Financial Report

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Management Discussion and Analysis

OVERVIEW

	2014	2013	+/(-) %
Selected Income Statement Items (S$ million)			
Net interest income	**4,736**	3,883	22
Non-interest income	**3,213**	2,738	17
Total core income	**7,949**	6,621	20
Operating expenses	**(3,258)**	(2,784)	17
Operating profit before allowances and amortisation	**4,691**	3,837	22
Amortisation of intangible assets	**(74)**	(58)	28
Allowances for loans and impairment of other assets	**(357)**	(266)	34
Operating profit after allowances and amortisation	**4,260**	3,513	21
Share of results of associates and joint ventures	**112**	54	108
Profit before income tax	**4,372**	3,567	23
Core net profit attributable to shareholders	**3,451**	2,768	25
Gain on remeasurement	**391**	–	–
Reported net profit attributable to shareholders	**3,842**	2,768	39
Cash basis net profit attributable to shareholders (1)	**3,916**	2,826	39
Selected Balance Sheet Items (S$ million)			
Ordinary equity	**29,701**	23,720	25
Total equity (excluding non-controlling interests)	**31,097**	25,115	24
Total assets	**401,226**	338,448	19
Assets excluding life assurance fund investment assets	**343,940**	285,043	21
Loans and bills receivable (net of allowances)	**207,535**	167,854	24
Deposits of non-bank customers	**245,519**	195,974	25
Per Ordinary Share			
Basic earnings (cents) (2)(5)	**91.9**	75.9	
Basic earnings – Cash basis (cents) (2)(5)	**94.0**	77.6	
Diluted earnings (cents) (2) (5)	**91.8**	75.8	
Net asset value – Before valuation surplus (S$) (5)	**7.46**	6.99	
Net asset value – After valuation surplus (S$) (5)	**9.53**	8.25	
Key Financial Ratios (%)			
Return on equity (2)(3)	**13.2**	11.6	
Return on equity – Cash basis (2)(3)	**13.5**	11.8	
Return on assets (4)	**1.11**	1.05	
Return on assets – Cash basis (4)	**1.13**	1.07	
Net interest margin	**1.68**	1.64	
Non-interest income to total income	**40.4**	41.4	
Cost to income	**41.0**	42.0	
Loans to deposits	**84.5**	85.7	
NPL ratio	**0.6**	0.7	
Total capital adequacy ratio (6)	**15.9**	16.3	
Tier 1 ratio (6)	**13.8**	14.5	

(1) Excludes amortisation of intangible assets.
(2) Calculated based on core net profit less preference share dividends.
(3) Preference equity and non-controlling interests are not included in the computation for return on equity.
(4) Computation of return on assets excludes life assurance fund investment assets.
(5) Comparatives for per share data were restated for the effects of the 1-for-8 Rights Issue.
(6) Capital ratios are computed based on Basel III transitional arrangements.
Amounts less than S$0.5 million are shown as "0".

The Group reported a net profit after tax of S$3.84 billion for the financial year ended 31 December 2014, an increase of 39% from S$2.77 billion in 2013. Excluding a one-off gain of S$391 million related to the Group's increased ownership in Bank of Ningbo Co., Ltd ("Bank of Ningbo") in 2014, core net profit after tax grew 25%. The strong momentum across the Group's customer-related businesses drove robust growth in net interest income, fees and commissions, trading income and profit from life assurance. OCBC Wing Hang Bank (formerly Wing Hang Bank) became a wholly-owned subsidiary of the Group in October 2014. The full year results included the progressive consolidation of OCBC Wing Hang from July 2014 when the Group first acquired a majority stake. Before the one-off gain and the consolidation of OCBC Wing Hang, the Group's core net profit after tax grew 22%.

Net interest income reached a new high of S$4.74 billion, up 22% from S$3.88 billion a year ago, mainly driven by strong asset growth and improved net interest margins. 2014 average balances of customer loans, excluding OCBC Wing Hang, grew 13%, driven by broad-based contributions across all geographies and key customer segments. The Group's customer loans were 24% higher from a year ago (8%, excluding OCBC Wing Hang) at S$210 billion as at 31 December 2014. Net interest margin increased 4 basis points to 1.68% from 1.64%, reflecting higher loan spreads and better returns from money market activities.

Core non-interest income increased 17% to S$3.21 billion, from S$2.74 billion in 2013. Fee and commission income climbed 10% to a new record of S$1.50 billion, contributed by robust growth in wealth management, loan and trade fees. Net trading income, primarily made up of treasury-related income from customer flows, rose 39% to S$364 million from S$262 million a year ago. Life assurance profit from Great Eastern Holdings ("GEH") of S$768 million was 28% above the previous year, supported by better operating profit from in-force business growth and mark-to-market investment gains in GEH's Non-Participating Fund.

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

The Group's share of results of associates and joint ventures in 2014 increased to S$112 million, largely from Bank of Ningbo's contribution of S$44 million as an associated company.

Operating expenses of S$3.26 billion were 17% higher as compared with S$2.78 billion a year ago, reflecting the consolidation of OCBC Wing Hang. Excluding OCBC Wing Hang, operating expenses increased 10%, mainly attributable to higher staff costs and headcount growth to support the Group's business expansion plans. The cost-to-income ratio improved to 41.0% from 42.0% a year ago. Net allowances for loans and other assets were S$357 million as compared to S$266 million in 2013, partly caused by the consolidation of OCBC Wing Hang. The non-performing loans ("NPL") ratio further improved to 0.6% from 0.7% a year ago.

Core return on equity was 13.2%, higher as compared with 11.6% a year ago. Core earnings per share rose 21% to 91.9 cents from 75.9 cents in 2013.

The Group's overall income from wealth management activities (comprising income from insurance, private banking, asset management, stockbroking and other wealth management products) rose 15% to a new record S$2.22 billion. As a share of the Group's total income, wealth management activities contributed 28%, as compared with 29% in 2013. OCBC's private banking business continued to grow, with assets under management 11% higher at US$51 billion (S$67 billion) as at 31 December 2014, up from US$46 billion (S$58 billion) a year ago.

The Group's asset quality and coverage ratios remained strong. The NPL ratio improved to 0.6% from 0.7% a year ago. Total cumulative allowances provided 171% coverage of total non-performing assets ("NPAs") and 539% of unsecured NPAs. Both coverage ratios were higher as compared with 134% and 310% respectively of the prior year. The higher coverage in 2014 was also partly a result of the consolidation of OCBC Wing Hang's cumulative allowances.

Allowances for loans and other assets of S$357 million were 34% higher than 2013. Excluding the consolidation of OCBC Wing Hang, allowances for loans and other assets rose 19% to S$317 million, mainly comprising net specific allowances of S$167 million and portfolio allowances of S$152 million.

The Group maintained its strong funding and capital position. As at 31 December 2014, customer deposits were S$246 billion, up 25% from a year ago. Excluding OCBC Wing Hang's customer deposits of S$34 billion, customer deposits increased 8%. The Group's overall loans-to-deposits ratio was 84.5% as compared with 85.7% in 2013.

As at 31 December 2014, the Common Equity Tier 1 capital adequacy ratio ("CAR") was 13.8% and Tier 1 CAR and Total CAR were 13.8% and 15.9% respectively. Based on Basel III transitional arrangements, these ratios were well above the respective regulatory minima of 5.5%, 7% and 10%.

GEH achieved a 30% increase in net profit after tax of S$879 million in 2014, contributed by higher operating profit from in-force business growth and mark-to-market gains in its Non-Participating Fund. The close collaboration between OCBC and GEH helped OCBC retain its position as the bancassurance market leader for the 14th consecutive year. Weighted new business premiums were S$950 million and a positive shift in channel mix during the year lifted its new business embedded value margin from 40.5% to 41.5% in 2014. GEH's net profit after tax contribution to the Group rose 33% to S$719 million, contributing 21% to the Group's core net profit in 2014.

OCBC Bank (Malaysia) Berhad's full year operating profit before allowances rose 5%, supported by higher net interest income and Islamic Banking income. However, net profit after tax declined 12% to MYR834 million (S$323 million), mainly from an increase in allowances. Customer loans rose 13%, and the NPL ratio improved to 2.0% from 2.3% in 2013.

Bank OCBC NISP reported a consecutive year of record earnings. Net profit after tax in 2014 was IDR1,332 billion (S$143 million), an increase of 17% from IDR1,143 billion (S$137 million) a year ago. Its results were backed by a 19% rise in net interest income, boosted by loan growth and improved net interest margin, as well as lower allowances.

OCBC Wing Hang, progressively consolidated from July 2014, contributed a net profit after tax of HK$495 million (S$81 million) to the Group after accounting for merger-related adjustments mainly in depreciation and provisions. As at 31 December 2014, customer loans were HK$157 billion (S$27 billion) and the NPL ratio was 0.4%.

After consolidating OCBC Wing Hang, profit before tax contribution to the Group from the Greater China region increased to 12%, from 6% in 2013. Greater China customer loans more than doubled to S$56 billion from S$27 billion a year ago. The asset quality of the portfolio remained healthy, with the Greater China NPL ratio improving to 0.3% from 0.4% the previous year.

The Board has proposed a final tax-exempt dividend of 18 cents per share, bringing the 2014 total dividend to 36 cents per share, an increase from 34 cents in 2013. The Scrip Dividend Scheme will be applicable to the final dividend, giving shareholders the option to receive the dividend in the form of shares. The issue price of the shares will be set at a 10% discount to the average daily volume-weighted average prices between 30 April 2015 (the ex-dividend date) and 5 May 2015 (the books closure date), both dates inclusive. The extension of the Scrip Dividend Scheme follows the positive response from shareholders to the Scip Dividend Scheme for the Group's 2014 interim dividend that saw an overwhelming 84.1% participation rate, the highest since the scheme started.

NET INTEREST INCOME

AVERAGE BALANCE SHEET

	2014			2013		
	Average Balance S$ million	Interest S$ million	Average Rate %	Average Balance S$ million	Interest S$ million	Average Rate %
Interest earning assets						
Loans and advances to non-bank customers	**187,261**	**5,493**	**2.93**	155,236	4,492	2.89
Placements with and loans to banks	**52,148**	**1,026**	**1.97**	44,693	772	1.73
Other interest earning assets	**41,958**	**1,088**	**2.59**	37,503	910	2.43
Total	**281,367**	**7,607**	**2.70**	237,432	6,174	2.60
Interest bearing liabilities						
Deposits of non-bank customers	**215,779**	**2,313**	**1.07**	176,775	1,770	1.00
Deposits and balances of banks	**22,644**	**153**	**0.67**	24,039	178	0.74
Other borrowings	**28,803**	**405**	**1.41**	21,295	343	1.61
Total	**267,226**	**2,871**	**1.07**	222,109	2,291	1.03
Net interest income/margin		**4,736**	**1.68**		3,883	1.64

Net interest income rose 22% to a record S$4.74 billion in 2014, up from S$3.88 billion a year ago. The growth was underpinned by robust asset growth, as well as a 4 basis point increase in net interest margin to 1.68% from 1.64%. The margin improvement was largely from improved loan spreads and higher returns from money market activities. Excluding OCBC Wing Hang, net interest income grew 15%.

NET INTEREST INCOME (continued)

VOLUME AND RATE ANALYSIS

Increase/(decrease) for 2014 over 2013	Volume S$ million	Rate S$ million	Net change S$ million
Interest income			
Loans and advances to non-bank customers	926	75	1,001
Placements with and loans to banks	129	125	254
Other interest earning assets	109	69	178
Total	1,164	269	1,433
Interest expense			
Deposits of non-bank customers	391	152	543
Deposits and balances of banks	(10)	(15)	(25)
Other borrowings	121	(59)	62
Total	502	78	580
Impact on net interest income	662	191	853
Due to change in number of days			–
Net interest income			853

NON-INTEREST INCOME

	2014 S$ million	2013 S$ million	+/(-) %
Fees and commissions			
Brokerage	**64**	68	(6)
Wealth management	**467**	412	13
Fund management	**108**	100	9
Credit card	**100**	65	53
Loan-related	**300**	284	5
Trade-related and remittances	**237**	213	11
Guarantees	**21**	18	20
Investment banking	**86**	92	(7)
Service charges	**75**	79	(5)
Others	**37**	24	54
Sub-total	**1,495**	1,355	10
Dividends	**106**	75	41
Rental income	**76**	67	13
Profit from life assurance	**768**	599	28
Premium income from general insurance	**162**	157	3
Other income			
Net trading income	**364**	262	39
Net gain from investment securities	**134**	133	1
Net gain/(loss) from disposal of interests in subsidiaries, associates and joint venture	**31**	(3)	nm
Net gain from disposal of properties	**9**	28	(68)
Others	**68**	65	5
Sub-total	**606**	485	25
Total core non-interest income	**3,213**	2,738	17
Gain on remeasurement	**391**	–	–
Total non-interest income	**3,604**	2,738	32
Fees and commissions/Total income [1]	**18.8%**	20.5%	
Non-interest income/Total income [1]	**40.4%**	41.4%	

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

NON-INTEREST INCOME (continued)

Core non-interest income for the year was S$3.21 billion, representing a 17% increase from S$2.74 billion in 2013.

Fee and commission income rose 10% to a record high of S$1.50 billion, up from S$1.36 billion a year ago, underpinned by robust growth in wealth management income, trade and loan fees. Dividend income increased 41% to S$106 million from S$75 million in 2013. Net trading income, primarily made up of treasury-related income from customer flows of S$364 million was higher than S$262 million a year ago. Profit from life assurance was S$768 million for the year, an increase of 28% as compared with S$599 million in 2013, supported by mark-to-market investment gains from GEH's Non-Participating Fund.

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

OPERATING EXPENSES

	2014 S$ million	2013 S$ million	+/(-) %
Staff costs			
Salaries and other costs	**1,845**	1,576	17
Share-based expenses	**11**	13	(17)
Contribution to defined contribution plans	**147**	126	16
	2,003	1,715	17
Property and equipment			
Depreciation	**248**	207	20
Maintenance and hire of property, plant & equipment	**94**	84	12
Rental expenses	**82**	73	11
Others	**195**	166	17
	619	530	17
Other operating expenses	**636**	539	18
Total operating expenses	**3,258**	2,784	17
Group staff strength			
Period end	**29,512**	25,350	16
Average	**27,318**	25,030	9
Cost to income ratio (1)	**41.0%**	42.0%	

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

Operating expenses grew 17% to S$3.26 billion in 2014, as compared with S$2.78 billion a year ago, reflecting the consolidation of OCBC Wing Hang. Staff costs rose 17% to S$2.00 billion, up from S$1.72 billion in 2013, mainly from headcount growth to support the Group's business expansion. Property and equipment related expenses were S$619 million, up 17% from S$530 million a year ago, primarily from higher depreciation expenses. Other operating expenses were 18% higher at S$636 million as compared with S$539 million in 2013, mainly as a result of higher business promotion expenses. Excluding OCBC Wing Hang, operating expenses were up 10%.

The cost-to-income ratio was 41.0% in 2014, as compared with 42.0% a year ago.

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2014 S$ million	2013 S$ million	+/(-) %
Specific allowances for loans			
Singapore	**63**	32	94
Malaysia	**66**	16	314
Others	**67**	33	103
	196	81	141
Portfolio allowances for loans	**163**	183	(11)
Allowances and impairment charges/(write-back) for other assets	**(2)**	2	(245)
Allowances for loans and impairment of other assets	**357**	266	34

Allowances for loans and other assets were S$357 million in 2014, representing a 34% increase as compared to S$266 million a year ago. Specific allowances for loans, net of recoveries and writebacks of S$196 million for the year were higher as compared to S$81 million in 2013. Excluding the S$29 million in specific allowances from the consolidation of OCBC Wing Hang, specific allowances for 2014 were S$167 million, with the increase coming mainly from Malaysia and Singapore. Specific allowances remained low at 10 basis points of loans. Portfolio allowances for loans were S$163 million in 2014 and S$183 million a year ago.

LOANS AND ADVANCES

	2014 S$ million	2013 S$ million	+/(-) %
By Industry			
Agriculture, mining and quarrying	**8,750**	6,279	39
Manufacturing	**12,746**	10,069	27
Building and construction	**32,175**	24,905	29
Housing loans	**54,207**	42,075	29
General commerce	**30,218**	27,893	8
Transport, storage and communication	**12,365**	10,989	13
Financial institutions, investment and holding companies	**25,360**	22,470	13
Professionals and individuals	**22,511**	16,208	39
Others	**11,490**	8,732	32
	209,822	169,620	24
By Currency			
Singapore Dollar	**76,613**	73,907	4
United States Dollar	**55,697**	45,702	22
Malaysian Ringgit	**23,040**	20,494	12
Indonesian Rupiah	**5,282**	4,725	12
Hong Kong Dollar	**25,770**	5,798	344
Others	**23,420**	18,994	23
	209,822	169,620	24
By Geography [1]			
Singapore	**86,700**	83,920	3
Malaysia	**28,909**	25,257	14
Indonesia	**13,982**	11,890	18
Greater China	**55,585**	27,183	104
Other Asia Pacific	**9,218**	8,357	10
Rest of the World	**15,428**	13,013	19
	209,822	169,620	24

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

Gross loans to customers were S$210 billion as at 31 December 2014, 24% higher than S$170 billion a year ago. The growth of S$40.2 billion was partly contributed by OCBC Wing Hang, which accounted for S$26.8 billion of the increase. Excluding OCBC Wing Hang, the loan growth was broad-based across key customer segments and geographies, with the largest increase coming from housing loans, loans to professionals and individuals, as well as loans to the building and construction sector.

NON-PERFORMING ASSETS

	Total NPAs [1] S$ million	Substandard S$ million	Doubtful S$ million	Loss S$ million	Secured NPAs/ Total NPAs %	NPLs [2] S$ million	NPL Ratio [2] %
Singapore							
2014	**274**	**72**	**116**	**86**	**71.1**	**274**	**0.3**
2013	223	77	79	67	53.4	194	0.2
Malaysia							
2014	**532**	**378**	**117**	**37**	**70.1**	**507**	**1.8**
2013	548	331	175	42	58.9	529	2.1
Indonesia							
2014	**98**	**26**	**7**	**65**	**39.8**	**98**	**0.7**
2013	49	8	5	36	58.7	49	0.4
Greater China							
2014	**185**	**101**	**27**	**57**	**81.2**	**185**	**0.3**
2013	108	105	2	1	87.1	96	0.4
Other Asia Pacific							
2014	**180**	**168**	**12**	**–**	**77.2**	**180**	**2.0**
2013	251	208	43	–	62.9	251	3.0
Rest of the World							
2014	**48**	**43**	**4**	**1**	**10.1**	**35**	**0.2**
2013	125	115	8	2	13.8	120	0.9
Group							
2014	**1,317**	**788**	**283**	**246**	**68.4**	**1,279**	**0.6**
2013	1,304	844	312	148	56.8	1,239	0.7

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

The Group's asset quality remained strong. NPLs were S$1.28 billion as at 31 December 2014, up 3% as compared with S$1.24 billion a year ago. Excluding the consolidation of OCBC Wing Hang, the Group's NPLs fell 4%. By geography, the increase was largely from Greater China (primarily from the consolidation of OCBC Wing Hang) and Singapore, partly offset by declines in Other Asia Pacific and Rest of the World. By industry segment, the increase was mainly from housing loans, the general commerce sector and transport, storage and communication sector, partly offset by a decline in loans from the manufacturing sector.

The Group's NPL ratio was 0.6%, an improvement from 0.7% a year ago.

Total NPAs as at 31 December 2014, which included classified debt securities and contingent liabilities, were S$1.32 billion, 1% higher from S$1.30 billion a year ago. Of the total NPAs, 60% were in the substandard category and 68% were secured by collateral.

NON-PERFORMING ASSETS (continued)

	2014		2013	
	S$ million	% of gross loans	S$ million	% of gross loans
NPLs by Industry				
Loans and advances				
Agriculture, mining and quarrying	**8**	**0.1**	10	0.2
Manufacturing	**302**	**2.4**	408	4.0
Building and construction	**173**	**0.5**	160	0.6
Housing loans	**274**	**0.5**	217	0.5
General commerce	**152**	**0.5**	126	0.5
Transport, storage and communication	**174**	**1.4**	100	0.9
Financial institutions, investment and holding companies	**24**	**0.1**	45	0.2
Professionals and individuals	**103**	**0.5**	91	0.6
Others	**69**	**0.6**	82	0.9
Total NPLs	**1,279**	**0.6**	1,239	0.7
Classified debt securities	**5**		4	
Classified contingent liabilities	**33**		61	
Total NPAs	**1,317**		1,304	

	2014		2013	
	S$ million	%	S$ million	%
NPAs by Period Overdue				
Over 180 days	**476**	**36**	284	22
Over 90 to 180 days	**146**	**11**	155	12
30 to 90 days	**122**	**9**	193	15
Less than 30 days	**22**	**2**	11	1
Not overdue	**551**	**42**	661	50
	1,317	**100**	1,304	100

CUMULATIVE ALLOWANCES FOR ASSETS

	Total cumulative allowances S$ million	Specific allowances S$ million	Portfolio allowances S$ million	Specific allowances as % of total NPAs %	Cumulative allowances as % of total NPAs %
Singapore					
2014	**746**	**70**	**676**	**25.6**	**272.8**
2013	700	50	650	22.5	313.8
Malaysia					
2014	**549**	**150**	**399**	**28.1**	**103.2**
2013	445	110	335	19.9	81.0
Indonesia					
2014	**207**	**40**	**167**	**41.2**	**210.7**
2013	181	28	153	57.1	370.6
Greater China					
2014	**511**	**45**	**466**	**24.5**	**275.8**
2013	201	1	200	0.9	185.3
Other Asia Pacific					
2014	**115**	**24**	**91**	**13.3**	**63.6**
2013	127	41	86	16.5	50.5
Rest of the World					
2014	**119**	**21**	**98**	**44.1**	**248.4**
2013	96	9	87	7.1	77.4
Group					
2014	**2,247**	**350**	**1,897**	**26.6**	**170.6**
2013	1,750	239	1,511	18.3	134.2

As at 31 December 2014, the Group's total cumulative allowances for assets were S$2.25 billion, comprising S$350 million in specific allowances and S$1.90 billion in portfolio allowances. Total cumulative allowances were 171% of total NPAs and 539% of unsecured NPAs, both higher as compared to the respective ratios of 134% and 310% as at 31 December 2013. The higher coverage was partly attributable to the consolidation of OCBC Wing Hang's cumulative allowances.

DEPOSITS

	2014 S$ million	2013 S$ million	+/(-) %
Deposits of non-bank customers	**245,519**	195,974	25
Deposits and balances of banks	**20,503**	21,549	(5)
Total deposits	**266,022**	217,523	22
Non-Bank Deposits By Product			
Fixed deposits	**109,104**	81,565	34
Savings deposits	**39,913**	32,209	24
Current account	**69,572**	59,109	18
Others	**26,930**	23,091	17
	245,519	195,974	25
Non-Bank Deposits By Currency			
Singapore Dollar	**91,520**	92,022	(1)
United States Dollar	**62,333**	45,847	36
Malaysian Ringgit	**25,583**	22,882	12
Indonesian Rupiah	**5,235**	4,987	5
Hong Kong Dollar	**22,120**	3,364	558
Others	**38,728**	26,872	44
	245,519	195,974	25
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**84.5%**	85.7%	

Non-bank customer deposits were S$246 billion as at 31 December 2014, up by 25% from S$196 billion a year ago. OCBC Wing Hang's deposits of S$34.0 billion accounted for 14% of total customer deposits as at 31 December 2014. Excluding OCBC Wing Hang, customer deposits grew 8%, underpinned by an increase in current account, savings and fixed deposits, which were up 10%, 9% and 5% respectively.

The Group's loans-to-deposits ratio, which includes OCBC Wing Hang, was 84.5%, as compared to 85.7% a year ago.

PERFORMANCE BY BUSINESS SEGMENT

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

OPERATING PROFIT BY BUSINESS SEGMENT

	2014 S$ million	2013 S$ million	+/(-) %
Global Consumer/Private Banking	**749**	738	2
Global Corporate/Investment Banking	**1,978**	1,799	10
Global Treasury and Markets	**774**	428	81
Insurance	**946**	760	24
OCBC Wing Hang	**94**	–	–
Others [1]	**(281)**	(212)	32
Operating profit after allowances and amortisation	**4,260**	3,513	21

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

GLOBAL CONSUMER/PRIVATE BANKING

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

Operating profit after allowances increased 2% to S$749 million from S$738 million in 2013, driven by higher net interest income and fee income.

GLOBAL CORPORATE/INVESTMENT BANKING

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

Global Corporate/Investment Banking's operating profit after allowances grew 10% to S$1.98 billion in 2014, from S$1.80 billion a year ago, underpinned by higher net interest income arising from robust loan growth.

GLOBAL TREASURY AND MARKETS

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

Global Treasury's operating profit increased by 81% to S$774 million from S$428 million in 2013, driven by an increase in net interest income and net trading income.

INSURANCE

The Group's insurance business, including its fund management activities, is undertaken by 87.2%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

Operating profit after allowances from GEH rose 24% to S$946 million in 2014, contributed mainly by higher insurance income.

After tax and non-controlling interests, GEH's contribution to the Group's core net profit was S$719 million in 2014, higher than a year ago.

OCBC WING HANG

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

OCBC Wing Hang, which was progressively consolidated from July 2014, contributed S$94 million in 2014 to the Group's operating profit after allowances.

OTHERS

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

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2014		2013	
	S$ million	%	S$ million	%
Total core income				
Singapore	**4,768**	**60**	4,079	62
Malaysia	**1,421**	**18**	1,401	21
Indonesia	**499**	**6**	503	8
Greater China	**954**	**12**	385	6
Other Asia Pacific	**152**	**2**	155	2
Rest of the World	**155**	**2**	98	1
	7,949	**100**	6,621	100
Profit before income tax				
Singapore	**2,579**	**59**	2,091	59
Malaysia	**833**	**19**	916	26
Indonesia	**185**	**4**	182	5
Greater China	**524**	**12**	208	6
Other Asia Pacific	**106**	**3**	87	2
Rest of the World	**145**	**3**	83	2
	4,372	**100**	3,567	100
Total assets				
Singapore	**221,378**	**55**	210,541	62
Malaysia	**65,456**	**16**	60,773	18
Indonesia	**11,146**	**3**	10,219	3
Greater China	**74,696**	**19**	33,022	10
Other Asia Pacific	**9,668**	**2**	10,138	3
Rest of the World	**18,882**	**5**	13,755	4
	401,226	**100**	338,448	100

The geographical segment analysis is based on the location where assets or transactions are booked. For 2014, Singapore accounted for 60% of total income and 59% of pre-tax profit, while Malaysia accounted for 18% of total income and 19% of pre-tax profit.

Pre-tax profit for Singapore grew 23% to S$2.58 billion in 2014 from S$2.09 billion a year ago as broad-based income growth outpaced the increase in operating expenses. Malaysia's pre-tax profit was S$833 million, as compared to S$916 million a year ago, as the increase in net interest income was more than offset by higher operating expenses and allowances. Pre-tax profit for Greater China was higher at S$524 million as compared to S$208 million in 2013, partly from the consolidation of OCBC Wing Hang.

CAPITAL ADEQUACY RATIOS

The Group remained strongly capitalised, with a Common Equity Tier 1 CAR of 13.8%, and Tier 1 and Total CAR of 13.8% and 15.9% respectively. These ratios, based on Basel III transitional arrangements, were well above the regulatory minima of 5.5%, 7% and 10%, respectively, for 2014. As compared to 31 December 2013, the Group's CAR was lower, mainly attributable to higher risk weighted assets, which was partly from the consolidation of OCBC Wing Hang.

UNREALISED VALUATION SURPLUS

	2014 S$ million	2013 S$ million
Properties [1]	**3,956**	3,435
Equity securities [2]	**4,315**	1,439
Total	**8,271**	4,874

(1) Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at the end of the year.
(2) Comprises mainly investments in quoted associate and subsidiaries, which are valued based on their market prices at the end of the year.

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

The valuation surplus as at 31 December 2014 was S$8.27 billion, an increase from S$4.87 billion as at 31 December 2013. The valuation surplus for properties was S$3.96 billion, an increase of S$0.52 billion over 31 December 2013, largely attributable to the acquisition of properties in Singapore. The valuation surplus in equity securities of S$4.32 billion increased by S$2.88 billion a year ago, mainly attributable to the higher valuation from the Group's equity stake in GEH and the surplus arising from the investment in its new associate, Bank of Ningbo.

Directors' Report

For the financial year ended 31 December 2014

The directors present their report to the members together with the audited consolidated financial statements of the Group and the income statement, statement of comprehensive income, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2014.

