THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Jinhai International Holdings Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Jinhai International Group Holdings Limited
今海國際集團控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)
(Stock Code: 2225)

MAJOR TRANSACTION IN RELATION TO ACQUISITIONS OF LISTED SECURITIES

All capitalised terms used in this circular shall have the same meanings as set out in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board containing details of the OCBC Shares is set out on pages 3 to 8 of this circular.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholders' approval for the OCBC Acquisitions and the Previous OCBC Acquisitions have been obtained from Mr. Chen, being the Controlling Shareholder who holds 632,500,000 Shares through Full Fortune, representing approximately 51.42% of the total issued share capital of the Company as at the Latest Practicable Date. Accordingly, no extraordinary general meeting will be convened by the Company for approving the OCBC Acquisitions and the Previous OCBC Acquisitions. This circular is being despatched to the Shareholders for information only.

30 June 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Announcement"	the announcement of the Company dated 24 February 2022
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Company"	Jinhai International Group Holdings Limited (今海國際集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 2225)
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Full Fortune"	Full Fortune International Co., Ltd, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Chen, and is a Controlling Shareholder holding approximately 51.42% of the issued share capital of the Company as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any entity(ies) or person(s) which or who is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Latest Practicable Date"	29 June 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chen"	Mr. Chen Guobao, Chairman of the Board, executive Director and Controlling Shareholder

"OCBC"	Oversea-Chinese Banking Corporation Limited, a company incorporated in Singapore with limited liability, the shares of which are listed on the Singapore Stock Exchange (O39.SI)
"OCBC Acquisitions"	the transaction entered into by the Group involving acquisitions of OCBC Shares in the Singapore Stock Exchange on 23 February 2022
"OCBC Shares"	the shares of OCBC listed on the Singapore Stock Exchange
"Previous OCBC Acquisitions"	the series of transactions entered into by the Group involving acquisitions of OCBC Shares in the Singapore Stock Exchange from 16 July 2021 to 17 February 2022
"Previous Announcement"	the announcement of the Company dated 10 December 2021
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Singapore"	the Republic of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Announcement"	the supplemental announcement of the Company dated 15 March 2022
"S$"	Singapore dollars, the lawful currency of Singapore
"%"	per cent.

For the purpose of this circular, translations of HKD into S$ or vice versa have been calculated by using an exchange rate of HKD1 equal to S$0.1726.

Such exchange rates have been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

Jinhai International Group Holdings Limited
今海國際集團控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code: 2225)

Executive Directors:
Mr. Chen Guobao *(Chairman)*
Mr. Wang Zhenfei *(Chief Executive Officer)*

Non-executive Directors:
Mr. Yang Fu Kang *(Deputy Chairman)*
Mr. Li Yunping
Mr. Wang Huasheng

Independent non-executive Directors:
Mr. Yan Jianjun
Mr. Fan Yimin
Ms. Yang Meihua

Registered office:
Vistra (Cayman) Limited
P.O. Box 31119
Grand Pavilion Hibiscus Way
802 West Bay Road, Grand Cayman
KY1-1205 Cayman Islands

Head office and principal place of business in Singapore:
31 Sungei Kadut Avenue
Singapore 729660

Head office and principal place of business in Hong Kong:
Room 2503, Cosco Tower
183 Queen's Road Central
Sheung Wan, Hong Kong

30 June 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITIONS OF LISTED SECURITIES

INTRODUCTION

References are made to the Announcement and Supplemental Announcement in relation to the acquisitions of listed securities.

The purpose of this circular is to provide the Shareholders with, among other things, further details of the acquisitions of OCBC Shares as aggregated with the Previous OCBC Shares pursuant to Rules 14.22 and 14.23 of the Listing Rules, financial information of the Group and other information as required by the Listing Rules. As disclosed in the Announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in and would be required to abstain from voting on, any resolution to approve the OCBC Acquisitions and Previous OCBC Acquisitions if the Company were to convene a general meeting to approve the same. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained written approval from Mr. Chen, who holds 632,500,000 Shares through Full Fortune, representing approximately 51.42% of the Company's issued share capital as at the Latest Practicable Date, for approving the OCBC Acquisitions and Previous OCBC Acquisitions. As such, no extraordinary general meeting of the Company will be convened for the purpose of approving the OCBC Acquisitions and Previous OCBC Acquisitions pursuant to Rule 14.44 of the Listing Rules.

THE OCBC ACQUISITIONS

On 23 February 2022, the Group acquired 20,000 OCBC Shares in the Singapore Stock Exchange at a consideration of approximately S$249,600 (exclusive of transaction costs), at an average price of approximately S$12.48.

The price the Company paid for in the transaction of the OCBC Acquisitions was the market price of the OCBC Shares and was settled in cash from internal resources of the Group.

As the OCBC Acquisitions were conducted in the open market, the identities of the counterparties of the OCBC Acquisitions cannot be ascertained. To the best knowledge, information and belief of the Directors, the counterparties and the ultimate beneficial owner(s) of the counterparties of the OCBC Acquisitions are third parties independent of the Company and its connected persons.

THE PREVIOUS OCBC ACQUISITIONS

During the period from 16 July 2021 to 17 February 2022, the Company entered into a series of transactions in which it acquired an aggregate of 76,000 OCBC Shares on the open market through the Singapore Stock Exchange for an aggregate consideration of approximately S$945,065 (exclusive of transaction costs).

The price the Company paid for in the transactions of the Previous OCBC Acquisitions were the market price of the OCBC Shares and was settled in cash from internal resources of the Group.

As at the Latest Practicable Date, the Company is interested in 131,300 OCBC Shares (representing approximately 0.0029% of the total issued share capital of OCBC). The Company had already complied with the discloseable transaction requirements in respect of the acquisition of OCBC Shares as disclosed in the Previous Announcement and the balance of such acquisitions which were conducted within a 12 month period from the Previous OCBC Acquisitions were aggregated with the Previous OCBC Acquisitions.

REASONS FOR AND BENEFITS OF THE OCBC ACQUISITIONS AND THE PREVIOUS OCBC ACQUISITIONS

The Group invests its idle fund in blue chip and relatively high market capitalisation stocks from time to time for treasury purpose with a view to increasing its return on such fund. In view of the above, the Company entered into the OCBC Acquisitions and the Previous OCBC Acquisitions for treasury purpose.

As the OCBC Acquisitions and the Previous OCBC Acquisitions were made on the open market at market price for treasury purpose, the Directors (including the independent non-executive Directors) are of the view that the OCBC Acquisitions and the Previous OCBC Acquisitions were fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Notwithstanding that no extraordinary general meeting will be convened by the Company to approve the OCBC Acquisitions and Previous OCBC Acquisitions, if such general meeting were to be convened by the Company, the Directors would recommend the Shareholders to vote in favour of the resolutions to approve the OCBC Acquisitions and the Previous OCBC Acquisitions.

INFORMATION ABOUT THE GROUP

The Group is principally engaged in the provision of manpower outsourcing and ancillary services; dormitory services; information technology services and construction ancillary services in Singapore.

INFORMATION OF OCBC

OCBC is the longest established Singapore bank and the second largest financial services group in Southeast Asia by assets. It has more than 470 branches and representative offices in 19 countries and regions.

The following information is extracted from the published documents of OCBC:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**	**For the year ended 31 December 2021**
	S$ million	*S$ million*	*S$ million*
Total income	10,871	10,139	10,596
Profit before income tax	5,800	4,165	5,680
Profit for the year	5,022	3,728	5,032

Based on OCBC's published documents, it has an audited consolidated net asset value of approximately S$48,603 million as at 31 December 2019, approximately S$51,176 million as at 31 December 2020 and approximately S$54,338 million as at 31 December 2021, respectively.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(A)(I) OF THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on OCBC prepared in accordance with Chapter 4 of the Listing Rules. The accountants' report of OCBC needs to include the financial information of OCBC for each of the three financial years ended 31 December 2021 prepared using accounting policies which should be materially consistent with those of the Company.

The Company has applied for a waiver from strict compliance with the requirement for an accountants' report on OCBC under Rule 14.67(6)(a)(i) of the Listing Rules on the following grounds:

(i) the OCBC Acquisitions and the Previous OCBC Acquisitions were transactions by the Company on the open market in the Singapore Stock Exchange. OCBC is not obliged to assist the Company to prepare an accountants' report on it for the OCBC Acquisitions and the Previous OCBC Acquisitions. The Company does not have access to OCBC's books and records to prepare an accountants' report on it in accordance with the Listing Rules;

(ii) shares of OCBC were accounted for as "financial assets at fair value through profit or loss" in the Company's financial statements and would not be a subsidiary of the Company as a result of the OCBC Acquisitions and the Previous OCBC Acquisitions. Due to the Company's minority interest in OCBC and the relatively insignificant amount (in relation to the fair value of the financial assets recognized pursuant to the OCBC Acquisitions as compared to the overall assets of the Group), the preparation of an accountants' report of OCBC for inclusion into the circular would not be in the interest of the Company and its Shareholders as a whole;

(iii) OCBC had published its financial information on a regular basis under the listing rules in Singapore and such information are readily available online and would be included in the circular by the Company in order to ensure that sufficient information was provided to the Shareholders to make a properly informed assessment of OCBC; and

(iv) while OCBC's financial information was prepared under Singapore Financial Reporting Standards (International) (SFRS(I)s) and the Company's financial information was prepared under International Financial Reporting Standards (IFRSs), the Company's auditors, Foo Kon Tan LLP, agree that the two accounting standards are considered materially consistent.

Alternative Disclosure

In order to provide Shareholders and prospective investors with sufficient information to assess the performance and financial position of OCBC, the Company shall include the published independent auditors' reports as contained in the annual reports of OCBC for the three years ended 31 December 2019, 2020 and 2021 (the "**Annual Reports**") as alternative disclosure to the requirements of Rule 14.67(6)(a)(i) of the Listing Rules. The published independent auditors' reports of OCBC contains, among others, (1) the financial statements of OCBC, comprising (i) the consolidated statements of profit or loss and other comprehensive income; (ii) the consolidated statements of financial position of OCBC; (iii) the consolidated statements of changes in equity; and (iv) consolidated statements of cash flows of the OCBC for each of the corresponding periods then ended as contained in the Annual Reports ((i), (ii), (iii) and (iv) above, together, the "**Financial Statements**"); and (2) the notes to the Financial Statements. For details of the Financial Statements, please refer to Appendix IV of this circular.

The Directors considered that the alternative disclosure as mentioned above will afford the Shareholders with all material information necessary to assess the financial performance of OCBC throughout the past three financial years, such information being broadly commensurate in all material respects to the disclosure that would otherwise have been provided if an accountants' report on OCBC is produced under Rule 14.67(6)(a)(i) of the Listing Rules.

Based on the above, the Stock Exchange has granted a waiver to the Company from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules in this circular.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the transaction contemplated under the OCBC Acquisitions shall be aggregated with the Previous OCBC Acquisitions since they were all completed within a 12-month period.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the OCBC Acquisitions and Previous OCBC Acquisitions (on an aggregated basis pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules) exceeds 25% but are less than 100%, the OCBC Acquisitions when aggregated with the Previous OCBC Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no Shareholder has a material interest in the OCBC Acquisitions and Previous OCBC Acquisitions, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the OCBC Acquisitions and Previous OCBC Acquisitions. The Company has obtained a written approval from Mr. Chen, who holds 632,500,000 Shares through Full Fortune, representing approximately 51.42% of the Company's issued share capital for the approval of the OCBC Acquisitions and Previous OCBC Acquisitions in lieu of a resolution to be passed at a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As such, no extraordinary general meeting will be convened by the Company to approve the OCBC Acquisitions and Previous OCBC Acquisitions.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Jinhai International Group Holdings Limited
Chan Guobao
Chairman of the Board and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 are disclosed in the following documents which have been published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.jin-hai.com.hk):

- annual report of the Company for the year ended 31 December 2019 published on 29 April 2020 (available at: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900229.pdf);
- annual report of the Company for the year ended 31 December 2020 published on 29 April 2021 (available at: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900235.pdf); and
- annual report of the Company for the year ended 31 December 2021 published on 29 April 2022 (available at: https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900416.pdf).

2. INDEBTEDNESS STATEMENT

Indebtedness

At the close of business on 30 April 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group did not have any bank borrowings.

Lease Liabilities

At the close of business on 30 April 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had lease liabilities of approximately S$2.1 million, out of which approximately S$1.9 million are current portion and approximately S$0.2 million are non-current portion. All of the lease liabilities were unsecured.

Contingent Liabilities

As at 30 April 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no material contingent liabilities.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other contingent liabilities at the close of business on 30 April 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after due and careful enquiry, and after taking into account the existing internal financial resources of the Group, and effect of the OCBC Acquisitions and the Previous OCBC Acquisitions, the working capital available to the Group is sufficient for its requirements for at least twelve months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

Saved as disclosed in this circular, the Directors confirm that there has been no material change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Company were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is a Singapore-based service provider and mainly provides manpower outsourcing and ancillary services to building and construction contractors in the Singapore. To a lesser extent, the Group also provides dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore. As disclosed in the announcement of the Company dated 2 March 2021 and the supplemental announcement of the Company dated 16 April 2021, Jinhai Technology Development (Ningpo) Co., Ltd., (今海科技發展(寧波)有限公司) ("**Jinhai Technology**"), a wholly-owned subsidiary of the Company, entered into the articles of association (the "**JV Articles**") with Mr. Lui Lei (劉鐳先生) and Ms. Yu Haibo (俞海波女士), pursuant to which the parties agreed to establish Shanghai Jinhai Medical Technology Company Limited (上海今海醫療科技有限公司) ("**Jinhai Medical**"), with registered capital of RMB30,000,000. Considering the expected growing demand for quality medical services, which has been particularly emphasized during the pandemic, the Board considers that the formation of Jinhai Medical represents an opportunity to allow the Group to tap into the medical solutions industry so as to further expand its customer base and source of revenue. The Board believes that by investing in the new business, not only will potentially enormous commercial value be generated but also more medical solutions markets in other countries and connections can be reached an built in the long run.

In addition to diversification of businesses of the Group, the Board considers to expand its existing business into the Asia Pacific Region, including China. The Board also considers to provide value-added services, such as skills training and quality improvement to the labour forces on top of the manpower outsourcing services.

The Group expects the construction industry to remain challenging on the back of a competitive environment and labour shortage. The pace of resumption of the construction activity has been slow and is expected to continue to be limited by manpower deployment challenges and higher cost and time resources needed to comply with safe management measures. The Group is taking proactive steps to conserve cash by implementing stricter cost management measures, where sensible, and continues to closely monitor and manage the COVID-19 situation. Against this backdrop, the Group expects operating conditions in the construction sector to remain challenging in 2022.

The Board will keep Shareholders informed of material developments as and when they arise.

A. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following is an illustrative unaudited pro forma consolidated financial information (the "**Unaudited Pro Forma Financial Information**") of Jinhai International Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and on the basis of the notes set out below, to illustrate the financial position, financial performance and cash flows of the Group as if the OCBC Acquisitions and the Previous OCBC Acquisitions had been completed on 31 December 2021.

This Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position, financial performance and cash flows of the Group had the OCBC Acquisitions and the Previous OCBC Acquisitions been completed on 31 December 2021 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Audited 31 December 2021	Adjustments		Unaudited Pro Forma 31 December 2021
	S$	*S$*		*S$*
ASSETS				
Non-current				
Property, plant and equipment	1,044,941			1,044,941
Right-of-use assets	785,060			785,060
Investment properties	1,008,863			1,008,863
Deferred tax assets	189,386			189,386
Other receivables	33,181			33,181
	3,061,431			3,061,431
Current				
Trade receivables	1,464,816			1,464,816
Other receivables, deposits and prepayments	4,866,142			4,866,142
Financial assets at fair value through profit or loss	8,735,795	662,404	*Note 4.1*	9,398,199
Income tax recoverable	46,168			46,168
Inventories	873,637			873,637
Cash and bank balances	14,637,357	(664,461)	*Note 4.2*	13,972,896
	30,623,915	(2,057)		30,621,858
Total assets	33,685,346	(2,057)		33,683,289
EQUITY				
Capital and Reserves				
Share capital	2,142,414			2,142,414
Share premium	14,958,400			14,958,400
Merger reserve	1,350,000			1,350,000
Currency translation reserve	171,154			171,154
Retained earnings	6,802,621	(2,057)	*Note 4.3*	6,800,564
	25,424,589	(2,057)		25,422,532
Non-controlling interests	(251,073)			(251,073)
	25,173,516	(2,057)		25,171,459

	Audited 31 December 2021	Adjustments	Unaudited Pro Forma 31 December 2021
	S$	*S$*	*S$*
LIABILITIES			
Non-Current			
Lease liabilities	254,012		254,012
Deferred tax liabilities	25,050		25,050
	279,062		279,062
Current			
Trade and other payables	4,986,789		4,986,789
Contract liabilities	1,199,112		1,199,112
Lease liabilities	1,614,413		1,614,413
Current tax liabilities	432,454		432,454
	8,232,768		8,232,768
Total liabilities	8,511,830		8,511,830
Total equity and liabilities	33,685,346	(2,057)	33,683,289

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Audited 31 December 2021	Adjustment		Unaudited Pro Forma 31 December 2021
	S$	*S$*		*S$*
Revenue				
– Services	19,858,170			19,858,170
– Products	1,558,283			1,558,283
	21,416,453			21,416,453
Cost of services	(12,255,012)			(12,255,012)
Cost of sale of products	(1,401,174)			(1,401,174)
	(13,656,186)			(13,656,186)
Gross profit	7,760,267			7,760,267
Other income	1,899,621			1,899,621
Selling expenses	(17,969)			(17,969)
Administrative expenses	(8,696,505)	(2,057)	*Note 4.3*	(8,698,562)
Impairment loss on trade and other receivables	(446,206)			(446,206)
Other losses	(395,083)			(395,083)
Finance costs	(132,312)			(132,312)
Loss before taxation	(28,187)	(2,057)		(30,244)
Income tax expense	(435,460)			(435,460)
Loss after taxation	(463,647)	(2,057)		(465,704)
Other comprehensive (loss)/income, after tax				
Items that may be reclassified subsequently to profit or loss				
Translation differences arising on consolidation of foreign operations	146,738			146,738
Total comprehensive loss for the year	(316,909)	(2,057)		(318,966)

	Audited 31 December 2021	Adjustment	Unaudited Pro Forma 31 December 2021
	S$	*S$*	*S$*
Loss attributable to:			
Owners of the Company	(212,022)	(2,057)	(214,079)
Non-controlling interests	(251,625)		(251,625)
Loss for the year	(463,647)	(2,057)	(465,704)
Total comprehensive loss attributable to:			
Owners of the Company	(65,836)	(2,057)	(67,893)
Non-controlling interests	(251,073)		(251,073)
Total comprehensive loss for the year	(316,909)	(2,057)	(318,966)
Loss per share	*Cents*		*Cents*
Basic and diluted	(0.02)	nm	(0.02)

nm – not material

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Audited 31 December 2021	Adjustment	Unaudited Pro Forma 31 December 2021
	S$	*S$*	*S$*
Cash Flows from Operating Activities			
Loss before taxation	(28,187)	(2,057)	(30,244)
Adjustments for:			
Depreciation of property, plant and equipment	817,198		817,198
Depreciation of right-of-use assets	1,605,267		1,605,267
Depreciation of investment properties	2,943,125		2,943,125
Reversal of impairment loss on right-of-use assets	–		–
Gain on lease modification	(34,278)		(34,278)
Impairment loss on property, plant and equipment	14,195		14,195
Write-off of property, plant and equipment	69,510		69,510
Finance costs	132,312		132,312
Rent concessions	–		–
Government grant	(1,358,331)		(1,358,331)
Dividend income	(173,791)		(173,791)
Interest income	(2,423)		(2,423)
Net change in fair value of financial assets measured at fair value through profit or loss (“**FVTPL**”)	1,049,084		1,049,084
Gain on disposal of property, plant and equipment, net	(298,161)		(298,161)
Loss on disposal of right-of-use assets	20,937		20,937
Gain on disposal of financial assets measured at FVTPL	(243,613)		(243,613)
Impairment loss on trade and other receivables	446,206		446,206
Operating profit before working capital changes	4,959,050	(2,057)	4,956,993
Change in trade receivables	(580,597)		(580,597)
Change in other receivables, deposits and prepayments	(487,834)		(487,834)
Change in inventories	(873,637)		(873,637)
Change in contract assets	–		–
Change in trade and other payables	(1,788,448)		(1,788,448)
Change in contract liabilities	732,416		732,416
Cash generated from operations	1,960,950	(2,057)	1,958,893
Government grant received	1,813,737		1,813,737
Income tax paid	(408,150)		(408,150)
Net cash generated from operating activities	3,366,537	(2,057)	3,364,480

	Audited 31 December 2021 S$	Adjustment S$	Unaudited Pro Forma 31 December 2021 S$
Cash Flows from Investing Activities			
Purchase of financial assets at FVTPL	(10,862,782)	(662,404)	(11,525,186)
Purchase of property, plant and equipment	(607,079)		(607,079)
Proceeds from disposal of property, plant and equipment	361,161		361,161
Proceeds from disposal of financial assets measured at FVTPL	8,288,099		8,288,099
Interest received	2,423		2,423
Dividends received from financial assets measured at FVTPL	173,791		173,791
Net cash used in investing activities	(2,644,387)	(662,404)	(3,306,791)
Cash Flows from Financing Activities			
Interest paid	(132,312)		(132,312)
Repayment of lease liabilities	(4,677,071)		(4,677,071)
Net cash used in financing activities	(4,809,383)		(4,809,383)
Net decrease in cash and cash equivalents	(4,087,233)	(664,461)	(4,751,694)
Cash and cash equivalents at beginning of the year	18,602,537		18,602,537
Effect of foreign exchange rate changes on cash and cash equivalents	122,053		122,053
Cash and cash equivalents at end of the year	14,637,357	(664,461)	13,972,896

E. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1 General information

Jinhai International Group Holdings Limited (the "**Company**") was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 14 February 2017. The registered office of the Company is at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Hong Kong Companies Ordinance**") on 29 September 2017 and its principal place of business in Hong Kong registered is at Room 2503, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong. The headquarters and principal place of business of the Company in Singapore is at 31 Sungei Kadut Avenue, Singapore 729660. The issued shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited with effect from 17 October 2017.

The Company is an investment holding company and the principal activities of its operating subsidiaries are provision of manpower outsourcing and ancillary services, provision of dormitories services, provision of information technology services and construction ancillary services for the building and construction industry, and provision of minimally invasive surgery solution products.

2 Significant event

The Group acquired an aggregate of 51,000 Oversea-Chinese Banking Corporation Limited ("**OCBC**") shares on dates between 11 February 2022 and 23 February 2022 on the open market through the Singapore Stock Exchange (the "**OCBC Acquisitions and the Previous OCBC Acquisitions**") for an aggregate consideration of S$662,404, brokerage commission fees of S$1,922.39 and Goods and Services Tax of S$134.57.

Date of purchase	Number of OCBC Shares acquired	Share price	Acquisition Amount	Fees	Goods and Service Tax	Total Amount
11-Feb-22	15,000	13.2700	199,050.00	577.60	40.43	199,668.03
16-Feb-22	8,000	13.2255	105,804.00	307.19	21.51	106,132.70
17-Feb-22	8,000	13.5000	108,000.00	313.55	21.95	108,335.50
23-Feb-22	20,000	12.4775	249,550.00	724.05	50.68	250,324.73
	51,000		662,404.00	1,922.39	134.57	664,460.96

3 Basis of preparation of the unaudited pro forma consolidated financial information

The unaudited pro forma consolidated financial information for the year ended 31 December 2021 (the "**Unaudited Pro Forma Financial Information**") has been compiled based on the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the financial year ended 31 December 2021, as extracted from the audited consolidated financial statements of the Group for the financial year ended 31 December 2021, and pro forma adjustments as set out in Note 4.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2021 was prepared by the Directors in accordance with International Financial Reporting Standards ("**IFRSs**") and audited by Foo Kon Tan LLP, in accordance with International Standards on Auditing ("**ISAs**"). The auditor's report on these consolidated financial statements was not modified.

The Unaudited Pro Forma Financial Information has been prepared using the same accounting policies and method of computation in the preparation of the audited consolidated financial statement for the financial year ended 31 December 2021.

