

# United Overseas Bank Limited (Incorporated in Singapore) and its subsidiaries

31 December 2015

## Financial Report

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#### Notes:

Certain comparative figures have been restated to conform with the current year's presentation.

Certain figures in this section may not add up to the relevant totals due to rounding.

Amounts less than \$500,000 in absolute term are shown as "0".

"NM" denotes not meaningful.

# Management Discussion and Analysis

## Overview

	2015	2014	+ / (-) %
<b>Selected income statement items (\$ million)</b>			
Net interest income	4,926	4,558	8.1
Fee and commission income	1,883	1,749	7.7
Other non-interest income	1,238	1,151	7.6
Total income	8,048	7,457	7.9
Less: Total expenses	3,597	3,146	14.3
Operating profit	4,451	4,311	3.2
Less: Total allowances	672	635	5.7
Add: Share of profit of associates and joint ventures	90	149	(40.0)
Net profit before tax	3,869	3,825	1.1
Less: Tax and non-controlling interests	660	576	14.6
Net profit after tax <sup>1</sup>	3,209	3,249	(1.2)
<b>Selected balance sheet items (\$ million)</b>			
Net customer loans	203,611	195,903	3.9
Customer deposits	240,524	233,750	2.9
Total assets	316,011	306,736	3.0
Shareholders' equity <sup>1</sup>	30,768	29,569	4.1
<b>Key financial ratios (%)</b>			
Net interest margin	1.77	1.71	
Non-interest income/Total income	38.8	38.9	
Expense/Income ratio	44.7	42.2	
Overseas profit before tax contribution	38.9	38.7	
Loan charge off rate (bp)			
Exclude general allowances	19	12	
Include general allowances	32	32	
Non-performing loans ratio <sup>2</sup>	1.4	1.2	
Return on average total assets	1.03	1.10	
Return on average ordinary shareholders' equity <sup>3</sup>	11.0	12.3	
Loan/Deposit ratio <sup>4</sup>	84.7	83.8	
Liquidity coverage ratios (LCR) <sup>5</sup>			
All-currency	143	NA	
Singapore dollar	179	NA	
Capital adequacy ratios			
Common Equity Tier 1	13.0	13.9	
Tier 1	13.0	13.9	
Total	15.6	16.9	
Leverage ratio <sup>6</sup>	7.3	NA	
Earnings per ordinary share (\$) <sup>3</sup>			
Basic	1.94	1.98	
Diluted	1.93	1.97	
Net asset value (NAV) per ordinary share (\$) <sup>7</sup>	17.84	17.09	
Revalued NAV per ordinary share (\$) <sup>7</sup>	20.56	19.73	

1 Relate to amount attributable to equity holders of the Bank.

2 Refer to non-performing loans as a percentage of gross customer loans.

3 Calculated based on profit attributable to equity holders of the Bank net of preference share dividends and capital securities distributions.

4 Refer to net customer loans and customer deposits.

5 Figures reported are based on average LCR for the respective period. A minimum requirement of Singapore dollar LCR of 100% and all-currency LCR of 60% is required to be maintained at all times with effect from 1 January 2015, with all-currency LCR increasing by 10% each year to 100% by 2019.

6 Leverage ratio is calculated based on the revised MAS Notice 637 which took effect from 1 January 2015. A minimum requirement of 3% is applied during the parallel run period from 1 January 2013 to 1 January 2017.

7 Preference shares and capital securities are excluded from the computation.

## Performance Review

The Group reported a net profit after tax of \$3.21 billion for 2015, a marginal decline of 1.2% from a year ago as prior year results included a higher write-back of tax provisions. Total income grew 7.9% to reach \$8.05 billion, led by strong client franchise income and higher gains on sale of investment securities.

Net interest income grew 8.1% to \$4.93 billion on the back of healthy loan growth and improved net interest margin. Net interest margin increased 6 basis points to 1.77%, benefiting from rising interest rates in Singapore.

Non-interest income rose 7.7% to \$3.12 billion in 2015. Fee income grew 7.7% to \$1.88 billion with credit card, fund management and wealth management activities registering steady growth. Trading and investment income increased 16.8% to \$954 million on higher gains on sale of securities as well as healthy growth in treasury customer income.

Total expenses increased 14.3% to \$3.60 billion on higher staff costs, revenue and IT-related expenses as the Group continued to invest in people and technology capabilities. The increase was also partly due to a prior year bonus adjustment and a one-off expenditure of \$67 million incurred for Singapore's Golden Jubilee (SG50) and UOB's 80<sup>th</sup> anniversary (UOB80) commemorative events and the launch of a group-wide brand campaign. Expense-to-income ratio was 44.7%, or 43.4% on a normalised basis.

Total allowances were higher at \$672 million, while total loan charge off rate remained at 32 basis points. Specific allowances on loans increased 64.4% to \$392 million mainly from non-performing loans (NPL) accounts in Singapore, Indonesia and Greater China. The Group provided general allowances of \$196 million during the year and the general allowances coverage ratio remained strong at 1.4% of the loan book as at 31 December 2015.

Contribution from associates' profits of \$90 million in 2015 was 40.0% lower mainly due to a non-recurring gain from the disposal of associates in 2014.

Tax expense increased 15.7% to \$649 million, mainly due to a lower write-back of prior years' provisions.

Gross loans grew 4.0% year-on-year to \$207 billion as at 31 December 2015. In constant currency terms, the underlying loan growth was 5.4%.

The Group's liquidity position remained strong with customer deposits increasing 2.9% from a year ago to \$241 billion as at 31 December 2015, contributed mainly by growth in Singapore dollar and US dollar deposits. The Group's loan-to-deposit ratio stayed healthy at 84.7% as at 31 December 2015. The quarter-average Singapore dollar and all-currency liquidity coverage ratios were 217% and 142% respectively, well above the regulatory requirements of 100% and 60%.

Group NPL ratio remained stable at 1.4% as at 31 December 2015 while NPL coverage was 130.5%, and 315.7% after taking collateral into account.

Shareholders' equity increased 4.1% from a year ago to \$30.8 billion as at 31 December 2015, largely contributed by net profits and improved valuations on available-for-sale investments. Return on equity was 11.0% for 2015.

As at 31 December 2015, the Group's strong capital position remained well above the MAS minimum requirements with Common Equity Tier 1 and Total CAR at 13.0% and 15.6% respectively. The Group's leverage ratio stood at 7.3% as at 31 December 2015, well above the minimum requirement of 3%.

# Management Discussion and Analysis

## Net Interest Income

### Net Interest Margin

	2015			2014		
	Average balance \$ million	Interest \$ million	Average rate %	Average balance \$ million	Interest \$ million	Average rate %
<b>Interest Bearing Assets</b>						
Customer loans	200,337	6,675	3.33	190,773	5,913	3.10
Interbank balances	52,318	627	1.20	48,851	693	1.42
Securities	25,441	524	2.06	27,176	584	2.15
<b>Total</b>	<b>278,096</b>	<b>7,826</b>	<b>2.81</b>	<b>266,801</b>	<b>7,189</b>	<b>2.69</b>
<b>Interest Bearing Liabilities</b>						
Customer deposits	239,674	2,559	1.07	217,548	2,252	1.04
Interbank balances/others	30,208	341	1.13	40,438	380	0.94
<b>Total</b>	<b>269,882</b>	<b>2,900</b>	<b>1.07</b>	<b>257,986</b>	<b>2,632</b>	<b>1.02</b>
<b>Net interest margin<sup>1</sup></b>			<b>1.77</b>			<b>1.71</b>

<sup>1</sup> Net interest margin represents net interest income as a percentage of total interest bearing assets.

### Volume and Rate Analysis

	2015 vs 2014			2014 vs 2013		
	Volume change \$ million	Rate change \$ million	Net change \$ million	Volume change \$ million	Rate change \$ million	Net change \$ million
<b>Interest Income</b>						
Customer loans	296	465	762	690	(74)	616
Interbank balances	49	(114)	(65)	121	(83)	38
Securities	(37)	(22)	(60)	(50)	77	27
<b>Total</b>	<b>308</b>	<b>329</b>	<b>637</b>	<b>761</b>	<b>(80)</b>	<b>681</b>
<b>Interest Expense</b>						
Customer deposits	229	78	307	169	42	212
Interbank balances/others	(96)	57	(39)	103	(72)	32
<b>Total</b>	<b>134</b>	<b>135</b>	<b>268</b>	<b>273</b>	<b>(29)</b>	<b>243</b>
<b>Net interest income</b>	<b>175</b>	<b>194</b>	<b>369</b>	<b>489</b>	<b>(51)</b>	<b>438</b>

Net interest income grew 8.1% to a new high of \$4.93 billion in 2015, led by healthy loan growth across various geographies and industries. Net interest margin widened 6 basis points to 1.77%, benefiting from rising interest rates in Singapore.

## Non-Interest Income

	2015 \$ million	2014 \$ million	+ / (-) %
<b>Fee and Commission Income</b>			
Credit card	345	281	22.8
Fund management	172	156	10.4
Wealth management	416	377	10.1
Loan-related <sup>1</sup>	498	490	1.5
Service charges	121	113	7.7
Trade-related <sup>2</sup>	258	273	(5.4)
Others	74	59	25.2
	<b>1,883</b>	<b>1,749</b>	<b>7.7</b>
<b>Other Non-Interest Income</b>			
Net trading income	641	599	7.0
Net gain from investment securities	313	218	43.7
Dividend income	34	48	(28.7)
Rental income	117	115	1.8
Other income	132	170	(22.4)
	<b>1,238</b>	<b>1,151</b>	<b>7.6</b>
<b>Total</b>	<b>3,122</b>	<b>2,900</b>	<b>7.7</b>

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

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

Fee and commission income grew 7.7% year-on-year to \$1.88 billion with broad-based growth across most businesses. Trading and investment income increased 16.8% to \$954 million, contributed mainly by higher gains on sale of securities as well as healthy growth in treasury customer income. Consequently, non-interest income rose 7.7% to \$3.12 billion in 2015.

# Management Discussion and Analysis

## Operating Expenses

	2015 \$ million	2014 \$ million	+ / (-) %
Staff costs	2,064	1,825	13.1
<b>Other Operating Expenses</b>			
Revenue-related	796	672	18.3
Occupancy-related	311	287	8.3
IT-related	242	199	21.6
Others	184	163	13.2
	1,533	1,321	16.0
<b>Total</b>	<b>3,597</b>	<b>3,146</b>	<b>14.3</b>

Total expenses increased 14.3% to \$3.60 billion from a year ago. In 2015, the Group incurred one-off expenses amounting to \$67 million for SG50 and UOB80 commemorative events as well as the launch of a group-wide brand campaign. Excluding these expenses, total expenses increased 12.2% from 2014 to \$3.53 billion as the Group continued to invest in talent and technology capabilities to deepen its franchise. Staff expenses, normalised for an adjustment for prior year bonus, would show an increase of 7.0% from 2014 while total expenses would increase 9.0%. Expense-to-income ratio would have been 43.4% when normalised for these items.

