable in whole at the option of GEL on 19 January 2021. Interest is payable semi-annually on 19 January and 19 July each year at 4.60% per annum up to 19 January 2021, and thereafter at a fixed rate per annum equal to the then prevailing 5-year Singapore Swap Offer Rate plus 1.35% if the redemption option is not exercised.

21. Debt Issued (continued)

21.2 FIXED AND FLOATING RATE NOTES (UNSECURED)

	Note	Issue date	Maturity date	GROUP 2015 $'000	GROUP 2014 $'000
Issued by the Bank:					
AUD600 million floating rate notes	(a)	5 Mar 2012	5 Mar 2015	–	650,109
AUD400 million floating rate notes	(b)	22 Aug 2013 – 5 Sep 2013	22 Aug 2016	412,846	433,363
AUD500 million floating rate notes	(c)	24 Mar 2014 – 17 Apr 2014	24 Mar 2017	516,159	541,799
AUD300 million floating rate notes	(d)	6 Mar 2015	6 Jun 2019	309,521	–
AUD500 million floating rate notes	(e)	12 Nov 2015 – 2 Dec 2015	12 Nov 2018	516,008	–
CNY500 million 3.50% fixed rate notes	(f)	5 Feb 2013	5 Feb 2020	107,334	106,338
CNY200 million 2.70% fixed rate notes	(f)	5 Jun 2014	5 Jun 2017	42,930	42,529
GBP250 million floating rate notes	(g)	15 May 2014	15 May 2017	524,103	514,138
GBP235 million floating rate notes	(h)	10 Jul 2014	10 Jul 2015	–	483,265
HKD1 billion 2.20% fixed rate notes	(i)	19 Jan 2012	19 Jan 2017	182,981	170,702
HKD1.35 billion 1.67% fixed rate notes	(i)	24 Sep 2014	15 Sep 2017	247,860	230,661
USD1 billion 1.625% fixed rate bonds	(j)	13 Mar 2012	13 Mar 2015	–	1,321,580
USD900 million floating rate notes	(k)	22 Aug 2013 – 29 Jun 2015	9 Jan 2016 – 2 May 2017	1,272,112	726,601
USD165 million floating rate notes	(l)	13 Aug 2012 – 10 Jun 2014	25 Feb 2015 – 13 Aug 2015	–	218,010
USD100 million 1.52% fixed rate notes	(m)	11 Dec 2014	11 Dec 2017	141,342	131,722
				4,273,196	5,570,817
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR529 billion 6.90% fixed rate bonds	(n)	19 Feb 2013	19 Feb 2015	–	56,058
IDR1,498 billion 7.40% fixed rate bonds	(i)	19 Feb 2013	19 Feb 2016	154,264	158,538
IDR900 billion 7.00% fixed rate notes	(i)	18 Apr 2013	18 Apr 2016	92,582	94,895
IDR1,095 billion 9.00% fixed rate bonds	(i)	10 Feb 2015	20 Feb 2016	112,739	–
IDR670 billion 9.40% fixed rate bonds	(i)	10 Feb 2015	10 Feb 2017	68,894	–
IDR1,235 billion 9.80% fixed rate bonds	(i)	10 Feb 2015	10 Feb 2018	126,935	–
				555,414	309,491
Issued by Pac Lease Berhad:					
MYR60 million 4.30% fixed rate notes	(f)	18 Jul 2014	18 Jan 2016	19,768	22,692
MYR10 million 4.50% fixed rate notes	(f)	7 Oct 2015	7 Apr 2017	3,295	–
MYR15 million 4.60% fixed rate notes	(f)	7 Oct 2015	7 Apr 2017	4,942	–
				28,005	22,692
Total fixed and floating rate notes				4,856,615	5,903,000

(a) The notes were fully redeemed by the Bank on 5 March 2015.

(b) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.68% per annum.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.65% per annum.

(d) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.81% per annum.

(e) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.86% per annum.

(f) Interest is payable semi-annually.

(g) Interest is payable quarterly at the 3-month Sterling London Interbank Offer Rate plus 0.40% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21. Debt Issued (continued)

21.2 FIXED AND FLOATING RATE NOTES (UNSECURED) (continued)

(h) The notes were fully redeemed by the Bank on 10 July 2015.

(i) Interest is payable quarterly.

(j) The bonds were fully redeemed by the Bank on 13 March 2015.

(k) Interest is payable quarterly at the 3-month US Dollar London Interbank Offer Rate plus a margin ranging up to 0.42% per annum.

(l) The notes were fully redeemed by the Bank on 25 February, 10 June and 13 August 2015.

(m) Interest is payable annually.

(n) The bonds were fully redeemed by OCBC NISP on 19 February 2015.

21.3 COMMERCIAL PAPERS (UNSECURED)

	Note	GROUP 2015 $'000	GROUP 2014 $'000
Issued by the Bank	(a)	**11,385,973**	15,490,270
Commercial papers held by a subsidiary		**(578,976)**	–
		10,806,997	15,490,270
Issued by Pac Lease Berhad	(b)	**72,250**	107,499
		10,879,247	15,597,769

(a) The commercial papers were issued by the Bank under its ECP programme and USCP programme, which were updated to the programme size of USD10 billion each in 2012. The notes outstanding at 31 December 2015 were issued between 9 July 2015 (2014: 13 August 2014) and 29 December 2015 (2014: 19 December 2014), and mature between 5 January 2016 (2014: 12 January 2015) and 27 May 2016 (2014: 1 September 2015), yielding between 0.28% and 0.70% (2014: 0.19% and 0.62%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018. The notes outstanding as at 31 December 2015 were issued between 4 December 2015 (2014: 21 August 2014) and 29 December 2015 (2014: 24 December 2014), and mature between 4 January 2016 (2014: 8 January 2015) and 22 February 2016 (2014: 9 April 2015), with interest rate ranging from 4.05% to 4.30% (2014: 3.72% to 3.88%).

21.4 STRUCTURED NOTES (UNSECURED)

	Issue date	Maturity date	GROUP 2015 $'000	GROUP 2014 $'000
Issued by the Bank:				
Credit linked notes	17 Feb 2012 – 28 Dec 2015	15 Dec 2016 – 8 Sep 2025	**1,054,444**	754,069
Fixed rate notes	25 Jul 2012 – 3 Dec 2013	25 Jul 2017 – 3 Dec 2038	**189,322**	174,298
Interest rate linked notes	25 Jun 2013	27 Jun 2016	**10,000**	10,000
Foreign exchange linked notes	13 Feb 2015	2 Feb 2016	**1,712**	39,418
Equity-linked notes	29 Sep 2015 – 28 Dec 2015	6 Jan 2016 – 2 Jun 2016	**7,823**	21,385
			1,263,301	999,170

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and are carried at amortised cost, except for $912.0 million as at 31 December 2015 (2014: $650.2 million) included under credit linked notes which were held at fair value through profit or loss.

In accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, to the extent that the underlying economic characteristics and risks of the embedded derivatives were not closely related to the economic characteristics and risks of the host contract, and where such embedded derivatives would meet the definition of a derivative, the Group bifurcated such embedded derivatives and recognised these separately from the host contracts. The bifurcated embedded derivatives were fair valued through profit and loss, and were included as part of the Group's derivatives in Note 18 to the financial statements. This accounting treatment is also in line with the Group's accounting policy for derivatives (Note 2.7).

22. Life Assurance Fund Liabilities and Investment Assets

	GROUP 2015 $ million	GROUP 2014 $ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**50,678.3**	47,577.3
Currency translation	**(2,779.6)**	(412.6)
Fair value reserve movements	**(769.5)**	734.3
Change in life assurance fund contract liabilities (Note 4)	**3,348.9**	2,779.3
At 31 December	**50,478.1**	50,678.3
Policy benefits	**3,082.5**	3,139.2
Others	**3,433.4**	3,406.4
	56,994.0	57,223.9
Life assurance fund investment assets		
Deposits with banks and financial institutions	**2,010.7**	2,058.0
Loans	**3,925.9**	4,114.7
Securities	**48,087.0**	48,562.2
Investment property	**1,568.1**	1,632.0
Others [1]	**1,390.7**	919.4
	56,982.4	57,286.3
Life assurance fund balances included under the following balance sheet items:		
Liabilities		
Current tax	**301.5**	255.3
Deferred tax	**1,013.1**	1,058.3
Assets		
Cash and placements with central banks	**#**	#
Placements with and loans to banks	**728.5**	627.0
Property, plant and equipment	**597.7**	624.2
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**2.2**	3.2
Capital commitment authorised and contracted	**217.7**	67.3
Derivative financial instruments (principal notional amount)	**10,405.2**	10,133.7
Derivative receivables	**36.6**	113.1
Derivative payables	**516.5**	335.8
Minimum lease rental receivables under non-cancellable operating leases	**146.4**	96.7

(1) Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.
(2) # represents amounts less than $0.5 million.

23. Cash and Placements with Central Banks

	GROUP 2015 $'000	GROUP 2014 $'000	BANK 2015 $'000	BANK 2014 $'000
Cash on hand	**849,584**	742,423	**533,128**	439,390
Non-restricted balances with central banks [1]	**401,200**	1,005,973	**341,839**	883,050
Money market placements and reverse repos with central banks	**14,650,114**	17,575,617	**12,062,467**	14,725,439
Cash and cash equivalents [1]	**15,900,898**	19,324,013	**12,937,434**	16,047,879
Restricted balances with central banks – mandatory reserve deposits [1]	**5,278,998**	5,989,841	**2,708,283**	2,743,519
	21,179,896	25,313,854	**15,645,717**	18,791,398

(1) Comparatives have been restated to conform to current year's presentation.

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For the financial year ended 31 December 2015

24. Government Treasury Bills and Securities

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**330,420**	1,332,763	**330,420**	1,332,763
Available-for-sale, at fair value	**8,327,204**	8,425,964	**8,045,905**	8,279,186
Fair value at initial recognition	**15,003**	529,564	**–**	–
Gross securities	**8,672,627**	10,288,291	**8,376,325**	9,611,949
Assets pledged (Note 46)	**(37,134)**	(188,073)	**(37,134)**	(188,073)
	8,635,493	10,100,218	**8,339,191**	9,423,876
Other government treasury bills and securities				
Trading, at fair value	**1,720,174**	1,404,808	**1,400,965**	965,294
Available-for-sale, at fair value	**10,691,703**	10,752,118	**5,451,956**	3,999,192
Fair value at initial recognition	**14,685**	11,812	**–**	–
Gross securities	**12,426,562**	12,168,738	**6,852,921**	4,964,486
Assets pledged (Note 46)	**(60,501)**	(20,216)	**(59,078)**	(20,216)
	12,366,061	12,148,522	**6,793,843**	4,944,270
Gross securities analysed by geography				
Singapore	**8,672,627**	10,288,291	**8,376,325**	9,611,949
Malaysia	**2,843,592**	3,582,254	**14,232**	13,529
Indonesia	**1,075,397**	1,845,390	**12,963**	146,289
Greater China	**2,664,365**	2,437,616	**1,617,008**	866,393
Other Asia Pacific	**4,260,307**	3,088,198	**4,175,134**	3,062,667
Rest of the World	**1,582,901**	1,215,280	**1,033,584**	875,608
	21,099,189	22,457,029	**15,229,246**	14,576,435

25. Placements with and Loans to Banks

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**1,741,661**	719,510	**1,741,661**	719,510
Certificate of deposits purchased (Available-for-sale)	**11,850,863**	7,288,057	**10,260,171**	5,467,998
	13,592,524	8,007,567	**12,001,832**	6,187,508
At amortised cost:				
Placements with and loans to banks	**17,660,822**	26,157,675	**13,154,657**	16,796,241
Market bills purchased	**3,000,110**	5,406,960	**3,000,110**	5,406,960
Reverse repos	**1,045,540**	1,145,262	**1,032,610**	–
	21,706,472	32,709,897	**17,187,377**	22,203,201
Balances with banks	**35,298,996**	40,717,464	**29,189,209**	28,390,709
Assets pledged (Note 46)	**(236,754)**	(124,343)	**(236,754)**	(124,343)
Bank balances of life assurance fund – at amortised cost	**728,519**	627,019	**–**	–
	35,790,761	41,220,140	**28,952,455**	28,266,366

25. Placements with and Loans to Banks (continued)

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**1,161,835**	672,156	**792,161**	268,005
US Dollar	**22,616,328**	23,647,744	**20,272,900**	19,214,249
Malaysian Ringgit	**604,878**	392,052	**31**	14
Indonesian Rupiah	**158,493**	163,247	**2**	1
Japanese Yen	**1,696,939**	385,769	**1,522,437**	299,356
Hong Kong Dollar	**2,365,802**	2,099,304	**2,002,063**	1,877,973
British Pound	**1,084,993**	1,343,995	**1,027,560**	1,155,131
Australian Dollar	**452,476**	857,766	**245,443**	517,074
Euro	**924,316**	68,488	**913,197**	54,405
Chinese Renminbi	**3,862,840**	10,303,580	**2,374,000**	4,640,526
Others	**370,096**	783,363	**39,415**	363,975
	35,298,996	40,717,464	**29,189,209**	28,390,709
By geography				
Singapore	**740,137**	442,959	**288,475**	215,428
Malaysia	**2,648,706**	4,453,299	**1,947,689**	2,334,018
Indonesia	**935,576**	658,651	**714,659**	456,009
Greater China	**21,174,085**	22,978,734	**17,931,093**	16,677,069
Other Asia Pacific	**3,296,384**	1,543,841	**3,088,189**	1,197,274
Rest of the World	**6,504,108**	10,639,980	**5,219,104**	7,510,911
	35,298,996	40,717,464	**29,189,209**	28,390,709

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

26. Loans and Bills Receivable

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Gross loans	**210,664,820**	209,822,043	**130,045,784**	131,110,266
Specific allowances (Note 28)	**(359,993)**	(331,853)	**(110,069)**	(94,640)
Portfolio allowances (Note 29)	**(2,059,533)**	(1,896,773)	**(1,305,541)**	(1,192,479)
Net loans	**208,245,294**	207,593,417	**128,630,174**	129,823,147
Assets pledged (Note 46)	**(27,036)**	(58,786)	**–**	–
	208,218,258	207,534,631	**128,630,174**	129,823,147
Bills receivable	**8,564,895**	16,208,627	**6,639,542**	13,286,663
Loans	**199,680,399**	191,384,790	**121,990,632**	116,536,484
Net loans	**208,245,294**	207,593,417	**128,630,174**	129,823,147
26.1 ANALYSED BY CURRENCY				
Singapore Dollar	**80,496,238**	76,613,196	**78,522,864**	74,891,172
US Dollar	**49,407,871**	55,697,699	**33,179,431**	38,126,857
Malaysian Ringgit	**21,273,104**	23,039,838	**118**	121
Indonesian Rupiah	**6,510,831**	5,281,718	**–**	–
Japanese Yen	**1,921,057**	1,431,873	**499,604**	308,800
Hong Kong Dollar	**29,457,515**	25,769,850	**7,293,710**	6,659,649
British Pound	**3,749,517**	3,810,250	**2,654,543**	2,454,832
Australian Dollar	**4,300,696**	3,544,028	**3,848,798**	3,384,206
Euro	**3,345,755**	1,794,588	**1,361,907**	953,844
Chinese Renminbi	**7,508,674**	10,229,372	**1,787,592**	3,377,128
Others	**2,693,562**	2,609,631	**897,217**	953,657
	210,664,820	209,822,043	**130,045,784**	131,110,266

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26. Loans and Bills Receivable (continued)

	GROUP 2015 $'000	GROUP 2014 $'000	BANK 2015 $'000	BANK 2014 $'000
26.2 ANALYSED BY PRODUCT				
Overdrafts	**7,517,630**	7,430,373	**942,995**	1,023,613
Short-term and revolving loans	**39,261,112**	33,646,594	**18,510,054**	14,990,226
Syndicated and term loans	**70,789,251**	70,272,577	**58,404,842**	56,930,277
Housing and commercial property loans	**65,774,940**	62,949,163	**37,234,450**	36,500,883
Car, credit card and share margin loans	**5,394,136**	4,903,180	**2,462,483**	2,349,153
Others	**21,927,751**	30,620,156	**12,490,960**	19,316,114
	210,664,820	209,822,043	**130,045,784**	131,110,266
26.3 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**7,393,647**	8,750,274	**4,934,548**	6,492,017
Manufacturing	**13,222,265**	12,746,008	**5,520,017**	4,842,107
Building and construction	**34,406,902**	32,174,645	**25,326,922**	23,225,053
Housing	**56,057,862**	54,207,379	**34,668,043**	34,003,325
General commerce	**26,127,588**	30,217,928	**16,762,466**	20,314,229
Transport, storage and communication	**12,359,732**	12,364,706	**8,783,677**	8,775,287
Financial institutions, investment and holding companies	**27,463,052**	25,360,091	**17,819,857**	16,048,582
Professionals and individuals	**23,464,291**	22,511,228	**9,375,963**	9,097,100
Others	**10,169,481**	11,489,784	**6,854,291**	8,312,566
	210,664,820	209,822,043	**130,045,784**	131,110,266
26.4 ANALYSED BY INTEREST RATE SENSITIVITY				
Fixed				
Singapore	**6,896,899**	4,660,094	**6,862,199**	4,625,896
Malaysia	**3,107,916**	3,464,018	**–**	–
Indonesia	**1,370,755**	1,270,024	**–**	–
Greater China	**8,220,509**	9,901,260	**2,887,754**	3,945,581
Other Asia Pacific	**299,090**	29,821	**299,090**	29,821
Rest of the World	**75**	102	**75**	102
	19,895,244	19,325,319	**10,049,118**	8,601,400
Variable				
Singapore	**116,705,207**	119,916,248	**100,577,632**	104,563,046
Malaysia	**24,718,669**	25,221,574	**4,581,102**	4,177,365
Indonesia	**7,543,987**	6,034,006	**–**	–
Greater China	**33,991,577**	32,344,385	**7,027,802**	6,801,566
Other Asia Pacific	**4,654,068**	4,121,948	**4,654,062**	4,108,326
Rest of the World	**3,156,068**	2,858,563	**3,156,068**	2,858,563
	190,769,576	190,496,724	**119,996,666**	122,508,866
Total	**210,664,820**	209,822,043	**130,045,784**	131,110,266