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants for the purpose of illustrating the effect of the "Significant event" as if the "Significant event" had taken place on (i) 1 January 2021 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows; and (ii) 31 December 2021 in respect of the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only. It is prepared based on certain assumptions and after making certain adjustments to show what the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the financial year ended 31 December 2021 would have been had the "Significant event" discussed in Note 2 been taken place on 31 December 2021.

The Unaudited Pro Forma Financial Information, because of its hypothetical nature, is not necessarily indicative of the effect on the financial position, financial performance and cash flows of the Group that would have been attained had the "Significant event" been taken place on 31 December 2021 or at any future date.

4 Pro forma adjustments

The following pro forma adjustments have been made to the audited consolidated statement of financial position as at 31 December 2021, and the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows for the financial year ended 31 December 2021 in arriving at the Unaudited Pro Forma Financial Information:

4.1 Cost of acquisition of the OCBC Acquisitions and the Previous OCBC Acquisitions of S$662,404, being the fair value of OCBC shares at the acquisition dates.

4.2 Payment of the OCBC Acquisitions and the Previous OCBC Acquisitions, brokerage commission fees and Goods and Services Tax charged on the brokerage commission fees amounting to S$664,460.96.

4.3 Brokerage commission fees of S$1,922.39 related to the OCBC Acquisitions and the Previous OCBC Acquisitions and Goods and Services Tax of S$134.57 charged on the brokerage commission fees.

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF JINHAI INTERNATIONAL GROUP HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 June 2022

The Board of Directors
Jinhai International Group Holdings Limited
31 Sungei Kadut Avenue, Singapore 729660

Report on the Compilation of Unaudited Pro Forma Consolidated Financial Information

Opinion

We have completed our assurance engagement to report on the compilation of unaudited pro forma consolidated financial information of Jinhai International Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") by the directors of the Company (the "**Directors**"). The unaudited pro forma consolidated financial information of the Group consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the financial year ended 31 December 2021, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-2 to II-10 of the circular dated 30 June 2022 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Note 3.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the significant event (the "**Significant event**") set out in Note 2 on the Group's financial position as at 31 December 2021, and the Group's financial performance and cash flows for the financial year ended 31 December 2021 as if the "Significant event" had taken place on 31 December 2021.

As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors from the Group's audited consolidated financial statements for the financial year ended 31 December 2021.

Directors' Responsibility for the Unaudited Pro Forma Consolidated Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("**IESBA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("**ISAE**") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditor plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Unaudited Pro Forma Financial Information on the basis of the applicable criteria as described in Note 3.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the "Significant event" on unadjusted financial information of the Group as if the "Significant event" had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the "Significant event" at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the "Significant event", and to obtain sufficient appropriate evidence about whether:

(i) The related pro forma adjustments give appropriate effect to those criteria; and

(ii) The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgement, having regard to the auditor's understanding of the nature of the Group, the "Significant event" in respect of which Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Restriction of Use and Distribution

This report is made solely to you as a body for the inclusion in the Circular of the Company to be issued in relation to the ''Significant event''.

Foo Kon Tan LLP
Public Accountants and Chartered Accountants
Singapore

Partner in-charge: Toh Kim Teck

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executives' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares of the Company:

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of the Company's issued Shares
Mr. Chen	Interest of a controlled corporation *(Note)*	632,500,000	51.42%

Note:

The entire issued share capital of Full Fortune is beneficially owned by Mr. Chen, the Chairman of the Board and an executive Director. Therefore, Mr. Chen is deemed to be interested in 632,500,000 Shares held by Full Fortune by virtue of the SFO. Mr. Chen is the sole director of Full Fortune.

Long position in the ordinary share of an associated corporation:

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of share held	Percentage of interest
Mr. Chen *(Note 2)*	Full Fortune *(Note 1)*	Beneficial owner	1	100%

Notes:

(1) Full Fortune is the direct shareholder of the Company and is an associated corporation of the Company within the meaning of Part XV of the SFO.

(2) Mr. Chen is the sole director of Full Fortune.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholders' interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares of the Company:

Name of Shareholder(s)	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of the Company's issued Shares
Full Fortune	Beneficial owner	632,500,000	51.42%
Ms. Jiang Xiahong	Interest of spouse *(Note)*	632,500,000	51.42%

Note:

The entire issued share capital of Full Fortune is beneficially owned by Mr. Chen. Ms. Jiang Xiahong is the wife of Mr. Chen and is therefore deemed to be interested in all the Shares held by Mr. Chen through his controlled corporation by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by the relevant member within one year without payment of compensation other than statutory compensation.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any material litigations or claims and no litigations or claims of material importance were pending or threatened by or against any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

(i) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(ii) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and was significant in relation to any business of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group.

7. MATERIAL CONTRACTS

There are no material contracts (being contracts entered outside the ordinary course of business carried on or intended to be carried on by the members of the Group) having been entered into by any member of the Group within the two years preceding the Latest Practicable Date.

8. GENERAL

(a) The company secretary of the Company is Mr. Wong Man Yiu, who is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Association of Certified Accountants.

(b) The registered office of the Company is at Vistra (Cayman) Limited P. O. Box 31119 Grand Pavilion, Hibiscus Way 802 West Bay Road, Grand Cayman KY1-1205 Cayman Islands.

(c) The head office and principal place of business in Hong Kong of the Company is at Room 2503, Cosco Tower 183 Queen's Road Central Sheung Wan, Hong Kong.

(d) The address of the Company's branch share registrar and transfer office in Hong Kong is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

(e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. EXPERT AND CONSENT

The following are the qualifications of the experts whose name, opinion and/or report are contained in this circular:

Name	Qualifications
Capital 9 Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Foo Kon Tan LLP	Singapore Certified Public Accountants

Each of the experts named above has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts (i) has no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) has no direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group; and (iii) had given and had not withdrawn its consent to the issue of this circular with the inclusion of its letter, opinions and/or reports and the reference to its name included herein in the form and context in which they respectively appear.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.jin-hai.com.hk) for 14 days from the date of this circular:

(i) the annual reports of the Company for the financial years ended 31 December 2019, 2020 and 2021 respectively; and

(ii) the report on unaudited pro forma financial information of the Group prepared by Foo Kon Tan LLP, the text of which is set out in Appendix II of this circular;

(iii) the written consents as referred to in the paragraph headed ''Expert and Consent'' in this Appendix; and

(iv) this circular.

Set out below is the reproduction of the financial statements of OCBC as extracted from the independent auditor's reports published in the 2019, 2020 and 2021 annual reports of OCBC comprising among others, (i) the consolidated statements of profit or loss and other comprehensive income; (ii) the consolidated statements of financial position of OCBC; (iii) the consolidated statements of changes in equity; and (iv) consolidated statements of cash flows of the OCBC for each of the corresponding periods then ended. In the opinions of the independent auditors of OCBC as stated in the respective independent auditor's reports of OCBC, the consolidated financial statements of OCBC for each of the years ended 31 December 2019, 2020 and 2021 give a true and fair view of the consolidated financial position of OCBC and of the consolidated financial performance and cash flows of OCBC for each of the years then ended.

The Directors noted that the consolidated financial statements of OCBC for the three years ended 31 December 2021 have been prepared in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) and that the principal accounting policies and accounting standards adopted by OCBC in the preparation of its consolidated financial statements are materially consistent with those adopted by the Company in the preparation of its consolidated financial statements.

The financial information of OCBC contained in this Appendix appears for information purposes only. The Directors take no responsibility for the financial information of OCBC, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the financial information of the OCBC contained in this Appendix.

Independent Auditors' Report

To The Members Of Oversea-Chinese Banking Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oversea-Chinese Banking Corporation Limited (the Bank) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and the balance sheet of the Bank as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the income statement, statement of comprehensive income and statement of changes in equity of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 149 to 278.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Bank for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Impairment of Loans and Bills Receivable **(Refer to Notes 9, 26, 28 and 30 to the financial statements)**	
The key audit matter	*How the matter was addressed in our audit*
At 31 December 2019, the Group's loans and bills receivable comprised 54% of Total Assets. The Group has developed quantitative models to determine the expected credit loss (ECL) allowances for credit exposures, in accordance with the requirements of SFRS(I) 9 "Financial Instruments". Significant judgement is applied in developing the models and in determining the relevant model inputs and applicable assumptions.	*Non credit-impaired exposures* We tested the design, implementation and operating effectiveness of key controls around the determination of ECL allowances. These controls include: • general IT controls over the ECL system, comprising user access rights and change management controls, as well as IT application controls over the completeness and accuracy of data flows from source systems to the ECL system; • the existence of an independent model validation function; and • the effective monitoring of the macroeconomic variables used in the models and, the review and approval of scenarios and probabilities.

Impairment of Loans and Bills Receivable
(Refer to Notes 9, 26, 28 and 30 to the financial statements) (continued)

The key audit matter	*How the matter was addressed in our audit*
In respect of non credit-impaired exposures, management judgement and estimation are required in areas including: • development of ECL model parameters, including the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each portfolio across different locations; • selection of criteria to assess whether a credit exposure has exhibited a "significant increase in credit risk" and thus requiring lifetime ECL allowance; and • determination of relevant macroeconomic factors to incorporate into the models and the probability weighting to apply to a range of possible scenarios. In respect of credit-impaired exposures, management judgement and estimation are applied in, amongst others: (i) identifying impaired exposures; (ii) estimating the related recoverable cash flows; and (iii) where applicable, determining collateral values and timing of realisation. Geopolitical developments and weak global economic growth in 2019 added complexity to the estimation of ECL allowances. The consequence of these events are difficult to predict and the impact is therefore difficult to model. Given the significance of loans and bills receivable and the related estimation uncertainty over ECL allowances, the impairment of loans and bills receivable is considered a key audit matter.	For a sample of models, we involved our valuation specialists in the: • evaluation of the appropriateness of the PD, LGD and EAD modelling methodology against the requirements of SFRS(I) 9; • review of results of the model performance testing and model validation conducted by the Group's model validation function; • performance of statistical techniques on PD curves to assess the reasonableness of the calibrations; and • in respect of forward looking assumptions, review of the appropriateness of management's macroeconomic forecast assumptions against external sources. We assessed the reasonableness of the criteria used in determining a "significant increase in credit risk". We also assessed the reasonableness of the probability weighting of the economic scenarios applied. For a sample of credit exposures, we independently re-calculated the ECL allowance to test the mathematical accuracy of the ECL system output. *Credit-impaired exposures* We tested the design, implementation and operating effectiveness of key controls in place over credit grading, credit reviews and monitoring of credit-impaired exposures. In relation to key economic and geopolitical developments, we assessed the Group's response in identifying credit-impaired exposures. For a sample of exposures, we performed credit file reviews to assess the appropriateness of credit grading. We also challenged the Group's assumptions of the expected future cash inflows of the borrowers, including cash flows from operations, the realisable value of collaterals and time to sell based on our understanding of the counterparties, the business environment and other externally derived evidence. We found that the ECL allowances were within an acceptable range of estimates.

Independent Auditors' Report

To The Members Of Oversea-Chinese Banking Corporation Limited

Valuation of Financial Instruments Held at Fair Value
(Refer to Notes 18, 22, 24, 25, 29 and 41 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group's financial instruments held at fair value comprised mainly debt and equity securities, government treasury bills and securities, investment funds and derivative contracts. Of the financial instruments carried at fair value in the Group's balance sheet as at 31 December 2019, the significant majority is classified as Level 1 or Level 2 financial instruments. These instruments were valued using prices that were observable in financial markets or estimated based on financial models using market observable inputs, resulting in a lower valuation risk. The remaining financial instruments classified as Level 3 comprised mainly unlisted debt and equity investments and derivatives. The valuation of these Level 3 instruments could involve complex valuation techniques and the application of unobservable inputs, such as projected cash flows, discount rates and measures of volatility. As such, there is a greater degree of estimation uncertainty in the determination of the fair value of these instruments. The valuation of financial instruments held at fair value is considered a key audit matter in view of the degree of management judgement and inherent subjectivity, increasing the risk of misstatement of the Group's financial statements.	We obtained an understanding of the key controls over the measurement of financial instruments at their fair values. We tested the operating effectiveness of the following key controls: • general IT controls over key valuation systems, including access rights and change management controls; • specific IT application controls over the capture of complete and accurate external market data within the Group's valuation systems and, the interface between transaction processing systems, valuation systems and financial reporting systems; • controls over governance of valuation models, including model validation; and • controls over independent price verification and month-end valuation adjustments. For a sample of valuation models, we assessed the reasonableness of the valuation methodology, and the inputs and assumptions used. We also considered alternative valuation methods and assessed sensitivities to key factors. For a selection of pricing inputs, we checked that the inputs used were appropriately sourced (by comparing to independent market data) and accurately input into the valuation models and systems. We independently valued a sample of the Group's financial instruments held at fair value and compared the values to the Group's valuations. Additionally, we recalculated a sample of valuation adjustments as at year-end. For the financial instruments held by GEH, we assessed, through a review of GEH's auditors' working papers, whether the valuation methods used were appropriate. We found that the fair values of the Group's financial instruments were within an acceptable range of estimates.

Valuation of Insurance Contract Liabilities
(Refer to Notes 4, 22, 39 and 41 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group's insurance operations are conducted through Great Eastern Holdings Limited and its subsidiaries (GEH). GEH's insurance operations comprise life and general insurance contracts. The valuation of insurance contract liabilities involves significant judgement over uncertain future outcomes, including the timing and occurrence of the ultimate settlement of insurance contract liabilities. The valuation of life insurance contract liabilities is dependent on the valuation method adopted and key assumptions such as prevailing interest rates of government securities, investment returns and estimates of mortality, disability, persistency, dread disease, expenses, lapse and surrenders based on GEH's historical experience studies and publicly available data. The valuation of general insurance contract liabilities is dependent on estimates such as the provision for unexpired risk, ultimate settlement cost of claims reported, and claims incurred but not yet reported at the reporting date. Given that changes in the assumptions used in the valuation of insurance contract liabilities could result in a material impact to the carrying amount of insurance contract liabilities and the related movements in the income statement, the valuation of insurance contract liabilities is considered a key audit matter.	We planned, scoped and issued group audit instructions to GEH's auditors to obtain an independent auditors' report of the significant component. The scope of reporting included valuation of insurance contract liabilities. We reviewed GEH's auditors' work performed in relation to the design and operating effectiveness of GEH's controls over the valuation of insurance contract liabilities, including the determination and approval of actuarial assumptions. We involved our actuarial specialists in our discussions with GEH's auditors in the following areas: • assessed that GEH's auditors challenged management's methodologies and assumptions used in the valuation of insurance contract liabilities and where applicable, benchmarked the assumptions to other similar insurers; • assessed that GEH's auditors reviewed the assumptions used by management against historical experiences; and • reviewed the appropriateness of the actuarial valuation methodologies, models and assumptions used against regulatory requirements and industry practices. We found that the valuation methods and assumptions used by the Group in the valuation of insurance contract liabilities were reasonable, and the values of insurance contract liabilities were within an acceptable range of outcomes.

Independent Auditors' Report

To The Members Of Oversea-Chinese Banking Corporation Limited

Impairment of Goodwill **(Refer to Note 37 to the financial statements)**	
The key audit matter	*How the matter was addressed in our audit*
At 31 December 2019, the Group's balance sheet included goodwill of $4.5 billion arising from a number of business combinations. Goodwill is impaired if its carrying amount is not supported by the recoverable amount of the respective cash generating units (CGUs). The recoverable amounts are determined based on estimates that require significant management judgement in the application of methodologies and assumptions. The recoverable amount of banking CGUs was determined based on the value-in-use method. In this respect, significant judgement and key assumptions include: • methodology and inputs used to determine the appropriate discount rate; • estimation of the terminal growth rate; and • projections of the future cash flows. In respect of the insurance CGU, the recoverable amount was estimated using the appraisal value method, based on the adjusted shareholders' funds and the expected future profits generated by the portfolio of the business in force at the valuation date and the capacity to generate future profitable new business. Significant assumptions used in the assessment of these values include: • risk-adjusted discount rates; and • investment return rates. As a result of the significance of the goodwill amount and the judgement and subjectivity involved in estimating the recoverable amounts, the impairment of goodwill is considered a key audit matter.	We assessed the appropriateness of management's identification of the Group's CGUs and whether it reflects our understanding of the business and its operations. *Banking CGUs* We assessed management's future cash flow forecasts for consistency with operating plans, taking into consideration the economic outlook of the respective geography. We also back-tested prior year's forecast against actual performance. We involved our valuation specialists to assess the methodologies applied and assumptions used for deriving: • discount rate by independently estimating the rate using external data sources for risk free rate, beta, market risk premium, country risk premium and small capitalisation premium; and • terminal growth rate by comparing the rate to market data and long-term inflation rate based on the CGU's country of operation. We performed sensitivity analysis on the cash flow forecasts, discount rates and terminal growth rates. *Insurance CGU* We involved our actuarial specialists to assess the reasonableness of management's significant assumptions including discount rates and investment return rates used in the estimation of appraisal value. We performed sensitivity analysis on the impact of changes in key assumptions on the appraisal value. Based on the procedures performed, the carrying amount of goodwill was supported by the recoverable amount of the respective CGUs.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the information captioned Message from Chairman and CEO, Our Year in Review, Sustainability Report, Corporate Governance, Management Discussion and Analysis, Shareholding Statistics, and Five-Year Ordinary Share Capital History (the Reports), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report

To The Members Of Oversea-Chinese Banking Corporation Limited

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Leong Kok Keong.

KPMG LLP

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

20 February 2020

Income Statements

For the financial year ended 31 December 2019

		GROUP		BANK	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest income		**12,097,662**	11,049,278	**7,236,104**	6,455,902
Interest expense		**(5,766,417)**	(5,159,168)	**(3,645,551)**	(3,259,426)
Net interest income	3	**6,331,245**	5,890,110	**3,590,553**	3,196,476
Premium income		**10,965,048**	11,673,592	**–**	–
Investment income		**6,911,439**	68,978	**–**	–
Net claims, surrenders and annuities		**(6,404,434)**	(6,265,554)	**–**	–
Change in life insurance fund contract liabilities		**(8,556,660)**	(3,183,414)	**–**	–
Commission and others		**(2,136,095)**	(1,553,920)	**–**	–
Profit from life insurance	4	**779,298**	739,682	**–**	–
Premium income from general insurance		**196,298**	171,545	**–**	–
Fees and commissions (net)	5	**2,122,917**	2,030,927	**1,017,892**	942,760
Dividends	6	**92,111**	127,564	**1,031,804**	1,414,441
Rental income		**80,165**	79,560	**59,855**	53,877
Other income	7	**1,269,133**	661,513	**476,420**	548,706
Non-interest income		**4,539,922**	3,810,791	**2,585,971**	2,959,784
Total income		**10,871,167**	9,700,901	**6,176,524**	6,156,260
Staff costs		**(2,839,922)**	(2,606,231)	**(1,000,534)**	(929,749)
Other operating expenses		**(1,804,280)**	(1,608,034)	**(1,098,761)**	(977,609)
Total operating expenses	8	**(4,644,202)**	(4,214,265)	**(2,099,295)**	(1,907,358)
Operating profit before allowances and amortisation		**6,226,965**	5,486,636	**4,077,229**	4,248,902
Amortisation of intangible assets	37	**(102,819)**	(102,176)	**–**	–
Allowances for loans and other assets	9	**(890,352)**	(287,513)	**(595,623)**	(154,503)
Operating profit after allowances and amortisation		**5,233,794**	5,096,947	**3,481,606**	4,094,399
Share of results of associates, net of tax		**566,625**	455,463	**–**	–
Profit before income tax		**5,800,419**	5,552,410	**3,481,606**	4,094,399
Income tax expense	10	**(778,296)**	(877,184)	**(375,534)**	(417,696)
Profit for the year		**5,022,123**	4,675,226	**3,106,072**	3,676,703
Attributable to:					
Equity holders of the Bank		**4,869,379**	4,491,994		
Non-controlling interests		**152,744**	183,232		
		5,022,123	4,675,226		
Earnings per share ($)	11				
Basic		**1.12**	1.06		
Diluted		**1.12**	1.06		

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

Statements of Comprehensive Income

For the financial year ended 31 December 2019

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit for the year	**5,022,123**	4,675,226	**3,106,072**	3,676,703
Other comprehensive income:				
Items that may be reclassified subsequently to income statement:				
Financial assets, at FVOCI [1]				
Fair value gains/(losses) for the year	**983,766**	(288,434)	**246,421**	(62,715)
Reclassification of (gains)/losses to income statement				
– on disposal	**(295,114)**	(11,605)	**(72,617)**	(10,754)
– on impairment	**(5,033)**	(25,926)	**43**	(26,154)
Tax on net movements	**(98,666)**	45,794	**(6,085)**	3,728
Cash flow hedges	**(1,326)**	841	**(383)**	(322)
Currency translation on foreign operations	**(42,691)**	(133,611)	**(16,678)**	(27,380)
Other comprehensive income of associates	**(12,177)**	15,594	**–**	–
Items that will not be reclassified subsequently to income statement:				
Financial assets, at FVOCI [1], net change in fair value	**315,887**	(264,419)	**36,638**	(22,664)
Defined benefit plans remeasurements	**(702)**	5,979	**(83)**	17
Own credit	**767**	(5,570)	**767**	(5,570)
Total other comprehensive income, net of tax	**844,711**	(661,357)	**188,023**	(151,814)
Total comprehensive income for the year, net of tax	**5,866,834**	4,013,869	**3,294,095**	3,524,889
Total comprehensive income attributable to:				
Equity holders of the Bank	**5,646,005**	3,910,373		
Non-controlling interests	**220,829**	103,496		
	5,866,834	4,013,869		

(1) *Fair value through other comprehensive income.*

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

Balance Sheets

As at 31 December 2019

		GROUP		BANK	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**17,261,345**	15,750,417	**17,261,345**	15,750,417
Other equity instruments	14	**1,496,974**	1,496,974	**1,496,974**	1,496,974
Capital reserves	15	**1,253,193**	930,432	**985,705**	638,887
Fair value reserves		**918,667**	(66,541)	**113,692**	(81,047)
Revenue reserves	16	**26,231,721**	24,025,592	**14,142,233**	13,491,053
		47,161,900	42,136,874	**33,999,949**	31,296,284
Non-controlling interests		**1,440,893**	1,254,842	**–**	–
Total equity		**48,602,793**	43,391,716	**33,999,949**	31,296,284
LIABILITIES					
Deposits of non-bank customers	17	**302,851,095**	295,412,049	**189,419,872**	183,600,010
Deposits and balances of banks	17	**8,249,680**	7,576,453	**5,938,069**	6,350,256
Due to subsidiaries		**–**	–	**21,434,654**	20,937,784
Due to associates		**347,232**	366,088	**138,204**	141,863
Trading portfolio liabilities		**91,804**	214,168	**91,804**	214,168
Derivative payables	18	**7,686,885**	7,104,590	**6,743,364**	5,251,769
Other liabilities	19	**6,944,579**	5,812,662	**2,085,870**	1,824,498
Current tax payables		**1,189,227**	1,013,756	**435,193**	367,314
Deferred tax liabilities	20	**1,893,055**	1,451,016	**238,194**	181,343
Debt issued	21	**29,388,263**	30,272,111	**28,225,780**	28,811,694
		358,641,820	349,222,893	**254,751,004**	247,680,699
Life insurance fund liabilities	22	**84,445,914**	74,928,381	**–**	–
Total liabilities		**443,087,734**	424,151,274	**254,751,004**	247,680,699
Total equity and liabilities		**491,690,527**	467,542,990	**288,750,953**	278,976,983
ASSETS					
Cash and placements with central banks	23	**23,201,554**	18,748,084	**17,823,699**	13,740,086
Singapore government treasury bills and securities	24	**11,042,814**	9,610,553	**9,891,733**	8,972,764
Other government treasury bills and securities	24	**17,619,964**	18,165,395	**7,644,251**	8,259,151
Placements with and loans to banks	25	**35,812,651**	39,034,945	**28,056,142**	29,063,987
Loans and bills receivable	26	**262,044,957**	255,193,115	**164,563,925**	156,896,636
Debt and equity securities	29	**28,533,166**	25,542,507	**14,209,744**	11,972,610
Assets pledged	46.1	**1,165,727**	1,104,573	**122,458**	1,007,348
Assets held for sale	47	**2,811**	1,831	**1,669**	–
Derivative receivables	18	**7,349,317**	7,200,942	**6,323,779**	5,331,188
Other assets	31	**4,408,876**	3,475,256	**2,442,577**	1,657,504
Deferred tax assets	20	**86,669**	105,512	**20,949**	28,305
Associates	33	**3,637,756**	3,182,814	**1,460,396**	1,386,715
Subsidiaries	34	**–**	–	**33,159,013**	37,691,985
Property, plant and equipment	35	**3,628,316**	3,337,436	**683,792**	576,943
Investment property	36	**838,798**	880,488	**479,650**	524,585
Goodwill and intangible assets	37	**4,979,899**	5,092,538	**1,867,176**	1,867,176
		404,353,275	390,675,989	**288,750,953**	278,976,983
Life insurance fund investment assets	22	**87,337,252**	76,867,001	**–**	–
Total assets		**491,690,527**	467,542,990	**288,750,953**	278,976,983