## Allowances for Credit and Other Losses

	2015 \$ million	2014 \$ million	+ / (-) %
<b>Specific Allowances on Loans<sup>1</sup></b>			
Singapore	108	53	>100.0
Malaysia	33	28	18.6
Thailand	80	73	10.1
Indonesia	140	49	>100.0
Greater China <sup>2</sup>	40	6	>100.0
Others	(9)	29	(>100.0)
	392	238	64.4
<b>Specific allowances on securities and others</b>	<b>84</b>	<b>63</b>	<b>33.4</b>
<b>General allowances</b>	<b>196</b>	<b>334</b>	<b>(41.3)</b>
<b>Total</b>	<b>672</b>	<b>635</b>	<b>5.7</b>

<sup>1</sup> Specific allowances on loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

<sup>2</sup> Comprises China, Hong Kong and Taiwan.

Total allowances increased 5.7% from a year ago to \$672 million in 2015 with total loan charge off rate stable at 32 basis points. Specific allowances on loans rose \$153 million to \$392 million mainly from new non-performing loans accounts in Singapore, Indonesia and Greater China. The Group provided general allowances of \$196 million during the year. This increased total general allowance balances to \$3 billion, translating to a strong general allowance coverage ratio of 1.4% of the loan book as at 31 December 2015.



## Customer Loans

	2015 \$ million	2014 \$ million
Gross customer loans	207,371	199,343
Less: Specific allowances	773	657
General allowances	2,987	2,783
<b>Net customer loans</b>	<b>203,611</b>	<b>195,903</b>
<b>By Industry<sup>1</sup></b>		
Transport, storage and communication	10,019	10,014
Building and construction	45,211	38,672
Manufacturing	15,803	17,139
Financial institutions	14,282	16,039
General commerce	28,302	27,119
Professionals and private individuals	25,950	26,008
Housing loans	56,385	54,711
Others	11,419	9,641
<b>Total (gross)</b>	<b>207,371</b>	<b>199,343</b>
<b>By Currency</b>		
Singapore dollar	108,323	106,785
US dollar	35,953	33,471
Malaysian ringgit	22,375	24,364
Thai baht	10,935	10,155
Indonesian rupiah	5,157	4,777
Others	24,628	19,791
<b>Total (gross)</b>	<b>207,371</b>	<b>199,343</b>
<b>By Maturity</b>		
Within 1 year	70,864	66,066
Over 1 year but within 3 years	40,335	39,220
Over 3 years but within 5 years	26,194	24,341
Over 5 years	69,979	69,715
<b>Total (gross)</b>	<b>207,371</b>	<b>199,343</b>
<b>By Geography<sup>2</sup></b>		
Singapore	116,087	109,700
Malaysia	24,605	25,768
Thailand	11,481	10,836
Indonesia	11,543	11,100
Greater China	25,217	25,308
Others	18,438	16,631
<b>Total (gross)</b>	<b>207,371</b>	<b>199,343</b>

1 Certain loans to investment holding companies were reclassified in order to more accurately align to Singapore Standard Industrial Classification (SSIC) guidelines. Prior year comparatives were restated accordingly.

2 Loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

Gross customer loans grew 4.0% year-on-year to \$207 billion as at 31 December 2015. In constant currency terms, the underlying loan growth was 5.4% across various industries and geographies.

In Singapore, the customer loan base rose 5.8% from a year ago to \$116 billion as at 31 December 2015. Excluding currency effects, regional countries continued to contribute a strong growth year on year.

# Management Discussion and Analysis

## Non-Performing Assets

	2015 \$ million	2014 \$ million
<b>Non-Performing Assets (NPA)</b>		
Loans (NPL)	2,882	2,358
Debt securities and others	184	230
<b>Total</b>	<b>3,066</b>	<b>2,588</b>
<b>By Grading</b>		
Substandard	2,255	1,855
Doubtful	160	197
Loss	651	536
<b>Total</b>	<b>3,066</b>	<b>2,588</b>
<b>By Security Coverage</b>		
Secured	1,697	1,387
Unsecured	1,369	1,201
<b>Total</b>	<b>3,066</b>	<b>2,588</b>
<b>By Ageing</b>		
Current	462	536
Within 90 days	370	152
Over 90 to 180 days	417	319
Over 180 days	1,817	1,581
<b>Total</b>	<b>3,066</b>	<b>2,588</b>
<b>Total Allowances</b>		
Specific	934	819
General	3,074	2,910
<b>Total</b>	<b>4,008</b>	<b>3,729</b>
As a % of NPA	130.7%	144.1%
As a % of unsecured NPA	292.8%	310.5%

	2015		2014	
	NPL \$ million	NPL ratio %	NPL \$ million	NPL ratio %
<b>NPL by Industry<sup>1</sup></b>				
Transport, storage and communication	977	9.8	714	7.1
Building and construction	250	0.6	226	0.6
Manufacturing	287	1.8	280	1.6
Financial institutions	102	0.7	109	0.7
General commerce	388	1.4	265	1.0
Professionals and private individuals	287	1.1	209	0.8
Housing loans	550	1.0	507	0.9
Others	41	0.4	48	0.5
<b>Total</b>	<b>2,882</b>	<b>1.4</b>	<b>2,358</b>	<b>1.2</b>

<sup>1</sup> Certain loans to investment holding companies were reclassified in order to more accurately align to Singapore Standard Industrial Classification (SSIC) guidelines. Prior year comparatives were restated accordingly.



## Non-Performing Assets (continued)

	NPL \$ million	NPL ratio %	Total allowances	
			as a % of NPL %	as a % of unsecured NPL %
<b>NPL by Geography<sup>1</sup></b>				
Singapore				
2015	1,116	1.0	220.3	646.8
2014	864	0.8	249.9	817.8
Malaysia				
2015	386	1.6	125.1	525.0
2014	386	1.5	135.0	505.8
Thailand				
2015	249	2.2	121.7	312.4
2014	267	2.5	121.3	241.8
Indonesia				
2015	569	4.9	39.9	110.2
2014	298	2.7	55.4	150.0
Greater China				
2015	218	0.9	87.2	131.0
2014	124	0.5	109.7	191.5
Others				
2015	344	1.9	28.8	36.5
2014	419	2.5	32.2	45.0
Group				
2015	2,882	1.4	130.5	315.7
2014	2,358	1.2	145.9	350.3

<sup>1</sup> Non-performing loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

NPL ratio rose to 1.4%, an increase of 0.2% point from a year ago but NPL coverage stayed healthy at 130.5%, and 315.7% after taking collateral into account.

Group NPL increased 22.2% from a year ago to \$2.88 billion. The transportation sector, particularly the shipping industry, remains under stress with several new large NPL, mainly in Indonesia. Increase in NPL from Singapore and Greater China were mainly in the manufacturing and general commerce industries.

# Management Discussion and Analysis

## Customer Deposits

	2015 \$ million	2014 \$ million
<b>By Product</b>		
Fixed deposits	125,486	129,787
Savings deposits	55,966	51,654
Current accounts	51,221	45,482
Others	7,852	6,827
<b>Total</b>	<b>240,524</b>	<b>233,750</b>
<b>By Maturity</b>		
Within 1 year	234,414	226,593
Over 1 year but within 3 years	4,130	5,521
Over 3 years but within 5 years	723	646
Over 5 years	1,258	989
<b>Total</b>	<b>240,524</b>	<b>233,750</b>
<b>By Currency</b>		
Singapore dollar	115,650	112,608
US dollar	54,236	49,068
Malaysian ringgit	24,122	27,199
Thai baht	11,782	10,970
Indonesian rupiah	5,252	4,822
Others	29,483	29,082
<b>Total</b>	<b>240,524</b>	<b>233,750</b>
Group Loan/Deposit ratio (%)	84.7	83.8
Singapore dollar Loan/Deposit ratio (%)	91.7	93.0
US dollar Loan/Deposit ratio (%)	65.6	67.7

Customer deposits continued to grow with an increase of 2.9% from a year ago to \$241 billion, mainly contributed by Singapore dollar and US dollar deposits.

As at 31 December 2015, the Group's loan-to-deposit ratio and Singapore dollar loan-to-deposit ratio remained healthy at 84.7% and 91.7% respectively.

## Debts Issued (Unsecured)

	2015 \$ million	2014 \$ million
Subordinated debts	4,878	4,640
Commercial papers	9,666	10,502
Fixed and floating rate notes	3,785	4,211
Others	1,959	1,601
<b>Total</b>	<b>20,288</b>	<b>20,953</b>
Due within one year	12,143	12,393
Due after one year	8,146	8,560
<b>Total</b>	<b>20,288</b>	<b>20,953</b>

## Shareholders' Equity

	2015 \$ million	2014 \$ million
Shareholders' equity	30,768	29,569
Add: Revaluation surplus	4,357	4,224
Shareholders' equity including revaluation surplus	<u>35,126</u>	<u>33,793</u>

Shareholders' equity rose 4.1% from a year ago to \$30.8 billion as at 31 December 2015, largely led by higher net profits and improved valuations on the available-for-sale investments.

As at 31 December 2015, a revaluation surplus of \$4.36 billion relating to the Group's properties, is not recognised in the financial statements.

## Performance by Operating Segment <sup>1,2</sup>

	GR \$ million	GWB \$ million	GMIM \$ million	Others \$ million	Elimination \$ million	Total \$ million
<b>2015</b>						
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	<u>1,397</u>	<u>2,392</u>	<u>349</u>	<u>(269)</u>	<u>–</u>	<u>3,869</u>
Tax						(649)
Profit for the financial year						<u>3,220</u>
<b>2014</b>						
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	<u>1,246</u>	<u>2,218</u>	<u>513</u>	<u>(152)</u>	<u>–</u>	<u>3,825</u>
Tax						(561)
Profit for the financial year						<u>3,264</u>

1 Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

2 Long Term Investment has been reclassified from Others to GMIM and prior year comparatives have been restated accordingly.

# Management Discussion and Analysis

## Performance by Operating Segment <sup>1,2</sup> (continued)

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. The following represent the key customer segments:

### Group Retail (GR)

Segment profit increased 12.1% to \$1.40 billion in 2015, mainly driven by higher net interest income as well as higher non-interest income from wealth management and credit card products. The increase was partly offset by higher business volume-related operating expenses.

