

OVERSEA-CHINESE BANKING CORPORATION LIMITED
(Incorporated in Singapore. Registration Number: 193200032W)
AND ITS SUBSIDIARIES

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the half year ended 30 June 2015

OVERSEA-CHINESE BANKING CORPORATION LIMITED
(Incorporated in Singapore. Registration Number: 193200032W)
AND ITS SUBSIDIARIES

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For the half year ended 30 June 2015

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KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet kpmg.com.sg

Auditors' Review Report **To the Directors of Oversea-Chinese Banking Corporation Limited**

Introduction

We have reviewed the accompanying unaudited condensed balance sheet of Oversea-Chinese Banking Corporation Limited (the "Bank") and its subsidiaries (the "Group") as at 30 June 2015, and the related unaudited condensed income statement, unaudited condensed statement of comprehensive income, unaudited condensed statement of changes in equity and unaudited condensed cash flow statement of the Group for the six-month period then ended and certain explanatory notes (the "Unaudited Condensed Interim Financial Statements"). Management is responsible for the preparation and presentation of these Unaudited Condensed Interim Financial Statements in accordance with Singapore Financial Reporting Standard ("FRS") 34 *Interim Financial Reporting*, 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. Our responsibility is to express a conclusion on these Unaudited Condensed Interim Financial Statements based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Unaudited Condensed Interim Financial Statements are not prepared, in all material respects, in accordance with FRS 34 *Interim Financial Reporting*, 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.

Restriction on distribution and use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on those matters arising from the review of the Unaudited Condensed Interim Financial Statements and for no other purpose. We do not assume responsibility to anyone other than the Bank's directors or the Bank for our work, for our report, or for the conclusions we have reached in our report.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
30 July 2015

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED INCOME STATEMENT - GROUP

For the half year ended 30 June 2015

	Note	GROUP	
		1H 2015 \$'000	1H 2014 \$'000
Interest income		4,213,137	3,482,818
Interest expense		(1,681,696)	(1,269,748)
Net interest income	3	2,531,441	2,213,070
Premium income		3,504,321	3,642,867
Investment income		1,567,580	1,309,783
Net claims, surrenders and annuities		(2,466,189)	(2,479,102)
Change in life assurance fund contract liabilities		(1,574,133)	(1,411,290)
Commission and others		(700,448)	(658,972)
Profit from life assurance		331,131	403,286
Premium income from general insurance		79,587	79,224
Fees and commissions (net)	4	832,653	705,298
Dividends		49,929	66,745
Rental income		51,203	35,324
Other income	5	453,182	359,800
Non-interest income		1,797,685	1,649,677
Total income		4,329,126	3,862,747
Staff costs		(1,118,758)	(913,425)
Other operating expenses	6	(672,297)	(552,612)
Total operating expenses		(1,791,055)	(1,466,037)
Operating profit before allowances and amortisation		2,538,071	2,396,710
Amortisation of intangible assets		(48,284)	(28,181)
Allowances for loans and impairment of other assets	7	(144,222)	(106,304)
Operating profit after allowances and amortisation		2,345,565	2,262,225
Share of results of associates and joint ventures		190,935	34,510
Profit before income tax		2,536,500	2,296,735
Income tax expense		(375,467)	(357,154)
Profit for the financial period		2,161,033	1,939,581
Attributable to:			
Equity holders of the Bank		2,041,383	1,819,746
Non-controlling interests		119,650	119,835
		2,161,033	1,939,581
Earnings per share (cents) ⁽¹⁾			
Basic		50.5	50.7
Diluted		50.4	50.6

⁽¹⁾ After adjustment following completion of the one for eight rights issue on 26 September 2014.

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME - GROUP

For the half year ended 30 June 2015

	GROUP	
	1H 2015	1H 2014
	\$'000	\$'000
Profit for the financial period	2,161,033	1,939,581
Other comprehensive income:		
Available-for-sale financial assets		
Gains for the financial period	272,047	191,084
Reclassification of (gains)/losses to income statement		
- on disposal	(208,929)	(41,986)
- on impairment	476	33
Tax on net movements	(12,566)	(30,020)
Defined benefit plans remeasurements ⁽¹⁾	3,862	(1,440)
Exchange differences on translating foreign operations	(143,690)	1,035
Other comprehensive income of associates and joint ventures	46,084	(4,083)
Total other comprehensive income, net of tax	(42,716)	114,623
Total comprehensive income for the financial period, net of tax	2,118,317	2,054,204
Total comprehensive income attributable to:		
Equity holders of the Bank	2,017,917	1,920,970
Non-controlling interests	100,400	133,234
	2,118,317	2,054,204