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

Statement of Changes in Equity – Group

For the financial year ended 31 December 2019

In $'000	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2019	**17,247,391**	**930,432**	**(66,541)**	**24,025,592**	**42,136,874**	**1,254,842**	**43,391,716**
Total comprehensive income for the year							
Profit for the year	–	–	–	4,869,379	4,869,379	152,744	5,022,123
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value gains for the year	–	–	913,835	–	913,835	69,931	983,766
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(276,136)	–	(276,136)	(18,978)	(295,114)
– on impairment	–	–	(4,654)	–	(4,654)	(379)	(5,033)
Tax on net movements	–	–	(89,539)	–	(89,539)	(9,127)	(98,666)
Cash flow hedges	–	–	–	(1,326)	(1,326)	–	(1,326)
Currency translation on foreign operations	–	–	–	(52,013)	(52,013)	9,322	(42,691)
Other comprehensive income of associates	–	–	65,517	(77,694)	(12,177)	–	(12,177)
Items that will not be reclassified subsequently to income statement:							
Financial assets, at FVOCI, net change in fair value	–	–	376,185	(77,607)	298,578	17,309	315,887
Defined benefit plans remeasurements	–	–	–	(709)	(709)	7	(702)
Own credit	–	–	–	767	767	–	767
Total other comprehensive income, net of tax	–	–	985,208	(208,582)	776,626	68,085	844,711
Total comprehensive income for the year	–	–	985,208	4,660,797	5,646,005	220,829	5,866,834
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	8,319	337,102	–	(345,421)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	2,033	2,033
Buy-back of shares held as treasury shares	(191,348)	–	–	–	(191,348)	–	(191,348)
Dividends and distributions	–	–	–	(601,793)	(601,793)	(34,385)	(636,178)
DSP reserve from dividends on unvested shares	–	–	–	8,342	8,342	–	8,342
Share-based payments for staff costs	–	15,138	–	–	15,138	–	15,138
Shares issued in lieu of ordinary dividends	1,514,726	–	–	(1,514,726)	–	–	–
Shares issued to non-executive directors	654	–	–	–	654	–	654
Shares transferred to DSP Trust	–	(8,340)	–	–	(8,340)	–	(8,340)
Shares vested under DSP Scheme	–	69,912	–	–	69,912	–	69,912
Treasury shares transferred/sold	178,577	(91,051)	–	–	87,526	–	87,526
Total contributions by and distributions to owners	1,510,928	322,761	–	(2,453,598)	(619,909)	(32,352)	(652,261)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	(1,070)	(1,070)	(2,426)	(3,496)
Total changes in interests in subsidiaries	–	–	–	(1,070)	(1,070)	(2,426)	(3,496)
Balance at 31 December 2019	18,758,319	1,253,193	918,667	26,231,721	47,161,900	1,440,893	48,602,793
Included in the balances:							
Share of reserves of associates	–	–	91,039	1,561,409	1,652,448	–	1,652,448

(1) *Including regulatory loss allowance reserve of $534 million at 1 January 2019 and $876 million at 31 December 2019.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

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

In $'000	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2018	15,635,490	361,443	352,071	22,679,463	39,028,467	2,765,500	41,793,967
Effect of adopting SFRS(I) 9 and revised MAS 612, net of tax	–	353,667	(100,455)	(13,643)	239,569	69	239,638
Adjusted balance at 1 January 2018	15,635,490	715,110	251,616	22,665,820	39,268,036	2,765,569	42,033,605
Total comprehensive income for the year							
Profit for the year	–	–	–	4,491,994	4,491,994	183,232	4,675,226
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value losses for the year	–	–	(252,988)	–	(252,988)	(35,446)	(288,434)
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(12,221)	–	(12,221)	616	(11,605)
– on impairment	–	–	(25,422)	–	(25,422)	(504)	(25,926)
Tax on net movements	–	–	39,696	–	39,696	6,098	45,794
Cash flow hedges	–	–	–	841	841	–	841
Currency translation on foreign operations	–	–	–	(116,841)	(116,841)	(16,770)	(133,611)
Other comprehensive income of associates	–	–	100,262	(84,668)	15,594	–	15,594
Items that will not be reclassified subsequently to income statement:							
Financial assets, at FVOCI, net change in fair value	–	–	(188,207)	(41,599)	(229,806)	(34,613)	(264,419)
Defined benefit plans remeasurements	–	–	–	5,096	5,096	883	5,979
Own credit	–	–	–	(5,570)	(5,570)	–	(5,570)
Total other comprehensive income, net of tax	–	–	(338,880)	(242,741)	(581,621)	(79,736)	(661,357)
Total comprehensive income for the year	–	–	(338,880)	4,249,253	3,910,373	103,496	4,013,869
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	13,599	208,511	–	(222,110)	–	–	–
Buy-back of shares held as treasury shares	(214,693)	–	–	–	(214,693)	–	(214,693)
Dividends and distributions	–	–	–	(1,014,834)	(1,014,834)	(116,632)	(1,131,466)
DSP reserve from dividends on unvested shares	–	–	–	6,611	6,611	–	6,611
Perpetual capital securities issued	997,831	–	–	–	997,831	–	997,831
Redemption of preference shares issued	–	–	–	(1,000,000)	(1,000,000)	(1,500,000)	(2,500,000)
Share-based payments for staff costs	–	19,883	–	–	19,883	–	19,883
Shares issued in lieu of ordinary dividends	637,929	–	–	(637,929)	–	–	–
Shares issued to non-executive directors	735	–	–	–	735	–	735
Shares transferred to DSP Trust	–	(6,124)	–	–	(6,124)	–	(6,124)
Shares vested under DSP Scheme	–	62,976	–	–	62,976	–	62,976
Treasury shares transferred/sold	176,500	(69,924)	–	–	106,576	–	106,576
Others	–	–	20,723	(23,991)	(3,268)	2,855	(413)
Total contributions by and distributions to owners	1,611,901	215,322	20,723	(2,892,253)	(1,044,307)	(1,613,777)	(2,658,084)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	2,772	2,772	(446)	2,326
Total changes in interests in subsidiaries	–	–	–	2,772	2,772	(446)	2,326
Balance at 31 December 2018	17,247,391	930,432	(66,541)	24,025,592	42,136,874	1,254,842	43,391,716
Included in the balances:							
Share of reserves of associates	–	–	25,522	1,166,869	1,192,391	–	1,192,391

(1) *Including regulatory loss allowance reserve of $342 million at 1 January 2018 and $534 million at 31 December 2018.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

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

Statement of Changes in Equity – Bank

For the financial year ended 31 December 2019

In $'000	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2019	**17,247,391**	**638,887**	**(81,047)**	**13,491,053**	**31,296,284**
Profit for the year	–	–	–	3,106,072	3,106,072
Other comprehensive income	–	–	194,739	(6,716)	188,023
Total comprehensive income for the year [2]	–	–	194,739	3,099,356	3,294,095
Transfers	8,319	331,680	–	(339,999)	–
Buy-back of shares held as treasury shares	(191,348)	–	–	–	(191,348)
Dividends and distributions	–	–	–	(601,793)	(601,793)
DSP reserve from dividends on unvested shares	–	–	–	8,342	8,342
Share-based payments for staff costs	–	15,138	–	–	15,138
Shares issued in lieu of ordinary dividends	1,514,726	–	–	(1,514,726)	–
Shares issued to non-executive directors	654	–	–	–	654
Treasury shares transferred/sold	178,577	–	–	–	178,577
Balance at 31 December 2019	**18,758,319**	**985,705**	**113,692**	**14,142,233**	**33,999,949**
Balance at 1 January 2018	15,635,490	98,794	11,536	13,016,975	28,762,795
Effect of adopting SFRS(I) 9 and revised MAS 612, net of tax	–	122,855	28,329	(114,617)	36,567
Adjusted balance at 1 January 2018	15,635,490	221,649	39,865	12,902,358	28,799,362
Profit for the year	–	–	–	3,676,703	3,676,703
Other comprehensive income	–	–	(120,912)	(30,902)	(151,814)
Total comprehensive income for the year [2]	–	–	(120,912)	3,645,801	3,524,889
Transfers	13,599	397,355	–	(410,954)	–
Buy-back of shares held as treasury shares	(214,693)	–	–	–	(214,693)
Dividends and distribution	–	–	–	(1,014,834)	(1,014,834)
DSP reserve from dividends on unvested shares	–	–	–	6,611	6,611
Perpetual capital securities issued	997,831	–	–	–	997,831
Redemption of preference shares issued	–	–	–	(1,000,000)	(1,000,000)
Share-based payments for staff costs	–	19,883	–	–	19,883
Shares issued in lieu of ordinary dividends	637,929	–	–	(637,929)	–
Shares issued to non-executive directors	735	–	–	–	735
Treasury shares transferred/sold	176,500	–	–	–	176,500
Balance at 31 December 2018	17,247,391	638,887	(81,047)	13,491,053	31,296,284

(1) *Including regulatory loss allowance reserve of $534 million at 1 January 2019 (1 January 2018: $123 million) and $874 million at 31 December 2019 (31 December 2018: $534 million).*
(2) *Refer to Statements of Comprehensive Income for detailed breakdown.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2019

In $'000	2019	2018
Cash flows from operating activities		
Profit before income tax	**5,800,419**	5,552,410
Adjustments for non-cash items:		
Allowances for loans and other assets	**890,352**	287,513
Amortisation of intangible assets	**102,819**	102,176
Change in hedging transactions, fair value through profit or loss securities and debt issued	**(226,017)**	392,087
Depreciation of property and equipment and interest expense on lease liabilities	**401,940**	316,644
Net gain on disposal of government, debt and equity securities	**(171,541)**	(16,256)
Net gain on disposal of property and equipment	**(81,989)**	(45,791)
Net gain on disposal of interests in subsidiaries and associate	**(757)**	(7,982)
Share-based costs	**69,345**	65,802
Share of results of associates, net of tax	**(566,625)**	(455,463)
Items relating to life insurance fund		
Surplus before income tax	**854,256**	790,605
Surplus transferred from life insurance fund	**(779,298)**	(739,682)
Operating profit before change in operating assets and liabilities	**6,292,904**	6,242,063
Change in operating assets and liabilities:		
Deposits of non-bank customers	**7,419,962**	11,915,531
Deposits and balances of banks	**673,227**	91,025
Derivative payables and other liabilities	**1,066,477**	453,624
Trading portfolio liabilities	**(122,364)**	(407,363)
Restricted balances with central banks	**222,263**	394,947
Government securities and treasury bills	**(741,945)**	(344,692)
Fair value through profit or loss securities	**(486,773)**	586,621
Placements with and loans to banks	**3,295,963**	10,411,652
Loans and bills receivable	**(7,742,925)**	(20,807,039)
Derivative receivables and other assets	**(1,402,410)**	(1,161,136)
Net change in investment assets and liabilities of life insurance fund	**463,653**	448,747
Cash provided by operating activities	**8,938,032**	7,823,980
Income tax paid	**(753,943)**	(1,084,642)
Net cash provided by operating activities	**8,184,089**	6,739,338
Cash flows from investing activities		
Acquisitions, net of cash acquired (Note 34.3)	**16,445**	–
Dividends from associates	**22,586**	88,491
Investments in associates	**–**	(88,586)
Purchases of debt and equity securities	**(14,878,177)**	(13,970,842)
Purchases of property and equipment	**(368,271)**	(297,197)
Proceeds from disposal of debt and equity securities	**13,315,752**	11,941,263
Proceeds from disposal of interests in associates	**–**	8,744
Proceeds from disposal of property and equipment	**127,546**	59,741
Net cash used in investing activities	**(1,764,119)**	(2,258,386)
Cash flows from financing activities		
Acquisition of non-controlling interests	**(3,496)**	(50)
Buy-back of shares held as treasury shares	**(191,348)**	(214,693)
Dividends and distributions paid	**(636,178)**	(1,134,534)
Net issuance/(redemption) of other debt issued (Note 21.6)	**695,909**	(634,574)
Net proceeds from perpetual capital securities issued	**–**	997,831
Payment of lease liabilities	**(81,296)**	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**87,526**	106,576
Redemption of preference shares issued	**–**	(2,500,000)
Redemption of subordinated debt issued (Note 21.6)	**(1,503,534)**	(1,314,217)
Net cash used in financing activities	**(1,632,417)**	(4,693,661)
Net currency translation adjustments	**(113,368)**	(236,367)
Net change in cash and cash equivalents	**4,674,185**	(449,076)
Cash and cash equivalents at 1 January	**13,385,521**	13,834,597
Cash and cash equivalents at 31 December (Note 23)	**18,059,706**	13,385,521

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

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 20 February 2020.

1. General

Oversea-Chinese Banking Corporation Limited (the Bank) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. 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. The Group is principally engaged in the business of banking, life insurance, 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 (International) (SFRS(I)) as required by the Singapore Companies Act (the Act).

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 SFRS(I) 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 2.24.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2019:

SFRS(I)	Title
SFRS(I) 3, SFRS(I) 11 (Amendments)	*Previously Held Interest in a Joint Operation*
SFRS(I) 9 (Amendments)	*Prepayment Features with Negative Compensation*
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 (Amendments)	*Interest Rate Benchmark Reform*
SFRS(I) 16	*Leases*
SFRS(I) 1-12 (Amendments)	*Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
SFRS(I) 1-19 (Amendments)	*Plan Amendment, Curtailment or Settlement*
SFRS(I) 1-23 (Amendments)	*Borrowing Costs Eligible for Capitalisation*
SFRS(I) 1-28 (Amendments)	*Long-term Interests in Associates and Joint Ventures*
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*

Except for the effect of adopting SFRS(I) 16, as disclosed in Note 2.1.1, the initial application of the above standards (including their consequential amendments) and interpretations did not have any material impact on the Group's financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounting policies have been applied consistently by Group entities.

2.1.1 Adoption of New Accounting Standard SFRS(I) 16 *Leases*

The date of transition to SFRS(I) 16 was 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16, was recognised as an adjustment to the opening balance of revenue reserves at 1 January 2019, with no restatement of comparative information. The Group applied the practical expedient to retain the old definition of a lease for contracts entered into before 1 January 2019. This means that the Group has applied SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified these contracts as leases in accordance with SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

On transition to SFRS(I) 16, the Group and the Bank recognised additional right-of-use (ROU) assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019	
$ million	GROUP	BANK
Lease liabilities recognised	**191**	**59**
PPE - ROU assets	**207**	**61**

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

– did not recognise ROU assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
– did not recognise ROU assets and liabilities for leases of low-value assets;
– excluded initial direct costs from the measurement of the ROU asset at the date of initial application;
– used hindsight when determining the lease term; and
– used a single discount rate to a portfolio of leases with reasonably similar characteristics.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

2.1.2 Early Adoption of Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 *Interest Rate Benchmark Reform*

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in other comprehensive income (OCI) that existed at 1 January 2019. The details of the accounting policies are disclosed in Note 2.7. See also Note 18 for related disclosures about hedge accounting.

2.2 Basis of Consolidation

2.2.1 Subsidiaries

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

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

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

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

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

The excess of the fair value of consideration transferred, the recognised 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 net assets acquired is recognised as goodwill at the date of acquisition. When the excess is negative, a bargain purchase gain is recognised immediately in the income statements.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognised directly in equity.

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.2 Basis of Consolidation (continued)

2.2.3 Associates and Joint Ventures (continued)

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.

The investment in an associate or joint venture is derecognised when the Group ceases to have significant influence or joint control over the investee. Amounts previously recognised in OCI in respect of the investee are transferred to the income statement. Any retained interest in the entity is re-measured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control ceases, and its corresponding fair value, is recognised in the income statement.

2.2.4 Life Insurance Companies

Certain subsidiaries of the Group engaged in life insurance business are structured into one or more long-term life insurance funds, and shareholders' funds. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life insurance 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 insurance funds. The amount allocated to shareholders is reported as "Profit from life insurance" 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 fair value through other comprehensive income (FVOCI) financial assets are recognised in OCI and presented in the fair value reserve within equity.

2.3.2 Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on the acquisition of a foreign operation, 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.

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

2.4 Cash and Cash Equivalents

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

2.5 Financial Instruments

2.5.1 Recognition

The Group initially recognises loans and advances, deposits and debts issued on the date of origination. All other financial instruments, including 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 ownership of the asset. Financial liabilities are de-recognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

2. Summary of Significant Accounting Policies (continued)

2.5 Financial Instruments (continued)

2.5.3 Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be accounted based on the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

2.5.4 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.

2.5.5 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 collaterals 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

Classification and Measurement of Financial Assets

A non-derivative financial asset is initially recognised at fair value plus transaction costs (if any) and is measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

(a) Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy of how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated or managed on a fair value basis are measured at FVTPL because they are neither within the business model to hold to collect contractual cash flows, nor within the business model to hold both to collect contractual cash flows and to sell financial assets.

(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

2.6.1 Debt Instruments Measured at Amortised Cost

A debt financial instrument is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold the asset until maturity to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as amortised cost are subject to the expected credit loss requirements in accordance with SFRS(I) 9 *Financial Instruments*. Interest earned whilst holding the financial assets is included in interest income.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.6 Non-Derivative Financial Assets (continued)

Classification and Measurement of Financial Assets (continued)

(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest (continued)

2.6.2 Debt Instruments Measured at FVOCI

A debt financial instrument is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as FVOCI are subject to the expected credit loss requirements in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

At the balance sheet date, the Group recognises unrealised fair value gains and losses on revaluing these assets in OCI and presents the cumulative gains and losses in fair value reserve within equity, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. At maturity or upon disposal, the cumulative gain or loss previously recognised in OCI is reclassified from fair value reserve to income statement.

2.6.3 Debt Instruments Measured at FVTPL

Debt instruments that do not meet the requirements to be measured at amortised cost or at FVOCI are measured at FVTPL. At the balance sheet date, the Group recognises realised and unrealised gains and losses as trading income in the income statement. Interest earned while holding the assets are included in interest income.

2.6.4 Designation at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset at FVTPL notwithstanding that it would otherwise meet the requirements to be measured at amortised cost or at FVOCI, if doing so, it eliminates or significantly reduces an accounting mismatch that would otherwise arise. Upon designation, financial assets are measured at fair value on each balance sheet date until maturity or derecognition. Realised and unrealised fair value changes are recognised in the income statement.

2.6.5 Equity Instruments

Equity instruments held for trading are classified as FVTPL. Equity instruments that are not held for trading may be classified as FVOCI based on an irrevocable election on initial recognition on an investment-by-investment basis.

At the balance sheet date, realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVTPL are recognised in the income statement. Realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVOCI are recognised in OCI and are never reclassified to the income statement.

Dividend earned whilst holding the equity instruments classified as FVTPL is recognised as dividend income in the income statement. Dividend from equity instruments classified as FVOCI is recognised as dividend income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

2.6.6 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period when the Group changes its business model for managing its financial assets.

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. Fair values reflect the exit price of the instrument and include adjustments to take into account the credit risk of the Group and the counterparty where appropriate. An embedded derivative is not separated from the host contract that is a financial asset. However, it is separated from the host contract that is a financial liability or a non-financial item for grouping with other stand-alone financial derivatives.

The Group 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 fair value, cash flow or net investment hedge accounting when the transactions meet the specified criteria for hedge accounting. For derivative transactions entered into for trading or any other purposes, the realised and unrealised gains and losses from subsequent measurements are recognised in profit or loss.

Before the Group applies any hedge accounting, the Group determines whether an economic relationship exists between the hedged item and the hedging instrument by considering qualitative characteristics of these items and wherever necessary, supported by quantitative analysis. In its qualitative assessment, the Group considers whether the critical terms of its hedged item and the hedging instrument are closely aligned and evaluates whether the hedged item and hedging instrument respond similarly to similar risks. For all hedge accounting of the Group, where economic hedge relationships meet the hedge accounting criteria, the Group establishes its hedge ratio by aligning the principal amount of the hedging instrument to the extent of its hedged item.

2. Summary of Significant Accounting Policies (continued)

2.7 Derivative Financial Instruments (continued)

In a fair value hedging relationship, the Group mainly uses interest rate swaps and cross currency swaps to hedge its exposure to changes in the fair value of fixed rate instruments and its foreign currency risk exposure. 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 amount 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.

The risk exposure for cash flow hedge is managed similarly to that for fair value hedges. In a cash flow hedge relationship, the Group mainly uses interest rate swaps to hedge the variability in the cash flows that is related to a variable or fixed rate asset or liability resulting from changes in interest rates. For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is recognised in 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 hedged cash flows is recognised in the income statement. When the hedged cash flows are no longer expected to occur, the cumulative gain or loss in the hedge reserve is immediately transferred to the income statement.

"Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of a benchmark hedging instrument that is a perfect match. The amount of ineffectiveness is recognised immediately in profit or loss. The sources of ineffectiveness for both fair value hedges and cash flow hedges include imperfect relationship or matching between the hedging instrument and the risk being hedged as well as the effect of credit risk existing in the hedging instrument.

The hedged risk in the Group's net investment hedges is the foreign currency exposure that arises from a net investment in subsidiaries and foreign operations that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Bank's functional currency. The Group uses a mixture of derivative financial instruments and liabilities to manage its foreign currency exposure in its net investment hedges. 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. The source of ineffectiveness for the Group's net investment hedge is the use of a hedging instrument denominated in a proxy currency that is not perfectly correlated to the actual currency to which the Group is exposed.

The Group early adopted the amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform* issued in December 2019 as part of its project on interest rate benchmark reform. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate is not altered as a result of Interbank Offered Rates (IBOR) reform. The Group will cease to apply the amendments to its retrospective and prospective effectiveness assessment of the hedging relationship when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.8 Property, Plant and Equipment (continued)

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 insurance 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 insurance 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 insurance business. The fair value of the investment property is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying amount resulting from revaluation are recognised in the income statement of the life insurance 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.

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 estimated useful lives range from 6 to 20 years. 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, the assets are generally measured at the lower of their carrying amount and fair value less cost to sell.

2.12 Impairment of Assets

(I) Financial Assets

Impairment allowances for financial assets are assessed using a forward-looking expected credit loss (ECL) model in accordance with the requirements of SFRS(I) 9.

2.12.1 Scope

Under SFRS(I) 9, except for equity investments, the ECL model is applied to debt financial assets measured at amortised cost or FVOCI and most off-balance sheet loan commitments and financial guarantees.

2.12.2 Expected Credit Loss Impairment Model

Under SFRS(I) 9, credit loss allowances are measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – On initial recognition, expected credit loss will be that resulting from default events that are possible over the next 12 months.
- Stage 2 – Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that resulting from default events that are possible over the expected life of the asset.
- Stage 3 – When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, the credit loss allowance will be the full lifetime expected credit loss.

2.12.3 Measurement

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

(a) financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

(b) financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

(c) undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

(d) financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

2. Summary of Significant Accounting Policies (continued)

2.12 Impairment of Assets (continued)

(I) Financial Assets (continued)

2.12.3 Measurement (continued)

The key inputs used in the measurement of ECL are:

- Probability of default (PD) – This is an estimate of the likelihood of default over a given time horizon
- Exposure at default (EAD) – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as well as expected drawdowns on committed facilities
- Loss given default (LGD) – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying lifetime PD by LGD and EAD.

Loans and bills receivable that are collectively assessed are grouped on the basis of shared credit risk characteristics such as account loan type, industry, geographical location of the borrower, collateral type and other relevant factors.

All key inputs (PD, LGD and EAD) used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on three macroeconomic scenarios (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

The three macroeconomic scenarios represent a most likely "Base" outcome, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macroeconomic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to reflect current economic situations.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for the lifetime period, reverting to long-run averages generally after 3 to 5 year periods. Depending on their usage in the models, macroeconomic variables are projected at a country or more granular level which differ by portfolio. The primary macroeconomic variables adopted are Gross Domestic Product, Unemployment rate, Property Price Index and Interest rate.