### Group Wholesale Banking (GWB)

Segment profit grew 7.8% to \$2.39 billion in 2015, contributed by higher net interest income and increased cross-sell income from global markets products and transaction banking. Revenue growth was partly offset by higher allowances and higher operating expenses. Increased operating expenses primarily resulted from the continued investment in product capabilities and hiring of new talents as the business expanded regionally.

### Global Markets and Investment Management (GMIM)

Segment profit decreased 32.0% to \$349 million in 2015, mainly due to lower income from market making and banking book/central treasury activities.

### Others

This segment recorded a higher loss of \$269 million in 2015, mainly due to lower share of associates' profit and higher operating expenses from SG50 and UOB80 commemorative events, brand campaign and adjustment for prior year bonus; partially offset by lower allowances for credit and other losses.

## Performance by Geographical Segment <sup>1</sup>

	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
<b>Total</b>	<b>8,048</b>	<b>7,457</b>	<b>3,869</b>	<b>3,825</b>	<b>316,011</b>	<b>306,736</b>

<sup>1</sup> Based on the location where the transactions and assets are booked, which approximates that based on the location of the customers and assets. Information is stated after elimination of inter-segment transactions.

In 2015, the Group's total operating income rose 7.9% from a year ago to \$8.05 billion. Singapore grew 8.0% driven by strong net interest income and fees. Regional growth was higher at 6.5% largely led by Thailand and Greater China. At the pre-tax profit level, the Group increased 1.1% to \$3.87 billion in 2015. Overseas contributed 38.9% of the Group's pre-tax profit due to core income growth.

## Capital Adequacy and Leverage Ratios

As at 31 December 2015, the Group's strong capital position remained well above the MAS minimum requirements with Common Equity Tier 1 and Total CAR at 13.0% and 15.6% respectively. The Group's leverage ratio stood at 7.3% as at 31 December 2015, well above Basel's minimum requirement of 3%.

Compared with a year ago, capital ratios were lower mainly due to increased risk-weighted assets resulting from asset growth, coupled with the revised recognition of undrawn credit facilities following MAS' clarification on the definition of loan commitments effective 31 December 2015, partially offset by higher retained earnings.

# Directors' Statement

for the financial year ended 31 December 2015

The directors are pleased to present their statement to the members together with the audited financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2015.

## Opinion of the Directors

In the opinion of the directors,

- (a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and the consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2015, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

## Directors

The directors of the Bank in office at the date of this report are:

Wee Cho Yaw (*Chairman Emeritus and Adviser*)  
Hsieh Fu Hua (*Chairman*)  
Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)  
Wong Meng Meng  
Franklin Leo Lavin  
Willie Cheng Jue Hiang  
James Koh Cher Siang  
Ong Yew Huat  
Lim Hwee Hua

## Arrangements to enable directors to acquire shares or debentures

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

## Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interests in shares and debentures of the Bank or its related corporations as stated below:

	Direct interest			Deemed interest		
	At 21.01.2016	At 31.12.2015	At 1.1.2015 or date of appointment	At 21.01.2016	At 31.12.2015	At 1.1.2015 or date of appointment
<b>The Bank</b>						
<i>Ordinary shares</i>						
Wee Cho Yaw	20,122,341	19,921,917	19,301,917	272,751,258	270,050,084	270,070,084
Hsieh Fu Hua	–	–	–	25,253	25,000	25,000
Wee Ee Cheong	3,125,918	3,125,918	3,125,918	163,085,428	161,463,970	161,463,970
Willie Cheng Jue Hiang	–	–	–	50,467	50,467	50,467
James Koh Cher Siang	3,900	3,900	3,900	–	–	–
<b>United Overseas Insurance Limited</b>						
<i>Ordinary shares</i>						
Wee Cho Yaw	38,100	38,100	38,100	–	–	–

# Directors' Statement

for the financial year ended 31 December 2015

## Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## Directors' remuneration

The proposed annual fee structure for the Board for 2015 is set out below. The proposed directors' fees are subject to shareholders' approval at the forthcoming AGM.

Fee Structure	Chairman \$	Member \$
Basic Fee	700,000	90,000
Executive Committee	85,000	55,000
Board Risk Management Committee	85,000	55,000
Audit Committee	85,000	55,000
Nominating Committee	45,000	30,000
Remuneration Committee	45,000	30,000

Details of the proposed total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2015 are as follows:

	Advisory fee \$'000	Directors' fees \$'000	Fees from subsidiaries <sup>4</sup> \$'000	Salary \$'000	Bonus \$'000	Benefits- in-kind and others <sup>3</sup> \$'000	Total \$'000
Wee Cho Yaw <sup>1</sup>	800	335	209	–	–	8	1,352
Hsieh Fu Hua	–	870	10	–	–	10	890
Wee Ee Cheong <sup>2</sup>	–	–	–	1,200	8,000	23	9,223
Wong Meng Meng	–	135	5	–	–	–	140
Franklin Leo Lavin	–	175	5	–	–	–	180
Willie Cheng Jue Hiang	–	205	–	–	–	–	205
James Koh Cher Siang	–	230	–	–	–	–	230
Ong Yew Huat	–	200	66	–	–	–	266
Lim Hwee Hua	–	145	–	–	–	–	145

1 The advisory fee of \$800,000 recommended by the Remuneration Committee for Dr Wee Cho Yaw is subject to shareholders' approval at the Annual General Meeting to be held on 21 April 2016.

2 60% of the variable pay to Mr Wee Ee Cheong will be deferred and vest over the next three years, subject to predetermined performance conditions. Of the deferred variable pay, 40% will be issued in deferred cash, while the remaining 60% will be in the form of share-linked performance units.

3 Includes transport-related benefits and provision of drivers for Dr Wee Cho Yaw, and Messrs Hsieh Fu Hua and Wee Ee Cheong.

4 Fees from subsidiaries for Mr Wee Ee Cheong were paid to the Bank.

## Share-based compensation plans

The share-based compensation plans, which are administered by the Remuneration Committee, comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Details of these plans are found below and in Note 40 to the financial statements.

### UOB Restricted Share Plan and UOB Share Appreciation Rights Plan (the Plans)

The Bank implemented the Plans on 28 September 2007, with a view to aligning the interests of participating employees with that of shareholders and the Group by fostering a culture of ownership and enhancing the competitiveness of the Group's remuneration for selected employees.

The Remuneration Committee determined the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting. Since 2014, no SAR has been granted as an instrument for share-based compensation. Grants from prior years continue to vest in accordance with the vesting schedule.

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.

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 ROE target achieved	Percentage of award to be vested	
	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	70%
< 80%	Remuneration Committee	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.



# Directors' Statement

for the financial year ended 31 December 2015

## Audit Committee

The Audit Committee comprises three members, all of whom are non-executive and independent directors. The members of the Audit Committee are:

Willie Cheng Jue Hiang (*Chairman*)  
James Koh Cher Siang  
Ong Yew Huat

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditor's evaluation of the system of internal accounting controls, the scope and results of the internal and external audit procedures, the adequacy of internal audit resources, the cost effectiveness, independence and objectivity of the external auditor, the significant findings of internal audit investigations and interested person transactions. The reviews were made with the internal and external auditors, the Chief Financial Officer and/or other senior management staff, as appropriate.

## Auditor

The Audit Committee has nominated Ernst & Young LLP for re-appointment as auditor of the Bank and Ernst & Young LLP has expressed its willingness to be re-appointed.

On behalf of the Board of Directors,

**Hsieh Fu Hua**  
Chairman

**Wee Ee Cheong**  
Deputy Chairman and Chief Executive Officer

Singapore  
15 February 2016

# Independent Auditor's Report

for the financial year ended 31 December 2015

## Independent Auditor's Report to the Members of United Overseas Bank Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group), set out on pages 135 to 220 which comprise the balance sheets of the Bank and the Group at 31 December 2015, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and the Group and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank, are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs), including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2015 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the financial performance and changes in equity of the Bank for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

for the financial year ended 31 December 2015

Areas of focus	How our audit addressed the risk factors
<p><b>Allowance for impairment of loans to customers</b>  <i>Refer to Notes 2r(i) and 25a to the consolidated financial statements on pages 150 and 176 respectively.</i></p> <p>The allowance for impairment of loans to customers is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group records both general and specific allowances of loans to customers, in accordance to the transitional provision set out in MAS Notice 612 requirements for the incorporation of historical loss data and qualitative factors on loan grading respectively.</p> <p>Loans to customers contributed to 64% of the Group's total assets. The Group's gross loan portfolio comprises clients from the two business units, i.e. Group Wholesale Banking (GWB) (56%/S\$116 billion) and Group Retail (GR) (44%/S\$91 billion). The loan portfolio and characteristics of these two groups differ, therefore requiring a different approach in the assessment for specific allowances by management.</p> <p>GWB's loan portfolio consists of large wholesale loans, requiring management to monitor the borrowers' repayment abilities individually based on their knowledge for any allowance for impairment.</p> <p>In comparison with GWB, GR's loan portfolio consists of smaller loan values and a greater number of customers. Loans are not monitored individually and are grouped by product into homogeneous portfolios. Portfolios are monitored through historical delinquency statistics, for the allowance for impairment assessment.</p>	<p>Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following:</p> <ul style="list-style-type: none"> <li>• the data interface between systems from the approval to recording and monitoring of loans</li> <li>• the identification and timeliness of identifying impairment indicators</li> <li>• the governance process of loan downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment models</li> </ul> <p>Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.</p> <p>Our procedures to assess management's provision for specific allowances, in response to the risks specific to the business units included the following:</p> <p><u>Group Wholesale Banking</u>            We obtained an understanding of the Group Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans for compliance on the classification according to MAS Notice 612.</p> <p>We assessed the Group's credit review process on the credit worthiness of selected customers. We selected a sample of loans considering country risks, industry trends/macro-economic factors, e.g. commodity crisis, lacklustre property market, etc. In particular, we focused on the shipping, real estate, and oil and gas portfolios.</p> <p>For the selected non-performing loans, we assessed management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. We evaluated the consistency of key assumptions applied, benchmarking these to our own understanding of the relevant industries and business environments, to assess the validity of the collateral valuations. We re-computed management's calculation of the specific allowances to check the accuracy of data captured in the accounting records.</p> <p>Additionally, we selected samples of performing loans and assessed that the borrowers did not exhibit any definable weaknesses that may jeopardise the repayment abilities.</p>

