Notes to the Financial Statements
for the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

United Overseas Bank Limited (the Bank) is a limited liability company incorporated and domiciled in Singapore. The registered office of the Bank is at 80 Raffles Place, UOB Plaza, Singapore 048624.

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its major subsidiaries are set out in Note 30b to the financial statements.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Bank and its subsidiaries (collectively, the Group) have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, with modification to FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in the Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning.

Except as otherwise stated, the financial statements have been prepared under the historical cost convention and are presented to the nearest thousand in Singapore dollars.

(b) Changes in accounting policies

The Group adopted Amendments to FRS19 – Defined Benefit Plans: Employee Contributions during the financial year which had no significant effect on the financial statements of the Group.

Other than the above, the accounting policies applied by the Group in the financial year were consistent with those adopted in the previous financial year.

Future changes in accounting policies

The following new/revised FRS that are in issue will apply to the Group for the financial years as indicated:

Effective for financial year beginning on or after 1 January 2016

- Amendments to FRS1 – Disclosure Initiative
- Amendments to FRS16 and FRS38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS27 – Equity Method in Separate Financial Statements
- Amendments to FRS110, FRS112 and FRS28 – Investment Entities: Applying the Consolidation Exception
- Amendments to FRS111 – Accounting for Acquisitions of Interests in Joint Operations

Effective for financial year beginning on or after 1 January 2018

- FRS109 – Financial Instruments
- FRS115 – Revenue from Contracts with Customers

Effective for financial year beginning on or after a date to be determined

- Amendments to FRS110 and FRS28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The above pronouncements are not expected to have a significant impact on the Group's financial statements when adopted with the exception of FRS109 which is under review and assessment.

2. Summary of significant accounting policies (continued)

(c) Interests in other entities

(i) Subsidiaries

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

Acquisition of subsidiaries is accounted for using the acquisition method. Consideration for the acquisition includes fair value of the assets transferred, liabilities incurred, equity interests issued, contingent consideration and existing equity interest in the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed are, with limited exceptions, measured at fair values at the acquisition date. Non-controlling interests are measured at fair value or the proportionate share of the acquiree's net identifiable assets at the acquisition date, determined on a case by case basis. Acquisition-related costs are expensed off when incurred. Goodwill is determined and accounted for in accordance with Note 2h(i).

Subsidiaries are consolidated from the date the Group obtains control until the date such control ceases. Intra-group balances and income and expenses are eliminated on consolidation. Adjustments are made to align the accounting policies of the subsidiaries to those of the Group. The portion of profit or loss and net assets of subsidiaries that belong to the non-controlling interests is disclosed separately in the consolidated financial statements. Gain or loss arising from changes of the Bank's interest in subsidiaries is recognised in the income statement if they result in loss of control in the subsidiaries, otherwise, in equity.

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less allowance for impairment, if any, determined on an individual basis.

(ii) Associates and joint ventures

Associates are entities in which the Group has significant influence but not control or joint control. This generally coincides with the Group having 20% or more of the voting power of the investees. Joint ventures are entities in which the Group and its joint venturers have joint control and rights to the net assets of the investees.

The Group's investment in associates and joint ventures is accounted for using the equity method from the date the Group obtains significant influence or joint control over the entities until the date such significant influence or joint control ceases. Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entities. Unrealised losses are also eliminated unless they relate to impairment of the assets transferred. Adjustments are made to align the accounting policies of the associates and joint ventures to those of the Group.

Under the equity method, the Group's investment in associates and joint ventures is carried in the balance sheet at cost (including goodwill on acquisition), plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures, less allowance for impairment, if any, determined on an individual basis. The Group recognises its share of the results of operations and changes in other comprehensive income of the associates and joint ventures in the consolidated income statement and in equity respectively. Where the share of losses of an associate or joint venture exceeds the Group's interest in the associate or joint venture, such excess is not recognised in the consolidated income statement.

Upon loss of significant influence over the associates or joint control over the joint ventures, any resulting gain or loss is recognised in the income statement and the related share of reserves is accounted for in the same manner as if the associates or joint ventures have directly disposed of the related assets and liabilities. Any retained investment is measured at its fair value.

In the Bank's separate financial statements, investment in associates and joint ventures is stated at cost less allowance for impairment, if any, determined on an individual basis.

2. Summary of significant accounting policies (continued)

(c) Interests in other entities (continued)

(iii) Joint operations

Joint operations are arrangements over which the Group and its joint operators have joint control and rights to the assets, and obligations for the liabilities, relating to the arrangements.

The Bank and the Group account for joint operations by taking their share of the relevant assets, liabilities, income and expenses accordingly.

(d) Financial assets and financial liabilities

(i) Classification

Financial assets and financial liabilities are classified as follows:

At fair value through profit or loss

Financial instruments are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition.

Financial instruments are classified as held for trading if they are acquired for short-term profit taking.

Financial instruments may be designated as fair value through profit or loss if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;

- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the intention and ability to hold the assets till maturity.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-sale

Non-derivative financial assets that are not classified into any of the preceding categories and are available-for-sale are classified in this category.

Non-trading liabilities

Non-derivative financial liabilities that are not held for active trading or designated as fair value through profit or loss are classified as non-trading liabilities.

2. Summary of significant accounting policies (continued)

(d) Financial assets and financial liabilities (continued)

(ii) Measurement

Initial measurement
Financial instruments are recognised initially at their fair value which is generally the transaction price. Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at fair value through profit or loss.

Subsequent measurement
Financial instruments classified as held for trading and designated as fair value through profit or loss are measured at fair value with fair value changes recognised in the income statement.

Available-for-sale financial assets are measured at fair value with fair value changes taken to the fair value reserve, and subsequently to the income statement upon disposal or impairment of the assets.

All other financial instruments are measured at amortised cost using the effective interest method less allowance for impairment.

Interest and dividend income on all non-derivative financial instruments at fair value through profit or loss are recognised separately from fair value changes.

Fair value determination
Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and ask prices respectively at the balance sheet date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models. Valuation inputs include spot and forward prices, volatilities, correlations and credit spreads.

(iii) Recognition and derecognition
Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the contractual rights to cash flows and risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the accumulated gain or loss that has been recognised in equity are taken to the income statement.

(iv) Offsetting
Financial assets and financial liabilities are offset and presented net in the balance sheet if there is a current, unconditional and legally enforceable right and intention to settle them simultaneously or on a net basis.

2. Summary of significant accounting policies (continued)

(d) Financial assets and financial liabilities (continued)

(v) Total allowances

Specific allowances
Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each balance sheet date. Allowances for impairment is recognised when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped based on similar credit risks and assessed on a portfolio basis.

For financial assets carried at amortised cost, allowances for impairment are determined as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in the income statement.

For available-for-sale financial assets, allowances for impairment are determined as the difference between the assets' cost and the current fair value, less any allowances for impairment previously recognised in the income statement. The loss is transferred from the fair value reserve to the income statement. For available-for-sale equity instruments, subsequent recovery of the allowances for impairment is written back to the fair value reserve.

Financial assets are written off when all avenues of recovery have been exhausted.

General allowances
General allowances are made for estimated losses inherent in but not currently identifiable to individual financial assets. The allowance is made based on management's experience and judgement and taking into account country and portfolio risks. The Group maintains general allowances of at least 1% of its credit exposure net of collateral and specific allowances in accordance with the transitional provision set out in MAS Notice 612.

(e) Financial derivatives

Financial derivatives are recognised and measured at fair value initially and subsequently. Derivatives with positive and negative fair values are presented under assets and liabilities in the balance sheet respectively. Fair value changes of derivatives are recognised in the income statement unless they are designated as hedging instruments and accounted for in accordance with Note 2f.

Financial derivatives embedded in non-derivative host contracts are bifurcated and accounted for separately if their economic characteristics and risks are not closely related to those of the host contracts and the combined contracts are not carried at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

(f) Hedge accounting

(i) Fair value hedge

Fair value changes of the hedging instrument are recognised in the income statement. Fair value changes of the hedged item attributable to the hedged risk are taken to the income statement with corresponding adjustment made to the carrying amount of the hedged item. The adjustment is amortised over the expected life of the hedged item when the hedge is terminated.

(ii) Cash flow hedge

Fair value changes of the hedging instrument relating to the effective portion of the hedge are taken to the hedge reserve under equity while those relating to the ineffective portion are recognised in the income statement. The amount in the hedge reserve is transferred to the income statement (a) at the same time as the cash flow of the hedged item is recognised in the income statement and (b) immediately when the forecasted hedge item is no longer expected to occur.

(iii) Hedge of net investment in a foreign operation

Fair value changes of the hedging instrument relating to the effective portion of the hedge are taken to the foreign currency translation reserve under equity while those relating to the ineffective portion are recognised in the income statement. The amount taken to the reserve is transferred to the income statement upon disposal of the foreign operation.

(g) Investment properties and fixed assets

Investment properties and fixed assets are stated at cost less accumulated depreciation and impairment allowance.

Investment properties are properties held for rental income and/or capital appreciation while owner-occupied properties are those for office use.

Freehold land and leasehold land with remaining leases of 100 years or more are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over their expected useful lives of five to ten years. The expected useful life, depreciation method and residual value of investment properties and fixed assets are reviewed annually.

Investment properties and fixed assets are reviewed for impairment when events or changes in circumstances indicate that their recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts.

Investment properties and fixed assets are derecognised upon disposal and the resulting gain or loss is recognised in the income statement.

2. Summary of significant accounting policies (continued)

(h) Intangible assets

(i) Goodwill

Goodwill in a business combination represents the excess of (a) 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 in the acquiree over (b) the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Where (b) exceeds (a) and the measurement of all amounts has been reviewed, the gain is recognised in the income statement. Goodwill is measured at cost less accumulated impairment allowances, if any.

Goodwill is reviewed for impairment annually or more frequently if the circumstances indicate that its carrying amount may be impaired. At the date of acquisition, goodwill is allocated to the cash-generating units (CGU) expected to benefit from the synergies of the business combination. The Group's CGU correspond with the operating segments reported in Note 42a. Where the recoverable amount, being the higher of fair value less cost to sell and value in use, of a CGU is below its carrying amount, the impairment allowance is recognised in the income statement and subsequent reversal is not allowed.

(ii) Other intangible assets

Other intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, they are measured at cost less accumulated amortisation and impairment allowances, if any.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortisation charges are recognised in the income statement. The useful life and amortisation method are reviewed annually.

Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually or more frequently if the circumstances indicate that the recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts.

(i) Foreign currencies

(i) Foreign currency transactions

On initial recognition, transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rate ruling at the transaction date. Subsequent to initial recognition, monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the income statement. Exchange differences arising from monetary items that form part of the net investment in foreign operations, or on foreign currency borrowings that provide a hedge against a net investment in a foreign operation, are recognised initially in the foreign currency translation reserve in the consolidated balance sheet, and subsequently in the consolidated income statement on disposal of the foreign operation.

2. Summary of significant accounting policies (continued)

(i) Foreign currencies (continued)

(ii) Foreign operations
Revenue and expenses of foreign operations are translated into Singapore dollars at the weighted average exchange rate for the financial year which approximates the exchange rate at the transaction date. Foreign operations' assets and liabilities are translated at the exchange rate ruling at the balance sheet date. All resultant exchange differences are recognised in the foreign currency translation reserve, and subsequently to the consolidated income statement upon disposal of the foreign operations. In the case of a partial disposal without loss of control of a subsidiary, the proportionate share of the accumulated exchange differences are not recognised in the income statement but re-attributed to the non-controlling interests. For partial disposal of an associate or joint venture, the proportionate share of the accumulated exchange differences is reclassified to income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are recorded in the functional currency of the foreign operations and translated at the exchange rate ruling at the balance sheet date. For acquisitions prior to 1 January 2005, goodwill and fair value adjustments were recorded in Singapore dollars at the exchange rate prevailing at the date of acquisition.

(j) Tax

(i) Current tax
Current tax is measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax law applied are those that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax
Deferred tax is provided on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax is measured at the tax rate that is expected to apply when the assets are realised or the liabilities are settled, based on the tax rate and tax law that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is not provided for temporary differences arising from (a) initial recognition of goodwill, (b) initial recognition of an asset or liability that is not a business combination and that does not affect accounting or taxable profit at the time of the transaction and (c) taxable temporary differences related to investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Where gains and losses are recognised directly in equity, the related deferred tax is also taken to equity.

(iii) Offsetting
Current and deferred tax assets are offset with current and deferred tax liabilities respectively if (a) there is a legally enforceable right and intention to settle them simultaneously or on a net basis, (b) they are of the same tax reporting entity or group and (c) they relate to the same tax authority.

(k) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources to settle the obligation is probable and can be reliably estimated. At each balance sheet date, provisions are reviewed and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

2. Summary of significant accounting policies (continued)

(l) Undrawn credit facilities

Undrawn credit facilities (both revocable and irrevocable) are recorded under commitments and the amount is adjusted for subsequent drawdowns.

(m) Contingent liabilities

Contracts on financial and performance guarantees and letters of credit are recorded under contingent liabilities. These liabilities are recognised initially at their fair value which is generally the fees received. The fees are amortised over the contractual terms. Subsequent to initial recognition, the liabilities are measured at the higher of their carrying amount and the estimated expenditure required to settle the obligations.

(n) Revenue recognition

Interest income is recognised using the effective interest method.

Dividend income is recognised when the right to receive it is established.

Fee and commission income is recognised when services are rendered. For services that are provided over a period of time, fee and commission income is recognised over the service period.

Rental income is recognised on a time proportion basis.

(o) Employee compensation/benefits

Base pay, cash bonuses, allowances, commissions and defined contributions under regulations are recognised in the income statement when incurred. Leave entitlements are recognised when they accrue to employees based on contractual terms of employment.

Cost of share-based compensation, being the fair value of the equity instrument at grant date, is expensed to the income statement over the vesting period with a corresponding adjustment to the share-based compensation reserve. The cost is reviewed and adjusted accordingly at each balance sheet date to reflect the number of equity instruments expected to vest ultimately.

(p) Dividend payment

Dividends are accounted for as an appropriation of retained earnings. Interim dividends on ordinary shares and dividends on preference shares are recorded when declared payable while final dividends on ordinary shares are recognised upon approval of equity holders.

(q) Treasury shares

Ordinary shares reacquired are accounted for as treasury shares. Consideration paid, including directly attributable costs, is presented as a deduction from equity. Subsequent cancellation, sale or reissuance of treasury shares is recognised as changes in equity.

2. Summary of significant accounting policies (continued)

(r) Critical accounting estimates and judgements

Preparation of the financial statements involves making certain assumptions and estimates. This often requires management's judgement for the appropriate policies, assumptions, inputs and methodologies to be used. As judgements are made based on information available at the time the financial statements are prepared, the ultimate results could differ from those disclosed in the statements due to subsequent changes in the information. The following provides a brief description of the Group's critical accounting estimates that involve management's judgement.

(i) Allowances for impairment of financial assets

Allowances for impairment of financial assets are determined in accordance with Note 2d(v). Identifying and providing for specific allowances requires management's experience and significant judgement. The process involves assessing various factors such as economic outlook, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral.

General allowances are determined based on management's assessment of the country and portfolio risk, historical loss experiences and economic indicators.

(ii) Fair valuation of financial instruments

Fair value of financial instruments is determined in accordance with Notes 2d(ii) and 18a. Valuation of financial instruments that are not quoted in the market or with complex structures requires considerable judgement of management in selecting the appropriate valuation models and data inputs.

(iii) Goodwill

Goodwill is reviewed for impairment in accordance with Notes 2h(i) and 34b. The process requires management's assessment of key factors such as future economic growth, business forecasts and discount rates.

(iv) Income taxes

Income taxes are provided in accordance with Note 2j. The Group is subject to income taxes in various jurisdictions. Provision for these taxes involves interpretation of the tax regulations on certain transactions and computations. In cases of uncertainty, provision is estimated based on the technical merits of the situation.