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout Group's expected credit loss calculations.

The Group considers a financial asset to be in default by assessing both quantitative and qualitative criteria such as days past due and the terms of financial covenants. A default occurs when the borrower or bond issuer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or when the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Financial assets are written off against their related impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

2.12.4 Movement Between Stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial recognition.

In accordance with SFRS(I) 9, financial assets are classified in Stage 2 where there is a significant increase in credit risk since initial recognition, where the credit loss allowance will be measured using lifetime ECL.

The Group considers both qualitative and quantitative parameters in the assessment of whether this is a significant increase in credit risk. These include the following:

(a) The Group has established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
(b) The Group conducts qualitative assessment to ascertain if there has been significant increase in credit risk.
(c) The Group uses days past due as a further indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under SFRS(I) 9 will be based on objective evidence of impairment.

The assessments for a significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. A modification of the terms of a financial asset that does not result in derecognition will result in the financial asset being transferred out of Stage 3 if the indicators of it being identified as credit-impaired is no longer met and that the evidence for its transfer out of Stage 3 solely relates to events such as up-to-date and timely payment occurring in the subsequent periods.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.12 Impairment of Assets (continued)

(I) Financial Assets (continued)

2.12.4 Movement Between Stages (continued)

If a modified financial asset results in derecognition, the new financial asset will be recognised under Stage 1, unless it is assessed to be credit-impaired at time of the modification.

2.12.5 Regulatory Framework

Under MAS 612 requirement, the Group is required to maintain a minimum regulatory loss allowance (MRLA) of 1% of the gross carrying amount of selected credit exposures, net of collateral. Where the accounting loss allowance of selected non credit-impaired exposures computed under SFRS(I) 9 is less than the MRLA, the Group shall maintain the difference in a non-distributable regulatory loss allowance reserve (RLAR) account through the appropriation of revenue reserves to meet the minimum 1% amount. Where the aggregated accounting loss allowance and RLAR exceeds the MRLA, the Group may transfer the excess amount in the RLAR to revenue reserves.

(II) Other Assets

2.12.6 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.

2.12.7 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 amount of an asset may not be recoverable. If such an indication exists, the carrying amount 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 amount 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. A loss allowance is measured at an amount equal to lifetime expected credit losses, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criterion for financial assets has been met.

2.14 Financial Liabilities

A non-derivative financial liability is initially recognised at fair value less transaction costs and is subsequently measured at amortised cost using the effective interest method except where it is designated as FVTPL.

For financial liabilities designated at fair value, gains and losses arising from changes in fair value are recognised in the net trading income line in the income statement except for changes in fair value attributable to the Group's own credit risk where it is presented directly within other comprehensive income. Amounts recorded in OCI related to this credit risk are not subject to recycling in profit or loss, but are transferred to unappropriated profit when realised. Financial liabilities are held at fair value through profit or loss 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 otherwise 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 agent's agreement. The deferred/retirement benefit accumulated at the balance sheet date includes accrued interest.

2. Summary of Significant Accounting Policies (continued)

2.15 Provisions and Other Liabilities (continued)

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life insurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life insurance 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 GEH, has accepted significant insurance risk from 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 expired.

For the purpose of SFRS(I) 4 *Insurance Contracts*, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at inception of the insurance contract. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

Certain subsidiaries within the Group, primarily GEH 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 insurance contract liabilities, comprising
   - Participating Fund contract liabilities;
   - Non-participating Fund contract liabilities; and
   - Investment-linked Fund contract liabilities.

(b) Non-life insurance contract liabilities

(c) Reinsurance contracts

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

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Life Insurance Contract Liabilities (continued)

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

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

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

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from 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.

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 amount 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 in accordance with the terms and conditions of the insurance contracts.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Life Insurance Contract Liabilities (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 cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cash flows discounted using the interest rate outlined under 'Interest rate' item (i) below.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) Guaranteed cash flows discounted using Malaysia Government Securities (MGS) zero coupon spot yields (as outlined below).
Interest rate [(1)]	(i) Singapore Government Securities (SGS) zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate (LTRFDR) for cash flows between 15 and 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For Universal Life policies denominated in US Dollar: a) Observable market yields of US Treasury Yield Curve Rates for cash flows up to year 30; b) Ultimate forward rate (UFR) of 3.5% applicable for cash flows beyond 60 years; and c) Extrapolated yields in between. *Data source: Bloomberg*	Malaysia Government Securities yields determined based on the following: (i) For cash flows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. *Data source: Bond Pricing Agency Malaysia*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [(1)]	Participating Fund: (i) Best estimates for Gross Premium Valuation method (ii); (ii) Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method (iii). Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus provision for adverse deviation (PAD). *Data source: Internal experience studies*	Participating Fund: (i) Best estimates for Gross Premium Valuation method (i); (ii) Best estimates plus provision for risk of adverse deviation (PRAD) for Gross Premium Valuation method (ii). Non-participating and Non-unit reserves of Investment-linked Fund: Best estimates plus provision for risk of adverse deviation (PRAD). *Data source: Internal experience studies*

(1) *Refer to Note 2.24 on Critical Accounting Estimates and Judgements.*

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Non-Life Insurance Contract Liabilities

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

Non-life insurance contract liabilities include premium liabilities and claim liabilities.

Claim Liabilities

Claim liabilities 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 recoveries. 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 claim projection techniques based on empirical data and 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 valuation of non-life insurance claim liabilities at the balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. The provision for adverse deviation is set at 75% level of sufficiency for Singapore, Malaysia and Indonesia. The valuation methods used include the Paid and Incurred Loss Development methods (also known as the Link Ratio methods), the Paid and Incurred Bornhuetter-Ferguson methods and the Expected Loss Ratio Method. For Singapore and Malaysia, the claim liabilities are not discounted for the time value of money. However, for Indonesia, the claim liabilities are discounted for the time value of money as per preacquisition practice. Discounting is expected to be applied consistently in line with the implementation of SFRS(I) 17. No provision for equalisation or catastrophe reserves is recognised.

Premium Liabilities

Premium liabilities are the provision of unearned premiums representing 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. Further provisions are made if expected future cash flow of unexpired insurance contracts exceed the unearned premiums of these contracts.

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 Share Capital and Dividend

Ordinary shares, non-cumulative non-convertible preference shares and perpetual capital securities are classified as equity on the balance sheet.

Incremental costs directly attributable to the issue of new capital securities are shown in equity as a deduction from the proceeds.

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)

2.18 Leases

Policy Applicable Before 1 January 2019

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.

Policy Applicable From 1 January 2019

2.18.1 As Lessee

At the inception of a contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-Use Assets

The Group recognises a ROU asset and lease liability at the date which the underlying asset is available for use. ROU assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the ROU assets.

These ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

ROU assets are presented within "Property, plant and equipment".

Lease Liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease liability is subsequently measured at amortised cost using the effective interest method. Lease liability shall be remeasured when there is modification in the scope or the consideration of the lease that was not part of the original term.

Short Term Leases and Low-Value Assets

The Group has elected to not recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.18.2 As Lessor

The accounting policy applicable to the Group as a lessor in the comparative period were the same as that under SFRS(I) 16.

Rental income on tenanted areas of the buildings owned by the Group is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2.19 Recognition of Income and Expense

2.19.1 Interest Income and Expense

Interest income or expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.19.2 Premiums and Commissions from Insurance Business

Life Insurance Business

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. 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.

Non-Life Insurance Business

Premiums from the non-life insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the balance sheet date are adjusted through the movement in premium liabilities. Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.19 Recognition of Income and Expense (continued)

2.19.2 Premiums and Commissions from Insurance Business (continued)

Non-Life Insurance Business (continued)

Premiums ceded out and the corresponding commission income from non-life 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.

2.19.3 Fees and Commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Group has satisfied its performance obligations in providing the services to the customer. Transaction based 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.

2.19.4 Dividends

Dividends from equity securities, subsidiaries and associates are recognised when the right to receive payment is established.

2.19.5 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 OCI in the period in which they arise.

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

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

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

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

2.20 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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

2. Summary of Significant Accounting Policies (continued)

2.20 Income Tax Expense (continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2.23 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.

2.24 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.

2.24.1 Impairment of Financial Assets

In determining whether the credit risk of the Group's financial exposures has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is readily available without undue cost or effort. This includes both quantitative and qualitative information such as the Group's historical credit assessment experience and available forward-looking information. ECL estimates are produced for all relevant instruments based on probability-weighted forward-looking economic scenarios. The measurement of ECL is primarily calculated based on the probability of default, loss given default and exposure at default. These are parameters derived from internal rating models adjusted by forward-looking information. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. Given that SFRS(I) 9 requirements are relatively recent, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement.

2.24.2 Fair Value Estimation

Fair value is derived from quoted market prices or valuation techniques which maximise the use of relevant observable inputs and minimise the use of unobservable inputs. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of Significant Accounting Policies (continued)

2.24 Critical Accounting Estimates and Judgements (continued)

2.24.3 Liabilities of Insurance Business

The estimation of the ultimate liabilities arising from claims made under life and non-life 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.

Life Insurance Contracts

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

Non-Life Insurance Contracts

For non-life 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 insurance subsidiaries' 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.

2.24.4 Impairment of Goodwill and Intangible Assets

The Group performs an annual review of the carrying amount 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 banking CGUs are determined based on the present value of estimated future cash flows expected to arise from the respective CGUs' continuing operations. The recoverable amount of insurance CGU is determined using the appraisal value method. Management exercises its judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

2.24.5 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 income tax liabilities. 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 balances in the period in which the determination is made.

2.24.6 Insurance Contract Classification

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

3. Net Interest Income

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest income				
Loans to non-bank customers	**9,086,228**	8,195,095	**5,119,462**	4,418,527
Placements with and loans to banks	**1,503,052**	1,558,672	**1,441,122**	1,416,910
Other interest-earning assets	**1,508,382**	1,295,511	**675,520**	620,465
	12,097,662	11,049,278	**7,236,104**	6,455,902
Interest expense				
Deposits of non-bank customers	**(4,807,024)**	(4,169,140)	**(2,495,744)**	(2,123,358)
Deposits and balances of banks	**(191,633)**	(182,513)	**(452,819)**	(346,835)
Other borrowings	**(767,760)**	(807,515)	**(696,988)**	(789,233)
	(5,766,417)	(5,159,168)	**(3,645,551)**	(3,259,426)
Analysed by classification of financial instruments				
Income – Assets at amortised cost	**10,175,178**	9,241,688	**6,280,114**	5,562,889
Income – Assets at FVOCI	**1,528,131**	1,424,795	**662,277**	593,696
Income – Assets mandatorily measured at FVTPL	**394,353**	382,795	**293,713**	299,317
Expense – Liabilities not at fair value through profit or loss	**(5,760,556)**	(5,139,107)	**(3,639,742)**	(3,239,445)
Expense – Liabilities mandatorily measured at FVTPL	**(5,861)**	(20,061)	**(5,809)**	(19,981)
Net interest income	**6,331,245**	5,890,110	**3,590,553**	3,196,476

Included in interest income were interest of $53.3 million (2018: $33.7 million) and $45.7 million (2018: $25.7 million) on impaired assets for the Group and Bank respectively.

The Group's and Bank's interest expenses on lease liabilities were not significant for the financial year ended 31 December 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2019

4. Profit from Life Insurance

	GROUP	
	2019 $ million	2018 $ million
Income		
Annual	**7,372.0**	6,720.5
Single	**4,041.1**	5,220.9
Gross premiums	**11,413.1**	11,941.4
Reinsurance	**(448.0)**	(267.8)
Premium income (net)	**10,965.1**	11,673.6
Investment income (net)	**6,911.4**	69.0
Total income	**17,876.5**	11,742.6
Expenses		
Gross claims, surrenders and annuities	**(6,636.5)**	(6,430.5)
Claims, surrenders and annuities recovered from reinsurers	**232.1**	164.9
Net claims, surrenders and annuities	**(6,404.4)**	(6,265.6)
Change in life insurance contract liabilities (Note 22)	**(8,556.7)**	(3,183.4)
Commission and agency expenses	**(1,061.8)**	(957.1)
Depreciation – property, plant and equipment (Note 35)	**(65.1)**	(50.7)
Other expenses	**(934.0)**	(494.7)
Total expenses	**(17,022.0)**	(10,951.5)
Surplus from operations	**854.5**	791.1
Share of results of associates	**(0.3)**	(0.5)
Income tax expense	**(74.9)**	(50.9)
Profit from life insurance	**779.3**	739.7

Profit from life insurance 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 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Gross fee and commission income				
Brokerage	**81,852**	104,654	**876**	296
Credit card	**347,880**	350,755	**297,525**	275,413
Fund management	**114,729**	113,026	**985**	41
Guarantees	**16,380**	17,664	**6,879**	9,415
Investment banking	**105,624**	102,010	**89,638**	84,978
Loan-related	**307,158**	300,425	**230,897**	224,462
Service charges	**99,148**	100,154	**73,545**	78,312
Trade-related and remittances	**254,111**	238,778	**179,621**	171,209
Wealth management	**1,035,823**	958,453	**291,722**	236,213
Others	**44,274**	40,541	**6,920**	5,026
	2,406,979	2,326,460	**1,178,608**	1,085,365
Fee and commission expense	**(284,062)**	(295,533)	**(160,716)**	(142,605)
Fees and commissions (net)	**2,122,917**	2,030,927	**1,017,892**	942,760

6. Dividends

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Subsidiaries	**–**	–	**913,982**	1,369,198
Associates	**–**	–	**86,235**	25,317
FVTPL securities	**49,362**	39,114	**29,139**	18,477
FVOCI securities	**42,749**	88,450	**2,448**	1,449
	92,111	127,564	**1,031,804**	1,414,441

7. Other Income

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Foreign exchange [(1)]	**463,412**	542,933	**123,140**	193,557
Hedging activities [(2)]				
Hedging instruments	**(92,729)**	(194,394)	**(45,525)**	(185,547)
Hedged items	**95,239**	193,259	**47,578**	183,933
Net gain/(loss) from fair value hedge ineffectiveness	**2,510**	(1,135)	**2,053**	(1,614)
Net gain/(loss) from interest rate and other derivative financial instruments [(3)]	**(82,664)**	299,022	**(126,995)**	249,944
Net gain/(loss) from non-derivative financial instruments [(4)]	**591,807**	(333,391)	**290,315**	(243,573)
Others	**1,502**	277	**910**	31
Net trading income	**976,567**	507,706	**289,423**	198,345
Disposal of debt securities classified as FVOCI	**171,541**	16,256	**72,617**	10,754
Disposal of interests in subsidiaries and associate	**757**	7,982	**6,566**	262,338
Disposal of plant and equipment	**(680)**	(817)	**(305)**	(652)
Disposal of property	**82,669**	46,608	**74,098**	41,321
Property-related income	**11,024**	11,190	**305**	362
Others	**27,255**	72,588	**33,716**	36,238
	1,269,133	661,513	**476,420**	548,706

(1) *"Foreign exchange" includes gains and losses from spot and forward contracts and translation of foreign currency denominated 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) *"Net gain/(loss) from financial instruments" include trading gains and losses from fair value financial instruments which are either designated at initial recognition or mandatorily measured at FVTPL.*

Notes to the Financial Statements

For the financial year ended 31 December 2019

8. Staff Costs and Other Operating Expenses

		GROUP		BANK	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
8.1	**Staff Costs**				
	Salaries and other costs	**2,553,596**	2,337,643	**883,165**	819,426
	Share-based expenses	**68,691**	65,068	**25,650**	26,885
	Contribution to defined contribution plans	**201,840**	188,594	**77,607**	70,026
		2,824,127	2,591,305	**986,422**	916,337
	Directors' emoluments:				
	Remuneration of Bank's directors	**10,462**	9,777	**10,285**	9,607
	Fees of Bank's directors [(1)]	**5,333**	5,149	**3,827**	3,805
		15,795	14,926	**14,112**	13,412
	Total staff costs	**2,839,922**	2,606,231	**1,000,534**	929,749
8.2	**Other Operating Expenses**				
	Property and equipment: [(2)]				
	Depreciation	**396,749**	316,644	**168,982**	142,778
	Maintenance and hire [(3)]	**135,657**	124,029	**40,104**	39,675
	Rental expenses [(3)]	**24,249**	99,976	**60,657**	85,987
	Others	**301,280**	270,912	**138,766**	118,103
		857,935	811,561	**408,509**	386,543
	Auditors' remuneration:				
	Payable to auditors of the Bank	**3,862**	3,803	**2,739**	2,891
	Payable to associated firms of auditors of the Bank	**3,157**	3,001	**396**	381
	Payable to other auditors	**1,673**	1,397	**38**	62
		8,692	8,201	**3,173**	3,334
	Other fees:				
	Payable to auditors of the Bank [(4)]	**2,020**	2,817	**365**	1,660
	Payable to associated firms of auditors of the Bank	**646**	733	**241**	191
		2,666	3,550	**606**	1,851
	Hub processing charges	**–**	–	**252,779**	229,425
	General insurance claims	**106,985**	91,520	**–**	–
	Others [(5)]	**828,002**	693,202	**433,694**	356,456
		934,987	784,722	**686,473**	585,881
	Total other operating expenses	**1,804,280**	1,608,034	**1,098,761**	977,609
8.3	**Staff Costs and Other Operating Expenses**	**4,644,202**	4,214,265	**2,099,295**	1,907,358

(1) Includes remuneration shares amounting to $0.7 million (2018: $0.7 million) issued to directors.

(2) Direct operating expenses on leased investment property for the Group and the Bank amounted to $15.8 million (2018: $19.1 million) and $4.1 million (2018: $3.0 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1.0 million (2018: $0.6 million) and $0.4 million (2018: $0.3 million) respectively.

(3) Includes expenses relating to short-term leases of $28.7 million and $13.5 million for the Group and the Bank respectively, and low-value assets of $6.2 million and $0.7 million for the Group and the Bank respectively.

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

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

9. Allowances for Loans and Other Assets

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Allowances/(write-back):				
Impaired loans (Note 28)	**855,785**	396,963	**593,151**	267,226
Impaired other assets	**1,992**	5,089	**2,960**	36,907
Non-impaired loans	**39,435**	(90,127)	**13**	(120,208)
Non-impaired other assets	**(6,860)**	(24,412)	**(501)**	(29,422)
Allowances for loans and other assets	**890,352**	287,513	**595,623**	154,503

10. Income Tax Expense

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current tax expense	**829,252**	756,634	**342,608**	313,973
Deferred tax (credit)/expense (Note 20)	**(2,627)**	132,108	**57,685**	117,750
	826,625	888,742	**400,293**	431,723
Over provision in prior years	**(48,329)**	(11,558)	**(24,759)**	(14,027)
Charge to income statements	**778,296**	877,184	**375,534**	417,696

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

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Operating profit after allowances and amortisation	**5,233,794**	5,096,947	**3,481,606**	4,094,399
Prima facie tax calculated at tax rate of 17%	**889,745**	866,481	**591,873**	696,048
Effect of:				
Different tax rates in other countries	**104,719**	125,980	**21,069**	43,666
Income not subject to tax	**(37,491)**	(36,434)	**(180,847)**	(308,237)
Income taxed at concessionary rates	**(87,798)**	(76,241)	**(70,070)**	(47,239)
Singapore life insurance funds	**(65,745)**	(48,852)	**–**	–
Non-deductible expenses and losses	**35,358**	20,432	**20,555**	2,982
Others	**(12,163)**	37,376	**17,713**	44,503
	826,625	888,742	**400,293**	431,723
The deferred tax expense/(credit) comprised:				
Accelerated tax depreciation	**5,053**	(6,972)	**7,918**	(3,327)
Depreciable assets acquired in business combinations	**(16,308)**	(10,313)	**(7,464)**	(1,873)
Tax losses	**4,287**	(2,082)	**9,816**	(2,076)
Unrealised (losses)/gains on financial assets	**(7,522)**	49,597	**(11,140)**	11,747
Write-back on allowances for assets	**1,989**	103,255	**50,178**	114,888
Other temporary differences	**9,874**	(1,377)	**8,377**	(1,609)
	(2,627)	132,108	**57,685**	117,750

Notes to the Financial Statements

For the financial year ended 31 December 2019

11. Earnings Per Share

	GROUP	
	2019	2018
$'000		
Profit attributable to ordinary equity holders of the Bank	**4,869,379**	4,491,994
Perpetual capital securities distributions declared in respect of the period	**(59,000)**	(19,000)
Profit attributable to ordinary equity holders of the Bank after other equity distributions	**4,810,379**	4,472,994
Weighted average number of ordinary shares ('000)		
For basic earnings per share	**4,306,827**	4,203,163
Adjustment for assumed conversion of share options and acquisition rights	**4,341**	7,978
For diluted earnings per share	**4,311,168**	4,211,141
Earnings per share ($)		
Basic	**1.12**	1.06
Diluted	**1.12**	1.06

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

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

12. Unappropriated Profit

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit attributable to equity holders of the Bank	**4,869,379**	4,491,994	**3,106,072**	3,676,703
Add:				
Unappropriated profit at 1 January	**23,440,253**	21,881,219	**12,212,957**	11,707,040
Effect of adopting SFRS(I) 9	**–**	(13,643)	**–**	(114,617)
Adjusted unappropriated profit at 1 January	**23,440,253**	21,867,576	**12,212,957**	11,592,423
Total amount available for appropriation	**28,309,632**	26,359,570	**15,319,029**	15,269,126
Appropriated as follows:				
Ordinary dividends:				
2017 final tax exempt dividend of 19 cents	**–**	(795,577)	**–**	(795,577)
2018 interim tax exempt dividend of 20 cents	**–**	(838,186)	**–**	(838,186)
2018 final tax exempt dividend of 23 cents	**(978,127)**	–	**(978,127)**	–
2019 interim tax exempt dividend of 25 cents	**(1,079,392)**	–	**(1,079,392)**	–
Distributions for other equity instruments:				
3.8% perpetual capital securities	**(19,000)**	(19,000)	**(19,000)**	(19,000)
4.0% perpetual capital securities	**(40,000)**	–	**(40,000)**	–
Transfer (to)/from:				
Capital reserves (Note 15)	**(345,422)**	(222,110)	**(340,000)**	(410,954)
Fair value reserves	**(77,607)**	(41,599)	**9,661**	2,360
General reserves (Note 16.1)	**6,979**	13,436	**6,979**	5,171
Defined benefit plans remeasurements	**(709)**	5,096	**(83)**	17
Redemption of preference shares	**–**	(1,000,000)	**–**	(1,000,000)
Others	**(1,070)**	(21,377)	**–**	–
	(2,534,348)	(2,919,317)	**(2,439,962)**	(3,056,169)
At 31 December (Note 16)	**25,775,284**	23,440,253	**12,879,067**	12,212,957

At the annual general meeting to be held, a final tax exempt dividend of 28 cents per ordinary share in respect of the financial year ended 31 December 2019, totalling $1,232.3 million, will be proposed. The dividends will be accounted for as a distribution in the 2020 financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2019

13. Share Capital

13.1 Share Capital

GROUP AND BANK	2019 Shares ('000)	2018 Shares ('000)
Ordinary shares		
At 1 January	**4,256,770**	4,193,784
Shares issued in lieu of ordinary dividends	**151,770**	62,933
Shares issued to non-executive directors	**54**	53
At 31 December	**4,408,594**	4,256,770
Treasury shares		
At 1 January	**(6,739)**	(7,071)
Share buyback	**(17,130)**	(17,225)
Share Option Schemes	**3,127**	4,553
Share Purchase Plan	**5,635**	7,635
Shares sold for cash	**–**	47
Treasury shares transferred to DSP Trust	**7,523**	5,322
At 31 December	**(7,584)**	(6,739)
Preference shares		
Class M		
At 1 January	**–**	1,000,000
Redemption of preference shares	**–**	(1,000,000)
At 31 December	**–**	–

GROUP AND BANK	2019 $'000	2018 $'000
Issued share capital, at 31 December	**17,261,345**	15,750,417

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.

The issued ordinary shares qualify as Common Equity Tier 1 capital for the Group, while the Class M non-cumulative non-convertible preference shares qualify as Additional Tier 1 capital for the Group. The 4.0% Class M non-cumulative non-convertible preference shares were fully redeemed by the Bank on 17 January 2018.

All issued shares were fully paid.