DIRECTORS

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

Ooi Sang Kuang, Chairman
Samuel N. Tsien, Chief Executive Officer (appointed on 13 February 2014)
Cheong Choong Kong
Lai Teck Poh
Lee Seng Wee
Lee Tih Shih
Quah Wee Ghee
Pramukti Surjaudaja
Tan Ngiap Joo
Teh Kok Peng
Wee Joo Yeow (appointed on 2 January 2014)

Mr Ooi Sang Kuang, Dr Lee Tih Shih and Mr Quah Wee Ghee will retire by rotation under Article 95 of the Articles of Association of the Bank at the forthcoming annual general meeting of the Bank and, being eligible, will offer themselves for re-election thereat.

Dr Cheong Choong Kong, Mr Lai Teck Poh and Mr Lee Seng Wee will retire pursuant to Section 153 of the Companies Act, Cap. 50 at the forthcoming annual general meeting of the Bank, at which resolutions will be proposed for their re-appointment and for them to hold office until the next annual general meeting of the Bank.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Direct interest		Deemed interest (1)	
	At 31.12.2014	At 1.1.2014/ Date of appointment	At 31.12.2014	At 1.1.2014/ Date of appointment
BANK				
Ordinary shares				
Ooi Sang Kuang	**13,033**	5,163	**–**	–
Samuel N. Tsien	**315,460**	183,029	**–**	–
Cheong Choong Kong	**1,013,990**	584,373	**12,646**	10,831
Lai Teck Poh	**790,694**	599,266	**–**	–
Lee Seng Wee	**8,806,804**	7,537,454	**5,138,541**	4,401,409
Lee Tih Shih	**3,154,358**	2,695,860	**–**	–
Quah Wee Ghee	**13,856**	5,868	**553**	473
Pramukti Surjaudaja	**35,680**	24,561	**–**	–
Tan Ngiap Joo	**1,112,490**	830,912	**–**	–
Teh Kok Peng	**460,735**	395,506	**–**	–
Wee Joo Yeow	**22,500**	20,000	**4,509**	4,008
Options/ rights/ awards in respect of ordinary shares				
Samuel N. Tsien	**3,078,279** (3)	2,171,428 (2)	**–**	–
Cheong Choong Kong	**1,802,173** (4)	2,030,736 (4)	**–**	–
Lai Teck Poh	**200,518** (4)	267,000 (4)	**–**	–
Tan Ngiap Joo	**211,829** (4)	326,000 (4)	**–**	–
4.2% Class G non-cumulative non-convertible preference shares				
Cheong Choong Kong	**15,000**	15,000	**–**	–
Lee Seng Wee	**800,000**	800,000	**600,000**	600,000
Lee Tih Shih	**240,000**	240,000	**–**	–
Teh Kok Peng	**40,000**	40,000	**–**	–
OCBC Capital Corporation				
3.93% non-cumulative non-convertible guaranteed preference shares				
Tan Ngiap Joo	**–**	–	**2,500**	2,500
OCBC Capital Corporation (2008)				
5.1% non-cumulative non-convertible guaranteed preference shares				
Cheong Choong Kong	**10,000**	10,000	**–**	–
Lee Tih Shih	**10,000**	10,000	**–**	–
Quah Wee Ghee	**–**	–	**2,100**	2,100

(1) Ordinary shares/preference shares held by spouse.
(2) Comprises: (i) 1,827,201 options granted under the OCBC Share Option Scheme 2001; (ii) 7,776 rights to acquire shares granted under the OCBC Employee Share Purchase Plan; and (iii) 336,451 unvested shares granted under the OCBC Deferred Share Plan.
(3) Comprises: (i) 2,545,137 options granted under the OCBC Share Option Scheme 2001; (ii) 7,592 rights to acquire shares granted under the OCBC Employee Share Purchase Plan; and (iii) 525,550 unvested shares granted under the OCBC Deferred Share Plan.
(4) Comprises options granted under the OCBC Share Option Scheme 2001.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

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

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

There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2015.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received, or become entitled to receive, benefits by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in this report, or in the financial statements of the Bank and of the Group.

SHARE-BASED COMPENSATION PLANS

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

Ooi Sang Kuang, Chairman
Cheong Choong Kong
Lee Tih Shih
Quah Wee Ghee
Teh Kok Peng

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

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

(a) OCBC Share Option Scheme 2001

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

Particulars of Options 2004, 2004A, 2005, 2005A, 2006, 2006B, 2007, 2007A, 2007B, 2008, 2009, 2009NED, 2010, 2010NED, 2011, 2011NED, 2012, 2012NED, 2013 and 2013NED were set out in the Directors' Reports for the financial years ended 31 December 2004 to 2013.

During the financial year, pursuant to the 2001 Scheme, options to acquire 6,909,686 ordinary shares at S$9.428 per ordinary share were granted to 138 eligible executives of the Group ("2014 Options"). The acquisition price was equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over the five consecutive trading days immediately prior to the date of grant. Certain tranches of options were adjusted following completion of the one for eight rights issue on 26 September 2014 as reflected in the table below. During the financial year, options to acquire 135,753 ordinary shares at S$9.732 per ordinary share were also granted to a senior executive of the Bank in conjunction with the cessation of his employment contract in 2014 ("2014GK"). The acquisition price for this grant was equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over the five consecutive trading days immediately prior to the date of grant.

SHARE-BASED COMPENSATION PLANS (continued)

(a) OCBC Share Option Scheme 2001 (continued)

Details of unissued ordinary shares under the 2001 Scheme, options exercised during the financial year and options outstanding and exercisable at 31 December 2014 are as follows:

Options	Exercise period	Acquisition price ($)	Options exercised	Treasury shares transferred	At 31.12.2014 Outstanding	At 31.12.2014 Exercisable
2004	16.03.2005 to 14.03.2014	5.142	1,162,663	1,138,792	–	–
2004A	20.08.2005 to 18.08.2014	5.492	100,800	100,800	–	–
2005 [1]	15.03.2006 to 13.03.2015	5.608	657,415	632,754	1,225,135	1,225,135
2005A [1]	09.04.2006 to 07.04.2015	5.625	51,600	45,851	73,213	73,213
2006 [1]	15.03.2007 to 13.03.2016	6.632	224,632	224,632	1,361,039	1,361,039
2006B [1]	24.05.2007 to 22.05.2016	6.399	102,000	100,637	110,024	110,024
2007 [1]	15.03.2008 to 13.03.2017	8.354	213,501	213,501	2,339,306	2,339,306
2007A [1]	16.01.2008 to 14.01.2017	7.391	–	–	457,593	457,593
2007B [1]	15.03.2008 to 13.03.2017	8.354	75,084	75,084	154,239	154,239
2008 [1]	15.03.2009 to 13.03.2018	7.313	728,757	728,757	2,059,705	2,059,705
2009 [1]	17.03.2010 to 15.03.2019	4.024	633,233	633,233	1,465,065	1,465,065
2009NED	17.03.2010 to 15.03.2014	4.138	162,958	162,958	–	–
2010 [1]	16.03.2011 to 14.03.2020	8.521	184,454	184,023	1,977,310	1,977,310
2010NED [1]	16.03.2011 to 14.03.2015	8.521	–	–	240,341	240,341
2011 [1]	15.03.2012 to 13.03.2021	9.093	148,901	140,094	1,962,894	1,962,894
2011NED [1]	15.03.2012 to 13.03.2016	9.093	–	–	335,536	335,536
2012 [1]	15.03.2013 to 13.03.2022	8.556	639,564	634,069	3,526,995	2,197,533
2012NED [1]	15.03.2013 to 13.03.2017	8.556	–	–	350,572	231,374
2013 [1]	15.03.2014 to 13.03.2023	10.018	67,427	67,427	7,903,930	2,565,530
2013NED [1]	15.03.2014 to 13.03.2018	10.018	–	–	464,817	153,389
2014 [1]	15.03.2015 to 13.03.2024	9.169	–	–	5,946,730	–
2014GK	12.09.2015 to 10.09.2024	9.732	–	–	135,753	–
			5,152,989	5,082,612	32,090,197	18,909,226

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

(b) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESP Plan"), which was implemented in 2004, was extended for another 10 years from 2014 to 2024, with the approval of shareholders. Employees of the Group who have attained the age of 21 years and been employed for not less than six months are eligible to participate in the ESP Plan. Particulars of the ESP Plan were set out in the Directors' Report for the financial year ended 31 December 2007.

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

In June 2014, the Bank launched its ninth offering under the ESP Plan, which commenced on 1 July 2014 and will expire on 30 June 2016. Under the ninth offering, 6,494 employees enrolled to participate in the ESP Plan to acquire 8,255,709 ordinary shares at S$9.58 per ordinary share. The acquisition price is equal to the average of the last traded price of the ordinary shares of the Bank on the Singapore Exchange over five consecutive trading days immediately preceding the price fixing date. Particulars of the first to eighth offerings under the ESP Plan were set out in the Directors' Reports for the financial years ended 31 December 2004 to 2013. Following completion of the one for eight rights issue on 26 September 2014, the total number of acquisition rights under the ninth offering of the ESP Plan was adjusted to 8,486,138 and the acquisition price was adjusted to S$9.32 per ordinary share. Further details on the ESP Plan can be found in Note 13.3 of the Notes to the Financial Statements.

SHARE-BASED COMPENSATION PLANS (continued)

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

Name of director	Options/rights granted during the financial year ended 31.12.2014	Aggregate number of options/ rights granted since commencement of scheme/ plan to 31.12.2014 (1)	Aggregate number of options exercised/ rights converted since commencement of scheme/plan to 31.12.2014	Aggregate number of options/ rights outstanding at 31.12.2014 (1) (2)
2001 SCHEME				
Samuel N. Tsien	647,892	2,795,137	250,000	2,545,137
Cheong Choong Kong	–	2,480,331	678,158	1,802,173
Lai Teck Poh	–	560,518	360,000	200,518
Tan Ngiap Joo	–	811,829	600,000	211,829
ESP PLAN				
Samuel N. Tsien	3,757	28,467	16,761 (3)	7,592

(1) After adjustment following completion of the one for eight rights issue on 26 September 2014.
(2) These details have already been disclosed in the section on "Directors' interests in shares or debentures" above.
(3) Excludes 4,114 rights which were not converted into shares upon expiry of the fifth offering as the average market price at that time was lower than the acquisition price. This was in line with the terms and conditions of the ESP Plan.

There were no changes to any of the above mentioned interests between the end of the financial year and 21 January 2015.

(c) OCBC Deferred Share Plan

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

Awards over an aggregate of 4,346,059 ordinary shares (including awards over 238,347 ordinary shares granted to a director of the Bank) were granted to eligible executives under the DSP during the financial year ended 31 December 2014. In addition, existing awards were adjusted following the declarations of final dividend for the financial year ended 31 December 2013, and interim dividend for the financial year ended 31 December 2014, and completion of the one for eight rights issue on 26 September 2014, resulting in an additional 710,063 ordinary shares being subject to awards under the DSP (including an additional 33,863 ordinary shares being subject to awards held by a director of the Bank holding office as at the end of the financial year). During the financial year, 3,669,828 deferred shares were released to grantees, of which 83,111 deferred shares were released to a director of the Bank who held office as at the end of the financial year.

Mr David Philbrick Conner, who stepped down as a director of the Bank on 31 August 2014, held ordinary shares acquired pursuant to the Bank's share-based compensation plans.

AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Tan Ngiap Joo, Chairman
Lai Teck Poh
Teh Kok Peng

The Audit Committee performed the functions specified in the Singapore Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005, the Banking (Corporate Governance) (Amendment) Regulations 2010, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance 2012. In performing these functions, the Audit Committee met with the Bank's external and internal auditors, and reviewed the audit plans, the internal audit programme, as well as the results of the auditors' examination and their evaluation of the system of internal controls.

The Audit Committee also reviewed the following:

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

AUDIT COMMITTEE (continued)

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

The Audit Committee has nominated KPMG LLP for re-appointment as auditors of the Bank at the forthcoming annual general meeting.

AUDITORS

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

On behalf of the Board of Directors,

OOI SANG KUANG
Director

SAMUEL N. TSIEN
Director

Singapore
10 February 2015

Statement by Directors

For the financial year ended 31 December 2014

In the opinion of the directors,

(a) the financial statements set out on pages 90 to 192 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2014, the results and changes in equity of the Group and of the Bank for the financial year ended on that date, and cash flows of the Group for the financial year ended on that date; and

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

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

On behalf of the Board of Directors,

OOI SANG KUANG
Director

SAMUEL N. TSIEN
Director

Singapore
10 February 2015

Independent Auditors' Report

To The Members Of Oversea-Chinese Banking Corporation Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group"), which comprise the balance sheets of the Group and the Bank as at 31 December 2014, the income statements, statements of comprehensive income and statements of changes in equity of the Group and the Bank and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 90 to 192.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2014, the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
10 February 2015

Income Statements

For the financial year ended 31 December 2014

	Note	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
Interest income		**7,606,871**	6,174,076	**4,119,993**	3,532,538
Interest expense		**(2,870,745)**	(2,291,244)	**(1,305,881)**	(1,136,513)
Net interest income	3	**4,736,126**	3,882,832	**2,814,112**	2,396,025
Premium income		**7,808,057**	7,600,064	**–**	–
Investment income		**2,410,787**	2,394,725	**–**	–
Net claims, surrenders and annuities		**(5,308,981)**	(6,134,629)	**–**	–
Change in life assurance fund contract liabilities		**(2,779,322)**	(1,843,762)	**–**	–
Commission and others		**(1,362,734)**	(1,417,682)	**–**	–
Profit from life assurance	4	**767,807**	598,716	**–**	–
Premium income from general insurance		**162,263**	157,344	**–**	–
Fees and commissions (net)	5	**1,494,702**	1,355,457	**808,531**	754,487
Dividends	6	**105,574**	75,062	**609,200**	1,235,886
Rental income		**76,458**	67,457	**37,350**	30,941
Other income	7	**997,169**	484,543	**104,199**	151,968
Non-interest income		**3,603,973**	2,738,579	**1,559,280**	2,173,282
Total income		**8,340,099**	6,621,411	**4,373,392**	4,569,307
Staff costs		**(2,002,474)**	(1,715,123)	**(748,268)**	(679,412)
Other operating expenses		**(1,255,080)**	(1,068,780)	**(811,573)**	(731,262)
Total operating expenses	8	**(3,257,554)**	(2,783,903)	**(1,559,841)**	(1,410,674)
Operating profit before allowances and amortisation		**5,082,545**	3,837,508	**2,813,551**	3,158,633
Amortisation of intangible assets	37	**(74,205)**	(58,099)	**–**	–
Allowances for loans and impairment for other assets	9	**(357,082)**	(266,058)	**(136,656)**	(158,101)
Operating profit after allowances and amortisation		**4,651,258**	3,513,351	**2,676,895**	3,000,532
Share of results of associates and joint ventures		**111,947**	53,940	**–**	–
Profit before income tax		**4,763,205**	3,567,291	**2,676,895**	3,000,532
Income tax expense	10	**(687,499)**	(597,785)	**(355,794)**	(289,366)
Profit for the year		**4,075,706**	2,969,506	**2,321,101**	2,711,166
Attributable to:					
Equity holders of the Bank		**3,841,954**	2,767,566		
Non-controlling interests		**233,752**	201,940		
		4,075,706	2,969,506		
Earnings per share (cents) [1]	11				
Basic		**102.5**	75.9		
Diluted		**102.4**	75.8		

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

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

Statements of Comprehensive Income

For the financial year ended 31 December 2014

	Note	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
Profit for the year		**4,075,706**	2,969,506	**2,321,101**	2,711,166
Other comprehensive income:					
Available-for-sale financial assets					
Gains/(losses) for the year		**428,128**	(336,665)	**88,799**	(121,676)
Reclassification of (gains)/losses to income statement					
- on disposal		**(500,540)**	(131,465)	**(55,822)**	(71,854)
- on impairment		**922**	3,527	**(265)**	(265)
Tax on net movements	20	**(54,272)**	52,002	**(2,657)**	9,946
Defined benefit plans remeasurements [1]		**(64)**	(39)	**–**	–
Exchange differences on translating foreign operations		**162,462**	(342,983)	**13,288**	(27,062)
Other comprehensive income of associates and joint ventures		**70,413**	3,522	**–**	–
Total other comprehensive income, net of tax		**107,049**	(752,101)	**43,343**	(210,911)
Total comprehensive income for the year, net of tax		**4,182,755**	2,217,405	**2,364,444**	2,500,255
Total comprehensive income attributable to:					
Equity holders of the Bank		**3,913,782**	2,068,855		
Non-controlling interests		**268,973**	148,550		
		4,182,755	2,217,405		

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

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

Balance Sheets

As at 31 December 2014

	Note	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**13,752,110**	9,448,282	**13,752,110**	9,448,282
Capital reserves	14	**517,563**	418,368	**92,107**	94,040
Fair value reserves		**366,017**	493,473	**167,575**	137,520
Revenue reserves	15	**16,461,106**	14,755,420	**10,713,883**	9,645,619
		31,096,796	25,115,543	**24,725,675**	19,325,461
Non-controlling interests	16	**3,088,643**	2,963,937	**–**	–
Total equity		**34,185,439**	28,079,480	**24,725,675**	19,325,461
LIABILITIES					
Deposits of non-bank customers	17	**245,519,098**	195,973,762	**154,465,869**	142,854,677
Deposits and balances of banks	17	**20,502,731**	21,548,850	**18,512,056**	20,260,227
Due to subsidiaries		**–**	–	**5,153,973**	6,956,568
Due to associates		**294,436**	167,662	**149,372**	154,553
Trading portfolio liabilities		**706,723**	897,874	**706,723**	897,874
Derivative payables	18	**6,632,027**	5,508,684	**5,641,621**	4,495,148
Other liabilities	19	**5,027,598**	4,250,580	**1,534,436**	1,415,854
Current tax		**898,303**	1,025,000	**387,111**	367,225
Deferred tax	20	**1,376,315**	1,111,986	**61,767**	59,510
Debt issued	21	**28,859,406**	26,701,876	**28,631,983**	26,914,088
		309,816,637	257,186,274	**215,244,911**	204,375,724
Life assurance fund liabilities	22	**57,223,946**	53,182,631	**–**	–
Total liabilities		**367,040,583**	310,368,905	**215,244,911**	204,375,724
Total equity and liabilities		**401,226,022**	338,448,385	**239,970,586**	223,701,185
ASSETS					
Cash and placements with central banks	23	**25,313,854**	19,340,810	**18,791,398**	12,712,980
Singapore government treasury bills and securities	24	**10,100,218**	11,718,724	**9,423,876**	10,771,479
Other government treasury bills and securities	24	**12,148,522**	8,892,113	**4,944,270**	4,543,308
Placements with and loans to banks	25	**41,220,140**	39,572,500	**28,266,366**	30,820,827
Loans and bills receivable	26–29	**207,534,631**	167,854,086	**129,823,147**	125,080,132
Debt and equity securities	30	**23,466,271**	19,602,314	**13,184,166**	12,891,217
Assets pledged	46	**1,536,302**	2,109,722	**1,181,120**	1,919,834
Assets held for sale	47	**1,885**	1,707	**–**	477
Derivative receivables	18	**5,919,479**	5,194,163	**4,931,454**	4,195,425
Other assets	31	**4,771,382**	3,900,403	**1,614,991**	1,311,211
Deferred tax	20	**118,009**	106,794	**39,617**	41,707
Associates and joint ventures	33	**2,096,474**	379,768	**610,275**	170,154
Subsidiaries	34	**–**	–	**24,198,318**	16,295,363
Property, plant and equipment	35	**3,408,836**	1,898,096	**520,407**	517,810
Investment property	36	**1,147,084**	731,350	**574,005**	562,085
Goodwill and intangible assets	37	**5,156,590**	3,740,978	**1,867,176**	1,867,176
		343,939,677	285,043,528	**239,970,586**	223,701,185
Life assurance fund investment assets	22	**57,286,345**	53,404,857	**–**	–
Total assets		**401,226,022**	338,448,385	**239,970,586**	223,701,185

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

Statement of Changes in Equity - Group

For the financial year ended 31 December 2014

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

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

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

Statement of Changes in Equity - Group

For the financial year ended 31 December 2014

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2013	9,953,321	375,520	895,345	14,580,211	25,804,397	2,896,604	28,701,001
Total comprehensive income for the year							
Profit for the year	–	–	–	2,767,566	2,767,566	201,940	2,969,506
Other comprehensive income							
Available-for-sale financial assets							
Losses for the year	–	–	(327,510)	–	(327,510)	(9,155)	(336,665)
Reclassification of (gains)/losses to income statement							
- on disposal	–	–	(126,168)	–	(126,168)	(5,297)	(131,465)
- on impairment	–	–	3,425	–	3,425	102	3,527
Tax on net movements	–	–	49,356	–	49,356	2,646	52,002
Defined benefit plans remeasurements	–	–	–	(215)	(215)	176	(39)
Exchange differences on translating foreign operations	–	–	–	(300,671)	(300,671)	(42,312)	(342,983)
Other comprehensive income of associates and joint ventures	–	–	(975)	4,047	3,072	450	3,522
Total other comprehensive income, net of tax	–	–	(401,872)	(296,839)	(698,711)	(53,390)	(752,101)
Total comprehensive income for the year	–	–	(401,872)	2,470,727	2,068,855	148,550	2,217,405
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	15,334	27,809	–	(43,143)	–	–	–
Distributions and dividends to non-controlling interests	–	–	–	–	–	(138,409)	(138,409)
DSP reserve from dividends on unvested shares	–	–	–	3,530	3,530	–	3,530
Ordinary and preference dividends	–	–	–	(1,255,531)	(1,255,531)	–	(1,255,531)
Redemption of preference shares	(499,950)	–	–	(1,000,050)	(1,500,000)	–	(1,500,000)
Share-based staff costs capitalised	–	13,389	–	–	13,389	–	13,389
Share buyback held in treasury	(150,382)	–	–	–	(150,382)	–	(150,382)
Shares issued to non-executive directors	850	–	–	–	850	–	850
Shares purchased by DSP Trust	–	(3,473)	–	–	(3,473)	–	(3,473)
Shares vested under DSP Scheme	–	40,077	–	–	40,077	–	40,077
Treasury shares transferred/sold	129,109	(34,954)	–	–	94,155	–	94,155
Total contributions by and distributions to owners	(505,039)	42,848	–	(2,295,194)	(2,757,385)	(138,409)	(2,895,794)
Changes in ownership interests in a subsidiary that does not result in loss of control							
Changes in non-controlling interests	–	–	–	(324)	(324)	57,192	56,868
Total changes in ownership interests in a subsidiary	–	–	–	(324)	(324)	57,192	56,868
Balance at 31 December 2013	9,448,282	418,368	493,473	14,755,420	25,115,543	2,963,937	28,079,480
Included:							
Share of reserves of associates and joint ventures	–	–	4,727	92,768	97,495	(5,388)	92,107

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

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

Statement of Changes in Equity - Bank

For the financial year ended 31 December 2014

In $'000	Share capital	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2014	**9,448,282**	**94,040**	**137,520**	**9,645,619**	**19,325,461**
Total comprehensive income for the year [1]	**–**	**–**	**30,055**	**2,334,389**	**2,364,444**
Transfers	**13,429**	**(13,429)**	**–**	**–**	**–**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**3,824**	**3,824**
Ordinary and preference dividends	**–**	**–**	**–**	**(255,352)**	**(255,352)**
Share-based staff costs capitalised	**–**	**11,496**	**–**	**–**	**11,496**
Share buyback held in treasury	**(161,634)**	**–**	**–**	**–**	**(161,634)**
Shares issued in-lieu of ordinary dividends	**1,014,597**	**–**	**–**	**(1,014,597)**	**–**
Shares issued pursuant to Rights Issue	**3,307,112**	**–**	**–**	**–**	**3,307,112**
Shares issued to non-executive directors	**735**	**–**	**–**	**–**	**735**
Treasury shares transferred/sold	**129,589**	**–**	**–**	**–**	**129,589**
Balance at 31 December 2014	**13,752,110**	**92,107**	**167,575**	**10,713,883**	**24,725,675**
Balance at 1 January 2013	9,953,321	95,985	321,369	9,213,566	19,584,241
Total comprehensive income for the year [1]	–	–	(183,849)	2,684,104	2,500,255
Transfers	15,334	(15,334)	–	–	–
DSP reserve from dividends on unvested shares	–	–	–	3,530	3,530
Ordinary and preference dividends	–	–	–	(1,255,531)	(1,255,531)
Redemption of preference shares	(499,950)	–	–	(1,000,050)	(1,500,000)
Share-based staff costs capitalised	–	13,389	–	–	13,389
Share buyback held in treasury	(150,382)	–	–	–	(150,382)
Shares issued to non-executive directors	850	–	–	–	850
Treasury shares transferred/sold	129,109	–	–	–	129,109
Balance at 31 December 2013	9,448,282	94,040	137,520	9,645,619	19,325,461

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

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

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2014

In $'000	2014	2013
Cash flows from operating activities		
Profit before income tax	**4,763,205**	3,567,291
Adjustments for non-cash items:		
Allowances for loans and impairment for other assets	**357,082**	266,058
Amortisation of intangible assets	**74,205**	58,099
Change in fair value for hedging transactions and trading and fair value through profit and loss securities	**(20,935)**	71,105
Depreciation of property, plant and equipment and investment property	**247,990**	206,542
Net gain on disposal of government, debt and equity securities	**(524,825)**	(132,334)
Net gain on disposal of property, plant and equipment and investment property	**(6,960)**	(26,442)
Net (gain)/loss on disposal of interests in subsidiaries, associates and joint venture	**(31,092)**	2,731
Share-based costs	**11,300**	13,604
Share of results of associates and joint ventures	**(111,947)**	(53,940)
Items relating to life assurance fund		
Surplus before income tax	**968,290**	827,265
Surplus transferred from life assurance fund	**(767,807)**	(598,716)
Operating profit before change in operating assets and liabilities	**4,958,506**	4,201,263
Change in operating assets and liabilities:		
Deposits of non-bank customers	**17,223,312**	30,840,586
Deposits and balances of banks	**(1,213,395)**	(4,106,737)
Derivative payables and other liabilities	**1,642,971**	568,162
Trading portfolio liabilities	**(191,151)**	(185,460)
Government securities and treasury bills	**105,127**	1,078,335
Trading and fair value through profit and loss securities	**(859,268)**	(1,521,891)
Placements with and loans to banks	**3,729,375**	(9,091,266)
Loans and bills receivable	**(16,712,586)**	(25,767,784)
Derivative receivables and other assets	**(1,855,753)**	149,882
Net change in investment assets and liabilities of life assurance fund	**47,188**	(504,538)
Cash from/(used in) operating activities	**6,874,326**	(4,339,448)
Income tax paid	**(714,839)**	(530,800)
Net cash from/(used in) operating activities	**6,159,487**	(4,870,248)
Cash flows from investing activities		
Dividends from associates	**10,781**	11,531
(Increase)/decrease in associates and joint ventures	**(416,084)**	16,600
Net cash outflow from acquisition/establishment of subsidiaries	**(549,065)**	–
Purchases of debt and equity securities	**(11,375,093)**	(11,357,318)
Purchases of property, plant and equipment and investment property	**(332,099)**	(335,764)
Proceeds from disposal of debt and equity securities	**11,216,404**	7,344,119
Proceeds from disposal of interests in associates and joint venture	**64,650**	–
Proceeds from disposal of property, plant and equipment and investment property	**18,096**	36,072
Net cash used in investing activities	**(1,362,410)**	(4,284,760)
Cash flows from financing activities		
Changes in non-controlling interests	**(3,076,012)**	56,868
Distributions and dividends paid to non-controlling interests	**(132,757)**	(138,409)
Dividends paid to equity holders of the Bank	**(255,352)**	(1,255,531)
Increase in other debt issued	**194,399**	15,992,463
Issue of subordinated debt	**2,488,245**	–
Net proceeds from Rights Issue	**3,307,112**	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**87,515**	94,155
Redemption of preference shares	**–**	(1,500,000)
Redemption of subordinated debt issued	**(1,358,358)**	(720,691)
Share buyback held in treasury	**(161,634)**	(150,382)
Net cash from financing activities	**1,093,158**	12,378,473
Net currency translation adjustments	**82,809**	(279,488)
Net change in cash and cash equivalents	**5,973,044**	2,943,977
Cash and cash equivalents at 1 January	**19,340,810**	16,396,833
Cash and cash equivalents at 31 December	**25,313,854**	19,340,810

The Group is required to maintain balances with central banks and these amounted to $5,989.8 million at 31 December 2014 (2013: $5,258.2 million).