Areas of focus	How our audit addressed the risk factors
<p><b>Allowance for impairment of loans to customers (continued)</b></p>	<p><b>Group Retail</b> The allowance for impairment process is based on projection of losses, with historical delinquency statistics of each portfolio. Our testing included both the secured and non-secured lending portfolios.</p> <p>For the secured lending portfolio, allowance for impairment is determined based on the haircuts and fair values less cost to sell obtained by the Group. We examined on a sample basis, the reasonableness of haircuts applied and the fair values less cost to sell based on our knowledge and experience of the local economic conditions, asset price trends, etc.</p> <p>For the non-secured lending portfolio, we examined the appropriateness of the model parameters such as historical loss rates based on our industry knowledge and experience, to assess that they are in line with customer behavioural profiles.</p> <p>With respect to the Group's general allowances, our procedures included the following:</p> <ul style="list-style-type: none"> <li>• we re-computed management's calculation to assess that the Group maintained a minimum of 1% of general allowances on total credit exposure net of collateral and specific allowances in accordance with the transitional provision set out in MAS Notice 612</li> <li>• we evaluated management's assessment on the relevance of the applied historical credit cycles and impact arising from forecasts of the prevailing market and economic conditions discussed above, which the Group is most susceptible to</li> </ul> <p>Overall, the results of our evaluation of the Group's allowance for impairment of loans are consistent with management's assessment.</p> <p>We have also assessed the adequacy of the Group's disclosure on the allowance for impairment of loans and the related credit risk in Note 25(a) and Note 43(a) to the financial statements.</p>
<p><b>Valuation of illiquid or complex financial instruments</b> <i>Refer to Notes 2r(ii) and 18b to the consolidated financial statements on pages 150 and 166 to 167 respectively.</i></p> <p>The valuation of the Group's financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing some of the instruments and the significance of the judgements and estimates made by management.</p> <p>In particular, the determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data.</p> <p>At 31 December 2015, 5% (\$3 billion) of the Group's total financial instruments that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised of unquoted equity investments and funds, long dated equity derivatives and a small number of unquoted debt securities.</p>	<p>We assessed the key controls over the Group's valuation and model validation processes, including the measurement of valuation reserves and derivative valuation adjustments. Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.</p> <p>In addition, we evaluated the appropriateness of the valuation methodologies, particularly for material illiquid and complex financial instruments such as private equity investments and structured products.</p> <p>For a sample of financial instruments with significant unobservable valuation inputs, we involved our own internal valuation specialists to critically assess the valuation assumptions and inputs used by management, or perform an independent valuation by reference to alternative valuation methods used by other market participants and sensitivity analysis of key factors.</p> <p>The results of our independent analyses are consistent with those of management's analyses.</p> <p>We also considered whether the financial statement disclosures appropriately reflect the Group's exposure to financial instrument valuation risk. For example, we assessed the Group's fair value hierarchy policy against the requirements of FRS 113 Fair Value Measurement, and tested the liquidity of the prices for selected Level 2 and 3 instruments to evaluate whether they were categorised in the appropriate level.</p>

# Independent Auditor's Report

for the financial year ended 31 December 2015

Areas of focus	How our audit addressed the risk factors
<p><b>Impairment of goodwill</b>  <i>Refer to Notes 2r(iii) and 34 to the consolidated financial statements on pages 150 and 190 respectively.</i></p> <p>As at 31 December 2015, the goodwill balance was carried at \$4 billion which represents 1% of total assets, and 13% of total equity. The goodwill arose from the Group's acquisition of Overseas Union Bank (OUB), United Overseas Bank (Thai) Public Company Limited (UOBT) and PT Bank UOB Indonesia (UOBI) in prior years.</p> <p>We focused on goodwill impairment due to the impairment testing of cash generating units (CGUs) relying on estimates of value-in-use (VIU) based on estimated future cash flows. The cash flow projection involved significant management judgment, and is based on assumptions that are affected by expected future market and economic conditions.</p>	<p>Our audit procedures focused on the assessment of key assumptions in forming the CGUs' VIU calculation, including the cash flow projections and discount rates.</p> <p>We assessed assumptions used in cash flow projections which the outcome of the impairment test is most sensitive to, and evaluated the reasonableness of these assumptions made by management by comparing it to externally available industry, economic and financial data. We stress-tested the cash flow projections. These cash flow projections have been approved by management.</p> <p>Furthermore, we evaluated management's budgeting process by comparing the actual results to previously forecasted results.</p> <p>Our evaluation results are consistent with management's goodwill impairment testing results.</p> <p>We also assessed the appropriateness of the financial statement disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.</p>

## Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# Independent Auditor's Report

for the financial year ended 31 December 2015

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Winston Ngan.

## ERNST & YOUNG LLP

Public Accountants and Chartered Accountants

Singapore  
16 February 2016



# Income Statements

for the financial year ended 31 December 2015

	Note	The Group		The Bank	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Interest income	3	7,826,114	7,189,330	4,552,840	3,889,959
Less: Interest expense	4	2,899,817	2,631,597	1,379,914	1,084,135
<b>Net interest income</b>		<b>4,926,297</b>	<b>4,557,733</b>	<b>3,172,926</b>	<b>2,805,824</b>
Fee and commission income	5	1,883,491	1,748,893	1,230,343	1,132,029
Dividend income		34,243	48,014	241,981	260,492
Rental income		117,461	115,403	100,054	97,994
Net trading income	6	640,808	598,831	532,584	543,483
Net gain/(loss) from investment securities	7	313,378	218,107	278,914	213,593
Other income	8	132,203	170,355	150,425	185,306
<b>Non-interest income</b>		<b>3,121,584</b>	<b>2,899,603</b>	<b>2,534,301</b>	<b>2,432,897</b>
<b>Total operating income</b>		<b>8,047,881</b>	<b>7,457,336</b>	<b>5,707,227</b>	<b>5,238,721</b>
Less: Staff costs	9	2,064,048	1,825,041	1,183,463	1,000,375
Other operating expenses	10	1,532,915	1,321,319	1,015,984	839,184
<b>Total operating expenses</b>		<b>3,596,963</b>	<b>3,146,360</b>	<b>2,199,447</b>	<b>1,839,559</b>
<b>Operating profit before allowances</b>		<b>4,450,918</b>	<b>4,310,976</b>	<b>3,507,780</b>	<b>3,399,162</b>
Less: Allowances for credit and other losses	11	671,786	635,303	389,688	350,626
<b>Operating profit after allowances</b>		<b>3,779,132</b>	<b>3,675,673</b>	<b>3,118,092</b>	<b>3,048,536</b>
Share of profit of associates and joint ventures		89,576	149,195	–	–
<b>Profit before tax</b>		<b>3,868,708</b>	<b>3,824,868</b>	<b>3,118,092</b>	<b>3,048,536</b>
Less: Tax	12	648,681	560,675	438,652	357,325
<b>Profit for the financial year</b>		<b>3,220,027</b>	<b>3,264,193</b>	<b>2,679,440</b>	<b>2,691,211</b>
Attributable to:					
Equity holders of the Bank		3,208,899	3,249,101	2,679,440	2,691,211
Non-controlling interests		11,128	15,092	–	–
		<b>3,220,027</b>	<b>3,264,193</b>	<b>2,679,440</b>	<b>2,691,211</b>
<b>Earnings per share (\$)</b>	13				
Basic		1.94	1.98		
Diluted		1.93	1.97		

The accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Comprehensive Income

for the financial year ended 31 December 2015

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Profit for the financial year</b>	<b>3,220,027</b>	<b>3,264,193</b>	<b>2,679,440</b>	<b>2,691,211</b>
Currency translation adjustments	(339,464)	109,535	8,601	8,717
Change in available-for-sale/other reserves				
Change in fair value	500,001	648,968	500,527	564,205
Transfer to income statement on disposal/impairment	(274,698)	(92,101)	(252,228)	(101,857)
Tax relating to available-for-sale/other reserves	(722)	(17,400)	(5,306)	(11,781)
Change in shares of other comprehensive income of associates and joint ventures	10,427	19,130	–	–
Remeasurement of defined benefit obligation <sup>1</sup>	(10,243)	(4,801)	–	–
<b>Other comprehensive income for the financial year, net of tax</b>	<b>(114,699)</b>	<b>663,331</b>	<b>251,594</b>	<b>459,284</b>
<b>Total comprehensive income for the financial year, net of tax</b>	<b>3,105,328</b>	<b>3,927,524</b>	<b>2,931,034</b>	<b>3,150,495</b>
Attributable to:				
Equity holders of the Bank	3,096,222	3,908,631	2,931,034	3,150,495
Non-controlling interests	9,106	18,893	–	–
	<b>3,105,328</b>	<b>3,927,524</b>	<b>2,931,034</b>	<b>3,150,495</b>

<sup>1</sup> Refers to an item that will not be reclassified subsequently to Income Statement.

The accounting policies and explanatory notes form an integral part of the financial statements.

# Balance Sheets

as at 31 December 2015

	Note	The Group		The Bank	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Equity</b>					
Share capital and other capital	14	5,881,252	5,892,165	5,049,702	5,060,615
Retained earnings	15	15,463,194	14,064,092	11,734,720	10,808,566
Other reserves	16	9,423,960	9,613,093	9,971,362	9,780,486
<b>Equity attributable to equity holders of the Bank</b>		<b>30,768,406</b>	<b>29,569,350</b>	<b>26,755,784</b>	<b>25,649,667</b>
Non-controlling interests		155,367	202,655	–	–
<b>Total equity</b>		<b>30,923,773</b>	<b>29,772,005</b>	<b>26,755,784</b>	<b>25,649,667</b>
<b>Liabilities</b>					
Deposits and balances of:					
Banks		11,986,337	11,226,347	10,538,390	10,665,592
Customers	19	240,524,473	233,749,644	190,377,876	179,122,889
Subsidiaries		–	–	2,411,844	2,767,302
Bills and drafts payable		434,541	950,727	236,649	190,704
Derivative financial liabilities	36	5,969,076	6,383,979	5,427,808	5,928,255
Other liabilities	20	5,262,453	3,157,723	2,580,158	1,472,185
Tax payable		430,678	381,926	346,417	359,715
Deferred tax liabilities	21	191,586	160,489	101,096	83,188
Debts issued	22	20,288,288	20,953,303	20,210,640	21,138,545
<b>Total liabilities</b>		<b>285,087,432</b>	<b>276,964,138</b>	<b>232,230,878</b>	<b>221,728,375</b>
<b>Total equity and liabilities</b>		<b>316,011,205</b>	<b>306,736,143</b>	<b>258,986,662</b>	<b>247,378,042</b>
<b>Assets</b>					
Cash, balances and placements with central banks	23	32,305,515	35,082,908	24,248,826	24,807,369
Singapore Government treasury bills and securities		6,865,052	7,756,709	6,865,052	7,627,828
Other government treasury bills and securities		12,643,728	10,140,942	7,268,093	3,982,141
Trading securities	24	1,276,574	738,262	1,009,768	738,262
Placements and balances with banks		28,646,058	28,692,051	24,280,039	24,332,571
Loans to customers	25	203,610,907	195,902,563	158,230,240	149,529,653
Placements with and advances to subsidiaries		–	–	5,943,534	7,726,981
Derivative financial assets	36	6,422,161	6,305,928	5,695,663	5,710,358
Investment securities	27	10,562,494	11,439,549	9,857,070	10,294,346
Other assets	28	5,354,853	2,718,439	3,685,887	1,465,432
Deferred tax assets	21	227,035	231,636	65,853	101,736
Investment in associates and joint ventures	29	1,105,946	1,189,449	407,006	523,138
Investment in subsidiaries	30	–	–	5,841,051	4,980,738
Investment properties	32	1,108,450	960,292	1,174,084	1,229,216
Fixed assets	33	1,738,607	1,428,135	1,232,677	1,146,454
Intangible assets	34	4,143,825	4,149,280	3,181,819	3,181,819
<b>Total assets</b>		<b>316,011,205</b>	<b>306,736,143</b>	<b>258,986,662</b>	<b>247,378,042</b>

The accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity

for the financial year ended 31 December 2015

	The Group					
	Attributable to equity holders of the Bank				Non-controlling interests \$'000	Total equity \$'000
	Share capital and other capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total \$'000		
<b>2015</b>						
Balance at 1 January	5,892,165	14,064,092	9,613,093	29,569,350	202,655	29,772,005
Profit for the financial year	–	3,208,899	–	3,208,899	11,128	3,220,027
Other comprehensive income for the financial year	–	(10,243)	(102,434)	(112,677)	(2,022)	(114,699)
Total comprehensive income for the financial year	–	3,198,656	(102,434)	3,096,222	9,106	3,105,328
Transfers	–	66,957	(66,957)	–	–	–
Change in non-controlling interests	–	–	(33,274)	(33,274)	(50,192)	(83,466)
Dividends	–	(1,866,864)	–	(1,866,864)	(6,202)	(1,873,066)
Share buyback – held in treasury	(36,658)	–	–	(36,658)	–	(36,658)
Share-based compensation	–	–	39,630	39,630	–	39,630
Reclassification of share-based compensation reserves on expiry	–	353	(353)	–	–	–
Issue of shares under share-based compensation plans	25,745	–	(25,745)	–	–	–
Balance at 31 December	5,881,252	15,463,194	9,423,960	30,768,406	155,367	30,923,773
<b>2014</b>						
Balance at 1 January	5,332,735	12,002,525	9,052,656	26,387,916	189,346	26,577,262
Profit for the financial year	–	3,249,101	–	3,249,101	15,092	3,264,193
Other comprehensive income for the financial year	–	(4,801)	664,331	659,530	3,801	663,331
Total comprehensive income for the financial year	–	3,244,300	664,331	3,908,631	18,893	3,927,524
Transfers	–	95,811	(95,811)	–	–	–
Change in non-controlling interests	–	–	1,304	1,304	713	2,017
Dividends	–	(1,278,624)	–	(1,278,624)	(6,297)	(1,284,921)
Issue of shares under scrip dividend scheme	516,594	–	–	516,594	–	516,594
Share-based compensation	–	–	33,529	33,529	–	33,529
Reclassification of share-based compensation reserves on expiry	–	80	(80)	–	–	–
Issue of shares under share-based compensation plans	42,836	–	(42,836)	–	–	–
Balance at 31 December	5,892,165	14,064,092	9,613,093	29,569,350	202,655	29,772,005
	Note	14	15	16		

The accounting policies and explanatory notes form an integral part of the financial statements.

	The Bank			
	Share capital and other capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
<b>2015</b>				
Balance at 1 January	5,060,615	10,808,566	9,780,486	25,649,667
Profit for the financial year	–	2,679,440	–	2,679,440
Other comprehensive income for the financial year	–	–	251,594	251,594
Total comprehensive income for the financial year	–	2,679,440	251,594	2,931,034
Transfers	–	74,250	(74,250)	–
Dividends	–	(1,827,889)	–	(1,827,889)
Share buyback – held in treasury	(36,658)	–	–	(36,658)
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	25,745	–	(25,745)	–
Balance at 31 December	5,049,702	11,734,720	9,971,362	26,755,784
<b>2014</b>				
Balance at 1 January	4,501,185	9,255,114	9,445,651	23,201,950
Profit for the financial year	–	2,691,211	–	2,691,211
Other comprehensive income for the financial year	–	–	459,284	459,284
Total comprehensive income for the financial year	–	2,691,211	459,284	3,150,495
Transfers	–	115,062	(115,062)	–
Dividends	–	(1,252,901)	–	(1,252,901)
Issue of shares under scrip dividend scheme	516,594	–	–	516,594
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	42,836	–	(42,836)	–
Balance at 31 December	5,060,615	10,808,566	9,780,486	25,649,667
	Note	14	15	16

The accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2015

	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>		
Profit for the financial year	3,220,027	3,264,193
Adjustments for:		
Allowances for credit and other losses	671,786	635,303
Share of profit of associates and joint ventures	(89,576)	(149,195)
Tax	648,681	560,675
Depreciation of assets	181,512	163,361
Net gain on disposal of assets	(341,505)	(271,324)
Share-based compensation	41,096	32,488
Operating profit before working capital changes	4,332,021	4,235,501
Increase/(decrease) in working capital		
Deposits and balances of banks	759,990	(2,479,806)
Deposits and balances of customers	6,774,829	19,202,102
Bills and drafts payable	(516,186)	(84,481)
Other liabilities	1,354,539	803,542
Restricted balances with central banks	300,939	257,956
Government treasury bills and securities	(1,583,063)	(286,291)
Trading securities	(532,295)	(92,274)
Placements and balances with banks	45,993	2,719,689
Loans to customers	(8,363,812)	(17,672,018)
Investment securities	1,391,206	1,169,504
Other assets	(2,758,518)	(99,990)
Cash generated from operations	1,205,643	7,673,434
Income tax paid	(544,546)	(562,586)
<b>Net cash provided by operating activities</b>	<b>661,097</b>	<b>7,110,848</b>
<b>Cash flows from investing activities</b>		
Capital injection into associates and joint ventures	(3,534)	(435)
Acquisition of associates and joint ventures	(8,672)	–
Proceeds from disposal of associates and joint ventures	478	–
Distribution from associates and joint ventures	167,483	282,154
Acquisition of properties and other fixed assets	(691,981)	(258,570)
Proceeds from disposal of properties and other fixed assets	51,004	40,495
Change in non-controlling interests	1,685	(3,044)
<b>Net cash (used in)/provided by investing activities</b>	<b>(483,537)</b>	<b>60,600</b>
<b>Cash flows from financing activities</b>		
Issuance of subordinated notes	367,999	1,543,922
Redemption of subordinated notes	(185,590)	(2,252,150)
(Redemption)/issuance of other debts	(847,424)	2,680,209
Share buyback – held in treasury	(36,658)	–
Change in non-controlling interests	(85,150)	5,061
Dividends paid on ordinary shares	(1,442,024)	(670,907)
Dividends paid on preference shares	(40,548)	(36,714)
Distribution for perpetual capital securities	(65,400)	(65,400)
Dividends paid to non-controlling interests	(6,202)	(6,297)
<b>Net cash (used in)/provided by financing activities</b>	<b>(2,340,997)</b>	<b>1,197,724</b>
Currency translation adjustments	(313,017)	91,111
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,476,454)</b>	<b>8,460,283</b>
Cash and cash equivalents at beginning of the financial year	29,704,318	21,244,035
<b>Cash and cash equivalents at end of the financial year (Note 39)</b>	<b>27,227,864</b>	<b>29,704,318</b>

The accounting policies and explanatory notes form an integral part of the financial statements.

# 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.



# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>7,826,114</b>	<b>7,189,330</b>	<b>4,552,840</b>	<b>3,889,959</b>
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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>2,899,817</b>	<b>2,631,597</b>	<b>1,379,914</b>	<b>1,084,135</b>
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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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 <sup>1</sup>	497,561	490,111	405,240	394,290
Service charges	121,488	112,756	87,026	80,733
Trade-related <sup>2</sup>	258,482	273,262	164,528	175,071
Others	74,049	59,155	19,312	19,632
	<b>1,883,491</b>	<b>1,748,893</b>	<b>1,230,343</b>	<b>1,132,029</b>
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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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)
	<b>640,808</b>	<b>598,831</b>	<b>532,584</b>	<b>543,483</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 7. Net gain/(loss) from investment securities

	The Group		The Bank	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'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	2014	2015	2014
	\$'000	\$'000	\$'000	\$'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	2014	2015	2014
	\$'000	\$'000	\$'000	\$'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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>1,532,915</b>	<b>1,321,319</b>	<b>1,015,984</b>	<b>839,184</b>
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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>671,786</b>	<b>635,303</b>	<b>389,688</b>	<b>350,626</b>
Included in the allowance for credit and other losses is the following:				
Bad debts written off	156,987	159,976	51,705	241,313

## Notes to the Financial Statements

for the financial year ended 31 December 2015

### 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

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>Share capital and other capital of the Bank</b>		<b>5,049,702</b>		<b>5,060,615</b>
Non-cumulative non-convertible guaranteed SPV-A preference shares at 1 January and 31 December	5	831,550	5	831,550
<b>Share capital and other capital of the Group</b>		<b>5,881,252</b>		<b>5,892,165</b>

- (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.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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)
80 <sup>th</sup> 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	Foreign currency translation reserve	Share-based compensation reserve	Merger reserve	Statutory reserve	General reserve	Share of reserves of associates and joint ventures	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2015</b>									
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)
<b>Balance at 31 December</b>	<b>1,237,166</b>	<b>(1,437,706)</b>	<b>61,806</b>	<b>3,077,432</b>	<b>494,804</b>	<b>6,224,138</b>	<b>92,208</b>	<b>(325,888)</b>	<b>9,423,960</b>
<b>2014</b>									
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
<b>Balance at 31 December</b>	<b>1,014,629</b>	<b>(1,097,227)</b>	<b>45,699</b>	<b>3,151,682</b>	<b>3,293,891</b>	<b>3,416,316</b>	<b>77,565</b>	<b>(289,462)</b>	<b>9,613,093</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 16. Other reserves (continued)