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2019 and 31 December 2018.

13. Share Capital (continued)

13.2 Share Option Scheme

For the financial year ended 31 December 2019, there was no options granted under the OCBC Share Option Scheme 2001.

For the financial year ended 31 December 2018, the Bank granted options to acquire 6,868,764 ordinary shares, including options granted to an executive director of the Bank to acquire 409,643 ordinary shares in the Bank. The fair value of options granted, determined using the binomial valuation model, was $16.9 million. Significant inputs to the valuation model are set out below:

	2018
Acquisition price ($)	13.34
Share price ($)	13.73
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	17.29
Risk-free rate based on SGS bond yield at acceptance date (%)	2.54
Expected dividend yield (%)	2.62
Exercise multiple (times)	1.52
Option life (years)	10

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

	2019		2018	
	Number of shares under options	Average price	Number of shares under options	Average price
At 1 January	**38,622,528**	**$10.067**	36,584,962	$9.323
Granted and accepted	**–**	**–**	6,868,764	$13.340
Exercised	**(3,141,516)**	**$8.588**	(4,573,422)	$8.939
Forfeited/lapsed	**(327,277)**	**$11.702**	(257,776)	$11.814
At 31 December	**35,153,735**	**$10.183**	38,622,528	$10.067
Exercisable options at 31 December	**27,726,440**	**$9.754**	22,698,061	$9.400
Average share price underlying the options exercised		**$11.344**		$12.956

At 31 December 2019, the weighted average remaining contractual life of outstanding share options was 5.8 years (2018: 6.7 years). The aggregate number of shares under outstanding options held by an executive director of the Bank was 5,034,060 (2018: 5,034,060).

Notes to the Financial Statements

For the financial year ended 31 December 2019

13. Share Capital (continued)

13.3 Employee Share Purchase Plan

In June 2019, the Bank launched its fourteenth offering of ESP Plan for Group employees, which commenced on 1 July 2019 and expire on 30 June 2021. Under the offering, the Bank granted rights to acquire 8,905,273 (2018: 8,051,064) ordinary shares in the Bank, including rights granted to an executive director of the Bank to acquire 3,180 (2018: 3,103) ordinary shares in the Bank. The fair value of rights, determined using the binomial valuation model was $7.4 million (2018: $12.2 million). Significant inputs to the valuation model are set out below:

	2019	2018
Acquisition price ($)	**11.32**	11.60
Share price ($)	**10.78**	12.13
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**17.57**	18.45
Risk-free rate based on 2-year swap rate (%)	**1.72**	1.96
Expected dividend yield (%)	**3.62**	2.97

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

	2019		2018	
	Number of acquisition rights	Average price	Number of acquisition rights	Average price
At 1 January	**13,371,082**	**$11.233**	14,584,083	$9.576
Exercised and conversion upon expiry	**(5,635,288)**	**$10.773**	(7,635,418)	$8.568
Forfeited	**(2,316,085)**	**$11.409**	(1,628,647)	$10.704
Subscription	**8,905,273**	**$11.320**	8,051,064	$11.600
At 31 December	**14,324,982**	**$11.439**	13,371,082	$11.233
Average share price underlying acquisition rights exercised/converted		**$11.539**		$11.568

At 31 December 2019, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2018: 1.1 years). There were 6,283 (2018: 6,445) rights held by an executive director of the Bank.

13.4 Deferred Share Plan

Total awards of 8,506,920 (2018: 5,924,046) ordinary shares, which included 339,880 (2018: 189,135) ordinary shares to an executive director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2019. The fair value of the shares at grant date was $96.2 million (2018: $78.7 million).

During the year, 6,430,261 (2018: 6,509,474) deferred shares were released to employees, of which 295,494 (2018: 309,912) deferred shares were released to an executive director of the Bank who held office as at the end of the financial year. At 31 December 2019, an executive director of the Bank had deemed interest in 684,933 (2018: 608,866) deferred shares.

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

The accounting treatment of share-based compensation plan is set out in Note 2.19.5.

14. Other Equity Instruments

		GROUP AND BANK	
	Note	2019 $'000	2018 $'000
SGD500 million 3.8% non-cumulative non-convertible perpetual capital securities (3.8% Capital Securities)	(a)	**499,143**	499,143
SGD1,000 million 4.0% non-cumulative non-convertible perpetual capital securities (4.0% Capital Securities)	(b)	**997,831**	997,831
		1,496,974	1,496,974

(a) The 3.8% Capital Securities issued by the Bank on 25 August 2015 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore (MAS) Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore (MAS Notice 637) on the basis that the Bank is subject to the application of MAS Notice 637.

The 3.8% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on or after 25 August 2020 (First Reset Date). Their terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2020, the 3.8% Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The 3.8% Capital Securities bear a fixed distribution rate of 3.8% per annum from the issue date to the First Reset Date and will be reset every 5 years thereafter to a fixed rate equal to the then-prevailing 5-year SGD Swap Offer Rate plus 1.51%. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in February and August, unless cancelled by the Bank at its option. The 3.8% Capital Securities constitute unsecured and subordinated obligations, ranking senior only to shareholders of the Bank.

(b) The 4.0% Capital Securities issued by the Bank on 24 August 2018 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 4.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank: (i) on 24 August 2023 (the First Reset Date) or any distribution payment date falling after the First Reset Date; (ii) upon the occurrence of a tax event; or (iii) if the 4.0% Capital Securities would no longer qualify as eligible capital. The terms of the 4.0% Capital Securities may also be varied, subject to MAS approval, so that the 4.0% Capital Securities remain as Additional Tier 1 capital of the Bank. If the Bank is determined by the MAS to be non-viable, the 4.0% Capital Securities will be written off in whole or in part.

The 4.0% Capital Securities pay distributions to holders semi-annually in arrear in February and August at a fixed rate of 4.0% per annum from the issue date to the First Reset Date. If the 4.0% Capital Securities are not redeemed on the First Reset Date, the distribution rate will be reset on the First Reset Date and every five years thereafter to a fixed rate per annum equal to the aggregate of the then-prevailing five-year SGD Swap Offer Rate and the initial spread of 1.811%. Distributions may be cancelled by the Bank at its sole discretion, subject to the provisions of the 4.0% Capital Securities. The Bank is also not obliged to pay distributions to holders under certain circumstances. Any distributions which are not paid, in accordance with the terms and conditions of the 4.0% Capital Securities, are non-cumulative and will not compound.

Notes to the Financial Statements

For the financial year ended 31 December 2019

15. Capital Reserves

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**930,432**	361,443	**638,887**	98,794
Effect of adopting SFRS(I) 9 and revised MAS 612	**–**	353,667	**–**	122,855
Adjusted balance at 1 January	**930,432**	715,110	**638,887**	221,649
Share-based payments for staff costs	**15,138**	19,883	**15,138**	19,883
Shares transferred to DSP Trust	**(99,391)**	(76,048)	**–**	–
Shares vested under DSP Scheme	**69,912**	62,976	**–**	–
Transfer from unappropriated profit (Note 12)	**345,422**	222,110	**340,000**	410,954
Transfer to share capital	**(8,320)**	(13,599)	**(8,320)**	(13,599)
At 31 December	**1,253,193**	930,432	**985,705**	638,887

Capital reserves include regulatory loss allowance reserve and statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations. Capital reserves also include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

16. Revenue Reserves

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Unappropriated profit (Note 12)	**25,775,284**	23,440,253	**12,879,067**	12,212,957
General reserves	**1,335,350**	1,333,987	**1,385,930**	1,384,567
Cash flow hedge reserves	**(560)**	765	**(704)**	(322)
Currency translation reserves	**(873,550)**	(743,843)	**(117,257)**	(100,579)
Own credit reserves	**(4,803)**	(5,570)	**(4,803)**	(5,570)
At 31 December	**26,231,721**	24,025,592	**14,142,233**	13,491,053

16.1 General Reserves

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**1,333,987**	1,340,812	**1,384,567**	1,383,127
DSP reserve from dividends on unvested shares	**8,342**	6,611	**8,342**	6,611
Transfer to unappropriated profit (Note 12)	**(6,979)**	(13,436)	**(6,979)**	(5,171)
At 31 December	**1,335,350**	1,333,987	**1,385,930**	1,384,567

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.

16. Revenue Reserves (continued)

16.2 Cash Flow Hedge Reserves

The cash flow hedge reserves comprise the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow. The cash flow hedges principally consist of interest rate contracts that are used to hedge against the variability in cash flows of certain floating rate liabilities.

16.3 Currency Translation Reserves

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**(743,843)**	(542,492)	**(100,579)**	(73,192)
Movements for the year	**(177,846)**	(93,611)	**(17,520)**	(40,915)
Effective portion of hedge	**48,139**	(107,740)	**842**	13,528
At 31 December	**(873,550)**	(743,843)	**(117,257)**	(100,579)

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

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

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deposits of non-bank customers				
Current accounts	**89,023,826**	84,295,484	**44,545,996**	45,180,038
Savings deposits	**57,465,084**	52,795,875	**46,151,289**	42,832,452
Term deposits	**123,333,475**	124,865,986	**70,342,583**	67,170,566
Structured deposits	**5,655,788**	6,743,504	**2,176,845**	2,889,427
Certificates of deposit issued	**20,402,457**	21,615,824	**19,976,694**	21,250,681
Other deposits	**6,970,465**	5,095,376	**6,226,465**	4,276,846
	302,851,095	295,412,049	**189,419,872**	183,600,010
Deposits and balances of banks	**8,249,680**	7,576,453	**5,938,069**	6,350,256
	311,100,775	302,988,502	**195,357,941**	189,950,266

17.1 Deposits of Non-Bank Customers

Analysed by currency				
Singapore Dollar	**107,278,249**	105,327,557	**102,313,276**	100,313,074
US Dollar	**102,800,274**	91,035,834	**67,616,102**	60,217,704
Malaysian Ringgit	**22,826,569**	23,296,808	**–**	–
Indonesian Rupiah	**10,220,877**	9,473,599	**–**	–
Japanese Yen	**1,194,231**	1,462,544	**168,752**	520,314
Hong Kong Dollar	**25,905,568**	28,428,124	**3,990,333**	3,596,038
British Pound	**8,825,406**	10,181,650	**6,306,210**	7,945,937
Australian Dollar	**10,548,273**	11,382,188	**6,352,474**	6,876,510
Euro	**2,846,738**	2,961,727	**626,153**	893,839
Chinese Renminbi	**6,678,713**	7,673,803	**1,210,023**	2,127,261
Others	**3,726,197**	4,188,215	**836,549**	1,109,333
	302,851,095	295,412,049	**189,419,872**	183,600,010

17.2 Deposits and Balances of Banks

Analysed by currency				
Singapore Dollar	**800,618**	537,641	**798,108**	536,806
US Dollar	**4,286,596**	4,104,352	**3,581,757**	3,652,391
Malaysian Ringgit	**184,498**	217,903	**–**	–
Indonesian Rupiah	**273,018**	112,468	**–**	–
Japanese Yen	**34,606**	63,316	**28,886**	58,342
Hong Kong Dollar	**282,058**	649,064	**260,057**	570,431
British Pound	**23,905**	11,696	**16,049**	9,608
Australian Dollar	**516,082**	543,181	**476,486**	536,718
Euro	**287,343**	791,068	**285,953**	790,692
Chinese Renminbi	**1,105,005**	356,821	**40,120**	6,420
Others	**455,951**	188,943	**450,653**	188,848
	8,249,680	7,576,453	**5,938,069**	6,350,256

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.

	2019			2018		
GROUP ($'000)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives (FED)						
Forwards	**60,247,428**	**327,553**	**399,778**	67,791,872	628,144	611,112
Swaps	**315,598,950**	**2,343,589**	**2,482,731**	313,680,568	2,413,279	2,415,591
OTC options	**61,469,051**	**187,839**	**194,876**	76,699,359	827,480	812,528
	437,315,429	**2,858,981**	**3,077,385**	458,171,799	3,868,903	3,839,231
Interest rate derivatives (IRD)						
Swaps	**510,395,666**	**4,203,315**	**4,237,497**	540,403,026	2,859,510	2,803,691
OTC options	**3,484,976**	**19,508**	**40,456**	3,760,306	16,242	33,737
Exchange traded options	**754,298**	**147**	**100**	4,100,383	232	873
Exchange traded futures	**13,809,368**	**445**	**569**	18,691,993	961	4,949
	528,444,308	**4,223,415**	**4,278,622**	566,955,708	2,876,945	2,843,250
Equity derivatives						
Swaps	**3,196,383**	**63,991**	**131,509**	2,077,197	205,784	192,488
OTC options	**4,594,792**	**81,679**	**79,394**	3,944,941	168,952	141,448
Exchange traded futures	**285,598**	**1,720**	**308**	200,008	5	1,708
Others	**2,034**	**8**	**7**	35	4	–
	8,078,807	**147,398**	**211,218**	6,222,181	374,745	335,644
Credit derivatives						
Swaps – protection buyer	**2,411,820**	**6,882**	**40,450**	3,801,266	24,593	37,448
Swaps – protection seller	**2,053,489**	**39,805**	**6,882**	3,161,530	33,099	24,507
	4,465,309	**46,687**	**47,332**	6,962,796	57,692	61,955
Other derivatives						
Precious metals	**913,414**	**13,028**	**13,350**	309,751	5,094	5,781
OTC options	**4,795,940**	**58,965**	**58,965**	2,122,402	17,508	17,508
Futures	**10,150**	**197**	**–**	5,020	–	4
Commodity swaps	**12,562**	**646**	**13**	8,862	55	1,217
	5,732,066	**72,836**	**72,328**	2,446,035	22,657	24,510
Total	**984,035,919**	**7,349,317**	**7,686,885**	1,040,758,519	7,200,942	7,104,590
Included items designated for hedges:						
Fair value hedge – FED	**727,606**	**–**	**14,763**	–	–	–
Fair value and cash flow hedge – IRD	**13,975,763**	**88,272**	**115,468**	9,631,425	36,978	35,583
Hedge of net investments – FED	**3,118,955**	**42,000**	**198,347**	3,844,725	56,202	168,768
	17,822,324	**130,272**	**328,578**	13,476,150	93,180	204,351

For the fair value hedges, the carrying amount at 31 December 2019 relating to the assets and liabilities designated as hedged items were $7,994 million and $7,173 million (2018: $3,125 million and $5,829 million) respectively. The hedged items were mainly fixed rate debt securities held (financial assets) and debt securities issued (financial liabilities).

For the cash flow hedges, the carrying amount at 31 December 2019 relating to the assets and liabilities designated as hedged items were $2,017 million and $2,017 million (2018: $2,898 million and $2,898 million) respectively. The hedged items were mainly variable rate loans (financial assets) and deposits (financial liabilities).

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For the financial year ended 31 December 2019

18. Derivative Financial Instruments (continued)

BANK ($'000)	2019 Principal notional amount	2019 Derivative receivables	2019 Derivative payables	2018 Principal notional amount	2018 Derivative receivables	2018 Derivative payables
Foreign exchange derivatives (FED)						
Forwards	**36,561,307**	**176,836**	**246,930**	34,192,396	304,902	297,395
Swaps	**276,330,317**	**1,853,792**	**2,137,199**	280,808,610	1,905,954	1,911,588
OTC options	**7,867,641**	**51,428**	**59,289**	14,057,745	120,868	107,247
	320,759,265	**2,082,056**	**2,443,418**	329,058,751	2,331,724	2,316,230
Interest rate derivatives (IRD)						
Swaps	**434,510,184**	**4,110,881**	**4,083,246**	502,147,797	2,702,682	2,651,294
OTC options	**3,400,514**	**19,213**	**40,161**	3,677,500	15,961	33,372
Exchange traded options	**754,298**	**147**	**100**	4,100,382	232	873
Exchange traded futures	**13,110,346**	**372**	**542**	18,528,480	898	4,505
	451,775,342	**4,130,613**	**4,124,049**	528,454,159	2,719,773	2,690,044
Equity derivatives						
Swaps	**2,932,054**	**58,509**	**126,026**	2,005,364	201,925	188,629
OTC options	**1,067,194**	**11,194**	**8,910**	1,151,644	44,137	16,623
Exchange traded futures	**257,493**	**1,628**	**14**	200,004	–	1,620
Others	**2,034**	**8**	**7**	35	4	–
	4,258,775	**71,339**	**134,957**	3,357,047	246,066	206,872
Credit derivatives						
Swaps – protection buyer	**2,255,043**	**–**	**40,392**	3,594,253	526	37,446
Swaps – protection seller	**1,896,675**	**39,746**	**–**	2,956,791	33,099	440
	4,151,718	**39,746**	**40,392**	6,551,044	33,625	37,886
Other derivatives						
Precious metals	**34,323**	**25**	**548**	23,681	–	737
Total	**780,979,423**	**6,323,779**	**6,743,364**	867,444,682	5,331,188	5,251,769
Included items designated for hedges:						
Fair value hedge – FED	**3,476,395**	**41,213**	**190,056**	2,932,118	54,123	149,399
Fair value hedge – IRD	**9,710,920**	**87,737**	**57,652**	5,054,585	26,376	14,420
Hedge of net investments – FED	**284,481**	**787**	**20,148**	418,862	655	17,495
	13,471,796	**129,737**	**267,856**	8,405,565	81,154	181,314

18. Derivative Financial Instruments (continued)

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Derivative receivables:				
Analysed by counterparty				
Banks	**2,694,489**	2,922,337	**2,304,388**	2,122,679
Other financial institutions	**3,259,280**	3,210,477	**2,949,984**	2,563,907
Corporates	**1,121,223**	471,488	**1,014,181**	403,668
Individuals	**253,251**	542,700	**34,499**	186,994
Others	**21,074**	53,940	**20,727**	53,940
	7,349,317	7,200,942	**6,323,779**	5,331,188
Analysed by geography				
Singapore	**930,121**	1,042,006	**923,488**	1,004,997
Malaysia	**262,865**	264,104	**81,077**	45,885
Indonesia	**184,397**	78,361	**126,553**	24,113
Greater China	**913,029**	1,333,831	**449,588**	419,357
Other Asia Pacific	**443,796**	411,441	**377,698**	265,274
Rest of the World	**4,615,109**	4,071,199	**4,365,375**	3,571,562
	7,349,317	7,200,942	**6,323,779**	5,331,188

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

19. Other Liabilities

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Bills payable	**379,844**	321,970	**256,604**	238,385
Interest payable	**932,149**	913,634	**589,820**	500,602
Lease liabilities	**293,184**	–	**67,245**	–
Sundry creditors	**4,034,423**	3,419,950	**611,048**	600,353
Others	**1,304,979**	1,157,108	**561,153**	485,158
	6,944,579	5,812,662	**2,085,870**	1,824,498

At 31 December 2019, reinsurance liabilities and third-party interests in consolidated investment funds included in "Others" amounted to $51.7 million (2018: $38.6 million) and $27.9 million (2018: $27.6 million) respectively for the Group.

20. Deferred Tax

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**1,345,504**	1,372,617	**153,038**	(10,462)
Effect of adopting SFRS(I) 9	**–**	47,323	**–**	50,958
Adjusted balance at 1 January	**1,345,504**	1,419,940	**153,038**	40,496
Acquisitions	**(4,668)**	–	**–**	–
Currency translation and others	**(2,468)**	27,781	**(420)**	104
Net (credit)/charge to income statements (Note 10)	**(2,627)**	132,108	**57,685**	117,750
(Over)/under provision in prior years	**(438)**	429	**79**	(34)
Net charge/(credit) to equity	**160,047**	(115,074)	**6,863**	(5,278)
Net change in life insurance fund tax	**311,036**	(119,680)	**–**	–
At 31 December	**1,806,386**	1,345,504	**217,245**	153,038

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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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax liabilities				
Accelerated tax depreciation	**93,920**	87,632	**63,662**	55,762
Unrealised gains on investments	**336,925**	158,181	**19,061**	27,101
Depreciable assets acquired in business combination	**147,229**	164,377	**39,224**	46,688
Provision for policy liabilities	**1,181,330**	961,838	**–**	–
Regulatory loss allowance reserve	**129,149**	76,774	**129,149**	76,774
Others	**138,817**	142,893	**3,538**	211
	2,027,370	1,591,695	**254,634**	206,536
Amount offset against deferred tax assets	**(134,315)**	(140,679)	**(16,440)**	(25,193)
	1,893,055	1,451,016	**238,194**	181,343
Deferred tax assets				
Allowances for impairment of assets	**(111,953)**	(64,559)	**(11,451)**	(7,979)
Tax losses	**(10,627)**	(15,690)	**–**	(15,685)
Others	**(98,404)**	(165,942)	**(25,938)**	(29,834)
	(220,984)	(246,191)	**(37,389)**	(53,498)
Amount offset against deferred tax liabilities	**134,315**	140,679	**16,440**	25,193
	(86,669)	(105,512)	**(20,949)**	(28,305)
Net deferred tax liabilities/(assets)	**1,806,386**	1,345,504	**217,245**	153,038

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 2019, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to $64.5 million (2018: $45.4 million) for the Group, $12.9 million (2018: $8.4 million) for the Bank. These tax losses have no expiry date except for an amount of $52.0 million (2018: $29.0 million) which will expire between the years 2020 and 2028 (2018: 2019 and 2027).

21. Debt Issued

		GROUP		BANK	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Unsecured					
Subordinated debt	21.1	**1,797,204**	3,246,787	**1,397,304**	2,715,062
Fixed and floating rate notes	21.2	**4,502,113**	3,856,820	**3,861,199**	3,023,694
Commercial paper	21.3	**17,872,037**	18,155,297	**17,750,368**	18,059,731
Structured notes	21.4	**1,742,009**	1,482,821	**1,742,009**	1,482,821
		25,913,363	26,741,725	**24,750,880**	25,281,308
Secured					
Covered bonds	21.5	**3,474,900**	3,530,386	**3,474,900**	3,530,386
Total debt issued		**29,388,263**	30,272,111	**28,225,780**	28,811,694

21. Debt Issued (continued)

21.1 Subordinated Debt

	Note	Issue date	Maturity date	GROUP 2019 $'000	GROUP 2018 $'000
Issued by the Bank:					
USD1 billion 4.00% notes	(a)	15 Apr 2014	15 Oct 2024	–	1,354,191
USD1 billion 4.25% notes	(b)	19 Jun 2014	19 Jun 2024	**1,397,304**	1,360,871
				1,397,304	2,715,062
Issued by OCBC Bank (Malaysia) Berhad (OCBC Malaysia):					
MYR400 million 6.75% Innovative Tier 1 Capital Securities	(c)	17 Apr 2009	Not applicable	–	131,925
Issued by The Great Eastern Life Assurance Company Limited (GEL):					
SGD400 million 4.60% notes	(d)	19 Jan 2011	19 Jan 2026	**399,900**	399,800
Total subordinated debt				**1,797,204**	3,246,787

(a) The subordinated notes were redeemable in whole at the option of the Bank on 15 October 2019. They could be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest was 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 amount. The subordinated notes qualified as Tier 2 capital for the Group.

The subordinated notes were fully redeemed by the Bank on 15 October 2019.

(b) 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 amount. The subordinated notes qualify as Tier 2 capital for the Group.

(c) The Innovative Tier 1 (IT1) Capital Securities were redeemable in whole at the option of OCBC Malaysia on 17 April 2019 and each interest payment date thereafter. Interest was 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 Offered Rate plus 3.32% if the redemption option is not exercised. In addition, the IT1 Capital Securities were 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 qualified as Additional Tier 1 capital for the Group.

The Innovative Tier 1 (IT1) Capital Securities were fully redeemed by OCBC Malaysia on 17 April 2019.

(d) 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.