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 10 February 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 consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the Group) and the Group's interests in associates and joint ventures. The Group is principally engaged in the business of banking, life assurance, general insurance, asset management, investment holding, futures and stockbroking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2014:

FRS 27 (Revised)	*Separate Financial Statements*
FRS 28 (Revised)	*Investments in Associates and Joint Ventures*
FRS 32 (Amendments)	*Offsetting Financial Assets and Financial Liabilities*
FRS 36 (Amendments)	*Recoverable Amount Disclosures for Non-Financial Assets*
FRS 39 (Amendments)	*Novation of Derivatives and Continuation of Hedge Accounting*
FRS 110	*Consolidated Financial Statements*
FRS 111	*Joint Arrangements*
FRS 112	*Disclosure of Interests in Other Entities*
FRS 27, 110, 112 (Amendments)	*Investment Entities*

FRS 110 *Consolidated Financial Statements* introduces a single model for assessing control and requires full retrospective application. An investor has control over an investee when it has the power, the exposure to variable returns and the ability to use its power to influence the returns of the investee. The Group has reviewed its investments in investees in accordance with FRS 110, and the application of FRS 110 did not have a material effect on the Group's consolidated financial statements.

FRS 112 *Disclosure of Interests in Other Entities* introduces new disclosure requirements in respect of an entity's interests in subsidiaries, joint arrangements, associates, consolidated structured entities and unconsolidated structured entities. The Group has presented the relevant disclosures in Notes 33, 34, and 45.

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

2.2 BASIS OF CONSOLIDATION

2.2.1 Subsidiaries

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

2.2.1 Subsidiaries (continued)

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

2.2.2 Structured entities

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

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

2.2.3 Associates and joint ventures

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

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

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

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

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

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

2.2.4 Life assurance companies

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

2.2.5 Accounting for subsidiaries and associates by the Bank

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

2.3 CURRENCY TRANSLATION

2.3.1 Foreign currency transactions

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

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

2.3.2 Foreign operations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CASH AND CASH EQUIVALENTS

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

2.5 FINANCIAL INSTRUMENTS

2.5.1 Recognition

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

2.5.2 De-recognition

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

2.5.3 Offsetting

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

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

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

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

2.6 NON-DERIVATIVE FINANCIAL ASSETS

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

2.6.1 Loans and receivables

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

2.6.2 Available-for-sale financial assets

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

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

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

2.6.3 Financial assets at fair value through profit or loss

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

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

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

2.6.4 Held-to-maturity investments

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

2.7 DERIVATIVE FINANCIAL INSTRUMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

2.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

2.9 INVESTMENT PROPERTY

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

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

2.10 GOODWILL AND INTANGIBLE ASSETS

2.10.1 Goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 GOODWILL AND INTANGIBLE ASSETS (continued)

2.10.1 Goodwill (continued)

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

2.10.2 Intangible assets

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

2.11 NON-CURRENT ASSETS HELD FOR SALE

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

2.12 IMPAIRMENT OF ASSETS

Financial assets

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

2.12.1 Loans and receivables/financial assets carried at amortised cost

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

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

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

2.12.2 Other non-derivative financial assets

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

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

Other assets

2.12.3 Goodwill

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

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

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

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

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

2.13 INSURANCE RECEIVABLES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 FINANCIAL LIABILITIES

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

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

2.15 PROVISIONS AND OTHER LIABILITIES

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

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

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

2.16 INSURANCE CONTRACTS

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

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

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

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

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

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

Life Assurance Fund contract liabilities

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

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

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

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

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

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

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

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

The valuation of insurance contract liabilities is determined according to:

(a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore ("MAS Regulations"); and
(b) Risk-based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required under the respective insurance regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the insurance regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 INSURANCE CONTRACTS (continued)

General Insurance Fund contract liabilities

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

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

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

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

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

Reinsurance contracts

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

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

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

2.17 UNEXPIRED RISK RESERVE

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

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

2.18 SHARE CAPITAL AND DIVIDEND

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 RECOGNITION OF INCOME AND EXPENSE

2.19.1 Interest income and expense

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

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

2.19.2 Profit from life assurance

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

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

(b) Non-participating Fund
Revenue consists of premiums, interest and investment income; including changes in the fair value of certain assets as prescribed by the appropriate insurance regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue and expenses of the non-participating fund and results of the annual actuarial valuation of the liabilities in accordance with the requirements of the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore and Malaysia non-participating funds include changes in the fair value of assets measured in accordance with the respective insurance regulations.

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

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

2.19.3 Premium income from general insurance

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

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

2.19.4 Fees and commissions

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

2.19.5 Dividends

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

2.19.6 Rental

Rental income on tenanted areas of the buildings owned by the Group is recognised on an accrual basis in accordance with the substance of the tenancy agreements.

2.19.7 Employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 RECOGNITION OF INCOME AND EXPENSE (continued)

2.19.7 Employee benefits (continued)

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

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

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

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

2.19.8 Lease payments

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

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

2.20 INCOME TAX EXPENSE

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

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

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

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

2.21 FIDUCIARY ACTIVITIES

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

2.22 SEGMENT REPORTING

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

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

2.23 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

2.23.1 Liabilities of insurance business

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.23.1 Liabilities of insurance business (continued)

At each balance sheet date, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance fund contract liabilities.

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

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

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

2.23.2 Impairment of goodwill and intangible assets

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

2.23.3 Fair value estimation

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

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

2.23.4 Income taxes

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

2.23.5 Impairment of loans

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

2.23.6 Impairment of available-for-sale financial assets

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

2.23.7 Insurance contract classification

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

3. NET INTEREST INCOME

	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
Interest income				
Loans to non-bank customers	**5,492,754**	4,491,476	**2,820,292**	2,483,749
Placements with and loans to banks	**1,026,242**	772,339	**674,773**	489,505
Other interest-earning assets	**1,087,875**	910,261	**624,928**	559,284
	7,606,871	6,174,076	**4,119,993**	3,532,538
Interest expense				
Deposits of non-bank customers	**(2,313,413)**	(1,770,360)	**(739,558)**	(604,975)
Deposits and balances of banks	**(152,632)**	(177,935)	**(168,532)**	(192,715)
Other borrowings	**(404,700)**	(342,949)	**(397,791)**	(338,823)
	(2,870,745)	(2,291,244)	**(1,305,881)**	(1,136,513)
Analysed by classification of financial instruments				
Income – Assets not at fair value through profit or loss	**7,326,794**	5,959,799	**3,892,954**	3,351,542
Income – Assets at fair value through profit or loss	**280,077**	214,277	**227,039**	180,996
Expense – Liabilities not at fair value through profit or loss	**(2,850,112)**	(2,272,648)	**(1,285,253)**	(1,117,917)
Expense – Liabilities at fair value through profit or loss	**(20,633)**	(18,596)	**(20,628)**	(18,596)
Net interest income	**4,736,126**	3,882,832	**2,814,112**	2,396,025

Included in interest income were interest on impaired assets of $4.2 million (2013: $5.2 million) and $2.2 million (2013: $4.2 million) for the Group and Bank respectively.

4. PROFIT FROM LIFE ASSURANCE

	GROUP 2014 $ million	GROUP 2013 $ million
Income		
Annual	**5,896.9**	5,531.6
Single	**2,050.6**	2,193.4
Gross premiums	**7,947.5**	7,725.0
Reinsurances	**(139.4)**	(125.0)
Premium income (net)	**7,808.1**	7,600.0
Investment income (net)	**2,410.7**	2,394.8
Total income	**10,218.8**	9,994.8
Expenses		
Gross claims, surrenders and annuities	**(5,394.7)**	(6,213.0)
Claims, surrenders and annuities recovered from reinsurers	**85.7**	78.4
Net claims, surrenders and annuities	**(5,309.0)**	(6,134.6)
Change in life assurance fund contract liabilities (Note 22)	**(2,779.3)**	(1,843.8)
Commission and agency expenses	**(754.1)**	(775.0)
Depreciation – property, plant and equipment (Note 35)	**(47.5)**	(55.3)
Other expenses [1]	**(358.3)**	(353.2)
Total expenses	**(9,248.2)**	(9,161.9)
Surplus from operations	**970.6**	832.9
Share of results of associates and joint ventures	**(2.3)**	(5.7)
Income tax expense	**(200.5)**	(228.5)
Profit from life assurance	**767.8**	598.7

[1] Included in other expenses were directors' emoluments of $3.7 million (2013: $4.5 million).

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

5. FEES AND COMMISSIONS (NET)

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Fee and commission income	**1,527,283**	1,392,798	**821,104**	762,853
Fee and commission expense	**(32,581)**	(37,341)	**(12,573)**	(8,366)
Fees and commissions (net)	**1,494,702**	1,355,457	**808,531**	754,487
Analysed by major sources:				
Brokerage	**64,020**	68,409	**188**	289
Credit card	**99,565**	65,112	**82,630**	61,991
Fund management	**108,082**	99,524	**(1,820)**	(1,555)
Guarantees	**21,422**	17,846	**13,820**	10,875
Investment banking	**85,672**	92,008	**65,659**	67,170
Loan-related	**300,006**	284,378	**245,344**	241,201
Service charges	**74,790**	78,618	**59,767**	58,943
Trade-related and remittances	**236,769**	212,753	**169,217**	150,492
Wealth management	**466,777**	412,329	**167,162**	157,196
Others	**37,599**	24,480	**6,564**	7,885
	1,494,702	1,355,457	**808,531**	754,487

6. DIVIDENDS

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Subsidiaries	**–**	–	**581,208**	1,204,975
Associates	**–**	–	**5,994**	11,531
Trading securities	**5,230**	6,145	**4,903**	6,066
Available-for-sale securities	**100,344**	68,917	**17,095**	13,314
	105,574	75,062	**609,200**	1,235,886

7. OTHER INCOME

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Foreign exchange [1]	**110,622**	357,300	**(205,316)**	142,611
Hedging activities [2]				
Hedging instruments	**(141,871)**	69,872	**(140,812)**	70,206
Hedged items	**139,448**	(69,746)	**138,445**	(70,006)
Fair value hedges	**(2,423)**	126	**(2,367)**	200
Interest rate and other derivatives [3]	**145,543**	(41,112)	**133,750**	(16,246)
Trading and fair value through profit and loss securities	**105,680**	(51,291)	**73,215**	(79,010)
Others	**4,376**	(3,167)	**4,251**	(3,167)
Net trading income	**363,798**	261,856	**3,533**	44,388
Disposal of securities classified as available-for-sale [4]	**524,821**	132,152	**71,759**	72,542
Disposal of securities classified as loans and receivables	**4**	182	**4**	182
Disposal of interests in subsidiaries, associates and joint venture	**31,092**	(2,731)	**–**	1,923
Disposal of plant and equipment	**(2,098)**	(1,546)	**(1,546)**	(853)
Disposal of property	**9,058**	27,988	**4,712**	9,532
Computer-related services income	**38,849**	33,777	**–**	–
Property-related income	**8,245**	7,521	**362**	438
Others	**23,400**	25,344	**25,375**	23,816
	997,169	484,543	**104,199**	151,968

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

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
8.1 STAFF COSTS				
Salaries and other costs	**1,808,061**	1,545,566	**673,090**	614,590
Share-based expenses	**10,565**	12,754	**6,397**	7,579
Contribution to defined contribution plans	**146,572**	126,525	**55,044**	49,124
	1,965,198	1,684,845	**734,531**	671,293
Directors' emoluments:				
Remuneration of Bank's directors	**9,011**	3,191	**8,983**	3,179
Remuneration of directors of subsidiaries	**17,191**	17,681	**–**	–
Fees of Bank's directors [1]	**6,844**	7,489	**4,754**	4,940
Fees of directors of subsidiaries	**4,230**	1,917	**–**	–
	37,276	30,278	**13,737**	8,119
Total staff costs	**2,002,474**	1,715,123	**748,268**	679,412
8.2 OTHER OPERATING EXPENSES				
Property, plant and equipment: [2]				
Depreciation	**247,990**	206,542	**120,987**	108,658
Maintenance and hire	**94,520**	84,181	**35,053**	34,512
Rental expenses	**81,862**	73,424	**65,497**	66,210
Others	**195,063**	166,217	**82,999**	68,907
	619,435	530,364	**304,536**	278,287
Auditors' remuneration				
Payable to auditors of the Bank	**2,250**	2,058	**1,541**	1,385
Payable to associated firms of auditors of the Bank	**1,888**	1,104	**255**	270
Payable to other auditors	**1,412**	1,336	**50**	42
	5,550	4,498	**1,846**	1,697
Other fees				
Payable to auditors of the Bank [3]	**2,244**	1,183	**1,839**	522
Payable to associated firms of auditors of the Bank	**511**	420	**199**	77
	2,755	1,603	**2,038**	599
Hub processing charges	**–**	–	**210,918**	175,555
General insurance claims	**77,124**	61,839	**–**	–
Others [4]	**550,216**	470,476	**292,235**	275,124
	627,340	532,315	**503,153**	450,679
Total other operating expenses	**1,255,080**	1,068,780	**811,573**	731,262
8.3 STAFF COSTS AND OTHER OPERATING EXPENSES	**3,257,554**	2,783,903	**1,559,841**	1,410,674

(1) Includes remuneration shares amounting to $0.7 million (2013: $0.8 million) issued to directors.
(2) Direct operating expenses on leased investment property for the Group and the Bank amounted to $16.9 million (2013: $12.6 million) and $6.1 million (2013: $3.7 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.3 million (2013: $1.5 million) and $0.9 million (2013: $1.0 million) respectively.
(3) Other fees payable to auditors of the Bank relate mainly to engagement in connection with the Bank's debt issuances, taxation compliance and advisory services, miscellaneous attestations and audit certifications.
(4) Included in other expenses were printing, stationery, communications, advertisement and promotion expenses and legal and professional fees.

9. ALLOWANCES FOR LOANS AND IMPAIRMENT FOR OTHER ASSETS

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Specific allowances for loans (Note 28)	**196,054**	81,378	**65,149**	61,674
Portfolio allowances for loans (Note 29)	**163,002**	183,314	**80,710**	96,967
Impairment charge/(write-back) for securities classified as available-for-sale	**9,242**	3,681	**(265)**	(265)
Write-back for securities classified as loans and receivables (Note 32)	**(9,214)**	–	**(9,214)**	–
(Write-back)/impairment charge for other assets (Note 32)	**(2,002)**	(2,315)	**276**	(275)
Net allowances and impairment	**357,082**	266,058	**136,656**	158,101

10. INCOME TAX EXPENSE

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current tax expense	**692,370**	636,781	**357,146**	307,754
Deferred tax expense/(credit) (Note 20)	**25,053**	(15,599)	**6,369**	(3,445)
	717,423	621,182	**363,515**	304,309
Over provision in prior years and tax refunds	**(29,924)**	(23,397)	**(7,721)**	(14,943)
Charge to income statements	**687,499**	597,785	**355,794**	289,366

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

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Operating profit after allowances and amortisation	**4,651,258**	3,513,351	**2,676,895**	3,000,532
Prima facie tax calculated at tax rate of 17%	**790,714**	597,270	**455,072**	510,090
Effect of different tax rates in other countries	**106,849**	105,220	**25,425**	18,998
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	**5,062**	3,799	**878**	566
Income not assessable for tax	**(126,139)**	(15,487)	**(123,073)**	(192,709)
Income taxed at concessionary rate	**(65,690)**	(65,508)	**(50,180)**	(57,284)
Effect of Singapore life assurance fund	**(66,265)**	(36,850)	**–**	–
Non-deductible amortisation of intangibles	**12,615**	9,877	**–**	–
Non-deductible allowances/(non-taxable write-backs)	**785**	(1,756)	**–**	(161)
Others	**59,492**	24,617	**55,393**	24,809
	717,423	621,182	**363,515**	304,309
The deferred tax expense/(credit) comprised:				
Accelerated tax depreciation	**(1,720)**	6,232	**726**	6,940
Impairment charge/(write-back of allowances) for assets	**3,825**	(19,613)	**484**	(5,948)
Debt and equity securities	**206**	7,704	**–**	–
Fair value on properties from business combinations	**(1,894)**	(2,729)	**(1,673)**	(2,440)
Tax losses utilised/(carried forward)	**3,596**	(2,055)	**3,094**	(2,436)
Others	**21,040**	(5,138)	**3,738**	439
	25,053	(15,599)	**6,369**	(3,445)

11. EARNINGS PER SHARE

	GROUP	
	2014	2013
$'000		
Profit attributable to ordinary equity holders of the Bank	**3,841,954**	2,767,566
Preference dividends declared in respect of the period	**(56,625)**	(89,169)
Profit attributable to ordinary equity holders of the Bank after preference dividends	**3,785,329**	2,678,397
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**3,691,630**	3,530,177
Adjustment for assumed conversion of share options and acquisition rights	**4,158**	7,463
For diluted earnings per share	**3,695,788**	3,537,640
Earnings per share (cents)		
Basic	**102.5**	75.9
Diluted	**102.4**	75.8

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

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

To comply with FRS 33 *Earnings per Share*, the comparative figures for financial year ended 31 December 2013 were restated for the effect of Rights Issue.

12. UNAPPROPRIATED PROFIT

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit attributable to equity holders of the Bank	**3,841,954**	2,767,566	**2,321,101**	2,711,166
Add: Unappropriated profit at 1 January	**14,532,895**	14,060,759	**8,726,521**	8,267,103
Total amount available for appropriation	**18,374,849**	16,828,325	**11,047,622**	10,978,269
Appropriated as follows:				
Ordinary dividends:				
2012 final tax exempt dividend of 17 cents	**–**	(584,235)	**–**	(584,235)
2013 interim tax exempt dividend of 17 cents	**–**	(583,792)	**–**	(583,792)
2013 final tax exempt dividend of 17 cents	**(584,368)**	–	**(584,368)**	–
2014 interim tax exempt dividend of 18 cents	**(628,956)**	–	**(628,956)**	–
Preference dividends:				
Class B 5.1% tax exempt (2013: 5.1% tax exempt)	**–**	(30,879)	**–**	(30,879)
Class G 4.2% tax exempt (2013: 4.2% tax exempt)	**(16,625)**	(16,625)	**(16,625)**	(16,625)
Class M 4.0% tax exempt (2013: 4.0% tax exempt)	**(40,000)**	(40,000)	**(40,000)**	(40,000)
Transfer (to)/from:				
Capital reserves (Note 14)	**(114,167)**	(43,143)	**–**	–
Currency translation reserves (Note 15.2)	**(173)**	–	**–**	–
Fair value reserves	**34**	–	**–**	–
General reserves (Note 15.1)	**2,331**	3,833	**2,331**	3,833
Defined benefit plans remeasurements	**(69)**	(215)	**–**	–
Redemption of preference shares	**–**	(1,000,050)	**–**	(1,000,050)
Transactions with non-controlling interests	**(955,260)**	(324)	**–**	–
	(2,337,253)	(2,295,430)	**(1,267,618)**	(2,251,748)
At 31 December (Note 15)	**16,037,596**	14,532,895	**9,780,004**	8,726,521

At the annual general meeting to be held, a final tax exempt dividend of 18 cents per ordinary share in respect of the financial year ended 31 December 2014, totalling $717.1 million, will be proposed. The dividends will be accounted for as a distribution in the 2015 financial statements.

13. SHARE CAPITAL

13.1 SHARE CAPITAL

GROUP AND BANK	2014 Shares ('000)	2013 Shares ('000)	2014 $'000	2013 $'000
Ordinary shares				
At 1 January	**3,441,177**	3,441,100	**8,283,299**	7,267,065
Redemption of preference shares	**–**	–	**–**	1,000,050
Shares issued in-lieu of ordinary dividends	**114,901**	–	**1,014,597**	–
Shares issued pursuant to Rights Issue	**436,775**	–	**3,307,112**	–
Shares issued to non-executive directors	**76**	77	**735**	850
Transfer from share-based reserves				
for options and rights exercised (Note 14)	**–**	–	**13,429**	15,334
At 31 December	**3,992,929**	3,441,177	**12,619,172**	8,283,299
Treasury shares				
At 1 January	**(8,368)**	(10,159)	**(230,848)**	(209,575)
Share buyback	**(16,387)**	(14,459)	**(161,634)**	(150,382)
Share Option Schemes	**5,083**	7,896	**32,549**	46,737
Share Purchase Plan	**6,278**	5,180	**54,966**	47,418
Treasury shares transferred to DSP Trust	**4,351**	3,174	**42,074**	34,954
At 31 December	**(9,043)**	(8,368)	**(262,893)**	(230,848)
Preference shares				
At 1 January				
Class B	**–**	10,000	**–**	1,000,000
Class E	**–**	5,000	**–**	500,000
Class G	**395,831**	395,831	**395,831**	395,831
Class M	**1,000,000**	1,000,000	**1,000,000**	1,000,000
			1,395,831	2,895,831
Class B shares redeemed during the year	**–**	(10,000)	**–**	(1,000,000)
Class E shares redeemed during the year	**–**	(5,000)	**–**	(500,000)
At 31 December			**1,395,831**	1,395,831
Issued share capital, at 31 December			**13,752,110**	9,448,282

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

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

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

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

The 4.5% Class E and 5.1% Class B non-cumulative non-convertible preference shares were fully redeemed by the Bank on 28 January 2013 and 29 July 2013 respectively. Both classes of preference shares were redeemed out of distributable profits and pursuant to Sections 70(2) and 76G of the Singapore Companies Act, the equivalent amount redeemed out of profits (Note 12) were credited to ordinary share capital. As the Class E preference shares were issued at par value of $0.01 and liquidation value of $100 each on 28 January 2003 before the par value concept was abolished with the commencement of the Companies (Amendment) Act on 30 January 2006, the redemption made out of profits under Section 62B(3) of the Singapore Companies Act was equal to the total par value of $50,000.

All issued shares were fully paid.

13. SHARE CAPITAL (continued)

13.1 SHARE CAPITAL (continued)

Preference shares	Issue date	Dividend rate p.a.	Liquidation value per share	Redemption option by the Bank on these dates
Class G	14 Jul 2003 6 Aug 2003	4.2%	SGD1	14 Jul 2013; dividend payment dates after 14 Jul 2013
Class M	17 Jul 2012	4.0%	SGD1	17 Jan 2018; 17 Jul 2022; dividend payment dates after 17 Jul 2022

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2014 and 31 December 2013.

13.2 SHARE OPTION SCHEME

During the year, the Bank granted 7,045,439 options (2013: 9,546,759), of which 7,031,453 options (2013: 9,546,759) were accepted, to acquire ordinary shares in the Bank pursuant to OCBC Share Option Scheme 2001. This included 647,892 (2013: 452,025) options granted to a director of the Bank. The fair value of options granted, determined using the binomial valuation model, was $7.2 million (2013: $9.5 million). Significant inputs to the valuation model are set out below:

	2014	2013
Acquisition price ($)	**9.43 and 9.73**	10.30
Average share price from grant date to acceptance date ($)	**9.51 and 9.76**	10.51
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**10.30 and 13.93**	13.77
Risk-free rate based on SGS bond yield at acceptance date (%)	**2.42 and 2.48**	0.47 and 1.37
Expected dividend yield (%)	**3.57 and 3.69**	3.14
Exercise multiple (times)	**1.57**	1.57
Option life (years)	**10**	5 and 10

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

	2014		2013	
	Number of options	Average price	Number of options	Average price
At 1 January	**32,080,174**	**$8.355** [(1)]	30,910,785	$7.121
Adjustments for Rights Issue	**962,145**	**–**	–	–
Granted and accepted	**7,031,453**	**$9.434** [(1)]	9,546,759	$10.302
Exercised	**(5,152,989)**	**$6.452**	(7,997,051)	$5.971
Forfeited/lapsed	**(2,830,586)**	**$9.280**	(380,319)	$7.028
At 31 December	**32,090,197**	**$8.565**	32,080,174	$8.355
Exercisable options at 31 December	**18,909,226**	**$7.933**	18,525,927	$7.238
Average share price underlying the options exercised		**$9.792**		$10.363

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

At 31 December 2014, the weighted average remaining contractual life of outstanding share options was 6.0 years (2013: 5.9 years). The aggregate outstanding number of options held by directors of the Bank was 4,759,657 (2013: 3,624,736).

13.3 EMPLOYEE SHARE PURCHASE PLAN

In June 2014, the Bank launched its ninth offering of ESP Plan for Group employees, which commenced on 1 July 2014 and expire on 30 June 2016. Under the offering, the Bank granted 8,255,709 (2013: 7,432,261) rights to acquire ordinary shares in the Bank. There were 3,757 rights (2013: nil) granted to a director of the Bank. The fair value of rights, determined using the binomial valuation model was $4.9 million (2013: $6.1 million). Significant inputs to the valuation model are set out below:

	2014	2013
Acquisition price ($)	**9.58**	9.92
Closing share price at valuation date ($)	**9.60**	10.13
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**11.70**	13.79
Risk-free rate based on 2-year swap rate (%)	**0.42**	0.26
Expected dividend yield (%)	**2.83**	2.61

13. SHARE CAPITAL (continued)

13.3 EMPLOYEE SHARE PURCHASE PLAN (continued)

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

	2014		2013	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	**13,104,783**	**$9.340** [1]	12,292,163	$8.892
Adjustments for Rights Issue	**393,869**	**–**	–	–
Exercised and conversion upon expiry	**(6,277,663)**	**$8.756**	(5,179,058)	$9.155
Forfeited	**(1,795,030)**	**$9.588**	(1,440,583)	$9.171
Subscription	**8,255,709**	**$9.580** [1]	7,432,261	$9.920
At 31 December	**13,681,668**	**$9.457**	13,104,783	$9.340
Average share price underlying acquisition rights exercised/converted		**$9.629**		$10.308

[1] Average price was computed without adjusting for the effect of Rights Issue.

At 31 December 2014, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2013: 1.0 years). There were 7,592 rights (2013: nil) held by a director of the Bank.

13.4 DEFERRED SHARE PLAN

Total awards of 4,346,059 (2013: 3,663,801) ordinary shares, which included 238,347 (2013: 41,990) ordinary shares to a director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2014. The fair value of the shares at grant date was $41.8 million (2013: $40.4 million).

During the year, 3,669,828 (2013: 5,079,377) deferred shares were released to employees, of which 83,111 (2013: 460,713) deferred shares were released to a director of the Bank who held office as at the end of the financial year. At 31 December 2014, a director of the Bank had deemed interest in 525,550 (2013: 801,899) deferred shares.

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

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

14. CAPITAL RESERVES

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At 1 January	**418,368**	375,520	**94,040**	95,985
Share-based staff costs capitalised	**11,496**	13,389	**11,496**	13,389
Shares purchased by DSP Trust	**(45,748)**	(38,427)	**–**	–
Shares vested under DSP Scheme	**32,709**	40,077	**–**	–
Transfer from unappropriated profit (Note 12)	**114,167**	43,143	**–**	–
Transfer to share capital (Note 13.1)	**(13,429)**	(15,334)	**(13,429)**	(15,334)
At 31 December	**517,563**	418,368	**92,107**	94,040

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

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

15. REVENUE RESERVES

	GROUP		BANK	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Unappropriated profit (Note 12)	**16,037,596**	14,532,895	**9,780,004**	8,726,521
General reserves	**1,328,351**	1,326,858	**1,114,051**	1,112,558
Currency translation reserves	**(904,841)**	(1,104,333)	**(180,172)**	(193,460)
At 31 December	**16,461,106**	14,755,420	**10,713,883**	9,645,619

15.1 GENERAL RESERVES

	GROUP		BANK	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
At 1 January	**1,326,858**	1,327,161	**1,112,558**	1,112,861
DSP reserve from dividends on unvested shares	**3,824**	3,530	**3,824**	3,530
Transfer to unappropriated profits (Note 12)	**(2,331)**	(3,833)	**(2,331)**	(3,833)
At 31 December	**1,328,351**	1,326,858	**1,114,051**	1,112,558

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

15.2 CURRENCY TRANSLATION RESERVES

	GROUP		BANK	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
At 1 January	**(1,104,333)**	(807,709)	**(193,460)**	(166,398)
Adjustments for the year	**461,458**	(216,252)	**12,610**	(17,195)
Effective portion of hedge	**(262,139)**	(80,372)	**678**	(9,867)
Transfer to unappropriated profits (Note 12)	**173**	–	**–**	–
At 31 December	**(904,841)**	(1,104,333)	**(180,172)**	(193,460)

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

16. NON-CONTROLLING INTERESTS

	GROUP	
	2014 $'000	**2013 $'000**
Non-controlling interests in subsidiaries	**1,037,361**	909,745
Preference shares issued by subsidiaries		
OCBC Bank (Malaysia) Berhad	**151,282**	154,192
OCBC Capital Corporation	**400,000**	400,000
OCBC Capital Corporation (2008)	**1,500,000**	1,500,000
Total non-controlling interests	**3,088,643**	2,963,937

OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"), a wholly-owned subsidiary of the Bank, issued the MYR400 million non-cumulative non-convertible preference shares on 12 August 2005. The preference shares are redeemable in whole at the option of OCBC Malaysia on 12 August 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCBC Malaysia, are payable semi-annually on 20 March and 20 September each year at 4.51% per annum on a net dividend basis on or prior to the 10^{th} anniversary, and thereafter at a floating rate per annum based on the 6-month Kuala Lumpur Interbank Offer Rate plus 1.90% less prevailing Malaysian corporate tax if the redemption option is not exercised.