3. Interest income

	The Group		The Bank	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Loans to customers	**6,674,520**	5,912,819	**3,843,519**	3,113,374
Placements and balances with banks	**627,274**	692,530	**358,928**	392,810
Government treasury bills and securities	**256,072**	279,812	**108,740**	120,796
Trading and investment securities	**268,248**	304,169	**241,653**	262,979
	7,826,114	7,189,330	**4,552,840**	3,889,959
Of which, interest income on:				
Impaired financial assets	**18,943**	13,204	**16,762**	12,496
Financial assets at fair value through profit or loss	**113,646**	145,465	**69,005**	87,416

4. Interest expense

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deposits of customers	**2,559,276**	2,252,056	**1,045,454**	728,030
Deposits and balances of banks and debts issued	**340,541**	379,541	**334,460**	356,105
	2,899,817	2,631,597	**1,379,914**	1,084,135
Of which, interest expense on financial liabilities at fair value through profit or loss	**44,193**	45,141	**13,793**	12,056

5. Fee and commission income

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Credit card	**344,564**	280,657	**244,116**	184,182
Fund management	**171,701**	155,548	**3,722**	259
Wealth management	**415,646**	377,404	**306,399**	277,862
Loan-related [1]	**497,561**	490,111	**405,240**	394,290
Service charges	**121,488**	112,756	**87,026**	80,733
Trade-related [2]	**258,482**	273,262	**164,528**	175,071
Others	**74,049**	59,155	**19,312**	19,632
	1,883,491	1,748,893	**1,230,343**	1,132,029
Of which, fee and commission from:				
Financial assets not measured at fair value through profit or loss	**409,551**	386,303	**334,705**	312,608
Provision of trust and other fiduciary services	**10,641**	11,833	**9,166**	10,423

1 Loan-related fees include fees earned from corporate finance activities.

2 Trade-related fees include trade, remittance and guarantees related fees.

6. Net trading income

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Net gain/(loss) from:				
Foreign exchange	**627,232**	506,570	**506,108**	450,123
Interest rate and others	**48,297**	127,232	**17,651**	122,217
Financial assets designated at fair value	**(9,288)**	28,783	**5,620**	5,928
Financial liabilities designated at fair value	**(25,433)**	(63,754)	**3,205**	(34,785)
	640,808	598,831	**532,584**	543,483

7. Net gain/(loss) from investment securities

	The Group		The Bank	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Available-for-sale	303,850	218,889	266,454	212,097
Loans and receivables	9,528	(782)	12,460	1,496
	313,378	218,107	278,914	213,593

8. Other income

	The Group		The Bank	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Net gain from:				
Disposal of investment properties	18,850	19,884	18,850	19,884
Disposal of fixed assets	8,925	6,148	8,894	4,981
Disposal/liquidation of subsidiaries/associates/ joint ventures	5,904	14,965	5,442	36,299
Others	98,524	129,358	117,239	124,142
	132,203	170,355	150,425	185,306

9. Staff costs

	The Group		The Bank	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Salaries, bonus and allowances	1,666,055	1,488,096	947,541	822,099
Employer's contribution to defined contribution plans	144,709	123,049	82,769	64,629
Share-based compensation	41,096	32,488	30,047	24,031
Others	212,188	181,408	123,106	89,616
	2,064,048	1,825,041	1,183,463	1,000,375
Of which, the Bank's directors' remuneration	9,223	10,220	9,223	10,220

10. Other operating expenses

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Revenue-related	795,799	672,448	446,331	361,805
Occupancy-related	310,945	287,066	205,642	182,807
IT-related	242,008	199,080	267,470	213,840
Others	184,163	162,725	96,541	80,732
	1,532,915	1,321,319	1,015,984	839,184
Of which:				
Advisory/Directors' fees	4,346	4,330	3,095	2,870
Depreciation of assets	181,512	163,361	117,709	105,738
Rental expenses	133,742	125,009	90,140	82,048
Auditors' remuneration paid/payable to:				
Auditors of the Bank	2,593	2,454	1,900	1,807
Affiliates of auditors of the Bank	2,018	1,903	558	516
Other auditors	284	302	161	160
Non-audit fees paid/payable to:				
Auditors of the Bank	207	101	207	87
Affiliates of auditors of the Bank	250	530	123	214
Other auditors	135	35	57	35
Expenses on investment properties	51,849	52,086	37,790	38,684
Fee expenses arising from financial liabilities not at fair value through profit or loss	88,733	79,928	14,338	14,902

11. Allowances for credit and other losses

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Specific allowances on/(write-back) of:				
Loans	391,604	238,256	156,727	96,021
Investments	68,781	64,507	137,664	27,353
Other assets	15,534	(1,304)	(1,253)	(3,521)
General allowances	195,867	333,844	96,550	230,773
	671,786	635,303	389,688	350,626

Included in the allowance for credit and other losses is the following:

Bad debts written off	156,987	159,976	51,705	241,313

12. Tax

Tax charge to the income statements comprises the following:

	The Group		The Bank	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
On profit of the financial year				
Current tax	629,220	599,966	418,052	404,690
Deferred tax	26,246	43,514	38,711	27,901
	655,466	643,480	456,763	432,591
(Over)/under-provision of prior year tax				
Current tax	(33,484)	(134,448)	(25,466)	(80,076)
Deferred tax	6,772	59,676	7,355	4,810
Share of tax of associates and joint ventures	19,927	(8,033)	–	–
	648,681	560,675	438,652	357,325

Tax charge on profit for the financial year differs from the theoretical amount computed using Singapore corporate tax rate due to the following factors:

	The Group		The Bank	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operating profit after allowances	3,779,132	3,675,673	3,118,092	3,048,536
Prima facie tax calculated at tax rate of 17% (2014: 17%)	642,452	624,864	530,076	518,251
Effect of:				
Income taxed at concessionary rates	(48,293)	(62,999)	(47,492)	(62,185)
Different tax rates in other countries	116,345	106,018	57,199	42,708
Losses of foreign operations not offset against taxable income of Singapore operations	816	–	816	56
Income not subject to tax	(84,486)	(52,891)	(92,334)	(72,500)
Expenses not deductible for tax	47,582	27,468	31,315	6,101
Others	(18,950)	1,020	(22,817)	160
Tax expense on profit of the financial year	655,466	643,480	456,763	432,591

13. Earnings per share

Basic and diluted earnings per share (EPS) are determined as follows:

	The Group	
	2015	2014
Profit attributable to equity holders of the Bank ($'000)	3,208,899	3,249,101
Dividends on preference shares ($'000)	(39,936)	(36,799)
Distribution of perpetual capital securities ($'000)	(65,400)	(65,400)
Adjusted profit ($'000)	3,103,563	3,146,902
Weighted average number of ordinary shares ('000)		
In issue	1,602,343	1,591,208
Adjustment for potential ordinary shares under share-based compensation plans	4,398	5,580
Diluted	1,606,741	1,596,788
EPS ($)		
Basic	1.94	1.98
Diluted	1.93	1.97

14. Share capital and other capital

(a)

	2015		2014	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Ordinary shares				
Balance at 1 January	1,614,544	3,944,232	1,590,494	3,427,638
Issue of shares under scrip dividend scheme	–	–	24,050	516,594
Balance at 31 December	1,614,544	3,944,232	1,614,544	3,944,232
Treasury shares				
Balance at 1 January	(11,857)	(229,610)	(14,069)	(272,446)
Share buyback – held in treasury	(1,740)	(36,658)	–	–
Issue of shares under share-based compensation plans	1,316	25,745	2,212	42,836
Balance at 31 December	(12,281)	(240,523)	(11,857)	(229,610)
Ordinary share capital	1,602,263	3,703,709	1,602,687	3,714,622
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	–	847,441	–	847,441
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	–	498,552	–	498,552
Share capital and other capital of the Bank		5,049,702		5,060,615
Non-cumulative non-convertible guaranteed SPV-A preference shares at 1 January and 31 December	5	831,550	5	831,550
Share capital and other capital of the Group		5,881,252		5,892,165

(b) The ordinary shares have no par value and are fully paid. The holders of ordinary shares (excluding treasury shares) have unrestricted rights to dividends, return of capital and voting.

(c) During the financial year, the Bank issued 1,316,000 (2014: 2,212,000) treasury shares to participants of the share-based compensation plans.

(d) The 4.90% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 23 July 2013. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 23 July 2018 or any distribution payment date thereafter or upon the occurrence of certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4.90% per annum, subject to a reset on 23 July 2018 (and every five years thereafter) to a rate equal to the prevailing five-year SGD SOR plus the initial margin of 3.195%. Distributions are payable semi-annually on 23 January and 23 July of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

The capital securities constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without preference among themselves.

14. Share capital and other capital (continued)

(e) The 4.75% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 19 November 2013. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 19 November 2019 or any distribution payment date thereafter or upon the occurrence of certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4.75% per annum, subject to a reset on 19 November 2019 (and every six years thereafter) to a rate equal to the prevailing six-year SGD SOR plus the initial margin of 2.92%. Distributions are payable semi-annually on 19 May and 19 November of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

The capital securities constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without preference among themselves.

(f) The non-cumulative non-convertible guaranteed SPV-A preference shares of US$0.01 each with liquidation preference of US$100,000 per share were issued on 13 December 2005 by the Bank via its wholly-owned subsidiary, UOB Cayman I Limited. The entire proceeds were used by the subsidiary to subscribe for the US$500 million subordinated note (Note 22b(vi)) issued by the Bank.

The shares are perpetual securities with no maturity date. They are redeemable in whole but not in part, (a) at the discretion of the subsidiary for cash on any dividend payment date on or after 15 March 2016 or (b) at the discretion of the Bank, for cash or for one Class A preference share per SPV-A preference share in the event of certain changes in the tax laws of Singapore or the Cayman Islands, or on any day after 13 December 2010 on the occurrence of certain special events. The SPV-A preference shares will be automatically redeemed upon the occurrence of certain specific events.

The shares are guaranteed by the Bank on a subordinated basis in respect of dividends and redemption payments. In the event any dividend or guaranteed payment with respect to the shares is not paid in full, the Bank and its subsidiaries (other than those carrying on banking business) that have outstanding preference shares or other similar obligations that constitute Tier 1 capital of the Group on an unconsolidated basis are estopped from declaring and paying any dividend or other distributions in respect of their ordinary shares or any other security or obligation of the Group ranking pari passu with or junior to the subordinated guarantee.

Dividends on the shares are payable at the sole discretion of the Bank semi-annually at an annual rate of 5.796% of the liquidation preference from 15 March 2006 to and excluding 15 March 2016. From 15 March 2016, dividends are payable quarterly at a floating rate per annum equal to the three-month LIBOR plus 1.745%.

(g) The perpetual capital securities and SPV-A preference shares qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios.

15. Retained earnings

(a)

	The Group		The Bank	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at 1 January	**14,064,092**	12,002,525	**10,808,566**	9,255,114
Profit for the financial year attributable to equity holders of the Bank	**3,208,899**	3,249,101	**2,679,440**	2,691,211
Remeasurement of defined benefit obligation	**(10,243)**	(4,801)	**–**	–
Transfer from other reserves	**66,957**	95,811	**74,250**	115,062
Reclassification of share-based compensation reserves on expiry	**353**	80	**353**	80
Dividends				
Ordinary shares				
Final dividend of 50 cents one-tier tax-exempt and special dividend of 5 cents one-tier tax-exempt (2014: 50 cents one-tier tax-exempt and special dividend of 5 cents one-tier tax-exempt) per share paid in respect of prior financial year	**(881,227)**	(867,243)	**(881,227)**	(867,243)
Interim dividend of 35 cents one-tier tax-exempt (2014: 20 cents one-tier tax-exempt) per share paid in respect of the financial year	**(560,797)**	(320,258)	**(560,797)**	(320,258)
80th Anniversary dividend of 20 cents one-tier tax-exempt per share accrued in respect of the financial year	**(320,465)**	–	**(320,465)**	–
Semi-annual dividend at 5.796% per annum on non-cumulative non-convertible guaranteed SPV-A preference shares	**(38,975)**	(25,723)	**–**	–
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	**(41,650)**	(41,650)	**(41,650)**	(41,650)
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	**(23,750)**	(23,750)	**(23,750)**	(23,750)
	(1,866,864)	(1,278,624)	**(1,827,889)**	(1,252,901)
Balance at 31 December	**15,463,194**	14,064,092	**11,734,720**	10,808,566

(b) The retained earnings are distributable reserves except for an amount of $528,996,000 (2014: $487,579,000), being the Group's share of revenue reserves of associates and joint ventures which is distributable only upon realisation by way of dividend from or disposal of investment in the associates and joint ventures.

(c) In respect of the financial year ended 31 December 2015, the directors have proposed a final one-tier tax-exempt dividend of 35 cents per ordinary share amounting to a total dividend of $560,792,000. The proposed dividend will be accounted for in Year 2016 financial statements upon approval of the equity holders of the Bank.

16. Other reserves

(a)

	The Group								
	Fair value reserve $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Share of reserves of associates and joint ventures $'000	Others $'000	Total $'000
2015									
Balance at 1 January	1,014,629	(1,097,227)	45,699	3,151,682	3,293,891	3,416,316	77,565	(289,462)	9,613,093
Other comprehensive income for the financial year	222,495	(340,479)	–	–	–	–	14,643	907	(102,434)
Transfers	–	–	–	(74,250)	(2,799,087)	2,807,822	–	(1,442)	(66,957)
Share-based compensation	–	–	39,630	–	–	–	–	–	39,630
Reclassification of share-based compensation reserves on expiry	–	–	(353)	–	–	–	–	–	(353)
Issue of shares under share-based compensation plans	–	–	(23,170)	–	–	–	–	(2,575)	(25,745)
Change in non-controlling interests	42	–	–	–	–	–	–	(33,316)	(33,274)
Balance at 31 December	1,237,166	(1,437,706)	61,806	3,077,432	494,804	6,224,138	92,208	(325,888)	9,423,960
2014									
Balance at 1 January	478,578	(1,199,851)	45,191	3,266,744	3,267,989	3,416,316	51,909	(274,220)	9,052,656
Other comprehensive income for the financial year	536,051	102,624	–	–	–	–	25,656	–	664,331
Transfers	–	–	–	(115,062)	25,902	–	–	(6,651)	(95,811)
Share-based compensation	–	–	33,529	–	–	–	–	–	33,529
Reclassification of share-based compensation reserves on expiry	–	–	(80)	–	–	–	–	–	(80)
Issue of shares under share-based compensation plans	–	–	(32,941)	–	–	–	–	(9,895)	(42,836)
Change in non-controlling interests	–	–	–	–	–	–	–	1,304	1,304
Balance at 31 December	1,014,629	(1,097,227)	45,699	3,151,682	3,293,891	3,416,316	77,565	(289,462)	9,613,093

16. Other reserves (continued)

(a) (continued)

	The Bank							
	Fair value reserve $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Others $'000	Total $'000
2015								
Balance at 1 January	999,137	(67,770)	45,699	3,151,682	2,752,922	2,930,499	(31,683)	9,780,486
Other comprehensive income for the financial year	243,062	8,532	–	–	–	–	–	251,594
Transfers	–	–	–	(74,250)	(2,752,922)	2,752,922	–	(74,250)
Share-based compensation	–	–	39,630	–	–	–	–	39,630
Reclassification of share-based compensation reserves on expiry	–	–	(353)	–	–	–	–	(353)
Issue of shares under share-based compensation plans	–	–	(23,170)	–	–	–	(2,575)	(25,745)
Balance at 31 December	1,242,199	(59,238)	61,806	3,077,432	–	5,683,421	(34,258)	9,971,362
2014								
Balance at 1 January	548,319	(76,236)	45,191	3,266,744	2,752,922	2,930,499	(21,788)	9,445,651
Other comprehensive income for the financial year	450,818	8,466	–	–	–	–	–	459,284
Transfers	–	–	–	(115,062)	–	–	–	(115,062)
Share-based compensation	–	–	33,529	–	–	–	–	33,529
Reclassification of share-based compensation reserves on expiry	–	–	(80)	–	–	–	–	(80)
Issue of shares under share-based compensation plans	–	–	(32,941)	–	–	–	(9,895)	(42,836)
Balance at 31 December	999,137	(67,770)	45,699	3,151,682	2,752,922	2,930,499	(31,683)	9,780,486

(b) Fair value reserve contains cumulative fair value changes of outstanding available-for-sale financial assets.

(c) Foreign currency translation reserve represents differences arising from the use of year end exchange rates versus historical rates in translating the net assets of foreign operations, net of the effective portion of the fair value changes of related hedging instruments.

(d) Share-based compensation reserve reflects the Bank's and the Group's commitments under the share-based compensation plans.

(e) Merger reserve represents the premium on shares issued in connection with the acquisition of Overseas Union Bank Limited.

(f) Statutory reserve is maintained in accordance with the provisions of applicable laws and regulations. This reserve is non-distributable unless otherwise approved by the relevant authorities.

(g) General reserve has not been earmarked for any specific purpose.