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21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes

	Note	Issue date	Maturity date	GROUP 2019 $'000	GROUP 2018 $'000
Issued by the Bank:					
AUD300 million floating rate notes	(a)	6 Mar 2015	6 Jun 2019	–	289,199
AUD300 million floating rate notes	(b)	17 Mar 2016	17 Mar 2020	**282,944**	289,119
AUD500 million floating rate notes	(c)	6 Oct 2017 – 6 Nov 2017	6 Oct 2020	**471,534**	481,898
AUD600 million floating rate notes	(d)	23 Apr 2018	23 Apr 2021	**565,689**	578,050
AUD500 million floating rate notes	(e)	6 Sep 2018	6 Sep 2021	**471,360**	481,661
AUD100 million floating rate notes	(f)	28 Nov 2018	24 Feb 2020	**94,318**	96,400
AUD200 million floating rate notes	(g)	8 Apr 2019	6 Apr 2020	**188,634**	–
AUD550 million floating rate notes	(h)	23 May 2019	23 May 2022	**518,393**	–
AUD500 million floating rate notes	(i)	5 Dec 2019	5 Dec 2022	**471,181**	–
CNY500 million 3.50% fixed rate notes	(k)	5 Feb 2013	5 Feb 2020	**96,556**	99,156
HKD1.403 billion 1.59% fixed rate notes	(l)	25 Sep 2017	25 Sep 2020	**242,817**	244,503
USD340 million floating rate notes	(j)	17 May 2018	17 May 2021	**457,773**	463,708
				3,861,199	3,023,694
Issued by OCBC NISP:					
IDR783 billion 8.25% fixed rate bonds	(m)	11 May 2016	11 May 2019	–	73,566
IDR300 billion 7.30% fixed rate bonds	(m)	22 Aug 2017	22 Aug 2019	–	28,174
IDR454 billion 7.70% fixed rate bonds	(n)	22 Aug 2017	22 Aug 2020	**44,010**	42,610
IDR175 billion 6.75% fixed rate bonds	(m)	12 Dec 2017	12 Dec 2019	–	16,428
IDR609 billion 7.20% fixed rate bonds	(n)	12 Dec 2017	12 Dec 2020	**59,019**	57,141
IDR525 billion 6.00% fixed rate bonds	(m)	11 Apr 2018	20 Apr 2019	–	49,306
IDR535 billion 6.90% fixed rate bonds	(n)	11 Apr 2018	10 Apr 2021	**47,952**	46,425
IDR655 billion 6.75% fixed rate bonds	(m)	6 Jul 2018	16 Jul 2019	–	61,408
IDR3 billion 7.25% fixed rate bonds	(n)	6 Jul 2018	6 Jul 2020	**291**	281
IDR342 billion 7.75% fixed rate bonds	(n)	6 Jul 2018	6 Jul 2021	**33,087**	32,014
				184,359	407,353
Issued by Pac Lease Berhad:					
MYR85 million 4.40% fixed rate notes	(k)	13 Nov 2018	13 May 2020	**27,969**	28,034
MYR80 million 3.80% fixed rate notes	(k)	23 Sep 2019	23 Mar 2021	**26,324**	–
MYR50 million 3.80% fixed rate notes	(k)	26 Sep 2019	26 Mar 2021	**16,453**	–
				70,746	28,034
Issued by OCBC Wing Hang Bank (China):					
CNY2 billion 4.06% fixed rate bonds	(l)	28 Nov 2018	28 Nov 2021	**385,809**	397,739
Total fixed and floating rate notes				**4,502,113**	3,856,820

(a) Interest was payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.81% per annum. The notes were fully redeemed on the maturity date.

(b) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 1.20% per annum.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.60% per annum.

(d) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.70% per annum.

(e) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.72% per annum.

21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes (continued)

(f) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.48% per annum.

(g) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.38% per annum.

(h) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.62% per annum.

(i) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.63% per annum.

(j) Interest is payable quarterly at the 3-month US Dollar London Interbank Offer Rate plus 0.45% per annum.

(k) Interest is payable semi-annually.

(l) Interest is payable annually.

(m) Interest was payable quarterly. The bonds were fully redeemed on their respective maturity dates.

(n) Interest is payable quarterly.

21.3 Commercial Paper

		GROUP	
	Note	2019 $'000	2018 $'000
Issued by the Bank	(a)	**17,750,368**	18,059,731
Issued by Pac Lease Berhad	(b)	**121,669**	95,566
Total commercial paper issued		**17,872,037**	18,155,297

(a) The Bank issued the commercial paper under its USD10 billion ECP programme and USD15 billion USCP programme. The notes outstanding as at 31 December 2019 (2018: 31 December 2018) were issued between 19 February 2019 (2018: 11 January 2018) and 20 December 2019 (2018: 17 December 2018), and mature between 3 January 2020 (2018: 3 January 2019) and 5 November 2020 (2018: 18 October 2019), yielding between 0.81% and 2.09% (2018: 0.42% and 3.01%).

(b) Pac Lease Berhad issued the commercial paper under its MYR1 billion 7-year CP/MTN programme. The notes outstanding as at 31 December 2019 (2018: 31 December 2018) were issued between 4 December 2019 (2018: 30 October 2018) and 19 December 2019 (2018: 26 December 2018), and mature between 3 January 2020 (2018: 4 January 2019) and 20 January 2020 (2018: 25 January 2019), with interest rate at 3.55% (2018: 3.90% to 4.10%).

21.4 Structured Notes

			GROUP	
	Issue date	Maturity date	2019 $'000	2018 $'000
Issued by the Bank:				
Credit linked notes	1 Oct 2012 – 23 Dec 2019	15 Jan 2020 – 15 Apr 2025	**1,093,913**	904,054
Fixed rate notes	9 Oct 2012 – 27 Dec 2012	9 Oct 2037 – 28 Dec 2037	**107,737**	109,166
Bond linked notes	12 Oct 2016 – 21 Nov 2019	5 Jun 2020 – 12 Nov 2027	**342,149**	336,680
Index linked notes	12 Feb 2018 – 15 Mar 2019	20 Feb 2020 – 30 Jul 2020	**59,696**	92,877
Fund linked notes	16 Jul 2018 – 14 Nov 2019	4 Mar 2021 – 16 May 2024	**38,847**	40,044
Participation notes	14 Jun 2019 – 17 Dec 2019	16 Jun 2020 – 16 Jul 2024	**99,667**	–
			1,742,009	1,482,821

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and were measured at amortised cost, except for $968.9 million (2018: $738.5 million) included under credit linked notes and $342.1 million (2018: $336.7 million) included under bond linked notes as at 31 December 2019 which were measured at fair value through profit or loss.

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21. Debt Issued (continued)

21.4 Structured Notes (continued)

In accordance with SFRS(I) 9, 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 or loss, and were included as part of the Group's derivatives in the financial statements.

21.5 Covered Bonds

			GROUP	
	Issue date	Maturity date	2019 $'000	2018 $'000
Issued by the Bank:				
EUR1 billion 0.25% fixed rate bonds	21 Mar 2017 – 5 Oct 2017	21 Mar 2022 – 5 Oct 2022	**1,510,330**	1,550,803
EUR500 million 0.375% fixed rate bonds	1 Mar 2018	1 Mar 2023	**759,470**	778,013
EUR500 million 0.625% fixed rate bonds	18 Apr 2018	18 Apr 2025	**763,716**	769,489
GBP250 million floating rate bonds	14 Mar 2018	14 Mar 2023	**441,384**	432,081
			3,474,900	3,530,386

The covered bonds were issued by the Bank under its USD10 billion Global Covered Bond Programme. The Covered Bond Guarantor, Red Sail Pte. Ltd., guarantees the payments of interest and principal. The guarantee is secured by a portfolio of Singapore home loans transferred from OCBC Bank to Red Sail Pte. Ltd. (Note 46.2). Interest is payable annually in arrears.

21.6 Reconciliation of Movements of Liabilities to Cash Flow Arising from Financing Activities

GROUP ($'000)	Subordinated debt	Fixed and floating rate notes	Commercial paper	Structured notes	Covered bonds	Total
At 1 January 2018	4,556,224	3,424,298	21,380,796	1,289,133	1,584,295	32,234,746
Cash flows	(1,314,217)	551,435	(3,428,339)	179,917	2,062,413	(1,948,791)
Non-cash changes						
Currency translation	32,686	(210,191)	43,008	8,191	55,247	(71,059)
Others	(27,906)	91,278	159,832	5,580	(171,569)	57,215
At 31 December 2018/1 January 2019	**3,246,787**	**3,856,820**	**18,155,297**	**1,482,821**	**3,530,386**	**30,272,111**
Cash flows	**(1,503,534)**	**703,385**	**(241,124)**	**233,648**	**–**	**(807,625)**
Non-cash changes						
Currency translation	**(11,011)**	**(58,973)**	**(188,348)**	**26,034**	**(22,917)**	**(255,215)**
Others	**64,962**	**881**	**146,212**	**(494)**	**(32,569)**	**178,992**
At 31 December 2019	**1,797,204**	**4,502,113**	**17,872,037**	**1,742,009**	**3,474,900**	**29,388,263**

22. Life Insurance Fund Liabilities and Investment Assets

	GROUP	
	2019 $ million	2018 $ million
Life insurance fund liabilities		
Movements in life insurance fund		
At 1 January	**68,260.2**	65,151.0
Effect of adopting SFRS(I) 9	**–**	(3.2)
Adjusted balance at 1 January	**68,260.2**	65,147.8
Currency translation	**(44.5)**	(70.1)
Changes due to transfer of Eldershield portfolio [1]	**(1,572.3)**	–
Fair value reserve movements	**4.2**	(0.9)
Change in life insurance contract liabilities (Note 4)	**8,556.7**	3,183.4
At 31 December	**75,204.3**	68,260.2
Policy benefits	**4,672.1**	4,192.0
Others [1]	**4,569.5**	2,476.2
	84,445.9	74,928.4
Life insurance fund investment assets		
Deposits with banks and financial institutions	**4,380.3**	3,736.7
Loans	**1,064.3**	1,321.8
Securities	**75,786.5**	66,261.4
Investment property	**1,785.5**	1,771.3
Others [2]	**4,320.7**	3,775.8
	87,337.3	76,867.0
Life insurance fund balances included under the following balance sheet items:		
Liabilities		
Current tax	**285.1**	270.5
Deferred tax	**1,507.7**	1,127.5
Other liabilities	**98.7**	–
Assets		
Cash and placements with central banks	**#**	#
Placements with and loans to banks	**1,256.6**	1,261.1
Property, plant and equipment	**683.9**	569.1
The following contracts were entered into under the life insurance fund:		
Operating lease commitments	**–**	60.5
Capital commitment authorised and contracted	**172.6**	125.3
Derivative financial instruments (principal notional amount)	**27,915.7**	19,566.8
Derivative receivables	**400.4**	219.8
Derivative payables	**191.0**	289.7
Minimum lease rental receivables under non-cancellable operating leases	**60.8**	59.9

(1) *On 28 December 2018, The Great Eastern Life Assurance Company Limited entered into an Agreement to Transfer with Ministry of Health (MOH) for the Government to take over the administration of the ElderShield scheme. Following the enactment of Careshield Life and Long-Term Care Act 2019, The Great Eastern Life Assurance Company Limited has derecognised the liabilities of the Eldershield portfolio as at 31 December 2019. The Great Eastern Life Assurance Company Limited is expected to transfer the amount due to MOH and corresponding assets backing these liabilities to MOH at a later date.*

(2) *Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.*

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

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23. Cash and Placements with Central Banks

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash on hand	**899,363**	830,022	**450,229**	479,568
Non-restricted balances with central banks	**1,799,923**	414,133	**1,770,657**	397,311
Money market placements and reverse repos with central banks	**15,360,420**	12,141,366	**12,551,558**	9,889,207
Cash and cash equivalents	**18,059,706**	13,385,521	**14,772,444**	10,766,086
Restricted balances with central banks – mandatory reserve deposits	**5,142,616**	5,364,879	**3,052,023**	2,975,330
Gross cash and placements with central banks	**23,202,322**	18,750,400	**17,824,467**	13,741,416
Allowances for non-impaired placements with central banks	**(768)**	(2,316)	**(768)**	(1,330)
Net cash and placements with central banks	**23,201,554**	18,748,084	**17,823,699**	13,740,086

24. Government Treasury Bills and Securities

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Singapore government treasury bills and securities				
Mandatorily measured at FVTPL	**1,744,127**	1,587,244	**1,744,127**	1,587,244
FVOCI	**9,298,687**	8,023,309	**8,147,606**	7,698,270
Gross securities	**11,042,814**	9,610,553	**9,891,733**	9,285,514
Assets pledged (Note 46.1)	**–**	–	**–**	(312,750)
	11,042,814	9,610,553	**9,891,733**	8,972,764
Other government treasury bills and securities				
Mandatorily measured at FVTPL	**2,920,392**	2,348,126	**2,142,018**	1,573,211
Designated as FVTPL	**8,516**	9,634	**–**	–
FVOCI	**14,372,885**	15,461,436	**5,108,509**	6,322,283
Amortised cost	**410,311**	374,163	**410,311**	374,163
Gross securities	**17,712,104**	18,193,359	**7,660,838**	8,269,657
Allowances for non-impaired other government treasury bills and securities	**(6)**	(2)	**(6)**	(2)
Net securities	**17,712,098**	18,193,357	**7,660,832**	8,269,655
Assets pledged (Note 46.1)	**(92,134)**	(27,962)	**(16,581)**	(10,504)
	17,619,964	18,165,395	**7,644,251**	8,259,151
Treasury bills and securities analysed by geography				
Singapore	**11,042,814**	9,610,553	**9,891,733**	9,285,514
Malaysia	**3,841,475**	3,667,401	**152,507**	72,479
Indonesia	**2,831,017**	2,783,220	**347,630**	132,547
Greater China	**4,085,581**	5,474,780	**2,036,434**	3,558,972
Other Asia Pacific	**4,234,326**	4,047,051	**4,223,560**	3,865,534
Rest of the World	**2,719,699**	2,220,905	**900,701**	640,123
	28,754,912	27,803,910	**17,552,565**	17,555,169

25. Placements with and Loans to Banks

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
At fair value:				
Certificates of deposit held				
Mandatorily measured at FVTPL	**1,992,289**	2,629,522	**1,992,289**	2,629,522
FVOCI	**11,024,360**	11,075,847	**7,700,567**	6,162,733
	13,016,649	13,705,369	**9,692,856**	8,792,255
At amortised cost:				
Placements with and loans to banks	**20,579,042**	21,761,491	**17,393,883**	17,978,372
Market bills purchased	**796,187**	1,856,086	**796,187**	1,856,086
Reverse repos	**224,148**	588,845	**224,148**	569,725
	21,599,377	24,206,422	**18,414,218**	20,404,183
Balances with banks	**34,616,026**	37,911,791	**28,107,074**	29,196,438
Assets pledged (Note 46.1)	**(50,992)**	(124,661)	**(44,246)**	(120,782)
Bank balances of life insurance fund – at amortised cost	**1,256,576**	1,261,109	**–**	–
Placements with and loans to banks	**35,821,610**	39,048,239	**28,062,828**	29,075,656
Allowances for non-impaired placements with and loans to banks	**(8,959)**	(13,294)	**(6,686)**	(11,669)
Net placements with and loans to banks	**35,812,651**	39,034,945	**28,056,142**	29,063,987
Balances with banks analysed:				
By currency				
Singapore Dollar	**286,960**	529,326	**57,627**	63,105
US Dollar	**25,497,011**	29,592,788	**21,769,239**	24,999,883
Malaysian Ringgit	**969,586**	1,269,547	**19**	22
Indonesian Rupiah	**531,579**	221,494	**2**	2
Japanese Yen	**270,744**	636,280	**55,572**	473,597
Hong Kong Dollar	**822,597**	694,681	**540,497**	328,338
British Pound	**580,366**	663,379	**570,696**	651,912
Australian Dollar	**658,732**	621,790	**646,859**	614,725
Euro	**471,175**	620,723	**406,471**	592,160
Chinese Renminbi	**3,723,806**	2,837,347	**3,365,866**	1,342,702
Others	**803,470**	224,436	**694,226**	129,992
	34,616,026	37,911,791	**28,107,074**	29,196,438
By geography				
Singapore	**730,018**	534,331	**366,100**	43,129
Malaysia	**4,292,467**	4,144,996	**3,270,816**	2,786,040
Indonesia	**904,802**	810,186	**366,718**	584,228
Greater China	**24,017,439**	25,527,495	**21,316,633**	20,817,983
Other Asia Pacific	**1,064,715**	1,598,469	**957,402**	1,474,385
Rest of the World	**3,606,585**	5,296,314	**1,829,405**	3,490,673
	34,616,026	37,911,791	**28,107,074**	29,196,438

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

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26. Loans and Bills Receivable

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Gross loans				
Amortised cost	**264,592,905**	257,432,456	**165,989,306**	158,152,944
Mandatorily measured at FVTPL	**180,406**	272,284	**171,472**	250,324
	264,773,311	257,704,740	**166,160,778**	158,403,268
Allowances				
Impaired loans (Note 28)	**(1,394,721)**	(1,218,428)	**(1,034,719)**	(949,044)
Non-impaired loans (Note 30)	**(1,029,993)**	(984,042)	**(562,134)**	(557,588)
Net loans	**262,348,597**	255,502,270	**164,563,925**	156,896,636
Assets pledged (Note 46.1)	**(303,640)**	(309,155)	**–**	–
	262,044,957	255,193,115	**164,563,925**	156,896,636
Bills receivable	**7,462,320**	9,360,743	**6,135,663**	7,842,766
Loans	**254,886,277**	246,141,527	**158,428,262**	149,053,870
Net loans	**262,348,597**	255,502,270	**164,563,925**	156,896,636

26.1 Analysed by Currency

Singapore Dollar	**93,559,170**	91,640,431	**90,528,980**	88,198,585
US Dollar	**65,163,128**	67,248,176	**41,950,663**	43,946,869
Malaysian Ringgit	**20,877,926**	20,870,139	**90**	77
Indonesian Rupiah	**9,221,577**	8,695,113	**–**	–
Japanese Yen	**2,758,743**	2,217,464	**364,048**	314,799
Hong Kong Dollar	**34,354,533**	35,194,442	**10,083,614**	8,565,138
British Pound	**12,408,528**	8,132,166	**9,014,868**	5,551,822
Australian Dollar	**9,142,859**	7,643,615	**7,695,590**	6,502,973
Euro	**7,999,722**	7,384,950	**3,121,670**	2,505,969
Chinese Renminbi	**4,933,483**	4,501,640	**1,456,114**	706,886
Others	**4,353,642**	4,176,604	**1,945,141**	2,110,150
	264,773,311	257,704,740	**166,160,778**	158,403,268

26.2 Analysed by Product

Overdrafts	**4,155,151**	4,647,930	**656,374**	761,101
Short-term and revolving loans	**66,516,691**	65,151,098	**26,420,871**	25,767,520
Syndicated and term loans	**93,724,709**	82,626,139	**78,386,985**	67,750,716
Housing and commercial property loans	**71,414,267**	73,372,488	**42,733,801**	43,507,846
Car, credit card and share margin loans	**5,323,848**	5,402,136	**3,270,684**	3,062,877
Others	**23,638,645**	26,504,949	**14,692,063**	17,553,208
	264,773,311	257,704,740	**166,160,778**	158,403,268

26. Loans and Bills Receivable (continued)

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
26.3 Analysed by Industry				
Agriculture, mining and quarrying	**8,963,197**	8,893,658	**5,736,387**	5,616,792
Manufacturing	**17,073,573**	16,494,130	**9,388,021**	8,598,398
Building and construction	**64,686,363**	53,510,574	**51,985,297**	42,239,673
Housing	**62,069,239**	64,753,306	**40,915,934**	41,466,082
General commerce	**31,822,903**	34,407,724	**23,110,586**	25,494,839
Transport, storage and communication	**13,311,002**	13,509,451	**10,528,535**	11,100,684
Financial institutions, investment and holding companies	**24,542,020**	23,915,474	**4,780,102**	4,719,325
Professionals and individuals	**30,321,718**	30,373,342	**10,694,191**	10,104,165
Others	**11,983,296**	11,847,081	**9,021,725**	9,063,310
	264,773,311	257,704,740	**166,160,778**	158,403,268
26.4 Analysed by Interest Rate Sensitivity				
Fixed				
Singapore	**12,341,952**	6,539,937	**12,303,230**	6,503,468
Malaysia	**3,072,869**	2,993,547	**–**	–
Indonesia	**1,290,982**	1,316,923	**–**	–
Greater China	**6,560,349**	7,564,856	**2,856,539**	3,463,554
Other Asia Pacific	**159,895**	159,583	**159,895**	159,583
Rest of the World	**38**	10,121	**38**	10,121
	23,426,085	18,584,967	**15,319,702**	10,136,726
Variable				
Singapore	**147,250,290**	149,474,230	**119,195,815**	120,778,492
Malaysia	**25,227,675**	26,129,536	**4,770,719**	5,819,001
Indonesia	**10,328,930**	9,860,402	**–**	–
Greater China	**38,572,321**	38,338,821	**6,906,532**	6,352,265
Other Asia Pacific	**9,781,685**	8,066,327	**9,781,685**	8,066,327
Rest of the World	**10,186,325**	7,250,457	**10,186,325**	7,250,457
	241,347,226	239,119,773	**150,841,076**	148,266,542
Total	**264,773,311**	257,704,740	**166,160,778**	158,403,268

The analysis by interest rate sensitivity is based on whether fixed or variable rate pricing, further categorised by where the transactions are booked.

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
26.5 Analysed by Geography				
Singapore	**108,980,624**	108,168,765	**98,419,426**	97,308,133
Malaysia	**28,584,748**	29,648,843	**4,071,565**	5,197,628
Indonesia	**19,679,831**	19,659,690	**6,502,853**	6,669,618
Greater China	**65,358,727**	64,404,247	**26,398,736**	25,405,101
Other Asia Pacific	**15,673,860**	13,595,538	**12,672,475**	10,429,773
Rest of the World	**26,495,521**	22,227,657	**18,095,723**	13,393,015
	264,773,311	257,704,740	**166,160,778**	158,403,268

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

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27. Non-Performing Assets

Non-performing assets (NPAs) comprise non-performing loans, debt securities and contingents that are classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Allowances for impaired assets	Net loans, securities and contingents
GROUP						
2019						
Classified loans	**2,310**	**1,094**	**434**	**3,838**	**(1,388)**	**2,450**
Classified debt securities	**–**	**2**	**–**	**2**	**(2)**	**–**
Classified contingents	**20**	**23**	**#**	**43**	**(5)**	**38**
Total classified assets	**2,330**	**1,119**	**434**	**3,883**	**(1,395)**	**2,488**
2018						
Classified loans	2,312	1,145	381	3,838	(1,211)	2,627
Classified debt securities	–	2	#	2	(2)	#
Classified contingents	44	54	–	98	(6)	92
Total classified assets	2,356	1,201	381	3,938	(1,219)	2,719
BANK						
2019						
Classified loans	**1,780**	**705**	**186**	**2,671**	**(1,031)**	**1,640**
Classified debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Classified contingents	**19**	**13**	**#**	**32**	**(4)**	**28**
Total classified assets	**1,799**	**718**	**186**	**2,703**	**(1,035)**	**1,668**
2018						
Classified loans	1,758	925	184	2,867	(944)	1,923
Classified debt securities	–	–	#	#	–	#
Classified contingents	44	51	–	95	(5)	90
Total classified assets	1,802	976	184	2,962	(949)	2,013

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

	GROUP 2019 $ million	GROUP 2018 $ million	BANK 2019 $ million	BANK 2018 $ million
27.1 Analysed by Period Overdue				
Over 180 days	**1,770**	1,225	**1,229**	691
Over 90 days to 180 days	**173**	397	**77**	282
30 days to 90 days	**530**	396	**452**	332
Less than 30 days	**474**	164	**203**	21
No overdue	**936**	1,756	**742**	1,636
	3,883	3,938	**2,703**	2,962
27.2 Analysed by Collateral Type				
Property	**863**	855	**277**	318
Fixed deposit	**6**	5	**2**	1
Stock and shares	**128**	6	**125**	2
Motor vehicles	**4**	3	**1**	1
Secured – Others	**1,554**	1,756	**1,497**	1,656
Unsecured – Corporate and other guarantees	**491**	759	**491**	685
Unsecured – Clean	**837**	554	**310**	299
	3,883	3,938	**2,703**	2,962

27. Non-Performing Assets (continued)

	GROUP		BANK	
	2019 $ million	2018 $ million	2019 $ million	2018 $ million
27.3 Analysed by Industry				
Agriculture, mining and quarrying	**470**	567	**449**	537
Manufacturing	**468**	398	**94**	231
Building and construction	**165**	143	**37**	73
Housing	**435**	429	**226**	239
General commerce	**556**	727	**285**	428
Transport, storage and communication	**1,592**	1,358	**1,538**	1,269
Financial institutions, investment and holding companies	**27**	42	**–**	1
Professionals and individuals	**123**	118	**42**	49
Others	**47**	156	**32**	135
	3,883	3,938	**2,703**	2,962

27.4 Analysed by Geography

$ million	Singapore	Malaysia	Indonesia	Greater China	Rest of the World	Total
GROUP						
2019						
Substandard	**1,309**	**372**	**289**	**54**	**306**	**2,330**
Doubtful	**237**	**321**	**222**	**133**	**206**	**1,119**
Loss	**171**	**45**	**167**	**43**	**8**	**434**
	1,717	**738**	**678**	**230**	**520**	**3,883**
Allowances for impaired assets	**(679)**	**(308)**	**(235)**	**(47)**	**(126)**	**(1,395)**
	1,038	**430**	**443**	**183**	**394**	**2,488**
2018						
Substandard	923	395	406	120	512	2,356
Doubtful	433	369	95	106	198	1,201
Loss	184	42	118	36	1	381
	1,540	806	619	262	711	3,938
Allowances for impaired assets	(483)	(333)	(197)	(61)	(145)	(1,219)
	1,057	473	422	201	566	2,719
BANK						
2019						
Substandard	**1,309**	**61**	**133**	**14**	**282**	**1,799**
Doubtful	**234**	**193**	**7**	**84**	**200**	**718**
Loss	**171**	**–**	**3**	**4**	**8**	**186**
	1,714	**254**	**143**	**102**	**490**	**2,703**
Allowances for impaired assets	**(677)**	**(173)**	**(36)**	**(28)**	**(121)**	**(1,035)**
	1,037	**81**	**107**	**74**	**369**	**1,668**
2018						
Substandard	923	104	285	14	476	1,802
Doubtful	430	252	57	39	198	976
Loss	184	–	–	#	–	184
	1,537	356	342	53	674	2,962
Allowances for impaired assets	(480)	(203)	(94)	(28)	(144)	(949)
	1,057	153	248	25	530	2,013

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

NPAs by geography are determined based on where the credit risk resides.