OCBC Capital Corporation ("OCC"), a wholly-owned subsidiary of the Bank, issued the $400 million non-cumulative non-convertible guaranteed preference shares on 2 February 2005. The proceeds are on-lent to the Bank in exchange for a note issued by the Bank [Note 21.1(g)], which guarantees on a subordinated basis, all payment obligations in respect of the preference shares. The preference shares are redeemable in whole at the option of OCC on 20 March 2015 and each dividend payment date thereafter. Dividends, which are subject to declaration by the Board of Directors of OCC, are payable semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85% if the redemption option is not exercised. The preference shares qualify as Additional Tier 1 capital for the Group.

16. NON-CONTROLLING INTERESTS (continued)

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

17. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS AND BANKS

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deposits of non-bank customers				
Current accounts	**69,571,814**	59,108,932	**42,391,941**	38,068,903
Savings deposits	**39,912,507**	32,208,657	**32,093,695**	28,870,262
Term deposits	**102,116,761**	75,930,889	**54,686,510**	53,544,758
Structured deposits	**6,987,725**	5,633,831	**1,516,831**	909,034
Certificate of deposits issued	**21,304,981**	20,456,523	**20,421,918**	20,447,916
Other deposits	**5,625,310**	2,634,930	**3,354,974**	1,013,804
	245,519,098	195,973,762	**154,465,869**	142,854,677
Deposits and balances of banks	**20,502,731**	21,548,850	**18,512,056**	20,260,227
	266,021,829	217,522,612	**172,977,925**	163,114,904

17.1 DEPOSITS OF NON-BANK CUSTOMERS

Analysed by currency	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
Singapore Dollar	**91,520,145**	92,021,744	**88,584,930**	89,621,993
US Dollar	**62,333,322**	45,846,579	**44,524,759**	33,946,264
Malaysian Ringgit	**25,583,257**	22,882,193	**–**	–
Indonesian Rupiah	**5,234,698**	4,986,680	**–**	1
Japanese Yen	**1,529,883**	1,412,668	**750,208**	706,624
Hong Kong Dollar	**22,119,444**	3,363,680	**3,191,766**	2,679,815
British Pound	**8,098,617**	6,552,644	**7,087,457**	5,932,383
Australian Dollar	**9,291,499**	8,518,843	**5,818,077**	6,259,285
Euro	**1,730,700**	1,969,835	**679,880**	1,239,923
Chinese Renminbi	**13,689,017**	6,931,601	**2,282,252**	1,529,834
Others	**4,388,516**	1,487,295	**1,546,540**	938,555
	245,519,098	195,973,762	**154,465,869**	142,854,677

17.2 DEPOSITS AND BALANCES OF BANKS

Analysed by currency	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
Singapore Dollar	**927,111**	693,444	**927,036**	689,527
US Dollar	**11,110,786**	12,119,671	**10,386,505**	11,536,974
Malaysian Ringgit	**211,036**	298,946	**–**	–
Indonesian Rupiah	**249,333**	123,662	**–**	–
Japanese Yen	**192**	36,199	**24**	36,199
Hong Kong Dollar	**1,748,322**	1,254,216	**1,404,238**	1,245,283
British Pound	**805,827**	635,866	**805,722**	635,742
Australian Dollar	**1,481,270**	2,705,325	**1,480,344**	2,703,378
Euro	**1,693,477**	857,232	**1,686,635**	845,939
Chinese Renminbi	**1,480,634**	1,676,563	**1,035,384**	1,420,319
Others	**794,743**	1,147,726	**786,168**	1,146,866
	20,502,731	21,548,850	**18,512,056**	20,260,227

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2014			2013		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	**48,139,317**	**487,141**	**495,203**	53,716,800	689,544	408,911
Swaps	**214,304,733**	**2,577,078**	**3,234,834**	174,290,736	1,672,001	2,140,483
OTC options – bought	**21,373,701**	**444,944**	**9,098**	14,819,210	218,134	10,800
OTC options – sold	**17,700,785**	**10,169**	**354,990**	12,207,352	10,213	235,731
	301,518,536	**3,519,332**	**4,094,125**	255,034,098	2,589,892	2,795,925
Interest rate derivatives ("IRD")						
Swaps	**270,258,891**	**1,946,128**	**2,083,052**	235,198,507	2,340,910	2,463,199
OTC options – bought	**716,612**	**1,373**	**2**	894,344	3,569	43
OTC options – sold	**1,862,896**	**–**	**11,138**	3,551,778	–	17,073
Exchange traded options – bought	**184,978**	**315**	**–**	75,888	1,307	–
Exchange traded options – sold	**–**	**–**	**–**	151,776	–	572
Exchange traded futures – bought	**404,077**	**5**	**3**	1,298,693	59	227
Exchange traded futures – sold	**3,107,400**	**–**	**1,047**	3,870,737	693	1,281
	276,534,854	**1,947,821**	**2,095,242**	245,041,723	2,346,538	2,482,395
Equity derivatives						
Forwards	**7,272**	**1,207**	**–**	–	–	–
Swaps	**1,285,095**	**95,919**	**95,517**	520,580	5,209	7,737
OTC options – bought	**1,266,619**	**59,171**	**7,573**	913,906	28,253	8,811
OTC options – sold	**1,023,253**	**7,570**	**51,328**	742,397	9,012	10,854
Exchange traded futures – bought	**6,617**	**52**	**1**	19,138	4	12
Exchange traded futures – sold	**85,298**	**76**	**193**	39,474	–	208
Others	**17,372**	**700**	**–**	21,372	424	1
	3,691,526	**164,695**	**154,612**	2,256,867	42,902	27,623
Credit derivatives						
Swaps – protection buyer	**11,083,976**	**73,513**	**146,618**	11,020,123	39,760	148,649
Swaps – protection seller	**9,918,359**	**151,976**	**80,066**	9,450,569	147,547	35,122
	21,002,335	**225,489**	**226,684**	20,470,692	187,307	183,771
Other derivatives						
Precious metals – bought	**605,186**	**4,824**	**13,101**	183,440	512	14,770
Precious metals – sold	**615,721**	**13,340**	**4,657**	318,046	20,691	373
OTC options – bought	**4,673**	**234**	**–**	15,521	312	–
OTC options – sold	**13,631**	**–**	**314**	28,866	–	1,747
Commodity swaps	**84,565**	**43,295**	**43,292**	209,304	2,038	2,080
Bond forward	**28,365**	**449**	**–**	420,173	3,971	–
	1,352,141	**62,142**	**61,364**	1,175,350	27,524	18,970
Total	**604,099,392**	**5,919,479**	**6,632,027**	523,978,730	5,194,163	5,508,684
Included items designated for hedges:						
Fair value hedge – FED	**1,709,670**	**646**	**258,698**	728,073	915	110,040
Fair value hedge – IRD	**7,398,889**	**85,071**	**56,002**	4,744,392	55,293	33,880
Hedge of net investments – FED	**2,325,542**	**3,571**	**5,696**	4,334,806	34,695	28,660
	11,434,101	**89,288**	**320,396**	9,807,271	90,903	172,580

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

BANK ($'000)	2014 Principal notional amount	2014 Derivative receivables	2014 Derivative payables	2013 Principal notional amount	2013 Derivative receivables	2013 Derivative payables
Foreign exchange derivatives ("FED")						
Forwards	26,168,374	280,123	180,684	30,656,259	445,755	176,839
Swaps	196,238,622	2,225,523	2,968,634	150,941,323	1,300,711	1,728,107
OTC options – bought	13,751,534	335,300	7,580	10,969,791	130,743	8,305
OTC options – sold	10,411,028	8,655	258,702	8,364,103	7,711	153,435
	246,569,558	2,849,601	3,415,600	200,931,476	1,884,920	2,066,686
Interest rate derivatives ("IRD")						
Swaps	228,377,569	1,744,859	1,888,335	204,513,423	2,098,058	2,221,880
OTC options – bought	687,279	1,136	2	878,636	3,430	43
OTC options – sold	1,399,839	–	9,192	2,726,432	–	14,079
Exchange traded options – bought	184,978	315	–	75,888	1,307	–
Exchange traded options – sold	–	–	–	151,776	–	572
Exchange traded futures – bought	396,381	5	3	1,298,693	59	227
Exchange traded futures – sold	3,099,835	–	1,032	3,838,181	41	1,281
	234,145,881	1,746,315	1,898,564	213,483,029	2,102,895	2,238,082
Equity derivatives						
Swaps	798,109	61,449	61,067	241,644	3,174	4,922
OTC options – bought	198,332	7,372	–	152,375	10,488	–
OTC options – sold	60,501	1,029	625	55,290	925	1,312
Exchange traded futures – bought	6,189	50	1	19,138	4	12
Exchange traded futures – sold	85,298	76	193	39,119	–	204
Others	17,372	700	–	21,272	389	1
	1,165,801	70,676	61,886	528,838	14,980	6,451
Credit derivatives						
Swaps – protection buyer	10,697,847	71,636	144,412	10,419,693	36,931	142,534
Swaps – protection seller	9,535,956	149,758	78,188	9,048,109	141,436	32,972
	20,233,803	221,394	222,600	19,467,802	178,367	175,506
Other derivatives						
Precious metals – bought	21,083	146	346	47,329	11	5,117
Precious metals – sold	23,708	824	112	54,084	10,973	1
OTC options – bought	13,494	135	–	29,242	1,611	–
OTC options – sold	13,204	–	150	33,420	–	1,637
Commodity swaps	75,153	42,363	42,363	181,961	1,668	1,668
	146,642	43,468	42,971	346,036	14,263	8,423
Total	502,261,685	4,931,454	5,641,621	434,757,181	4,195,425	4,495,148
Included items designated for hedges:						
Fair value hedge – FED	1,709,670	646	258,698	728,073	915	110,040
Fair value hedge – IRD	6,797,690	85,040	49,965	4,168,816	54,243	27,924
Hedge of net investments – FED	222,255	618	1,074	263,059	1,002	947
	8,729,615	86,304	309,737	5,159,948	56,160	138,911

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**3,713,735**	3,383,878	**3,180,861**	2,830,004
Other financial institutions	**1,109,282**	939,931	**947,722**	697,664
Corporates	**754,179**	650,422	**637,814**	571,507
Individuals	**257,229**	132,848	**80,006**	26,842
Others	**85,054**	87,084	**85,051**	69,408
	5,919,479	5,194,163	**4,931,454**	4,195,425
Analysed by geography				
Singapore	**1,231,380**	1,604,087	**1,219,150**	1,635,711
Malaysia	**484,543**	318,164	**34,684**	12,373
Indonesia	**98,067**	111,089	**45,255**	13,357
Greater China	**699,270**	783,236	**543,470**	441,990
Other Asia Pacific	**488,615**	406,186	**435,535**	268,988
Rest of the World	**2,917,604**	1,971,401	**2,653,360**	1,823,006
	5,919,479	5,194,163	**4,931,454**	4,195,425

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

19. OTHER LIABILITIES

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Bills payable	**310,350**	328,460	**218,004**	234,550
Interest payable	**867,861**	519,269	**388,934**	274,875
Sundry creditors	**2,746,770**	2,422,958	**456,137**	450,478
Others	**1,102,617**	979,893	**471,361**	455,951
	5,027,598	4,250,580	**1,534,436**	1,415,854

At 31 December 2014, reinsurance liabilities included in "Others" amounted to $37.6 million (2013: $44.7 million).

20. DEFERRED TAX

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At 1 January	**1,005,192**	1,126,865	**17,803**	38,922
Currency translation and others	**(4,090)**	(663)	**(905)**	930
Net expense/(credit) to income statements (Note 10)	**25,053**	(15,599)	**6,369**	(3,445)
Over provision in prior years	**(5,576)**	(15,736)	**(3,774)**	(8,658)
Acquisition of subsidiaries	**94,947**	–	**–**	–
Deferred tax on fair value change taken to other comprehensive income	**54,272**	(52,002)	**2,657**	(9,946)
Net change in life assurance fund tax	**88,508**	(37,673)	**–**	–
At 31 December	**1,258,306**	1,005,192	**22,150**	17,803

20. DEFERRED TAX (continued)

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

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

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred tax liabilities				
Accelerated tax depreciation	**83,197**	82,266	**46,447**	45,722
Debt and equity securities	**267,025**	213,343	**19,967**	18,211
Fair value on properties from business combinations	**127,866**	64,295	**57,585**	59,258
Provision for policy liabilities	**840,363**	764,643	**–**	–
Others	**159,789**	70,900	**575**	609
	1,478,240	1,195,447	**124,574**	123,800
Amount offset against deferred tax assets	**(101,925)**	(83,461)	**(62,807)**	(64,290)
	1,376,315	1,111,986	**61,767**	59,510
Deferred tax assets				
Allowances for assets	**(149,063)**	(107,958)	**(84,831)**	(85,356)
Tax losses	**(3,151)**	(8,210)	**(267)**	(3,562)
Others	**(67,720)**	(74,087)	**(17,326)**	(17,079)
	(219,934)	(190,255)	**(102,424)**	(105,997)
Amount offset against deferred tax liabilities	**101,925**	83,461	**62,807**	64,290
	(118,009)	(106,794)	**(39,617)**	(41,707)
Net deferred tax liabilities	**1,258,306**	1,005,192	**22,150**	17,803

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2014, unutilised tax losses for which no deferred income tax asset has been recognised amounted to $42.1 million (2013: $40.7 million) and $6.1 million (2013: $5.0 million) for the Group and Bank respectively.

21. DEBT ISSUED

	GROUP	
	2014 $'000	2013 $'000
Subordinated debt (unsecured) [Note 21.1]	**6,359,467**	4,411,958
Fixed and floating rate notes (unsecured) [Note 21.2]	**5,903,000**	4,340,107
Commercial papers (unsecured) [Note 21.3]	**15,597,769**	17,089,337
Structured notes (unsecured) [Note 21.4]	**999,170**	860,474
	28,859,406	26,701,876

21. DEBT ISSUED (continued)

21.1 SUBORDINATED DEBT (UNSECURED)

	Note	Issue date	Maturity date	GROUP 2014 $'000	GROUP 2013 $'000
Issued by the Bank:					
SGD711.93 million 5.60% notes	(a)	27 Mar 2009	27 Mar 2019	**–**	714,977
USD500 million 4.25% notes	(b)	18 Nov 2009	18 Nov 2019	**–**	644,687
USD500 million 3.75% notes	(c)	15 Nov 2010	15 Nov 2022	**672,737**	647,259
USD1 billion 3.15% notes	(d)	11 Sep 2012	11 Mar 2023	**1,318,835**	1,261,709
USD1 billion 4.00% notes	(e)	15 Apr 2014	15 Oct 2024	**1,323,141**	–
USD1 billion 4.25% notes	(f)	19 Jun 2014	19 Jun 2024	**1,357,014**	–
SGD400 million 3.93% notes	(g)	2 Feb 2005	20 Mar 2055	**400,000**	400,000
SGD1.5 billion 5.10% notes	(h)	27 Aug 2008	20 Sep 2058	**1,500,000**	1,500,000
				6,571,727	5,168,632
Subordinated debt issued to subsidiaries				**(1,900,000)**	(1,900,000)
Net subordinated debt issued by the Bank				**4,671,727**	3,268,632
Issued by OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"):					
MYR200 million 5.40% Islamic bonds	(i)	24 Nov 2006	24 Nov 2021	**75,641**	77,096
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(j)	17 Apr 2009	Not applicable	**151,282**	154,192
MYR500 million 4.20% bonds	(k)	4 Nov 2010	4 Nov 2020	**189,015**	193,656
MYR600 million 4.00% bonds	(l)	15 Aug 2012	15 Aug 2022	**224,195**	227,951
				640,133	652,895
Issued by OCBC Wing Hang Bank ("OCBC WHB"):					
USD400 million 6.00% step-up perpetual notes	(m)	19 Apr 2007	Not applicable	**555,226**	–
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR880 billion 11.35% Subordinated Bonds III	(n)	30 Jun 2010	30 Jun 2017	**92,981**	91,131
Issued by The Great Eastern Life Assurance Company Limited ("GEL"):					
SGD400 million 4.60% notes	(o)	19 Jan 2011	19 Jan 2026	**399,400**	399,300
Total subordinated debt				**6,359,467**	4,411,958

(a) The subordinated notes were fully redeemed by the Bank on 27 March 2014.

(b) The subordinated notes were fully redeemed by the Bank on 18 November 2014.

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

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

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

21. DEBT ISSUED (continued)

21.1 SUBORDINATED DEBT (UNSECURED) (continued)

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

(g) The subordinated note was issued by the Bank to its wholly-owned subsidiary, OCBC Capital Corporation in exchange for the proceeds from the issue of the $400 million non-cumulative non-convertible guaranteed preference shares (Note 16). The subordinated note is redeemable at the option of the Bank on 20 March 2015 and each interest payment date thereafter. Interest will, if payable, be made semi-annually on 20 March and 20 September each year at 3.93% per annum up to 20 March 2015, and thereafter quarterly on 20 March, 20 June, 20 September and 20 December each year at a floating rate per annum equal to the 3-month Singapore Swap Offer Rate plus 1.85% if the redemption option is not exercised.

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

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

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

(k) The subordinated bonds are redeemable in whole at the option of OCBC Malaysia on 4 November 2015 and each interest payment date thereafter. Interest is payable semi-annually on 4 May and 4 November each year at 4.20% per annum. In addition, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments with the first redemption commencing on 4 November 2016. OCBC Malaysia had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying value. The subordinated bonds qualify as Tier 2 capital for the Group.

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

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

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

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

21. DEBT ISSUED (continued)

21.2 FIXED AND FLOATING RATE NOTES (UNSECURED)

	Note	Issue date	Maturity date	GROUP 2014 $'000	GROUP 2013 $'000
Issued by the Bank:					
AUD500 million floating rate notes	(a)	14 Jul 2011	14 Jul 2014	**–**	564,870
AUD600 million floating rate notes	(b)	5 Mar 2012	5 Mar 2015	**650,109**	677,755
AUD400 million floating rate notes	(c)	22 Aug 2013 – 5 Sep 2013	22 Aug 2016	**433,363**	451,670
AUD500 million floating rate notes	(d)	24 Mar 2014 – 17 Apr 2014	24 Mar 2017	**541,799**	–
CNY500 million 3.50% fixed rate notes	(e)	5 Feb 2013	5 Feb 2020	**106,338**	104,418
CNY200 million 2.70% fixed rate notes	(e)	5 Jun 2014	5 Jun 2017	**42,529**	–
GBP485 million floating rate notes	(f)	15 May 2014 – 10 Jul 2014	10 Jul 2015 – 15 May 2017	**997,403**	–
HKD1 billion 2.20% fixed rate notes	(g)	19 Jan 2012	19 Jan 2017	**170,702**	163,687
HKD1.35 billion 1.67% fixed rate notes	(g)	24 Sep 2014	15 Sep 2017	**230,661**	–
USD1 billion 1.625% fixed rate bonds	(e)	13 Mar 2012	13 Mar 2015	**1,321,580**	1,265,382
USD170 million floating rate notes	(h)	25 Jan 2013 – 4 Jun 2013	25 Jan 2014 – 4 Jun 2014	**–**	215,016
USD715 million floating rate notes	(i)	13 Aug 2012 – 10 Jun 2014	25 Feb 2015 – 2 May 2017	**944,611**	493,189
USD100 million 1.52% fixed rate notes	(j)	11 Dec 2014	11 Dec 2017	**131,722**	–
				5,570,817	3,935,987
Issued by PT Bank OCBC NISP Tbk ("OCBC NISP"):					
IDR973 billion 6.40% fixed rate notes	(k)	19 Feb 2013	1 Mar 2014	**–**	101,128
IDR529 billion 6.90% fixed rate notes	(g)	19 Feb 2013	19 Feb 2015	**56,058**	54,891
IDR1,498 billion 7.40% fixed rate notes	(g)	19 Feb 2013	19 Feb 2016	**158,538**	155,346
IDR900 billion 7.00% fixed rate notes	(g)	18 Apr 2013	18 Apr 2016	**94,895**	92,755
				309,491	404,120
Issued by Pac Lease Berhad:					
MYR60 million 4.30% fixed rate notes	(e)	18 Jul 2014	18 Jan 2016	**22,692**	–
Total fixed and floating rate notes				**5,903,000**	4,340,107

(a) The notes were fully redeemed by the Bank on 14 July 2014.

(b) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 1.25% per annum.

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

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

(e) Interest is payable semi-annually.

(f) Interest is payable quarterly at the 3-month Sterling London Interbank Offer Rate plus a margin ranging up to 0.40% per annum.

(g) Interest is payable quarterly.

(h) The notes were fully redeemed by the Bank on 25 January 2014 and 4 June 2014.

(i) Interest is payable quarterly at the 3-month US Dollar London Interbank Offer Rate plus a margin ranging up to 0.60% per annum.

(j) Interest is payable annually.

(k) The bonds were fully redeemed by OCBC NISP on 1 March 2014.

21. DEBT ISSUED (continued)

21.3 COMMERCIAL PAPERS (UNSECURED)

	Note	GROUP 2014 $'000	GROUP 2013 $'000
Issued by the Bank	(a)	**15,490,270**	16,948,995
Issued by a subsidiary	(b)	**107,499**	140,342
		15,597,769	17,089,337

(a) The commercial papers were issued by the Bank under its ECP programme and USCP programme, which were updated to the programme size of USD10 billion each in 2012. The notes outstanding at 31 December 2014 were issued between 13 August 2014 (2013: 24 July 2013) and 19 December 2014 (2013: 23 December 2013), and mature between 12 January 2015 (2013: 2 January 2014) and 1 September 2015 (2013: 10 June 2014), yielding between 0.19% and 0.62% (2013: 0.13% and 2.64%).

(b) The commercial papers were issued by the Group's leasing subsidiary under its MYR500 million 7-year CP/MTN programme expiring in 2018. The notes outstanding as at 31 December 2014 were issued between 21 August 2014 (2013: 22 August 2013) and 24 December 2014 (2013: 30 December 2013), and mature between 8 January 2015 (2013: 6 January 2014) and 9 April 2015 (2013: 3 March 2014), with interest rate ranging from 3.72% to 3.88% (2013: 3.33% to 3.49%).

21.4 STRUCTURED NOTES (UNSECURED)

	Issue date	Maturity date	GROUP 2014 $'000	GROUP 2013 $'000
Issued by the Bank:				
Credit linked notes	16 Dec 2011 – 30 Dec 2014	20 Jun 2015 – 8 Sep 2025	**754,069**	612,374
Fixed rate notes	25 Jul 2012 – 3 Dec 2013	25 Jul 2017 – 3 Dec 2038	**174,298**	164,400
Foreign exchange linked notes	4 Mar 2013 – 17 Sep 2014	30 Jan 2015 – 9 Sep 2015	**39,418**	40,746
Interest rate linked notes	25 Jun 2013	27 Jun 2016	**10,000**	10,000
Equity-linked notes	1 Dec 2014 – 30 Dec 2014	2 Jan 2015 – 30 Jan 2015	**21,385**	23,847
Commodity linked notes	Not applicable	Not applicable	**–**	9,107
			999,170	860,474

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 $650.2 million as at 31 December 2014 (2013: $442.2 million) included under credit linked notes which were held at fair value through profit or loss.

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

22. LIFE ASSURANCE FUND LIABILITIES AND INVESTMENT ASSETS

	GROUP	
	2014 $ million	2013 $ million
Life assurance fund liabilities		
Movements in life assurance fund		
At 1 January	**47,577.3**	47,057.9
Currency translation	**(412.6)**	(795.2)
Fair value reserve movements	**734.3**	(529.2)
Change in life assurance fund contract liabilities (Note 4)	**2,779.3**	1,843.8
At 31 December	**50,678.3**	47,577.3
Policy benefits	**3,139.2**	2,789.7
Others	**3,406.4**	2,815.6
	57,223.9	53,182.6
Life assurance fund investment assets		
Deposits with banks and financial institutions	**2,058.0**	2,711.4
Loans	**4,114.7**	4,072.5
Securities	**48,562.2**	44,334.2
Investment property	**1,632.0**	1,561.0
Others [1]	**919.4**	725.8
	57,286.3	53,404.9
The following contracts were entered into under the life assurance fund:		
Operating lease commitments	**3.2**	3.6
Capital commitment authorised and contracted	**67.3**	72.8
Derivative financial instruments (principal notional amount) [2]	**10,133.7**	8,335.2
Derivative receivables	**113.1**	241.3
Derivative payables	**335.8**	184.3
Minimum lease rental receivables under non-cancellable operating leases	**96.7**	63.9

(1) Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.
(2) Comparatives have been restated to conform to current year's presentation.

23. CASH AND PLACEMENTS WITH CENTRAL BANKS

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash on hand	**742,423**	610,092	**439,390**	439,943
Balances with central banks	**6,995,814**	7,474,030	**3,626,569**	4,942,460
Money market placements and reverse repos with central banks	**17,575,617**	11,256,688	**14,725,439**	7,330,577
	25,313,854	19,340,810	**18,791,398**	12,712,980

Balances with central banks include mandatory reserve deposits of $5,989.8 million (2013: $5,258.2 million) and $2,743.5 million (2013: $2,762.0 million) for the Group and Bank respectively.