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

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED BALANCE SHEET - GROUP

As at 30 June 2015

	Note	GROUP	
		30 June 2015 \$'000	31 December 2014 \$'000
EQUITY			
Attributable to equity holders of the Bank			
Share capital	9	14,338,988	13,752,110
Capital reserves		513,332	517,563
Fair value reserves		428,364	366,017
Revenue reserves		17,666,966	16,461,106
		<u>32,947,650</u>	<u>31,096,796</u>
Non-controlling interests		<u>2,712,642</u>	<u>3,088,643</u>
Total equity		<u>35,660,292</u>	<u>34,185,439</u>
LIABILITIES			
Deposits of non-bank customers	10	246,424,237	245,519,098
Deposits and balances of banks	10	16,924,004	20,502,731
Due to associates		330,860	294,436
Trading portfolio liabilities		527,914	706,723
Derivative payables	11	5,236,701	6,632,027
Other liabilities		5,282,090	5,027,598
Current tax		1,048,909	898,303
Deferred tax		1,410,171	1,376,315
Debt issued	12	29,287,248	28,859,406
		<u>306,472,134</u>	<u>309,816,637</u>
Life assurance fund liabilities		<u>56,882,006</u>	<u>57,223,946</u>
Total liabilities		<u>363,354,140</u>	<u>367,040,583</u>
Total equity and liabilities		<u>399,014,432</u>	<u>401,226,022</u>
ASSETS			
Cash and placements with central banks		18,738,212	25,313,854
Singapore government treasury bills and securities		10,429,648	10,100,218
Other government treasury bills and securities		11,298,230	12,148,522
Placements with and loans to banks		45,365,911	41,220,140
Loans and bills receivable	13-15	207,827,698	207,534,631
Debt and equity securities		24,350,837	23,466,271
Assets pledged		1,794,879	1,536,302
Assets held for sale		2,148	1,885
Derivative receivables	11	5,341,894	5,919,479
Other assets		4,906,634	4,771,382
Deferred tax		125,501	118,009
Associates and joint ventures		2,306,259	2,096,474
Property, plant and equipment		3,386,210	3,408,836
Investment property		1,141,360	1,147,084
Goodwill and intangible assets		5,136,132	5,156,590
		<u>342,151,553</u>	<u>343,939,677</u>
Life assurance fund investment assets		<u>56,862,879</u>	<u>57,286,345</u>
Total assets		<u>399,014,432</u>	<u>401,226,022</u>

The accompanying notes form an integral part of these unaudited interim condensed financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY - GROUP

For the half year ended 30 June 2015

In \$'000	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total		
Balance at 1 January 2015	13,752,110	517,563	366,017	16,461,106	31,096,796	3,088,643	34,185,439
Total comprehensive income for the financial period							
Profit for the financial period	–	–	–	2,041,383	2,041,383	119,650	2,161,033
Other comprehensive income							
Available-for-sale financial assets							
Gains for the financial period	–	–	245,867	–	245,867	26,180	272,047
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(188,812)	–	(188,812)	(20,117)	(208,929)
- on impairment	–	–	397	–	397	79	476
Tax on net movements	–	–	(11,769)	–	(11,769)	(797)	(12,566)
Defined benefit plans remeasurements	–	–	–	3,286	3,286	576	3,862
Exchange differences on translating foreign operations	–	–	–	(118,322)	(118,322)	(25,368)	(143,690)
Other comprehensive income of associates and joint ventures	–	–	16,664	29,223	45,887	197	46,084
Total other comprehensive income, net of tax	–	–	62,347	(85,813)	(23,466)	(19,250)	(42,716)
Total comprehensive income for the financial period	–	–	62,347	1,955,570	2,017,917	100,400	2,118,317
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	–	5,550	–	(5,550)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	(76,401)	(76,401)
DSP reserve from dividends on unvested shares	–	–	–	1,661	1,661	–	1,661
Ordinary and preference dividends paid in cash	–	–	–	(152,348)	(152,348)	–	(152,348)
Redemption of preference shares by a subsidiary	–	–	–	–	–	(400,000)	(400,000)
Share-based staff costs capitalised	–	5,815	–	–	5,815	–	5,815
Share buyback held in treasury	(86,750)	–	–	–	(86,750)	–	(86,750)
Shares issued in-lieu of ordinary dividends	593,473	–	–	(593,473)	–	–	–
Shares issued to non-executive directors	737	–	–	–	737	–	737
Shares purchased by DSP Trust	–	(2,187)	–	–	(2,187)	–	(2,187)
Shares vested under DSP Scheme	–	38,448	–	–	38,448	–	38,448
Treasury shares transferred/sold	79,418	(51,857)	–	–	27,561	–	27,561
Total contributions by and distributions to owners	586,878	(4,231)	–	(749,710)	(167,063)	(476,401)	(643,464)
Balance at 30 June 2015	14,338,988	513,332	428,364	17,666,966	32,947,650	2,712,642	35,660,292
Included:							
Share of reserves of associates and joint ventures	–	–	45,503	420,181	465,684	(2,709)	462,975