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27. Non-Performing Assets (continued)

27.5 Restructured/Renegotiated Loans

Non-performing restructured loans by loan classification and the related allowances are shown below. The restructured loans as a percentage of total non-performing loans were 42.7% (2018: 24.3%) and 47.9% (2018: 27.4%) for the Group and the Bank respectively.

	2019		2018	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**1,099**	**498**	765	113
Doubtful	**515**	**279**	157	99
Loss	**44**	**18**	33	12
	1,658	**795**	955	224
BANK				
Substandard	**986**	**463**	663	107
Doubtful	**292**	**216**	131	78
Loss	**17**	**#**	17	#
	1,295	**679**	811	185

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

28. Allowances for Impaired Loans and Bills Receivable

	GROUP		BANK	
	2019 $ million	2018 $ million	2019 $ million	2018 $ million
At 1 January	**1,219**	1,236	**949**	947
Effect of adopting SFRS(I) 9 [1]	**–**	(#)	**–**	–
Adjusted balance at 1 January	**1,219**	1,236	**949**	947
Currency translation	**(12)**	11	**(10)**	19
Write-offs	**(642)**	(413)	**(478)**	(279)
Allowances	**929**	460	**638**	305
Recovery	**(73)**	(63)	**(45)**	(38)
Net allowances (Note 9)	**856**	397	**593**	267
Interest recognition on impaired loans	**(53)**	(34)	**(46)**	(26)
Transfers	**27**	22	**27**	21
At 31 December (Note 26)	**1,395**	1,219	**1,035**	949

(1) *As first-time adopter of SFRS(I) 9, the Group and the Bank were required to recognise the cumulative effect in revenue reserves as at 1 January 2018.*
(2) *# represents amounts less than $0.5 million.*

28. Allowances for Impaired Loans and Bills Receivable (continued)

Analysed by Industry

	Cumulative allowances for impaired loans		Net allowances for impaired loans charged to income statements	
	2019 $ million	2018 $ million	2019 $ million	2018 $ million
GROUP				
Agriculture, mining and quarrying	**159**	146	**20**	69
Manufacturing	**132**	64	**107**	33
Building and construction	**36**	17	**19**	6
Housing	**47**	39	**69**	5
General commerce	**174**	272	**90**	185
Transport, storage and communication	**726**	499	**366**	7
Financial institutions, investment and holding companies	**46**	74	**134**	51
Professionals and individuals	**63**	68	**37**	26
Others	**12**	40	**14**	15
	1,395	1,219	**856**	397
BANK				
Agriculture, mining and quarrying	**157**	145	**13**	20
Manufacturing	**37**	27	**28**	25
Building and construction	**4**	3	**1**	(1)
Housing	**8**	7	**–**	–
General commerce	**48**	159	**23**	123
Transport, storage and communication	**696**	462	**346**	4
Financial institutions, investment and holding companies	**44**	72	**133**	50
Professionals and individuals	**37**	42	**19**	16
Others	**4**	32	**30**	30
	1,035	949	**593**	267

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29. Debt and Equity Securities

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Mandatorily measured at FVTPL				
Quoted debt securities	**2,356,299**	1,831,030	**1,602,667**	1,351,660
Unquoted debt securities	**1,757,564**	1,946,771	**1,469,763**	1,586,508
Quoted equity securities	**696,542**	786,867	**398,593**	273,253
Unquoted equity securities	**454,476**	428,149	**374,444**	370,946
Quoted investment funds	**956,435**	759,162	**511,650**	191,001
Unquoted investment funds	**797,383**	407,969	**127,000**	15,624
	7,018,699	6,159,948	**4,484,117**	3,788,992
Designated as FVTPL				
Unquoted debt securities	**15,142**	17,179	**–**	–
FVOCI				
Quoted debt securities	**15,737,007**	13,840,166	**6,739,391**	5,820,756
Unquoted debt securities	**5,091,900**	4,547,781	**2,814,215**	2,684,965
Quoted equity securities	**851,204**	1,163,164	**83,616**	27,040
Unquoted equity securities	**416,239**	306,342	**28,100**	63,447
Unquoted investment funds	**57,136**	58,418	**57,136**	58,418
	22,153,486	19,915,871	**9,722,458**	8,654,626
Amortised cost				
Quoted debt securities	**64,812**	74,731	**64,812**	74,731
Unquoted debt securities	**–**	17,594	**–**	17,594
	64,812	92,325	**64,812**	92,325
Allowances for non-impaired debt securities at amortised cost	**(12)**	(21)	**(12)**	(21)
	64,800	92,304	**64,800**	92,304
Total debt and equity securities				
Debt securities	**25,022,724**	22,275,252	**12,690,848**	11,536,214
Equity securities	**2,418,461**	2,684,522	**884,753**	734,686
Investment funds	**1,810,954**	1,225,549	**695,786**	265,043
Total securities	**29,252,139**	26,185,323	**14,271,387**	12,535,943
Allowances for non-impaired debt securities at amortised cost	**(12)**	(21)	**(12)**	(21)
	29,252,127	26,185,302	**14,271,375**	12,535,922
Assets pledged (Note 46.1)	**(718,961)**	(642,795)	**(61,631)**	(563,312)
	28,533,166	25,542,507	**14,209,744**	11,972,610

29. Debt and Equity Securities (continued)

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Debt securities analysis:				
By credit rating				
Investment grade (AAA to BBB)	**16,350,623**	14,737,228	**9,453,571**	8,768,008
Non-investment grade (BB to C)	**270,165**	216,511	**270,042**	208,849
Non-rated	**8,401,924**	7,321,492	**2,967,223**	2,559,336
	25,022,712	22,275,231	**12,690,836**	11,536,193
By credit quality				
Pass	**24,989,017**	22,237,592	**12,657,141**	11,500,247
Special mention	**33,707**	35,967	**33,707**	35,967
Doubtful	**–**	1,693	**–**	–
	25,022,724	22,275,252	**12,690,848**	11,536,214
Allowances for non-impaired debt securities at amortised cost	**(12)**	(21)	**(12)**	(21)
	25,022,712	22,275,231	**12,690,836**	11,536,193
Debt and equity securities – Concentration risks:				
By industry				
Agriculture, mining and quarrying	**538,510**	648,563	**298,837**	322,098
Manufacturing	**1,232,649**	1,501,931	**847,650**	945,079
Building and construction	**1,388,767**	1,596,253	**621,423**	614,604
General commerce	**558,137**	674,432	**447,960**	543,486
Transport, storage and communication	**1,849,059**	1,720,419	**1,117,538**	940,481
Financial institutions, investment and holding companies	**19,965,036**	16,192,145	**8,970,506**	7,842,610
Others	**3,719,969**	3,851,559	**1,967,461**	1,327,564
	29,252,127	26,185,302	**14,271,375**	12,535,922
By issuer				
Public sector	**2,306,761**	1,795,822	**1,635,823**	993,881
Banks	**9,300,432**	8,664,383	**4,361,079**	4,088,931
Corporations	**16,965,943**	14,303,717	**7,824,297**	7,214,696
Others	**678,991**	1,421,380	**450,176**	238,414
	29,252,127	26,185,302	**14,271,375**	12,535,922
By geography				
Singapore	**3,399,479**	3,020,257	**824,076**	851,944
Malaysia	**1,381,972**	2,007,275	**149,142**	288,324
Indonesia	**1,521,038**	1,126,214	**806,815**	598,531
Greater China	**9,102,916**	8,349,933	**3,959,898**	3,620,168
Other Asia Pacific	**4,924,917**	4,808,329	**3,638,820**	3,469,807
Rest of the World	**8,921,805**	6,873,294	**4,892,624**	3,707,148
	29,252,127	26,185,302	**14,271,375**	12,535,922

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

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30. Allowances for Financial Assets

The following tables show reconciliations from the opening to the closing balance of expected credit loss (ECL).

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
At 1 January 2018	457	677	1,249	2,383
Transfer to Stage 1	595	(567)	(28)	–
Transfer to Stage 2	(92)	128	(36)	–
Transfer to Stage 3	(3)	(117)	120	–
Remeasurement [(1)]	(696)	439	330	73
New financial assets originated or purchased	606	218	–	824
Financial assets that have been derecognised	(407)	(258)	–	(665)
Changes in models [(2)]	36	–	–	36
Write-offs	–	–	(425)	(425)
Foreign exchange and other movements	(5)	3	11	9
At 31 December 2018/1 January 2019	**491**	**523**	**1,221**	**2,235**
Transfer to Stage 1	**474**	**(446)**	**(28)**	**–**
Transfer to Stage 2	**(104)**	**149**	**(45)**	**–**
Transfer to Stage 3	**(4)**	**(186)**	**190**	**–**
Remeasurement [(1)]	**(563)**	**514**	**714**	**665**
New financial assets originated or purchased	**545**	**239**	**–**	**784**
Financial assets that have been derecognised	**(374)**	**(216)**	**–**	**(590)**
Changes in models [(2)]	**4**	**–**	**–**	**4**
Write-offs	**–**	**–**	**(642)**	**(642)**
Foreign exchange and other movements	**1**	**1**	**(13)**	**(11)**
At 31 December 2019	**470**	**578**	**1,397**	**2,445**
BANK				
At 1 January 2018	206	514	955	1,675
Transfer to Stage 1	423	(418)	(5)	–
Transfer to Stage 2	(52)	75	(23)	–
Transfer to Stage 3	(2)	(61)	63	–
Remeasurement [(1)]	(518)	305	227	14
New financial assets originated or purchased	326	145	–	471
Financial assets that have been derecognised	(219)	(190)	–	(409)
Changes in models [(2)]	34	–	–	34
Write-offs	–	–	(287)	(287)
Foreign exchange and other movements	–	5	19	24
At 31 December 2018/1 January 2019	**198**	**375**	**949**	**1,522**
Transfer to Stage 1	**348**	**(330)**	**(18)**	**–**
Transfer to Stage 2	**(61)**	**89**	**(28)**	**–**
Transfer to Stage 3	**(2)**	**(128)**	**130**	**–**
Remeasurement [(1)]	**(361)**	**319**	**490**	**448**
New financial assets originated or purchased	**302**	**170**	**–**	**472**
Financial assets that have been derecognised	**(201)**	**(147)**	**–**	**(348)**
Changes in models [(2)]	**2**	**–**	**–**	**2**
Write-offs	**–**	**–**	**(478)**	**(478)**
Foreign exchange and other movements	**(1)**	**–**	**(10)**	**(11)**
At 31 December 2019	**224**	**348**	**1,035**	**1,607**

(1) *Remeasurement includes the changes in model inputs or assumptions such as changes in the forward looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.*

(2) *Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.*

30. Allowances for Financial Assets (continued)

Analysed by Main Class of Financial Instruments

Loans and bills receivable at amortised cost (1)

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
At 1 January 2018	433	655	1,236	2,324
Transfer to Stage 1	580	(552)	(28)	–
Transfer to Stage 2	(91)	127	(36)	–
Transfer to Stage 3	(3)	(117)	120	–
Remeasurement (2)	(689)	437	329	77
New financial assets originated or purchased	563	212	–	775
Financial assets that have been derecognised	(361)	(246)	–	(607)
Changes in models (3)	36	–	–	36
Write-offs	–	–	(413)	(413)
Foreign exchange and other movements	(2)	2	11	11
At 31 December 2018/1 January 2019	**466**	**518**	**1,219**	**2,203**
Transfer to Stage 1	**471**	**(443)**	**(28)**	**–**
Transfer to Stage 2	**(103)**	**148**	**(45)**	**–**
Transfer to Stage 3	**(5)**	**(186)**	**191**	**–**
Remeasurement (2)	**(544)**	**512**	**713**	**681**
New financial assets originated or purchased	**517**	**239**	**–**	**756**
Financial assets that have been derecognised	**(352)**	**(214)**	**–**	**(566)**
Changes in models (3)	**3**	**–**	**–**	**3**
Write-offs	**–**	**–**	**(642)**	**(642)**
Foreign exchange and other movements	**2**	**1**	**(13)**	**(10)**
At 31 December 2019	**455**	**575**	**1,395**	**2,425**
BANK				
At 1 January 2018	191	495	947	1,633
Transfer to Stage 1	408	(403)	(5)	–
Transfer to Stage 2	(51)	74	(23)	–
Transfer to Stage 3	(2)	(61)	63	–
Remeasurement (2)	(513)	305	227	19
New financial assets originated or purchased	294	144	–	438
Financial assets that have been derecognised	(179)	(184)	–	(363)
Changes in models (3)	34	–	–	34
Write-offs	–	–	(279)	(279)
Foreign exchange and other movements	2	4	19	25
At 31 December 2018/1 January 2019	**184**	**374**	**949**	**1,507**
Transfer to Stage 1	**348**	**(330)**	**(18)**	**–**
Transfer to Stage 2	**(61)**	**89**	**(28)**	**–**
Transfer to Stage 3	**(2)**	**(128)**	**130**	**–**
Remeasurement (2)	**(353)**	**319**	**490**	**456**
New financial assets originated or purchased	**282**	**170**	**–**	**452**
Financial assets that have been derecognised	**(184)**	**(147)**	**–**	**(331)**
Changes in models (3)	**1**	**–**	**–**	**1**
Write-offs	**–**	**–**	**(478)**	**(478)**
Foreign exchange and other movements	**–**	**–**	**(10)**	**(10)**
At 31 December 2019	**215**	**347**	**1,035**	**1,597**

(1) *Includes ECL on contingent liabilities and other credit commitments.*
(2) *Remeasurement includes the changes in model inputs or assumptions such as changes in the forward looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.*
(3) *Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.*

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30. Allowances for Financial Assets (continued)

The following tables set out information about the credit quality of financial assets.

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
GROUP								
Cash and placements with central banks (Note 23)								
Pass	**22,267**	**36**	**–**	**22,303**	17,846	74	–	17,920
Loss allowances	**(#)**	**(1)**	**–**	**(1)**	(1)	(1)	–	(2)
Carrying amount	**22,267**	**35**	**–**	**22,302**	17,845	73	–	17,918
Government treasury bills and securities – Amortised cost (Note 24)								
Pass	**410**	**–**	**–**	**410**	374	–	–	374
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Carrying amount	**410**	**–**	**–**	**410**	374	–	–	374
Government treasury bills and securities – FVOCI [1] (Note 24)								
Pass	**23,672**	**–**	**–**	**23,672**	23,485	–	–	23,485
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Placements with and loans to banks – Amortised cost (Note 25)								
Pass	**22,719**	**137**	**–**	**22,856**	25,139	328	–	25,467
Loss allowances	**(8)**	**(1)**	**–**	**(9)**	(12)	(1)	–	(13)
Carrying amount	**22,711**	**136**	**–**	**22,847**	25,127	327	–	25,454
Placements with and loans to banks – FVOCI [1] (Note 25)								
Pass	**11,024**	**–**	**–**	**11,024**	10,391	685	–	11,076
Loss allowances	**(1)**	**–**	**–**	**(1)**	(1)	(1)	–	(2)
Loans and bills receivable – Amortised cost (Note 26)								
Pass	**244,135**	**14,070**	**–**	**258,205**	236,831	14,236	–	251,067
Special mention	**–**	**2,550**	**–**	**2,550**	–	2,527	–	2,527
Substandard	**–**	**–**	**2,310**	**2,310**	–	–	2,312	2,312
Doubtful	**–**	**–**	**1,094**	**1,094**	–	–	1,145	1,145
Loss	**–**	**–**	**434**	**434**	–	–	381	381
	244,135	**16,620**	**3,838**	**264,593**	236,831	16,763	3,838	257,432
Loss allowances	**(317)**	**(436)**	**(1,390)**	**(2,143)**	(319)	(405)	(1,213)	(1,937)
Carrying amount	**243,818**	**16,184**	**2,448**	**262,450**	236,512	16,358	2,625	255,495
Debt securities – Amortised cost (Note 29)								
Pass	**65**	**–**	**–**	**65**	92	–	–	92
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Carrying amount	**65**	**–**	**–**	**65**	92	–	–	92

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

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

30. Allowances for Financial Assets (continued)

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
GROUP (continued)								
Debt securities – FVOCI [1] (Note 29)								
Pass	**20,570**	**257**	**–**	**20,827**	18,221	165	–	18,386
Doubtful	**–**	**–**	**2**	**2**	–	–	2	2
	20,570	**257**	**2**	**20,829**	18,221	165	2	18,388
Loss allowances	**(6)**	**(1)**	**(2)**	**(9)**	(11)	(2)	(2)	(15)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments and contingent liabilities								
Pass	**87,145**	**4,909**	**–**	**92,054**	97,859	4,286	–	102,145
Special mention	**–**	**557**	**–**	**557**	–	466	–	466
Substandard	**–**	**–**	**881**	**881**	–	–	657	657
Doubtful	**–**	**–**	**429**	**429**	–	–	402	402
Loss	**–**	**–**	**254**	**254**	–	–	304	304
	87,145	**5,466**	**1,564**	**94,175**	97,859	4,752	1,363	103,974
Allowances for contingent liabilities and credit commitments	**(138)**	**(139)**	**(5)**	**(282)**	(147)	(113)	(6)	(266)

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

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30. Allowances for Financial Assets (continued)

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
BANK								
Cash and placements with central banks (Note 23)								
Pass	**17,339**	**35**	**–**	**17,374**	13,188	74	–	13,262
Loss allowances	**(#)**	**(1)**	**–**	**(1)**	(#)	(1)	–	(1)
Carrying amount	**17,339**	**34**	**–**	**17,373**	13,188	73	–	13,261
Government treasury bills and securities – Amortised cost (Note 24)								
Pass	**410**	**–**	**–**	**410**	374	–	–	374
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Carrying amount	**410**	**–**	**–**	**410**	374	–	–	374
Government treasury bills and securities – FVOCI (1) (Note 24)								
Pass	**13,256**	**–**	**–**	**13,256**	14,021	–	–	14,021
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Placements with and loans to banks – Amortised cost (Note 25)								
Pass	**18,277**	**137**	**–**	**18,414**	20,240	164	–	20,404
Loss allowances	**(6)**	**(#)**	**–**	**(6)**	(11)	(#)	–	(11)
Carrying amount	**18,271**	**137**	**–**	**18,408**	20,229	164	–	20,393
Placements with and loans to banks – FVOCI (1) (Note 25)								
Pass	**7,701**	**–**	**–**	**7,701**	6,014	149	–	6,163
Loss allowances	**(1)**	**–**	**–**	**(1)**	(#)	(#)	–	(#)
Loans and bills receivable – Amortised cost (Note 26)								
Pass	**152,568**	**9,075**	**–**	**161,643**	145,918	7,509	–	153,427
Special mention	**–**	**1,675**	**–**	**1,675**	–	1,859	–	1,859
Substandard	**–**	**–**	**1,780**	**1,780**	–	–	1,758	1,758
Doubtful	**–**	**–**	**705**	**705**	–	–	925	925
Loss	**–**	**–**	**186**	**186**	–	–	184	184
	152,568	**10,750**	**2,671**	**165,989**	145,918	9,368	2,867	158,153
Loss allowances	**(138)**	**(247)**	**(1,035)**	**(1,420)**	(118)	(288)	(944)	(1,350)
Carrying amount	**152,430**	**10,503**	**1,636**	**164,569**	145,800	9,080	1,923	156,803
Debt securities – Amortised cost (Note 29)								
Pass	**65**	**–**	**–**	**65**	92	–	–	92
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Carrying amount	**65**	**–**	**–**	**65**	92	–	–	92

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

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

30. Allowances for Financial Assets (continued)

	2019				2018			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
BANK (continued)								
Debt securities – FVOCI (1) **(Note 29)**								
Pass	**9,462**	**92**	**–**	**9,554**	8,506	#	–	8,506
Loss allowances	**(2)**	**(#)**	**–**	**(2)**	(3)	(#)	–	(3)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments and contingent liabilities								
Pass	**76,088**	**3,735**	**–**	**79,823**	68,923	2,640	–	71,563
Special mention	**–**	**443**	**–**	**443**	–	337	–	337
Substandard	**–**	**–**	**869**	**869**	–	–	633	633
Doubtful	**–**	**–**	**342**	**342**	–	–	385	385
Loss	**–**	**–**	**248**	**248**	–	–	260	260
	76,088	**4,178**	**1,459**	**81,725**	68,923	2,977	1,278	73,178
Allowances for contingent liabilities and credit commitments	**(77)**	**(100)**	**–**	**(177)**	(66)	(86)	(5)	(157)

(1) In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).

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

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31. Other Assets

	GROUP 2019 $'000	GROUP 2018 $'000	BANK 2019 $'000	BANK 2018 $'000
Interest receivable	**1,151,295**	1,162,341	**709,198**	725,009
Sundry debtors (net)	**654,413**	553,941	**72,128**	57,999
Deposits and prepayments	**1,610,687**	931,349	**1,253,445**	581,469
Others	**992,481**	827,625	**407,806**	293,027
	4,408,876	3,475,256	**2,442,577**	1,657,504

At 31 December 2019, reinsurance assets included in "Others" amounted to $204.5 million (2018: $177.3 million) for the Group.

32. Allowances for Other Impaired Assets

GROUP ($ million)	Associates	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2018	–	64	2	5	71
Currency translation	–	(#)	–	(#)	(#)
Amounts written off	(13)	(#)	–	(1)	(14)
Impairment charge/(write-back) to income statements	13	#	(#)	(3)	10
Impairment charge to profit from life insurance	–	#	–	–	#
Transfers from other accounts	–	–	–	3	3
At 31 December 2018/1 January 2019	**–**	**64**	**2**	**4**	**70**
Currency translation	**–**	**(#)**	**–**	**(#)**	**(#)**
Amounts written off	**–**	**(#)**	**–**	**(#)**	**(#)**
Impairment charge/(write-back) to income statements	**–**	**#**	**(1)**	**3**	**2**
Transfers from other accounts	**–**	**–**	**–**	**#**	**#**
At 31 December 2019	**–**	**64**	**1**	**7**	**72**
		(Note 35)	(Note 36)		

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

BANK ($ million)	Associates and subsidiaries	Property, plant and equipment	Investment property	Other assets	Total
At 1 January 2018	26	1	2	1	30
Currency translation	1	–	–	–	1
Amounts written off	(50)	–	–	(#)	(50)
Impairment charge/(write-back) to income statements	37	–	(#)	(#)	37
At 31 December 2018/1 January 2019	**14**	**1**	**2**	**1**	**18**
Currency translation	**(#)**	**–**	**–**	**–**	**(#)**
Amounts written off	**–**	**–**	**–**	**(1)**	**(1)**
Impairment charge/(write-back) to income statements	**4**	**–**	**(1)**	**#**	**3**
At 31 December 2019	**18**	**1**	**1**	**#**	**20**
	(Notes 33-34)	(Note 35)	(Note 36)		

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

33. Associates

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Quoted equity security, at cost	**1,765,594**	1,459,670	**1,321,618**	1,015,694
Unquoted equity securities, at cost	**144,709**	145,218	**65,096**	65,096
	1,910,303	1,604,888	**1,386,714**	1,080,790
Share of post-acquisition reserves	**1,652,448**	1,192,391	**–**	–
Net carrying amount	**3,562,751**	2,797,279	**1,386,714**	1,080,790
Unquoted convertible securities, at cost	**–**	305,924	**–**	305,924
Amounts due from associates (unsecured)	**75,019**	79,612	**73,694**	1
Allowances for non-impaired amounts due from associates	**(14)**	(1)	**(12)**	–
	75,005	79,611	**73,682**	1
Investments in and amounts due from associates	**3,637,756**	3,182,814	**1,460,396**	1,386,715

33.1 List of Principal Associates

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

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] 2019	Effective % interest held[3] 2018
Quoted				
Bank of Ningbo Co., Ltd.[1]	People's Republic of China	A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking.	**20**	20
Unquoted				
Maxwealth Fund Management Company Limited[1]	People's Republic of China	A privately held asset manager that manufactures and distributes mutual funds in Greater China.	**29**	29
Network for Electronic Transfers (Singapore) Pte Ltd[2]	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 KPMG LLP.*
(3) *Rounded to the nearest percentage.*

During the financial year, the Group subscribed to 84 million Bank of Ningbo shares arising from the exercise of the option under the convertible bond with carrying amount of $306 million.