(a) (continued)

	The Bank							
	Fair value reserve	Foreign currency translation reserve	Share-based compensation reserve	Merger reserve	Statutory reserve	General reserve	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2015</b>								
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)
<b>Balance at 31 December</b>	<b>1,242,199</b>	<b>(59,238)</b>	<b>61,806</b>	<b>3,077,432</b>	<b>-</b>	<b>5,683,421</b>	<b>(34,258)</b>	<b>9,971,362</b>
<b>2014</b>								
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)
<b>Balance at 31 December</b>	<b>999,137</b>	<b>(67,770)</b>	<b>45,699</b>	<b>3,151,682</b>	<b>2,752,922</b>	<b>2,930,499</b>	<b>(31,683)</b>	<b>9,780,486</b>

- (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
<b>2015</b>					
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
<b>Total financial assets</b>	<b>19,809,172</b>	<b>510,339</b>	<b>33,983,082</b>	<b>253,065,571</b>	<b>307,368,164</b>
Non-financial assets					8,643,041
<b>Total assets</b>					<b>316,011,205</b>
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
<b>Total financial liabilities</b>	<b>7,746,403</b>	<b>3,690,468</b>	<b>–</b>	<b>272,698,729</b>	<b>284,135,600</b>
Non-financial liabilities					951,832
<b>Total liabilities</b>					<b>285,087,432</b>

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for the financial year ended 31 December 2015

## 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
<b>Total financial assets</b>	<b>11,774,607</b>	<b>710,721</b>	<b>40,620,688</b>	<b>245,516,327</b>	<b>298,622,343</b>
Non-financial assets					8,113,800
<b>Total assets</b>					<b>306,736,143</b>
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
<b>Total financial liabilities</b>	<b>8,097,371</b>	<b>3,245,851</b>	<b>–</b>	<b>264,769,873</b>	<b>276,113,095</b>
Non-financial liabilities					851,043
<b>Total liabilities</b>					<b>276,964,138</b>

## 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
<b>2015</b>					
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
<b>Total financial assets</b>	<b>18,436,467</b>	<b>356,314</b>	<b>27,432,804</b>	<b>200,824,268</b>	<b>247,049,853</b>
Non-financial assets					11,936,809
<b>Total assets</b>					<b>258,986,662</b>
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
<b>Total financial liabilities</b>	<b>7,095,415</b>	<b>2,953,818</b>	<b>–</b>	<b>221,581,164</b>	<b>231,630,397</b>
Non-financial liabilities					600,481
<b>Total liabilities</b>					<b>232,230,878</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>Total financial assets</b>	<b>9,459,427</b>	<b>399,926</b>	<b>31,181,640</b>	<b>195,183,878</b>	<b>236,224,871</b>
Non-financial assets					11,153,171
<b>Total assets</b>					<b>247,378,042</b>
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
<b>Total financial liabilities</b>	<b>7,693,136</b>	<b>2,092,338</b>	<b>–</b>	<b>211,341,184</b>	<b>221,126,658</b>
Non-financial liabilities					601,717
<b>Total liabilities</b>					<b>221,728,375</b>

(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
	<b>3,721,948</b>	<b>3,249,663</b>	<b>2,980,635</b>	<b>2,081,890</b>



## 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
<b>2015</b>				
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
<b>2014</b>				
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

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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	-	-
	<b>28,303,724</b>	<b>22,957,482</b>	<b>3,041,387</b>	<b>27,138,088</b>	<b>23,696,898</b>	<b>2,271,030</b>
<b>Total financial assets carried at fair value</b>			<b>54,302,593</b>			<b>53,106,016</b>
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	-
	<b>403,682</b>	<b>10,851,842</b>	<b>181,347</b>	<b>206,147</b>	<b>10,937,989</b>	<b>199,086</b>
<b>Total financial liabilities carried at fair value</b>			<b>11,436,871</b>			<b>11,343,222</b>

## 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	-	-
	<b>23,119,984</b>	<b>20,447,252</b>	<b>2,658,349</b>	<b>19,621,351</b>	<b>19,398,141</b>	<b>2,021,501</b>
<b>Total financial assets carried at fair value</b>			<b>46,225,585</b>			<b>41,040,993</b>
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	-
	<b>403,450</b>	<b>9,464,436</b>	<b>181,347</b>	<b>200,042</b>	<b>9,386,346</b>	<b>199,086</b>
<b>Total financial liabilities carried at fair value</b>			<b>10,049,233</b>			<b>9,785,474</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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							Balance at 31 December \$'000	Unrealised gains included in income statement \$'000
	Balance at 1 January \$'000	Income statement \$'000	Fair value gains or (losses) Other comprehensive income \$'000	Purchases \$'000	Settlements \$'000	Transfer in \$'000			
<b>2015</b>									
<b>Assets</b>									
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	–
<b>Liabilities</b>									
Derivative financial liabilities	199,086	(17,739)	–	–	–	–	–	181,347	(17,739)
<b>2014</b>									
<b>Assets</b>									
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	–
<b>Liabilities</b>									
Derivative financial liabilities	168,223	30,863	–	–	–	–	–	199,086	30,863

## 18. Fair values of the financial instruments (continued)

(c) (continued)

	The Bank							Unrealised gains included in income statement \$'000	
	Fair value gains or (losses)			Purchases \$'000	Settlements \$'000	Transfer in \$'000	Balance at 31 December \$'000		
	Balance at 1 January \$'000	Income statement \$'000	Other comprehensive income \$'000						
<b>2015</b>									
<b>Assets</b>									
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	–	
<b>Liabilities</b>									
Derivative financial liabilities	199,086	(17,739)	–	–	–	–	181,347	(17,739)	
<b>2014</b>									
<b>Assets</b>									
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	–	
<b>Liabilities</b>									
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.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>2015</b>			
<b>Assets</b>			
Trading securities	FVPL <sup>1</sup>	Net Asset Value and comparatives	Financial ratios multiples
Derivative financial assets	FVPL <sup>1</sup>	Option Pricing Model	Standard deviation
Investment securities-debt	AFS <sup>2</sup>	Discounted Cash Flow	Credit spreads
Investment securities-equity	AFS <sup>2</sup>	Multiples and Net Asset Value	Net asset value, earnings and financial ratios multiples
<b>Liabilities</b>			
Derivative financial liabilities	FVPL <sup>1</sup>	Option Pricing Model	Standard deviation

<sup>1</sup> Financial instruments classified as fair value through profit or loss.

<sup>2</sup> 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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>240,524,473</b>	<b>233,749,644</b>	<b>190,377,876</b>	<b>179,122,889</b>

## 20. Other liabilities

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>5,262,453</b>	<b>3,157,723</b>	<b>2,580,158</b>	<b>1,472,185</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 21. Deferred tax

Deferred tax comprises the following:

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Subordinated notes</b>				
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	–	–
	<b>4,878,317</b>	<b>4,639,549</b>	<b>5,212,245</b>	<b>5,065,926</b>
Of which, fair value hedge (gain)/loss	(21,611)	(765)	(21,522)	(765)
<b>Other debts issued</b>				
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
	<b>15,409,971</b>	<b>16,313,754</b>	<b>14,998,395</b>	<b>16,072,619</b>
Of which, fair value hedge (gain)/loss	15,056	11,333	15,056	11,333
<b>Total debts issued</b>	<b>20,288,288</b>	<b>20,953,303</b>	<b>20,210,640</b>	<b>21,138,545</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>32,305,515</b>	<b>35,082,908</b>	<b>24,248,826</b>	<b>24,807,369</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 24. Trading securities

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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	–	–	–
	<b>1,276,574</b>	<b>738,262</b>	<b>1,009,768</b>	<b>738,262</b>

## 25. Loans to customers

(a)

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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)	<b>203,610,907</b>	<b>195,902,563</b>	<b>158,230,240</b>	<b>149,529,653</b>
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
	<b>203,610,907</b>	<b>195,902,563</b>	<b>158,230,240</b>	<b>149,529,653</b>

(b) Gross loans to customers analysed by industry

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>207,370,928</b>	<b>199,342,620</b>	<b>160,930,679</b>	<b>151,945,533</b>

## 25. Loans to customers (continued)

(c) Gross loans to customers analysed by currency

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>207,370,928</b>	<b>199,342,620</b>	<b>160,930,679</b>	<b>151,945,533</b>

(d) Movements of allowances for impairment on loans

	2015		2014	
	Specific allowances \$'000	General allowances \$'000	Specific allowances \$'000	General allowances \$'000
<b>The Group</b>				
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	<b>773,143</b>	<b>2,986,878</b>	<b>656,977</b>	<b>2,783,080</b>
<b>The Bank</b>				
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	<b>493,600</b>	<b>2,206,839</b>	<b>374,437</b>	<b>2,041,443</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
	<b>1,152,199</b>	<b>1,935,218</b>	<b>683,803</b>	<b>1,813,370</b>

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
<b>The Group</b>				
Gross/net carrying amount on the balance sheet <sup>1</sup>	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 <sup>2</sup>	(262,355)	(262,355)	(555,426)	(555,426)
Financial collateral	(3,525,967)	(1,006,080)	(2,516,957)	(1,303,478)
<b>Net amounts</b>	<b>1,655,070</b>	<b>257,096</b>	<b>4,117</b>	<b>532</b>
<b>The Bank</b>				
Gross/net carrying amount on the balance sheet <sup>1</sup>	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 <sup>2</sup>	(262,355)	(262,355)	(555,439)	(555,439)
Financial collateral	(2,730,671)	(543,790)	(1,810,368)	(1,182,923)
<b>Net amounts</b>	<b>13,662</b>	<b>257,096</b>	<b>4,105</b>	<b>506</b>

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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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)
	<b>10,562,494</b>	<b>11,439,549</b>	<b>9,857,070</b>	<b>10,294,346</b>

(b) Investment securities analysed by industry

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>10,562,494</b>	<b>11,439,549</b>	<b>9,857,070</b>	<b>10,294,346</b>

## 28. Other assets

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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)
	<b>5,354,853</b>	<b>2,718,439</b>	<b>3,685,887</b>	<b>1,465,432</b>



## 29. Investment in associates and joint ventures

(a)

	The Group		The Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'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

Name of associate	Principal activities	Country of Incorporation	Effective equity interest of the Group	
			2015 %	2014 %
<b>Quoted</b>				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	41	40
<b>Unquoted</b>				
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 \$'000	2014 \$'000
Profit for the financial year	28,764	120,002
Other comprehensive income	1,684	23,717
Total comprehensive income	30,448	143,719