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY - GROUP

For the half year ended 30 June 2015

In \$'000	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total		
Balance at 1 January 2014	9,448,282	418,368	493,473	14,755,420	25,115,543	2,963,937	28,079,480
Total comprehensive income for the financial period							
Profit for the financial period	-	-	-	1,819,746	1,819,746	119,835	1,939,581
Other comprehensive income							
Available-for-sale financial assets							
Gains for the financial period	-	-	177,495	-	177,495	13,589	191,084
Reclassification of (gains)/losses to income statement							
- on disposal	-	-	(40,323)	-	(40,323)	(1,663)	(41,986)
- on impairment	-	-	12	-	12	21	33
Tax on net movements	-	-	(27,865)	-	(27,865)	(2,155)	(30,020)
Defined benefit plans remeasurements	-	-	-	(1,225)	(1,225)	(215)	(1,440)
Exchange differences on translating foreign operations	-	-	-	(2,837)	(2,837)	3,872	1,035
Other comprehensive income of associates and joint ventures	-	-	4,881	(8,914)	(4,033)	(50)	(4,083)
Total other comprehensive income, net of tax	-	-	114,200	(12,976)	101,224	13,399	114,623
Total comprehensive income for the financial period	-	-	114,200	1,806,770	1,920,970	133,234	2,054,204
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	-	50,238	-	(50,238)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	(76,505)	(76,505)
DSP reserve from dividends on unvested shares	-	-	-	1,482	1,482	-	1,482
Establishment of a subsidiary	-	-	-	-	-	982	982
Ordinary and preference dividends paid in cash	-	-	-	(126,980)	(126,980)	-	(126,980)
Share-based staff costs capitalised	-	6,910	-	-	6,910	-	6,910
Share buyback held in treasury	(81,495)	-	-	-	(81,495)	-	(81,495)
Shares issued in-lieu of ordinary dividends	485,623	-	-	(485,623)	-	-	-
Shares issued to non-executive directors	735	-	-	-	735	-	735
Shares purchased by DSP Trust	-	(1,839)	-	-	(1,839)	-	(1,839)
Shares vested under DSP Scheme	-	32,709	-	-	32,709	-	32,709
Treasury shares transferred/sold	64,333	(38,923)	-	-	25,410	-	25,410
Total contributions by and distributions to owners	469,196	49,095	-	(661,359)	(143,068)	(75,523)	(218,591)
Balance at 30 June 2014	9,917,478	467,463	607,673	15,900,831	26,893,445	3,021,648	29,915,093
Included:							
Share of reserves of associates and joint ventures	-	-	9,600	134,430	144,030	(2,971)	141,059

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONDENSED CASH FLOW STATEMENT - GROUP

For the half year ended 30 June 2015

In \$'000	1H 2015	1H 2014
Cash flows from operating activities		
Profit before income tax	2,536,500	2,296,735
Adjustments for non-cash items:		
Allowances for loans and impairment of other assets	144,222	106,304
Amortisation of intangible assets	48,284	28,181
Change in fair value for hedging transactions and trading and fair value through profit and loss securities	(5,518)	(29,733)
Depreciation of property, plant and equipment and investment property	144,001	105,878
Net gain on disposal of interests in associate and joint venture	–	(31,106)
Net gain on disposal of government, debt and equity securities	(208,932)	(65,068)
Net gain on disposal of property, plant and equipment and investment property	(8,715)	(230)
Share-based costs	6,099	7,626
Share of results of associates and joint ventures	(190,935)	(34,510)
Items relating to life assurance fund		
Surplus before income tax	501,265	504,498
Surplus transferred from life assurance fund	(331,131)	(403,286)
Operating profit before change in operating assets and liabilities	2,635,140	2,485,289
Change in operating assets and liabilities:		
Deposits of non-bank customers	941,563	5,314,809
Deposits and balances of banks	(3,578,727)	49,108
Derivative payables and other liabilities	(1,065,277)	(1,443,170)
Trading portfolio liabilities	(178,809)	(93,680)
Restricted balances with central banks ⁽¹⁾	1,031,813	(67,863)
Government securities and treasury bills	618,606	(1,941,158)
Trading and fair value through profit and loss securities	(879,102)	(861,740)
Placements with and loans to banks	(4,008,203)	2,310,927
Loans and bills receivable	(420,887)	(7,858,753)
Derivative receivables and other assets	338,172	806,799
Net change in investment assets and liabilities of life assurance fund	17,133	(35,552)
Cash used in operating activities	(4,548,578)	(1,334,984)
Income tax paid	(290,755)	(332,403)
Net cash used in operating activities	(4,839,333)	(1,667,387)
Cash flows from investing activities		
Dividends from associates	137	219
Increase in associates and joint ventures	(18,845)	(8,322)
Net cash inflow from establishment of a subsidiary	–	982
Purchases of debt and equity securities	(5,599,886)	(5,593,677)
Purchases of property, plant and equipment and investment property	(134,536)	(141,251)
Proceeds from disposal of debt and equity securities	5,449,904	5,502,610
Proceeds from disposal of interests in associate and joint venture	–	63,068
Proceeds from disposal of property, plant and equipment and investment property	14,533	9,350
Net cash used in investing activities	(288,693)	(167,021)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(76,401)	(76,505)
Dividends paid to equity holders of the Bank (Note 8)	(152,348)	(126,980)
Increase in other debt issued	389,059	412,624
Issue of subordinated debt	–	2,488,245
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	27,561	25,410
Redemption of preference shares by a subsidiary	(400,000)	–
Redemption of subordinated debt issued	–	(711,930)
Share buyback held in treasury	(86,750)	(81,495)
Net cash (used in)/from financing activities	(298,879)	1,929,369
Net currency translation adjustments	(116,924)	(5,214)
Net change in cash and cash equivalents ⁽¹⁾	(5,543,829)	89,747
Cash and cash equivalents at 1 January ⁽¹⁾	19,324,013	14,082,571
Cash and cash equivalents at 30 June ⁽¹⁾	13,780,184	14,172,318