(h) Share of reserves of associates and joint ventures comprises the Group's share of associates' and joint ventures' post-acquisition revenue reserve at 1 January 1998 and other reserves, adjusted for goodwill arising from acquisition of associates and joint ventures prior to 1 January 2001. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates and joint ventures.

The Group's share of profit of associates and joint ventures is included in retained earnings with effect from 1 January 1998.

16. Other reserves (continued)

(i) Other reserves include amounts transferred from retained earnings pertaining to gains on sale of investments by certain subsidiaries in accordance with their memorandums and articles of association, bonus shares issued by subsidiaries, gains and losses on issue of treasury shares under the share-based compensation plans, cash flow hedge reserve, as well as the difference between consideration paid and interest acquired from non-controlling interests of subsidiaries.

17. Classification of financial assets and financial liabilities

(a)

	The Group				
	Held for trading $'000	Designated as fair value through profit or loss $'000	Available-for-sale $'000	Loans and receivables/ amortised cost $'000	Total $'000
2015					
Cash, balances and placements with central banks	3,215,243	–	7,081,490	22,008,782	32,305,515
Singapore Government treasury bills and securities	186,243	–	6,678,809	–	6,865,052
Other government treasury bills and securities	3,242,377	–	9,401,351	–	12,643,728
Trading securities	1,276,574	–	–	–	1,276,574
Placements and balances with banks	4,475,059	371,373	733,188	23,066,438	28,646,058
Loans to customers	332,199	–	–	203,278,708	203,610,907
Derivative financial assets	6,422,161	–	–	–	6,422,161
Investment securities					
Debt	–	109,120	6,832,168	370,108	7,311,396
Equity	–	–	3,251,098	–	3,251,098
Other assets	659,316	29,846	4,978	4,341,535	5,035,675
Total financial assets	19,809,172	510,339	33,983,082	253,065,571	307,368,164
Non-financial assets					8,643,041
Total assets					316,011,205
Deposits and balances of banks, customers and subsidiaries	790,171	2,782,365	–	248,938,274	252,510,810
Bills and drafts payable	–	–	–	434,541	434,541
Derivative financial liabilities	5,969,076	–	–	–	5,969,076
Other liabilities	987,156	–	–	3,945,729	4,932,885
Debts issued	–	908,103	–	19,380,185	20,288,288
Total financial liabilities	7,746,403	3,690,468	–	272,698,729	284,135,600
Non-financial liabilities					951,832
Total liabilities					285,087,432

17. Classification of financial assets and financial liabilities (continued)

(a) (continued)

	The Group				
	Held for trading $'000	Designated as fair value through profit or loss $'000	Available-for-sale $'000	Loans and receivables/ amortised cost $'000	Total $'000
2014					
Cash, balances and placements with central banks	789,859	–	10,875,320	23,417,729	35,082,908
Singapore Government treasury bills and securities	234,757	–	7,521,952	–	7,756,709
Other government treasury bills and securities	1,553,900	–	8,587,042	–	10,140,942
Trading securities	738,262	–	–	–	738,262
Placements and balances with banks	1,342,976	131,024	2,842,986	24,375,065	28,692,051
Loans to customers	230,128	–	–	195,672,435	195,902,563
Derivative financial assets	6,305,928	–	–	–	6,305,928
Investment securities					
Debt	–	579,697	7,642,006	173,496	8,395,199
Equity	–	–	3,044,350	–	3,044,350
Other assets	578,797	–	107,032	1,877,602	2,563,431
Total financial assets	11,774,607	710,721	40,620,688	245,516,327	298,622,343
Non-financial assets					8,113,800
Total assets					306,736,143
Deposits and balances of banks, customers and subsidiaries	1,518,454	2,750,963	–	240,706,574	244,975,991
Bills and drafts payable	–	–	–	950,727	950,727
Derivative financial liabilities	6,383,979	–	–	–	6,383,979
Other liabilities	194,938	–	–	2,654,157	2,849,095
Debts issued	–	494,888	–	20,458,415	20,953,303
Total financial liabilities	8,097,371	3,245,851	–	264,769,873	276,113,095
Non-financial liabilities					851,043
Total liabilities					276,964,138

17. Classification of financial assets and financial liabilities (continued)

(a) (continued)

	The Bank				
	Held for trading $'000	Designated as fair value through profit or loss $'000	Available-for-sale $'000	Loans and receivables/ amortised cost $'000	Total $'000
2015					
Cash, balances and placements with central banks	3,007,916	–	6,698,602	14,542,308	24,248,826
Singapore Government treasury bills and securities	186,243	–	6,678,809	–	6,865,052
Other government treasury bills and securities	2,666,408	–	4,601,685	–	7,268,093
Trading securities	1,009,768	–	–	–	1,009,768
Placements and balances with banks	3,643,286	356,314	428,550	19,851,889	24,280,039
Loans to customers	332,199	–	–	157,898,041	158,230,240
Placements with and advances to subsidiaries	1,093,428	–	–	4,850,106	5,943,534
Derivative financial assets	5,695,663	–	–	–	5,695,663
Investment securities					
Debt	–	–	6,150,164	834,667	6,984,831
Equity	–	–	2,872,239	–	2,872,239
Other assets	801,556	–	2,755	2,847,257	3,651,568
Total financial assets	18,436,467	356,314	27,432,804	200,824,268	247,049,853
Non-financial assets					11,936,809
Total assets					258,986,662
Deposits and balances of banks, customers and subsidiaries	791,463	2,045,715	–	200,490,932	203,328,110
Bills and drafts payable	–	–	–	236,649	236,649
Derivative financial liabilities	5,427,808	–	–	–	5,427,808
Other liabilities	876,144	–	–	1,551,046	2,427,190
Debts issued	–	908,103	–	19,302,537	20,210,640
Total financial liabilities	7,095,415	2,953,818	–	221,581,164	231,630,397
Non-financial liabilities					600,481
Total liabilities					232,230,878

17. Classification of financial assets and financial liabilities (continued)

(a) (continued)

	The Bank				
	Held for trading $'000	Designated as fair value through profit or loss $'000	Available-for-sale $'000	Loans and receivables/ amortised cost $'000	Total $'000
2014					
Cash, balances and placements with central banks	268,965	–	9,195,840	15,342,564	24,807,369
Singapore Government treasury bills and securities	234,756	–	7,393,072	–	7,627,828
Other government treasury bills and securities	205,919	–	3,776,222	–	3,982,141
Trading securities	738,262	–	–	–	738,262
Placements and balances with banks	1,276,083	51,049	1,515,460	21,489,979	24,332,571
Loans to customers	230,128	–	–	149,299,525	149,529,653
Placements with and advances to subsidiaries	38,577	–	–	7,688,404	7,726,981
Derivative financial assets	5,710,358	–	–	–	5,710,358
Investment securities					
Debt	–	348,877	6,655,942	649,084	7,653,903
Equity	–	–	2,640,443	–	2,640,443
Other assets	756,379	–	4,661	714,322	1,475,362
Total financial assets	9,459,427	399,926	31,181,640	195,183,878	236,224,871
Non-financial assets					11,153,171
Total assets					247,378,042
Deposits and balances of banks, customers and subsidiaries	1,518,991	1,597,450	–	189,439,342	192,555,783
Bills and drafts payable	–	–	–	190,704	190,704
Derivative financial liabilities	5,928,255	–	–	–	5,928,255
Other liabilities	245,890	–	–	1,067,481	1,313,371
Debts issued	–	494,888	–	20,643,657	21,138,545
Total financial liabilities	7,693,136	2,092,338	–	211,341,184	221,126,658
Non-financial liabilities					601,717
Total liabilities					221,728,375

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 37a.

(c) For the financial instruments designated as fair value through profit or loss, the amounts payable at maturity are as follows:

	The Group		The Bank	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Financial liabilities				
Deposits and balances of banks, customers and subsidiaries	**2,846,757**	2,774,509	**2,105,444**	1,606,736
Debts issued	**875,191**	475,154	**875,191**	475,154
	3,721,948	3,249,663	**2,980,635**	2,081,890

18. Fair values of the financial instruments

(a) The valuation process adopted by the Group is governed by the valuation, market data, and reserves policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation process incorporating the market rates, the methodologies and models, including the analysis of the valuation are regularly reviewed by Group Market Risk Control (MRC) within Group Risk Management. Further independent assurances are provided by internal auditors.

The rates and parameters utilised for valuation purposes are independently verified by the MRC. The market rates and parameters verification involves checks against available market providers or sources. These are applicable to products or instruments with liquid market or those traded within an exchange. Where market prices are not liquid, MRC will utilise additional techniques such as historical estimation or available proxy market rates and parameters to provide an additional layer of reasonableness checks. Where products or instruments are complex, the Group utilises approved valuation models. All valuation models are independently validated by Group Risk Analytics Division (RAD) within Group Risk Management.

In instances where unobservable inputs are used in the valuation models that are classified under Level 3 of the fair value hierarchy, apart from utilising market proxy instruments or prices, MRC may utilise available valuation techniques such as cash flow, profit and loss or net asset value in financial statements as a reasonableness check.

The valuation process is supplemented by valuation reserves to adjust for valuation uncertainties. MRC proposes the valuation reserve methodologies and adjustments which are rigorously discussed at the Market Risk Models & Reserves Working Group. This working group provides the support to Group Asset and Liability Committee (ALCO) for matters relating to model validation issues and valuation reserves.

The valuation adjustments or reserves set aside include bid/offer rate adjustments for long or short positions, illiquidity adjustments for less liquid instruments or where proxies are utilised, concentration adjustments for larger positions, model or parameter adjustments where complex models or estimated parameters are utilised, and other adjustments such as day 1 profit or loss for transactions that are longer term.

For financial instruments carried at cost or amortised cost, their fair values are determined as follows:

- For cash, balances, placements and deposits of central banks, banks and subsidiaries, deposits of customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts;

- For loans and deposits of customers, non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes or using discounted cash flow method; and

- For subordinated notes issued, fair values are determined based on quoted market prices.

Except for the following items, fair values of the financial instruments carried at cost or amortised cost were assessed to be not materially different from their carrying amounts.

	The Group		The Bank	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
2015				
Investment debt securities	**370,108**	**369,722**	**834,667**	**834,281**
Debts issued	**19,380,185**	**19,511,918**	**19,302,537**	**19,431,685**
2014				
Investment debt securities	173,496	170,677	649,084	646,264
Debts issued	20,458,415	20,560,845	20,643,657	20,746,069

18. Fair values of the financial instruments (continued)

(b) The Group classified financial instruments carried at fair value by level of the following fair value measurement hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical financial instruments
- Level 2 – Inputs other than quoted prices that are observable either directly or indirectly
- Level 3 – Inputs that are not based on observable market data

	The Group					
	2015			2014		
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash, balances and placements with central banks	–	10,296,733	–	–	11,665,179	–
Singapore Government treasury bills and securities	6,865,052	–	–	7,756,709	–	–
Other government treasury bills and securities	12,643,728	–	–	10,140,942	–	–
Trading securities	1,128,147	–	148,427	738,262	–	–
Placements and balances with banks	–	5,579,620	–	–	4,316,986	–
Loans to customers	–	332,199	–	–	230,128	–
Derivative financial assets	12,567	6,228,247	181,347	12,496	6,094,346	199,086
Investment securities						
Debt	6,124,975	504,261	312,052	6,830,538	1,390,259	906
Equity	851,537	–	2,399,561	973,312	–	2,071,038
Other assets	677,718	16,422	–	685,829	–	–
	28,303,724	22,957,482	3,041,387	27,138,088	23,696,898	2,271,030
Total financial assets carried at fair value			54,302,593			53,106,016
Deposits and balances of banks, customers and subsidiaries	–	3,572,536	–	–	4,269,417	–
Derivative financial liabilities	97,758	5,689,971	181,347	11,209	6,173,684	199,086
Other liabilities	305,924	681,232	–	194,938	–	–
Debts issued	–	908,103	–	–	494,888	–
	403,682	10,851,842	181,347	206,147	10,937,989	199,086
Total financial liabilities carried at fair value			11,436,871			11,343,222

18. Fair values of the financial instruments (continued)

(b) (continued)

	The Bank					
	2015			2014		
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash, balances and placements with central banks	–	9,706,518	–	–	9,464,805	–
Singapore Government treasury bills and securities	6,865,052	–	–	7,627,828	–	–
Other government treasury bills and securities	7,268,093	–	–	3,982,141	–	–
Trading securities	1,009,768	–	–	738,262	–	–
Placements and balances with banks	–	4,428,150	–	–	2,842,592	–
Loans to customers	–	332,199	–	–	230,128	–
Placements with and advances to subsidiaries	1,093,428	–	–	38,577	–	–
Derivative financial assets	27,784	5,486,532	181,347	5,567	5,505,705	199,086
Investment securities						
Debt	5,352,448	491,421	306,295	5,649,002	1,354,911	906
Equity	701,532	–	2,170,707	818,934	–	1,821,509
Other assets	801,879	2,432	–	761,040	–	–
	23,119,984	20,447,252	2,658,349	19,621,351	19,398,141	2,021,501
Total financial assets carried at fair value			46,225,585			41,040,993
Deposits and balances of banks, customers and subsidiaries	–	2,837,178	–	–	3,116,441	–
Derivative financial liabilities	97,567	5,148,894	181,347	5,195	5,723,974	199,086
Other liabilities	305,883	570,261	–	194,847	51,043	–
Debts issued	–	908,103	–	–	494,888	–
	403,450	9,464,436	181,347	200,042	9,386,346	199,086
Total financial liabilities carried at fair value			10,049,233			9,785,474

18. Fair values of the financial instruments (continued)

(c) The following table presents the changes in Level 3 instruments for the financial year ended:

	The Group							
		Fair value gains or (losses)						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in $'000	Balance at 31 December $'000	Unrealised gains included in income statement $'000
2015								
Assets								
Trading securities	–	–	–	148,427	–	–	148,427	–
Derivative financial assets	199,086	(17,739)	–	–	–	–	181,347	(17,739)
Investment securities-debt	906	–	(3,632)	102,250	(906)	213,434	312,052	–
Investment securities-equity	2,071,038	(102,149)	467,114	359,586	(396,028)	–	2,399,561	–
Liabilities								
Derivative financial liabilities	199,086	(17,739)	–	–	–	–	181,347	(17,739)
2014								
Assets								
Derivative financial assets	168,223	30,863	–	–	–	–	199,086	30,863
Investment securities-debt	2,002	–	(73)	904	(1,927)	–	906	–
Investment securities-equity	92,005	12,504	318,867	17,275	(63,064)	1,693,451	2,071,038	–
Liabilities								
Derivative financial liabilities	168,223	30,863	–	–	–	–	199,086	30,863

18. Fair values of the financial instruments (continued)

(c) (continued)

	The Bank							
		Fair value gains or (losses)						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in $'000	Balance at 31 December $'000	Unrealised gains included in income statement $'000
2015								
Assets								
Derivative financial assets	199,086	(17,739)	–	–	–	–	181,347	(17,739)
Investment securities-debt	906	–	(3,640)	96,500	(906)	213,435	306,295	–
Investment securities-equity	1,821,509	(67,516)	478,715	311,937	(373,938)	–	2,170,707	–
Liabilities								
Derivative financial liabilities	199,086	(17,739)	–	–	–	–	181,347	(17,739)
2014								
Assets								
Derivative financial assets	168,223	30,863	–	–	–	–	199,086	30,863
Investment securities-debt	2,002	–	(73)	904	(1,927)	–	906	–
Investment securities-equity	60,963	12,580	264,157	12,708	(58,779)	1,529,880	1,821,509	–
Liabilities								
Derivative financial liabilities	168,223	30,863	–	–	–	–	199,086	30,863

Financial assets transferred from Level 2 to Level 3 relate primarily to corporate securities as liquidity for these securities reduced significantly over the year.

18. Fair values of the financial instruments (continued)

(d) Effect of changes in significant unobservable inputs to reflect reasonably possible alternatives.
As at 31 December 2015, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted equity investments and funds, unquoted debt securities, and long dated equity derivatives, summarised as follows:

	Classification	Valuation technique	Unobservable inputs
2015			
Assets			
Trading securities	FVPL [1]	Net Asset Value and comparatives	Financial ratios multiples
Derivative financial assets	FVPL [1]	Option Pricing Model	Standard deviation
Investment securities-debt	AFS [2]	Discounted Cash Flow	Credit spreads
Investment securities-equity	AFS [2]	Multiples and Net Asset Value	Net asset value, earnings and financial ratios multiples
Liabilities			
Derivative financial liabilities	FVPL [1]	Option Pricing Model	Standard deviation

1 Financial instruments classified as fair value through profit or loss.

2 Financial instruments classified as available-for-sale.

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised into Level 3 because of a single unobservable input.