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

	GROUP 2015 $'000	GROUP 2014 $'000	BANK 2015 $'000	BANK 2014 $'000
26.5 ANALYSED BY GEOGRAPHY				
Singapore	**87,539,868**	86,700,315	**81,960,020**	82,702,863
Malaysia	**28,598,521**	28,909,244	**4,572,655**	4,084,311
Indonesia	**17,216,167**	13,982,073	**6,562,504**	6,024,286
Greater China	**56,416,108**	55,584,599	**21,479,942**	22,959,850
Other Asia Pacific	**10,644,169**	9,217,635	**8,366,107**	8,419,661
Rest of the World	**10,249,987**	15,428,177	**7,104,556**	6,919,295
	210,664,820	209,822,043	**130,045,784**	131,110,266

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

27. Non-Performing Loans ("NPLs"), Debt Securities and Contingents

Non-performing loans, debt securities and contingents are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Specific allowances	Net loans, securities and contingents
GROUP						
2015						
Classified loans	**1,430**	**290**	**249**	**1,969**	**(340)**	**1,629**
Classified debt securities	**–**	**39**	**1**	**40**	**(12)**	**28**
Classified contingents	**26**	**2**	**2**	**30**	**(2)**	**28**
Total classified assets	**1,456**	**331**	**252**	**2,039**	**(354)**	**1,685**
2014						
Classified loans	764	272	243	1,279	(310)	969
Classified debt securities	–	4	1	5	(4)	1
Classified contingents	24	7	2	33	(3)	30
Total classified assets	788	283	246	1,317	(317)	1,000
BANK						
2015						
Classified loans	**958**	**148**	**95**	**1,201**	**(110)**	**1,091**
Classified debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Classified contingents	**10**	**–**	**–**	**10**	**–**	**10**
Total classified assets	**968**	**148**	**95**	**1,211**	**(110)**	**1,101**
2014						
Classified loans	362	129	86	577	(92)	485
Classified debt securities	–	–	–	–	–	–
Classified contingents	9	–	–	9	–	9
Total classified assets	371	129	86	586	(92)	494

	GROUP		BANK	
	2015 $ million	2014 $ million	2015 $ million	2014 $ million
27.1 ANALYSED BY PERIOD OVERDUE				
Over 180 days	**590**	476	**253**	118
Over 90 days to 180 days	**378**	146	**219**	73
30 days to 90 days	**284**	122	**145**	43
Less than 30 days	**206**	22	**204**	16
No overdue	**581**	551	**390**	336
	2,039	1,317	**1,211**	586
27.2 ANALYSED BY COLLATERAL TYPE				
Property	**689**	689	**240**	270
Fixed deposit	**5**	3	**1**	2
Stock and shares	**44**	1	**9**	1
Motor vehicles	**4**	5	**3**	2
Secured – Others	**713**	204	**571**	144
Unsecured – Corporate and other guarantees	**283**	111	**262**	80
Unsecured – Clean	**301**	304	**125**	87
	2,039	1,317	**1,211**	586

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27. Non-Performing Loans ("NPLs"), Debt Securities and Contingents (continued)

	GROUP 2015 $ million	GROUP 2014 $ million	BANK 2015 $ million	BANK 2014 $ million
27.3 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**343**	8	**276**	#
Manufacturing	**480**	323	**201**	51
Building and construction	**107**	176	**33**	97
Housing	**278**	274	**143**	142
General commerce	**198**	161	**65**	54
Transport, storage and communication	**274**	174	**241**	124
Financial institutions, investment and holding companies	**203**	29	**171**	17
Professionals and individuals	**129**	103	**69**	49
Others	**27**	69	**12**	52
	2,039	1,317	**1,211**	586

(1) # represents amounts less than $0.5 million.

27.4 ANALYSED BY GEOGRAPHY

$ million	Singapore	Malaysia	Indonesia	Greater China	Rest of the World	Total
GROUP						
2015						
Substandard	**337**	**628**	**316**	**74**	**101**	**1,456**
Doubtful	**113**	**77**	**10**	**112**	**19**	**331**
Loss	**95**	**27**	**74**	**55**	**1**	**252**
	545	**732**	**400**	**241**	**121**	**2,039**
Specific allowances	**(83)**	**(144)**	**(58)**	**(52)**	**(17)**	**(354)**
	462	**588**	**342**	**189**	**104**	**1,685**
2014						
Substandard	72	378	26	101	211	788
Doubtful	116	117	7	27	16	283
Loss	86	37	65	57	1	246
	274	532	98	185	228	1,317
Specific allowances	(68)	(135)	(40)	(45)	(29)	(317)
	206	397	58	140	199	1,000
BANK						
2015						
Substandard	**337**	**231**	**276**	**24**	**100**	**968**
Doubtful	**113**	**–**	**–**	**21**	**14**	**148**
Loss	**95**	**–**	**–**	**–**	**–**	**95**
	545	**231**	**276**	**45**	**114**	**1,211**
Specific allowances	**(83)**	**–**	**(4)**	**(11)**	**(12)**	**(110)**
	462	**231**	**272**	**34**	**102**	**1,101**
2014						
Substandard	72	10	–	78	211	371
Doubtful	116	#	–	#	13	129
Loss	86	–	–	–	–	86
	274	10	–	78	224	586
Specific allowances	(68)	(#)	–	(#)	(24)	(92)
	206	10	–	78	200	494

(1) # represents amounts less than $0.5 million.

27. Non-Performing Loans ("NPLs"), Debt Securities and Contingents (continued)

27.4 ANALYSED BY GEOGRAPHY (continued)

Non-performing loans ("NPLs"), debt securities and contingents by geography are determined based on where the credit risk resides.

27.5 RESTRUCTURED/RENEGOTIATED LOANS

Non-performing restructured loans by loan classification and the related specific allowances as at reporting date is shown below. The restructured loans as a percentage of total NPLs were 20.8% (2014: 9.7%) and 24.0% (2014: 16.1%) for the Group and the Bank respectively.

	2015		2014	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**365**	**13**	81	2
Doubtful	**39**	**34**	39	24
Loss	**5**	**4**	4	3
	409	**51**	124	29
BANK				
Substandard	**259**	**1**	76	2
Doubtful	**29**	**25**	17	15
Loss	**–**	**–**	#	#
	288	**26**	93	17

(1) # represents amounts less than $0.5 million.

28. Specific Allowances

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	**331,853**	230,021	**94,640**	96,097
Currency translation	**(16,660)**	1,955	**984**	2,448
Bad debts written off	**(176,887)**	(120,636)	**(86,959)**	(66,886)
Recovery of amounts previously provided for	**(53,446)**	(50,874)	**(34,204)**	(34,885)
Allowances for loans	**285,368**	246,928	**143,544**	100,034
Net allowances charged to income statements (Note 9)	**231,922**	196,054	**109,340**	65,149
Acquisition of subsidiaries	**–**	28,787	**–**	–
Interest recognition on impaired loans	**(6,736)**	(4,207)	**(4,437)**	(2,168)
Transfer to portfolio allowances (Note 29)	**–**	(121)	**–**	–
Transfer to other assets	**(3,499)**	–	**(3,499)**	–
At 31 December (Note 26)	**359,993**	331,853	**110,069**	94,640

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28. Specific Allowances (continued)

Analysed by industry

	Cumulative specific allowances		Net specific allowances charged to income statements	
	2015 $ million	2014 $ million	2015 $ million	2014 $ million
GROUP				
Agriculture, mining and quarrying	**9**	2	**8**	1
Manufacturing	**94**	85	**52**	54
Building and construction	**31**	29	**6**	2
Housing	**28**	32	**5**	5
General commerce	**81**	51	**82**	25
Transport, storage and communication	**11**	44	**1**	36
Financial institutions, investment and holding companies	**2**	4	**(1)**	#
Professionals and individuals	**87**	68	**86**	61
Others	**17**	17	**(7)**	12
	360	332	**232**	196
BANK				
Agriculture, mining and quarrying	**8**	#	**8**	#
Manufacturing	**13**	23	**16**	3
Building and construction	**2**	2	**1**	2
Housing	**#**	2	**–**	#
General commerce	**24**	8	**37**	3
Transport, storage and communication	**2**	13	**(10)**	11
Financial institutions, investment and holding companies	**–**	3	**(3)**	(#)
Professionals and individuals	**58**	43	**61**	44
Others	**3**	1	**(1)**	2
	110	95	**109**	65

(1) # represents amounts less than $0.5 million.

29. Portfolio Allowances

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	**1,896,773**	1,511,044	**1,192,479**	1,107,599
Currency translation	**(13,870)**	16,291	**9,397**	4,170
Allowances charged to income statements (Note 9)	**176,630**	163,002	**103,665**	80,710
Acquisition of subsidiaries	**–**	206,315	**–**	–
Transfer from specific allowances (Note 28)	**–**	121	**–**	–
At 31 December (Note 26)	**2,059,533**	1,896,773	**1,305,541**	1,192,479

30. Debt and Equity Securities

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trading securities				
Quoted debt securities	**1,445,885**	1,896,836	**967,903**	1,717,271
Unquoted debt securities	**2,065,676**	2,330,970	**1,641,027**	2,137,080
Quoted equity securities	**205,514**	212,410	**168,366**	207,913
Quoted investment funds	**8,384**	9,031	**8,352**	9,031
Unquoted investment funds	**–**	130	**–**	–
	3,725,459	4,449,377	**2,785,648**	4,071,295
Fair value at initial recognition				
Quoted debt securities	**1,090,751**	1,081,744	**–**	–
Unquoted debt securities	**97,801**	114,945	**–**	–
Quoted equity securities	**134,891**	–	**–**	–
Quoted investment funds	**8,070**	–	**–**	–
	1,331,513	1,196,689	**–**	–
Available-for-sale securities				
Quoted debt securities	**11,101,068**	10,399,969	**5,875,169**	6,311,757
Unquoted debt securities	**5,182,193**	5,584,705	**2,958,892**	3,016,108
Quoted equity securities	**1,395,227**	1,819,560	**141,455**	238,677
Unquoted equity securities	**278,517**	260,848	**113,259**	161,979
Quoted investment funds	**333,039**	183,901	**11,607**	22,294
Unquoted investment funds	**382,327**	529,971	**31,267**	63,546
	18,672,371	18,778,954	**9,131,649**	9,814,361
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**147,580**	186,135	**112,275**	146,998
Total debt and equity securities				
Debt securities	**21,130,954**	21,595,304	**11,555,266**	13,329,214
Equity securities	**2,014,149**	2,292,818	**423,080**	608,569
Investment funds	**731,820**	723,033	**51,226**	94,871
Total securities	**23,876,923**	24,611,155	**12,029,572**	14,032,654
Assets pledged (Note 46)	**(1,090,460)**	(1,144,884)	**(674,734)**	(848,488)
	22,786,463	23,466,271	**11,354,838**	13,184,166
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**13,851,880**	11,665,023	**7,468,469**	6,310,451
Non-investment grade (BB to C)	**339,393**	396,968	**260,360**	258,930
Non-rated	**6,939,681**	9,533,313	**3,826,437**	6,759,833
	21,130,954	21,595,304	**11,555,266**	13,329,214
By credit quality				
Pass	**21,034,715**	21,579,226	**11,493,025**	13,329,214
Special mention	**68,031**	15,326	**62,241**	–
Substandard	**–**	–	**–**	–
Doubtful	**28,208**	752	**–**	–
Loss	**–**	–	**–**	–
	21,130,954	21,595,304	**11,555,266**	13,329,214

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For the financial year ended 31 December 2015

30. Debt and Equity Securities (continued)

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**1,438,766**	1,261,546	**813,735**	883,963
Manufacturing	**2,151,553**	1,638,156	**1,266,944**	977,306
Building and construction	**2,639,232**	2,829,677	**1,372,696**	1,448,938
General commerce	**865,491**	1,348,201	**629,364**	1,175,001
Transport, storage and communication	**1,734,327**	1,583,889	**747,610**	697,855
Financial institutions, investment and holding companies	**11,761,420**	11,365,166	**6,225,654**	6,627,836
Others	**3,286,134**	4,584,520	**973,569**	2,221,755
	23,876,923	24,611,155	**12,029,572**	14,032,654
By issuer				
Public sector	**2,069,683**	3,148,847	**1,792,179**	2,784,559
Banks	**7,464,443**	7,410,544	**3,947,116**	4,554,796
Corporations	**13,647,477**	13,449,447	**6,245,064**	6,645,093
Others	**695,320**	602,317	**45,213**	48,206
	23,876,923	24,611,155	**12,029,572**	14,032,654
By geography				
Singapore	**4,138,501**	4,122,634	**2,123,932**	2,408,486
Malaysia	**1,941,172**	1,863,559	**299,659**	302,698
Indonesia	**1,164,894**	957,936	**915,581**	678,591
Greater China	**8,976,704**	9,533,423	**4,130,953**	5,771,485
Other Asia Pacific	**4,650,389**	5,007,866	**2,791,464**	3,067,255
Rest of the World	**3,005,263**	3,125,737	**1,767,983**	1,804,139
	23,876,923	24,611,155	**12,029,572**	14,032,654

The analysis by geography is determined based on country of incorporation.

31. Other Assets

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Interest receivable	**958,391**	1,021,397	**599,301**	605,439
Sundry debtors (net)	**1,864,553**	2,227,673	**37,412**	48,839
Deposits and prepayments	**940,342**	1,028,242	**621,263**	764,837
Others	**578,097**	494,070	**228,872**	195,876
	4,341,383	4,771,382	**1,486,848**	1,614,991

At 31 December 2015, reinsurance assets included in "Others" amounted to $168.9 million (2014: $142.7 million).

32. Allowances for Impairment of Securities and Other Assets

GROUP ($'000)	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2014	–	65,356	2,718	14,410	82,484
Currency translation	(373)	(245)	(6)	(180)	(804)
Amounts recovered	9,587	–	–	877	10,464
(Write-back)/impairment charge to income statements (Note 9)	(9,214)	–	120	(2,122)	(11,216)
Transfers from other accounts	–	–	–	15	15
At 31 December 2014/1 January 2015	**–**	**65,111**	**2,832**	**13,000**	**80,943**
Currency translation	**–**	**(1,640)**	**(55)**	**(854)**	**(2,549)**
Amounts written off	**–**	**–**	**–**	**(4,387)**	**(4,387)**
Impairment charge to income statements (Note 9)	**–**	**–**	**110**	**7,988**	**8,098**
Transfers to other accounts	**–**	**(126)**	**(362)**	**(188)**	**(676)**
At 31 December 2015	**–**	**63,345**	**2,525**	**15,559**	**81,429**
		(Note 35)	(Note 36)		

BANK ($'000)	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2014	5,287	–	946	2,525	385	9,143
Currency translation	–	(373)	–	–	11	(362)
Amounts recovered/(written off)	–	9,587	–	–	(281)	9,306
(Write-back)/impairment charge to income statements (Note 9)	–	(9,214)	–	–	276	(8,938)
At 31 December 2014/1 January 2015	**5,287**	**–**	**946**	**2,525**	**391**	**9,149**
Currency translation	**–**	**–**	**–**	**–**	**19**	**19**
Amounts written off	**–**	**–**	**–**	**–**	**(615)**	**(615)**
Impairment charge/(write-back) to income statements (Note 9)	**28,500**	**–**	**–**	**(126)**	**4,314**	**32,688**
Transfers (to)/from other accounts	**–**	**–**	**(126)**	**126**	**69**	**69**
At 31 December 2015	**33,787**	**–**	**820**	**2,525**	**4,178**	**41,310**
	(Notes 33-34)		(Note 35)	(Note 36)		

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33. Associates and Joint Ventures

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Quoted equity security, at cost	**1,357,689**	1,357,689	**433,197**	433,197
Unquoted equity securities, at cost	**224,946**	286,965	**165,308**	179,277
Allowance for impairment (Note 32)	**–**	–	**(2,199)**	(2,199)
Net carrying value	**1,582,635**	1,644,654	**596,306**	610,275
Share of post-acquisition reserves	**641,200**	283,314	**–**	–
Unsecured loans and receivables	**22,405**	158,552	**–**	–
Secured loans and receivables	**2,127**	9,954	**–**	–
Amount due from associates	**24,532**	168,506	**–**	–
Investments in and amount due from associates	**2,248,367**	2,096,474	**596,306**	610,275

The Group applied equity method for all its investments in associates.