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>Total comprehensive income</b>	<b>103,764</b>	<b>77,467</b>	<b>33,935</b>	<b>23,286</b>

### 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
<b>Total assets</b>	<b>3,868,262</b>	<b>2,611,504</b>	<b>393,854</b>	<b>355,037</b>
Current liabilities	2,550,026	1,389,110	196,486	180,969
Non-current liabilities	2,022	3,185	7,426	9,611
<b>Total liabilities</b>	<b>2,552,048</b>	<b>1,392,295</b>	<b>203,912</b>	<b>190,580</b>
<b>Net assets</b>	<b>1,316,214</b>	<b>1,219,209</b>	<b>189,942</b>	<b>164,457</b>
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	–	–
<b>Carrying amount of the investment</b>	<b>534,236</b>	<b>491,723</b>	<b>63,314</b>	<b>54,819</b>

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	2014
	\$'000	\$'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
<b>Market value of quoted equity securities at 31 December</b>	<b>166,397</b>	<b>163,183</b>

(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 %
<b>Commercial Banking</b>			
Far Eastern Bank Limited <sup>1</sup>	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
<b>Money Market</b>			
UOB Australia Limited	Australia	100	100
<b>Insurance</b>			
United Overseas Insurance Limited	Singapore	58	58
<b>Investment</b>			
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 <sup>2</sup>	China	100	100
UOB Holdings (USA) Inc. <sup>3</sup>	United States	100	100

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## 30. Investment in subsidiaries (continued)

(b) (continued)

Name of subsidiary	Country of incorporation	Effective equity interest of the Group	
		2015 %	2014 %
<b>Investment Management</b>			
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 <sup>2</sup>	United States	70	70
UOB Asia Investment Partners Pte Ltd	Singapore	100	100
<b>Bullion, Brokerage and Clearing</b>			
UOB Bullion and Futures Limited	Singapore	100	100
<b>Property</b>			
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100
PT UOB Property	Indonesia	100	100
UOB Realty (USA) Ltd Partnership <sup>3</sup>	United States	100	100
<b>Travel</b>			
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
<b>2015</b>					
United Overseas Insurance Limited	Singapore	42	9,311	129,628	4,326
<b>2014</b>					
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)
<b>Total comprehensive income</b>	<b>19,106</b>	<b>37,978</b>	<b>1,812</b>

#### 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
<b>Net assets</b>	<b>311,519</b>	<b>302,809</b>	<b>194,882</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>The Group</b>				
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)
<b>Balance at 31 December</b>	<b>256,008</b>	<b>288,443</b>	<b>264,671</b>	<b>261,636</b>
		Investment in associates		
	Investment securities	and joint ventures	Investment in subsidiaries	Other assets
	\$'000	\$'000	\$'000	\$'000
<b>The Bank</b>				
<b>2015</b>				
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
<b>Balance at 31 December</b>	<b>201,174</b>	<b>36,675</b>	<b>354,614</b>	<b>14,685</b>
<b>2014</b>				
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)	–	–	–
<b>Balance at 31 December</b>	<b>237,333</b>	<b>21,520</b>	<b>313,794</b>	<b>14,775</b>

# Notes to the Financial Statements

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## 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)
<b>Balance at 31 December</b>	<b>1,108,450</b>	<b>960,292</b>	<b>1,174,084</b>	<b>1,229,216</b>
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)
<b>Net carrying amount</b>	<b>1,108,450</b>	<b>960,292</b>	<b>1,174,084</b>	<b>1,229,216</b>
Freehold property	404,464	420,146	758,304	810,130
Leasehold property	703,986	540,146	415,780	419,086
	<b>1,108,450</b>	<b>960,292</b>	<b>1,174,084</b>	<b>1,229,216</b>

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
<b>The Group</b>						
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		
<b>The Bank</b>						
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.

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## 34. Intangible assets

(a)

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

- (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
	<b>19,026,242</b>	<b>18,514,991</b>	<b>13,306,491</b>	<b>12,694,796</b>

### 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
<b>The Group</b>						
<b>Foreign exchange contracts</b>						
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
<b>Interest rate contracts</b>						
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
<b>Equity-related contracts</b>						
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
<b>Credit-related contracts</b>						
Swaps	1,041,943	10,988	6,588	1,242,421	2,022	40,942
<b>Others</b>						
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
	<b>677,475,293</b>	<b>6,422,161</b>	<b>5,969,076</b>	<b>605,486,659</b>	<b>6,305,928</b>	<b>6,383,979</b>

# Notes to the Financial Statements

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## 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
<b>The Bank</b>						
<b>Foreign exchange contracts</b>						
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
<b>Interest rate contracts</b>						
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
<b>Equity-related contracts</b>						
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
<b>Credit-related contracts</b>						
Swaps	1,041,943	10,988	6,588	1,242,421	2,022	40,942
<b>Others</b>						
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
	<b>587,768,050</b>	<b>5,695,663</b>	<b>5,427,808</b>	<b>520,163,287</b>	<b>5,710,358</b>	<b>5,928,255</b>

### 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
<b>The Group</b>				
Gross/net carrying amount on the balance sheet <sup>1</sup>	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 <sup>2</sup>	(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
<b>The Bank</b>				
Gross/net carrying amount on the balance sheet <sup>1</sup>	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 <sup>2</sup>	(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

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

<sup>2</sup> Amount that could be netted under the netting agreements.

# Notes to the Financial Statements

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## 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 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Undrawn credit facilities <sup>1</sup>	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
	<b>143,312,037</b>	<b>128,408,595</b>	<b>113,895,457</b>	<b>100,744,785</b>

<sup>1</sup> 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 disbursement schedule, the full loan amount would be recognised upfront, instead of recognising only the next disbursement 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 \$'000	2014 \$'000	2015 \$'000	2014 \$'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
	<b>147,335</b>	<b>134,482</b>	<b>82,477</b>	<b>65,847</b>
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
	<b>330,425</b>	<b>284,599</b>	<b>271,849</b>	<b>219,965</b>

### 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 \$'000	2014 \$'000
Cash on hand	1,762,169	1,526,271
Non-restricted balances with central banks	25,465,695	28,178,047
	<b>27,227,864</b>	<b>29,704,318</b>

# Notes to the Financial Statements

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## 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 ROE target achieved	Percentage of award to be vested	
	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	70%
< 80%	Remuneration Committee	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

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for the financial year ended 31 December 2015

## 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
<b>Restricted shares</b>				
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	–
			<b>4,091</b>	<b>3,211</b>
<b>Share appreciation rights</b>				
2012	14 Dec 2018	3.04	–	1,761
2013	13 Dec 2019	2.87	1,968	4,074
			<b>1,968</b>	<b>5,835</b>

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		2014
	1 <sup>st</sup> grant	2 <sup>nd</sup> grant	
Exercise price (\$)	Not applicable		
Expected volatility (%) <sup>1</sup>	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		

<sup>1</sup> 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	2014	2015	2014
	\$ million	\$ million	\$ million	\$ million
(a) <b>Interest income</b>				
Subsidiaries	–	–	68	81
Associates and joint ventures	6	6	6	6
<b>Interest expense</b>				
Subsidiaries	–	–	17	11
Associates and joint ventures	3	6	2	2
<b>Dividend income</b>				
Subsidiaries	–	–	197	146
Associates and joint ventures	–	–	27	79
<b>Rental income</b>				
Subsidiaries	–	–	5	4
<b>Rental and other expenses</b>				
Subsidiaries	–	–	140	129
Associates and joint ventures	9	7	5	5
<b>Fee and commission and other income</b>				
Subsidiaries	–	–	95	68
Associates and joint ventures	8	4	5	2
<b>Placements, securities, loans and advances</b>				
Subsidiaries	–	–	6,408	8,203
Associates and joint ventures	625	393	624	391
<b>Deposits</b>				
Subsidiaries	–	–	2,412	2,767
Associates and joint ventures	606	680	575	543
<b>Off-balance sheet credit facilities<sup>1</sup></b>				
Subsidiaries	–	–	270	226
Associates and joint ventures	22	1	22	1
(b) <b>Compensation of key management personnel</b>				
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

<sup>1</sup> Includes guarantees issued of the Group \$22 million (2014: \$1 million) and the Bank \$249 million (2014: \$211 million).

\* Less than \$500,000.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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					Total \$ million
	GR \$ million	GWB \$ million	GMIM \$ million	Others \$ million	Elimination \$ million	
<b>2015</b>						
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)
<b>Profit for the financial year</b>						<b>3,220</b>
<b>Segment assets</b>	<b>90,971</b>	<b>134,938</b>	<b>87,392</b>	<b>3,004</b>	<b>(5,544)</b>	<b>310,761</b>
Intangible assets – goodwill	1,317	2,087	660	80	–	4,144
Investment in associates and joint ventures	–	–	325	781	–	1,106
<b>Total assets</b>	<b>92,288</b>	<b>137,025</b>	<b>88,377</b>	<b>3,865</b>	<b>(5,544)</b>	<b>316,011</b>
<b>Segment liabilities</b>	<b>116,121</b>	<b>125,120</b>	<b>37,324</b>	<b>12,773</b>	<b>(6,251)</b>	<b>285,087</b>
<b>Other information</b>						
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

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## 42. Segment information (continued)

### (a) Operating segments (continued)

	The Group					Total \$ million
	GR \$ million	GWB \$ million	GMIM \$ million	Others \$ million	Elimination \$ 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)
<b>Profit for the financial year</b>						<b>3,264</b>
<b>Segment assets</b>	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
<b>Total assets</b>	<b>90,025</b>	<b>128,514</b>	<b>88,754</b>	<b>3,523</b>	<b>(4,080)</b>	<b>306,736</b>
<b>Segment liabilities</b>	<b>108,874</b>	<b>110,574</b>	<b>52,658</b>	<b>9,599</b>	<b>(4,741)</b>	<b>276,964</b>
<b>Other information</b>						
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.