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

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2015

These notes form an integral part of the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were authorised by the Board of Directors on 30 July 2015.

1. General

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

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

2. Basis of preparation

2.1 Statement of compliance

The unaudited condensed interim financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) 34 *Interim Financial Reporting*, including the modification to FRS 39 *Financial Instruments: Recognition and Measurement* requirement on loan loss provisioning under Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore (“MAS”), and do not include all of the information required for full annual financial statements. These unaudited condensed interim financial statements are to be read in conjunction with the financial statements as at and for the year ended 31 December 2014.

2.2 Basis of presentation

The unaudited condensed interim financial statements are presented in Singapore Dollar, rounded to the nearest thousand unless otherwise stated. The unaudited condensed interim financial statements have been prepared under the historical cost convention, except as disclosed in the financial statements as at and for the year ended 31 December 2014.

2.3 Use of estimates and judgements

The preparation of unaudited condensed interim financial statements in conformity with FRS requires management to exercise its judgement, use estimates and make assumptions in the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied in the financial statements as at and for the year ended 31 December 2014.

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2015

2. Basis of preparation (continued)

2.4 Significant accounting policies

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

FRS 19 (Amendments) Improvements to FRSs 2014	<i>Defined Benefits Plans: Employee Contributions</i>
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The initial application of the above standards (including their consequential amendments) and interpretations did not have any material impact on the Group's financial statements.

Except as described above, the accounting policies applied by the Group in the unaudited condensed interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2014.

There are a number of new/revised financial reporting standards in issue but not yet effective. They are not expected to have a material impact on the Group's financial statements when adopted except for FRS 109: *Financial Instruments*. FRS 109 is effective from 1 January 2018. The Group is currently assessing the impact of FRS 109 on its financial statements.

3. Net interest income

	GROUP	
	1H 2015 \$'000	1H 2014 \$'000
Interest income		
Loans to non-bank customers	3,176,580	2,470,839
Placements with and loans to banks	454,637	505,335
Other interest-earning assets	581,920	506,644
	<u>4,213,137</u>	<u>3,482,818</u>
Interest expense		
Deposits of non-bank customers	(1,407,727)	(997,973)
Deposits and balances of banks	(62,991)	(77,639)
Other borrowings	(210,978)	(194,136)
	<u>(1,681,696)</u>	<u>(1,269,748)</u>
Net interest income	<u>2,531,441</u>	<u>2,213,070</u>

4. Fees and commissions (net)

	GROUP	
	1H 2015 \$'000	1H 2014 \$'000
Fee and commission income	849,347	724,799
Fee and commission expense	(16,694)	(19,501)
Fees and commissions (net)	<u>832,653</u>	<u>705,298</u>

OVERSEA-CHINESE BANKING CORPORATION LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2015

5. Other income

	GROUP	
	1H 2015	1H 2014
	\$'000	\$'000
Net trading income	193,409	232,443
Net gain from investment securities	208,932	65,068
Net gain from disposal of interests in associate and joint venture	–	31,106
Net gain from disposal of properties	9,743	1,406
Others	41,098	29,777
Total other income	453,182	359,800

6. Other operating expenses

	GROUP	
	1H 2015	1H 2014
	\$'000	\$'000
Property, plant and equipment:		
Depreciation	144,001	105,878
Maintenance and hire	52,308	39,628
Rental expenses	47,728	36,462
Others	107,103	87,109
	351,140	269,077
Other operating expenses	321,157	283,535
Total other operating expenses	672,297	552,612

7. Allowances for loans and impairment of other assets

	GROUP	
	1H 2015	1H 2014
	\$'000	\$'000
Specific allowances for loans	91,666	58,742
Portfolio allowances for loans	52,518	58,533
Impairment charge/(write-back) for investment securities	476	(9,113)
Write-back for other assets	(438)	(1,858)
Net allowances and impairment	144,222	106,304

8. Dividends paid

	GROUP	
	1H 2015	1H 2014
	\$'000	\$'000
Ordinary dividends:		
2013 final tax exempt dividend of 17 cents	–	584,368
2014 final tax exempt dividend of 18 cents	717,586	–
Preference dividends:		
Class G 4.2% tax exempt (2014: 4.2% tax exempt)	8,290	8,290
Class M 4.0% tax exempt (2014: 4.0% tax exempt)	19,945	19,945
	745,821	612,603

Cash which was paid on 24 June 2015 in respect of the 2014 final tax exempt dividend of 18 cents amounted to \$124.1 million. 62.2 million ordinary shares were issued on 24 June 2015 pursuant to the OCBC Scrip Dividend Scheme in-lieu of cash for the remaining balance of \$593.5 million (Note 9).