In estimating significance, the Group performed sensitivity analyses based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques.

The movement in fair value arising from reasonably possible changes to the significant unobservable input is assessed as not significant.

19. Deposits and balances of customers

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Fixed deposits	125,485,520	129,787,002	94,289,545	94,341,385
Savings deposits	55,966,078	51,654,000	45,020,974	41,246,101
Current accounts	51,221,174	45,481,692	44,346,319	38,691,177
Others	7,851,701	6,826,950	6,721,038	4,844,226
	240,524,473	233,749,644	190,377,876	179,122,889

20. Other liabilities

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Accrued interest payable	699,525	552,135	386,526	276,164
Accrued operating expenses	714,535	648,304	395,505	351,195
Sundry creditors	2,930,517	1,419,410	1,184,912	451,510
Others	917,876	537,874	613,215	393,316
	5,262,453	3,157,723	2,580,158	1,472,185

21. Deferred tax

Deferred tax comprises the following:

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deferred tax liabilities on:				
Unrealised gain on available-for-sale financial assets	97,403	97,677	81,144	76,143
Accelerated tax depreciation	100,877	88,223	90,754	78,902
Fair value of depreciable assets acquired in business combination	27,527	28,045	27,527	28,045
Others	73,376	71,245	734	808
	299,183	285,190	200,159	183,898
Amount offset against deferred tax assets	(107,597)	(124,701)	(99,063)	(100,710)
	191,586	160,489	101,096	83,188
Deferred tax assets on:				
Unrealised loss on available-for-sale financial assets	–	614	–	297
Allowance for impairment	155,399	155,377	112,137	115,030
Tax losses	15,653	49,719	15,178	48,050
Unrealised loss on financial instruments fair value through profit or loss	68,947	70,803	(754)	4,289
Others	94,633	79,824	38,355	34,780
	334,632	356,337	164,916	202,446
Amount offset against deferred tax liabilities	(107,597)	(124,701)	(99,063)	(100,710)
	227,035	231,636	65,853	101,736
Net deferred tax assets/(liabilities)	35,449	71,147	(35,243)	18,548

Movements in the deferred tax during the financial year are as follows:

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at 1 January	71,147	201,325	18,548	66,396
Currency translation adjustments	(2,959)	(3,115)	(2,419)	(3,356)
Charge to income statement	(33,018)	(103,190)	(46,066)	(32,711)
Charge to equity	279	(23,873)	(5,306)	(11,781)
Balance at 31 December	35,449	71,147	(35,243)	18,548

The Group has not recognised deferred tax assets in respect of tax losses of $27,111,000 (2014: $23,353,000) which can be carried forward to offset against future taxable income, subject to meeting certain statutory requirements of the relevant tax authorities. These tax losses have no expiry date except for an amount of $1,602,000 (2014: $334,000) which will expire between the years 2017 and 2018 (2014: 2017 and 2034).

22. Debts issued

(a)

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Subordinated notes				
S$1 billion 3.45% subordinated notes due 2021 callable in 2016	1,000,531	1,012,708	1,000,531	1,012,708
S$1.2 billion 3.15% subordinated notes due 2022 callable in 2017	1,180,456	1,187,170	1,180,456	1,187,170
S$500 million 3.50% subordinated notes due 2026 callable in 2020	484,657	495,315	484,657	495,315
US$800 million 3.75% subordinated notes due 2024 callable in 2019	1,137,721	1,058,346	1,137,721	1,058,346
US$500 million 2.875% subordinated notes due 2022 callable in 2017	701,930	651,687	701,930	651,687
US$500 million 5.796% subordinated notes due 2055 callable in 2016	–	–	706,950	660,700
RM500 million 4.88% subordinated notes due 2020 callable with step-up in 2015	–	189,003	–	–
RM1 billion 4.65% subordinated notes due 2025 callable in 2020	329,222	–	–	–
IDR433 billion 11.35% subordinated notes due 2021	43,800	45,320	–	–
	4,878,317	4,639,549	5,212,245	5,065,926
Of which, fair value hedge (gain)/loss	(21,611)	(765)	(21,522)	(765)
Other debts issued				
Credit-linked notes	–	74,725	–	74,725
Interest rate-linked notes	984,453	559,835	984,453	559,835
Equity-linked notes	939,562	962,905	939,562	962,905
Floating rate notes	1,326,010	2,031,646	1,326,010	2,031,646
Fixed rate notes	2,459,141	2,179,156	2,071,072	1,938,021
Commercial papers	9,665,511	10,502,137	9,665,511	10,502,137
Others	35,294	3,350	11,787	3,350
	15,409,971	16,313,754	14,998,395	16,072,619
Of which, fair value hedge (gain)/loss	15,056	11,333	15,056	11,333
Total debts issued	20,288,288	20,953,303	20,210,640	21,138,545

22. Debts issued (continued)

(b) Subordinated notes

(i) The S$1 billion 3.45% subordinated notes were issued by the Bank at par on 1 April 2011 and will mature on 1 April 2021. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 1 April 2016 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 3.45% per annum up to and including 31 March 2016. From and including 1 April 2016, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year Singapore Dollar Interest Rate Swap Offer Rate on 1 April 2016 plus 1.475%.

(ii) The S$1.2 billion 3.15% subordinated notes were issued by the Bank at par on 11 July 2012 and will mature on 11 July 2022. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 11 July 2017 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 3.15% per annum up to and including 10 July 2017. From and including 11 July 2017, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year Singapore Dollar Interest Rate Swap Offer Rate on 11 July 2017 plus 2.115%.

(iii) The S$500 million 3.50% subordinated notes were issued by the Bank at par on 22 May 2014 and will mature on 22 May 2026. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 22 May 2020, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 22 May 2020. From and including 22 May 2020, the interest rate shall be reset to a fixed rate equal to the prevailing Singapore 6-year Swap Offer Rate on 22 May 2020 plus 1.607%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(iv) The US$800 million 3.75% subordinated notes were issued by the Bank at 99.357 on 19 March 2014 and will mature on 19 September 2024. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 19 September 2019, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.75% per annum up to but excluding 19 September 2019. From and including 19 September 2019, the interest rate shall be reset to a fixed rate equal to the prevailing United States Dollar 5-year Mid Swap Rate on 19 September 2019 plus 1.995%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(v) The US$500 million 2.875% subordinated notes were issued by the Bank at 99.575 on 17 October 2012 and will mature on 17 October 2022. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 17 October 2017 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 2.875% per annum up to and excluding 17 October 2017. From and including 17 October 2017, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year U.S. Treasury Rate on 17 October 2017 plus initial spread of 2.30%.

(vi) The US$500 million 5.796% subordinated note was issued by the Bank at par to UOB Cayman I Limited on 13 December 2005. It matures on 13 December 2055 which is subject to extension. The note may be redeemed, in whole but not in part, at the option of the Bank, on 15 March 2016 or any interest payment date thereafter, subject to the approval of MAS and certain other conditions. Interest is payable semi-annually at 5.796% per annum beginning 15 March 2006. From and including 15 March 2016, interest is payable quarterly at a floating rate per annum equal to the three-month LIBOR plus 1.745%.

22. Debts issued (continued)

(b) Subordinated notes (continued)

The S$ and US$ subordinated notes issued by the Bank are unsecured obligations with the US$500 million 5.796% subordinated note ranking junior to all other S$ and US$ subordinated notes. All other liabilities of the Bank outstanding at the balance sheet date rank senior to all S$ and US$ subordinated notes. Except for the US$500 million 5.796% subordinated note, the S$ and US$ subordinated notes qualify for Tier 2 capital.

(vii) The RM1 billion 4.65% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd (UOBM) on 8 May 2015 and will mature on 8 May 2025. The notes may be redeemed at par at the option of UOBM, in whole but not in part, on 8 May 2020 or at any interest payment date thereafter. Interest is payable semi-annually at 4.65% per annum beginning 9 November 2015.

(viii) The IDR433 billion 11.35% subordinated notes were issued by PT Bank UOB Indonesia on 28 May 2014 and will mature on 28 May 2021. Interest is payable quarterly at a fixed rate of 11.35% per annum beginning 28 August 2014.

(c) Other debts issued

(i) The interest rate-linked notes, with embedded interest rate derivatives, were issued at par with maturities ranging from 17 October 2023 to 6 July 2045. The periodic payouts and redemptions of the notes are linked to the interest rate indices.

(ii) The equity-linked notes, with embedded equity derivatives, were issued at par with maturities ranging from 4 January 2016 to 22 September 2017. The periodic payments and payouts of the notes at maturity are linked to the closing value of certain underlying equities or equity indices.

(iii) The floating rate notes comprise mainly notes issued at par with maturities ranging from 22 June 2016 to 2 September 2020. Interest is payable quarterly at a floating rate.

(iv) The fixed rate notes comprise mainly notes issued by the Bank with maturities ranging from 24 June 2016 to 18 March 2020. Interest is payable semi-annually and quarterly at a fixed rate ranged from 2.2% to 2.5% per annum.

(v) The commercial papers were issued by the Bank with maturities ranging from 4 January 2016 to 6 April 2016. Interest rates of the papers ranged from 0.34% to 0.72% per annum (2014: 0.17% to 0.31% per annum).

(vi) Others comprise mainly foreign exchange-linked notes issued by the Bank with maturities ranging from 18 January 2016 to 22 May 2018.

23. Cash, balances and placements with central banks

	The Group		The Bank	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash on hand	**1,762,169**	1,526,271	**1,472,083**	1,185,177
Balances with central banks				
Restricted balances	**5,077,651**	5,378,590	**3,518,466**	3,429,404
Non-restricted balances	**25,465,695**	28,178,047	**19,258,277**	20,192,788
	32,305,515	35,082,908	**24,248,826**	24,807,369

24. Trading securities

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Quoted securities				
Debt	701,080	678,682	582,701	678,682
Equity	40,757	45,275	40,757	45,275
Unquoted securities				
Debt	386,310	14,305	386,310	14,305
Equity	148,427	–	–	–
	1,276,574	738,262	1,009,768	738,262

25. Loans to customers

(a)

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Loans to customers (gross)	207,370,928	199,342,620	160,930,679	151,945,533
Specific allowances (Note 25d)	(773,143)	(656,977)	(493,600)	(374,437)
General allowances (Note 25d)	(2,986,878)	(2,783,080)	(2,206,839)	(2,041,443)
Loans to customers (net)	203,610,907	195,902,563	158,230,240	149,529,653
Comprising:				
Trade bills	2,210,033	2,861,326	467,406	896,803
Advances to customers	201,400,874	193,041,237	157,762,834	148,632,850
	203,610,907	195,902,563	158,230,240	149,529,653

(b) Gross loans to customers analysed by industry

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Transport, storage and communication	10,018,888	10,014,207	8,781,547	8,559,673
Building and construction	45,210,695	38,671,909	39,590,701	33,316,438
Manufacturing	15,803,499	17,138,603	9,222,510	10,465,496
Financial institutions	14,281,925	16,039,282	12,646,080	13,742,523
General commerce	28,302,469	27,118,835	20,792,664	19,116,404
Professionals and private individuals	25,949,643	26,007,428	18,201,657	18,293,684
Housing loans	56,385,159	54,711,159	41,962,230	40,442,405
Others	11,418,650	9,641,197	9,733,290	8,008,910
	207,370,928	199,342,620	160,930,679	151,945,533

25. Loans to customers (continued)

(c) Gross loans to customers analysed by currency

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Singapore dollar	108,323,053	106,784,698	108,006,885	106,451,643
US dollar	35,953,348	33,471,284	32,367,774	29,769,476
Malaysian ringgit	22,375,222	24,364,127	–	–
Thai baht	10,934,725	10,154,988	170	351
Indonesian rupiah	5,156,845	4,776,767	–	–
Others	24,627,735	19,790,756	20,555,850	15,724,063
	207,370,928	199,342,620	160,930,679	151,945,533

(d) Movements of allowances for impairment on loans

	2015		2014	
	Specific allowances $'000	General allowances $'000	Specific allowances $'000	General allowances $'000
The Group				
Balance at 1 January	656,977	2,783,080	797,853	2,322,893
Currency translation adjustments	(6,294)	(60,066)	8,972	1,098
Write-off/disposal	(155,727)	–	(322,960)	–
Reclassification	–	–	(983)	71,027
Net charge to income statement	278,187	263,864	174,095	388,062
Balance at 31 December	773,143	2,986,878	656,977	2,783,080
The Bank				
Balance at 1 January	374,437	2,041,443	529,592	1,686,101
Currency translation adjustments	11,035	848	3,772	351
Write-off/disposal	(21,768)	–	(230,870)	–
Reclassification	–	–	–	70,000
Net charge to income statement	129,896	164,548	71,943	284,991
Balance at 31 December	493,600	2,206,839	374,437	2,041,443

26. Financial assets transferred

The Group transfers financial assets to third parties in the ordinary course of business. Transferred assets, where the Group retains substantially all the risks and rewards of the transferred assets, continue to be recognised on the Group's balance sheet.

(a) Assets pledged or transferred

Assets transferred under repurchase agreements are conducted under terms and conditions that are usual market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them. Assets pledged or transferred are summarised in the table below:

	The Group		The Bank	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Assets pledged and transferred				
Singapore Government treasury bills and securities	**123,025**	673,269	**123,025**	673,269
Other government treasury bills and securities	**931,616**	632,293	**463,220**	510,445
Placements and balances with banks				
Negotiable certificates of deposit	**11,356**	523,449	**11,356**	523,449
Bankers' acceptances	**–**	27,094	**–**	27,094
Investment securities	**86,202**	79,113	**86,202**	79,113
	1,152,199	1,935,218	**683,803**	1,813,370

The amount of the associated liabilities approximates the carrying amount of the assets pledged.

(b) Collateral received

For reverse repurchase agreements (reverse repo) where the Group receives assets as collateral is as follows:

	The Group		The Bank	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Assets received for reverse repo transactions, at fair value	**5,757,701**	3,179,044	**3,315,153**	2,469,795
Of which, sold or repledged	**392,734**	63,161	**392,734**	63,161

26. Financial assets transferred (continued)

(c) Repo and reverse repo transactions subject to netting agreements

The Bank and the Group enter into global master repurchase agreements with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Bank and the Group to settle outstanding amounts with the counterparty on a net basis in the event of default. These agreements also allow the Bank and the Group to further reduce its credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when pre-established thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

The table below shows the Bank's and the Group's repo and reverse repo transactions that are not offset in the balance sheet but are subject to enforceable netting agreements:

	2015		2014	
	Reverse repo $'000	**Repo $'000**	Reverse repo $'000	Repo $'000
The Group				
Gross/net carrying amount on the balance sheet [1]	**5,443,392**	**1,525,531**	3,076,500	1,859,436
Amount not subject to netting agreements	**–**	**–**	–	–
Amount subject to netting agreements	**5,443,392**	**1,525,531**	3,076,500	1,859,436
Amount nettable [2]	**(262,355)**	**(262,355)**	(555,426)	(555,426)
Financial collateral	**(3,525,967)**	**(1,006,080)**	(2,516,957)	(1,303,478)
Net amounts	**1,655,070**	**257,096**	4,117	532
The Bank				
Gross/net carrying amount on the balance sheet [1]	**3,006,688**	**1,063,241**	2,369,912	1,738,868
Amount not subject to netting agreements	**–**	**–**	–	–
Amount subject to netting agreements	**3,006,688**	**1,063,241**	2,369,912	1,738,868
Amount nettable [2]	**(262,355)**	**(262,355)**	(555,439)	(555,439)
Financial collateral	**(2,730,671)**	**(543,790)**	(1,810,368)	(1,182,923)
Net amounts	**13,662**	**257,096**	4,105	506

1 There was no amount that met the offsetting criteria as at the balance sheet date.
The gross/net carrying amount of reverse repo is presented under "Cash, balances and placements with central banks", "Placements and balances with banks", and "Loans to customers" while repo is under "Deposits and balances of Banks and Customers" on the balance sheet.