As at 31 December 2015, the Group's principal associates are as follows:

Name of associates	Country of incorporation/ Principal place of business	Nature of the relationship with the Group	Effective % interest held[3] 2015	2014
Quoted				
Bank of Ningbo Co., Ltd[1]	People's Republic of China	A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking.	**20**	20
Unquoted				
AVIC Trust Co., Ltd[2]	People's Republic of China	Provides professional financial and asset management services, which enable the Group to enhance its Greater China presence.	**20**	20
Network for Electronic Transfers (Singapore) Pte Ltd[1]	Singapore	Provides electronic payment services, which enables the Group to extend funds transfer services to its broad customer base.	**33**	33

(1) Audited by Ernst & Young.
(2) Audited by Grant Thornton.
(3) Rounded to the nearest percentage.

On 30 September 2014, the Group increased its aggregate equity stake in Bank of Ningbo Co., Ltd. ("Bank of Ningbo") from 15.34% to 20.00% following the completion of the subscription of 207,545,680 new ordinary shares in Bank of Ningbo for a cash consideration of $361.6 million. As a result, the Group's significant influence over Bank of Ningbo was established. Correspondingly, the initial stake of 15.34% was deemed disposed of and its related fair value reserve of $391.2 million was recognised in the income statement.

As at 31 December 2015, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo, which is listed on the Shenzhen Stock Exchange, was $2,636.3 million (2014: $2,178.8 million), and the carrying amount of the Group's interests was $1,750.7 million (2014: $1,457.2 million).

As Bank of Ningbo is a listed bank on the Shenzhen Stock Exchange, the entity's ability to transfer funds to the Group is subject to local listing and statutory regulations.

33. Associates and Joint Ventures (continued)

The table below provides the financial information of the Group's material associates:

$ million	Bank of Ningbo Co., Ltd 2015	Bank of Ningbo Co., Ltd 2014	AVIC Trust Co., Ltd 2015	AVIC Trust Co., Ltd 2014
Selected income statement information				
Revenue	**4,260**	3,154	**440**	350
Profit or loss from continuing operations	**1,439**	1,162	**236**	187
Other comprehensive income	**218**	213	**–**	–
Total comprehensive income	**1,657**	1,375	**236**	187
Selected balance sheet information				
Current assets	**84,720**	76,271	**324**	161
Non-current assets	**71,014**	42,733	**1,542**	996
Current liabilities	**(129,815)**	(100,903)	**(733)**	(144)
Non-current liabilities	**(16,094)**	(10,814)	**–**	(#)
Net assets	**9,825**	7,287	**1,133**	1,013
Non-controlling interests	**(21)**	(16)	**–**	–
Preference shares issued	**(1,051)**	–	**–**	–
Net assets attributable to ordinary shareholders	**8,753**	7,271	**1,133**	1,013
Reconciliation of associate's total ordinary shareholders' equity to the carrying amount in the Group's financial statements				
Group's interests in net assets of investee at beginning of the year	**1,457**	–	**203**	161
Group's share of:				
– profit from continuing operations	**287**	44	**47**	37
– other comprehensive income	**71**	55	**5**	5
– total comprehensive income	**358**	99	**52**	42
Dividends	**(64)**	–	**(27)**	–
Carrying amount of interest in associate upon acquisition	**–**	1,358	**–**	–
Carrying amount of interest in investee at end of the year	**1,751**	1,457	**228**	203
Dividends received during the year	**64**	32 [1]	**–** [2]	–

[1] The dividends from Bank of Ningbo Co., Ltd were received before the company became an associate of the Group in September 2014.
[2] The dividends from AVIC Trust Co., Ltd were declared but not yet received during the year.
[3] # represents amounts less than $0.5 million.

In addition to the interests in associates disclosed above, the Group also has interests in individually immaterial associates that are accounted for using the equity method.

$ million	2015	2014
At 31 December:		
Aggregate carrying amount of individually immaterial associates	**245**	268
For the year ended:		
Aggregate amounts of the Group's share of:		
Profit or loss from continuing operations	**18**	30
Other comprehensive income	**#**	11
Total comprehensive income	**18**	41

[1] # represents amounts less than $0.5 million.

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33. Associates and Joint Ventures (continued)

The Group's share of contingent liabilities in respect of all its associates is as follows:

$ million	2015	2014
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**4,445**	3,472

34. Subsidiaries

	BANK	
	2015 $'000	2014 $'000
Investments in subsidiaries, at cost		
Quoted security (Note 34.3)	**1,938,356**	1,895,642
Unquoted securities	**12,642,300**	12,036,446
Allowance for impairment (Note 32)	**(31,588)**	(3,088)
Net carrying value	**14,549,068**	13,929,000
Unsecured loans and receivables	**6,076,247**	9,624,623
Secured loans and receivables	**606,000**	644,695
Amount due from subsidiaries	**6,682,247**	10,269,318
Investments in and amount due from subsidiaries	**21,231,315**	24,198,318

During the financial year, the Bank increased its investments in unquoted subsidiaries, mainly through the subscription of ordinary and preference shares and perpetual capital securities issued by subsidiaries. The proceeds were in turn used for restructuring and funding purposes.

At 31 December 2015, the fair values (Level 1 of the fair value hierarchy) of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $8,333.7 million (2014: $9,807.1 million) and $1,206.4 million (2014: $1,345.0 million) respectively.

34. Subsidiaries (continued)

34.1 LIST OF PRINCIPAL SUBSIDIARIES

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by the Group (%) [3]		Proportion of ownership interests and voting rights held by non-controlling interests (%) [3]	
		2015	2014	2015	2014
Banking					
Banco OCBC Weng Hang, S.A.	Macau SAR	**100**	100	**–**	–
Bank of Singapore Limited	Singapore	**100**	100	**–**	–
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (China) Limited	People's Republic of China	**100**	100	**–**	–
OCBC Wing Hang Bank Limited	Hong Kong SAR	**100**	100	**–**	–
PT Bank OCBC NISP Tbk [1]	Indonesia	**85**	85	**15**	15
Wing Hang Bank (China) Limited	People's Republic of China	**100**	100	**–**	–
Insurance					
Great Eastern Life Assurance (Malaysia) Berhad [2]	Malaysia	**88**	87	**12**	13
Overseas Assurance Corporation (Malaysia) Berhad [2]	Malaysia	**88**	87	**12**	13
The Great Eastern Life Assurance Company Limited [2]	Singapore	**88**	87	**12**	13
The Overseas Assurance Corporation Limited [2]	Singapore	**88**	87	**12**	13
Asset management and investment holding					
Lion Global Investors Limited [2]	Singapore	**91**	91	**9**	9
Great Eastern Holdings Limited [2]	Singapore	**88**	87	**12**	13
Stockbroking					
OCBC Securities Private Limited	Singapore	**100**	100	**–**	–

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

(1) Audited by PricewaterhouseCoopers.

(2) Audited by Ernst & Young.

(3) Rounded to the nearest percentage.

The Group's subsidiaries do not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from their respective local statutory, regulatory, supervisory and banking requirements within which its subsidiaries operate. These requirements require the Group's subsidiaries to maintain minimum levels of regulatory capital, liquid assets, and exposure limits. In addition, Great Eastern Holdings Limited and other insurance subsidiaries are subject to their respective local insurance laws and regulations, while the Group's banking subsidiaries are subject to prudential regulatory requirements imposed by local regulators.

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34. Subsidiaries (continued)

34.2 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material non-controlling interests ("NCI").

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	**2015**	**2014**	**2015**	**2014**
Net assets attributable to NCI	**250**	234	**781**	761
Total comprehensive income attributable to NCI	**16**	26	**78**	135
Dividends paid to NCI during the year	**–**	–	**33**	33
Summarised financial information				
Total assets	**12,113**	10,608	**65,821**	65,677
Total liabilities	**(10,437)**	(9,040)	**(59,524)**	(59,745)
Total net assets	**1,676**	1,568	**6,297**	5,932
Revenue	**555**	496	**1,146**	1,203
Profit	**152**	141	**793**	888
Other comprehensive income	**(43)**	34	**(168)**	177
Total comprehensive income	**109**	175	**625**	1,065
Cash flows (used in)/from operating activities	**(132)**	123	**1,263**	1,106
Cash flows from/(used in) investing activities	**551**	(103)	**1,939**	(927)
Cash flows from/(used in) financing activities	**254**	(103)	**(301)**	(219)
Effect of currency translation reserve adjustment	**–**	–	**(2,664)**	(433)
Net changes in cash and cash equivalents	**673**	(279)	**237**	(473)

34.3 ACQUISITION OF NON-CONTROLLING INTERESTS

During the year, the Bank acquired 2,032,651 shares in Great Eastern Holdings Limited ("GEH"), a subsidiary listed on the Singapore Stock Exchange, at $21 per share for a total cash consideration of $42.7 million. Consequently, the Group's interest in GEH increased from 87.2% to 87.6%. The Group recognised a decrease in non-controlling interests of $26.1 million and a corresponding $16.6 million decrease in the revenue reserves.

34.4 ACQUISITION OF INTERESTS IN SUBSIDIARIES

In 2014, the Group acquired the entire issued share capital of Wing Hang Bank, Limited (now known as "OCBC Wing Hang Bank Limited") for a total consideration of $6,209.8 million.

The Group recorded a goodwill of $993.2 million and an adjustment to unappropriated profit totalling -$954.6 million from the stepped acquisition. Net cash outflow arising from the business acquisition was $549.9 million.

Full details are set out in the financial statements for the year ended 31 December 2014.

There were no acquisitions in 2015.

35. Property, Plant and Equipment

	2015				2014			
GROUP ($'000)	**Property-related**	**Computer-related**	**Others**	**Total**	**Property-related**	**Computer-related**	**Others**	**Total**
Cost								
At 1 January	**3,185,204**	**1,584,053**	**596,383**	**5,365,640**	1,645,417	1,424,873	536,726	3,607,016
Currency translation	**76,769**	**(37,489)**	**(14,678)**	**24,602**	88,293	(3,685)	2,110	86,718
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	1,428,862	–	26,201	1,455,063
Additions	**13,881**	**253,613**	**46,971**	**314,465**	48,924	189,680	57,436	296,040
Disposals and other transfers	**(1,816)**	**(41,306)**	**(18,140)**	**(61,262)**	(74,251)	(26,815)	(22,865)	(123,931)
Transfer (to)/from investment property (Note 36)	**(14,952)**	**–**	**–**	**(14,952)**	47,959	–	(3,225)	44,734
At 31 December	**3,259,086**	**1,758,871**	**610,536**	**5,628,493**	3,185,204	1,584,053	596,383	5,365,640
Accumulated depreciation								
At 1 January	**(432,909)**	**(1,066,626)**	**(392,158)**	**(1,891,693)**	(376,158)	(920,749)	(346,657)	(1,643,564)
Currency translation	**5,164**	**27,835**	**13,038**	**46,037**	(2,443)	2,477	(624)	(590)
Disposals and other transfers	**225**	**39,908**	**16,876**	**57,009**	54	23,876	13,089	37,019
Depreciation charge	**(64,214)**	**(145,822)**	**(57,108)**	**(267,144)**	(34,810)	(144,772)	(51,136)	(230,718)
Depreciation charge to profit from life assurance (Note 4)	**(12,537)**	**(28,239)**	**(6,891)**	**(47,667)**	(13,260)	(27,458)	(6,830)	(47,548)
Transfer to/(from) investment property (Note 36)	**5,236**	**–**	**–**	**5,236**	(6,292)	–	–	(6,292)
At 31 December	**(499,035)**	**(1,172,944)**	**(426,243)**	**(2,098,222)**	(432,909)	(1,066,626)	(392,158)	(1,891,693)
Accumulated impairment losses (Note 32)								
At 1 January	**(64,513)**	**(63)**	**(535)**	**(65,111)**	(64,758)	(63)	(535)	(65,356)
Currency translation	**1,640**	**–**	**–**	**1,640**	245	–	–	245
Transfer to investment property (Note 36)	**126**	**–**	**–**	**126**	–	–	–	–
At 31 December	**(62,747)**	**(63)**	**(535)**	**(63,345)**	(64,513)	(63)	(535)	(65,111)
Net carrying value, at 31 December	**2,697,304**	**585,864**	**183,758**	**3,466,926**	2,687,782	517,364	203,690	3,408,836
Freehold property	**486,117**				506,598			
Leasehold property	**2,211,187**				2,181,184			
Net carrying value	**2,697,304**				2,687,782			
Fair value hierarchy								
Level 2 [1]	**281,675**				278,567			
Level 3 [1]	**4,351,842**				4,200,488			
Market value	**4,633,517**				4,479,055			

(1) Comparatives have been restated to conform to current year's presentation.

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35. Property, Plant and Equipment (continued)

BANK ($'000)	2015 Property-related	2015 Computer-related	2015 Others	2015 Total	2014 Property-related	2014 Computer-related	2014 Others	2014 Total
Cost								
At 1 January	273,500	793,020	162,010	1,228,530	267,980	713,926	154,755	1,136,661
Currency translation	(9)	97	230	318	17	17	41	75
Additions	233	122,028	13,497	135,758	243	94,538	15,383	110,164
Disposals and other transfers	–	(12,738)	(3,600)	(16,338)	–	(15,461)	(8,169)	(23,630)
Net transfer (to)/from investment property (Note 36)	(10,761)	–	–	(10,761)	5,260	–	–	5,260
At 31 December	262,963	902,407	172,137	1,337,507	273,500	793,020	162,010	1,228,530
Accumulated depreciation								
At 1 January	(79,101)	(517,408)	(110,668)	(707,177)	(76,021)	(439,724)	(102,160)	(617,905)
Currency translation	7	(65)	(243)	(301)	(11)	(10)	(57)	(78)
Disposals and other transfers	–	12,583	2,631	15,214	–	15,379	6,606	21,985
Depreciation charge	(5,187)	(91,688)	(14,867)	(111,742)	(5,046)	(93,053)	(15,057)	(113,156)
Net transfer from investment property (Note 36)	3,445	–	–	3,445	1,977	–	–	1,977
At 31 December	(80,836)	(596,578)	(123,147)	(800,561)	(79,101)	(517,408)	(110,668)	(707,177)
Accumulated impairment losses (Note 32)								
At 1 January	(946)	–	–	(946)	(946)	–	–	(946)
Net transfer to investment property (Note 36)	126	–	–	126	–	–	–	–
At 31 December	(820)	–	–	(820)	(946)	–	–	(946)
Net carrying value, at 31 December	181,307	305,829	48,990	536,126	193,453	275,612	51,342	520,407
Freehold property	46,509				53,942			
Leasehold property	134,798				139,511			
Net carrying value	181,307				193,453			
Fair value hierarchy								
Level 2	208,794				190,937			
Level 3	340,480				372,219			
Market value	549,274				563,156			

Market values for properties under Level 2 of the fair value hierarchy are determined based on the direct market comparison method. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of direct market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

36. Investment Property

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cost				
At 1 January	1,345,725	919,734	682,656	661,461
Currency translation	(478)	1,736	1,217	733
Acquisition of subsidiaries	–	439,971	–	–
Additions	26,980	36,060	2,713	27,705
Disposals	(21,387)	(653)	(17,583)	–
Net transfer from/(to):				
Property, plant and equipment (Note 35)	14,952	(44,734)	10,761	(5,260)
Assets held for sale	(9,564)	(6,389)	(3,581)	(1,983)
At 31 December	1,356,228	1,345,725	676,183	682,656
Accumulated depreciation				
At 1 January	(195,809)	(185,666)	(106,126)	(96,851)
Currency translation	1,077	(353)	(458)	(270)
Disposals	6,861	(519)	5,789	–
Depreciation charge	(26,206)	(17,272)	(9,646)	(7,831)
Net transfer (from)/to:				
Property, plant and equipment (Note 35)	(5,236)	6,292	(3,445)	(1,977)
Assets held for sale	3,471	1,709	1,161	803
At 31 December	(215,842)	(195,809)	(112,725)	(106,126)
Accumulated impairment losses (Note 32)				
At 1 January	(2,832)	(2,718)	(2,525)	(2,525)
Currency translation	55	6	–	–
Disposals	–	–	–	–
(Impairment charge)/write-back to income statements	(110)	(120)	126	–
Transfer from property, plant and equipment (Note 35)	(126)	–	(126)	–
Transfer to assets held for sale	488	–	–	–
At 31 December	(2,525)	(2,832)	(2,525)	(2,525)
Net carrying value				
Freehold property	740,031	758,475	206,461	206,828
Leasehold property	397,830	388,609	354,472	367,177
At 31 December	1,137,861	1,147,084	560,933	574,005
Fair value hierarchy				
Level 2	1,025,498	1,115,395	330,164	364,338
Level 3	2,377,469	2,449,255	1,209,743	1,239,768
Market value	3,402,967	3,564,650	1,539,907	1,604,106

A description of the valuation methods is provided in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

37. Goodwill and Intangible Assets

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Goodwill				
At 1 January	**4,236,706**	3,153,104	**1,867,176**	1,867,176
Acquisition of subsidiaries	**–**	993,205	**–**	–
Amounts written off	**(3,145)**	–	**–**	–
Currency translation	**107,860**	90,397	**–**	–
At 31 December	**4,341,421**	4,236,706	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**919,884**	587,874		
Acquisition of subsidiaries	**–**	379,575		
Amortisation charged to income statements:				
– Core deposit relationships [1]	**(42,099)**	(17,771)		
– Customer relationships [2]	**(8,878)**	(9,798)		
– Life assurance business [3]	**(46,636)**	(46,636)		
Currency translation	**31,539**	26,640		
At 31 December	**853,810**	919,884		
Total goodwill and intangible assets	**5,195,231**	5,156,590	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**4,341,421**	4,236,706	**1,867,176**	1,867,176
Intangible assets, at cost	**1,515,868**	1,477,534	**–**	–
Accumulated amortisation for intangible assets	**(662,058)**	(557,650)	**–**	–
	5,195,231	5,156,590	**1,867,176**	1,867,176

(1) Core deposit relationships, arising from the acquisition of OCBC Wing Hang, are determined to have an estimated useful life of 10 years. At 31 December 2015, these have a remaining useful life of 8.5 years (2014: 9.5 years).