# Notes to the Financial Statements

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## 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	2014
	\$ million	\$ 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
<b>Analysed by geography</b>					
<b>2015</b>					
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
<b>Total</b>	<b>207,371</b>	<b>19,509</b>	<b>28,646</b>	<b>8,399</b>	<b>263,925</b>
<b>2014</b>					
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
<b>Total</b>	<b>199,343</b>	<b>17,898</b>	<b>28,692</b>	<b>9,088</b>	<b>255,021</b>
<b>Analysed by industry</b>					
<b>2015</b>					
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
<b>Total</b>	<b>207,371</b>	<b>19,509</b>	<b>28,646</b>	<b>8,399</b>	<b>263,925</b>
<b>2014</b>					
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
<b>Total</b>	<b>199,343</b>	<b>17,898</b>	<b>28,692</b>	<b>9,088</b>	<b>255,021</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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 <sup>1</sup> \$ million	Contingent liabilities \$ million	Commitments <sup>1</sup> \$ million
<b>Analysed by geography</b>				
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
<b>Total</b>	<b>19,008</b>	<b>142,974</b>	<b>18,514</b>	<b>127,853</b>
<b>Analysed by industry</b>				
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
<b>Total</b>	<b>19,008</b>	<b>142,974</b>	<b>18,514</b>	<b>127,853</b>

<sup>1</sup> 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
	<b>207,371</b>	<b>199,343</b>

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
<b>Total</b>	<b>6,865</b>	<b>12,644</b>	<b>8,399</b>	<b>7,757</b>	<b>10,141</b>	<b>9,088</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 43. Financial risk management (continued)

(a) Credit risk (continued)

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

	The Group			Total \$ million
	< 30 days \$ million	30 – 59 days \$ million	60 – 90 days \$ million	
<b>Analysed by geography<sup>1</sup></b>				
<b>2015</b>				
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
<b>Total</b>	<b>3,302</b>	<b>1,416</b>	<b>294</b>	<b>5,012</b>
<b>2014</b>				
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
<b>Total</b>	<b>2,364</b>	<b>1,131</b>	<b>146</b>	<b>3,641</b>

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

	The Group			Total \$ million
	< 30 days \$ million	30 - 59 days \$ million	60 – 90 days \$ million	
<b>Analysed by industry</b>				
<b>2015</b>				
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
<b>Total</b>	<b>3,302</b>	<b>1,416</b>	<b>294</b>	<b>5,012</b>
<b>2014</b>				
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
<b>Total</b>	<b>2,364</b>	<b>1,131</b>	<b>146</b>	<b>3,641</b>

### 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 <sup>1</sup>					
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
<b>Non-performing loans</b>	<b>780</b>	<b>414</b>	<b>1,688</b>	<b>2,882</b>	<b>773</b>
Debt securities, contingent items and others	52	3	129	184	161
<b>Total</b>	<b>832</b>	<b>417</b>	<b>1,817</b>	<b>3,066</b>	<b>934</b>
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
<b>Non-performing loans</b>	<b>599</b>	<b>319</b>	<b>1,440</b>	<b>2,358</b>	<b>657</b>
Debt securities, contingent items and others	89	–	141	230	162
<b>Total</b>	<b>688</b>	<b>319</b>	<b>1,581</b>	<b>2,588</b>	<b>819</b>

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

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>Analysed by industry</b>					
<b>2015</b>					
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
<b>Non-performing loans</b>	<b>780</b>	<b>414</b>	<b>1,688</b>	<b>2,882</b>	<b>773</b>
Debt securities, contingent items and others	52	3	129	184	161
<b>Total</b>	<b>832</b>	<b>417</b>	<b>1,817</b>	<b>3,066</b>	<b>934</b>
<b>2014</b>					
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
<b>Non-performing loans</b>	<b>599</b>	<b>319</b>	<b>1,440</b>	<b>2,358</b>	<b>657</b>
Debt securities, contingent items and others	89	–	141	230	162
<b>Total</b>	<b>688</b>	<b>319</b>	<b>1,581</b>	<b>2,588</b>	<b>819</b>

#### 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
	<b>3,066</b>	<b>2,588</b>

(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.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>2015</b>							
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
<b>Total assets</b>	<b>139,574</b>	<b>73,157</b>	<b>29,556</b>	<b>16,990</b>	<b>7,014</b>	<b>49,720</b>	<b>316,011</b>
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
<b>Total liabilities</b>	<b>124,249</b>	<b>77,173</b>	<b>25,495</b>	<b>13,555</b>	<b>5,594</b>	<b>39,021</b>	<b>285,087</b>
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)	
<b>Net open position</b>	<b>18,270</b>	<b>15,179</b>	<b>2,601</b>	<b>2,450</b>	<b>1,470</b>	<b>(9,046)</b>	



### 43. Financial risk management (continued)

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

(i) (continued)

	The Group						
	Singapore dollar \$ million	US dollar \$ million	Malaysian ringgit \$ million	Thai baht \$ million	Indonesian rupiah \$ million	Others \$ million	Total \$ 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
<b>Total assets</b>	<b>140,635</b>	<b>69,548</b>	<b>33,160</b>	<b>16,167</b>	<b>6,450</b>	<b>40,776</b>	<b>306,736</b>
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
<b>Total liabilities</b>	<b>121,513</b>	<b>70,830</b>	<b>28,653</b>	<b>12,034</b>	<b>4,975</b>	<b>38,959</b>	<b>276,964</b>
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)	
<b>Net open position</b>	<b>16,057</b>	<b>6,136</b>	<b>4,472</b>	<b>2,535</b>	<b>1,474</b>	<b>(901)</b>	

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>2015</b>			
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
	<b>11,599</b>	<b>3,157</b>	<b>8,442</b>
<b>2014</b>			
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
	<b>9,829</b>	<b>2,099</b>	<b>7,730</b>

### (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							Total \$ million
	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	
<b>2015</b>								
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
<b>Total assets</b>	<b>30,526</b>	<b>26,449</b>	<b>29,827</b>	<b>44,802</b>	<b>57,358</b>	<b>130,914</b>	<b>22,970</b>	<b>342,846</b>
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
<b>Total liabilities</b>	<b>131,748</b>	<b>36,931</b>	<b>44,547</b>	<b>49,446</b>	<b>7,376</b>	<b>9,102</b>	<b>7,783</b>	<b>286,933</b>
Equity attributable to:								
Equity holders of the Bank	–	21	–	45	981	7,911	22,031	30,989
Non-controlling interests	–	–	–	–	–	2	154	156
<b>Total equity</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>45</b>	<b>981</b>	<b>7,913</b>	<b>22,185</b>	<b>31,145</b>
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)	
<b>Net maturity mismatch</b>	<b>(132,844)</b>	<b>(8,853)</b>	<b>(15,835)</b>	<b>(8,583)</b>	<b>48,906</b>	<b>112,635</b>	<b>(15,393)</b>	

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## 43. Financial risk management (continued)

(d) Liquidity risk (continued)

(i) (continued)

	The Group							Total \$ million
	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	
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
<b>Total assets</b>	<b>30,553</b>	<b>23,853</b>	<b>31,977</b>	<b>41,636</b>	<b>53,283</b>	<b>122,606</b>	<b>24,567</b>	<b>328,475</b>
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
<b>Total liabilities</b>	<b>121,175</b>	<b>43,192</b>	<b>40,007</b>	<b>47,887</b>	<b>11,830</b>	<b>5,863</b>	<b>8,071</b>	<b>278,025</b>
Equity attributable to:								
Equity holders of the Bank	–	21	–	44	131	1,439	28,219	29,854
Non-controlling interests	–	–	–	–	–	–	203	203
<b>Total equity</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>44</b>	<b>131</b>	<b>1,439</b>	<b>28,422</b>	<b>30,057</b>
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)	
<b>Net maturity mismatch</b>	<b>(107,385)</b>	<b>(20,468)</b>	<b>(9,036)</b>	<b>(7,294)</b>	<b>41,215</b>	<b>113,932</b>	<b>(15,776)</b>	

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).

### 43. Financial risk management (continued)

(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
<b>2015</b>				
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
<b>Total assets</b>	<b>31,022</b>	<b>27,918</b>	<b>31,392</b>	<b>48,923</b>
Deposits and balances of customers <sup>1</sup>	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
<b>Total liabilities</b>	<b>29,986</b>	<b>27,667</b>	<b>22,975</b>	<b>10,971</b>
Equity attributable to:				
Equity holders of the Bank	–	21	–	45
Non-controlling interests	–	–	–	–
<b>Total equity</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>45</b>
<b>Net on-balance sheet position</b>	<b>1,036</b>	<b>230</b>	<b>8,417</b>	<b>37,907</b>
<b>Net off-balance sheet position</b>	<b>(3,380)</b>	<b>(2,025)</b>	<b>(4,361)</b>	<b>(8,576)</b>
<b>Net maturity mismatch</b>	<b>(2,344)</b>	<b>(1,795)</b>	<b>4,056</b>	<b>29,331</b>

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

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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
<b>Total assets</b>	<b>31,547</b>	<b>25,374</b>	<b>33,430</b>	<b>44,254</b>
Deposits and balances of customers <sup>1</sup>	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
<b>Total liabilities</b>	<b>25,917</b>	<b>30,895</b>	<b>20,605</b>	<b>13,119</b>
Equity attributable to:				
Equity holders of the Bank	–	21	–	44
Non-controlling interests	–	–	–	–
<b>Total equity</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>44</b>
<b>Net on-balance sheet position</b>	<b>5,630</b>	<b>(5,542)</b>	<b>12,825</b>	<b>31,091</b>
<b>Net off-balance sheet position</b>	<b>(2,759)</b>	<b>(3,270)</b>	<b>(2,132)</b>	<b>(2,891)</b>
<b>Net maturity mismatch</b>	<b>2,871</b>	<b>(8,812)</b>	<b>10,693</b>	<b>28,200</b>

<sup>1</sup> 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
<b>2015</b>				
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 <sup>1</sup>	0.24	0.76	0.15	0.37
<b>Total VaR</b>	<b>8.34</b>	<b>11.72</b>	<b>3.31</b>	<b>7.84</b>
<b>2014</b>				
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 <sup>1</sup>	0.21	0.64	0.08	0.24
<b>Total VaR</b>	<b>3.96</b>	<b>10.40</b>	<b>2.46</b>	<b>4.84</b>

<sup>1</sup> 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2015

## 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)
<b>Common Equity Tier 1 capital</b>	<b>26,018</b>	<b>24,897</b>
Preference shares/others	2,179	2,180
Regulatory adjustments – capped	(2,179)	(2,180)
<b>Additional Tier 1 capital</b>	<b>–</b>	<b>–</b>
<b>Tier 1 capital</b>	<b>26,018</b>	<b>24,897</b>
Subordinated notes	4,505	4,405
Provisions/others	1,028	918
Regulatory adjustments	(201)	(12)
<b>Tier 2 capital</b>	<b>5,332</b>	<b>5,311</b>
<b>Eligible total capital</b>	<b>31,350</b>	<b>30,208</b>
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.