2 Amount that could be netted under the netting agreements.

Notes to the Financial Statements
for the financial year ended 31 December 2015

27. Investment securities

(a)

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Quoted securities				
Debt	5,989,852	6,411,242	5,533,198	5,849,179
Equity	894,367	1,022,769	731,156	849,317
Unquoted securities				
Debt	1,462,282	2,158,720	1,579,212	1,964,378
Equity	2,453,822	2,130,274	2,214,678	1,868,805
Allowance for impairment (Note 31)	(237,829)	(283,456)	(201,174)	(237,333)
	10,562,494	11,439,549	9,857,070	10,294,346

(b) Investment securities analysed by industry

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Transport, storage and communication	1,010,440	794,124	999,756	782,013
Building and construction	560,442	282,339	499,642	210,784
Manufacturing	1,469,108	1,175,105	1,429,307	1,146,771
Financial institutions	4,147,070	5,340,325	3,704,918	4,744,712
General commerce	773,097	609,651	664,195	488,104
Others	2,602,337	3,238,005	2,559,252	2,921,962
	10,562,494	11,439,549	9,857,070	10,294,346

28. Other assets

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Interest receivable	822,664	808,701	562,069	523,483
Sundry debtors	3,082,514	770,400	2,048,073	47,068
Foreclosed properties	91,927	128,513	–	–
Others	1,622,419	1,272,461	1,090,430	909,656
Allowance for impairment (Note 31)	(264,671)	(261,636)	(14,685)	(14,775)
	5,354,853	2,718,439	3,685,887	1,465,432

29. Investment in associates and joint ventures

(a)

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Material associates:				
UOB-Kay Hian Holdings Limited	**534,236**	491,723	**66,889**	51,763
Network for Electronic Transfers (Singapore) Pte Ltd	**63,314**	54,819	**7,399**	7,399
	597,550	546,542	**74,288**	59,162
Other associates/joint ventures	**526,575**	647,894	**369,393**	485,496
	1,124,125	1,194,436	**443,681**	544,658
Allowance for impairment (Note 31)	**(18,179)**	(4,987)	**(36,675)**	(21,520)
	1,105,946	1,189,449	**407,006**	523,138
Market value of quoted equity securities at 31 December	**440,271**	456,824	**440,271**	456,824

			Effective equity interest of the Group	
Name of associate	**Principal activities**	**Country of Incorporation**	**2015 %**	**2014 %**
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	**41**	40
Unquoted				
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	**33**	33

(b) Aggregate information about the Group's investments in associates that are not individually material are as follows:

	The Group	
	2015	2014
	$'000	$'000
Profit for the financial year	**28,764**	120,002
Other comprehensive income	**1,684**	23,717
Total comprehensive income	**30,448**	143,719

29. Investment in associates and joint ventures (continued)

(c) The summarised financial information in respect of UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised statements of comprehensive income

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operating income	382,466	408,897	155,543	147,890
Profit for the financial year	77,364	73,318	28,698	23,243
Other comprehensive income	26,400	4,149	5,237	43
Total comprehensive income	103,764	77,467	33,935	23,286

Summarised balance sheets

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current assets	3,583,780	2,438,234	339,901	311,511
Non-current assets	284,482	173,270	53,953	43,526
Total assets	3,868,262	2,611,504	393,854	355,037
Current liabilities	2,550,026	1,389,110	196,486	180,969
Non-current liabilities	2,022	3,185	7,426	9,611
Total liabilities	2,552,048	1,392,295	203,912	190,580
Net assets	1,316,214	1,219,209	189,942	164,457
Proportion of the Group's ownership	41%	40%	33%	33%
Group's share of net assets	534,153	491,659	63,314	54,819
Other adjustments	83	64	–	–
Carrying amount of the investment	534,236	491,723	63,314	54,819

Dividends of $15,127,000 (2014: $18,847,000) and $2,817,000 (2014: $5,775,000) were received from UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd respectively.

30. Investment in subsidiaries

(a)

	The Bank	
	2015 $'000	2014 $'000
Quoted equity securities	**45,024**	45,024
Unquoted equity securities	**6,150,641**	5,249,508
	6,195,665	5,294,532
Allowance for impairment (Note 31)	**(354,614)**	(313,794)
	5,841,051	4,980,738
Market value of quoted equity securities at 31 December	**166,397**	163,183

(b) Major subsidiaries of the Group as at the balance sheet date are as follows:

Name of subsidiary	Country of incorporation	Effective equity interest of the Group 2015 %	2014 %
Commercial Banking			
Far Eastern Bank Limited [1]	Singapore	**100**	79
United Overseas Bank (Malaysia) Bhd	Malaysia	**100**	100
United Overseas Bank (Thai) Public Company Limited	Thailand	**99.7**	99.7
PT Bank UOB Indonesia	Indonesia	**99**	99
United Overseas Bank (China) Limited	China	**100**	100
United Overseas Bank Philippines	Philippines	**100**	100
Money Market			
UOB Australia Limited	Australia	**100**	100
Insurance			
United Overseas Insurance Limited	Singapore	**58**	58
Investment			
UOB Capital Investments Pte Ltd	Singapore	**100**	100
UOB Capital Management Pte Ltd	Singapore	**100**	100
UOB International Investment Private Limited	Singapore	**100**	100
UOB Property Investments Pte. Ltd.	Singapore	**100**	100
UOB Property Investments China Pte Ltd	Singapore	**100**	100
UOB Venture Management (Shanghai) Co., Ltd [2]	China	**100**	100
UOB Holdings (USA) Inc. [3]	United States	**100**	100

Notes to the Financial Statements

for the financial year ended 31 December 2015

30. Investment in subsidiaries (continued)

(b) (continued)

Name of subsidiary	Country of incorporation	Effective equity interest of the Group 2015 %	2014 %
Investment Management			
UOB Asset Management Ltd	Singapore	100	100
UOB Asset Management (Malaysia) Berhad	Malaysia	70	70
UOB Asset Management (Thailand) Co., Ltd.	Thailand	100	100
UOB Venture Management Private Limited	Singapore	100	100
UOB Investment Advisor (Taiwan) Ltd	Taiwan	100	100
UOB Global Capital LLC [2]	United States	70	70
UOB Asia Investment Partners Pte Ltd	Singapore	100	100
Bullion, Brokerage and Clearing			
UOB Bullion and Futures Limited	Singapore	100	100
Property			
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100
PT UOB Property	Indonesia	100	100
UOB Realty (USA) Ltd Partnership [3]	United States	100	100
Travel			
UOB Travel Planners Pte Ltd	Singapore	100	100

Notes:

1 On 20 April 2015, the Bank declared the voluntary conditional cash offer to acquire FEB shares became unconditional. On 23 June 2015, the Bank exercised its right of Compulsory Acquisition under Section 215(1) and 215(3) of the Companies Act to purchase the remaining FEB shares held by minority shareholders. The Bank paid $3.51 for each share or total consideration of $74 million for the additional 21.12% stake in FEB. The Bank increased its shareholding in FEB from 78.88% to 100% at that point and FEB became a wholly-owned subsidiary of the Bank. Equity attributable to non-controlling interest decreased $41 million accordingly.

Except as indicated, all subsidiaries incorporated in Singapore are audited by Ernst & Young LLP, Singapore and those incorporated in overseas are audited by member firms of Ernst & Young Global Limited.

2 Audited by other auditors.

3 Not required to be audited.

30. Investment in subsidiaries (continued)

(c) Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
2015					
United Overseas Insurance Limited	Singapore	**42**	**9,311**	**129,628**	**4,326**
2014					
United Overseas Insurance Limited	Singapore	42	12,633	126,004	4,326
Far Eastern Bank Limited	Singapore	21	401	41,167	423

(d) Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statements of comprehensive income

	United Overseas Insurance Limited		Far Eastern Bank Limited
	2015 $'000	2014 $'000	2014 $'000
Operating income	**44,813**	49,571	12,429
Profit before tax	**26,572**	35,579	2,272
Tax	**4,195**	5,220	375
Profit for the financial year	**22,377**	30,359	1,897
Other comprehensive income	**(3,271)**	7,619	(85)
Total comprehensive income	**19,106**	37,978	1,812

Summarised balance sheets

	United Overseas Insurance Limited		Far Eastern Bank Limited
	2015 $'000	2014 $'000	2014 $'000
Total assets	**558,633**	576,748	1,012,755
Total liabilities	**247,114**	273,939	817,873
Net assets	**311,519**	302,809	194,882

30. Investment in subsidiaries (continued)

(d) (continued)

Other summarised information

	United Overseas Insurance Limited		Far Eastern Bank Limited
	2015 $'000	2014 $'000	2014 $'000
Net cash flows from operations	5,098	3,293	1,266
Acquisition of property, plant and equipment	98	175	–

(e) Consolidated structured entities
On 23 November 2015, the Group announced a US$8 billion Global Covered Bond Programme (the Programme) to augment its funding programmes. Under the Programme, the Company may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor (the CBG), Glacier Eighty Pte. Ltd. The Covered Bonds issued under the Programme will be backed by a portfolio of Singapore home loans transferred by the Company to the CBG.

No issuance has been made as at 31 December 2015.

(f) Interests in unconsolidated structured entities
As at 31 December 2015, the Group had interests in certain investment funds where the Group was the fund manager and the investors had no or limited removal rights over the fund manager. These funds were primarily financed by the investors. The Group's maximum exposure to loss approximates the carrying amount of the Group's investment in the funds. The table below summarises the Group's involvement in the funds.

	The Group	
	2015 $'000	2014 $'000
Assets under management *	11,228,792	11,207,464
Investment in funds	357,197	57,373
Fee income	105,539	106,596
Investment income	81,352	3,100

* Based on the latest available financial reports of the structured entities.

31. Movements of allowance for impairment on investments and other assets

	Investments		Other assets	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
The Group				
Balance at 1 January	**288,443**	477,453	**261,636**	287,264
Currency translation adjustments	**(1,819)**	2,816	**(2,819)**	5,793
Write-off/disposal	**(31,400)**	(143,547)	**(2,584)**	(22,494)
Net charge to income statement	**784**	10,289	**8,438**	2,549
Reclassification	**–**	(58,568)	**–**	(11,476)
Balance at 31 December	**256,008**	288,443	**264,671**	261,636

	Investment securities $'000	Investment in associates and joint ventures $'000	Investment in subsidiaries $'000	Other assets $'000
The Bank				
2015				
Balance at 1 January	**237,333**	**21,520**	**313,794**	**14,775**
Currency translation adjustments	**1,176**	**–**	**11**	**6**
Write-off/disposal	**(18,341)**	**–**	**(32,697)**	**(1,485)**
Net (write-back)/charge to income statement	**(18,994)**	**15,155**	**73,506**	**1,389**
Balance at 31 December	**201,174**	**36,675**	**354,614**	**14,685**
2014				
Balance at 1 January	446,218	43,205	326,056	35,831
Currency translation adjustments	2,933	–	6	100
Write-off/disposal	(141,337)	–	(7,569)	(22,368)
Net (write-back)/charge to income statement	(481)	(21,685)	(4,699)	1,212
Reclassification	(70,000)	–	–	–
Balance at 31 December	237,333	21,520	313,794	14,775

32. Investment properties

	The Group		The Bank	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at 1 January	960,292	984,905	1,229,216	1,280,779
Currency translation adjustments	19,765	(4,532)	(285)	(2,005)
Additions	178,688	31,283	–	–
Disposals	(5,100)	(5,616)	(5,100)	(5,616)
Depreciation charge	(18,398)	(18,929)	(16,187)	(17,202)
Write-back of impairment	–	547	–	547
Transfers	(26,797)	(27,366)	(33,560)	(27,287)
Balance at 31 December	1,108,450	960,292	1,174,084	1,229,216
Represented by:				
Cost	1,388,887	1,226,197	1,396,407	1,441,164
Accumulated depreciation	(280,437)	(265,905)	(222,323)	(211,948)
Net carrying amount	1,108,450	960,292	1,174,084	1,229,216
Freehold property	404,464	420,146	758,304	810,130
Leasehold property	703,986	540,146	415,780	419,086
	1,108,450	960,292	1,174,084	1,229,216

Market values of the investment properties of the Bank and the Group as at 31 December 2015 were estimated to be $2,691 million and $3,252 million (2014: $2,771 million and $3,146 million) respectively. The valuations were performed by internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches. These properties are classified under Level 2 of the fair value hierarchy as the valuation is derived primarily from market observable inputs.

33. Fixed assets

	2015			2014		
	Owner-occupied properties $'000	Others $'000	Total $'000	Owner-occupied properties $'000	Others $'000	Total $'000
The Group						
Balance at 1 January	710,004	718,131	1,428,135	687,931	620,459	1,308,390
Currency translation adjustments	(36,955)	(11,230)	(48,185)	12,434	4,438	16,872
Additions	255,526	257,767	513,293	407	226,880	227,287
Disposals	(13,860)	(4,269)	(18,129)	(4,837)	(4,107)	(8,944)
Depreciation charge	(14,292)	(148,822)	(163,114)	(14,893)	(129,539)	(144,432)
Write-back of impairment	(190)	–	(190)	1,596	–	1,596
Transfers	26,797	–	26,797	27,366	–	27,366
Balance at 31 December	927,030	811,577	1,738,607	710,004	718,131	1,428,135
Represented by:						
Cost	1,189,116	1,966,909	3,156,025	962,400	1,817,538	2,779,938
Accumulated depreciation	(261,826)	(1,155,332)	(1,417,158)	(252,314)	(1,099,407)	(1,351,721)
Allowance for impairment	(260)	–	(260)	(82)	–	(82)
Net carrying amount	927,030	811,577	1,738,607	710,004	718,131	1,428,135
Freehold property	472,708			479,094		
Leasehold property	454,322			230,910		
	927,030			710,004		
The Bank						
Balance at 1 January	681,071	465,383	1,146,454	661,174	399,491	1,060,665
Currency translation adjustments	132	623	755	1,556	255	1,811
Additions	–	169,594	169,594	–	147,160	147,160
Disposals	(12,706)	(3,458)	(16,164)	(424)	(2,627)	(3,051)
Depreciation charge	(9,604)	(91,918)	(101,522)	(9,640)	(78,896)	(88,536)
Write-back of impairment	–	–	–	1,118	–	1,118
Transfers	33,560	–	33,560	27,287	–	27,287
Balance at 31 December	692,453	540,224	1,232,677	681,071	465,383	1,146,454
Represented by:						
Cost	828,548	1,228,365	2,056,913	807,640	1,118,524	1,926,164
Accumulated depreciation	(136,095)	(688,141)	(824,236)	(126,569)	(653,141)	(779,710)
Net carrying amount	692,453	540,224	1,232,677	681,071	465,383	1,146,454
Freehold property	592,915			568,031		
Leasehold property	99,538			113,040		
	692,453			681,071		

Market values of the owner-occupied properties of the Bank and the Group as at 31 December 2015 were estimated to be $1,887 million and $3,137 million (2014: $1,837 million and $2,748 million) respectively. The valuations were performed by internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches. These properties are classified under Level 2 of the fair value hierarchy as the valuation is derived primarily from market observable inputs.

Others comprise mainly computer equipment, application software and furniture and fittings.

34. Intangible assets

(a)

	Goodwill 2015 $'000	Goodwill 2014 $'000
The Group		
Balance at 1 January	4,149,280	4,143,810
Currency translation adjustments	(5,455)	5,470
Balance at 31 December	4,143,825	4,149,280
Represented by:		
Cost	4,143,825	4,149,280
Accumulated impairment	–	–
Net carrying amount	4,143,825	4,149,280

(b) Goodwill is allocated on the date of acquisition to the reportable operating segments expected to benefit from the synergies of business combination. The recoverable amount of the operating segments is based on their value in use, computed by discounting the expected future cash flows of the segments. The key assumptions in computing the value in use include the discount rates and growth rates applied. Discount rates are estimated based on current market assessments of time value of money and risks specific to the Group as a whole and to individual countries such as Thailand and Indonesia. The growth rates used do not exceed the historical long term average growth rate of the major countries. Cash flow projections are based on the most recent five-year financial forecasts provided by key business segments and approved by management. These cash flows are derived based on the outlook of macro-economic conditions from external sources, in particular, interest rates and foreign currency, taking into account management's past experience on the impact of such changes to the cash flows of the Group. Long-term growth rate is imputed on fifth-year cash flow and then discounted to determine the terminal value. Key assumptions are as follows:

	Discount rate		Growth rate	
	2015	2014	2015	2014
Singapore	7.33	7.37	2.59	3.72
Thailand	11.80	11.75	3.32	3.37
Indonesia	12.70	12.65	5.63	5.81

Impairment is recognised in the income statement when the carrying amount of an operating segment exceeds its recoverable amount. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating segments to exceed their recoverable amount.