(2) Customer relationships, arising from the acquisition of Bank of Singapore Limited, are determined to have an estimated useful life of 10 years. At 31 December 2015, these have a remaining useful life of 5 years (2014: 6 years).

(3) The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2015, the intangible asset has a remaining useful life of 9 years (2014: 10 years).

37. Goodwill and Intangible Assets (continued)

Impairment tests for goodwill

For impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") identified mainly to business segments as follows:

Cash Generating Units	Basis of determining recoverable value	Carrying value 2015 $'000	Carrying value 2014 $'000
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		**844,497**	844,497
Global Corporate Banking		**570,000**	570,000
Global Treasury		**524,000**	524,000
	Value-in-use	**1,938,497**	1,938,497
Great Eastern Holdings Limited	Appraisal value	**427,460**	427,460
Bank of Singapore Limited	Value-in-use	**614,432**	574,331
Lion Global Investors Limited	Value-in-use	**29,437**	29,437
OCBC Wing Hang Bank Limited	Value-in-use	**1,130,036**	1,055,565
PT Bank OCBC NISP Tbk	Value-in-use	**191,205**	196,706
Others	Value-in-use	**10,354**	14,710
		4,341,421	4,236,706

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. Cash flows beyond the fifth year are extrapolated using the estimated terminal growth rates (weighted average growth rate to extrapolate cash flows beyond the projected years). The terminal growth rate for each CGU used does not exceed management's expectation of the long term average growth rate of the respective industry and country in which the CGU operates. The discount rates and terminal growth rates used are tabulated below for applicable CGUs.

	Banking CGU		Bank of Singapore Limited		OCBC Wing Hang Bank Limited		PT Bank OCBC NISP Tbk	
	2015	2014	2015	2014	2015	2014	2015	2014
Discount rate	**11.3%**	10.4%	**11.3%**	10.4%	**11.3%**	10.4%	**12.4%**	11.9%
Terminal growth rate	**2.0%**	2.0%	**2.0%**	2.5%	**4.0%**	5.0%	**5.0%**	5.0%

For the insurance CGU, the Group applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life assurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 7.25% (2014: 7.5%) and 9.0% (2014: 9.0%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life assurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales. The returns assumed, after investment expenses, are 5.25%, 4.0% and 6.0% (2014: 5.25%, 4.0% and 6.0%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.0%, 5.0% and 7.0% (2014: 6.0%, 5.0% and 7.0%) for Malaysia's participating fund, non-participating fund and linked fund respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38. Segment Information

38.1 BUSINESS SEGMENTS

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	OCBC Wing Hang	Others	Group
Year ended 31 December 2015							
Total income	2,658	3,132	882	1,146	866	38	8,722
Operating profit before allowances and amortisation	1,097	2,137	619	928	427	(150)	5,058
Amortisation of intangible assets	(9)	–	–	(47)	(42)	–	(98)
Allowances and impairment for loans and other assets	(108)	(235)	(1)	(28)	(25)	(91)	(488)
Operating profit after allowances and amortisation	980	1,902	618	853	360	(241)	4,472
Other information:							
Capital expenditure	45	6	#	48	22	220	341
Depreciation	38	10	2	3	58	182	293
At 31 December 2015							
Segment assets	83,185	115,267	81,450	66,652	42,663	15,645	404,862
Unallocated assets							775
Elimination							(15,447)
Total assets							390,190
Segment liabilities	95,474	107,547	43,569	57,992	35,047	26,569	366,198
Unallocated liabilities							2,328
Elimination							(15,447)
Total liabilities							353,079
Other information:							
Gross non-bank loans	71,846	107,868	2,146	53	28,145	607	210,665
NPAs (include debt securities)	366	1,504	–	6	157	6	2,039

(1) # represents amounts less than $0.5 million.

38. Segment Information (continued)

38.1 BUSINESS SEGMENTS (continued)

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	OCBC Wing Hang	Others	Group
Year ended 31 December 2014							
Total income	2,302	3,064	1,039	1,203	344	388	8,340
Operating profit before allowances and amortisation	843	2,122	785	993	152	187	5,082
Amortisation of intangible assets	(10)	–	–	(46)	(18)	–	(74)
Allowances and impairment for loans and other assets	(83)	(176)	(11)	(1)	(40)	(46)	(357)
Operating profit after allowances and amortisation	750	1,946	774	946	94	141	4,651
Other information:							
Capital expenditure	46	5	2	61	4	214	332
Depreciation	36	12	2	3	22	173	248
At 31 December 2014							
Segment assets	78,411	121,429	84,886	66,658	41,731	17,117	410,232
Unallocated assets							423
Elimination							(9,429)
Total assets							401,226
Segment liabilities	85,364	114,650	47,883	58,134	35,973	32,191	374,195
Unallocated liabilities							2,275
Elimination							(9,429)
Total liabilities							367,041
Other information:							
Gross non-bank loans	70,225	110,398	1,600	34	26,826	739	209,822
NPAs (include debt securities)	342	867	–	5	94	9	1,317

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Corporate/Investment Banking, Global Treasury and Markets, Insurance and OCBC Wing Hang.

Global Consumer/Private Banking

Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

Global Corporate/Investment Banking

Global Corporate/Investment Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management and custodian services. Investment Banking comprises a comprehensive range of financing solutions, syndicated loans and advisory services, corporate finance services for initial public offerings, secondary fund-raising, takeovers and mergers, as well as customised and structured equity-linked financing.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38. Segment Information (continued)

38.1 BUSINESS SEGMENTS (continued)

Global Treasury and Markets

Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers of other business segments, such as Global Consumer/Private Banking and Global Corporate/Investment Banking, is reflected in the respective business segments.

Insurance

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

OCBC Wing Hang

OCBC Wing Hang offers a comprehensive range of commercial banking and related financial services such as consumer financing, share brokerage and insurance.

Others

Others comprise property holding, investment holding and items not attributable to the business segments described above.

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:

(a) income and expenses are attributable to each segment based on the internal management reporting policies;
(b) in determining the segment results, balance sheet items are internally transfer priced; and
(c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability. There are no material items of income or expense between the business segments.

38.2 GEOGRAPHICAL SEGMENTS

$ million	Total income	Profit before income tax	Capital expenditure	Total assets	Total liabilities
2015					
Singapore	**5,106**	**2,665**	**218**	**214,358**	**207,597**
Malaysia	**1,395**	**807**	**60**	**59,952**	**50,061**
Indonesia	**564**	**200**	**27**	**12,604**	**10,382**
Greater China	**1,362**	**968**	**31**	**71,512**	**54,853**
Other Asia Pacific	**148**	**84**	**4**	**10,665**	**6,960**
Rest of the World	**147**	**101**	**1**	**21,099**	**23,226**
	8,722	**4,825**	**341**	**390,190**	**353,079**
2014					
Singapore	5,159	2,970	233	221,378	212,009
Malaysia	1,421	833	42	65,456	54,466
Indonesia	499	185	36	11,146	8,950
Greater China	954	524	20	74,696	57,911
Other Asia Pacific	152	106	1	9,668	7,142
Rest of the World	155	145	#	18,882	26,563
	8,340	4,763	332	401,226	367,041

(1) # represents amounts less than $0.5 million.

The Group's operations are in six main geographical areas. The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located. The geographical information is stated after elimination of intra-group transactions and balances.

39. Financial Risk Management

39.1 OVERVIEW

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

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

39.2 CREDIT RISK

Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Gross		Average	
$ million	**2015**	**2014**	**2015**	**2014**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**208,218**	207,535	**207,975**	187,216
Placements with and loans to banks	**35,791**	41,220	**43,708**	40,144
Government treasury bills and securities	**21,001**	22,249	**21,442**	22,167
Debt securities	**20,040**	20,450	**21,171**	18,481
Amount due from associates	**25**	169	**131**	50
Assets pledged	**1,452**	1,536	**1,611**	1,608
Derivative receivables	**6,248**	5,919	**6,410**	4,682
Other assets, comprise interest receivables and sundry debtors	**2,823**	3,249	**3,370**	2,993
	295,598	302,327	**305,818**	277,341
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**9,610**	12,072	**10,516**	12,049
Credit commitments [1]	**113,114**	102,166	**107,553**	87,607
	122,724	114,238	**118,069**	99,656
Total maximum credit risk exposure	**418,322**	416,565	**423,887**	376,997

(1) Comparatives have been restated to conform to current year's presentation.

Collateral

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

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

75% of the loans and bills receivables as at 31 December 2015 (2014: 76%) are backed by collateral and credit enhancements. The financial effect of collateral and credit enhancements held for the remaining on-balance sheet financial assets is expected to be not significant.

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For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.2 CREDIT RISK (continued)

Total loans and advances – Credit quality

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

$ million	Bank loans 2015	Bank loans 2014	Non-bank loans 2015	Non-bank loans 2014
Neither past due nor impaired	**35,299**	40,717	**208,324**	208,220
Not impaired	**–**	–	**1,212**	710
Impaired	**–**	–	**887**	586
Past due loans	**–**	–	**2,099**	1,296
Impaired but not past due	**–**	–	**242**	306
Gross loans	**35,299**	40,717	**210,665**	209,822
Specific allowances	**–**	–	**(360)**	(332)
Portfolio allowances	**–**	–	**(2,060)**	(1,897)
Net loans	**35,299**	40,717	**208,245**	207,593

Loans neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

$ million	Bank loans 2015	Bank loans 2014	Non-bank loans 2015	Non-bank loans 2014
Grades				
Satisfactory and special mention	**35,299**	40,717	**207,995**	207,973
Substandard but not impaired	**–**	–	**329**	247
Neither past due nor impaired	**35,299**	40,717	**208,324**	208,220

Past due loans

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

$ million	Bank loans 2015	Bank loans 2014	Non-bank loans 2015	Non-bank loans 2014
By industry				
Agriculture, mining and quarrying	**–**	–	**64**	20
Manufacturing	**–**	–	**410**	253
Building and construction	**–**	–	**119**	78
General commerce	**–**	–	**254**	119
Transport, storage and communication	**–**	–	**287**	88
Financial institutions, investment and holding companies	**–**	–	**202**	30
Professionals and individuals (include housing)	**–**	–	**687**	661
Others	**–**	–	**76**	47
	–	–	**2,099**	1,296
By geography				
Singapore	**–**	–	**481**	199
Malaysia	**–**	–	**629**	630
Indonesia	**–**	–	**534**	119
Greater China	**–**	–	**380**	287
Rest of the World	**–**	–	**75**	61
	–	–	**2,099**	1,296

39. Financial Risk Management (continued)

39.2 CREDIT RISK (continued)

Loans past due but not impaired

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

$ million	2015	2014
Past due		
Less than 30 days	**378**	242
30 to 90 days	**432**	332
Over 90 days	**402**	136
Past due but not impaired	**1,212**	710

Impaired loans and allowances

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

$ million	2015	2014
Business segment		
Global Consumer Financial Services	**212**	195
Global Corporate Banking	**737**	576
OCBC Wing Hang	**157**	94
Others	**8**	11
Individually impaired loans	**1,114**	876

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

Collateral and other credit enhancements obtained

Assets amounting to $20 million (2014: Nil) were obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.2 CREDIT RISK (continued)

Country risk

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

$ million	Banks	Government and official institutions	Loans to financial institutions and customers	Total exposure	As % of assets
Exposure [1]					
31 December 2015					
Hong Kong SAR	**15,037**	**139**	**13,710**	**28,886**	**8.7**
People's Republic of China	**10,005**	**142**	**8,262**	**18,409**	**5.5**
Malaysia	**4,040**	**186**	**8,220**	**12,446**	**3.7**
Indonesia	**2,971**	**366**	**8,915**	**12,252**	**3.7**
British Virgin Islands	**–**	**–**	**6,116**	**6,116**	**1.8**
United Kingdom	**3,169**	**21**	**2,243**	**5,433**	**1.6**
United States	**2,146**	**1,254**	**1,634**	**5,034**	**1.5**
Australia	**2,731**	**22**	**1,498**	**4,251**	**1.3**
Japan	**1,739**	**1,373**	**868**	**3,980**	**1.2**
31 December 2014					
People's Republic of China	22,499	134	7,064	29,697	8.6
Hong Kong SAR	9,219	64	13,611	22,894	6.7
Malaysia	5,410	74	6,730	12,214	3.6
Indonesia	2,410	304	8,386	11,100	3.2
British Virgin Islands	–	–	6,187	6,187	1.8
United Kingdom	3,268	21	2,204	5,493	1.6
United States	1,711	746	1,740	4,197	1.2
Australia	2,827	#	1,334	4,161	1.2

(1) Assets (excluding life assurance fund investment assets) of $333,207 million (2014: $343,940 million).
(2) # represents amounts less than $0.5 million.

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT

Disclosures on the Group's market risk management, and the Value-at-Risk ("VaR") summary of its trading portfolio, are in the Risk Management Section.

The Group's Asset Liability Management framework consists of three components:

- Interest rate risk management;
- Structural foreign exchange risk management; and
- Liquidity management.

The objectives, policies and processes of asset liability management are in the Risk Management Section.

39. Financial Risk Management (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Interest rate risk

The table below summarises the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest sensitive	Total
2015								
Cash and placements with central banks	12,694	460	568	679	1,096	804	4,879	21,180
Placements with and loans to banks	5,078	7,412	10,596	10,866	6	277	1,064	35,299
Loans and bills receivable (1)	43,139	47,102	82,656	26,565	7,275	2,182	(674)	208,245
Securities (2)	748	2,476	9,316	6,122	12,747	9,803	3,764	44,976
Derivative receivables	–	–	–	–	–	–	6,248	6,248
Other assets	458	3	#	123	100	11	3,646	4,341
Amount due from associates	2	–	–	22	–	–	1	25
Financial assets	62,119	57,453	103,136	44,377	21,224	13,077	18,928	320,314
Deposits of non-bank customers	41,248	51,195	79,587	31,735	3,818	1,008	37,686	246,277
Deposits and balances of banks	3,076	2,732	2,734	1,134	–	–	2,371	12,047
Trading portfolio liabilities	–	–	–	71	318	225	31	645
Derivative payables	–	–	–	–	–	–	6,069	6,069
Other liabilities (3)	49	27	140	98	–	–	4,927	5,241
Debt issued	565	916	6,177	6,411	5,088	4,314	8	23,479
Financial liabilities	44,938	54,870	88,638	39,449	9,224	5,547	51,092	293,758
On-balance sheet sensitivity gap	17,181	2,583	14,498	4,928	12,000	7,530		
Off-balance sheet sensitivity gap	(286)	2,228	4,229	(4,274)	(1,073)	(824)		
Net interest sensitivity gap	16,895	4,811	18,727	654	10,927	6,706		
2014								
Cash and placements with central banks	13,534	2,373	1,090	2,151	–	723	5,443	25,314
Placements with and loans to banks	4,842	6,921	14,304	12,905	22	–	1,723	40,717
Loans and bills receivable (1)	46,731	49,908	83,654	21,381	4,522	2,315	(918)	207,593
Securities (2)	965	3,454	10,636	8,601	8,444	11,952	3,016	47,068
Derivative receivables	–	–	–	–	–	–	5,919	5,919
Other assets	570	130	#	2	4	57	4,008	4,771
Amount due from associates	10	–	76	83	–	–	#	169
Financial assets	66,652	62,786	109,760	45,123	12,992	15,047	19,191	331,551
Deposits of non-bank customers	41,862	47,320	81,617	36,877	4,764	1,355	31,724	245,519
Deposits and balances of banks	4,684	6,498	5,509	656	–	–	3,156	20,503
Trading portfolio liabilities	–	–	12	25	178	432	60	707
Derivative payables	–	–	–	–	–	–	6,632	6,632
Other liabilities (3)	60	78	41	104	–	–	5,039	5,322
Debt issued	–	1,233	9,351	8,950	4,049	5,255	21	28,859
Financial liabilities	46,606	55,129	96,530	46,612	8,991	7,042	46,632	307,542
On-balance sheet sensitivity gap	20,046	7,657	13,230	(1,489)	4,001	8,005		
Off-balance sheet sensitivity gap	245	548	3,666	(2,598)	(790)	(1,071)		
Net interest sensitivity gap	20,291	8,205	16,896	(4,087)	3,211	6,934		

(1) Net of portfolio allowances for loans.
(2) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(3) Other liabilities include amount due to associates.
(4) # represents amounts less than $0.5 million.