Cash which was paid on 20 June 2014 in respect of the 2013 final tax exempt dividend of 17 cents amounted to \$98.8 million. 56.5 million ordinary shares were issued on 20 June 2014 pursuant to the OCBC Scrip Dividend Scheme in-lieu of cash for the remaining balance of \$485.6 million.

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9. Share capital

GROUP	2015	2014	2015	2014
	Shares ('000)	Shares ('000)	\$'000	\$'000
Ordinary shares				
At 1 January	3,992,929	3,441,177	12,619,172	8,283,299
Shares issued in-lieu of ordinary dividends (Note 8)	62,211	114,901	593,473	1,014,597
Shares issued pursuant to Rights Issue	–	436,775	–	3,307,112
Shares issued to non-executive directors	68	76	737	735
Transfer from share-based reserves for options and rights exercised	–	–	–	13,429
At 30 June 2015/31 December 2014	<u>4,055,208</u>	<u>3,992,929</u>	<u>13,213,382</u>	<u>12,619,172</u>
Treasury shares				
At 1 January	(9,043)	(8,368)	(262,893)	(230,848)
Share buyback	(8,330)	(16,387)	(86,750)	(161,634)
Share Option Schemes	2,805	5,083	19,167	32,549
Share Purchase Plan	870	6,278	8,395	54,966
Treasury shares transferred to DSP Trust	4,762	4,351	51,856	42,074
At 30 June 2015/31 December 2014	<u>(8,936)</u>	<u>(9,043)</u>	<u>(270,225)</u>	<u>(262,893)</u>
Preference shares				
At 1 January:				
Class G	395,831	395,831	395,831	395,831
Class M	1,000,000	1,000,000	1,000,000	1,000,000
At 30 June 2015/31 December 2014			<u>1,395,831</u>	<u>1,395,831</u>
Issued share capital, at 30 June 2015/31 December 2014			<u>14,338,988</u>	<u>13,752,110</u>

10. Deposits and balances of non-bank customers and banks

	GROUP	
	30 June 2015	31 December 2014
	\$'000	\$'000
Deposits of non-bank customers		
Current accounts	71,199,890	69,571,814
Savings deposits	42,201,538	39,912,507
Term deposits	105,463,044	102,116,761
Structured deposits	6,879,472	6,987,725
Certificate of deposits issued	15,195,696	21,304,981
Other deposits	5,484,597	5,625,310
	<u>246,424,237</u>	<u>245,519,098</u>
Deposits and balances of banks	<u>16,924,004</u>	<u>20,502,731</u>
	<u>263,348,241</u>	<u>266,021,829</u>

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11. Derivative financial instruments

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

	30 June 2015			31 December 2014		
	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
GROUP (\$'000)						
Foreign exchange derivatives	308,516,647	3,150,919	2,920,261	301,518,536	3,519,332	4,094,125
Interest rate derivatives	283,875,188	1,826,374	1,980,486	276,534,854	1,947,821	2,095,242
Equity derivatives	4,899,140	126,488	111,881	3,691,526	164,695	154,612
Credit derivatives	21,002,233	203,011	189,129	21,002,335	225,489	226,684
Other derivatives	873,855	35,102	34,944	1,352,141	62,142	61,364
Total	619,167,063	5,341,894	5,236,701	604,099,392	5,919,479	6,632,027

12. Debt issued

	GROUP	
	30 June 2015 \$'000	31 December 2014 \$'000
Subordinated debt (unsecured) [Note 12.1]	6,398,251	6,359,467
Fixed and floating rate notes (unsecured) [Note 12.2]	4,789,528	5,903,000
Commercial papers (unsecured) [Note 12.3]	17,009,581	15,597,769
Structured notes (unsecured) [Note 12.4]	1,089,888	999,170
	29,287,248	28,859,406

12.1 Subordinated debt (unsecured)

- (a) During the six months ended 30 June 2015, there was no subordinated debt issued.
- (b) During the six months ended 30 June 2015, the following subordinated debt was redeemed and cancelled.

	Issue date	Redemption date
Issued by the Bank:		
SGD400 million 3.93% notes	2 Feb 2005	20 Mar 2015

The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation ("OCC") in exchange for the proceeds from the issue of the \$400 million non-cumulative non-convertible guaranteed preference shares.

During the period, OCC also redeemed the \$400 million non-cumulative non-convertible guaranteed preference shares.

- (c) Details of other subordinated debts can be found in the financial statements as at and for the year ended 31 December 2014.