35. Contingent liabilities

In the normal course of business, the Bank and the Group conduct businesses involving guarantees, performance bonds and indemnities. The bulk of these liabilities are backed by the corresponding obligations of the customers. No assets of the Bank and the Group were pledged as security for these contingent liabilities at the balance sheet date.

	The Group		The Bank	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Direct credit substitutes	4,914,684	5,022,165	3,066,545	3,079,419
Transaction-related contingencies	8,007,937	7,267,863	5,382,592	4,647,314
Trade-related contingencies	6,085,317	6,223,766	4,856,136	4,966,866
Others	18,304	1,197	1,218	1,197
	19,026,242	18,514,991	13,306,491	12,694,796

36. Financial derivatives

Financial derivatives, such as forwards, swaps, futures and options, are instruments whose values change in response to the change in prices of the underlying instruments.

In the normal course of business, the Bank and the Group transact in customised derivatives to meet specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes, as well as to manage their assets, liabilities and structural positions. Risks associated with the use of derivatives and policies for managing these risks are set out in Note 43.

(a) The table below shows the Bank's and the Group's financial derivatives and their fair values at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

	2015			2014		
	Contract/ notional amount $'000	Positive fair value $'000	Negative fair value $'000	Contract/ notional amount $'000	Positive fair value $'000	Negative fair value $'000
The Group						
Foreign exchange contracts						
Forwards	38,697,181	919,044	654,629	39,133,210	817,848	439,200
Swaps	166,100,766	1,586,750	1,264,271	158,348,409	1,280,803	1,483,875
Futures	–	–	–	15,911	–	–
Options purchased	8,751,550	152,323	–	9,150,276	131,611	–
Options written	18,630,354	–	157,126	11,134,020	–	134,744
Interest rate contracts						
Swaps	425,260,412	3,133,133	3,263,844	367,004,380	3,518,624	3,711,277
Futures	388,256	253	136	496,609	744	439
Options purchased	783,388	4,820	–	878,576	6,705	–
Options written	1,303,002	–	8,660	3,418,000	–	11,458
Equity-related contracts						
Swaps	1,075,974	58,754	64,083	1,735,206	16,219	27,639
Options purchased	5,302,111	324,623	–	5,439,584	442,827	–
Options written	5,888,554	–	324,541	5,442,300	–	442,717
Credit-related contracts						
Swaps	1,041,943	10,988	6,588	1,242,421	2,022	40,942
Others						
Forwards	1,287,996	4,950	4,834	793,871	960	711
Swaps	1,766,722	213,613	122,302	950,169	75,269	79,275
Futures	1,120,047	12,267	97,573	286,104	11,575	10,757
Options purchased	42,727	643	–	8,797	721	–
Options written	34,310	–	489	8,816	–	945
	677,475,293	6,422,161	5,969,076	605,486,659	6,305,928	6,383,979

36. Financial derivatives (continued)

(a) (continued)

	2015			2014		
	Contract/ notional amount $'000	Positive fair value $'000	Negative fair value $'000	Contract/ notional amount $'000	Positive fair value $'000	Negative fair value $'000
The Bank						
Foreign exchange contracts						
Forwards	32,898,659	557,332	355,173	32,095,309	471,659	210,789
Swaps	132,022,997	1,416,629	1,108,871	119,675,217	1,194,382	1,395,838
Futures	–	–	–	15,911	–	–
Options purchased	7,528,395	125,535	–	8,704,603	116,004	–
Options written	7,205,110	–	308,006	8,570,345	–	163,094
Interest rate contracts						
Swaps	389,215,206	3,017,945	3,097,180	325,575,251	3,403,366	3,583,906
Futures	63,172	148	136	496,609	744	439
Options purchased	783,388	4,820	–	6,531,449	6,705	–
Options written	1,303,002	–	8,660	4,270,352	–	11,458
Equity-related contracts						
Swaps	653,529	3,187	7,368	715,945	7,154	10,759
Options purchased	5,274,495	324,602	–	5,331,486	439,969	–
Options written	5,861,464	–	324,477	5,334,634	–	442,667
Credit-related contracts						
Swaps	1,041,943	10,988	6,588	1,242,421	2,022	40,942
Others						
Forwards	1,132,060	4,831	4,813	573,134	1,083	914
Swaps	1,751,489	217,154	108,921	818,539	62,353	62,331
Futures	1,030,383	12,258	97,381	200,468	4,542	4,743
Options purchased	1,379	234	–	5,807	375	–
Options written	1,379	–	234	5,807	–	375
	587,768,050	5,695,663	5,427,808	520,163,287	5,710,358	5,928,255

36. Financial derivatives (continued)

(b) Financial derivatives subject to netting agreements

The Bank and the Group enter into derivative master netting agreements (including the International Swaps and Derivatives Association Master Agreement) with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Bank and the Group to settle outstanding derivative contracts' amounts with the counterparty on a net basis in the event of default. These agreements also allow the Bank and the Group to further reduce its credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when pre-established thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

The table below shows the Bank's and the Group's financial derivatives that are not offset in the balance sheet but are subject to enforceable netting agreements.

	2015		2014	
	Positive fair value $'000	Negative fair value $'000	Positive fair value $'000	Negative fair value $'000
The Group				
Gross/net carrying amount on the balance sheet [1]	6,422,161	5,969,076	6,305,928	6,383,979
Amount not subject to netting agreements	(580,970)	(508,483)	(317,317)	(41,120)
Amount subject to netting agreements	5,841,191	5,460,593	5,988,611	6,342,859
Amount nettable [2]	(4,187,476)	(4,187,476)	(4,336,034)	(4,336,034)
Financial collateral	(169,699)	(608,175)	(139,884)	(1,122,446)
Net amounts	1,484,016	664,942	1,512,693	884,379
The Bank				
Gross/net carrying amount on the balance sheet [1]	5,695,663	5,427,808	5,710,358	5,928,255
Amount not subject to netting agreements	(292,275)	(249,559)	–	–
Amount subject to netting agreements	5,403,388	5,178,249	5,710,358	5,928,255
Amount nettable [2]	(4,087,567)	(4,087,567)	(4,320,806)	(4,320,806)
Financial collateral	(104,571)	(329,214)	(112,586)	(1,110,593)
Net amounts	1,211,250	761,468	1,276,966	496,856

1 There was no amount that met the offsetting criteria as at the balance sheet date.

2 Amount that could be netted under the netting agreements.

37. Hedge accounting

(a) Fair value hedges

Interest rate swaps were contracted to hedge certain of the Group's loans, debt investment and debts issued against interest rate risk. As at 31 December 2015, the cumulative net fair value of the swaps was a loss of \$55 million (2014: loss of \$82 million) at the Bank and a loss of \$53 million (2014: loss of \$84 million) at the Group. During the financial year, fair value gains of \$30 million (2014: losses of \$46 million) and fair value gains of \$31 million (2014: losses of \$48 million) on the swaps was recognised in the Bank's and the Group's income statements respectively.

As at 31 December 2015, customer deposits of \$582 million (2014: \$699 million) were designated to hedge the foreign exchange risk arising from certain of the Bank's available-for-sale equity securities. During the financial year, foreign exchange losses of \$31 million (2014: losses of \$53 million) on the deposits were recognised in the Bank's and the Group's income statements respectively. These were offset by equal amounts of foreign exchange gain (2014: gain) on the hedged items.

The ineffectiveness arising from these hedges was insignificant.

(b) Cash flow hedges

Cross currency swaps were contracted to hedge the foreign exchange rate risk arising from certain customer deposits. The maturity dates of the swaps and deposits coincide and are within one year from the balance sheet date. As at 31 December 2015, the fair value of the swaps was a gain of \$17 million (2014: nil) at the Group. During the financial year, a net gain of \$34 million was recognised in the cash flow hedge reserve and a gain of \$33 million was reclassified from the reserve to income statement. The ineffectiveness arising from the hedge was insignificant.

(c) Hedges of net investment in foreign operations

As at 31 December 2015, customer deposits of \$2,487 million (2014: \$1,128 million) and cross currency swaps under Note 37b (2014: nil) were designated to hedge foreign exchange risk arising from the Group's foreign operations. During the financial year, foreign exchange gains of \$3 million (2014: nil) arising from hedge ineffectiveness were recognised in the Group's income statements.

38. Commitments

(a)

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Undrawn credit facilities [1]	137,164,948	120,935,421	108,313,092	94,520,414
Spot/forward contracts	2,932,294	3,232,880	3,075,406	3,510,259
Capital commitments	190,325	421,748	74,652	53,789
Operating lease commitments	147,335	134,482	82,477	65,847
Others	2,877,135	3,684,064	2,349,830	2,594,476
	143,312,037	128,408,595	113,895,457	100,744,785

1 With effect from 31 December 2015, the definition of undrawn credit facilities has been revised following the MAS' clarification on the definition of loan commitments. Commitments are now recognised on the date at which the loan contract or agreement is entered into. For loans on a progressive disbursal schedule, the full loan amount would be recognised upfront, instead of recognising only the next disbursal amount when conditions precedent are fulfilled. Prior year comparatives have been restated to align to the current definition. The undrawn credit facilities for 2014 were previously reported as $92,119,645,000 and $73,667,443,000 for the Group and the Bank respectively.

(b) Operating lease commitments

The Group leases out investment properties typically on 3 year leases based on market rental rates. These leases contain options to renew at prevailing market rates.

The aggregate minimum lease payments under non-cancellable operating leases at the balance sheet date are as follows:

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Minimum lease payable				
Within 1 year	57,599	60,232	25,933	25,738
Over 1 to 5 years	80,177	65,984	47,399	33,795
Over 5 years	9,559	8,266	9,145	6,314
	147,335	134,482	82,477	65,847
Minimum lease receivable				
Within 1 year	110,157	106,421	91,587	86,778
Over 1 to 5 years	202,353	169,726	166,270	129,479
Over 5 years	17,915	8,452	13,992	3,708
	330,425	284,599	271,849	219,965

39. Cash and cash equivalents

Cash equivalents are highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible into known amount of cash. Cash and cash equivalents in the consolidated cash flow statement comprise the following:

	The Group	
	2015	2014
	$'000	$'000
Cash on hand	1,762,169	1,526,271
Non-restricted balances with central banks	25,465,695	28,178,047
	27,227,864	29,704,318

40. Share-based compensation plans

Share-based compensation plans of the Group comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan.

Restricted Shares (RS) represent UOB shares that are restricted by time and performance conditions as to when they vest. Upon vesting, participants will receive UOB shares represented by the RS.

Share Appreciation Rights (SAR) are rights, which upon exercise, confer the right to receive such number of UOB shares (or by exception, cash) equivalent to the difference between the prevailing market value and the grant value of the underlying UOB shares comprised in the SAR, divided by the prevailing market value of a UOB share. The grant value is determined with reference to the average of the closing prices of UOB shares over the three days preceding the grant date. Upon vesting of SAR, participants have up to six years from the date of grant to exercise their rights.

Grants made in 2012 and 2013 are subject to the achievement of predetermined return on equity (ROE) targets as shown below. Half of the grants will vest after two years, and the remainder after three years from the dates of grant.

	Percentage of award to be vested	
Percentage of ROE target achieved	2012 grant	2013 grant
≥ 115%	130%	130%
≥ 110%	120%	120%
≥ 105%	110%	110%
≥ 100%	100%	100%
≥ 95%	100%	100%
≥ 90%	90%	90%
≥ 85%	80%	80%
≥ 80%	At the discretion of the Remuneration Committee	70%
< 80%		At the discretion of the Remuneration Committee

Thirty per cent of grants made in and after 2014 will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy per cent will vest after three years, subject to the achievement of the three-year ROE targets. The vesting levels are shown below.

Percentage of ROE target achieved	Percentage of award to be vested for 2014 and 2015 grants *
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

* For intermediate ROE level achieved, the percentage of award to be vested will be interpolated.

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the Remuneration Committee.

The Plans shall be in force for a period of ten years or such other period as the Remuneration Committee may determine. The Plans only allow the delivery of UOB ordinary shares held in treasury by the Bank.

40. Share-based compensation plans (continued)

Movements and outstanding balances of these plans are as follows:

UOB Restricted Share Plan and UOB Share Appreciation Rights Plan

	The Group and The Bank Restricted shares	
	2015 '000	2014 '000
Balance at 1 January	**3,211**	2,351
Granted	**1,949**	1,843
Forfeited/cancelled	**(195)**	(38)
Vested	**(874)**	(945)
Balance at 31 December	**4,091**	3,211

	Share appreciation rights	
	2015 '000	2014 '000
Balance at 1 January	**5,835**	9,746
Forfeited/cancelled	**(186)**	(158)
Vested	**(3,681)**	(3,753)
Balance at 31 December	**1,968**	5,835

	Exercisable rights	
	2015 '000	2014 '000
Balance at 1 January	**4,653**	5,722
Vested	**3,681**	3,753
Forfeited/lapsed	**(9)**	(28)
Exercised	**(1,887)**	(4,794)
Balance at 31 December	**6,438**	4,653

40. Share-based compensation plans (continued)

Year granted	Expiry date	Fair value per grant at grant date $	Number of outstanding grants 2015 '000	2014 '000
Restricted shares				
2012	14 Dec 2014 and 14 Dec 2015	18.52	–	436
2013	13 Dec 2015 and 13 Dec 2016	18.96	450	932
2014	19 Sep 2016 and 19 Sep 2017	20.70	1,739	1,843
2015	4 May 2017 and 4 May 2018	22.57 and 18.83	1,902	–
			4,091	3,211
Share appreciation rights				
2012	14 Dec 2018	3.04	–	1,761
2013	13 Dec 2019	2.87	1,968	4,074
			1,968	5,835

Fair values of the restricted shares were estimated at the grant date using the Trinomial valuation methodology. Since 2014, no share appreciation right has been granted as an instrument for share-based compensation. The key assumptions were as follows:

Year granted	Restricted shares 2015 1st grant	2nd grant	2014
Exercise price ($)	Not applicable		
Expected volatility (%)[1]	17.48	16.18	18.81
Risk-free interest rate (%)	1.09 – 1.30	1.25 – 1.35	0.80 – 1.12
Contractual life (years)	2 and 3	2 and 3	2 and 3
Expected dividend yield (%)	Management's forecast in line with dividend policy		

1 Based on past three years' historical volatility.

41. Related party transactions

Related parties cover the Group's subsidiaries, associates, joint ventures and their subsidiaries, and key management personnel and their related parties.

Key management personnel refers to the Bank's directors and members of its Management Executive Committee.

All related party transactions of the Group were done in the ordinary course of business and at arm's length. In addition to the information disclosed elsewhere in the financial statements, other related party transactions that may be of interest are as follows:

		The Group		The Bank	
		2015 $ million	2014 $ million	2015 $ million	2014 $ million
(a)	**Interest income**				
	Subsidiaries	–	–	68	81
	Associates and joint ventures	6	6	6	6
	Interest expense				
	Subsidiaries	–	–	17	11
	Associates and joint ventures	3	6	2	2
	Dividend income				
	Subsidiaries	–	–	197	146
	Associates and joint ventures	–	–	27	79
	Rental income				
	Subsidiaries	–	–	5	4
	Rental and other expenses				
	Subsidiaries	–	–	140	129
	Associates and joint ventures	9	7	5	5
	Fee and commission and other income				
	Subsidiaries	–	–	95	68
	Associates and joint ventures	8	4	5	2
	Placements, securities, loans and advances				
	Subsidiaries	–	–	6,408	8,203
	Associates and joint ventures	625	393	624	391
	Deposits				
	Subsidiaries	–	–	2,412	2,767
	Associates and joint ventures	606	680	575	543
	Off-balance sheet credit facilities [1]				
	Subsidiaries	–	–	270	226
	Associates and joint ventures	22	1	22	1
(b)	**Compensation of key management personnel**				
	Short-term employee benefits	16	17	16	17
	Long-term employee benefits	5	6	5	6
	Share-based payment	4	2	4	2
	Others	1	*	1	*
		26	25	26	25

1 Includes guarantees issued of the Group $22 million (2014: $1 million) and the Bank $249 million (2014: $211 million).

* Less than $500,000.

42. Segment information

(a) Operating segments

The Group is organised to be segment-led across key markets. Global segment heads are responsible for driving business, with decision-making balanced with a geographical perspective. For internal management purposes, the following segments represent the key customer segments and business activities:

Group Retail (GR)

GR segment covers Consumer, Privilege, Business and Private Banking. Consumer Banking serves the individual customers, while Business Banking serves small enterprises with a wide range of products and services, including deposits, loans, investments, credit and debit cards and insurance products. Privilege Banking provides an extended range of financial services, including wealth management, and restricted products such as structured notes, funds of hedge funds, and insurance plans to the wealthy and affluent customers. Private Banking caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning.