Comparatives have been restated to conform to current year's presentation.

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For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Interest rate risk (continued)

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

The Bank's interest rate risk is monitored using a variety of risk metrics at a frequency that is commensurate with the changes in structural risk profile. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $561 million (2014: $542 million), or approximately +10.8% (2014: +11.4%) of reported net interest income. The corresponding impact from a 100 bp decrease is an estimated reduction of $463 million (2014: $281 million) in net interest income, or approximately -8.9% (2014: -5.9%) of reported net interest income.

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

39. Financial Risk Management (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Currency risk

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

$ million	SGD	USD	MYR	HKD	Others	Total
2015						
Cash and placements with central banks	4,673	7,106	2,328	178	6,895	21,180
Placements with and loans to banks	1,162	22,616	605	2,366	8,550	35,299
Loans and bills receivable	79,355	49,229	20,848	29,224	29,589	208,245
Securities [(1)]	13,688	11,508	4,065	1,867	13,848	44,976
Derivative receivables	1,630	3,131	123	522	842	6,248
Other assets	1,845	1,047	621	256	572	4,341
Amount due from associates	–	–	–	2	23	25
Financial assets	102,353	94,637	28,590	34,415	60,319	320,314
Deposits of non-bank customers	88,905	72,583	22,616	23,692	38,481	246,277
Deposits and balances of banks	552	5,951	484	1,469	3,591	12,047
Trading portfolio liabilities	614	7	–	24	–	645
Derivative payables	1,989	2,698	171	476	735	6,069
Other liabilities [(2)]	2,012	1,126	651	504	948	5,241
Debt issued	473	15,501	494	500	6,511	23,479
Financial liabilities	94,545	97,866	24,416	26,665	50,266	293,758
Net financial assets/(liabilities) exposure [(3)]	7,808	(3,229)	4,174	7,750	10,053	
2014						
Cash and placements with central banks	7,278	7,468	3,083	331	7,154	25,314
Placements with and loans to banks	672	23,648	392	2,099	13,906	40,717
Loans and bills receivable	75,583	55,582	22,609	25,492	28,327	207,593
Securities [(1)]	15,035	9,902	4,562	2,454	15,115	47,068
Derivative receivables	2,355	2,385	214	276	689	5,919
Other assets	2,092	1,054	673	243	709	4,771
Amount due from associates	–	46	–	10	113	169
Financial assets	103,015	100,085	31,533	30,905	66,013	331,551
Deposits of non-bank customers	91,520	62,333	25,583	22,120	43,963	245,519
Deposits and balances of banks	927	11,111	211	1,748	6,506	20,503
Trading portfolio liabilities	647	41	–	15	4	707
Derivative payables	3,393	2,071	364	251	553	6,632
Other liabilities [(2)]	2,042	1,257	644	540	839	5,322
Debt issued	479	18,677	770	749	8,184	28,859
Financial liabilities	99,008	95,490	27,572	25,423	60,049	307,542
Net financial assets exposure [(3)]	4,007	4,595	3,961	5,482	5,964	

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other liabilities include amount due to associates.
(3) Net exposure without taking into account effect of offsetting derivative exposure.

Comparatives have been restated to conform to current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Structural foreign exchange risk

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

$ million	2015 Structural currency exposure	2015 Hedging financial instruments	2015 Net structural currency exposure	2014 Structural currency exposure	2014 Hedging financial instruments	2014 Net structural currency exposure
Hong Kong Dollar	6,196	3,942	2,254	7,193	3,682	3,511
US Dollar	3,035	2,113	922	2,440	1,876	564
Malaysian Ringgit	2,103	941	1,162	2,232	1,051	1,181
Others	5,928	613	5,315	4,858	112	4,746
Total	17,262	7,609	9,653	16,723	6,721	10,002

Liquidity risk

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

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2015								
Cash and placements with central banks	13,097	463	566	679	1,096	–	5,279	21,180
Placements with and loans to banks	6,623	6,657	10,407	11,154	355	103	–	35,299
Loans and bills receivable	13,645	22,044	16,961	25,157	36,345	94,093	–	208,245
Securities [1]	581	1,391	6,302	6,190	14,917	12,849	2,746	44,976
Derivative receivables	6,129	10	3	–	16	90	–	6,248
Other assets [2]	1,123	726	261	1,107	591	51	618	4,477
Associates and joint ventures	–	#	–	22	2	–	2,224	2,248
Property, plant and equipment and investment property [3]	–	#	5	1	–	–	4,007	4,013
Goodwill and intangible assets	–	–	–	–	–	–	5,195	5,195
Total	41,198	31,291	34,505	44,310	53,322	107,186	20,069	331,881
Total life assurance fund assets								58,309
Total assets								390,190
Deposits of non-bank customers	135,137	38,909	35,310	31,935	2,530	2,456	–	246,277
Deposits and balances of banks	7,103	2,084	2,672	188	–	–	–	12,047
Trading portfolio liabilities	–	–	–	71	318	225	31	645
Derivative payables	5,922	18	7	1	81	40	–	6,069
Other liabilities [4]	1,782	840	876	1,666	185	115	789	6,253
Debt issued	572	936	4,422	6,825	6,100	4,624	–	23,479
Total	150,516	42,787	43,287	40,686	9,214	7,460	820	294,770
Total life assurance fund liabilities								58,309
Total liabilities								353,079
Net liquidity gap	(109,318)	(11,496)	(8,782)	3,624	44,108	99,726		

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amount due to associates, current tax and deferred tax liabilities.
(5) # represents amounts less than $0.5 million.

39. Financial Risk Management (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Liquidity risk (continued)

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2014								
Cash and placements with central banks	13,710	2,373	1,090	2,151	–	–	5,990	25,314
Placements with and loans to banks	6,638	6,228	12,572	14,680	549	50	–	40,717
Loans and bills receivable	13,631	18,886	21,842	25,574	32,387	95,273	–	207,593
Securities [(1)]	710	2,726	7,053	9,126	9,758	14,679	3,016	47,068
Derivative receivables	5,830	3	1	#	17	68	–	5,919
Other assets [(2)]	1,386	705	356	1,302	537	53	550	4,889
Associates and joint ventures	–	–	76	82	10	–	1,928	2,096
Property, plant and equipment and investment property [(3)]	–	–	2	–	–	–	3,933	3,935
Goodwill and intangible assets	–	–	–	–	–	–	5,157	5,157
Total	41,905	30,921	42,992	52,915	43,258	110,123	20,574	342,688
Total life assurance fund assets								58,538
Total assets								401,226
Deposits of non-bank customers	121,806	37,630	43,344	37,717	2,691	2,331	–	245,519
Deposits and balances of banks	7,818	6,476	5,527	682	–	–	–	20,503
Trading portfolio liabilities	–	–	12	25	178	432	60	707
Derivative payables	6,312	6	163	51	54	46	–	6,632
Other liabilities [(4)]	2,023	1,129	609	1,627	70	71	754	6,283
Debt issued	4	1,250	8,376	8,950	5,024	5,255	–	28,859
Total	137,963	46,491	58,031	49,052	8,017	8,135	814	308,503
Total life assurance fund liabilities								58,538
Total liabilities								367,041
Net liquidity gap	(96,058)	(15,570)	(15,039)	3,863	35,241	101,988		

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amount due to associates, current tax and deferred tax liabilities.
(5) # represents amounts less than $0.5 million.

Comparatives have been restated to conform to current year's presentation.

As contractual maturities may not necessarily reflect the timing of actual cash flows of assets and liabilities, cash flows for liquidity risk analysis are based on a contractual and behavioural basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Contractual maturity for financial liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities. Information on cash outflow of gross loan commitments is set out in Note 44. The expected cash flows of these liabilities could vary significantly from what is shown in the table. For example, deposits of non-bank customers included demand deposits, such as current and savings (Note 17) which are expected to remain stable, and unrecognised loan commitments are not all expected to be drawn down immediately.

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2015							
Deposits of non-bank customers [1]	135,167	39,123	35,405	32,531	2,692	2,543	247,461
Deposits and balances of banks [1]	7,105	2,087	2,679	188	–	–	12,059
Trading portfolio liabilities	–	–	31	71	318	225	645
Other liabilities [2]	1,680	573	647	714	141	124	3,879
Debt issued	572	949	4,468	7,129	6,574	5,278	24,970
Net settled derivatives							
Trading	695	74	214	532	712	1,016	3,243
Hedging	(#)	8	6	19	24	6	63
Gross settled derivatives							
Trading – Outflow	27,028	40,392	46,126	46,472	11,767	10,510	182,295
Trading – Inflow	(27,041)	(40,334)	(46,012)	(46,473)	(11,924)	(10,594)	(182,378)
Hedging – Outflow	66	1,442	566	8	787	–	2,869
Hedging – Inflow	(66)	(1,440)	(563)	(7)	(711)	–	(2,787)
	145,206	42,874	43,567	41,184	10,380	9,108	292,319
2014							
Deposits of non-bank customers [1]	121,840	37,782	43,594	38,241	2,855	2,408	246,720
Deposits and balances of banks [1]	7,820	6,488	5,541	685	–	–	20,534
Trading portfolio liabilities	–	–	72	25	178	432	707
Other liabilities [2]	1,929	634	490	905	135	125	4,218
Debt issued	5	1,263	8,501	9,196	5,607	6,051	30,623
Net settled derivatives							
Trading	761	105	237	662	791	687	3,243
Hedging	(#)	4	5	24	31	2	66
Gross settled derivatives							
Trading – Outflow	14,794	35,692	54,484	53,029	9,448	6,336	173,783
Trading – Inflow	(14,784)	(35,529)	(54,046)	(52,902)	(9,528)	(6,425)	(173,214)
Hedging – Outflow	–	1,277	708	539	750	–	3,274
Hedging – Inflow	–	(1,274)	(549)	(491)	(701)	–	(3,015)
	132,365	46,442	59,037	49,913	9,566	9,616	306,939

(1) Interest cash flows of bank and non-bank deposits are included in the respective deposit lines based on interest payment dates.
(2) Other liabilities include amount due to associates and joint ventures.
(3) # represents amounts less than $0.5 million.

39.4 OTHER RISK AREAS

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

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT

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

Governance framework

Managing risk is an integral part of GEH Group's core business, and it shall always operate within the risk appetite set by the GEH Board, and ensure reward commensurate for any risk taken.

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

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

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

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

Regulatory framework

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

Capital management

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

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

Regulatory capital

The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed by the insurance regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore ("MAS") and Bank Negara, Malaysia ("BNM") respectively.

GEH Group's approach to capital management requires sufficient capital to be held to cover statutory requirements, including any additional amounts required by the respective regulators. This involves managing assets, liabilities and risks in a coordinated way by assessing and monitoring available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking suitable actions to influence the capital position of GEH Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by GEH Group is share capital and issued debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2015 amounted to $9.9 billion (2014: $9.6 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2015 amounted to $7.5 billion (2014: $8.5 billion).

Dividend

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

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39. Financial Risk Management (continued)
39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Financial risk management

The following sections provide details regarding GEH Group's exposure to insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to GEH Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance risk

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

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

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

Insurance risk of life insurance contracts

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

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group's reinsurance management strategy and policy are reviewed annually by RMC and Group ALC. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant, thus there is no material concentrations in insurance risk.

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

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

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

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

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

39. Financial Risk Management (continued)
39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Insurance risk (continued)

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

Insurance liabilities ($ million)	Life Assurance 2015	Life Assurance 2014
(a) By class of business		
Whole life	**27,631**	27,633
Endowment	**16,466**	15,860
Term	**408**	424
Accident and health	**1,392**	1,332
Annuity	**543**	571
Others	**1,074**	1,154
Total	**47,514**	46,974
(b) By country		
Singapore	**30,682**	28,814
Malaysia	**16,385**	17,733
Others	**447**	427
Total	**47,514**	46,974

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the income statements and shareholders' equity.

Sensitivity analysis produced below are based on parameters set out as follows:

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

Table 39.5(B1): Profit/(loss) after tax and shareholders' equity sensitivity for the Singapore segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2015							
Gross impact	**(49.8)**	**(24.9)**	**68.5**	**(122.3)**	**51.0**	**(63.7)**	**(28.1)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(49.8)**	**(24.9)**	**68.5**	**(122.3)**	**51.0**	**(63.7)**	**(28.1)**
2014							
Gross impact	(55.4)	(8.5)	72.2	(117.9)	47.4	(61.1)	(27.2)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(55.4)	(8.5)	72.2	(117.9)	47.4	(61.1)	(27.2)

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For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

Table 39.5(B2): Profit/(loss) after tax and shareholders' equity sensitivity for the Malaysia segment

Impact on 1-year's profit/(loss) after tax and shareholders' equity

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2015							
Gross impact	**(58.6)**	**50.9**	**(13.7)**	**10.4**	**(5.4)**	**6.5**	**(11.1)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(58.6)**	**50.9**	**(13.7)**	**10.4**	**(5.4)**	**6.5**	**(11.1)**
2014							
Gross impact	(57.1)	53.2	(14.5)	11.2	(4.2)	5.9	(9.4)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(57.1)	53.2	(14.5)	11.2	(4.2)	5.9	(9.4)

The above tables demonstrate the sensitivity of GEH Group's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

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

Insurance risk of non-life insurance contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

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

Non-life insurance contracts $ million	2015 Gross premium liabilities	2015 Reinsured premium liabilities	2015 Net premium liabilities	2014 Gross premium liabilities	2014 Reinsured premium liabilities	2014 Net premium liabilities
(a) By class of business						
Fire	**26**	**(16)**	**10**	22	(14)	8
Motor	**30**	**(2)**	**28**	35	(1)	34
Marine and aviation	**9**	**(7)**	**2**	2	(2)	#
Workmen's compensation	**12**	**(4)**	**8**	11	(3)	8
Personal accident and health	**19**	**(2)**	**17**	19	(2)	17
Miscellaneous	**30**	**(19)**	**11**	34	(23)	11
Total	**126**	**(50)**	**76**	123	(45)	78
(b) By country						
Singapore	**60**	**(26)**	**34**	60	(25)	35
Malaysia	**66**	**(24)**	**42**	63	(20)	43
Total	**126**	**(50)**	**76**	123	(45)	78

(1) # represents amounts less than $0.5 million.