24. GOVERNMENT TREASURY BILLS AND SECURITIES

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Singapore government treasury bills and securities				
Trading, at fair value	**1,332,763**	1,553,350	**1,332,763**	1,553,350
Available-for-sale, at fair value	**8,425,964**	9,856,461	**8,279,186**	9,448,816
Fair value at initial recognition	**529,564**	539,600	**–**	–
Gross securities	**10,288,291**	11,949,411	**9,611,949**	11,002,166
Assets pledged (Note 46)	**(188,073)**	(230,687)	**(188,073)**	(230,687)
	10,100,218	11,718,724	**9,423,876**	10,771,479
Other government treasury bills and securities				
Trading, at fair value	**1,404,808**	1,222,524	**965,294**	1,051,512
Available-for-sale, at fair value	**10,752,118**	7,688,891	**3,999,192**	3,511,098
Fair value at initial recognition	**11,812**	–	**–**	–
Gross securities	**12,168,738**	8,911,415	**4,964,486**	4,562,610
Assets pledged (Note 46)	**(20,216)**	(19,302)	**(20,216)**	(19,302)
	12,148,522	8,892,113	**4,944,270**	4,543,308
Gross securities analysed by geography				
Singapore	**10,288,291**	11,949,411	**9,611,949**	11,002,166
Malaysia	**3,582,254**	2,791,507	**13,529**	128,471
Indonesia	**1,845,390**	1,629,965	**146,289**	125,312
Greater China	**2,437,616**	1,128,441	**866,393**	1,008,622
Other Asia Pacific	**3,088,198**	2,856,996	**3,062,667**	2,848,745
Rest of the World	**1,215,280**	504,506	**875,608**	451,460
	22,457,029	20,860,826	**14,576,435**	15,564,776

25. PLACEMENTS WITH AND LOANS TO BANKS

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At fair value:				
Certificate of deposits purchased (Trading)	**719,510**	509,277	**719,510**	509,277
Certificate of deposits purchased (Available-for-sale)	**7,288,057**	8,158,678	**5,467,998**	7,475,044
	8,007,567	8,667,955	**6,187,508**	7,984,321
At amortised cost:				
Placements with and loans to banks	**26,157,675**	23,722,854	**16,796,241**	17,771,805
Market bills purchased	**5,406,960**	5,859,093	**5,406,960**	5,857,816
Reverse repos	**1,145,262**	1,683,522	**–**	–
	32,709,897	31,265,469	**22,203,201**	23,629,621
Balances with banks	**40,717,464**	39,933,424	**28,390,709**	31,613,942
Assets pledged (Note 46)	**(124,343)**	(793,115)	**(124,343)**	(793,115)
Bank balances of life assurance fund – at amortised cost	**627,019**	432,191	**–**	–
	41,220,140	39,572,500	**28,266,366**	30,820,827

25. PLACEMENTS WITH AND LOANS TO BANKS (continued)

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balances with banks analysed:				
By currency				
Singapore Dollar	**672,156**	714,616	**268,005**	470,549
US Dollar	**23,647,744**	24,047,733	**19,214,249**	22,502,188
Malaysian Ringgit	**392,052**	818,515	**14**	41
Indonesian Rupiah	**163,247**	194,054	**1**	1
Japanese Yen	**385,769**	219,008	**299,356**	122,640
Hong Kong Dollar	**2,099,304**	1,076,768	**1,877,973**	1,064,895
British Pound	**1,343,995**	455,101	**1,155,131**	451,911
Australian Dollar	**857,766**	1,238,813	**517,074**	1,200,525
Euro	**68,488**	46,822	**54,405**	34,551
Chinese Renminbi	**10,303,580**	10,324,266	**4,640,526**	5,057,317
Others	**783,363**	797,728	**363,975**	709,324
	40,717,464	39,933,424	**28,390,709**	31,613,942
By geography				
Singapore	**442,959**	1,539,302	**215,428**	1,371,164
Malaysia	**4,453,299**	2,599,140	**2,334,018**	1,422,157
Indonesia	**658,651**	742,431	**456,009**	570,400
Greater China	**22,978,734**	24,574,523	**16,677,069**	18,754,281
Other Asia Pacific	**1,543,841**	2,052,475	**1,197,274**	1,980,558
Rest of the World	**10,639,980**	8,425,553	**7,510,911**	7,515,382
	40,717,464	39,933,424	**28,390,709**	31,613,942

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

26. LOANS AND BILLS RECEIVABLE

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Gross loans	**209,822,043**	169,619,654	**131,110,266**	126,283,828
Specific allowances (Note 28)	**(331,853)**	(230,021)	**(94,640)**	(96,097)
Portfolio allowances (Note 29)	**(1,896,773)**	(1,511,044)	**(1,192,479)**	(1,107,599)
Net loans	**207,593,417**	167,878,589	**129,823,147**	125,080,132
Assets pledged (Note 46)	**(58,786)**	(24,503)	**–**	–
	207,534,631	167,854,086	**129,823,147**	125,080,132
Bills receivable	**16,208,627**	19,353,551	**13,286,663**	17,418,292
Loans	**191,384,790**	148,525,038	**116,536,484**	107,661,840
Net loans	**207,593,417**	167,878,589	**129,823,147**	125,080,132
26.1 ANALYSED BY CURRENCY				
Singapore Dollar	**76,613,196**	73,907,342	**74,891,172**	72,584,860
US Dollar	**55,697,699**	45,702,407	**38,126,857**	35,233,143
Malaysian Ringgit	**23,039,838**	20,493,525	**121**	141
Indonesian Rupiah	**5,281,718**	4,724,927	**–**	–
Japanese Yen	**1,431,873**	1,627,561	**308,800**	443,624
Hong Kong Dollar	**25,769,850**	5,797,600	**6,659,649**	5,059,754
British Pound	**3,810,250**	3,660,574	**2,454,832**	2,366,782
Australian Dollar	**3,544,028**	3,487,662	**3,384,206**	3,315,822
Euro	**1,794,588**	1,963,576	**953,844**	1,374,421
Chinese Renminbi	**10,229,372**	7,567,333	**3,377,128**	5,450,504
Others	**2,609,631**	687,147	**953,657**	454,777
	209,822,043	169,619,654	**131,110,266**	126,283,828

26. LOANS AND BILLS RECEIVABLE (continued)

	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
26.2 ANALYSED BY PRODUCT				
Overdrafts	**7,430,373**	8,333,991	**1,023,613**	1,093,682
Short-term and revolving loans	**33,646,594**	24,671,414	**14,990,226**	12,933,700
Syndicated and term loans	**70,272,577**	63,560,241	**56,930,277**	52,948,584
Housing and commercial property loans	**62,949,163**	44,435,903	**36,500,883**	34,945,715
Car, credit card and share margin loans	**4,903,180**	2,600,986	**2,349,153**	2,354,502
Others	**30,620,156**	26,017,119	**19,316,114**	22,007,645
	209,822,043	169,619,654	**131,110,266**	126,283,828
26.3 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**8,750,274**	6,279,020	**6,492,017**	4,343,331
Manufacturing	**12,746,008**	10,068,399	**4,842,107**	4,433,766
Building and construction	**32,174,645**	24,904,541	**23,225,053**	20,632,234
Housing	**54,207,379**	42,075,099	**34,003,325**	32,478,874
General commerce	**30,217,928**	27,893,390	**20,314,229**	22,491,430
Transport, storage and communication	**12,364,706**	10,989,203	**8,775,287**	9,351,698
Financial institutions, investment and holding companies	**25,360,091**	22,469,723	**16,048,582**	16,746,331
Professionals and individuals	**22,511,228**	16,208,342	**9,097,100**	9,012,125
Others	**11,489,784**	8,731,937	**8,312,566**	6,794,039
	209,822,043	169,619,654	**131,110,266**	126,283,828
26.4 ANALYSED BY INTEREST RATE SENSITIVITY				
Fixed				
Singapore	**4,660,094**	5,329,171	**4,625,896**	5,232,923
Malaysia	**3,464,018**	2,058,338	**–**	–
Indonesia	**1,270,024**	1,516,844	**–**	–
Greater China	**9,901,260**	3,750,800	**3,945,581**	3,717,858
Other Asia Pacific	**29,821**	62,060	**29,821**	62,060
Rest of the World	**102**	608	**102**	608
	19,325,319	12,717,821	**8,601,400**	9,013,449
Variable				
Singapore	**119,916,248**	111,292,961	**104,563,046**	100,725,683
Malaysia	**25,221,574**	23,460,481	**4,177,365**	3,497,644
Indonesia	**6,034,006**	5,173,244	**–**	–
Greater China	**32,344,385**	9,843,513	**6,801,566**	5,917,287
Other Asia Pacific	**4,121,948**	4,257,989	**4,108,326**	4,256,121
Rest of the World	**2,858,563**	2,873,645	**2,858,563**	2,873,644
	190,496,724	156,901,833	**122,508,866**	117,270,379
Total	**209,822,043**	169,619,654	**131,110,266**	126,283,828

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

	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
26.5 ANALYSED BY GEOGRAPHY				
Singapore	**86,700,315**	83,920,117	**82,702,863**	80,888,795
Malaysia	**28,909,244**	25,256,630	**4,084,311**	3,437,746
Indonesia	**13,982,073**	11,890,203	**6,024,286**	4,720,439
Greater China	**55,584,599**	27,182,689	**22,959,850**	22,234,486
Other Asia Pacific	**9,217,635**	8,357,507	**8,419,661**	7,639,030
Rest of the World	**15,428,177**	13,012,508	**6,919,295**	7,363,332
	209,822,043	169,619,654	**131,110,266**	126,283,828

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

27. NON-PERFORMING LOANS ("NPLS"), DEBT SECURITIES AND CONTINGENTS

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

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Specific allowances	Net loans, securities and contingents
GROUP						
2014						
Classified loans	**764**	**272**	**243**	**1,279**	**(310)**	**969**
Classified debt securities	**–**	**4**	**1**	**5**	**(4)**	**1**
Classified contingents	**24**	**7**	**2**	**33**	**(3)**	**30**
Total classified assets	**788**	**283**	**246**	**1,317**	**(317)**	**1,000**
2013						
Classified loans	787	308	144	1,239	(228)	1,011
Classified debt securities	–	3	1	4	(3)	1
Classified contingents	57	1	3	61	(3)	58
Total classified assets	844	312	148	1,304	(234)	1,070
BANK						
2014						
Classified loans	**362**	**129**	**86**	**577**	**(92)**	**485**
Classified debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Classified contingents	**9**	**–**	**–**	**9**	**–**	**9**
Total classified assets	**371**	**129**	**86**	**586**	**(92)**	**494**
2013						
Classified loans	469	124	67	660	(96)	564
Classified debt securities	–	–	–	–	–	–
Classified contingents	30	–	–	30	–	30
Total classified assets	499	124	67	690	(96)	594

	GROUP		BANK	
	2014 $ million	2013 $ million	2014 $ million	2013 $ million
27.1 ANALYSED BY PERIOD OVERDUE				
Over 180 days	**476**	284	**118**	106
Over 90 days to 180 days	**146**	155	**73**	59
30 days to 90 days	**122**	193	**43**	80
Less than 30 days	**22**	11	**16**	8
No overdue	**551**	661	**336**	437
	1,317	1,304	**586**	690
27.2 ANALYSED BY COLLATERAL TYPE				
Property	**689**	582	**270**	282
Fixed deposit	**3**	9	**2**	1
Stock and shares	**1**	1	**1**	#
Motor vehicles	**5**	3	**2**	3
Secured – Others	**204**	147	**144**	92
Unsecured – Corporate and other guarantees	**111**	170	**80**	159
Unsecured – Clean	**304**	392	**87**	153
	1,317	1,304	**586**	690

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

27. NON-PERFORMING LOANS ("NPLS"), DEBT SECURITIES AND CONTINGENTS (continued)

	GROUP		BANK	
	2014 $ million	2013 $ million	2014 $ million	2013 $ million
27.3 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**8**	10	**#**	#
Manufacturing	**323**	465	**51**	192
Building and construction	**176**	164	**97**	108
Housing	**274**	217	**142**	115
General commerce	**161**	126	**54**	58
Transport, storage and communication	**174**	100	**124**	69
Financial institutions, investment and holding companies	**29**	49	**17**	41
Professionals and individuals	**103**	91	**49**	44
Others	**69**	82	**52**	63
	1,317	1,304	**586**	690

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

27.4 ANALYSED BY GEOGRAPHY

	2014				2013			
$ million	Singapore	Malaysia	Rest of the World	Total	Singapore	Malaysia	Rest of the World	Total
GROUP								
Substandard	**72**	**378**	**338**	**788**	77	331	436	844
Doubtful	**116**	**117**	**50**	**283**	79	175	58	312
Loss	**86**	**37**	**123**	**246**	67	42	39	148
	274	**532**	**511**	**1,317**	223	548	533	1,304
Specific allowances	**(68)**	**(135)**	**(114)**	**(317)**	(50)	(104)	(80)	(234)
	206	**397**	**397**	**1,000**	173	444	453	1,070
BANK								
Substandard	**72**	**10**	**289**	**371**	77	13	409	499
Doubtful	**116**	**#**	**13**	**129**	79	2	43	124
Loss	**86**	**–**	**–**	**86**	67	–	#	67
	274	**10**	**302**	**586**	223	15	452	690
Specific allowances	**(68)**	**(#)**	**(24)**	**(92)**	(50)	(#)	(46)	(96)
	206	**10**	**278**	**494**	173	15	406	594

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

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

27.5 RESTRUCTURED/RENEGOTIATED LOANS

Non-performing restructured loans by loan classification and the related specific allowances as at reporting date is shown below. The restructured loans as a percentage of total NPLs were 9.4% (2013: 8.9%) and 16.1% (2013: 15.5%) for the Group and the Bank respectively.

	2014		2013	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**81**	**2**	95	2
Doubtful	**39**	**24**	20	18
Loss	**4**	**3**	1	1
	124	**29**	116	21
BANK				
Substandard	**76**	**2**	93	2
Doubtful	**17**	**15**	13	11
Loss	**#**	**#**	#	#
	93	**17**	106	13

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

28. SPECIFIC ALLOWANCES

	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
At 1 January	**230,021**	303,498	**96,097**	133,926
Currency translation	**1,955**	(17,788)	**2,448**	(454)
Bad debts written off	**(120,636)**	(131,831)	**(66,886)**	(94,855)
Recovery of amounts previously provided for	**(50,874)**	(54,954)	**(34,885)**	(27,975)
Allowances for loans	**246,928**	136,332	**100,034**	89,649
Net allowances charged to income statements (Note 9)	**196,054**	81,378	**65,149**	61,674
Acquisition of subsidiaries	**28,787**	–	**–**	–
Interest recognition on impaired loans	**(4,207)**	(5,236)	**(2,168)**	(4,194)
Transfer to portfolio allowances (Note 29)	**(121)**	–	**–**	–
At 31 December (Note 26)	**331,853**	230,021	**94,640**	96,097

Analysed by industry

	Cumulative specific allowances 2014 $ million	Cumulative specific allowances 2013 $ million	Net specific allowances charged to income statements 2014 $ million	Net specific allowances charged to income statements 2013 $ million
GROUP				
Agriculture, mining and quarrying	**2**	2	**1**	#
Manufacturing	**85**	67	**54**	34
Building and construction	**29**	8	**2**	(17)
Housing	**32**	29	**5**	(2)
General commerce	**51**	33	**25**	18
Transport, storage and communication	**44**	6	**36**	(13)
Financial institutions, investment and holding companies	**4**	7	**#**	1
Professionals and individuals	**68**	60	**61**	54
Others	**17**	18	**12**	6
	332	230	**196**	81
BANK				
Agriculture, mining and quarrying	**#**	#	**#**	#
Manufacturing	**23**	45	**3**	31
Building and construction	**2**	1	**2**	(1)
Housing	**2**	#	**#**	(2)
General commerce	**8**	6	**3**	5
Transport, storage and communication	**13**	1	**11**	(15)
Financial institutions, investment and holding companies	**3**	4	**(#)**	1
Professionals and individuals	**43**	37	**44**	40
Others	**1**	2	**2**	3
	95	96	**65**	62

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

29. PORTFOLIO ALLOWANCES

	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
At 1 January	**1,511,044**	1,350,464	**1,107,599**	1,011,065
Currency translation	**16,291**	(22,734)	**4,170**	(433)
Allowances charged to income statements (Note 9)	**163,002**	183,314	**80,710**	96,967
Acquisition of subsidiaries	**206,315**	–	**–**	–
Transfer from specific allowances (Note 28)	**121**	–	**–**	–
At 31 December (Note 26)	**1,896,773**	1,511,044	**1,192,479**	1,107,599

30. DEBT AND EQUITY SECURITIES

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trading securities				
Quoted debt securities	**1,896,836**	1,334,564	**1,717,271**	1,159,563
Unquoted debt securities	**2,330,970**	2,009,198	**2,137,080**	1,982,692
Quoted equity securities	**212,410**	213,287	**207,913**	208,400
Quoted investment funds	**9,031**	11,900	**9,031**	11,900
Unquoted investment funds	**130**	45,692	**–**	45,692
	4,449,377	3,614,641	**4,071,295**	3,408,247
Fair value at initial recognition				
Quoted debt securities	**1,081,744**	–	**–**	–
Unquoted debt securities	**114,945**	–	**–**	–
	1,196,689	–	**–**	–
Available-for-sale securities				
Quoted debt securities	**10,399,969**	8,071,764	**6,311,757**	5,754,497
Unquoted debt securities	**5,584,705**	5,324,044	**3,016,108**	3,638,758
Quoted equity securities	**1,819,560**	2,638,155	**238,677**	619,583
Unquoted equity securities	**260,848**	136,703	**161,979**	86,433
Quoted investment funds	**183,901**	224,104	**22,294**	20,555
Unquoted investment funds	**529,971**	326,360	**63,546**	10,791
	18,778,954	16,721,130	**9,814,361**	10,130,617
Securities classified as loans and receivables				
Unquoted debt, at amortised cost	**186,135**	308,658	**146,998**	229,083
Total debt and equity securities				
Debt securities	**21,595,304**	17,048,228	**13,329,214**	12,764,593
Equity securities	**2,292,818**	2,988,145	**608,569**	914,416
Investment funds	**723,033**	608,056	**94,871**	88,938
Total securities	**24,611,155**	20,644,429	**14,032,654**	13,767,947
Assets pledged (Note 46)	**(1,144,884)**	(1,042,115)	**(848,488)**	(876,730)
	23,466,271	19,602,314	**13,184,166**	12,891,217
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**11,665,023**	9,061,775	**6,310,451**	7,227,947
Non-investment grade (BB to C)	**396,968**	328,409	**258,930**	284,247
Non-rated	**9,533,313**	7,658,044	**6,759,833**	5,252,399
	21,595,304	17,048,228	**13,329,214**	12,764,593
By credit quality				
Pass	**21,579,226**	17,047,466	**13,329,214**	12,764,593
Special mention	**15,326**	–	**–**	–
Substandard	**–**	–	**–**	–
Doubtful	**752**	762	**–**	–
Loss	**–**	–	**–**	–
	21,595,304	17,048,228	**13,329,214**	12,764,593

30. DEBT AND EQUITY SECURITIES (continued)

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**1,261,546**	735,736	**883,963**	636,282
Manufacturing	**1,638,156**	1,211,822	**977,306**	579,492
Building and construction	**2,829,677**	1,930,602	**1,448,938**	1,332,623
General commerce	**1,348,201**	1,137,622	**1,175,001**	988,265
Transport, storage and communication	**1,583,889**	1,334,396	**697,855**	856,940
Financial institutions, investment and holding companies	**11,365,166**	10,572,710	**6,627,836**	7,457,000
Others	**4,584,520**	3,721,541	**2,221,755**	1,917,345
	24,611,155	20,644,429	**14,032,654**	13,767,947
By issuer				
Public sector	**3,148,847**	2,673,176	**2,784,559**	2,223,673
Banks	**7,410,544**	6,958,113	**4,554,796**	4,980,357
Corporations	**13,449,447**	10,244,926	**6,645,093**	6,526,976
Others	**602,317**	768,214	**48,206**	36,941
	24,611,155	20,644,429	**14,032,654**	13,767,947
By geography				
Singapore	**4,122,634**	4,059,752	**2,408,486**	2,719,766
Malaysia	**1,863,559**	1,907,837	**302,698**	293,172
Indonesia	**957,936**	632,936	**678,591**	462,814
Greater China	**9,533,423**	6,887,271	**5,771,485**	4,637,374
Other Asia Pacific	**5,007,866**	3,919,717	**3,067,255**	3,187,068
Rest of the World	**3,125,737**	3,236,916	**1,804,139**	2,467,753
	24,611,155	20,644,429	**14,032,654**	13,767,947

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

31. OTHER ASSETS

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Interest receivable	**1,021,397**	799,483	**605,439**	510,807
Sundry debtors (net)	**2,227,673**	1,966,797	**48,839**	47,342
Deposits and prepayments [1]	**1,028,242**	736,649	**764,837**	566,461
Others [1]	**494,070**	397,474	**195,876**	186,601
	4,771,382	3,900,403	**1,614,991**	1,311,211

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

At 31 December 2014, reinsurance assets included in "Others" amounted to $142.7 million (2013: $126.8 million).

32. ALLOWANCES FOR IMPAIRMENT OF SECURITIES AND OTHER ASSETS

GROUP ($'000)	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2013	–	66,124	3,941	22,581	92,646
Currency translation	–	(480)	(12)	(362)	(854)
Amounts written off	–	(20)	(2)	(6,497)	(6,519)
Write-back to income statements (Note 9)	–	(268)	(974)	(1,073)	(2,315)
Transfers to other accounts	–	–	(235)	(239)	(474)
At 31 December 2013/1 January 2014	**–**	**65,356**	**2,718**	**14,410**	**82,484**
Currency translation	**(373)**	**(245)**	**(6)**	**(180)**	**(804)**
Amounts recovered	**9,587**	**–**	**–**	**877**	**10,464**
(Write-back)/impairment charge to income statements (Note 9)	**(9,214)**	**–**	**120**	**(2,122)**	**(11,216)**
Transfers from other accounts	**–**	**–**	**–**	**15**	**15**
At 31 December 2014	**–**	**65,111**	**2,832**	**13,000**	**80,943**
		(Note 35)	(Note 36)		

BANK ($'000)	Associates and subsidiaries	Government and debt securities	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2013	5,287	–	946	3,269	5,261	14,763
Currency translation	–	–	–	–	108	108
Amounts written off	–	–	–	(2)	(5,216)	(5,218)
(Write-back)/impairment charge to income statements (Note 9)	–	–	–	(507)	232	(275)
Transfers to other accounts	–	–	–	(235)	–	(235)
At 31 December 2013/1 January 2014	**5,287**	**–**	**946**	**2,525**	**385**	**9,143**
Currency translation	**–**	**(373)**	**–**	**–**	**11**	**(362)**
Amounts recovered/(written off)	**–**	**9,587**	**–**	**–**	**(281)**	**9,306**
(Write-back)/impairment charge to income statements (Note 9)	**–**	**(9,214)**	**–**	**–**	**276**	**(8,938)**
At 31 December 2014	**5,287**	**–**	**946**	**2,525**	**391**	**9,149**
	(Notes 33-34)		(Note 35)	(Note 36)		

33. ASSOCIATES AND JOINT VENTURES

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Quoted equity security, at cost	**1,357,689**	–	**433,197**	–
Unquoted equity securities, at cost	**286,965**	287,581	**179,277**	172,353
Allowance for impairment (Note 32)	**–**	–	**(2,199)**	(2,199)
Net carrying value	**1,644,654**	287,581	**610,275**	170,154
Share of post-acquisition reserves	**283,314**	92,107	**–**	–
Unsecured loans and receivables	**158,552**	80	**–**	–
Secured loans and receivables	**9,954**	–	**–**	–
Amount due from associates	**168,506**	80	**–**	–
Investments in and amount due from associates	**2,096,474**	379,768	**610,275**	170,154

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

As at 31 December 2014, the Group's principal associates are as follows:

Name of associates	Country of incorporation/ Principal place of business	Nature of the relationship with the Group	Effective % interest held [3] 2014	Effective % interest held [3] 2013
Quoted				
Bank of Ningbo Co., Ltd [1]	People's Republic of China	A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking.	**20**	–
Unquoted				
AVIC Trust Co., Ltd [2]	People's Republic of China	Provides professional financial and asset management services, which enable the Group to enhance its Greater China presence.	**20**	20
Network for Electronic Transfers (Singapore) Pte Ltd [1]	Singapore	Provides electronic payment services, which enables the Group to extend funds transfer services to its broad customer base.	**33**	33

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

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

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

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

33. ASSOCIATES AND JOINT VENTURES (continued)

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

	Bank of Ningbo Co., Ltd	AVIC Trust Co., Ltd	
$ million	2014	2014	2013
Selected income statement information			
Revenue	3,154	350	314
Profit or loss from continuing operations	1,162	187	151
Other comprehensive income	213	–	–
Total comprehensive income	1,375	187	151
Selected balance sheet information			
Current assets	76,271	161	122
Non-current assets	42,733	996	780
Current liabilities	(100,903)	(144)	(100)
Non-current liabilities	(10,814)	(#)	–
Net assets	7,287	1,013	802
Reconciliation of associate's total shareholders' equity to the carrying amount in the Group's financial statements			
Group's interests in net assets of investee at beginning of the year	–	161	124
Group's share of:			
– profit from continuing operations	44	37	30
– other comprehensive income	55	5	7
– total comprehensive income	99	42	37
Carrying amount of interest in associate upon acquisition	1,358	–	–
Carrying amount of interest in investee at end of the year	1,457	203	161
Dividends received during the year [1]	32	–	6

[1] The dividends from Bank of Ningbo Co., Ltd were received before the company became an associate of the Group.
[2] # represents amounts less than $0.5 million.

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

$ million	2014	2013
At 31 December:		
Aggregate carrying amount of individually immaterial associates	268	156
For the year ended:		
Aggregate amounts of the Group's share of:		
Profit or loss from continuing operations	30	32
Other comprehensive income	11	(7)
Total comprehensive income	41	25

33. ASSOCIATES AND JOINT VENTURES (continued)

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

$ million	2014	2013
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**3,472**	#

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

In January 2014, the Group partially disposed 25% equity interest in Great Eastern Life Assurance (China) Company Limited ("GEL China"). As a result of the disposal, the Group holds 25% interest in GEL China (2013: 50%) and establishes significant influence over GEL China. Investment in GEL China is recognised as part of the aggregate carrying amount of individually immaterial associates.

34. SUBSIDIARIES

	BANK	
	2014 $'000	2013 $'000
Investments in subsidiaries, at cost		
Quoted security	**1,895,642**	1,895,642
Unquoted securities	**12,036,446**	5,024,684
Allowance for impairment (Note 32)	**(3,088)**	(3,088)
Net carrying value	**13,929,000**	6,917,238
Unsecured loans and receivables	**9,624,623**	8,713,125
Secured loans and receivables	**644,695**	665,000
Amount due from subsidiaries	**10,269,318**	9,378,125
Investments in and amount due from subsidiaries	**24,198,318**	16,295,363

During the financial year, the Bank increased its investments in unquoted subsidiaries, mainly through the subscription of ordinary and preference shares issued by a subsidiary. The proceeds were in turn used for the acquisition of shares of OCBC Wing Hang Bank Limited ("OCBC Wing Hang") and for restructuring and funding purposes.

At 31 December 2014, the fair values (Level 1 of the fair value hierarchy) of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $9,807.1 million (2013: $7,244.9 million) and $1,345.0 million (2013: $944.1 million) respectively.

34. SUBSIDIARIES (continued)

34.1 LIST OF PRINCIPAL SUBSIDIARIES

The Group applied FRS 110 *Consolidated Financial Statements*. Under FRS 110, when the Group is exposed to or has right to variable returns from its involvement in an entity, and has the ability to affect those returns through its power over the entity, the Group consolidates the entity.

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by the Group (%) [3]		Proportion of ownership interests and voting rights held by non-controlling interests (%) [3]	
		2014	2013	2014	2013
Banking					
Banco OCBC Weng Hang, S.A. (Note 34.3)	Macau SAR	**100**	–	**–**	–
Bank of Singapore Limited	Singapore	**100**	100	**–**	–
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (China) Limited	People's Republic of China	**100**	100	**–**	–
OCBC Wing Hang Bank Limited (Note 34.3)	Hong Kong SAR	**100**	–	**–**	–
PT Bank OCBC NISP Tbk [1]	Indonesia	**85**	85	**15**	15
Wing Hang Bank (China) Limited (Note 34.3)	People's Republic of China	**100**	–	**–**	–
Insurance					
Great Eastern Life Assurance (Malaysia) Berhad [2]	Malaysia	**87**	87	**13**	13
Overseas Assurance Corporation (Malaysia) Berhad [2]	Malaysia	**87**	87	**13**	13
The Great Eastern Life Assurance Company Limited [2]	Singapore	**87**	87	**13**	13
The Overseas Assurance Corporation Limited [2]	Singapore	**87**	87	**13**	13
Asset management and investment holding					
Lion Global Investors Limited [2]	Singapore	**91**	91	**9**	9
Great Eastern Holdings Limited [2]	Singapore	**87**	87	**13**	13
Stockbroking					
OCBC Securities Private Limited	Singapore	**100**	100	**–**	–

Unless otherwise indicated, the principal subsidiaries listed above are audited by KPMG LLP Singapore and its associated firms.
(1) Audited by PricewaterhouseCoopers.
(2) Audited by Ernst & Young.
(3) Rounded to the nearest percentage.

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

34. SUBSIDIARIES (continued)

34.2 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

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

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	2014	2013	2014	2013
Net assets attributable to NCI	**234**	208	**761**	659
Total comprehensive income attributable to NCI	**26**	(17)	**135**	73
Dividends paid to NCI during the year	**–**	–	**33**	39
Summarised financial information				
Total assets	**10,608**	9,802	**65,677**	60,937
Total liabilities	**(9,040)**	(8,410)	**(59,745)**	(55,810)
Total net assets	**1,568**	1,392	**5,932**	5,127
Revenue	**496**	499	**1,203**	988
Profit	**141**	136	**888**	684
Other comprehensive income	**34**	(242)	**177**	(93)
Total comprehensive income	**175**	(106)	**1,065**	591
Cash flows from operating activities	**123**	111	**1,106**	244
Cash flows (used in)/from investing activities	**(103)**	(728)	**(927)**	220
Cash flows (used in)/from financing activities	**(103)**	958	**(219)**	(303)
Effect of currency translation reserve adjustment	**–**	–	**(433)**	(647)
Net changes in cash and cash equivalents	**(279)**	341	**(473)**	(486)

34.3 ACQUISITION OF INTERESTS IN SUBSIDIARIES

On 1 April 2014, the Bank made a pre-conditional voluntary general offer ("the Offer") through its wholly owned subsidiary, OCBC Pearl Limited, to acquire the entire issued share capital of Wing Hang Bank, Limited ("WHB", now known as OCBC Wing Hang Bank Limited) which was listed on the Hong Kong Stock Exchange. The offer price was HKD125 per WHB share. The acquisition is in line with the Group's strategic goal of deepening its presence in the Greater China region.

On 15 July 2014, OCBC Pearl Limited acquired more than 50% of the entire issued share capital of WHB. Accordingly, WHB became a subsidiary of OCBC Group.