Group Wholesale Banking (GWB)

GWB segment encompasses Commercial Banking, Corporate Banking and Financial Institutions client segments as well as Transaction Banking, Structured Trade Commodities Finance, Investment Banking and Specialised Asset Finance. Commercial Banking serves medium and large enterprises, while Corporate Banking includes large local corporations, multi-national corporations and government-linked companies and agencies. Financial Institutions include bank and non-bank financial institutions, including insurance companies, fund managers and sovereign wealth funds. GWB provides customers with a broad range of products and services that include cash management and liquidity solutions; payments, current accounts, and deposit services; trade finance and structure finance solutions; working capital and term lending, and specialised asset finance. Investment Banking provides corporate finance services that include lead managing and underwriting equity offerings and corporate advisory M&A services. Debt Capital Markets specialises in solution-based structures to meet clients' financing requirements in structuring, underwriting and arranging syndicated loans for general corporate needs, leveraged buy-outs, project and structured finance, and underwriting and lead managing bond issues.

Global Markets and Investment Management (GMIM)

GMIM segment provides a comprehensive range of global markets products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, precious metals products, as well as an array of structured products. It is a dominant player in Singapore dollar instruments as well as a provider of banknote services in the region. It also engages in asset management, proprietary investment activities and management of excess liquidity and capital funds. Income from global markets products and services offered to customers of other operating segments, such as Group Retail and Group Wholesale Banking, is reflected in the respective customer segments.

Others

Others include property-related activities, insurance businesses and income and expenses not attributable to other operating segments mentioned above.

42. Segment information (continued)

(a) Operating segments (continued)

	The Group					
	GR $ million	GWB $ million	GMIM $ million	Others $ million	Elimination $ million	Total $ million
2015						
Net interest income	2,157	2,337	123	309	–	4,926
Non-interest income	1,201	1,070	676	365	(190)	3,122
Operating income	3,358	3,407	799	674	(190)	8,048
Operating expenses	(1,785)	(746)	(457)	(799)	190	(3,597)
Allowances for credit and other losses	(176)	(269)	(11)	(216)	–	(672)
Share of profit of associates and joint ventures	–	–	18	72	–	90
Profit before tax	1,397	2,392	349	(269)	–	3,869
Tax						(649)
Profit for the financial year						3,220
Segment assets	90,971	134,938	87,392	3,004	(5,544)	310,761
Intangible assets – goodwill	1,317	2,087	660	80	–	4,144
Investment in associates and joint ventures	–	–	325	781	–	1,106
Total assets	92,288	137,025	88,377	3,865	(5,544)	316,011
Segment liabilities	116,121	125,120	37,324	12,773	(6,251)	285,087
Other information						
Inter-segment operating income	469	(35)	(841)	597	(190)	–
Gross customer loans	90,840	116,476	46	9	–	207,371
Non-performing assets	936	2,046	17	67	–	3,066
Capital expenditure	27	22	23	620	–	692
Depreciation of assets	12	6	6	158	–	182

42. Segment information (continued)

(a) Operating segments (continued)

	The Group					
	GR $ million	GWB $ million	GMIM $ million	Others $ million	Elimination $ million	Total $ million
2014						
Net interest income	1,856	2,020	367	314	–	4,557
Non-interest income	1,161	1,003	582	326	(172)	2,900
Operating income	3,017	3,023	949	640	(172)	7,457
Operating expenses	(1,632)	(674)	(413)	(599)	172	(3,146)
Allowances for credit and other losses	(139)	(131)	(59)	(306)	–	(635)
Share of profit of associates and joint ventures	–	–	36	113	–	149
Profit before tax	1,246	2,218	513	(152)	–	3,825
Tax						(561)
Profit for the financial year						3,264
Segment assets	88,706	126,424	87,761	2,587	(4,080)	301,398
Intangible assets – goodwill	1,319	2,090	660	80	–	4,149
Investment in associates and joint ventures	–	–	333	856	–	1,189
Total assets	90,025	128,514	88,754	3,523	(4,080)	306,736
Segment liabilities	108,874	110,574	52,658	9,599	(4,741)	276,964
Other information						
Inter-segment operating income	346	(336)	(411)	573	(172)	–
Gross customer loans	88,571	109,853	909	10	–	199,343
Non-performing assets	784	1,697	25	82	–	2,588
Capital expenditure	20	6	14	219	–	259
Depreciation of assets	10	5	4	144	–	163

Notes:
Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
Long term investment has been reclassified from Others to GMIM and prior year comparatives have been restated accordingly.

42. Segment information (continued)

(b) Geographical segments

The following geographical segment information is based on the location where the transactions and assets are booked, which approximates that based on the location of the customers and assets. The information is stated after elimination of inter-segment transactions.

	The Group					
	Total operating income		Profit before tax		Total assets	
	2015	2014	2015	2014	2015	2014
	$ million	$ million	$ million	$ million	$ million	$ million
Singapore	4,658	4,313	2,363	2,345	197,929	187,529
Malaysia	1,006	1,047	537	593	32,669	37,269
Thailand	790	691	175	159	16,643	15,915
Indonesia	410	410	61	99	8,550	8,143
Greater China	706	587	366	305	32,982	31,977
Others	478	409	367	324	23,094	21,754
	8,048	7,457	3,869	3,825	311,867	302,587
Intangible assets	–	–	–	–	4,144	4,149
	8,048	7,457	3,869	3,825	316,011	306,736

43. Financial risk management

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk, equity risk and liquidity risk.

The Group's financial risks are centrally managed by the various specialist committees within the authority delegated by the Board of Directors. These various specialist committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Group Board Risk Management Committee.

The Group Risk Management Sector assumes the independent oversight of risks undertaken by the Group, and takes the lead in the formulation and approval of risk policies, controls and processes. The Group Market Risk Management and Group Market Risk Control within the Risk Management Sector monitor Global Markets and Investment Management's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the Group Audit.

The main financial risks that the Group is exposed to and how they are managed are set out below:

(a) Credit risk

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to fulfil its financial obligations when such obligations fall due.

The Group Credit Committee is delegated the authority by the Board of Directors to oversee all credit matters. It maintains oversight on the effectiveness of the Group's credit and country risk management structure including framework, people, processes, information, infrastructure, methodologies and systems.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past due amounts and credit limit excesses are tracked and analysed by business and product lines.

Country risk arises where the Group is unable to receive payments from customers as a result of political or economic events in the country. These events include political and social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, and currency depreciation or devaluation.

43. Financial risk management (continued)

(a) Credit risk (continued)

(i) Credit exposure

The Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements, is shown in the table below:

	The Group	
	2015 $ million	2014 $ million
Balances and placements with central banks	30,543	33,557
Singapore Government treasury bills and securities	6,865	7,757
Other government treasury bills and securities	12,644	10,141
Trading debt securities	1,087	693
Placements and balances with banks	28,646	28,692
Loans to customers	203,611	195,903
Derivative financial assets	6,422	6,306
Investment debt securities	7,312	8,395
Others	3,905	1,579
	301,035	293,023
Contingent liabilities	19,008	18,514
Commitments (excluding operating lease and capital commitments)	142,974	127,853
	463,017	439,390

As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place to monitor collateral concentration.

In extending credit facilities to small and medium enterprises, personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit.

For internal risk management, agreements such as the International Swaps and Derivatives Association Master Agreements (ISDA) and Credit Support Annex (CSA) have been established with active counterparties to mitigate counterparty credit risk arising from foreign exchange and derivative activities. Such agreements help to minimise credit exposure by allowing the Bank to offset what it owes to a counterparty against what is due from that counterparty in the event of a default.

43. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Major on-balance sheet credit exposures

The exposures are determined based on country of incorporation/operation for non-individuals and residence for individuals.

	The Group				
	Loans to customers (gross) $ million	Government treasury bills and securities $ million	Placements and balances with banks $ million	Debt securities $ million	Total $ million
Analysed by geography					
2015					
Singapore	116,087	6,865	761	2,245	125,958
Malaysia	24,605	1,264	2,375	1,056	29,300
Thailand	11,481	2,962	258	70	14,771
Indonesia	11,543	849	770	21	13,183
Greater China	25,217	1,923	12,175	1,314	40,629
Others	18,438	5,646	12,307	3,693	40,084
Total	207,371	19,509	28,646	8,399	263,925
2014					
Singapore	109,700	7,757	1,491	2,743	121,691
Malaysia	25,768	1,466	2,748	1,236	31,218
Thailand	10,836	3,521	720	119	15,196
Indonesia	11,100	389	1,029	44	12,562
Greater China	25,308	2,026	12,406	1,385	41,125
Others	16,631	2,739	10,298	3,561	33,229
Total	199,343	17,898	28,692	9,088	255,021
Analysed by industry					
2015					
Transport, storage and communication	10,019	–	–	1,001	11,020
Building and construction	45,211	–	–	367	45,578
Manufacturing	15,803	–	–	1,493	17,296
Financial institutions	14,282	–	28,646	2,478	45,406
General commerce	28,302	–	–	665	28,967
Professionals and private individuals	25,950	–	–	–	25,950
Housing loans	56,385	–	–	–	56,385
Government	–	19,509	–	–	19,509
Others	11,419	–	–	2,395	13,814
Total	207,371	19,509	28,646	8,399	263,925
2014					
Transport, storage and communication	10,014	–	–	801	10,815
Building and construction	38,672	–	–	248	38,920
Manufacturing	17,139	–	–	1,229	18,368
Financial institutions	16,039	–	28,692	3,358	48,089
General commerce	27,119	–	–	494	27,613
Professionals and private individuals	26,008	–	–	–	26,008
Housing loans	54,711	–	–	–	54,711
Government	–	17,898	–	–	17,898
Others	9,641	–	–	2,958	12,599
Total	199,343	17,898	28,692	9,088	255,021

43. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Major off-balance sheet credit exposures

The exposures are determined based on country of incorporation/operation for non-individuals and residence for individuals.

	The Group			
	2015		2014	
	Contingent liabilities $ million	Commitments[1] $ million	Contingent liabilities $ million	Commitments[1] $ million
Analysed by geography				
Singapore	7,313	82,238	7,858	72,597
Malaysia	2,753	11,120	2,452	10,462
Thailand	1,201	9,077	1,270	8,559
Indonesia	572	5,120	618	5,821
Greater China	2,487	23,572	2,498	19,196
Others	4,682	11,847	3,818	11,218
Total	19,008	142,974	18,514	127,853
Analysed by industry				
Transport, storage and communication	639	4,415	612	4,875
Building and construction	5,904	21,083	5,114	16,902
Manufacturing	1,670	18,786	1,354	14,326
Financial institutions	3,242	13,808	3,005	12,465
General commerce	5,379	48,274	6,064	42,312
Professionals and private individuals	230	19,676	219	18,437
Housing loans	–	5,645	–	7,266
Others	1,944	11,287	2,146	11,270
Total	19,008	142,974	18,514	127,853

1 Excluding operating lease and capital commitments.

43. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Credit quality of gross loans and debt securities
Gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group	
	2015	2014
	$ million	$ million
Pass	**203,217**	196,311
Special mention	**1,272**	674
Substandard	**2,237**	1,791
Doubtful	**141**	178
Loss	**504**	389
	207,371	199,343

Credit quality of Government treasury bills and securities and debt securities

The table below presents an analysis of Government treasury bills and securities and debt securities that are neither past due nor impaired for the Group by rating agency designation as at 31 December:

	The Group					
	2015			2014		
	Singapore Government treasury bills and securities $ million	**Other government treasury bills and securities $ million**	**Debt securities $ million**	Singapore Government treasury bills and securities $ million	Other government treasury bills and securities $ million	Debt securities $ million
External rating:						
Investment grade (AAA to BBB-)	**6,865**	**12,556**	**6,982**	7,757	10,047	5,632
Non-investment grade (BB+ to C)	**–**	**66**	**222**	–	66	357
Unrated	**–**	**22**	**1,195**	–	28	3,099
Total	**6,865**	**12,644**	**8,399**	7,757	10,141	9,088

43. Financial risk management (continued)

(a) Credit risk (continued)

(v) Ageing analysis of past due but not impaired loans

	The Group			
	< 30 days $ million	30 – 59 days $ million	60 – 90 days $ million	Total $ million
Analysed by geography [1]				
2015				
Singapore	1,946	957	56	2,959
Malaysia	629	279	161	1,069
Thailand	516	81	27	624
Indonesia	117	54	42	213
Greater China	18	20	1	39
Others	76	25	7	108
Total	3,302	1,416	294	5,012
2014				
Singapore	1,417	634	48	2,099
Malaysia	528	319	74	921
Thailand	127	22	5	154
Indonesia	94	70	6	170
Greater China	25	32	–	57
Others	173	54	13	240
Total	2,364	1,131	146	3,641

1 By borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

	The Group			
	< 30 days $ million	30 - 59 days $ million	60 – 90 days $ million	Total $ million
Analysed by industry				
2015				
Transport, storage and communication	236	11	13	260
Building and construction	575	84	58	717
Manufacturing	339	46	3	388
Financial institutions	110	6	30	146
General commerce	881	185	38	1,104
Professionals and private individuals	572	329	59	960
Housing loans	501	736	92	1,329
Others	88	19	1	108
Total	3,302	1,416	294	5,012
2014				
Transport, storage and communication	38	27	–	65
Building and construction	257	107	14	378
Manufacturing	348	23	9	380
Financial institutions	194	10	1	205
General commerce	857	99	26	982
Professionals and private individuals	311	229	32	572
Housing loans	293	625	53	971
Others	66	11	11	88
Total	2,364	1,131	146	3,641

43. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Ageing analysis of non-performing assets

	The Group				
	< 90 days $ million	90 – 180 days $ million	> 180 days $ million	Total $ million	Specific allowances $ million
Analysed by geography[1]					
2015					
Singapore	401	176	539	1,116	258
Malaysia	51	63	272	386	58
Thailand	37	44	168	249	91
Indonesia	208	82	279	569	175
Greater China	69	47	102	218	97
Others	14	2	328	344	94
Non-performing loans	780	414	1,688	2,882	773
Debt securities, contingent items and others	52	3	129	184	161
Total	832	417	1,817	3,066	934
2014					
Singapore	388	119	357	864	191
Malaysia	115	60	211	386	75
Thailand	46	50	171	267	128
Indonesia	10	54	234	298	78
Greater China	28	17	79	124	54
Others	12	19	388	419	131
Non-performing loans	599	319	1,440	2,358	657
Debt securities, contingent items and others	89	–	141	230	162
Total	688	319	1,581	2,588	819

1 By borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

43. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Ageing analysis of non-performing assets (continued)

	The Group				
	< 90 days $ million	90 - 180 days $ million	> 180 days $ million	Total $ million	Specific allowances $ million
Analysed by industry					
2015					
Transport, storage and communication	309	56	612	977	321
Building and construction	67	49	134	250	56
Manufacturing	118	11	158	287	103
Financial institutions	28	–	74	102	7
General commerce	87	106	195	388	128
Professionals and private individuals	97	70	120	287	71
Housing loans	54	113	383	550	79
Others	20	9	12	41	8
Non-performing loans	780	414	1,688	2,882	773
Debt securities, contingent items and others	52	3	129	184	161
Total	832	417	1,817	3,066	934
2014					
Transport, storage and communication	239	–	475	714	226
Building and construction	150	28	48	226	44
Manufacturing	21	24	235	280	126
Financial institutions	10	27	72	109	6
General commerce	69	32	164	265	110
Professionals and private individuals	51	58	100	209	74
Housing loans	54	121	332	507	59
Others	5	29	14	48	12
Non-performing loans	599	319	1,440	2,358	657
Debt securities, contingent items and others	89	–	141	230	162
Total	688	319	1,581	2,588	819

43. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Security coverage of non-performing assets

	The Group	
	2015	2014
	$ million	$ million
Non-performing assets secured by:		
Properties	**1,145**	1,052
Marketable securities, fixed deposits and others	**552**	335
Unsecured non-performing assets	**1,369**	1,201
	3,066	2,588

(viii) Collateral possessed during the financial year

	The Group	
	2015	2014
	$ million	$ million
Properties	**4**	6

Collateral possessed is disposed of in an orderly manner in accordance with target prices set. Proceeds from sale of collateral are used to reduce the outstanding loans.