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

Non-life insurance contracts $ million	2015 Gross claims liabilities	2015 Reinsured claims liabilities	2015 Net claims liabilities	2014 Gross claims liabilities	2014 Reinsured claims liabilities	2014 Net claims liabilities
(a) By class of business						
Fire	**37**	**(30)**	**7**	34	(25)	9
Motor	**72**	**(5)**	**67**	76	(6)	70
Marine and aviation	**7**	**(5)**	**2**	12	(9)	3
Workmen's compensation	**25**	**(9)**	**16**	22	(8)	14
Personal accident and health	**16**	**(2)**	**14**	13	(2)	11
Miscellaneous	**70**	**(55)**	**15**	63	(46)	17
Total	**227**	**(106)**	**121**	220	(96)	124
(b) By country						
Singapore	**94**	**(45)**	**49**	83	(39)	44
Malaysia	**133**	**(61)**	**72**	137	(57)	80
Total	**227**	**(106)**	**121**	220	(96)	124

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

The tables below show the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

(i) Gross non-life insurance contract liabilities for 2015

$ million	2008	2009	2010	2011	2012	2013	2014	2015	Total
(a) Estimate of cumulative claims									
Accident Year	51	66	69	112	93	138	127	166	
One year later	52	71	85	113	100	131	118	–	
Two years later	52	92	84	96	97	117	–	–	
Three years later	73	91	79	92	95	–	–	–	
Four years later	72	87	76	86	–	–	–	–	
Five years later	69	84	74	–	–	–	–	–	
Six years later	68	83	–	–	–	–	–	–	
Seven years later	67	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**67**	**83**	**74**	**86**	**95**	**117**	**118**	**166**	
(b) Cumulative payments									
Accident Year	21	28	27	35	37	38	39	51	
One year later	40	51	58	64	64	79	87	–	
Two years later	45	74	67	75	75	91	–	–	
Three years later	64	78	69	78	81	–	–	–	
Four years later	65	80	71	80	–	–	–	–	
Five years later	66	81	71	–	–	–	–	–	
Six years later	66	81	–	–	–	–	–	–	
Seven years later	66	–	–	–	–	–	–	–	
Cumulative payments	**66**	**81**	**71**	**80**	**81**	**91**	**87**	**51**	
(c) Non-life gross claim liabilities	**1**	**2**	**3**	**6**	**14**	**26**	**31**	**115**	**198**
Reserve for prior years									**29**
Unallocated surplus									**(#)**
General Insurance Fund Contract Liabilities, gross									**227**

(1) # represents amounts less than $0.5 million.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities for 2015

$ million	2008	2009	2010	2011	2012	2013	2014	2015	Total
(a) Estimate of cumulative claims									
Accident Year	32	38	46	72	64	93	81	83	
One year later	33	41	60	78	70	74	77	–	
Two years later	33	59	59	61	66	72	–	–	
Three years later	49	58	56	59	65	–	–	–	
Four years later	48	55	54	55	–	–	–	–	
Five years later	45	52	53	–	–	–	–	–	
Six years later	44	52	–	–	–	–	–	–	
Seven years later	43	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**43**	**52**	**53**	**55**	**65**	**72**	**77**	**83**	
(b) Cumulative payments									
Accident Year	15	19	21	25	32	30	32	30	
One year later	26	32	44	44	49	55	59	–	
Two years later	28	47	48	49	56	61	–	–	
Three years later	42	49	50	51	58	–	–	–	
Four years later	42	50	51	52	–	–	–	–	
Five years later	43	51	51	–	–	–	–	–	
Six years later	43	51	–	–	–	–	–	–	
Seven years later	43	–	–	–	–	–	–	–	
Cumulative payments	**43**	**51**	**51**	**52**	**58**	**61**	**59**	**30**	
(c) Non-life net claim liabilities	**#**	**1**	**2**	**3**	**7**	**11**	**18**	**53**	**95**
Reserve for prior years									**27**
Unallocated surplus									**(1)**
General Insurance Fund Contract Liabilities, net									**121**

(1) # represents amounts less than $0.5 million.

Key assumptions

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

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

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

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

		Impact on			
$ million	**Change in assumptions**	**Gross liabilities**	**Net liabilities**	**Profit before tax**	**Equity**
2015					
Provision for adverse deviation margin	**+20%**	**3**	**2**	**(2)**	**(1)**
Loss ratio [1]	**+20%**	**45**	**32**	**(32)**	**(25)**
Claims handling expenses	**+20%**	**1**	**1**	**(1)**	**(1)**
2014					
Provision for adverse deviation margin	+20%	3	2	(2)	(2)
Loss ratio [1]	+20%	41	30	(30)	(24)
Claims handling expenses	+20%	1	1	(1)	(#)

(1) Best estimate reserves and current accident year payments.

(2) # represents amounts less than $0.5 million.

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

Market and credit risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

GEH Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. As for the funds managed by its asset management subsidiary, Lion Global Investors Limited, investment risks are borne by investors and GEH Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

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

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by GEH Group ALC and local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

Under Singapore regulations governed by the MAS, the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of SGS while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

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

Under Malaysia regulations governed by BNM, the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of MGS with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

(b) Foreign currency risk

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

GEH Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major exposure for GEH Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM.

The following table shows the foreign exchange position of GEH Group's financial and insurance-related assets and liabilities by major currencies.

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(b) Foreign currency risk (continued)

$ million	SGD	MYR	USD	Others	Not subject to foreign currency risk	Total
2015						
Available-for-sale securities						
Equity securities	2,933	3,642	891	3,594	–	11,060
Debt securities	12,127	11,804	8,205	212	–	32,348
Other investments	1,591	143	1,609	234	–	3,577
Securities at fair value through profit or loss						
Equity securities	111	1,183	228	550	–	2,072
Debt securities	18	324	199	292	–	833
Other investments	1,304	25	237	247	–	1,813
Financial instruments held-for-trading						
Equity securities	–	6	–	–	–	6
Debt securities	338	919	91	1	–	1,349
Derivative financial assets	30	–	7	1	–	38
Loans	662	1,130	17	–	–	1,809
Insurance receivables	991	1,560	3	22	–	2,576
Other debtors and interfund balances	506	297	240	21	1,287	2,351
Cash and cash equivalents	2,267	789	237	198	–	3,491
Financial and insurance-related assets	**22,878**	**21,822**	**11,964**	**5,372**	**1,287**	**63,323**
Other creditors and interfund balances	666	312	197	68	1,287	2,530
Insurance payables	863	2,512	4	13	–	3,392
Derivative financial payables	108	2	402	9	–	521
Provision for agents' retirement benefits	–	251	–	–	–	251
Debt issued	400	–	–	–	–	400
General insurance fund contract liabilities	94	133	–	–	–	227
Life assurance fund contract liabilities	29,686	16,385	1,036	407	–	47,514
Financial and insurance-related liabilities	**31,817**	**19,595**	**1,639**	**497**	**1,287**	**54,835**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(b) Foreign currency risk (continued)

$ million	SGD	MYR	USD	Others	Not subject to foreign currency risk	Total
2014						
Available-for-sale securities						
Equity securities	2,759	4,282	1,022	3,684	–	11,747
Debt securities	10,768	13,273	7,382	239	–	31,662
Other investments	729	160	1,931	553	–	3,373
Securities at fair value through profit or loss						
Equity securities	91	1,074	235	492	–	1,892
Debt securities	9	347	213	291	–	860
Other investments	1,392	24	223	239	–	1,878
Financial instruments held-for-trading						
Equity securities [(1)]	–	15	2	–	–	17
Debt securities [(1)]	543	1,011	95	–	–	1,649
Derivative financial assets [(1)]	108	–	5	#	–	113
Loans	592	1,243	16	#	–	1,851
Insurance receivables	961	1,688	4	23	–	2,676
Other debtors and interfund balances [(1)]	349	229	132	38	1,455	2,203
Cash and cash equivalents	1,797	1,066	255	136	–	3,254
Financial and insurance-related assets	20,098	24,412	11,515	5,695	1,455	63,175
Other creditors and interfund balances [(1)]	597	320	113	113	1,455	2,598
Insurance payables	806	2,617	2	15	–	3,440
Derivative financial payables	47	–	292	2	–	341
Provision for agents' retirement benefits	–	270	–	–	–	270
Loan payable to holding company	41	–	–	–	–	41
Debt issued	399	–	–	–	–	399
General insurance fund contract liabilities	83	137	–	–	–	220
Life assurance fund contract liabilities	27,997	17,733	856	388	–	46,974
Financial and insurance-related liabilities	29,970	21,077	1,263	518	1,455	54,283

(1) Comparatives have been restated to conform to current year's presentation.
(2) # represents amounts less than $0.5 million.

GEH Group has no significant concentration of foreign currency risk.

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where GEH Group, through investments in both Shareholders' Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk

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

(e) Alternative investment risk

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

(f) Commodity risk

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

(g) Cash flow and liquidity risk

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

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

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

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39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the expected recovery or settlement of financial and insurance-related assets and maturity profile of GEH Group's financial and insurance contract liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities.

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2015					
Available-for-sale securities					
Equity securities	–	–	–	11,060	11,060
Debt securities	1,951	11,747	33,180	–	46,878
Other investments	–	–	–	3,577	3,577
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,072	2,072
Debt securities	144	351	658	–	1,153
Other investments	–	–	–	1,813	1,813
Financial instruments held-for-trading					
Equity securities	–	5	1	–	6
Debt securities	156	1,179	330	–	1,665
Loans	292	1,512	231	–	2,035
Insurance receivables	343	(4)	1	2,236	2,576
Other debtors and interfund balances	2,287	7	24	33	2,351
Cash and cash equivalents	3,491	–	–	–	3,491
Financial and insurance-related assets	8,664	14,797	34,425	20,791	78,677
Other creditors and interfund balances	2,457	7	1	65	2,530
Insurance payables	2,934	443	5	10	3,392
Provision for agents' retirement benefits	70	54	127	–	251
Debt issued	18	74	409	–	501
General insurance fund contract liabilities	196	(3)	2	32	227
Life assurance fund contract liabilities	6,485	5,361	35,668	–	47,514
Financial and insurance-related liabilities	12,160	5,936	36,212	107	54,415

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2014					
Available-for-sale securities					
Equity securities	–	–	–	11,747	11,747
Debt securities [1]	2,109	9,796	31,910	–	43,815
Other investments	–	–	–	3,373	3,373
Securities at fair value through profit or loss					
Equity securities	–	–	–	1,892	1,892
Debt securities	113	380	600	–	1,093
Other investments	–	–	–	1,878	1,878
Financial instruments held-for-trading					
Equity securities [1]	–	15	–	–	15
Debt securities [1]	188	917	952	–	2,057
Loans	283	1,479	397	–	2,159
Insurance receivables [1]	322	2	1	2,351	2,676
Other debtors and interfund balances [1]	2,112	27	18	46	2,203
Cash and cash equivalents	3,254	–	–	–	3,254
Financial and insurance-related assets	8,381	12,616	33,878	21,287	76,162
Other creditors and interfund balances [1]	2,571	15	12	–	2,598
Insurance payables	3,008	417	3	12	3,440
Provision for agents' retirement benefits	73	55	142	–	270
Loan payable to holding company	42	–	–	–	42
Debt issued	18	74	428	–	520
General insurance fund contract liabilities	185	5	#	30	220
Life assurance fund contract liabilities	6,796	4,777	35,401	–	46,974
Financial and insurance-related liabilities	12,693	5,343	35,986	42	54,064

(1) Comparatives have been restated to conform to current year's presentation.
(2) # represents amounts less than $0.5 million.

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For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

The following tables show the current/non-current classification of assets and liabilities:

$ million	Current*	Non-current	Unit-linked	Total
2015				
Cash and cash equivalents	3,155	–	336	3,491
Other debtors and interfund balances	2,412	84	90	2,586
Insurance receivables	343	2,233	–	2,576
Loans	135	1,674	–	1,809
Investments, including derivative financial assets	6,524	41,999	4,573	53,096
Associates	–	53	–	53
Goodwill	–	32	–	32
Property, plant and equipment	–	610	–	610
Investment properties	–	1,568	–	1,568
Assets	12,569	48,253	4,999	65,821
Insurance payables	2,937	448	7	3,392
Other creditors and interfund balances	2,380	75	107	2,562
Unexpired risk reserve	127	–	–	127
Derivative financial payables	126	390	5	521
Income tax	491	–	6	497
Provision for agents' retirement benefits	70	181	–	251
Deferred tax	–	1,061	7	1,068
Debt issued	–	400	–	400
General insurance fund	196	32	–	228
Life assurance fund	1,518	43,971	4,989	50,478
Liabilities	7,845	46,558	5,121	59,524
2014				
Cash and cash equivalents	2,797	–	457	3,254
Other debtors and interfund balances [(1)]	2,159	66	89	2,314
Insurance receivables [(1)]	386	2,290	–	2,676
Loans	215	1,636	–	1,851
Investments, including derivative financial assets	6,783	41,760	4,648	53,191
Associates and joint ventures	–	89	–	89
Goodwill	–	33	–	33
Property, plant and equipment	–	637	–	637
Investment properties	–	1,632	–	1,632
Assets	12,340	48,143	5,194	65,677
Insurance payables	3,012	420	8	3,440
Other creditors and interfund balances [(1)]	2,455	29	149	2,633
Unexpired risk reserve	123	–	–	123
Derivative financial payables	102	231	8	341
Income tax	444	–	18	462
Provision for agents' retirement benefits	73	197	–	270
Deferred tax	–	1,131	5	1,136
Loan payable to holding company	41	–	–	41
Debt issued	–	399	–	399
General insurance fund	185	36	–	221
Life assurance fund	1,709	43,864	5,105	50,678
Liabilities	8,144	46,307	5,293	59,744

(1) Comparatives have been restated to conform to current year's presentation.

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

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(h) Credit risk

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

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

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. GEH Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, GEH Group has no material credit risk on unit-linked financial assets.

The loans in GEH Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. GEH management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

		2015		2014	
$ million	**Type of collateral**	**Carrying amount**	**Fair value of collateral**	**Carrying amount**	**Fair value of collateral**
Policy loans	Cash value of policies	**2,162**	**4,456**	2,289	4,595
Secured loans	Properties	**1,172**	**2,674**	1,227	2,690
Secured loans	Others	**547**	**26**	624	31
Derivatives	Cash	**1**	**1**	9	11
		3,882	**7,157**	4,149	7,327

To manage counterparty credit risk from derivative contracts, financial collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. The fair value of financial assets accepted as collateral, which GEH Group is permitted to sell or re-pledge in the absence of default is $0.8 million (2014: $11.0 million), of which none (2014: nil) have been sold or re-pledged. The type of collateral obtained for derivatives contracts is cash. GEH Group is obliged to return equivalent assets.

There were no investments lent and collateral received under securities lending arrangements as at 31 December 2015 (2014: nil).

As at the balance sheet date, no investments (2014: nil) were placed as collateral for currency hedging purposes.

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

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For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

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

	Neither past due nor impaired					
$ million	Investment grade @	Non-investment grade @	Non-rated	Unit-linked/not subject to credit risk	Past due *	Total
2015	(AAA–BBB)	(BB–C)				
Available-for-sale securities						
Equity securities	–	–	–	11,060	–	11,060
Debt securities	27,855	200	4,293	–	–	32,348
Other investments	–	–	–	3,577	–	3,577
Securities at fair value through profit or loss						
Equity securities	61	10	64	1,937	–	2,072
Debt securities	2	13	7	811	–	833
Other investments	8	–	–	1,805	–	1,813
Financial instruments held-for-trading						
Equity securities	–	–	–	6	–	6
Debt securities	907	–	428	14	–	1,349
Derivative financial assets	34	–	1	3	–	38
Loans	528	–	1,264	–	17	1,809
Insurance receivables	95	–	2,453	–	28	2,576
Other debtors and interfund balances	–	–	2,262	89	#	2,351
Cash and cash equivalents	3,030	20	104	337	–	3,491
	32,520	243	10,876	19,639	45	63,323
2014						
Available-for-sale securities						
Equity securities	–	–	–	11,747	–	11,747
Debt securities	27,589	203	3,870	–	–	31,662
Other investments	–	–	–	3,373	–	3,373
Securities at fair value through profit or loss						
Equity securities	–	–	–	1,892	–	1,892
Debt securities	–	–	3	857	–	860
Other investments	–	–	–	1,878	–	1,878
Financial instruments held-for-trading						
Equity securities (1)	–	–	–	17	–	17
Debt securities (1)	1,001	–	634	14	–	1,649
Derivative financial assets	107	–	1	5	–	113
Loans	606	–	1,245	–	–	1,851
Insurance receivables	146	–	2,497	–	33	2,676
Other debtors and interfund balances	–	–	2,113	89	1	2,203
Cash and cash equivalents	2,656	21	120	457	–	3,254
	32,105	224	10,483	20,329	34	63,175

(1) Comparatives have been restated to conform to current year's presentation.
(2) @ based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.
(3) * An ageing analysis for financial assets past due is provided below.
(4) # represents amounts less than $0.5 million.

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

Ageing analysis of financial assets past due:

$ million	Past due but not impaired: Less than 6 months	6 to 12 months	Over 12 months	Sub-total	Past due and impaired @	Total
2015						
Loans	**17**	**–**	**–**	**17**	**–**	**17**
Insurance receivables	**21**	**5**	**2**	**28**	**7**	**35**
Other debtors and interfund balances	**#**	**–**	**–**	**#**	**–**	**#**
Total	**38**	**5**	**2**	**45**	**7**	**52**
2014						
Insurance receivables	25	5	3	33	13	46
Other debtors and interfund balances	1	–	#	1	–	1
Total	26	5	3	34	13	47

(1) @ for assets to be classified as "past due and impaired", contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.

(2) # represents amounts less than $0.5 million.

(i) Concentration risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. GEH Group's exposures are within the concentration limits set by the respective local regulators.

GEH Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

(j) Technology risk

Technology risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed technology controls, processes or human behaviour.

GEH Group adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit for its adequacy and effectiveness.

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For the financial year ended 31 December 2015

39. Financial Risk Management (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(k) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. The movements in these variables are non-linear.

The impact on profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Funds.