At the close of the Offer on 29 July 2014, OCBC Pearl Limited received valid acceptances comprising 94.55% (including the irrevocable undertakings of approximately 47.91%) in total, of the issued share capital of WHB and 1,316,000 WHB option awards. Taking into account approximately 2.50% shareholding acquired before the commencement of the Offer and approximately 0.47% shareholding purchased during the Offer period, total shareholdings in WHB amounted to 97.52% as at the date of closure of the Offer.

On 15 October 2014, OCBC Pearl Limited completed the compulsory acquisition of the remaining 2.48% shareholding and WHB became a wholly-owned subsidiary of the Group.

The aggregate cost of acquisition was as follows:

Date	Number of WHB ordinary shares acquired	Shareholding %	Cost of acquisition HKD million	Cost of acquisition $ million
15 July 2014	155,437,488	50.40	19,562	3,135.5
29 July 2014	145,293,602	47.12	18,162	2,917.6
15 October 2014	7,649,132	2.48	956	156.7
Total	**308,380,222**	**100.00**	**38,680**	**6,209.8**

34. SUBSIDIARIES (continued)

34.3 ACQUISITION OF INTERESTS IN SUBSIDIARIES (continued)

On 15 July 2014, the fair value of the identifiable assets and liabilities of WHB on the acquisition date comprised the following:

$ million	2014
Identifiable assets and liabilities	
Cash and placements with central banks	2,590.3
Government, debt and equity securities	5,159.6
Placements with banks	4,623.0
Loans and bills receivable	23,361.6
Other assets	554.6
Property, plant and equipment and investment property	1,448.2
Intangible assets (Note 37)	379.6
Total assets	38,116.9
Deposits of non-bank customers	(32,448.8)
Deposits and balances of banks	(167.3)
Debt issued	(527.1)
Other liabilities	(662.6)
Deferred tax liabilities on intangible assets	(60.6)
Total liabilities	(33,866.4)
Net identifiable assets acquired	4,250.5
Less: Non-controlling interests	(2,108.2)
	2,142.3
Goodwill (Note 37)	993.2
Cost of acquisition	3,135.5
Add: Fair value of the equity shareholding of 2.50% in WHB immediately before 15 July 2014 (included in other income from disposal of securities classified as available-for-sale in Note 7)	4.7
Cost of acquisition, net	3,140.2
Less: Cash and cash equivalents in WHB	(2,590.3)
Net cash outflow arising from business combination	549.9

Pre-acquisition carrying amounts were determined based on applicable FRS immediately before the acquisition.

Intangible assets arising from the business combination relate to the core deposit relationships. Goodwill arising from the acquisition is mainly attributable to the synergies expected to arise within the Group after the business combination.

WHB contributed revenue of $344.5 million and net profit of $81.0 million for the financial period from 15 July 2014 to 31 December 2014.

The Group's revenue and net profit after tax would have been $8,726.0 million and $4,240.7 million respectively if the acquisition had occurred at 1 January 2014.

In accordance with FRS 103 *Business Combinations*, an acquirer can elect to measure non-controlling interest ("NCI") in a business combination using either (a) the proportionate share of identifiable net assets method, or (b) the fair value method. Such election is made on a business-combination-by-business-combination basis.

On 15 July 2014, the Group measured the non-controlling interest of 49.60% at $2,108.2 million using the method of proportionate share of identifiable net assets in WHB with a resultant goodwill of $993.2 million. Adjustment to unappropriated profit totalling -$954.6 million was made when the Group acquired the remaining 49.60% shareholding interest.

The Group provides additional details for information purpose: had the Group measured the non-controlling interest using the fair value method, the non-controlling interest of 49.60% would have been valued at $3,085.7 million and goodwill would have amounted to $1,970.7 million, with no adjustment to unappropriated profit when the remaining 49.60% shareholding interest was acquired.

35. PROPERTY, PLANT AND EQUIPMENT

GROUP ($'000)	2014 Property-related	2014 Computer-related	2014 Others	2014 Total	2013 Property-related	2013 Computer-related	2013 Others	2013 Total
Cost								
At 1 January	**1,645,417**	**1,424,873**	**536,726**	**3,607,016**	1,469,557	1,272,389	480,271	3,222,217
Currency translation	**88,293**	**(3,685)**	**2,110**	**86,718**	(19,566)	(23,336)	(8,264)	(51,166)
Acquisition of subsidiaries	**1,428,862**	**–**	**26,201**	**1,455,063**	–	–	–	–
Additions	**48,924**	**189,680**	**57,436**	**296,040**	42,430	198,040	78,927	319,397
Disposals and other transfers	**(74,251)**	**(26,815)**	**(22,865)**	**(123,931)**	(16,774)	(22,220)	(14,196)	(53,190)
Transfer from/(to) investment property (Note 36)	**47,959**	**–**	**(3,225)**	**44,734**	169,770	–	(12)	169,758
At 31 December	**3,185,204**	**1,584,053**	**596,383**	**5,365,640**	1,645,417	1,424,873	536,726	3,607,016
Accumulated depreciation								
At 1 January	**(376,158)**	**(920,749)**	**(346,657)**	**(1,643,564)**	(338,325)	(802,187)	(312,996)	(1,453,508)
Currency translation	**(2,443)**	**2,477**	**(624)**	**(590)**	6,072	15,971	6,403	28,446
Disposals and other transfers	**54**	**23,876**	**13,089**	**37,019**	9,320	22,142	15,197	46,659
Depreciation charge	**(34,810)**	**(144,772)**	**(51,136)**	**(230,718)**	(15,491)	(127,628)	(48,728)	(191,847)
Depreciation charge to profit from life assurance (Note 4)	**(13,260)**	**(27,458)**	**(6,830)**	**(47,548)**	(19,713)	(29,047)	(6,536)	(55,296)
Transfer (from)/to investment property (Note 36)	**(6,292)**	**–**	**–**	**(6,292)**	(18,021)	–	3	(18,018)
At 31 December	**(432,909)**	**(1,066,626)**	**(392,158)**	**(1,891,693)**	(376,158)	(920,749)	(346,657)	(1,643,564)
Accumulated impairment losses (Note 32)								
At 1 January	**(64,758)**	**(63)**	**(535)**	**(65,356)**	(65,525)	(63)	(536)	(66,124)
Currency translation	**245**	**–**	**–**	**245**	479	–	1	480
Disposals	**–**	**–**	**–**	**–**	–	–	20	20
Write-back/(impairment charge) to income statements	**–**	**–**	**–**	**–**	288	–	(20)	268
At 31 December	**(64,513)**	**(63)**	**(535)**	**(65,111)**	(64,758)	(63)	(535)	(65,356)
Net carrying value, at 31 December	**2,687,782**	**517,364**	**203,690**	**3,408,836**	1,204,501	504,061	189,534	1,898,096
Freehold property	**506,598**				332,361			
Leasehold property	**2,181,184**				872,140			
Net carrying value	**2,687,782**				1,204,501			
Market value	**4,479,055**				2,726,796			

35. PROPERTY, PLANT AND EQUIPMENT (continued)

BANK ($'000)	2014 Property-related	2014 Computer-related	2014 Others	2014 Total	2013 Property-related	2013 Computer-related	2013 Others	2013 Total
Cost								
At 1 January	267,980	713,926	154,755	1,136,661	256,190	608,142	137,017	1,001,349
Currency translation	17	17	41	75	(15)	(37)	(43)	(95)
Additions	243	94,538	15,383	110,164	1,368	120,119	20,484	141,971
Disposals and other transfers	–	(15,461)	(8,169)	(23,630)	–	(14,298)	(2,703)	(17,001)
Net transfer from investment property (Note 36)	5,260	–	–	5,260	10,437	–	–	10,437
At 31 December	273,500	793,020	162,010	1,228,530	267,980	713,926	154,755	1,136,661
Accumulated depreciation								
At 1 January	(76,021)	(439,724)	(102,160)	(617,905)	(67,553)	(370,239)	(88,681)	(526,473)
Currency translation	(11)	(10)	(57)	(78)	9	38	5	52
Disposals and other transfers	–	15,379	6,606	21,985	–	12,067	1,603	13,670
Depreciation charge	(5,046)	(93,053)	(15,057)	(113,156)	(5,067)	(81,590)	(15,087)	(101,744)
Net transfer from investment property (Note 36)	1,977	–	–	1,977	(3,410)	–	–	(3,410)
At 31 December	(79,101)	(517,408)	(110,668)	(707,177)	(76,021)	(439,724)	(102,160)	(617,905)
Accumulated impairment losses (Note 32)								
At 1 January/At 31 December	(946)	–	–	(946)	(946)	–	–	(946)
Net carrying value, at 31 December	193,453	275,612	51,342	520,407	191,013	274,202	52,595	517,810
Freehold property	53,942				44,536			
Leasehold property	139,511				146,477			
Net carrying value	193,453				191,013			
Market value	563,156				508,507			

Market values totalling $3,602.6 million for the Group and $372.2 million for the Bank as at 31 December 2014 are Level 3 of the fair value hierarchy. Such valuations are determined using a combination of direct market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

Market values as at 31 December 2014 for the rest of the properties (Group: $876.5 million; Bank: $190.9 million) are Level 2 in the fair value hierarchy with the valuation based on the direct market comparison method. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

36. INVESTMENT PROPERTY

	GROUP 2014 $'000	GROUP 2013 $'000	BANK 2014 $'000	BANK 2013 $'000
Cost				
At 1 January	**919,734**	1,078,920	**661,461**	663,770
Currency translation	**1,736**	11,657	**733**	576
Acquisition of subsidiaries	**439,971**	–	**–**	–
Additions	**36,060**	16,367	**27,705**	16,112
Disposals	**(653)**	(9,686)	**–**	(4,852)
Net transfer to:				
Property, plant and equipment (Note 35)	**(44,734)**	(169,758)	**(5,260)**	(10,437)
Assets held for sale	**(6,389)**	(7,766)	**(1,983)**	(3,708)
At 31 December	**1,345,725**	919,734	**682,656**	661,461
Accumulated depreciation				
At 1 January	**(185,666)**	(196,739)	**(96,851)**	(95,475)
Currency translation	**(353)**	(818)	**(270)**	(193)
Disposals	**(519)**	5,989	**–**	1,159
Depreciation charge	**(17,272)**	(14,695)	**(7,831)**	(6,914)
Net transfer to:				
Property, plant and equipment (Note 35)	**6,292**	18,018	**(1,977)**	3,410
Assets held for sale	**1,709**	2,579	**803**	1,162
At 31 December	**(195,809)**	(185,666)	**(106,126)**	(96,851)
Accumulated impairment losses (Note 32)				
At 1 January	**(2,718)**	(3,941)	**(2,525)**	(3,269)
Currency translation	**6**	12	**–**	–
Disposals	**–**	2	**–**	2
(Impairment charge)/write-back to income statements	**(120)**	974	**–**	507
Transfer to assets held for sale	**–**	235	**–**	235
At 31 December	**(2,832)**	(2,718)	**(2,525)**	(2,525)
Net carrying value				
Freehold property	**758,475**	339,302	**206,828**	191,720
Leasehold property	**388,609**	392,048	**367,177**	370,365
At 31 December	**1,147,084**	731,350	**574,005**	562,085
Market value	**3,564,650**	2,847,862	**1,604,106**	1,579,345

Market values totalling $2,449.3 million for the Group and $1,239.8 million for the Bank as at 31 December 2014 are Level 3 in the fair value hierarchy. Market values as at 31 December 2014 for the rest of the investment properties (Group: $1,115.4 million; Bank: $364.3 million) are Level 2 in the fair value hierarchy. A description of the valuation methods is provided in Note 35.

37. GOODWILL AND INTANGIBLE ASSETS

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Goodwill				
At 1 January	**3,153,104**	3,175,197	**1,867,176**	1,867,176
Acquisition of subsidiaries (Note 34.3)	**993,205**	–	**–**	–
Currency translation	**90,397**	(22,093)	**–**	–
At 31 December	**4,236,706**	3,153,104	**1,867,176**	1,867,176
Intangible assets				
At 1 January	**587,874**	642,705		
Acquisition of subsidiaries (Note 34.3)	**379,575**	–		
Amortisation charged to income statements:				
– Core deposit relationships [1]	**(17,771)**	–		
– Customer relationships [2]	**(9,798)**	(11,463)		
– Life assurance business [3]	**(46,636)**	(46,636)		
Currency translation	**26,640**	3,268		
At 31 December	**919,884**	587,874		
Total goodwill and intangible assets	**5,156,590**	3,740,978	**1,867,176**	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**4,236,706**	3,153,104	**1,867,176**	1,867,176
Intangible assets, at cost	**1,477,534**	1,068,083	**–**	–
Accumulated amortisation for intangible assets	**(557,650)**	(480,209)	**–**	–
	5,156,590	3,740,978	**1,867,176**	1,867,176

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

(2) Customer relationships, arising from the acquisition of Bank of Singapore Limited, are determined to have an estimated useful life of 10 years. At 31 December 2014, these have a remaining useful life of 6 years (2013: 7 years).

(3) The value of in-force assurance business of the Group is amortised over a useful life of 20 years. At 31 December 2014, the intangible asset has a remaining useful life of 10 years (2013: 11 years).

37. GOODWILL AND INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

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

Cash Generating Units	Basis of determining recoverable value	Carrying value 2014 $'000	Carrying value 2013 $'000
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		**844,497**	844,497
Global Corporate Banking		**570,000**	570,000
Global Treasury		**524,000**	524,000
	Value-in-use	**1,938,497**	1,938,497
Great Eastern Holdings Limited ("GEH")	Appraisal value	**427,460**	427,460
Bank of Singapore Limited	Value-in-use	**574,331**	549,786
Lion Global Investors Limited	Value-in-use	**29,437**	29,437
OCBC Wing Hang Bank Limited	Value-in-use	**1,055,565**	–
PT Bank OCBC NISP Tbk	Value-in-use	**196,706**	193,039
Others	Value-in-use	**14,710**	14,885
		4,236,706	3,153,104

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

	Banking CGU		Bank of Singapore Limited		OCBC Wing Hang Bank Limited		PT Bank OCBC NISP Tbk	
	2014	2013	2014	2013	2014	2013	2014	2013
Discount rate	**10.4%**	10.1%	**10.4%**	10.1%	**10.4%**	–	**11.9%**	11.5%
Terminal growth rate	**2.0%**	2.0%	**2.5%**	3.0%	**5.0%**	–	**5.0%**	5.0%

For the insurance CGU, the Group applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life assurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 7.5% (2013: 7.5%) and 9.0% (2013: 9.0%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life assurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales. The returns assumed, after investment expenses, are 5.25%, 4.0% and 6.0% (2013: 5.25%, 4.0% and 6.0%) for Singapore's participating fund, non-participating fund and linked fund respectively and 6.0%, 5.0% and 7.0% (2013: 6.0%, 5.0% and 7.0%) for Malaysia's participating fund, non-participating fund and linked fund respectively.

38. SEGMENT INFORMATION

38.1 BUSINESS SEGMENTS

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	OCBC Wing Hang	Others	Group
Year ended 31 December 2014							
Total income	2,302	3,095	1,039	1,203	344	357	8,340
Operating profit before allowances and amortisation	842	2,154	785	993	152	156	5,082
Amortisation of intangible assets	(10)	–	–	(46)	(18)	–	(74)
Allowances and impairment for loans and other assets	(83)	(176)	(11)	(1)	(40)	(46)	(357)
Operating profit after allowances and amortisation	749	1,978	774	946	94	110	4,651
Other information:							
Capital expenditure	46	5	2	61	4	214	332
Depreciation	36	12	2	3	22	173	248
At 31 December 2014							
Segment assets	78,411	121,429	84,886	66,658	41,731	17,117	410,232
Unallocated assets							423
Elimination							(9,429)
Total assets							401,226
Segment liabilities	85,364	114,650	47,883	58,134	35,973	32,191	374,195
Unallocated liabilities							2,275
Elimination							(9,429)
Total liabilities							367,041
Other information:							
Gross non-bank loans	70,225	110,398	1,600	34	26,826	739	209,822
NPAs (include debt securities)	342	867	–	5	94	9	1,317

38. SEGMENT INFORMATION (continued)

38.1 BUSINESS SEGMENTS (continued)

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	Insurance	OCBC Wing Hang	Others	Group
Year ended 31 December 2013							
Total income	2,187	2,810	642	988	–	(6)	6,621
Operating profit before allowances and amortisation	835	1,941	434	808	–	(181)	3,837
Amortisation of intangible assets	(11)	–	–	(47)	–	–	(58)
Allowances and impairment for loans and other assets	(86)	(142)	(6)	(1)	–	(31)	(266)
Operating profit after allowances and amortisation	738	1,799	428	760	–	(212)	3,513
Other information:							
Capital expenditure	25	9	3	70	–	229	336
Depreciation	37	12	2	3	–	153	207
At 31 December 2013							
Segment assets	72,625	118,714	76,855	61,823	–	17,566	347,583
Unallocated assets							199
Elimination							(9,334)
Total assets							338,448
Segment liabilities	77,297	104,125	51,034	54,112	–	30,998	317,566
Unallocated liabilities							2,137
Elimination							(9,334)
Total liabilities							310,369
Other information:							
Gross non-bank loans	62,196	106,169	605	49	–	601	169,620
NPAs (include debt securities)	292	1,002	–	4	–	6	1,304

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

Global Consumer/Private Banking

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

Global Corporate/Investment Banking

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

38. SEGMENT INFORMATION (continued)

38.1 BUSINESS SEGMENTS (continued)

Global Treasury and Markets

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

Insurance

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

OCBC Wing Hang

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

Others

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

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:
(a) income and expenses are attributable to each segment based on the internal management reporting policies;
(b) in determining the segment results, balance sheet items are internally transfer priced; and
(c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

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

38.2 GEOGRAPHICAL SEGMENTS

$ million	Total income	Profit before income tax	Capital expenditure	Total assets	Total liabilities
2014					
Singapore	**5,159**	**2,970**	**233**	**221,378**	**212,009**
Malaysia	**1,421**	**833**	**42**	**65,456**	**54,466**
Indonesia	**499**	**185**	**36**	**11,146**	**8,950**
Greater China	**954**	**524**	**20**	**74,696**	**57,911**
Other Asia Pacific	**152**	**106**	**1**	**9,668**	**7,142**
Rest of the World	**155**	**145**	**#**	**18,882**	**26,563**
	8,340	**4,763**	**332**	**401,226**	**367,041**
2013					
Singapore	4,079	2,091	230	210,541	199,797
Malaysia	1,401	916	50	60,773	50,827
Indonesia	503	182	21	10,219	8,358
Greater China	385	208	33	33,022	22,255
Other Asia Pacific	155	87	2	10,138	8,362
Rest of the World	98	83	#	13,755	20,770
	6,621	3,567	336	338,448	310,369

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

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

39. FINANCIAL RISK MANAGEMENT

39.1 OVERVIEW

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

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

39.2 CREDIT RISK

Maximum exposure to credit risk

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

	Gross		Average	
$ million	**2014**	**2013**	**2014**	**2013**
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**207,535**	167,854	**187,216**	155,224
Placements with and loans to banks	**41,220**	39,573	**40,144**	33,737
Government treasury bills and securities	**22,249**	20,611	**22,167**	21,506
Debt securities	**20,450**	16,006	**18,481**	14,942
Amount due from associates	**169**	#	**50**	#
Assets pledged	**1,536**	2,110	**1,608**	2,113
Derivative receivables	**5,919**	5,194	**4,682**	4,989
Other assets, comprise interest receivables and sundry debtors	**3,249**	2,766	**2,993**	3,002
	302,327	254,114	**277,341**	235,513
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**12,072**	12,197	**12,049**	10,290
Credit commitments	**98,972**	76,199	**86,968**	72,390
	111,044	88,396	**99,017**	82,680
Total maximum credit risk exposure	**413,371**	342,510	**376,358**	318,193

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

Collateral

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

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

76% of the loans and bills receivables as at 31 December 2014 (2013: 77%) are backed by collateral and credit enhancements. The financial effect of collateral and credit enhancements held for the remaining on-balance sheet financial assets is expected to be not significant.

39. FINANCIAL RISK MANAGEMENT (continued)
39.2 CREDIT RISK (continued)
Total loans and advances – Credit quality

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

$ million	Bank loans 2014	Bank loans 2013	Non-bank loans 2014	Non-bank loans 2013
Neither past due nor impaired	**40,717**	39,933	**208,220**	168,297
Not impaired	**–**	–	**710**	625
Impaired	**–**	#	**586**	433
Past due loans	**–**	#	**1,296**	1,058
Impaired but not past due	**–**	–	**306**	265
Gross loans	**40,717**	39,933	**209,822**	169,620
Specific allowances	**–**	–	**(332)**	(230)
Portfolio allowances	**–**	–	**(1,897)**	(1,511)
Net loans	**40,717**	39,933	**207,593**	167,879

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

Loans neither past due nor impaired

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

$ million	Bank loans 2014	Bank loans 2013	Non-bank loans 2014	Non-bank loans 2013
Grades				
Satisfactory and special mention	**40,717**	39,933	**207,973**	167,938
Substandard but not impaired	**–**	–	**247**	359
Neither past due nor impaired	**40,717**	39,933	**208,220**	168,297

Past due loans

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

$ million	Bank loans 2014	Bank loans 2013	Non-bank loans 2014	Non-bank loans 2013
By industry				
Agriculture, mining and quarrying	**–**	–	**20**	19
Manufacturing	**–**	–	**253**	221
Building and construction	**–**	–	**78**	45
General commerce	**–**	–	**119**	159
Transport, storage and communication	**–**	–	**88**	53
Financial institutions, investment and holding companies	**–**	–	**30**	59
Professionals and individuals (include housing)	**–**	–	**661**	458
Others	**–**	#	**47**	44
	–	#	**1,296**	1,058
By geography				
Singapore	**–**	–	**199**	173
Malaysia	**–**	–	**630**	591
Rest of the World	**–**	#	**467**	294
	–	#	**1,296**	1,058

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

Loans past due but not impaired

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

$ million	2014	2013
Past due		
Less than 30 days	**242**	186
30 to 90 days	**332**	326
Over 90 days	**136**	113
Past due but not impaired	**710**	625

Impaired loans and allowances

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

$ million	2014	2013
Business segment		
Global Consumer Financial Services	**195**	170
Global Corporate Banking	**576**	506
OCBC Wing Hang	**94**	–
Others	**11**	6
Individually impaired loans	**876**	682

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

Collateral and other credit enhancements obtained

There were no (2013: Nil) assets obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

Country risk

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

$ million	Banks	Government and official institutions	Loans to financial institutions and customers	Total exposure	As % of assets
Exposure [1]					
31 December 2014					
People's Republic of China	**22,499**	**134**	**7,064**	**29,697**	**8.6**
Hong Kong SAR	**9,219**	**64**	**13,611**	**22,894**	**6.7**
Malaysia	**5,410**	**74**	**6,730**	**12,214**	**3.6**
Indonesia	**2,410**	**304**	**8,386**	**11,100**	**3.2**
British Virgin Islands	**–**	**–**	**6,187**	**6,187**	**1.8**
United Kingdom	**3,268**	**21**	**2,204**	**5,493**	**1.6**
United States	**1,711**	**746**	**1,740**	**4,197**	**1.2**
Australia	**2,827**	**#**	**1,334**	**4,161**	**1.2**
31 December 2013					
People's Republic of China	25,281	20	3,995	29,296	10.3
Hong Kong SAR	5,651	–	7,805	13,456	4.7
Indonesia	2,142	333	6,785	9,260	3.2
Malaysia	3,479	196	5,124	8,799	3.1
British Virgin Islands	–	–	4,990	4,990	1.8
United Kingdom	3,064	45	1,486	4,595	1.6
United States	2,032	497	1,116	3,645	1.3
Australia	1,900	–	926	2,826	1.0

(1) Assets (excluding life assurance fund investment assets) of $343,940 million (2013: $285,044 million).
(2) # represents amounts less than $0.5 million.

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT

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

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

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Interest rate risk

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

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest sensitive	Total
2014								
Cash and placements with central banks	**13,534**	**2,373**	**1,090**	**2,151**	**–**	**723**	**5,443**	**25,314**
Placements with and loans to banks	**4,842**	**6,921**	**14,304**	**12,905**	**22**	**–**	**1,723**	**40,717**
Loans and bills receivable [1]	**46,731**	**49,908**	**83,654**	**21,381**	**4,522**	**2,315**	**(918)**	**207,593**
Securities [2]	**965**	**3,454**	**10,636**	**8,601**	**8,444**	**11,952**	**3,016**	**47,068**
Other assets [3]	**580**	**130**	**76**	**85**	**4**	**57**	**9,927**	**10,859**
Financial assets	**66,652**	**62,786**	**109,760**	**45,123**	**12,992**	**15,047**	**19,191**	**331,551**
Deposits of non-bank customers	**41,862**	**47,320**	**81,617**	**36,877**	**4,764**	**1,355**	**31,724**	**245,519**
Deposits and balances of banks	**4,684**	**6,498**	**5,509**	**656**	**–**	**–**	**3,156**	**20,503**
Trading portfolio liabilities	**–**	**–**	**12**	**25**	**178**	**432**	**60**	**707**
Other liabilities [3]	**60**	**78**	**41**	**104**	**–**	**–**	**11,671**	**11,954**
Debt issued	**–**	**1,233**	**9,351**	**8,950**	**4,049**	**5,255**	**21**	**28,859**
Financial liabilities	**46,606**	**55,129**	**96,530**	**46,612**	**8,991**	**7,042**	**46,632**	**307,542**
On-balance sheet sensitivity gap	**20,046**	**7,657**	**13,230**	**(1,489)**	**4,001**	**8,005**		
Off-balance sheet sensitivity gap	**245**	**548**	**3,666**	**(2,598)**	**(790)**	**(1,071)**		
Net interest sensitivity gap	**20,291**	**8,205**	**16,896**	**(4,087)**	**3,211**	**6,934**		
2013								
Cash and placements with central banks	8,219	883	795	2,277	–	672	6,495	19,341
Placements with and loans to banks	5,465	7,275	13,603	12,402	262	–	926	39,933
Loans and bills receivable [1]	25,145	38,819	80,881	18,400	3,236	2,059	(661)	167,879
Securities [2]	381	3,312	7,634	9,378	7,356	9,364	4,080	41,505
Other assets [3]	567	4	8	160	467	45	7,844	9,095
Financial assets	39,777	50,293	102,921	42,617	11,321	12,140	18,684	277,753
Deposits of non-bank customers	35,371	37,599	60,488	31,531	3,728	1,101	26,156	195,974
Deposits and balances of banks	6,278	6,701	5,405	1,040	99	–	2,026	21,549
Trading portfolio liabilities	–	–	25	49	282	521	21	898
Other liabilities [3]	15	9	56	75	13	–	9,759	9,927
Debt issued	2,489	3,643	8,300	6,084	2,397	3,772	17	26,702
Financial liabilities	44,153	47,952	74,274	38,779	6,519	5,394	37,979	255,050
On-balance sheet sensitivity gap	(4,376)	2,341	28,647	3,838	4,802	6,746		
Off-balance sheet sensitivity gap	240	666	(1,106)	(1,221)	2,281	(860)		
Net interest sensitivity gap	(4,136)	3,007	27,541	2,617	7,083	5,886		

(1) Net of portfolio allowances for loans.
(2) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(3) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Interest rate risk (continued)

The Bank's interest rate risk is monitored using a variety of risk metrics at a frequency that is commensurate with the changes in structural risk profile. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit (2013: Singapore Dollar, US Dollar and Malaysian Ringgit), net interest income is estimated to increase by $542 million (2013: $408 million). The corresponding impact from a 100 bp decrease is an estimated reduction of $281 million (2013: $153 million) in net interest income. As a percentage of reported net interest income, the maximum exposure for the four (2013: three) major currencies is estimated to be approximately -5.9% (2013: -3.9%).