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12. Debt issued (continued)

12.2 Fixed and floating rate notes (unsecured)

	Issue date	Maturity date	GROUP	
			30 June 2015 \$'000	31 December 2014 \$'000
Issued by the Bank:				
AUD600 million floating rate notes	5 Mar 2012	5 Mar 2015	–	650,109
AUD400 million floating rate notes	22 Aug 2013 – 5 Sep 2013	22 Aug 2016	413,025	433,363
AUD500 million floating rate notes	24 Mar 2014 – 17 Apr 2014	24 Mar 2017	516,385	541,799
AUD300 million floating rate notes	6 Mar 2015	6 Jun 2019	309,742	–
CNY500 million 3.50% fixed rate notes	5 Feb 2013	5 Feb 2020	108,378	106,338
CNY200 million 2.70% fixed rate notes	5 Jun 2014	5 Jun 2017	43,346	42,529
GBP485 million floating rate notes	15 May 2014 – 10 Jul 2014	10 Jul 2015 – 15 May 2017	1,024,045	997,403
HKD1 billion 2.20% fixed rate notes	19 Jan 2012	19 Jan 2017	174,369	170,702
HKD1.35 billion 1.67% fixed rate notes	24 Sep 2014	15 Sep 2017	236,341	230,661
USD1 billion 1.625% fixed rate bonds	13 Mar 2012	13 Mar 2015	–	1,321,580
USD940 million (2014: USD715 million) floating rate notes	13 Aug 2012 – 29 Jun 2015	13 Aug 2015 – 2 May 2017	1,263,673	944,611
USD100 million 1.52% fixed rate notes	11 Dec 2014	11 Dec 2017	134,772	131,722
			4,224,076	5,570,817
Issued by PT Bank OCBC NISP Tbk (“OCBC NISP”):				
IDR529 billion 6.90% fixed rate notes	19 Feb 2013	19 Feb 2015	–	56,058
IDR1,498 billion 7.40% fixed rate notes	19 Feb 2013	19 Feb 2016	151,162	158,538
IDR900 billion 7.00% fixed rate notes	18 Apr 2013	18 Apr 2016	90,599	94,895
IDR1,095 billion 9.00% fixed rate bonds	10 Feb 2015	20 Feb 2016	110,393	–
IDR670 billion 9.40% fixed rate bonds	10 Feb 2015	10 Feb 2017	67,509	–
IDR1,235 billion 9.80% fixed rate bonds	10 Feb 2015	10 Feb 2018	124,415	–
			544,078	309,491
Issued by Pac Lease Berhad:				
MYR60 million 4.30% fixed rate notes	18 Jul 2014	18 Jan 2016	21,374	22,692
Total fixed and floating rate notes			4,789,528	5,903,000

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12. Debt issued (continued)

12.3 Commercial papers (unsecured)

	Note	GROUP	
		30 June 2015 \$'000	31 December 2014 \$'000
Issued by the Bank	(a)	17,946,595	15,490,270
Issued by a subsidiary	(b)	97,793	107,499
		18,044,388	15,597,769
Commercial papers issued to a subsidiary		(1,034,807)	–
Net commercial papers issued		17,009,581	15,597,769

(a) The commercial papers were issued by the Bank under its ECP programme and USCP programme, which were updated to the programme size of USD10 billion each in 2012. The notes outstanding as at 30 June 2015 were issued between 1 December 2014 (2014: 13 August 2014) and 30 June 2015 (2014: 19 December 2014), and mature between 1 July 2015 (2014: 12 January 2015) and 22 December 2015 (2014: 1 September 2015), yielding between 0.19% and 2.14% (2014: 0.19% and 0.62%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018. The notes outstanding as at 30 June 2015 were issued between 8 June 2015 (2014: 21 August 2014) and 22 June 2015 (2014: 24 December 2014), and mature between 7 July 2015 (2014: 8 January 2015) and 22 July 2015 (2014: 9 April 2015), with interest rate ranging from 3.93% to 3.99% (2014: 3.72% to 3.88%).

12.4 Structured notes (unsecured)

Issued by the Bank:	Issue date	Maturity date	GROUP	
			30 June 2015 \$'000	31 December 2014 \$'000
Credit linked notes	17 Feb 2012 – 24 Jun 2015	15 Dec 2016 – 8 Sep 2025	881,587	754,069
Fixed rate notes	25 Jul 2012 – 3 Dec 2013	25 Jul 2017 – 3 Dec 2038	177,354	174,298
Foreign exchange linked notes	17 Sep 2014 – 13 Feb 2015	9 Sep 2015 – 2 Feb 2016	7,757	39,418
Interest rate linked notes	25 Jun 2013	27 Jun 2016	10,000	10,000
Equity-linked notes	8 Apr 2015 – 24 Jun 2015	2 Jul 2015 – 16 Mar 2016	13,190	21,385
			1,089,888	999,170

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and are carried at amortised cost, except for \$742.0 million as at 30 June 2015 (2014: \$650.2 million) included under credit linked notes which were held at fair value through profit or loss.

In accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, to the extent that the underlying economic characteristics and risks of the embedded derivatives were not closely related to the economic characteristics and risks of the host contract, and where such embedded derivatives would meet the definition of a derivative, the Group bifurcated such embedded derivatives and recognised these separately from the host contracts. The bifurcated embedded derivatives were fair valued through profit and loss, and were included as part of the Group's derivatives in Note 11 to the financial statements. This accounting treatment is also in line with the Group's accounting policy for derivatives.

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13. Loans and bills receivable

	GROUP	
	30 June 2015 \$'000	31 December 2014 \$'000
Gross loans	210,146,260	209,822,043
Specific allowances (Note 14)	(341,979)	(331,853)
Portfolio allowances (Note 15)	(1,934,227)	(1,896,773)
Net loans	207,870,054	207,593,417
Assets pledged	(42,356)	(58,786)
	207,827,698	207,534,631
Bills receivable	12,998,183	16,208,627
Loans	194,871,871	191,384,790
Net loans	207,870,054	207,593,417

14. Specific allowances

	GROUP	
	2015 \$'000	2014 \$'000
At 1 January	331,853	230,021
Currency translation	(9,189)	1,955
Bad debts written off	(68,616)	(120,636)
Recovery of amounts previously provided for	(21,778)	(50,874)
Allowances for loans	113,444	246,928
Net allowances charged to income statement	91,666	196,054
Acquisition of subsidiaries	–	28,787
Interest recognition on impaired loans	(3,735)	(4,207)
Transfer to portfolio allowances (Note 15)	–	(121)
At 30 June 2015/31 December 2014 (Note 13)	341,979	331,853

15. Portfolio allowances

	GROUP	
	2015 \$'000	2014 \$'000
At 1 January	1,896,773	1,511,044
Currency translation	(15,064)	16,291
Allowances charged to income statement	52,518	163,002
Acquisition of subsidiaries	–	206,315
Transfer from specific allowances (Note 14)	–	121
At 30 June 2015/31 December 2014 (Note 13)	1,934,227	1,896,773

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16. Segment information

16.1 Business segments

\$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	OCBC Wing Hang	Others	Group
Half year ended 30 June 2015							
Total income	1,286	1,530	399	671	426	17	4,329
Operating profit before allowances and amortisation	522	1,032	270	561	213	(60)	2,538
Amortisation of intangible assets	(4)	–	–	(23)	(21)	–	(48)
Allowances and impairment for loans and other assets	(46)	(48)	(3)	(1)	(7)	(39)	(144)
Operating profit after allowances and amortisation	472	984	267	537	185	(99)	2,346
At 30 June 2015							
Segment assets	81,943	117,514	87,733	66,692	43,766	15,625	413,273
Unallocated assets							602
Elimination							(14,861)
Total assets							399,014
Segment liabilities	91,082	107,126	51,680	57,790	37,689	30,389	375,756
Unallocated liabilities							2,459
Elimination							(14,861)
Total liabilities							363,354
Half year ended 30 June 2014							
Total income	1,137	1,527	543	627	–	29	3,863
Operating profit before allowances and amortisation	428	1,072	420	528	–	(51)	2,397
Amortisation of intangible assets (Allowances and impairment)/ write-back for loans and other assets	(5)	–	–	(23)	–	–	(28)
	(36)	(46)	(1)	#	–	(24)	(107)
Operating profit after allowances and amortisation	387	1,026	419	505	–	(75)	2,262
At 31 December 2014							
Segment assets	78,411	121,429	84,886	66,658	41,731	17,117	410,232
Unallocated assets							423
Elimination							(9,429)
Total assets							401,226
Segment liabilities	85,364	114,650	47,883	58,134	35,973	32,191	374,195
Unallocated liabilities							2,275
Elimination							(9,429)
Total liabilities							367,041

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

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16. Segment information (continued)

16.1 Business segments (continued)

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

Global Consumer/Private Banking

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

Global Corporate/Investment Banking

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

Global Treasury and Markets

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

Insurance

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

OCBC Wing Hang

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

Others

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

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16. Segment information (continued)

16.2 Geographical segments

\$ million	Total income	Profit before income tax
Half year ended 30 June 2015		
Singapore	2,561	1,447
Malaysia	694	402
Indonesia	263	101
Greater China	661	489
Other Asia Pacific	73	47
Rest of the World	77	51
	4,329	2,537
Half year ended 30 June 2014		
Singapore	2,434	1,387
Malaysia	675	427
Indonesia	252	92
Greater China	342	260
Other Asia Pacific	80	53
Rest of the World	80	78
	3,863	2,297

\$ million	Total assets	
	30 June 2015	31 December 2014
Singapore	216,168	221,378
Malaysia	65,854	65,456
Indonesia	12,168	11,146
Greater China	79,456	74,696
Other Asia Pacific	9,089	9,668
Rest of the World	16,279	18,882
	399,014	401,226

The geographical information is prepared based on the country in which the transactions are booked. The geographical information is stated after elimination of intra-group transactions and balances.