Market risk sensitivity analysis

	Impact on profit after tax		Impact on equity	
$ million	**2015**	**2014**	**2015**	**2014**
Change in variables:				
(a) Interest rate				
+100 basis points	**(34.4)**	(70.8)	**(134.9)**	(166.1)
–100 basis points	**(9.1)**	7.9	**98.9**	110.1
(b) LTRFDR				
+10 basis points	**15.2**	14.3	**15.2**	14.3
–10 basis points	**(16.1)**	(15.0)	**(16.1)**	(15.0)
(c) Foreign currency				
Market value of assets denominated in foreign currency +5%	**4.8**	16.5	**57.4**	84.2
Market value of assets denominated in foreign currency –5%	**(4.8)**	(16.5)	**(57.4)**	(84.2)
(d) Equity				
Market indices +20%				
STI	**17.6**	20.3	**96.9**	82.1
KLCI	**0.3**	0.8	**10.7**	19.3
Market indices –20%				
STI	**(17.6)**	(20.3)	**(96.9)**	(82.1)
KLCI	**(0.3)**	(0.8)	**(10.7)**	(19.3)
(e) Credit				
Spread +100 basis points	**(214.4)**	(229.0)	**(280.6)**	(294.8)
Spread –100 basis points	**251.1**	271.1	**322.1**	342.1
(f) Alternative investments [1]				
Market value of all alternative investments +10%	**20.1**	18.2	**41.0**	43.5
Market value of all alternative investments –10%	**(20.1)**	(18.2)	**(41.0)**	(43.5)

[1] Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables did not change from the previous year.

40. Financial Assets and Financial Liabilities Classification

	GROUP					
$ million	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables/ amortised cost**	**Available-for-sale**	**Insurance contracts**	**Total**
2015						
Cash and placements with central banks	–	–	21,180	–	–	21,180
Singapore government treasury bills and securities	330	15	–	8,290	–	8,635
Other government treasury bills and securities	1,720	15	–	10,631	–	12,366
Placements with and loans to banks	1,742	–	22,435	11,614	–	35,791
Debt and equity securities	3,367	1,331	148	17,940	–	22,786
Loans and bills receivable	–	–	208,218	–	–	208,218
Assets pledged	358	–	27	1,067	–	1,452
Derivative receivables	6,248	–	–	–	–	6,248
Other assets	–	–	4,172	–	169	4,341
Amount due from associates	–	–	25	–	–	25
Financial assets	13,765	1,361	256,205	49,542	169	321,042
Non-financial assets						12,165
						333,207
LAF investment financial assets [1]	37	5,870	7,281	42,181	–	55,369
LAF investment non-financial assets [1]						1,614
Total assets						390,190
Deposits of non-bank customers	–	–	246,277	–	–	246,277
Deposits and balances of banks	–	–	12,047	–	–	12,047
Trading portfolio liabilities	645	–	–	–	–	645
Derivative payables	6,069	–	–	–	–	6,069
Other liabilities [2]	–	–	4,853	–	388	5,241
Debt issued	–	912	22,567	–	–	23,479
Financial liabilities	6,714	912	285,744	–	388	293,758
Non-financial liabilities						2,327
						296,085
LAF financial liabilities [1]	516	–	5,973	–	47,514	54,003
LAF non-financial liabilities [1]						2,991
Total liabilities						353,079

(1) "LAF" refers to Life Assurance Fund.
(2) Other liabilities include amount due to associates.

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For the financial year ended 31 December 2015

40. Financial Assets and Financial Liabilities Classification (continued)

	GROUP					
$ million	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables/ amortised cost**	**Available-for-sale**	**Insurance contracts**	**Total**
2014						
Cash and placements with central banks	–	–	25,314	–	–	25,314
Singapore government treasury bills and securities	1,273	530	–	8,297	–	10,100
Other government treasury bills and securities	1,405	12	–	10,732	–	12,149
Placements with and loans to banks	720	–	33,336	7,164	–	41,220
Debt and equity securities	4,339	1,197	186	17,744	–	23,466
Loans and bills receivable	–	–	207,535	–	–	207,535
Assets pledged	169	–	59	1,308	–	1,536
Derivative receivables	5,919	–	–	–	–	5,919
Other assets	–	–	4,628	–	143	4,771
Amount due from associates	–	–	169	–	–	169
Financial assets	13,825	1,739	271,227	45,245	143	332,179
Non-financial assets						11,761
						343,940
LAF investment financial assets [1]	1,727	4,630	7,041	42,205	–	55,603
LAF investment non-financial assets [1]						1,683
Total assets						401,226
Deposits of non-bank customers	–	–	245,519	–	–	245,519
Deposits and balances of banks	–	–	20,503	–	–	20,503
Trading portfolio liabilities	707	–	–	–	–	707
Derivative payables	6,632	–	–	–	–	6,632
Other liabilities [2]	–	–	4,940	–	382	5,322
Debt issued	–	650	28,209	–	–	28,859
Financial liabilities	7,339	650	299,171	–	382	307,542
Non-financial liabilities						2,275
						309,817
LAF financial liabilities [1]	336	–	6,181	–	46,974	53,491
LAF non-financial liabilities [1]						3,733
Total liabilities						367,041

(1) "LAF" refers to Life Assurance Fund.
(2) Other liabilities include amount due to associates.

40. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables/ amortised cost**	**Available-for-sale**	**Total**
2015					
Cash and placements with central banks	–	–	15,646	–	15,646
Singapore government treasury bills and securities	330	–	–	8,009	8,339
Other government treasury bills and securities	1,401	–	–	5,393	6,794
Placements with and loans to banks	1,742	–	17,187	10,023	28,952
Debt and equity securities	2,786	–	112	8,457	11,355
Loans and bills receivable	–	–	128,630	–	128,630
Placements with and advances to subsidiaries	–	–	6,682	–	6,682
Assets pledged	–	–	–	1,008	1,008
Derivative receivables	4,915	–	–	–	4,915
Other assets	–	–	1,487	–	1,487
Financial assets	11,174	–	169,744	32,890	213,808
Non-financial assets					18,153
Total assets					231,961
Deposits of non-bank customers	–	–	154,168	–	154,168
Deposits and balances of banks	–	–	10,166	–	10,166
Deposits and balances of subsidiaries	–	–	9,963	–	9,963
Trading portfolio liabilities	645	–	–	–	645
Derivative payables	4,740	–	–	–	4,740
Other liabilities [(1)]	–	–	1,651	–	1,651
Debt issued	–	912	22,525	–	23,437
Financial liabilities	5,385	912	198,473	–	204,770
Non-financial liabilities					454
Total liabilities					205,224
2014					
Cash and placements with central banks	–	–	18,791	–	18,791
Singapore government treasury bills and securities	1,273	–	–	8,151	9,424
Other government treasury bills and securities	965	–	–	3,979	4,944
Placements with and loans to banks	720	–	22,202	5,344	28,266
Debt and equity securities	4,071	–	147	8,966	13,184
Loans and bills receivable	–	–	129,823	–	129,823
Placements with and advances to subsidiaries	–	–	10,269	–	10,269
Assets pledged	60	–	–	1,121	1,181
Derivative receivables	4,931	–	–	–	4,931
Other assets	–	–	1,615	–	1,615
Financial assets	12,020	–	182,847	27,561	222,428
Non-financial assets					17,543
Total assets					239,971
Deposits of non-bank customers	–	–	154,466	–	154,466
Deposits and balances of banks	–	–	18,512	–	18,512
Deposits and balances of subsidiaries	–	–	5,154	–	5,154
Trading portfolio liabilities	707	–	–	–	707
Derivative payables	5,642	–	–	–	5,642
Other liabilities [(1)]	–	–	1,684	–	1,684
Debt issued	–	650	27,982	–	28,632
Financial liabilities	6,349	650	207,798	–	214,797
Non-financial liabilities					448
Total liabilities					215,245

(1) Other liabilities include amount due to associates.

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For the financial year ended 31 December 2015

41. Fair Values of Financial Instruments

41.1 VALUATION CONTROL FRAMEWORK

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management ("MRM") function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Treasury Financial Control – Valuation Control function within the Group Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation policies are reviewed annually by the MRM function. Any material changes to the framework require the approval of the CEO and concurrence from the Board Risk Management Committee. Group Audit provides independent assurance on the respective divisions' compliance with the policy.

41.2 FAIR VALUES

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. For financial assets and liabilities not carried at fair value on the financial statements, the Group has determined that their fair values were not materially different from the carrying amounts at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

Financial assets

Fair values of cash and balances with central banks, placements with banks, interest and other short term receivables are expected to approximate their carrying value due to their short tenor or frequent re-pricing.

Securities held by the Group, comprising government securities and debt and equity securities are substantially carried at fair value on the balance sheet.

Non-bank customer loans are carried at amortised cost on the balance sheet, net of specific and portfolio allowances. The Group deemed the fair value of non-bank loans to approximate their carrying amount as substantially the loans are subject to frequent re-pricing.

Financial liabilities

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying amount due to their short tenor. For non-bank customer term deposits, cash flows based on contractual terms or derived based on certain assumptions, are discounted at market rates as at reporting date to estimate the fair value.

The fair values of the Group's subordinated term notes are determined based on quoted market prices and independent broker offer prices. For other debts issued which are usually short term, the fair value approximates the carrying value.

41.3 FAIR VALUE HIERARCHY

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and
- Level 3 – inputs for the valuation that are not based on observable market data.

41. Fair Values of Financial Instruments (continued)

41.3 FAIR VALUE HIERARCHY (continued)

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

	2015				2014			
$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Recurring fair value measurements								
GROUP								
Financial assets measured at fair value								
Placements with and loans to banks	13	13,580	–	13,593	68	7,940	–	8,008
Debt and equity securities	20,818	2,728	183	23,729	20,310	4,008	107	24,425
Derivative receivables	60	6,142	46	6,248	40	5,747	132	5,919
Government treasury bills and securities	19,720	1,379	–	21,099	21,483	974	–	22,457
Life Assurance Fund investment assets	33,721	14,366	–	48,087	33,053	15,509	–	48,562
Total	74,332	38,195	229	112,756	74,954	34,178	239	109,371
Non-financial assets measured at fair value								
Life Assurance Fund investment properties [1]	–	–	1,568	1,568	–	–	1,632	1,632
Total	–	–	1,568	1,568	–	–	1,632	1,632
Financial liabilities measured at fair value								
Derivative payables	79	5,943	47	6,069	114	6,390	128	6,632
Trading portfolio liabilities	645	–	–	645	707	–	–	707
Debt issued	–	912	–	912	–	650	–	650
Life Assurance Fund financial liabilities	–	516	–	516	–	336	–	336
Total	724	7,371	47	8,142	821	7,376	128	8,325
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	–	12,002	–	12,002	–	6,188	–	6,188
Debt and equity securities	9,714	2,170	33	11,917	10,699	3,164	23	13,886
Derivative receivables	2	4,866	47	4,915	2	4,802	127	4,931
Government treasury bills and securities	14,312	917	–	15,229	13,740	836	–	14,576
Total	24,028	19,955	80	44,063	24,441	14,990	150	39,581
Financial liabilities measured at fair value								
Derivative payables	4	4,696	40	4,740	5	5,515	122	5,642
Trading portfolio liabilities	645	–	–	645	707	–	–	707
Debt issued	–	912	–	912	–	650	–	650
Total	649	5,608	40	6,297	712	6,165	122	6,999

[1] Comparatives have been restated to conform to current year's presentation.

During the financial year, the Group transferred financial assets from Level 2 to Level 1 as prices became observable arising from increased market activity and from Level 1 to Level 2 due to reduced market activity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

41. Fair Values of Financial Instruments (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Valuation techniques and unobservable parameters for Level 3 instruments

GROUP

$ million	Fair value at 31 December 2015	Classification	Valuation technique	Unobservable input
Assets				
Debt securities	28	Available-for-sale	Discounted cash flows	Credit spreads
Equity securities (unquoted)	155	Available-for-sale	Net asset value/ Multiples	Net asset value/ Earnings and ratios
Derivative receivables	46	Held for trading	Option pricing model/ CDS model	Standard deviation/ Credit spreads
Total	229			
Liabilities				
Derivative payables	47	Held for trading	Option pricing model/CDS model	Standard deviation/ Credit spreads
Total	47			

Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

Movements in the Group's Level 3 financial assets and liabilities

GROUP

	2015				2014			
$ million	Available-for-sale assets	Assets held for trading	Derivative receivables	Total	Available-for-sale assets	Assets held for trading	Derivative receivables	Total
Assets measured at fair value								
At 1 January	107	#	132	239	48	#	56	104
Purchases	40	–	11	51	11	–	3	14
Settlements/disposals	(3)	–	–	(3)	(14)	–	(7)	(21)
Acquisition of subsidiaries	–	–	–	–	26	–	–	26
Transfers in to/(out of) Level 3	10 [(1)]	–	–	10	41 [(2)]	–	(#) [(3)]	41
Gains/(losses) recognised in								
– profit or loss	#	(#)	(96)	(96)	(4)	#	80	76
– other comprehensive income	29	#	(1)	28	(1)	#	#	(1)
At 31 December	183	#	46	229	107	#	132	239
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	#	(#)	17	17	#	#	106	106

(1) Relates to transfers from amortised cost to Level 3.
(2) Relates to transfers to Level 3 due to unavailability of market observable inputs.
(3) Relates to transfers to Level 2 due to availability of market observable inputs.
(4) # represents amounts less than $0.5 million.

41. Fair Values of Financial Instruments (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

GROUP

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

$ million	2015 Net interest income	2015 Trading income	2015 Other income	2015 Total	2014 Net interest income	2014 Trading income	2014 Other income	2014 Total
Total gains/(losses) included in profit or loss for the year ended	2	(95)	(3)	(96)	(2)	75	3	76
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	–	17	#	17	–	106	#	106

(1) # represents amounts less than $0.5 million.

BANK

$ million	2015 Available-for-sale assets	2015 Assets held for trading	2015 Derivative receivables	2015 Total	2014 Available-for-sale assets	2014 Assets held for trading	2014 Derivative receivables	2014 Total
Assets measured at fair value								
At 1 January	23	–	127	150	24	–	34	58
Purchases	18	–	6	24	10	–	2	12
Settlements/disposals	(3)	–	–	(3)	(14)	–	(6)	(20)
Gains/(losses) recognised in								
– profit or loss	1	–	(86)	(85)	4	–	97	101
– other comprehensive income	(6)	–	–	(6)	(1)	–	–	(1)
At 31 December	33	–	47	80	23	–	127	150
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	#	–	22	22	1	–	114	115

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

$ million	2015 Net interest income	2015 Trading income	2015 Other income	2015 Total	2014 Net interest income	2014 Trading income	2014 Other income	2014 Total
Total gains/(losses) included in profit or loss for the year ended	–	(86)	1	(85)	#	97	4	101
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	–	22	#	22	–	114	1	115

(1) # represents amounts less than $0.5 million.

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41. Fair Values of Financial Instruments (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Movements in the Group's Level 3 financial assets and liabilities (continued)

	GROUP				BANK			
	2015		2014		2015		2014	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Liabilities measured at fair value								
At 1 January	128	128	46	46	122	122	29	29
Issues	21	21	3	3	17	17	2	2
Settlements/disposals	(4)	(4)	(2)	(2)	(#)	(#)	(#)	(#)
Transfers out of Level 3	–	–	(#) (1)	(#)	–	–	–	–
Losses/(gains) recognised in								
– profit or loss	(97)	(97)	81	81	(99)	(99)	91	91
– other comprehensive income	(1)	(1)	(#)	(#)	–	–	–	–
At 31 December	47	47	128	128	40	40	122	122
Unrealised losses included in profit or loss for liabilities held at the end of the year	(16)	(16)	(106)	(106)	(12)	(12)	(109)	(109)

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

	GROUP				BANK			
	2015		2014		2015		2014	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total (losses)/gains included in profit or loss for the year ended	97	97	(81)	(81)	99	99	(91)	(91)
Unrealised losses included in profit or loss for liabilities held at the end of the year	(16)	(16)	(106)	(106)	(12)	(12)	(109)	(109)

(1) Relates to transfers to Level 2 due to availability of market observable inputs.
(2) # represents amounts less than $0.5 million.