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

Currency risk

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

$ million	SGD	USD	MYR	HKD	Others	Total
2014						
Cash and placements with central banks	**7,278**	**7,468**	**3,083**	**331**	**7,154**	**25,314**
Placements with and loans to banks	**672**	**23,648**	**392**	**2,099**	**13,906**	**40,717**
Loans and bills receivable	**75,583**	**55,582**	**22,609**	**25,492**	**28,327**	**207,593**
Securities [1]	**15,035**	**9,902**	**4,562**	**2,454**	**15,115**	**47,068**
Other assets [2]	**4,447**	**3,485**	**887**	**529**	**1,511**	**10,859**
Financial assets	**103,015**	**100,085**	**31,533**	**30,905**	**66,013**	**331,551**
Deposits of non-bank customers	**91,520**	**62,333**	**25,583**	**22,120**	**43,963**	**245,519**
Deposits and balances of banks	**927**	**11,111**	**211**	**1,748**	**6,506**	**20,503**
Trading portfolio liabilities	**647**	**41**	**–**	**15**	**4**	**707**
Other liabilities [2]	**5,435**	**3,328**	**1,008**	**791**	**1,392**	**11,954**
Debt issued	**479**	**18,677**	**770**	**749**	**8,184**	**28,859**
Financial liabilities	**99,008**	**95,490**	**27,572**	**25,423**	**60,049**	**307,542**
Net financial assets exposure [3]	**4,007**	**4,595**	**3,961**	**5,482**	**5,964**	
2013						
Cash and placements with central banks	6,197	2,800	4,182	100	6,062	19,341
Placements with and loans to banks	715	24,048	818	1,077	13,275	39,933
Loans and bills receivable	72,933	45,590	20,128	5,732	23,496	167,879
Securities [1]	16,131	6,702	3,828	1,206	13,638	41,505
Other assets [2]	4,587	2,214	841	211	1,242	9,095
Financial assets	100,563	81,354	29,797	8,326	57,713	277,753
Deposits of non-bank customers	92,022	45,846	22,882	3,364	31,860	195,974
Deposits and balances of banks	694	12,120	299	1,254	7,182	21,549
Trading portfolio liabilities	877	6	–	12	3	898
Other liabilities [2]	4,924	2,398	936	286	1,383	9,927
Debt issued	1,287	14,027	793	231	10,364	26,702
Financial liabilities	99,804	74,397	24,910	5,147	50,792	255,050
Net financial assets exposure [3]	759	6,957	4,887	3,179	6,921	

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Structural foreign exchange risk

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

$ million	2014 Structural currency exposure	2014 Hedging financial instruments	2014 Net structural currency exposure	2013 Structural currency exposure	2013 Hedging financial instruments	2013 Net structural currency exposure
Hong Kong Dollar	**7,193**	**3,682**	**3,511**	412	–	412
US Dollar	**2,440**	**1,876**	**564**	2,165	1,796	369
Malaysian Ringgit	**2,232**	**1,051**	**1,181**	2,057	952	1,105
Others	**4,858**	**112**	**4,746**	3,938	357	3,581
Total	**16,723**	**6,721**	**10,002**	8,572	3,105	5,467

Liquidity risk

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

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2014							
Cash and placements with central banks	**13,710**	**2,373**	**1,090**	**2,151**	**–**	**5,990**	**25,314**
Placements with and loans to banks	**6,638**	**6,228**	**12,572**	**14,680**	**549**	**50**	**40,717**
Loans and bills receivable	**13,631**	**18,886**	**21,842**	**25,574**	**32,387**	**95,273**	**207,593**
Securities [1]	**758**	**2,749**	**7,053**	**9,343**	**9,797**	**17,368**	**47,068**
Other assets [2]	**2,049**	**1,708**	**1,706**	**3,583**	**816**	**997**	**10,859**
Financial assets	**36,786**	**31,944**	**44,263**	**55,331**	**43,549**	**119,678**	**331,551**
Deposits of non-bank customers	**121,806**	**37,630**	**43,344**	**37,717**	**2,691**	**2,331**	**245,519**
Deposits and balances of banks	**7,818**	**6,476**	**5,527**	**682**	**–**	**–**	**20,503**
Trading portfolio liabilities	**–**	**–**	**72**	**25**	**178**	**432**	**707**
Other liabilities [2]	**2,690**	**2,035**	**2,289**	**3,618**	**366**	**956**	**11,954**
Debt issued	**4**	**1,250**	**8,376**	**8,950**	**5,024**	**5,255**	**28,859**
Financial liabilities	**132,318**	**47,391**	**59,608**	**50,992**	**8,259**	**8,974**	**307,542**
Net liquidity gap – financial assets less financial liabilities	**(95,532)**	**(15,447)**	**(15,345)**	**4,339**	**35,290**	**110,704**	
2013							
Cash and placements with central banks	10,132	883	795	2,277	–	5,254	19,341
Placements with and loans to banks	6,164	6,880	12,958	12,942	989	–	39,933
Loans and bills receivable	12,900	13,849	14,241	25,576	27,663	73,650	167,879
Securities [1]	253	2,530	4,877	8,918	9,200	15,727	41,505
Other assets [2]	1,745	1,205	1,580	3,274	679	612	9,095
Financial assets	31,194	25,347	34,451	52,987	38,531	95,243	277,753
Deposits of non-bank customers	103,238	30,149	25,735	31,476	3,921	1,455	195,974
Deposits and balances of banks	8,508	6,497	5,405	1,040	99	–	21,549
Trading portfolio liabilities	–	–	46	49	282	521	898
Other liabilities [2]	2,415	1,539	1,969	3,115	316	573	9,927
Debt issued	2,491	3,659	6,605	6,649	3,526	3,772	26,702
Financial liabilities	116,652	41,844	39,760	42,329	8,144	6,321	255,050
Net liquidity gap – financial assets less financial liabilities	(85,458)	(16,497)	(5,309)	10,658	30,387	88,922	

(1) Securities comprise trading and investment portfolio of government, debt and equity securities (including assets pledged).
(2) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(3) Excluded from the tables are non-financial liabilities comprising of current and non-current liabilities. Current liabilities include current tax liabilities of $898 million (2013: $1,025 million). Non-current liabilities include deferred tax liabilities of $1,376 million (2013: $1,112 million).
(4) Excluded from the tables are investments in associates of $1,928 million (2013: $380 million). Non-financial assets comprised non-current assets of deferred tax assets of $118 million (2013: $107 million), property, plant and equipment of $3,409 million (2013: $1,898 million), investment property of $1,147 million (2013: $731 million), and goodwill and intangible assets of $5,157 million (2013: $3,741 million).

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 MARKET RISK AND ASSET LIABILITY MANAGEMENT (continued)

Contractual maturity for financial liabilities

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

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2014							
Deposits of non-bank customers [1]	**121,840**	**37,782**	**43,594**	**38,241**	**2,855**	**2,408**	**246,720**
Deposits and balances of banks [1]	**7,820**	**6,488**	**5,541**	**685**	**–**	**–**	**20,534**
Trading portfolio liabilities	**–**	**–**	**72**	**25**	**178**	**432**	**707**
Other liabilities [2]	**1,929**	**634**	**490**	**905**	**135**	**125**	**4,218**
Debt issued	**5**	**1,263**	**8,501**	**9,196**	**5,607**	**6,051**	**30,623**
Net settled derivatives							
Trading	**761**	**105**	**237**	**662**	**791**	**687**	**3,243**
Hedging	**(#)**	**4**	**5**	**24**	**31**	**2**	**66**
Gross settled derivatives							
Trading – Outflow	**14,794**	**35,692**	**54,484**	**53,029**	**9,448**	**6,336**	**173,783**
Trading – Inflow	**(14,784)**	**(35,529)**	**(54,046)**	**(52,902)**	**(9,528)**	**(6,425)**	**(173,214)**
Hedging – Outflow	**–**	**1,277**	**708**	**539**	**750**	**–**	**3,274**
Hedging – Inflow	**–**	**(1,274)**	**(549)**	**(491)**	**(701)**	**–**	**(3,015)**
	132,365	**46,442**	**59,037**	**49,913**	**9,566**	**9,616**	**306,939**
2013							
Deposits of non-bank customers [1]	103,253	30,225	25,819	31,840	4,063	1,605	196,805
Deposits and balances of banks [1]	8,511	6,505	5,415	1,041	99	–	21,571
Trading portfolio liabilities	–	–	46	49	282	521	898
Other liabilities [2]	1,875	354	525	835	130	62	3,781
Debt issued	2,492	3,679	6,667	6,826	3,846	4,298	27,808
Net settled derivatives							
Trading	532	102	284	621	768	1,244	3,551
Hedging	#	3	10	13	22	(2)	46
Gross settled derivatives							
Trading – Outflow	21,485	33,728	44,761	55,275	7,445	5,089	167,783
Trading – Inflow	(21,482)	(33,646)	(44,780)	(55,185)	(7,417)	(5,278)	(167,788)
Hedging – Outflow	159	1,225	867	8	684	164	3,107
Hedging – Inflow	(158)	(1,217)	(862)	(19)	(578)	(164)	(2,998)
	116,667	40,958	38,752	41,304	9,344	7,539	254,564

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

39.4 OTHER RISK AREAS

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT

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

Governance framework

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

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

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

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

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

Regulatory framework

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

Capital management

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

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

Regulatory capital

The insurance subsidiaries of GEH Group are required to comply with capital ratios prescribed by the insurance regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios of 120% and 130% under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore (“MAS”) and Bank Negara, Malaysia (“BNM”) respectively.

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

The primary source of capital used by GEH Group is share capital and issued debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2014 amounted to $9.6 billion (2013: $9.2 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2014 amounted to $0.7 billion (2013: $0.7 billion).

Dividend

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Financial risk management

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

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

Insurance risk

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

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

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

Insurance risk of life insurance contracts

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

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group's reinsurance management strategy and policy are reviewed annually by RMC and Group ALC. Reinsurance structures are set based on the type of risk. Retention limits for mortality risk per life are limited to a maximum of $700,000 in Singapore and MYR825,000 in Malaysia. Retention limits for critical illness per life are limited to a maximum of $400,000 in Singapore and MYR595,000 in Malaysia. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

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

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

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

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

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

Insurance liabilities ($ million)	Life Assurance 2014	Life Assurance 2013
(a) By class of business		
Whole life [1]	**27,633**	25,668
Endowment [1]	**15,860**	14,790
Term	**424**	391
Accident and health	**1,332**	1,187
Annuity	**571**	573
Others	**1,154**	1,025
Total	**46,974**	43,634
(b) By country		
Singapore	**28,814**	26,128
Malaysia	**17,733**	17,139
Others [1]	**427**	367
Total	**46,974**	43,634

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

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

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

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

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

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

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2014							
Gross impact	**(55.4)**	**(8.5)**	**72.2**	**(117.9)**	**47.4**	**(61.1)**	**(27.2)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(55.4)**	**(8.5)**	**72.2**	**(117.9)**	**47.4**	**(61.1)**	**(27.2)**
2013							
Gross impact	(45.2)	(7.8)	63.7	(104.0)	41.1	(51.9)	(28.0)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(45.2)	(7.8)	63.7	(104.0)	41.1	(51.9)	(28.0)

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

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

$ million	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2014							
Gross impact	**(57.1)**	**53.2**	**(14.5)**	**11.2**	**(4.2)**	**5.9**	**(9.4)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(57.1)**	**53.2**	**(14.5)**	**11.2**	**(4.2)**	**5.9**	**(9.4)**
2013							
Gross impact	(50.5)	46.0	(13.3)	10.8	(4.7)	6.6	(7.7)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(50.5)	46.0	(13.3)	10.8	(4.7)	6.6	(7.7)

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

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

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

Insurance risk of non-life insurance contracts

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

Non-life insurance contracts $ million	2014 Gross premium liabilities	2014 Reinsured premium liabilities	2014 Net premium liabilities	2013 Gross premium liabilities	2013 Reinsured premium liabilities	2013 Net premium liabilities
(a) By class of business						
Fire	**22**	**(14)**	**8**	23	(14)	9
Motor	**35**	**(1)**	**34**	36	(1)	35
Marine and aviation	**2**	**(2)**	**#**	1	(1)	#
Workmen's compensation	**11**	**(3)**	**8**	9	(3)	6
Personal accident and health	**19**	**(2)**	**17**	22	(2)	20
Miscellaneous	**34**	**(23)**	**11**	31	(21)	10
Total	**123**	**(45)**	**78**	122	(42)	80
(b) By country						
Singapore	**60**	**(25)**	**35**	59	(23)	36
Malaysia	**63**	**(20)**	**43**	63	(19)	44
Total	**123**	**(45)**	**78**	122	(42)	80

Non-life insurance contracts $ million	2014 Gross claims liabilities	2014 Reinsured claims liabilities	2014 Net claims liabilities	2013 Gross claims liabilities	2013 Reinsured claims liabilities	2013 Net claims liabilities
(a) By class of business						
Fire	**34**	**(25)**	**9**	34	(27)	7
Motor	**76**	**(6)**	**70**	85	(10)	75
Marine and aviation	**12**	**(9)**	**3**	3	(1)	2
Workmen's compensation	**22**	**(8)**	**14**	21	(7)	14
Personal accident and health	**13**	**(2)**	**11**	13	(2)	11
Miscellaneous	**63**	**(46)**	**17**	52	(32)	20
Total	**220**	**(96)**	**124**	208	(79)	129
(b) By country						
Singapore	**83**	**(39)**	**44**	73	(29)	44
Malaysia	**137**	**(57)**	**80**	135	(50)	85
Total	**220**	**(96)**	**124**	208	(79)	129

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

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

(i) Gross non-life insurance contract liabilities for 2014

$ million	2007	2008	2009	2010	2011	2012	2013	2014	Total
(a) Estimate of cumulative claims									
Accident Year	59	56	72	74	122	101	152	125	
One year later	62	56	78	92	124	108	143	–	
Two years later	57	56	102	91	105	105	–	–	
Three years later	57	80	100	86	100	–	–	–	
Four years later	83	79	96	82	–	–	–	–	
Five years later	83	76	93	–	–	–	–	–	
Six years later	81	74	–	–	–	–	–	–	
Seven years later	80	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**80**	**74**	**93**	**82**	**100**	**105**	**143**	**125**	
(b) Cumulative payments									
Accident Year	22	23	31	30	39	41	42	42	
One year later	42	44	55	64	71	71	86	–	
Two years later	47	48	82	73	82	82	–	–	
Three years later	49	70	86	76	85	–	–	–	
Four years later	74	72	89	77	–	–	–	–	
Five years later	77	72	89	–	–	–	–	–	
Six years later	78	72	–	–	–	–	–	–	
Seven years later	79	–	–	–	–	–	–	–	
Cumulative payments	**79**	**72**	**89**	**77**	**85**	**82**	**86**	**42**	
(c) Non-life gross claim liabilities	**1**	**2**	**4**	**5**	**15**	**23**	**57**	**83**	**190**
Reserve for prior years									**32**
Unallocated surplus									**(2)**
General Insurance Fund Contract Liabilities, gross									**220**

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities for 2014

$ million	2007	2008	2009	2010	2011	2012	2013	2014	Total
(a) Estimate of cumulative claims									
Accident Year	31	35	42	50	80	70	103	87	
One year later	31	36	45	65	86	77	80	–	
Two years later	30	36	65	65	67	73	–	–	
Three years later	30	54	64	62	65	–	–	–	
Four years later	53	53	61	59	–	–	–	–	
Five years later	52	50	58	–	–	–	–	–	
Six years later	50	49	–	–	–	–	–	–	
Seven years later	48	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**48**	**49**	**58**	**59**	**65**	**73**	**80**	**87**	
(b) Cumulative payments									
Accident Year	13	16	21	24	28	35	34	34	
One year later	24	28	35	48	48	55	60	–	
Two years later	26	31	52	53	54	62	–	–	
Three years later	27	46	55	55	56	–	–	–	
Four years later	47	47	56	56	–	–	–	–	
Five years later	48	47	56	–	–	–	–	–	
Six years later	48	48	–	–	–	–	–	–	
Seven years later	48	–	–	–	–	–	–	–	
Cumulative payments	**48**	**48**	**56**	**56**	**56**	**62**	**60**	**34**	
(c) Non-life net claim liabilities	**#**	**1**	**2**	**3**	**9**	**11**	**20**	**53**	**99**
Reserve for prior years									**27**
Unallocated surplus									**(2)**
General Insurance Fund Contract Liabilities, net									**124**

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

Key assumptions

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

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Insurance risk (continued)

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

		Impact on			
$ million	Change in assumptions	Gross liabilities	Net liabilities	Profit before tax	Equity
2014					
Provision for adverse deviation margin	**+20%**	**3**	**2**	**(2)**	**(2)**
Loss ratio [1]	**+20%**	**41**	**30**	**(30)**	**(24)**
Claims handling expenses	**+20%**	**1**	**1**	**(1)**	**(#)**
2013					
Provision for adverse deviation margin	+20%	2	2	(2)	(1)
Loss ratio [1]	+20%	45	32	(32)	(25)
Claims handling expenses	+20%	#	3	(3)	(2)

[1] Best estimate reserves and current accident year payments.
[2] # represents amounts less than $0.5 million.

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

Market and credit risk

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

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

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

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

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

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

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

(b) Foreign currency risk

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

GEH Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major exposure for GEH Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM. The following table shows the foreign exchange position of GEH Group's financial assets and liabilities by major currencies.

39. FINANCIAL RISK MANAGEMENT (continued)
39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)
Market and credit risk (continued)
(b) Foreign currency risk (continued)

$ million	SGD	MYR	USD	Others	Not subject to foreign currency risk	Total
2014						
Available-for-sale securities						
Equity securities	2,759	4,282	1,022	3,684	–	11,747
Debt securities	10,768	13,273	7,382	239	–	31,662
Other investments	729	160	1,931	553	–	3,373
Securities at fair value through profit or loss						
Equity securities	91	1,074	235	492	–	1,892
Debt securities	9	347	213	291	–	860
Other investments	1,392	24	223	239	–	1,878
Derivative assets and financial instruments with embedded derivatives	651	1,026	102	#	–	1,779
Loans	592	1,243	16	#	–	1,851
Insurance receivables	961	1,688	4	23	–	2,676
Other debtors and interfund balances	561	180	2	5	1,455	2,203
Cash and cash equivalents	1,797	1,066	255	136	–	3,254
Financial assets	20,310	24,363	11,385	5,662	1,455	63,175
Other creditors and interfund balances	772	319	5	47	1,455	2,598
Insurance payables	806	2,617	2	15	–	3,440
Derivative payables	47	–	292	2	–	341
Provision for agents' retirement benefits	–	270	–	–	–	270
Loan payable to holding company	41	–	–	–	–	41
Debt issued	399	–	–	–	–	399
General insurance fund contract liabilities	83	137	–	–	–	220
Life assurance fund contract liabilities	27,997	17,733	856	388	–	46,974
Financial liabilities	30,145	21,076	1,155	452	1,455	54,283
2013						
Available-for-sale securities						
Equity securities	2,170	4,466	844	3,547	–	11,027
Debt securities	9,682	12,622	5,750	189	–	28,243
Other investments	542	139	1,610	284	–	2,575
Securities at fair value through profit or loss						
Equity securities	101	1,320	200	459	–	2,080
Debt securities	13	294	261	175	–	743
Other investments	1,316	27	191	180	–	1,714
Derivative assets and financial instruments with embedded derivatives	777	1,012	89	89	–	1,967
Loans	643	1,205	15	#	–	1,863
Insurance receivables	925	1,655	2	22	–	2,604
Other debtors and interfund balances (1)	388	148	2	6	1,278	1,822
Cash and cash equivalents	2,503	735	341	148	–	3,727
Financial assets	19,060	23,623	9,305	5,099	1,278	58,365
Other creditors and interfund balances (1)	710	275	8	45	1,278	2,316
Insurance payables	792	2,279	2	15	–	3,088
Derivative payables	59	–	120	9	–	188
Provision for agents' retirement benefits	–	259	–	–	–	259
Debt issued	399	–	–	–	–	399
General insurance fund contract liabilities	73	135	–	–	–	208
Life assurance fund contract liabilities	25,612	17,139	550	333	–	43,634
Financial liabilities	27,645	20,087	680	402	1,278	50,092

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

GEH Group has no significant concentration of foreign currency risk.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(c) Equity price risk

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

(d) Credit spread risk

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

(e) Alternative investment risk

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

(f) Commodity risk

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

(g) Cash flow and liquidity risk

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

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(g) Cash flow and liquidity risk (continued)

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

$ million	Less than 1 year	1 to 5 years	Over 5 years	No maturity date	Total
2014					
Available-for-sale securities					
Equity securities	–	–	–	11,747	11,747
Debt securities	2,109	9,806	31,900	–	43,815
Other investments	–	–	–	3,373	3,373
Securities at fair value through profit or loss					
Equity securities	–	–	–	1,892	1,892
Debt securities	113	380	600	–	1,093
Other investments	–	–	–	1,878	1,878
Financial instruments with embedded derivatives	188	932	954	–	2,074
Loans	283	1,479	397	–	2,159
Insurance receivables	323	3	#	2,350	2,676
Other debtors and interfund balances	2,097	26	18	62	2,203
Cash and cash equivalents	3,254	–	–	–	3,254
Financial assets	8,367	12,626	33,869	21,302	76,164
Other creditors and interfund balances	2,546	15	37	–	2,598
Insurance payables	3,008	417	3	12	3,440
Provision for agents' retirement benefits	73	55	142	–	270
Loan payable to holding company	42	–	–	–	42
Debt issued	18	74	428	–	520
General insurance fund contract liabilities	185	5	#	30	220
Life assurance fund contract liabilities	6,796	4,777	35,401	–	46,974
Financial liabilities	12,668	5,343	36,011	42	54,064
2013					
Available-for-sale securities					
Equity securities	–	–	–	11,027	11,027
Debt securities	2,180	8,377	29,376	–	39,933
Other investments	–	–	–	2,575	2,575
Securities at fair value through profit or loss					
Equity securities	–	–	–	2,080	2,080
Debt securities	139	304	524	–	967
Other investments	–	–	–	1,714	1,714
Financial instruments with embedded derivatives	157	916	1,172	#	2,245
Loans	407	1,066	713	–	2,186
Insurance receivables	337	5	–	2,262	2,604
Other debtors and interfund balances [(1)]	1,753	22	21	26	1,822
Cash and cash equivalents	3,727	–	–	–	3,727
Financial assets	8,700	10,690	31,806	19,684	70,880
Other creditors and interfund balances [(1)]	2,186	67	63	–	2,316
Insurance payables	2,719	353	2	14	3,088
Provision for agents' retirement benefits	70	50	139	–	259
Debt issued	18	74	446	–	538
General insurance fund contract liabilities	192	(5)	(#)	21	208
Life assurance fund contract liabilities [(1)]	6,948	4,580	32,106	–	43,634
Financial liabilities	12,133	5,119	32,756	35	50,043

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(g) **Cash flow and liquidity risk** (continued)

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

$ million	Current*	Non-current	Unit-linked	Total
2014				
Cash and cash equivalents	**2,797**	**–**	**457**	**3,254**
Other debtors and interfund balances	**2,165**	**60**	**89**	**2,314**
Insurance receivables	**382**	**2,294**	**–**	**2,676**
Loans	**215**	**1,636**	**–**	**1,851**
Investments, including derivative instruments	**6,783**	**41,760**	**4,648**	**53,191**
Associates and joint ventures	**–**	**89**	**–**	**89**
Goodwill	**–**	**33**	**–**	**33**
Property, plant and equipment	**–**	**637**	**–**	**637**
Investment properties	**–**	**1,632**	**–**	**1,632**
Assets	**12,342**	**48,141**	**5,194**	**65,677**
Insurance payables	**3,012**	**420**	**8**	**3,440**
Other creditors and interfund balances	**2,418**	**18**	**197**	**2,633**
Unexpired risk reserve	**123**	**–**	**–**	**123**
Derivative payables	**102**	**231**	**8**	**341**
Income tax	**444**	**–**	**18**	**462**
Provision for agents' retirement benefits	**73**	**197**	**–**	**270**
Deferred tax	**–**	**1,131**	**5**	**1,136**
Loan payable to holding company	**41**	**–**	**–**	**41**
Debt issued	**–**	**399**	**–**	**399**
General insurance fund	**185**	**36**	**–**	**221**
Life assurance fund	**1,709**	**43,864**	**5,105**	**50,678**
Liabilities	**8,107**	**46,296**	**5,341**	**59,744**
2013				
Cash and cash equivalents	3,458	–	269	3,727
Other debtors and interfund balances [(1)]	1,826	33	75	1,934
Insurance receivables	350	2,254	–	2,604
Loans	306	1,557	–	1,863
Investments, including derivative instruments	7,046	36,749	4,554	48,349
Associates and joint ventures	–	153	–	153
Goodwill	–	34	–	34
Property, plant and equipment	–	712	–	712
Investment properties	–	1,561	–	1,561
Assets	12,986	43,053	4,898	60,937
Insurance payables	2,698	370	20	3,088
Other creditors and interfund balances [(1)]	1,987	193	176	2,356
Unexpired risk reserve	122	–	–	122
Derivative payables	64	119	5	188
Income tax	586	–	14	600
Provision for agents' retirement benefits	70	189	–	259
Deferred tax	–	992	19	1,011
Debt issued	–	399	–	399
General insurance fund	192	17	–	209
Life assurance fund	2,161	40,626	4,790	47,577
Liabilities	7,880	42,905	5,024	55,809

(1) Comparatives have been restated to conform to current year's presentation.
(2) * represents expected recovery or settlement within 12 months from the balance sheet date.

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(h) Credit risk

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

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

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

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

		2014		2013	
$ million	**Type of collateral**	**Carrying amount**	**Fair value of collateral**	**Carrying amount**	**Fair value of collateral**
Policy loans	Cash value of policies	**2,289**	**4,595**	2,249	4,453
Secured loans	Properties	**1,227**	**2,690**	1,228	2,911
Secured loans	Others	**624**	**31**	635	25
Derivatives	Cash	**9**	**11**	41	42
		4,149	**7,327**	4,153	7,431

To manage counterparty credit risk from derivative contracts, financial collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. The fair value of financial assets accepted as collateral, which GEH Group is permitted to sell or re-pledge in the absence of default is $11.0 million (2013: $42.6 million), of which none (2013: nil) have been sold or re-pledged. The type of collateral obtained for derivatives contracts is cash. GEH Group is obliged to return equivalent assets.

There were no investments lent and collateral received under securities lending arrangements as at 31 December 2014 (2013: nil).

As at the balance sheet date, no investments (2013: nil) were placed as collateral for currency hedging purposes.

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(h) Credit risk (continued)

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

	Neither past due nor impaired					
$ million	Investment grade @	Non-investment grade @	Non-rated	Unit-linked/not subject to credit risk	Past due *	Total
2014	(AAA–BBB)	(BB–C)				
Available-for-sale securities						
Equity securities	–	–	–	**11,747**	–	**11,747**
Debt securities	**27,589**	**203**	**3,870**	–	–	**31,662**
Other investments	–	–	–	**3,373**	–	**3,373**
Securities at fair value through profit or loss						
Equity securities	–	–	–	**1,892**	–	**1,892**
Debt securities	–	–	**3**	**857**	–	**860**
Other investments	–	–	–	**1,878**	–	**1,878**
Derivative assets and financial instruments with embedded derivatives	**1,108**	–	**635**	**36**	–	**1,779**
Loans	**606**	–	**1,245**	–	–	**1,851**
Insurance receivables	**146**	–	**2,497**	–	**33**	**2,676**
Other debtors and interfund balances	–	–	**2,113**	**89**	**1**	**2,203**
Cash and cash equivalents	**2,656**	**21**	**120**	**457**	–	**3,254**
Financial assets	**32,105**	**224**	**10,483**	**20,329**	**34**	**63,175**
2013						
Available-for-sale securities						
Equity securities	–	–	–	11,027	–	11,027
Debt securities	24,748	199	3,296	–	–	28,243
Other investments	–	–	–	2,575	–	2,575
Securities at fair value through profit or loss						
Equity securities	–	–	–	2,080	–	2,080
Debt securities	–	–	3	740	–	743
Other investments	–	–	–	1,714	–	1,714
Derivative assets and financial instruments with embedded derivatives	1,215	–	732	20	–	1,967
Loans (1)	617	–	1,246	–	–	1,863
Insurance receivables (1)	127	–	2,457	–	20	2,604
Other debtors and interfund balances (1)	–	–	1,743	78	1	1,822
Cash and cash equivalents (1)	3,381	19	58	269	–	3,727
Financial assets	30,088	218	9,535	18,503	21	58,365

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(h) **Credit risk** (continued)

Ageing analysis of financial assets past due:

$ million	Past due but not impaired					
	Less than 6 months	6 to 12 months	Over 12 months	Sub-total	Past due and impaired @	Total
2014						
Insurance receivables	**25**	**5**	**3**	**33**	**13**	**46**
Other debtors and interfund balances	**1**	**–**	**#**	**1**	**–**	**1**
Total	**26**	**5**	**3**	**34**	**13**	**47**
2013						
Insurance receivables	14	5	1	20	13	33
Other debtors and interfund balances	1	–	#	1	–	1
Total	15	5	1	21	13	34

(1) @ for assets to be classified as "past due and impaired", contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.
(2) # represents amounts less than $0.5 million.