(b) Foreign exchange risk and equity risk
Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Group's foreign exchange exposures comprise trading and banking (non-trading and structural) foreign exchange exposures. Non-trading foreign exchange exposures are principally derived from investments and funding activities and customer businesses. Structural foreign currency exposures are represented by the net asset values of overseas branches and subsidiaries, share of the net asset values of overseas associates and joint ventures, intangible assets attributable to overseas subsidiaries, and long-term investment in overseas properties used for banking purposes, which are strategic in nature. The Group utilises foreign currency contracts and foreign exchange derivatives to hedge its foreign exchange exposures.

Foreign exchange risk is managed through policies and market risk limits approved by the Group Asset and Liability Committee (ALCO). The limits are independently monitored by Market Risk Management and Group Market Risk Control.

At 31 December 2015, banking book foreign currency Value-at-Risk (VaR) inclusive of structural foreign currency VaR was $68.5 million (2014: $45.2 million).

Equity price risk in the banking book arises from equity investments held for long-term strategic reasons. At the end of the reporting period, if these equity prices had been 1% higher/lower with all other variables held constant, the Group's other comprehensive income would have been $32 million (2014: $30 million) higher/lower as a result of an increase/decrease in the fair value of equity investments classified as available-for-sale.

43. Financial risk management (continued)

(b) Foreign exchange risk and equity risk (continued)

(i) The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date. The off-balance sheet gap represents the net contract or notional amount of derivatives which is used principally to reduce the Group's exposure to foreign exchange risk.

	The Group						
	Singapore dollar $ million	US dollar $ million	Malaysian ringgit $ million	Thai baht $ million	Indonesian rupiah $ million	Others $ million	Total $ million
2015							
Cash, balances and placements with central banks	13,381	4,370	4,206	1,639	914	7,796	32,306
Securities	9,638	8,014	1,515	2,989	510	8,682	31,348
Placements and balances with banks	738	21,613	1,232	176	62	4,825	28,646
Loans to customers	106,001	35,560	21,891	10,636	5,053	24,470	203,611
Investment in associates and joint ventures	778	292	4	–	–	32	1,106
Intangible assets	3,168	–	–	736	240	–	4,144
Derivative financial assets	1,788	2,707	274	273	(37)	1,417	6,422
Others	4,082	601	434	541	272	2,498	8,428
Total assets	139,574	73,157	29,556	16,990	7,014	49,720	316,011
Deposits and balances of customers	115,650	54,236	24,122	11,782	5,252	29,482	240,524
Deposits and balances of banks, and bills and drafts payable	1,539	2,716	213	1,009	36	6,908	12,421
Debts issued	3,125	15,409	329	259	197	969	20,288
Derivative financial liabilities	1,671	2,765	70	236	9	1,218	5,969
Others	2,264	2,047	761	269	100	444	5,885
Total liabilities	124,249	77,173	25,495	13,555	5,594	39,021	285,087
On-balance sheet open position	15,325	(4,016)	4,061	3,435	1,420	10,699	
Off-balance sheet open position	2,945	19,195	(1,460)	(985)	50	(19,745)	
Net open position	18,270	15,179	2,601	2,450	1,470	(9,046)	

43. Financial risk management (continued)

(b) Foreign exchange risk and equity risk (continued)

(i) (continued)

	The Group						
	Singapore dollar	US dollar	Malaysian ringgit	Thai baht	Indonesian rupiah	Others	Total
	$ million	$ million	$ million	$ million	$ million	$ million	$ million
2014							
Cash, balances and placements with central banks	14,822	5,313	6,293	1,034	1,100	6,521	35,083
Securities	11,492	6,314	1,934	3,559	160	6,616	30,075
Placements and balances with banks	600	20,392	785	181	5	6,729	28,692
Loans to customers	104,728	33,229	23,843	9,836	4,650	19,617	195,903
Investment in associates and joint ventures	816	320	41	–	–	12	1,189
Intangible assets	3,181	–	–	723	245	–	4,149
Derivative financial assets	1,918	2,926	180	204	10	1,068	6,306
Others	3,078	1,054	84	630	280	213	5,339
Total assets	140,635	69,548	33,160	16,167	6,450	40,776	306,736
Deposits and balances of customers	112,608	49,068	27,199	10,970	4,822	29,083	233,750
Deposits and balances of banks, and bills and drafts payable	2,401	2,163	742	384	15	6,472	12,177
Debts issued	3,192	15,638	189	241	45	1,648	20,953
Derivative financial liabilities	1,972	2,785	161	198	14	1,254	6,384
Others	1,340	1,176	362	241	79	502	3,700
Total liabilities	121,513	70,830	28,653	12,034	4,975	38,959	276,964
On-balance sheet open position	19,122	(1,282)	4,507	4,133	1,475	1,817	
Off-balance sheet open position	(3,065)	7,418	(35)	(1,598)	(1)	(2,718)	
Net open position	16,057	6,136	4,472	2,535	1,474	(901)	

43. Financial risk management (continued)

(b) Foreign exchange risk and equity risk (continued)

(ii) Structural currency exposures of the Group as at the balance sheet date were as follows:

	The Group		
	Total $ million	Hedged $ million	Unhedged $ million
2015			
Chinese renminbi	**2,039**	**440**	**1,599**
Indonesian rupiah	**1,198**	**–**	**1,198**
Malaysian ringgit	**2,574**	**–**	**2,574**
Thai baht	**2,458**	**–**	**2,458**
US dollar	**1,653**	**1,653**	**–**
Others	**1,677**	**1,064**	**613**
	11,599	**3,157**	**8,442**
2014			
Chinese renminbi	942	–	942
Indonesian rupiah	1,237	–	1,237
Malaysian ringgit	2,707	–	2,707
Thai baht	2,298	–	2,298
US dollar	1,209	1,209	–
Others	1,436	890	546
	9,829	2,099	7,730

(c) Banking book interest rate risk
Interest rate risk is the impact to earnings and economic value of the Group due to fluctuations in interest rates. Interest rate exposure arises from differences in the maturity and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the ALCO.

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative $251 million and $462 million (2014: negative $146 million and $280 million) respectively, computed based on the worst case of upward and downward parallel shifts of each yield curve. EVE is the present value of assets less present value of liabilities of the Group. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied, where appropriate, for deposits that do not have maturity dates. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

(d) Liquidity risk
Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Group manages liquidity risk in accordance with the liquidity framework approved by the ALCO. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress-test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

43. Financial risk management (continued)

(d) Liquidity risk (continued)

(i) The following table shows the cash flow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans. In particular, the Group has a significant amount of "core deposits" of customers which are contractually at call (included in the "Up to 7 days" time band) but historically have been a stable source of long-term funding for the Group.

	The Group							
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million	Over 1 to 3 years $ million	Over 3 years $ million	No specific maturity $ million	Total $ million
2015								
Cash, balances and placements with central banks	13,779	4,517	3,686	4,613	–	2,185	3,531	32,311
Securities	564	351	3,149	7,480	9,369	8,870	3,505	33,288
Placements and balances with banks	8,442	6,523	6,313	5,722	542	1,081	67	28,690
Loans to customers	6,906	14,613	16,024	26,938	47,431	115,127	1,189	228,228
Investment in associates and joint ventures	–	–	–	–	–	–	1,106	1,106
Intangible assets	–	–	–	–	–	–	4,144	4,144
Derivative financial assets	–	–	–	–	–	–	6,422	6,422
Others	835	445	655	49	16	3,651	3,006	8,657
Total assets	30,526	26,449	29,827	44,802	57,358	130,914	22,970	342,846
Deposits and balances of customers	123,758	33,278	32,517	43,344	4,140	4,146	(56)	241,127
Deposits and balances of banks, and bills and drafts payable	5,310	1,710	3,679	1,683	38	–	13	12,433
Debts issued	907	1,555	7,446	4,174	3,020	3,962	(15)	21,049
Derivative financial liabilities	–	–	–	–	–	–	5,969	5,969
Others	1,773	388	905	245	178	994	1,872	6,355
Total liabilities	131,748	36,931	44,547	49,446	7,376	9,102	7,783	286,933
Equity attributable to:								
Equity holders of the Bank	–	21	–	45	981	7,911	22,031	30,989
Non-controlling interests	–	–	–	–	–	2	154	156
Total equity	–	21	–	45	981	7,913	22,185	31,145
Net on-balance sheet position	(101,222)	(10,503)	(14,720)	(4,689)	49,001	113,899	(6,998)	
Net off-balance sheet position	(31,622)	1,650	(1,115)	(3,894)	(95)	(1,264)	(8,395)	
Net maturity mismatch	(132,844)	(8,853)	(15,835)	(8,583)	48,906	112,635	(15,393)	

Notes to the Financial Statements
for the financial year ended 31 December 2015

43. Financial risk management (continued)

(d) Liquidity risk (continued)

(i) (continued)

	The Group							
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million	Over 1 to 3 years $ million	Over 3 years $ million	No specific maturity $ million	Total $ million
2014								
Cash, balances and placements with central banks	14,032	3,992	6,474	4,694	21	–	5,873	35,086
Securities	774	407	2,821	6,791	8,256	9,791	3,250	32,090
Placements and balances with banks	7,618	5,216	7,742	6,028	739	1,376	18	28,737
Loans to customers	7,338	13,875	14,861	24,050	44,266	110,485	1,255	216,130
Investment in associates and joint ventures	–	–	–	–	–	–	1,189	1,189
Intangible assets	–	–	–	–	–	–	4,149	4,149
Derivative financial assets	–	–	–	–	–	–	6,306	6,306
Others	791	363	79	73	1	954	2,527	4,788
Total assets	30,553	23,853	31,977	41,636	53,283	122,606	24,567	328,475
Deposits and balances of customers	117,324	37,416	30,945	41,136	5,590	1,740	(11)	234,140
Deposits and balances of banks, and bills and drafts payable	2,794	4,724	3,458	877	318	4	6	12,181
Debts issued	360	886	5,449	5,790	5,804	3,570	10	21,869
Derivative financial liabilities	–	–	–	–	–	–	6,384	6,384
Others	697	166	155	84	118	549	1,682	3,451
Total liabilities	121,175	43,192	40,007	47,887	11,830	5,863	8,071	278,025
Equity attributable to:								
Equity holders of the Bank	–	21	–	44	131	1,439	28,219	29,854
Non-controlling interests	–	–	–	–	–	–	203	203
Total equity	–	21	–	44	131	1,439	28,422	30,057
Net on-balance sheet position	(90,622)	(19,360)	(8,030)	(6,295)	41,322	115,304	(11,926)	
Net off-balance sheet position	(16,763)	(1,108)	(1,006)	(999)	(107)	(1,372)	(3,850)	
Net maturity mismatch	(107,385)	(20,468)	(9,036)	(7,294)	41,215	113,932	(15,776)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 35 and 38a. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2015 and 2014. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers. The behavioural adjustments based on historical trends are disclosed in Note 43d(ii).

(d) Liquidity risk (continued)

(ii) The following table shows the cash flow analysis of the Group's assets and liabilities for a one-year period, with behavioural adjustments on significant balance sheet items on an undiscounted basis. The maturity profile for loans and deposits that do not have maturity dates, and fixed deposits that are frequently rolled over, is estimated based on past statistics and historical trends. Other balance sheet items such as credit cards are generally estimated based on the behavioural patterns of the customers. There may be some differences in the assumptions across geographical locations due to variations in local conditions.

	The Group			
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million
2015				
Cash, balances and placements with central banks	13,780	4,517	3,685	4,613
Securities	667	443	3,067	7,463
Placements and balances with banks	8,445	6,534	6,336	5,752
Loans to customers	7,292	15,971	17,649	31,046
Others	838	453	655	49
Total assets	31,022	27,918	31,392	48,923
Deposits and balances of customers [1]	22,393	23,791	10,992	4,956
Deposits and balances of banks, and bills and drafts payable	5,262	1,758	3,679	1,683
Debts issued	907	1,555	7,446	4,174
Others	1,424	563	858	158
Total liabilities	29,986	27,667	22,975	10,971
Equity attributable to:				
Equity holders of the Bank	–	21	–	45
Non-controlling interests	–	–	–	–
Total equity	–	21	–	45
Net on-balance sheet position	1,036	230	8,417	37,907
Net off-balance sheet position	(3,380)	(2,025)	(4,361)	(8,576)
Net maturity mismatch	(2,344)	(1,795)	4,056	29,331

1 Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

43. Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) (continued)

	The Group			
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million
2014				
Cash, balances and placements with central banks	14,186	3,981	6,383	4,641
Securities	1,218	672	3,078	6,161
Placements and balances with banks	7,618	5,219	7,750	6,036
Loans to customers	7,734	15,132	16,140	27,343
Others	791	370	79	73
Total assets	31,547	25,374	33,430	44,254
Deposits and balances of customers [1]	22,247	25,100	11,572	6,420
Deposits and balances of banks, and bills and drafts payable	2,757	4,761	3,458	877
Debts issued	360	886	5,449	5,790
Others	553	148	126	32
Total liabilities	25,917	30,895	20,605	13,119
Equity attributable to:				
Equity holders of the Bank	–	21	–	44
Non-controlling interests	–	–	–	–
Total equity	–	21	–	44
Net on-balance sheet position	5,630	(5,542)	12,825	31,091
Net off-balance sheet position	(2,759)	(3,270)	(2,132)	(2,891)
Net maturity mismatch	2,871	(8,812)	10,693	28,200

1 Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

43. Financial risk management (continued)

(e) Value-at-risk

The Group adopts a daily VaR to estimate market risk within a 99% confidence interval using the historical simulation method for its trading book. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements. The level of VaR is dependent on the exposures, as well as market prices and volatilities. The Group computes market risk based on historical simulation VaR. This entails the estimation of tail loss based on the most recent historical data, which may not always reflect the extreme loss event. The Group runs market risk stress to complement the market risk historical simulation VaR.

The table below shows the trading book VaR profile by risk classes.

	The Group			
	Year end $ million	High $ million	Low $ million	Average $ million
2015				
Interest rate	5.04	7.51	1.98	4.64
Foreign exchange	5.34	6.81	0.95	3.43
Equity	3.48	3.48	0.02	0.08
Commodity	0.81	1.25	0.21	0.67
Specific risk [1]	0.24	0.76	0.15	0.37
Total VaR	8.34	11.72	3.31	7.84
2014				
Interest rate	2.72	5.92	1.64	3.14
Foreign exchange	1.18	6.24	0.97	2.82
Equity	0.03	0.27	0.01	0.06
Commodity	0.23	1.12	*	0.24
Specific risk [1]	0.21	0.64	0.08	0.24
Total VaR	3.96	10.40	2.46	4.84

1 Specific risk encompasses specific equity market risk and specific credit market risk. It is computed from the residual volatility implied from the movement of individual assets and their corresponding indices.

* Less than $5,000.

44. Capital management

The Group's capital management objective is to ensure that the Group maintains an optimal capital level that is adequate to support business growth and strategic investment opportunities, while meeting regulatory requirements and maintaining a strong credit rating. The Group and all banking subsidiaries have met the regulatory capital requirements throughout the financial year.

The Group is subject to the Basel III capital adequacy standards required by the MAS. The Group's Common Equity Tier 1 capital comprises mainly paid up ordinary share capital, disclosed reserves and qualifying minority interest. Additional Tier 1 capital includes eligible non-cumulative non-convertible perpetual securities and preference shares (subject to partial recognition under Basel III transitional rules), while Tier 2 capital comprises subordinated notes and excess of accounting provisions over Basel expected loss. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2015	2014
	$ million	$ million
Share capital	**3,704**	3,715
Disclosed reserves/others	**24,762**	23,590
Regulatory adjustments	**(2,448)**	(2,408)
Common Equity Tier 1 capital	**26,018**	24,897
Preference shares/others	**2,179**	2,180
Regulatory adjustments – capped	**(2,179)**	(2,180)
Additional Tier 1 capital	**–**	–
Tier 1 capital	**26,018**	24,897
Subordinated notes	**4,505**	4,405
Provisions/others	**1,028**	918
Regulatory adjustments	**(201)**	(12)
Tier 2 capital	**5,332**	5,311
Eligible total capital	**31,350**	30,208
Risk-weighted assets	**200,654**	178,792
Capital adequacy ratios (%)		
Common Equity Tier 1	**13.0**	13.9
Tier 1	**13.0**	13.9
Total	**15.6**	16.9

45. Authorisation of financial statements

The financial statements were authorised for issue by the Board of Directors on 15 February 2016.