42. Offsetting Financial Assets and Financial Liabilities

The Group enters into master netting arrangements with counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. These arrangements do not qualify for net presentation on the balance sheet as the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not presented net in the Group's balance sheet but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

Types of financial assets/liabilities GROUP ($ million)	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B) [1]	Gross recognised financial instruments in scope (A – B = C + D + E) [2]	Related amounts not offset on balance sheet: Financial instruments (C) [3]	Related amounts not offset on balance sheet: Cash collateral received/ pledged (D)	Net amounts in scope (E)
2015						
Financial assets						
Derivative receivables	**6,248**	**1,669**	**4,579**	**2,293**	**378**	**1,908**
Reverse repurchase agreements	**3,097** [4]	**441**	**2,656**	**2,647**	**–**	**9**
Securities borrowings	**9** [5]	**–**	**9**	**8**	**–**	**1**
Total	**9,354**	**2,110**	**7,244**	**4,948**	**378**	**1,918**
Financial liabilities						
Derivative payables	**6,069**	**1,209**	**4,860**	**2,293**	**918**	**1,649**
Repurchase agreements	**1,507** [6]	**362**	**1,145**	**1,143**	**–**	**2**
Securities lendings	**11** [7]	**11**	**–**	**–**	**–**	**–**
Total	**7,587**	**1,582**	**6,005**	**3,436**	**918**	**1,651**
2014						
Financial assets						
Derivative receivables	5,919	1,840	4,079	2,913	86	1,080
Reverse repurchase agreements	2,760 [4]	995	1,765	1,755	–	10
Securities borrowings	79 [5]	–	79	79	–	–
Total	8,758	2,835	5,923	4,747	86	1,090
Financial liabilities						
Derivative payables	6,632	1,603	5,029	2,913	1,524	592
Repurchase agreements	1,346 [6]	178	1,168	1,167	–	1
Securities lendings	11 [7]	10	1	1	–	–
Total	7,989	1,791	6,198	4,081	1,524	593

(1) Represents financial instruments not subjected to master netting agreements.
(2) Represents financial instruments subjected to master netting agreements.
(3) Represents financial instruments that do not meet offsetting criteria.
(4) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers. These transactions are measured either at fair value or amortised cost.
(5) Cash collateral placed under securities borrowings are presented under placements with and loans to banks and other assets on the balance sheet, and are measured at amortised cost.
(6) Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers, and are measured at amortised cost.
(7) Cash collateral placed under securities lendings are presented under other liabilities, and are measured at amortised cost.

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For the financial year ended 31 December 2015

42. Offsetting Financial Assets and Financial Liabilities (continued)

Types of financial assets/liabilities BANK ($ million)	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B) [1]	Gross recognised financial instruments in scope (A – B = C + D + E) [2]	Related amounts not offset on balance sheet: Financial instruments (C) [3]	Related amounts not offset on balance sheet: Cash collateral received/ pledged (D)	Net amounts in scope (E)
2015						
Financial assets						
Derivative receivables	**4,915**	**1,156**	**3,759**	**2,110**	**133**	**1,516**
Reverse repurchase agreements	**3,062** [4]	**441**	**2,621**	**2,613**	**–**	**8**
Securities borrowings	**6** [5]	**–**	**6**	**6**	**–**	**#**
Total	**7,983**	**1,597**	**6,386**	**4,729**	**133**	**1,524**
Financial liabilities						
Derivative payables	**4,740**	**775**	**3,965**	**2,110**	**752**	**1,103**
Repurchase agreements	**1,107** [6]	**–**	**1,107**	**1,104**	**–**	**3**
Total	**5,847**	**775**	**5,072**	**3,214**	**752**	**1,106**
2014						
Financial assets						
Derivative receivables	4,931	1,045	3,886	2,847	67	972
Reverse repurchase agreements	1,503 [4]	–	1,503	1,493	–	10
Securities borrowings	75 [5]	–	75	75	–	–
Total	6,509	1,045	5,464	4,415	67	982
Financial liabilities						
Derivative payables	5,642	848	4,794	2,847	1,474	473
Repurchase agreements	1,063 [6]	–	1,063	1,062	–	1
Total	6,705	848	5,857	3,909	1,474	474

(1) Represents financial instruments not subjected to master netting agreements.
(2) Represents financial instruments subjected to master netting agreements.
(3) Represents financial instruments that do not meet offsetting criteria.
(4) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers. These transactions are measured either at fair value or amortised cost.
(5) Cash collateral placed under securities borrowings are presented under placements with and loans to banks on the balance sheet, and are measured at amortised cost.
(6) Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers, and are measured at amortised cost.
(7) # represents amounts less than $0.5 million.

43. Contingent Liabilities

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

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**4,333,914**	4,047,484	**3,411,056**	2,921,717
Term to maturity of more than one year	**1,986,173**	3,051,154	**1,556,992**	2,554,088
	6,320,087	7,098,638	**4,968,048**	5,475,805
Acceptances and endorsements	**970,730**	1,077,659	**347,172**	507,905
Documentary credits and other short term trade-related transactions	**2,318,864**	3,896,121	**1,389,943**	2,510,698
	9,609,681	12,072,418	**6,705,163**	8,494,408
43.1 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**238,790**	468,226	**273,413**	322,114
Manufacturing	**2,044,785**	2,187,762	**1,120,817**	1,368,884
Building and construction	**1,566,119**	1,798,177	**1,047,932**	1,154,358
General commerce	**2,914,953**	3,975,664	**2,170,122**	3,077,020
Transport, storage and communication	**531,410**	574,800	**402,770**	497,412
Financial institutions, investment and holding companies	**776,500**	966,968	**761,474**	771,824
Professionals and individuals	**277,197**	242,100	**56,006**	58,497
Others	**1,259,927**	1,858,721	**872,629**	1,244,299
	9,609,681	12,072,418	**6,705,163**	8,494,408
43.2 ANALYSED BY GEOGRAPHY				
Singapore	**5,306,132**	6,935,788	**5,505,727**	7,028,612
Malaysia	**1,136,800**	1,250,958	**14,321**	55,372
Indonesia	**936,178**	924,567	**–**	–
Greater China	**1,768,323**	2,543,509	**710,398**	992,828
Other Asia Pacific	**319,163**	339,997	**331,632**	339,997
Rest of the World	**143,085**	77,599	**143,085**	77,599
	9,609,681	12,072,418	**6,705,163**	8,494,408

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

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44. Commitments

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

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
44.1 CREDIT COMMITMENTS [1]				
Undrawn credit facilities:				
Term to maturity of one year or less	**93,856,263**	82,422,923	**45,548,712**	43,171,636
Term to maturity of more than one year	**19,258,022**	19,743,099	**16,073,106**	16,462,323
	113,114,285	102,166,022	**61,621,818**	59,633,959
44.2 OTHER COMMITMENTS				
Operating lease (non-cancellable) commitments:				
Within 1 year	**65,034**	71,505	**20,747**	15,940
After 1 year but within 5 years	**85,802**	82,181	**26,582**	24,499
Over 5 years	**1,796**	3,247	**–**	161
	152,632	156,933	**47,329**	40,600
Capital commitment authorised and contracted	**292,970**	444,193	**111,391**	135,631
Forward deposits and assets purchase	**2,012,343**	1,347,292	**2,212,101**	1,284,268
	2,457,945	1,948,418	**2,370,821**	1,460,499
44.3 TOTAL COMMITMENTS	**115,572,230**	104,114,440	**63,992,639**	61,094,458
44.4 CREDIT COMMITMENTS ANALYSED BY INDUSTRY [1]				
Agriculture, mining and quarrying	**2,221,509**	1,708,198	**1,504,256**	1,056,368
Manufacturing	**8,094,900**	7,053,591	**3,362,722**	3,252,315
Building and construction	**9,884,446**	9,931,798	**7,558,946**	7,801,498
General commerce	**22,119,174**	20,755,502	**17,250,058**	15,294,008
Transport, storage and communication	**3,742,116**	3,309,526	**3,172,830**	2,707,314
Financial institutions, investment and holding companies	**24,128,941**	21,483,676	**11,581,364**	12,147,648
Professionals and individuals	**35,770,954**	30,601,873	**14,076,406**	14,238,377
Others	**7,152,245**	7,321,858	**3,115,236**	3,136,431
	113,114,285	102,166,022	**61,621,818**	59,633,959
44.5 CREDIT COMMITMENTS ANALYSED BY GEOGRAPHY [1]				
Singapore	**84,227,371**	73,287,467	**52,607,646**	50,491,410
Malaysia	**7,800,925**	7,687,632	**341,701**	233,345
Indonesia	**3,678,224**	2,985,947	**–**	–
Greater China	**13,840,682**	15,349,672	**5,098,628**	6,047,149
Other Asia Pacific	**1,521,303**	1,498,208	**1,528,063**	1,504,959
Rest of the World	**2,045,780**	1,357,096	**2,045,780**	1,357,096
	113,114,285	102,166,022	**61,621,818**	59,633,959

(1) Comparatives have been restated to conform to current year's presentation.

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

45. Unconsolidated Structured Entities

Unconsolidated structured entities refer to structured entities that are not controlled by the Group. The Group's transactions in these structured entities are for investment opportunities as well as to facilitate client transactions. The Group's maximum exposure to loss is primarily limited to the carrying amount on its balance sheet and loan and capital commitments to these structured entities.

The following table summarises the carrying amount of the assets and liabilities recognised in the Group's financial statements relating to the interests in unconsolidated structured entities undertaken by business segments.

GROUP ($million)	Global investment banking	Insurance	Others	Total
2015				
Available-for-sale investments	**67**	**114**	**#**	**181**
Other assets	**–**	**5**	**–**	**5**
Total assets	**67**	**119**	**#**	**186**
Other liabilities	**–**	**#**	**#**	**#**
Total liabilities	**–**	**#**	**#**	**#**
Other commitments				
Loan and capital commitments authorised and contracted [1]	**52**	**–**	**–**	**52**
Income earned from sponsored structured entities [2]	**5**	**38**	**4**	**47**
Assets of structured entities	**628**	**3,537**	**419**	**4,584**
2014				
Available-for-sale investments	46	22	#	68
Other assets	–	3	–	3
Total assets	46	25	#	71
Other liabilities	–	2	#	2
Total liabilities	–	2	#	2
Other commitments				
Loan and capital commitments authorised and contracted [1]	58	–	–	58
Income earned from sponsored structured entities [2]	–	24	2	26
Assets of structured entities	505	2,881	156	3,542

(1) These were also included in the Group's capital commitment authorised and contracted in Note 44.
(2) The income earned relates primarily to management fee, interest income or fair value gains or losses recognised by the Group arising from the interests held by the Group in the unconsolidated investment funds.
(3) # represents amounts less than $0.5 million.

The amount of assets transferred to sponsored entities during 2015 and 2014 were not significant.

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46. Assets Pledged

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Government treasury bills and securities (Note 24)				
– Singapore	**37,134**	188,073	**37,134**	188,073
– Others	**60,501**	20,216	**59,078**	20,216
Placements with and loans to banks (Note 25)	**236,754**	124,343	**236,754**	124,343
Loans and bills receivable (Note 26)	**27,036**	58,786	**–**	–
Debt securities (Note 30)	**1,090,460**	1,144,884	**674,734**	848,488
	1,451,885	1,536,302	**1,007,700**	1,181,120
Repo balances for assets pledged	**1,302,103**	1,346,119	**901,673**	1,062,684

The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is $1,201.4 million (2014: $972.9 million), of which $370.0 million (2014: $131.8 million) have been sold or re-pledged. The Group is obliged to return equivalent assets.

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

47. Assets Held for Sale

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

48. Minimum Lease Rental Receivable

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

	GROUP		BANK	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Within 1 year	**55,878**	65,963	**20,059**	21,966
After 1 year but within 5 years	**40,419**	68,033	**8,418**	19,267
Over 5 years	**6,045**	2,163	**–**	–
	102,342	136,159	**28,477**	41,233

The Group leases retail, commercial and hotel space to third parties with varying terms including variable rent, escalation clauses and renewal rights.

49. Related Party Transactions

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

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

GROUP ($ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2015	169	14	20	65
Net change	(144)	1	3	(64)
At 31 December 2015	**25**	**15**	**23**	**1**
(b) Deposits, borrowings and other payables				
At 1 January 2015	294	184	31	1,264
Net change	40	(31)	4	(165)
At 31 December 2015	**334**	**153**	**35**	**1,099**
(c) Off-balance sheet credit facilities [1]				
At 1 January 2015 [2]	–	316	20	#
Net change	–	5	(14)	1
At 31 December 2015	**–**	**321**	**6**	**1**
(d) Income statement transactions				
Year ended 31 December 2015				
Interest income	**5**	**#**	**#**	**#**
Interest expense	**2**	**1**	**#**	**32**
Rental income	**–**	**2**	**–**	**1**
Fee and commission and other income	**#**	**1**	**#**	**140**
Rental and other expenses	**5**	**1**	**#**	**7**
Year ended 31 December 2014				
Interest income	2	#	#	1
Interest expense	2	2	#	44
Rental income	#	2	–	1
Fee and commission and other income	#	1	1	132
Rental and other expenses	5	#	#	1

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(2) Comparatives have been restated to conform to current year's presentation.
(3) # represents amounts less than $0.5 million.

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49. Related Party Transactions (continued)

BANK ($ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2015	10,269	–	13	15	65
Net change	(3,587)	–	1	8	(64)
At 31 December 2015	**6,682**	**–**	**14**	**23**	**1**
(b) Deposits, borrowings and other payables					
At 1 January 2015	7,054	149	152	26	218
Net change	4,409	(5)	(17)	7	129
At 31 December 2015	**11,463**	**144**	**135**	**33**	**347**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2015 [2]	1,218	–	313	10	#
Net change	491	–	(2)	(4)	1
At 31 December 2015	**1,709**	**–**	**311**	**6**	**1**
(d) Income statement transactions					
Year ended 31 December 2015					
Interest income	**104**	**#**	**#**	**#**	**#**
Interest expense	**158**	**1**	**1**	**#**	**#**
Rental income	**26**	**–**	**–**	**–**	**–**
Fee and commission and other income	**33**	**–**	**#**	**#**	**98**
Rental and other expenses	**266**	**5**	**#**	**–**	**#**
Year ended 31 December 2014					
Interest income	181	–	#	#	1
Interest expense	139	1	1	#	#
Rental income	12	–	–	–	–
Fee and commission and other income	34	–	#	#	97
Rental and other expenses	268	5	#	#	#

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(2) Comparatives have been restated to conform to current year's presentation.
(3) # represents amounts less than $0.5 million.

49.2 KEY MANAGEMENT PERSONNEL COMPENSATION

	BANK	
	2015 $ million	2014 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**40**	36
Share-based benefits	**15**	12
	55	48

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2015 included in the above table are subject to the approval of the Remuneration Committee.

50. New Accounting Standards and Interpretations

As of the balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. The Group has not adopted the following relevant new/revised financial reporting standards and interpretations that have been issued but not yet effective:

FRS	Title	Effective for financial year beginning on or after
FRS 1 (Amendments)	*Disclosure Initiative*	1 January 2016
FRS 16 and FRS 38 (Amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
FRS 27 (Amendments)	*Equity Method in Separate Financial Statements*	1 January 2016
FRS 110, FRS 112 and FRS 28 (Amendments)	*Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 111 (Amendments)	*Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Various	*Improvements to FRSs (November 2014)*	1 January 2016
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 109	*Financial Instruments*	1 January 2018
FRS 110 and FRS 28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Based on the Group's preliminary analysis, the initial application of the above standards (including their consequential amendments) and interpretations are not expected to have any material impact on the Group's financial statements except for FRS 109. The Group is currently assessing the impact of FRS 109 on its financial statements.

GROUP'S MAJOR PROPERTIES

As at 31 December 2015

	Purpose	Effective stake (%)	Gross floor area (sq ft)	Carrying value S$'000	Market value [1] S$'000
Singapore					
65 Chulia Street, OCBC Centre	Office	100	993,089	23,591	1,037,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	96,766	359,400
18 Church Street, OCBC Centre South	Office	100	118,909	70,786	160,000
63 Market Street, Bank Of Singapore Centre	Office	100	248,996	283,890	437,800
11 Tampines Central 1	Office	100	115,824	57,906	99,000
31 Tampines Avenue 4	Office	100	97,572	44,199	76,000
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building	Office	100	34,563 [2]	33,654	63,840
260 Tanjong Pagar Road	Office	100	44,940	8,478	63,700
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146 [2]	1,441	26,850
110 Robinson Road	Office	100	22,120	4,124	23,500
460 North Bridge Road	Office	100	26,576	2,561	30,500
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	37,484	245,700
2 Mt Elizabeth Link	Residential	100	104,377	20,128	180,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	12,303	50,500
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920	2,610	19,710
277 Orchard Road, Orchardgateway	Retail and Hotel	100	535,698	608,470	1,220,000
				1,308,391	4,093,500
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	18,104	41,184
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	85	362,313	7,166	21,057
Greater China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	188,128	204,850
161-169 Queen's Road Central, Hong Kong SAR	Office	100	95,169	223,557	267,254
				411,685	472,104
Other properties in					
Singapore				131,804	637,545
Malaysia				45,245	132,335
Indonesia				51,507	82,187
Greater China				1,378,261	1,720,569
Other Asia Pacific				13,978	49,597
Rest of the World				1,798	18,969
				1,622,593	2,641,202
Total [3]				**3,367,939**	**7,269,047**

[1] Valuations were made by independent firms of professional valuers.
[2] Refers to strata floor area.
[3] Does not include properties held by GEH Group's insurance subsidiaries under their life assurance funds.