(i) Concentration risk

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

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

(j) Technology risk

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 INSURANCE-RELATED RISK MANAGEMENT (continued)

Market and credit risk (continued)

(k) Sensitivity analysis on financial risks

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

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

Market risk sensitivity analysis

	Impact on profit after tax		Impact on equity	
$ million	**2014**	**2013**	**2014**	**2013**
Change in variables:				
(a) Interest rate				
+100 basis points	**(70.8)**	(73.8)	**(166.1)**	(161.6)
–100 basis points	**7.9**	22.1	**110.1**	119.5
(b) LTRFDR				
+10 basis points	**14.3**	12.9	**14.3**	12.9
–10 basis points	**(15.0)**	(13.5)	**(15.0)**	(13.5)
(c) Foreign currency				
Market value of assets in foreign currency +5%	**16.5**	13.6	**84.2**	77.9
Market value of assets in foreign currency –5%	**(16.5)**	(13.6)	**(84.2)**	(77.9)
(d) Equity				
Market indices +20%				
STI	**20.3**	13.8	**82.1**	54.9
KLCI	**0.8**	0.8	**19.3**	23.9
Market indices –20%				
STI	**(20.3)**	(13.8)	**(82.1)**	(54.9)
KLCI	**(0.8)**	(0.8)	**(19.3)**	(23.9)
(e) Credit				
Spread +100 basis points	**(229.0)**	(193.9)	**(294.8)**	(241.7)
Spread –100 basis points	**271.1**	226.6	**342.1**	278.6
(f) Alternative investments [1]				
Market value of all alternative investments +10%	**18.2**	16.5	**43.5**	35.2
Market value of all alternative investments –10%	**(18.2)**	(16.5)	**(43.5)**	(35.2)

(1) Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables is enhanced from previous year to more accurately estimate the change in asset value due to change in variables. Comparative figures have been revised using the new computation method.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION

	GROUP					
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Insurance contracts	Total
2014						
Cash and placements with central banks	–	–	25,314	–	–	25,314
Singapore government treasury bills and securities	1,273	530	–	8,297	–	10,100
Other government treasury bills and securities	1,405	12	–	10,732	–	12,149
Placements with and loans to banks	720	–	33,336	7,164	–	41,220
Debt and equity securities	4,339	1,197	186	17,744	–	23,466
Loans and bills receivable	–	–	207,535	–	–	207,535
Assets pledged	169	–	59	1,308	–	1,536
Other assets [(1)]	5,919	–	4,797	–	143	10,859
Financial assets	13,825	1,739	271,227	45,245	143	332,179
Non-financial assets						11,761
						343,940
LAF financial assets [(2)]	1,727	4,630	7,041	42,205	–	55,603
LAF non-financial assets [(2)]						1,683
Total assets						401,226
Deposits of non-bank customers	–	–	245,519	–	–	245,519
Deposits and balances of banks	–	–	20,503	–	–	20,503
Trading portfolio liabilities	707	–	–	–	–	707
Other liabilities [(1)]	6,632	–	4,940	–	382	11,954
Debt issued	–	650	28,209	–	–	28,859
Financial liabilities	7,339	650	299,171	–	382	307,542
Non-financial liabilities						2,275
						309,817
LAF financial liabilities [(2)]	336	–	6,181	–	46,974	53,491
LAF non-financial liabilities [(2)]						3,733
Total liabilities						367,041

(1) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(2) "LAF" refers to Life Assurance Fund.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION (continued)

	GROUP					
$ million	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables/ amortised cost**	**Available-for-sale**	**Insurance contracts**	**Total**
2013						
Cash and placements with central banks	–	–	19,341	–	–	19,341
Singapore government treasury bills and securities	1,406	540	–	9,773	–	11,719
Other government treasury bills and securities	1,222	–	–	7,670	–	8,892
Placements with and loans to banks	509	–	31,698	7,366	–	39,573
Debt and equity securities	3,490	–	309	15,803	–	19,602
Loans and bills receivable	–	–	167,854	–	–	167,854
Assets pledged	271	–	25	1,814	–	2,110
Other assets [(1)]	5,194	–	3,773	–	127	9,094
Financial assets	12,092	540	223,000	42,426	127	278,185
Non-financial assets						6,859
						285,044
LAF financial assets [(2)]	1,885	4,536	7,427	37,913	–	51,761
LAF non-financial assets [(2)]						1,643
Total assets						338,448
Deposits of non-bank customers	–	–	195,974	–	–	195,974
Deposits and balances of banks	–	–	21,549	–	–	21,549
Trading portfolio liabilities	898	–	–	–	–	898
Other liabilities [(1)]	5,509	–	4,047	–	371	9,927
Debt issued	–	442	26,260	–	–	26,702
Financial liabilities	6,407	442	247,830	–	371	255,050
Non-financial liabilities						2,137
						257,187
LAF financial liabilities [(2)(3)]	184	–	5,388	–	43,634	49,206
LAF non-financial liabilities [(2)(3)]						3,976
Total liabilities						310,369

(1) Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.
(2) "LAF" refers to Life Assurance Fund.
(3) Comparatives have been restated to conform to current year's presentation.

40. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION (continued)

	BANK				
$ million	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Total
2014					
Cash and placements with central banks	–	–	18,791	–	18,791
Singapore government treasury bills and securities	1,273	–	–	8,151	9,424
Other government treasury bills and securities	965	–	–	3,979	4,944
Placements with and loans to banks	720	–	22,202	5,344	28,266
Debt and equity securities	4,071	–	147	8,966	13,184
Loans and bills receivable	–	–	129,823	–	129,823
Placements with and advances to subsidiaries	–	–	10,269	–	10,269
Assets pledged	60	–	–	1,121	1,181
Other assets [1]	4,931	–	1,615	–	6,546
Financial assets	12,020	–	182,847	27,561	222,428
Non-financial assets					17,543
Total assets					239,971
Deposits of non-bank customers	–	–	154,466	–	154,466
Deposits and balances of banks	–	–	18,512	–	18,512
Deposits and balances of subsidiaries	–	–	5,154	–	5,154
Trading portfolio liabilities	707	–	–	–	707
Other liabilities [1]	5,642	–	1,684	–	7,326
Debt issued	–	650	27,982	–	28,632
Financial liabilities	6,349	650	207,798	–	214,797
Non-financial liabilities					448
Total liabilities					215,245
2013					
Cash and placements with central banks	–	–	12,713	–	12,713
Singapore government treasury bills and securities	1,406	–	–	9,365	10,771
Other government treasury bills and securities	1,052	–	–	3,491	4,543
Placements with and loans to banks	509	–	23,630	6,682	30,821
Debt and equity securities	3,408	–	229	9,254	12,891
Loans and bills receivable	–	–	125,080	–	125,080
Placements with and advances to subsidiaries	–	–	9,378	–	9,378
Assets pledged	148	–	–	1,772	1,920
Other assets [1]	4,195	–	1,311	–	5,506
Financial assets	10,718	–	172,341	30,564	213,623
Non-financial assets					10,078
Total assets					223,701
Deposits of non-bank customers	–	–	142,855	–	142,855
Deposits and balances of banks	–	–	20,260	–	20,260
Deposits and balances of subsidiaries	–	–	6,957	–	6,957
Trading portfolio liabilities	898	–	–	–	898
Other liabilities [1]	4,495	–	1,570	–	6,065
Debt issued	–	442	26,472	–	26,914
Financial liabilities	5,393	442	198,114	–	203,949
Non-financial liabilities					427
Total liabilities					204,376

[1] Other assets/liabilities include derivative receivables/payables and amount due from/to associates and joint ventures.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS

41.1 VALUATION CONTROL FRAMEWORK

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

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

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

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

41.2 FAIR VALUES

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

Financial assets

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

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

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

Financial liabilities

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

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

41.3 FAIR VALUE HIERARCHY

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

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

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

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

	2014				2013			
$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Recurring fair value measurements								
GROUP								
Financial assets measured at fair value								
Placements with and loans to banks	68	7,940	–	8,008	–	8,668	–	8,668
Debt and equity securities	20,310	4,008	107	24,425	14,101	6,187	48	20,336
Derivative receivables	40	5,747	132	5,919	158	4,980	56	5,194
Government treasury bills and securities	21,483	974	–	22,457	19,765	1,096	–	20,861
Life Assurance Fund investment assets	33,053	15,509	–	48,562	29,824	14,510	–	44,334
Total	74,954	34,178	239	109,371	63,848	35,441	104	99,393
Non-financial assets measured at fair value								
Life Assurance Fund investment properties	–	1,632	–	1,632	–	1,561	–	1,561
Total	–	1,632	–	1,632	–	1,561	–	1,561
Financial liabilities measured at fair value								
Derivative payables	114	6,390	128	6,632	152	5,311	46	5,509
Trading portfolio liabilities	707	–	–	707	898	–	–	898
Other financial liabilities	–	650	–	650	–	442	–	442
Life Assurance Fund financial liabilities	–	336	–	336	–	184	–	184
Total	821	7,376	128	8,325	1,050	5,937	46	7,033
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	–	6,188	–	6,188	–	7,984	–	7,984
Debt and equity securities	10,699	3,164	23	13,886	9,179	4,336	24	13,539
Derivative receivables	2	4,802	127	4,931	3	4,158	34	4,195
Government treasury bills and securities	13,740	836	–	14,576	14,618	946	–	15,564
Total	24,441	14,990	150	39,581	23,800	17,424	58	41,282
Financial liabilities measured at fair value								
Derivative payables	5	5,515	122	5,642	4	4,462	29	4,495
Trading portfolio liabilities	707	–	–	707	898	–	–	898
Other financial liabilities	–	650	–	650	–	442	–	442
Total	712	6,165	122	6,999	902	4,904	29	5,835

During the year, the Group transferred financial assets consisting primarily corporate debt securities of $1,338 million (2013: $752 million) from Level 2 to Level 1 as prices became observable.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

Valuation techniques and unobservable parameters for Level 3 instruments

GROUP $ million	Fair value at 31 December 2014	Classification	Valuation technique	Unobservable input
Assets				
Debt securities	15	Available-for-sale	Discounted cash flows	Credit spreads
Equity securities (unquoted)	92	Available-for-sale	Net asset value	Net asset value
Derivative receivables	132	Held for trading	Option pricing model	Standard deviation
Total	239			
Liabilities				
Derivative payables	128	Held for trading	Option pricing model	Standard deviation
Total	128			

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	2014				2013			
$ million	Available-for-sale assets	Assets held for trading	Derivative receivables	Total	Available-for-sale assets	Assets held for trading	Derivative receivables	Total
Assets measured at fair value								
At 1 January	**48**	**#**	**56**	**104**	201	114	98	413
Purchases	**11**	**–**	**3**	**14**	3	–	14	17
Settlements/disposals	**(14)**	**–**	**(7)**	**(21)**	(107)	(114)	(26)	(247)
Acquisition of subsidiaries	**26**	**–**	**–**	**26**	–	–	–	–
Transfers in to/(out of) Level 3	**41** (1)	**–**	**(#)** (2)	**41**	(44) (2)	–	(5) (2)	(49)
Gains/(losses) recognised in								
– profit or loss	**(4)**	**#**	**80**	**76**	#	#	(24)	(24)
– other comprehensive income	**(1)**	**#**	**#**	**(1)**	(5)	#	(1)	(6)
At 31 December	**107**	**#**	**132**	**239**	48	#	56	104
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**#**	**#**	**106**	**106**	#	#	#	#

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

	2014				2013			
$ million	Net interest income	Trading income	Other income	Total	Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**(2)**	**75**	**3**	**76**	#	(23)	(1)	(24)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**–**	**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.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

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

BANK	2014				2013			
$ million	Available-for-sale assets	Assets held for trading	Derivative receivables	Total	Available-for-sale assets	Assets held for trading	Derivative receivables	Total
Assets measured at fair value								
At 1 January	24	–	34	58	43	–	46	89
Purchases	10	–	2	12	3	–	14	17
Settlements/disposals	(14)	–	(6)	(20)	(21)	–	–	(21)
Transfers out of Level 3	–	–	–	–	–	–	(5) [(1)]	(5)
Gains/(losses) recognised in								
– profit or loss	4	–	97	101	1	–	(21)	(20)
– other comprehensive income	(1)	–	–	(1)	(2)	–	–	(2)
At 31 December	23	–	127	150	24	–	34	58
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	1	–	114	115	#	–	(1)	(1)

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

	2014				2013			
$ million	Net interest income	Trading income	Other income	Total	Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	#	97	4	101	#	(21)	1	(20)
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	–	114	1	115	–	(1)	#	(1)

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

41. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

41.3 FAIR VALUE HIERARCHY (continued)

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

	GROUP				BANK			
	2014		2013		2014		2013	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Liabilities measured at fair value								
At 1 January	**46**	**46**	68	68	**29**	**29**	34	34
Issues	**3**	**3**	11	11	**2**	**2**	11	11
Settlements/disposals	**(2)**	**(2)**	(23)	(23)	**(#)**	**(#)**	(#)	(#)
Transfers out of Level 3	**(#)** (1)	**(#)**	(5) (1)	(5)	**–**	**–**	(5) (1)	(5)
Losses/(gains) recognised in								
– profit or loss	**81**	**81**	(4)	(4)	**91**	**91**	(11)	(11)
– other comprehensive income	**(#)**	**(#)**	(1)	(1)	**–**	**–**	–	–
At 31 December	**128**	**128**	46	46	**122**	**122**	29	29
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(106)**	**(106)**	(13)	(13)	**(109)**	**(109)**	(11)	(11)

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

	GROUP				BANK			
	2014		2013		2014		2013	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total (losses)/gains included in profit or loss for the year ended	**(81)**	**(81)**	4	4	**(91)**	**(91)**	11	11
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(106)**	**(106)**	(13)	(13)	**(109)**	**(109)**	(11)	(11)

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

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

				Related amounts not offset on balance sheet		
Types of financial assets/liabilities GROUP ($ million)	**Carrying amounts on balance sheet (A)**	**Financial instruments not in scope of offsetting disclosures (B)** [1]	**Gross recognised financial instruments in scope (A – B = C + D + E)** [2]	**Financial instruments (C)** [3]	**Cash collateral received/ pledged (D)**	**Net amounts in scope (E)**
2014						
Financial assets						
Derivative receivables	**5,919**	**1,840**	**4,079**	**2,913**	**86**	**1,080**
Reverse repurchase agreements	**2,760** [4]	**995**	**1,765**	**1,755**	**–**	**10**
Securities borrowings	**79** [5]	**–**	**79**	**79**	**–**	**–**
Total	**8,758**	**2,835**	**5,923**	**4,747**	**86**	**1,090**
Financial liabilities						
Derivative payables	**6,632**	**1,603**	**5,029**	**2,913**	**1,524**	**592**
Repurchase agreements	**1,346** [6]	**178**	**1,168**	**1,167**	**–**	**1**
Securities lendings	**11** [7]	**10**	**1**	**1**	**–**	**–**
Total	**7,989**	**1,791**	**6,198**	**4,081**	**1,524**	**593**
2013						
Financial assets						
Derivative receivables	5,194	1,262	3,932	2,948	40	944
Reverse repurchase agreements	2,183 [4]	1,684	499	494	–	5
Securities borrowings	51 [5]	–	51	40	–	11
Total	7,428	2,946	4,482	3,482	40	960
Financial liabilities						
Derivative payables	5,509	1,005	4,504	2,948	746	810
Repurchase agreements	1,897 [6]	164	1,733	1,731	–	2
Securities lendings	14 [7]	–	14	1	–	13
Total	7,420	1,169	6,251	4,680	746	825

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

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Types of financial assets/liabilities BANK ($ million)	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B) [1]	Gross recognised financial instruments in scope (A – B = C + D + E) [2]	Related amounts not offset on balance sheet: Financial instruments (C) [3]	Related amounts not offset on balance sheet: Cash collateral received/ pledged (D)	Net amounts in scope (E)
2014						
Financial assets						
Derivative receivables	**4,931**	**1,045**	**3,886**	**2,847**	**67**	**972**
Reverse repurchase agreements	**1,503** [4]	**–**	**1,503**	**1,493**	**–**	**10**
Securities borrowings	**75** [5]	**–**	**75**	**75**	**–**	**–**
Total	**6,509**	**1,045**	**5,464**	**4,415**	**67**	**982**
Financial liabilities						
Derivative payables	**5,642**	**848**	**4,794**	**2,847**	**1,474**	**473**
Repurchase agreements	**1,063** [6]	**–**	**1,063**	**1,062**	**–**	**1**
Total	**6,705**	**848**	**5,857**	**3,909**	**1,474**	**474**
2013						
Financial assets						
Derivative receivables	4,195	481	3,714	2,814	40	860
Reverse repurchase agreements	499 [4]	–	499	494	–	5
Securities borrowings	41 [5]	–	41	39	–	2
Total	4,735	481	4,254	3,347	40	867
Financial liabilities						
Derivative payables	4,495	233	4,262	2,814	704	744
Repurchase agreements	1,733 [6]	–	1,733	1,731	–	2
Total	6,228	233	5,995	4,545	704	746

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

43. CONTINGENT LIABILITIES

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

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**4,047,484**	4,759,496	**2,921,717**	4,117,189
Term to maturity of more than one year	**3,051,154**	2,856,314	**2,554,088**	2,264,338
	7,098,638	7,615,810	**5,475,805**	6,381,527
Acceptances and endorsements	**1,077,659**	1,329,853	**507,905**	694,046
Documentary credits and other short term trade-related transactions	**3,896,121**	3,251,621	**2,510,698**	2,032,148
	12,072,418	12,197,284	**8,494,408**	9,107,721
43.1 ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**468,226**	333,829	**322,114**	74,814
Manufacturing	**2,187,762**	2,036,046	**1,368,884**	1,341,502
Building and construction	**1,798,177**	1,796,114	**1,154,358**	1,298,702
General commerce	**3,975,664**	4,780,148	**3,077,020**	3,643,956
Transport, storage and communication	**574,800**	795,199	**497,412**	768,337
Financial institutions, investment and holding companies	**966,968**	1,033,645	**771,824**	1,049,630
Professionals and individuals	**242,100**	262,901	**58,497**	64,607
Others	**1,858,721**	1,159,402	**1,244,299**	866,173
	12,072,418	12,197,284	**8,494,408**	9,107,721
43.2 ANALYSED BY GEOGRAPHY				
Singapore	**6,935,788**	7,302,367	**7,028,612**	7,453,610
Malaysia	**1,250,958**	1,246,295	**55,372**	131,039
Indonesia	**924,567**	887,196	**–**	–
Greater China	**2,543,509**	2,320,320	**992,828**	1,063,880
Other Asia Pacific	**339,997**	287,600	**339,997**	305,686
Rest of the World	**77,599**	153,506	**77,599**	153,506
	12,072,418	12,197,284	**8,494,408**	9,107,721

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

44. COMMITMENTS

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

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
44.1 CREDIT COMMITMENTS				
Undrawn credit facilities:				
Term to maturity of one year or less	**80,682,854**	59,946,342	**41,431,567**	35,368,311
Term to maturity of more than one year	**18,289,578**	16,252,722	**14,818,276**	13,361,541
	98,972,432	76,199,064	**56,249,843**	48,729,852
44.2 OTHER COMMITMENTS				
Operating lease (non-cancellable) commitments:				
Within 1 year	**71,505**	44,609	**15,940**	14,921
After 1 year but within 5 years	**82,181**	54,397	**24,499**	13,717
Over 5 years	**3,247**	–	**161**	–
	156,933	99,006	**40,600**	28,638
Capital commitment authorised and contracted	**444,193**	270,446	**135,631**	216,612
Forward deposits and assets purchase	**1,347,292**	474,679	**1,284,268**	522,843
	1,948,418	844,131	**1,460,499**	768,093
44.3 TOTAL COMMITMENTS	**100,920,850**	77,043,195	**57,710,342**	49,497,945
44.4 CREDIT COMMITMENTS ANALYSED BY INDUSTRY				
Agriculture, mining and quarrying	**1,708,048**	1,341,487	**1,056,218**	710,074
Manufacturing	**6,968,793**	6,000,523	**3,167,517**	2,920,106
Building and construction	**8,380,883**	6,708,709	**6,060,057**	5,274,889
General commerce	**19,949,658**	12,228,506	**14,488,164**	10,051,478
Transport, storage and communication	**3,118,889**	3,256,549	**2,516,677**	2,680,292
Financial institutions, investment and holding companies	**21,075,227**	15,883,631	**11,739,199**	10,102,734
Professionals and individuals	**30,561,627**	24,102,195	**14,198,131**	13,314,321
Others	**7,209,307**	6,677,464	**3,023,880**	3,675,958
	98,972,432	76,199,064	**56,249,843**	48,729,852
44.5 CREDIT COMMITMENTS ANALYSED BY GEOGRAPHY				
Singapore	**70,093,877**	57,246,041	**47,107,294**	41,189,465
Malaysia	**7,687,632**	7,129,925	**233,345**	332,744
Indonesia	**2,985,947**	2,943,373	**–**	–
Greater China	**15,349,672**	6,256,444	**6,047,149**	4,577,642
Other Asia Pacific	**1,498,208**	1,700,415	**1,504,959**	1,707,135
Rest of the World	**1,357,096**	922,866	**1,357,096**	922,866
	98,972,432	76,199,064	**56,249,843**	48,729,852

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

45. UNCONSOLIDATED STRUCTURED ENTITIES

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

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

GROUP ($million)	Global investment banking	Insurance	Others	Total
2014				
Available-for-sale investments	46	22	#	68
Other assets	–	3	–	3
Total assets	46	25	#	71
Other liabilities	–	2	#	2
Total liabilities	–	2	#	2
Other commitments				
Loan and capital commitments authorised and contracted (1)	58	–	–	58
Income earned from sponsored structured entities (2)	–	24	2	26
Assets of structured entities	505	2,881	156	3,542

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

The amount of assets transferred to sponsored entities during 2014 was not significant.

46. ASSETS PLEDGED

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Government treasury bills and securities (Note 24)				
– Singapore	**188,073**	230,687	**188,073**	230,687
– Others	**20,216**	19,302	**20,216**	19,302
Placements with and loans to banks (Note 25)	**124,343**	793,115	**124,343**	793,115
Loans and bills receivable (Note 26)	**58,786**	24,503	**–**	–
Debt securities (Note 30)	**1,144,884**	1,042,115	**848,488**	876,730
	1,536,302	2,109,722	**1,181,120**	1,919,834
Repo balances for assets pledged	**1,346,119**	1,896,941	**1,062,684**	1,732,537

The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is $972.9 million (2013: $494.4 million), of which $131.8 million (2013: $174.1 million) have been sold or re-pledged. The Group is obliged to return equivalent assets.

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

47. ASSETS HELD FOR SALE

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

48. MINIMUM LEASE RENTAL RECEIVABLE

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

	GROUP		BANK	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Within 1 year	**65,963**	46,249	**21,966**	20,941
After 1 year but within 5 years	**68,033**	58,280	**19,267**	24,597
Over 5 years	**2,163**	258	**–**	–
	136,159	104,787	**41,233**	45,538

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

49. RELATED PARTY TRANSACTIONS

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

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

GROUP ($ million)	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables				
At 1 January 2014	#	11	18	43
Net change	169	3	2	22
At 31 December 2014	**169**	**14**	**20**	**65**
(b) Deposits, borrowings and other payables				
At 1 January 2014	168	155	40	1,272
Net change	126	29	(9)	(8)
At 31 December 2014	**294**	**184**	**31**	**1,264**
(c) Off-balance sheet credit facilities [1]				
At 1 January 2014	–	330	34	#
Net change	–	(1)	(1)	(#)
At 31 December 2014	**–**	**329**	**33**	**#**
(d) Income statement transactions				
Year ended 31 December 2014				
Interest income	**2**	**#**	**#**	**1**
Interest expense	**2**	**2**	**#**	**44**
Rental income	**#**	**2**	**–**	**1**
Fee and commission and other income	**#**	**1**	**1**	**132**
Rental and other expenses	**5**	**#**	**#**	**1**
Year ended 31 December 2013				
Interest income	–	#	#	#
Interest expense	1	1	#	28
Rental income	#	2	–	1
Fee and commission and other income	#	1	2	121
Rental and other expenses	4	1	1	#

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(2) # represents amounts less than $0.5 million.

49. RELATED PARTY TRANSACTIONS (continued)

BANK ($ million)	Subsidiaries	Associates	Directors	Key management	Life assurance fund
(a) Loans, placements and other receivables					
At 1 January 2014	9,378	–	11	13	43
Net change	891	–	2	2	22
At 31 December 2014	**10,269**	**–**	**13**	**15**	**65**
(b) Deposits, borrowings and other payables					
At 1 January 2014	8,857	155	137	38	339
Net change	(1,803)	(6)	15	(12)	(121)
At 31 December 2014	**7,054**	**149**	**152**	**26**	**218**
(c) Off-balance sheet credit facilities (1)					
At 1 January 2014	1,344	–	325	24	#
Net change	(126)	–	2	(2)	(#)
At 31 December 2014	**1,218**	**–**	**327**	**22**	**#**
(d) Income statement transactions					
Year ended 31 December 2014					
Interest income	**181**	**–**	**#**	**#**	**1**
Interest expense	**139**	**1**	**1**	**#**	**#**
Rental income	**12**	**–**	**–**	**–**	**–**
Fee and commission and other income	**34**	**–**	**#**	**#**	**97**
Rental and other expenses	**268**	**5**	**#**	**#**	**#**
Year ended 31 December 2013					
Interest income	86	–	#	#	#
Interest expense	143	1	#	#	1
Rental income	8	–	–	–	–
Fee and commission and other income	31	–	#	#	121
Rental and other expenses	230	4	#	#	#

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.
(2) # represents amounts less than $0.5 million.

49.2 KEY MANAGEMENT PERSONNEL COMPENSATION

	BANK	
	2014 $ million	2013 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**36**	35
Share-based benefits	**12**	11
	48	46

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2014 included in the above table are subject to the approval of the Remuneration Committee.

50. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

As of the balance sheet date, certain new standards, amendments and interpretations to existing accounting standards have been published. For the Group, the following relevant new/revised financial reporting standards and interpretations are mandatory with effect from the annual period commencing 1 January 2015:

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

Based on the Group's preliminary analysis, the initial application of the above standards (including their consequential amendments) and interpretations are not expected to have any material impact on the Group's financial statements.

Group's Major Properties

As at 31 December 2014

	Purpose	Effective stake (%)	Gross floor area (sq ft)	Carrying value S$'000	Market value [1] S$'000
Singapore					
65 Chulia Street, OCBC Centre	Office	100	993,089	25,274	1,037,000
63 Chulia Street, OCBC Centre East	Office	100	242,385	98,339	360,000
18 Church Street, OCBC Centre South	Office	100	118,909	71,924	160,000
63 Market Street, Bank Of Singapore Centre	Office	100	248,996	287,343	437,800
11 Tampines Central 1	Office	100	115,824	59,567	99,000
31 Tampines Avenue 4	Office	100	97,572	45,526	76,000
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building	Office	100	34,563 [2]	34,715	60,200
260 Tanjong Pagar Road	Office	100	44,940	8,735	67,000
101 Cecil Street #01-01/02, Tong Eng Building	Office	100	16,146 [2]	1,555	25,800
110 Robinson Road	Office	100	22,120	4,199	23,500
460 North Bridge Road	Office	100	26,576	2,677	30,500
Block 9 & 13 Tanjong Rhu Road, The Waterside	Residential	100	251,889	38,206	259,970
2 Mt Elizabeth Link	Residential	100	104,377	20,560	195,000
6, 6A to 6H, 6J to 6N, 6P to 6U Chancery Hill Road, The Compass at Chancery	Residential	100	54,739	12,618	52,000
257 River Valley Road, #02-00 to #10-00, Valley Lodge	Residential	100	23,920	2,578	20,160
277 Orchard Road, Orchardgateway	Retail and Hotel	100	535,698	615,290	1,323,800
				1,329,106	4,227,730
Malaysia					
18 Jalan Tun Perak, Kuala Lumpur, Menara OCBC	Office	100	243,262	21,223	48,788
Indonesia					
Jl Dr. Satrio, Casablanca, Jakarta, Bank NISP Tower	Office	85	362,313	8,050	21,670
Greater China					
1155 Yuanshen Road, Pudong Shanghai, 华侨银行大厦	Office	100	249,161	188,445	200,446
161-169 Queen's Road Central, Hong Kong SAR	Office	100	95,169	213,095	219,661
				401,540	420,107
Other properties in					
Singapore				129,896	677,540
Malaysia				55,554	176,990
Indonesia				45,804	75,357
Greater China				1,334,432	1,587,038
Other Asia Pacific				13,592	43,827
Rest of the World				1,871	16,197
				1,581,149	2,576,949
Total [3]				**3,341,068**	**7,295,244**

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