17. Contingent liabilities

The Group conducts businesses involving acceptances, guarantees, documentary credits and other similar transactions.

	GROUP	
	30 June 2015	31 December 2014
	\$'000	\$'000
Guarantees and standby letters of credit	6,373,274	7,098,638
Others	3,928,244	4,973,780
	10,301,518	12,072,418

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18. Commitments

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

	GROUP	
	30 June 2015 \$'000	31 December 2014 \$'000
Credit commitments	100,674,341	98,972,432
Other commitments	2,424,514	1,948,418
	<u>103,098,855</u>	<u>100,920,850</u>

19. Fair values of financial instruments

19.1 Valuation control framework

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

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

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

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

19.2 Fair values

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

Financial assets

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

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

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

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19. Fair values of financial instruments (continued)

19.2 Fair values (continued)

Financial liabilities

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

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

19.3 Fair value hierarchy

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

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

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

GROUP \$ million	30 June 2015				31 December 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Recurring fair value measurements								
Financial assets measured at fair value								
Placements with and loans								
to banks	–	16,349	–	16,349	68	7,940	–	8,008
Debt and equity securities	22,421	3,245	146	25,812	20,310	4,008	107	24,425
Derivative receivables	77	5,189	76	5,342	40	5,747	132	5,919
Government treasury bills and securities	20,615	1,235	–	21,850	21,483	974	–	22,457
Life Assurance Fund investment assets	44,056	4,322	–	48,378	33,053	15,509	–	48,562
Total	87,169	30,340	222	117,731	74,954	34,178	239	109,371
Non-financial assets measured at fair value								
Life Assurance Fund investment properties	–	1,620	–	1,620	–	1,632	–	1,632
Total	–	1,620	–	1,620	–	1,632	–	1,632
Financial liabilities measured at fair value								
Derivative payables	110	5,055	72	5,237	114	6,390	128	6,632
Trading portfolio liabilities	528	–	–	528	707	–	–	707
Other financial liabilities	–	742	–	742	–	650	–	650
Life Assurance Fund financial liabilities	–	347	–	347	–	336	–	336
Total	638	6,144	72	6,854	821	7,376	128	8,325

During the financial period, the Group transferred financial assets from Level 2 to Level 1 arising from increased market activity and from Level 1 to Level 2 due to reduced market activity.

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19. Fair values of financial instruments (continued)

19.3 Fair value hierarchy (continued)

Valuation techniques and unobservable parameters for Level 3 instruments

GROUP \$ million	Fair value at 30 June 2015	Classification	Valuation technique	Unobservable input
Assets				
Debt securities	17	Available-for-sale	Discounted cash flows	Credit spreads
Equity securities (unquoted)	129	Available-for-sale	Net asset value	Net asset value
Derivative receivables	76	Held for trading	Option pricing model	Standard deviation
Total	222			
Liabilities				
Derivative payables	72	Held for trading	Option pricing model	Standard deviation
Total	72			

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

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

GROUP \$ million	2015				2014			
	Available- for-sale assets	Assets held for trading	Derivative receivables	Total	Available- for-sale assets	Assets held for trading	Derivative receivables	Total
Financial assets measured at fair value								
At 1 January	107	#	132	239	48	#	56	104
Purchases	11	–	9	20	11	–	3	14
Settlements/disposals	(#)	–	(6)	(6)	(14)	–	(7)	(21)
Acquisition of subsidiaries	–	–	–	–	26	–	–	26
Transfers in to/(out of) Level 3	2 ⁽¹⁾	–	–	2	41 ⁽¹⁾	–	(#) ⁽²⁾	41
Gains/(losses) recognised in								
- profit or loss	(2)	(#)	(59)	(61)	(4)	#	80	76
- other comprehensive income	28	#	(#)	28	(1)	#	#	(1)
At 30 June/31 December	146	#	76	222	107	#	132	239
Unrealised gains/(losses) included in profit or loss for assets held at the end of the period	#	(#)	10	10	#	#	106	106

⁽¹⁾ Relates to transfers to Level 3 due to unavailability of market observable inputs.

⁽²⁾ Relates to transfers to Level 2 due to availability of market observable inputs.

⁽³⁾ # represents amounts less than \$0.5 million.

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19. Fair values of financial instruments (continued)

19.3 Fair value hierarchy (continued)

GROUP \$ million	2015		2014	
	Derivative payables	Total	Derivative payables	Total
Financial liabilities measured at fair value				
At 1 January	128	128	46	46
Issues	9	9	3	3
Settlements/disposals	(3)	(3)	(2)	(2)
Transfers out of Level 3	-	-	(#) ⁽¹⁾	(#)
Losses/(gains) recognised in				
- profit or loss	(62)	(62)	81	81
- other comprehensive income	#	#	(#)	(#)
At 30 June/31 December	72	72	128	128
Unrealised losses included in profit or loss for liabilities held at the end of the period	(7)	(7)	(106)	(106)

⁽¹⁾ Relates to transfers to Level 2 due to availability of market observable inputs.

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