As at 31 December 2019, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo was $6.12 billion (2018: $3.36 billion). The carrying amount of the Group's interests was $3.30 billion (2018: $2.57 billion).

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

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33. Associates (continued)

33.2 Financial Information of Material Associate

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

	Bank of Ningbo Co., Ltd.	
$ million	2019	2018
Selected income statement information		
Revenue	**6,928**	5,896
Net profit from continuing operations	**2,723**	2,284
Other comprehensive income	**546**	565
Total comprehensive income	**3,269**	2,849
Selected balance sheet information		
Current assets	**187,980**	160,857
Non-current assets	**60,482**	61,381
Current liabilities	**(213,767)**	(176,634)
Non-current liabilities	**(15,246)**	(29,424)
Net assets	**19,449**	16,180
Non-controlling interests	**(82)**	(70)
Preference shares/other equity instruments issued	**(2,860)**	(3,233)
Net assets attributable to ordinary shareholders	**16,507**	12,877
Reconciliation of associate's total ordinary shareholders' equity to the carrying amount in the Group's financial statements		
Group's interests in net assets of investee at beginning of the year	**2,565**	2,070
Group's share of:		
– net profit from continuing operations	**533**	447
– other comprehensive income	**(17)**	27
– total comprehensive income	**516**	474
Dividends	**(86)**	(81)
Conversion of convertible securities	**306**	102
Carrying amount of interest in investee at end of the year	**3,301**	2,565
Dividends received/receivable during the year	**86**	81

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

$ million	2019	2018
At 31 December:		
Aggregate carrying amount of individually immaterial associates	**262**	232
For the year ended:		
Aggregate amounts of the Group's share of:		
Net profit from continuing operations	**34**	9
Other comprehensive income	**4**	(12)
Total comprehensive income	**38**	(3)
Dividends received during the year	**#**	9

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

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

$ million	2019	2018
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**7,084**	5,612

34. Subsidiaries

	BANK 2019 $'000	2018 $'000
Investments in subsidiaries, at cost		
Quoted securities	**1,970,185**	1,970,185
Unquoted securities	**13,134,224**	12,927,879
Allowance for impairment (Note 32)	**(18,033)**	(14,189)
Net carrying amount	**15,086,376**	14,883,875
Amount due from subsidiaries		
Term to maturity of one year or less	**10,417,361**	15,115,453
Term to maturity of more than one year	**7,655,276**	7,692,657
	18,072,637	22,808,110
Of which:		
Unsecured	**17,431,637**	22,214,110
Secured	**641,000**	594,000
	18,072,637	22,808,110
Investments in and amount due from subsidiaries	**33,159,013**	37,691,985

At 31 December 2019, 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 $9.01 billion (2018: $10.29 billion) and $1.60 billion (2018: $1.56 billion) respectively.

34.1 List of Principal Subsidiaries

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by the Group (%) [3] 2019	2018	Proportion of ownership interests and voting rights held by non-controlling interests (%) [3] 2019	2018
Banking					
Banco OCBC Weng Hang, S.A.	Macau SAR	**100**	100	**–**	–
Bank of Singapore Limited	Singapore	**100**	100	**–**	–
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100	**–**	–
OCBC Wing Hang Bank (China) Limited	People's Republic of China	**100**	100	**–**	–
OCBC Wing Hang Bank Limited	Hong Kong SAR	**100**	100	**–**	–
PT Bank OCBC NISP Tbk [1]	Indonesia	**85**	85	**15**	15
Insurance					
Great Eastern General Insurance Limited [2]	Singapore	**88**	88	**12**	12
Great Eastern General Insurance (Malaysia) Berhad [2]	Malaysia	**88**	88	**12**	12
Great Eastern Life Assurance (Malaysia) Berhad [2]	Malaysia	**88**	88	**12**	12
The Great Eastern Life Assurance Company Limited [2]	Singapore	**88**	88	**12**	12
Asset management and investment holding					
Lion Global Investors Limited [2]	Singapore	**92**	92	**8**	8
Great Eastern Holdings Limited [2]	Singapore	**88**	88	**12**	12
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.*

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34. Subsidiaries (continued)

34.1 List of Principal Subsidiaries (continued)

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.

34.2 Non-Controlling Interests in Subsidiaries

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material NCI.

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	2019	2018	2019	2018
Net assets attributable to NCI	**383**	338	**1,031**	911
Total comprehensive income attributable to NCI	**46**	21	**133**	30
Dividends paid to NCI during the year	**–**	–	**34**	40
Summarised financial information				
Total assets	**17,071**	15,831	**96,506**	85,042
Total liabilities	**(14,504)**	(13,570)	**(87,804)**	(77,520)
Total net assets	**2,567**	2,261	**8,702**	7,522
Revenue	**832**	762	**18,640**	12,095
Profit	**208**	269	**1,022**	750
Other comprehensive income	**25**	(128)	**454**	(502)
Total comprehensive income	**233**	141	**1,476**	248
Cash flows provided by/(used in) operating activities	**449**	782	**3,693**	4,137
Cash flows provided by/(used in) investing activities	**286**	(714)	**(2,829)**	(3,382)
Cash flows provided by/(used in) financing activities	**(237)**	32	**(306)**	(340)
Effect of currency translation reserve adjustment	**(#)**	19	**(47)**	(75)
Net changes in cash and cash equivalents	**498**	119	**511**	340

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

34.3 Acquisition of Subsidiary

On 2 May 2019 (the acquisition date), GEH Group's subsidiary company, Great Eastern General Insurance Limited (GEG) acquired 95% of the share capital of PT QBE General Insurance Indonesia (PT QBE), a general insurance company in Indonesia, for a cash consideration of USD29.9 million (approximately S$40.7 million). Upon the acquisition, PT QBE became a subsidiary of GEH Group.

On 17 May 2019, PT QBE changed its name to PT Great Eastern General Insurance Indonesia (GEGI).

GEH Group has acquired GEGI to be better positioned to comprehensively provide both general and life insurance solutions to the business community and consumers and deepen its footprint in Indonesia.

34. Subsidiaries (continued)

34.3 Acquisition of Subsidiary (continued)

GEH Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of GEGI's net identifiable assets.

The fair value of the identifiable assets and liabilities of GEGI as at the acquisition date were:

$ million	2019
Identifiable assets and liabilities	
Cash and placements with central banks	**57.2**
Investments	**16.0**
Deferred tax assets	**4.7**
Other assets	**37.3**
Property, plant and equipment	**1.3**
Total assets	**116.5**
Current tax liabilities	**(0.6)**
Other liabilities	**(75.4)**
	(76.0)
Net identifiable assets acquired	**40.5**
Less: Non-controlling interests	**(2.0)**
	38.5
Goodwill (Note 37)	**2.3**
Cost of acquisition	**40.8**
Less: Cash and cash equivalents in GEGI	**(57.2)**
Net cash inflow arising from business combination	**16.4**

34.4 Consolidated Structured Entities

The Bank has established a USD10 billion Global Covered Bond Programme (the Programme). Under the Programme, the Bank may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor, Red Sail Pte. Ltd. (the CBG). The Covered Bonds issued under the Programme will predominantly be backed by a portfolio of Singapore home loans transferred from the Bank to the CBG. Integral to the Programme structure, the Bank provides funding and hedging facilities to the CBG.

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35. Property, Plant and Equipment

GROUP ($'000)	2019 Property-related	2019 Computer-related	2019 Others	2019 Total	2018 Property-related	2018 Computer-related	2018 Others	2018 Total
Cost								
At 1 January	**3,372,705**	**2,207,194**	**615,816**	**6,195,715**	3,284,332	2,015,553	586,696	5,886,581
Effect of adopting SFRS(I) 16	**198,684**	**7,144**	**1,135**	**206,963**	–	–	–	–
Adjusted balance at 1 January	**3,571,389**	**2,214,338**	**616,951**	**6,402,678**	3,284,332	2,015,553	586,696	5,886,581
Currency translation	**(13,105)**	**206**	**(1,629)**	**(14,528)**	17,920	(2,584)	(960)	14,376
Acquisitions	**889**	**274**	**185**	**1,348**	–	–	–	–
Additions	**205,559**	**296,823**	**41,128**	**543,510**	21,002	225,206	50,298	296,506
Disposals/terminations and other transfers	**(16,285)**	**(17,881)**	**(15,954)**	**(50,120)**	(2,106)	(30,981)	(19,770)	(52,857)
Net transfer (to)/from:								
Assets held for sale	**–**	**–**	**(115)**	**(115)**	–	–	(448)	(448)
Investment property (Note 36)	**4,510**	**–**	**–**	**4,510**	51,557	–	–	51,557
At 31 December	**3,752,957**	**2,493,760**	**640,566**	**6,887,283**	3,372,705	2,207,194	615,816	6,195,715
Accumulated depreciation								
At 1 January	**(737,379)**	**(1,587,997)**	**(469,262)**	**(2,794,638)**	(644,817)	(1,399,086)	(446,909)	(2,490,812)
Currency translation	**2,300**	**726**	**1,358**	**4,384**	858	2,356	1,246	4,460
Disposals/terminations and other transfers	**7,935**	**12,733**	**20,128**	**40,796**	691	29,661	18,122	48,474
Depreciation charge	**(146,492)**	**(195,180)**	**(34,969)**	**(376,641)**	(69,020)	(188,497)	(36,261)	(293,778)
Depreciation charge to profit from life insurance (Note 4)	**(21,820)**	**(36,119)**	**(7,162)**	**(65,101)**	(12,343)	(32,431)	(5,898)	(50,672)
Net transfer to/(from):								
Assets held for sale	**–**	**–**	**109**	**109**	–	–	438	438
Investment property (Note 36)	**(4,259)**	**–**	**–**	**(4,259)**	(12,748)	–	–	(12,748)
At 31 December	**(899,715)**	**(1,805,837)**	**(489,798)**	**(3,195,350)**	(737,379)	(1,587,997)	(469,262)	(2,794,638)
Accumulated impairment losses (Note 32)								
At 1 January	**(63,040)**	**(63)**	**(538)**	**(63,641)**	(63,044)	(63)	(543)	(63,650)
Currency translation	**28**	**–**	**–**	**28**	24	–	–	24
Disposals and other transfers	**–**	**–**	**3**	**3**	–	–	8	8
Impairment charge to income statements	**–**	**–**	**(7)**	**(7)**	–	–	(3)	(3)
Impairment charge to profit from life insurance	**–**	**–**	**–**	**–**	(20)	–	–	(20)
At 31 December	**(63,012)**	**(63)**	**(542)**	**(63,617)**	(63,040)	(63)	(538)	(63,641)
Net carrying amount, at 31 December [(1)]	2,790,230	687,860	150,226	3,628,316	2,572,286	619,134	146,016	3,337,436
Freehold property	**436,704**				437,283			
Leasehold property	**2,053,563**				2,135,003			
Net carrying amount	**2,490,267**				2,572,286			
Fair value hierarchy								
Level 2	**694,020**				571,848			
Level 3	**4,731,744**				4,739,759			
Market value	**5,425,764**				5,311,607			

(1) *Includes ROU assets comprising property-related of $300.0 million, computer-related of $4.6 million and others of $2.2 million as at 31 December 2019.*

35. Property, Plant and Equipment (continued)

BANK ($'000)	2019 Property-related	2019 Computer-related	2019 Others	2019 Total	2018 Property-related	2018 Computer-related	2018 Others	2018 Total
Cost								
At 1 January	**326,168**	**1,169,968**	**184,007**	**1,680,143**	338,383	1,092,312	177,487	1,608,182
Effect of adopting SFRS(I) 16	**55,383**	**4,985**	**367**	**60,735**	–	–	–	–
Adjusted balance at 1 January	**381,551**	**1,174,953**	**184,374**	**1,740,878**	338,383	1,092,312	177,487	1,608,182
Currency translation	**(107)**	**15**	**20**	**(72)**	13	(21)	(136)	(144)
Additions	**34,060**	**157,952**	**11,485**	**203,497**	7	95,746	9,618	105,371
Disposals/terminations and other transfers	**(2,360)**	**(580)**	**(4,834)**	**(7,774)**	–	(18,069)	(2,962)	(21,031)
Net transfer from/(to) investment property (Note 36)	**3,294**	**–**	**–**	**3,294**	(12,235)	–	–	(12,235)
At 31 December	**416,438**	**1,332,340**	**191,045**	**1,939,823**	326,168	1,169,968	184,007	1,680,143
Accumulated depreciation								
At 1 January	**(91,602)**	**(862,163)**	**(148,615)**	**(1,102,380)**	(88,415)	(763,673)	(140,911)	(992,999)
Currency translation	**(24)**	**(6)**	**(24)**	**(54)**	(10)	18	114	122
Disposals/terminations and other transfers	**1,297**	**2,212**	**4,333**	**7,842**	–	16,949	2,792	19,741
Depreciation charge	**(32,853)**	**(116,731)**	**(10,399)**	**(159,983)**	(7,494)	(115,457)	(10,610)	(133,561)
Net transfer (from)/to investment property (Note 36)	**(636)**	**–**	**–**	**(636)**	4,317	–	–	4,317
At 31 December	**(123,818)**	**(976,688)**	**(154,705)**	**(1,255,211)**	(91,602)	(862,163)	(148,615)	(1,102,380)
Accumulated impairment losses (Note 32)								
At 1 January/31 December	**(820)**	**–**	**–**	**(820)**	(820)	–	–	(820)
Net carrying amount, at 31 December [1]	**291,800**	**355,652**	**36,340**	**683,792**	233,746	307,805	35,392	576,943
Freehold property	**43,152**				43,811			
Leasehold property	**185,442**				189,935			
Net carrying amount	**228,594**				233,746			
Fair value hierarchy								
Level 2	**478,350**				417,717			
Level 3	**220,887**				274,787			
Market value	**699,237**				692,504			

(1) *Includes ROU assets comprising property-related of $63.2 million, computer-related of $3.1 million and others of $0.3 million as at 31 December 2019.*

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

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

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36. Investment Property

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cost				
At 1 January	**1,116,857**	1,180,548	**657,732**	654,338
Currency translation	**(2,650)**	(1,419)	**–**	79
Additions	**18,161**	691	**4,056**	1,015
Disposals and other transfers	**(64,334)**	(9,385)	**(62,839)**	(9,935)
Net transfer (to)/from:				
Property, plant and equipment (Note 35)	**(4,510)**	(51,557)	**(3,294)**	12,235
Assets held for sale	**(7,594)**	(2,021)	**(3,158)**	–
At 31 December	**1,055,930**	1,116,857	**592,497**	657,732
Accumulated depreciation				
At 1 January	**(234,152)**	(228,685)	**(130,930)**	(121,686)
Currency translation	**699**	348	**–**	(35)
Disposals and other transfers	**28,354**	4,104	**25,930**	4,325
Depreciation charge	**(20,108)**	(22,866)	**(8,999)**	(9,217)
Net transfer to/(from):				
Property, plant and equipment (Note 35)	**4,259**	12,748	**636**	(4,317)
Assets held for sale	**4,789**	199	**1,489**	–
At 31 December	**(216,159)**	(234,152)	**(111,874)**	(130,930)
Accumulated impairment losses (Note 32)				
At 1 January	**(2,217)**	(2,397)	**(2,217)**	(2,397)
Write-back to income statement	**1,244**	180	**1,244**	180
At 31 December	**(973)**	(2,217)	**(973)**	(2,217)
Net carrying amount				
Freehold property	**570,255**	613,006	**162,525**	195,780
Leasehold property	**268,543**	267,482	**317,125**	328,805
At 31 December	**838,798**	880,488	**479,650**	524,585
Fair value hierarchy				
Level 2	**1,056,832**	1,160,663	**288,455**	384,901
Level 3	**1,804,951**	1,797,621	**1,130,435**	1,099,433
Market value	**2,861,783**	2,958,284	**1,418,890**	1,484,334

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

37. Goodwill and Intangible Assets

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Goodwill				
At 1 January	4,478,591	4,450,790	1,867,176	1,867,176
Acquisition (Note 34.3)	2,309	–	–	–
Currency translation	(12,824)	27,801	–	–
At 31 December	4,468,076	4,478,591	1,867,176	1,867,176
Intangible assets				
At 1 January	613,947	709,050		
Acquisition	3,453	–		
Amortisation charged to income statements:				
– Core deposit relationships [1]	(41,203)	(40,757)		
– Customer relationships [2]	(14,936)	(14,783)		
– Distribution platform	(44)	–		
– Life insurance business [3]	(46,636)	(46,636)		
Currency translation	(2,758)	7,073		
At 31 December	511,823	613,947		
Total goodwill and intangible assets	4,979,899	5,092,538	1,867,176	1,867,176
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	4,468,076	4,478,591	1,867,176	1,867,176
Intangible assets, at cost	1,569,658	1,572,055	–	–
Accumulated amortisation for intangible assets	(1,057,835)	(958,108)	–	–
	4,979,899	5,092,538	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 2019, these have a remaining useful life of 4.5 years (2018: 5.5 years).*

(2) *Customer relationships, arising from the acquisition of Bank of Singapore Limited and Barclays WIM, are determined to have an estimated useful life of 10 years. At 31 December 2019, these have a remaining useful life of up to 7 years (2018: 8 years).*

(3) *The value of in-force insurance business of the Group is amortised over a useful life of 20 years. At 31 December 2019, the intangible asset has a remaining useful life of 5 years (2018: 6 years).*

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37. Goodwill and Intangible Assets (continued)

Impairment Tests for Goodwill

For impairment testing, goodwill is allocated to the Group's CGU identified mainly to business segments as follows:

Cash Generating Units	Basis of determining recoverable value	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		**844,497**	844,497
Global Corporate Banking		**570,000**	570,000
Global Treasury		**524,000**	524,000
	Value-in-use	**1,938,497**	1,938,497
Great Eastern Holdings Limited	Appraisal value	**427,460**	427,460
Bank of Singapore Limited	Value-in-use	**811,470**	822,239
Lion Global Investors Limited	Value-in-use	**29,635**	29,635
OCBC Wing Hang Bank Limited	Value-in-use	**1,072,519**	1,080,060
PT Bank OCBC NISP Tbk	Value-in-use	**178,913**	173,412
Others	Value-in-use	**9,582**	7,288
		4,468,076	4,478,591

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 cash flow projections are discounted at a pre-tax discount rate that includes 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Discount rate	**7.7%**	8.8%	**9.8%**	11.3%	**8.8%**	10.0%	**12.8%**	12.7%
Terminal growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**2.6%**	3.0%	**4.0%**	4.0%

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 insurance 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 7.00% (2018: 7.00%) and 8.75% (2018: 8.75%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life insurance 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.

38. Segment Information

38.1 Business Segments

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	OCBC Wing Hang	Insurance	Others	Group
Year ended 31 December 2019							
Net interest income	2,087	2,708	589	850	112	(15)	6,331
Non-interest income	1,653	910	276	265	1,358	78	4,540
Total income	3,740	3,618	865	1,115	1,470	63	10,871
Operating profit before allowances and amortisation	1,496	2,454	587	523	1,115	52	6,227
Amortisation of intangible assets	(15)	–	–	(41)	(47)	–	(103)
Allowances for loans and other assets	(36)	(801)	3	(59)	(#)	3	(890)
Operating profit after allowances and amortisation	1,445	1,653	590	423	1,068	55	5,234
Other information:							
Capital expenditure	113	8	1	35	183	222	562
Depreciation	85	11	2	75	8	216	397
At 31 December 2019							
Segment assets	112,959	148,224	82,198	52,406	97,158	18,365	511,310
Unallocated assets							1,727
Elimination							(21,346)
Total assets							491,691
Segment liabilities	136,795	115,353	57,095	43,552	85,703	22,853	461,351
Unallocated liabilities							3,083
Elimination							(21,346)
Total liabilities							443,088
Other information:							
Gross non-bank loans	93,268	141,616	1,258	33,050	9	(4,428)	264,773
NPAs (include debt securities)	548	3,258	–	133	2	(58)	3,883

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

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38. Segment Information (continued)

38.1 Business Segments (continued)

$ million	Global Consumer/ Private Banking	Global Corporate/ Investment Banking	Global Treasury and Markets	OCBC Wing Hang	Insurance	Others	Group
Year ended 31 December 2018							
Net interest income	1,909	2,587	622	823	79	(130)	5,890
Non-interest income	1,513	827	137	302	993	39	3,811
Total income	3,422	3,414	759	1,125	1,072	(91)	9,701
Operating profit before allowances and amortisation	1,367	2,316	494	570	852	(112)	5,487
Amortisation of intangible assets	(15)	–	–	(41)	(46)	–	(102)
Allowances for loans and other assets	(39)	(265)	(2)	(32)	5	45	(288)
Operating profit after allowances and amortisation	1,313	2,051	492	497	811	(67)	5,097
Other information:							
Capital expenditure	58	4	#	20	58	157	297
Depreciation	42	8	1	64	6	196	317
At 31 December 2018							
Segment assets	111,730	139,597	78,818	56,693	85,745	19,045	491,628
Unallocated assets							1,292
Elimination							(25,377)
Total assets							467,543
Segment liabilities	128,106	113,058	58,609	48,236	75,879	23,175	447,063
Unallocated liabilities							2,465
Elimination							(25,377)
Total liabilities							424,151
Other information:							
Gross non-bank loans	94,128	132,028	2,195	33,998	15	(4,659)	257,705
NPAs (include debt securities)	568	3,309	–	211	2	(152)	3,938

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

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, OCBC Wing Hang and Insurance.

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 offers 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.

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.

Insurance

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

Others

Others comprise mainly 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
2019					
Singapore	**6,552**	**3,221**	**397**	**287,129**	**283,312**
Malaysia	**1,469**	**830**	**56**	**65,584**	**54,387**
Indonesia	**849**	**274**	**28**	**17,900**	**14,639**
Greater China	**1,494**	**1,154**	**59**	**81,684**	**54,544**
Other Asia Pacific	**224**	**156**	**4**	**16,264**	**9,426**
Rest of the World	**283**	**165**	**18**	**23,130**	**26,780**
	10,871	**5,800**	**562**	**491,691**	**443,088**
2018					
Singapore	5,552	2,975	189	271,142	266,595
Malaysia	1,457	913	43	66,173	52,732
Indonesia	769	354	32	16,481	13,945
Greater China	1,477	1,037	30	80,917	53,711
Other Asia Pacific	212	158	1	14,114	8,788
Rest of the World	234	115	2	18,716	28,380
	9,701	5,552	297	467,543	424,151

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.

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39. Risk Management

39.1 Overview

The Group's risk management framework encompasses good governance, sound policies, robust lines of defence, right expertise as well as significant investments in technology, underpinned by a corporate culture that demands accountability and ownership as well as high ethical standards. This ensures that the risks being taken are:

- consistent with our corporate strategy and within established risk appetite;
- well-understood, evaluated and supported by robust quantitative analyses and stress testing;
- adequately compensated by expected returns;
- managed holistically by evaluating risk interactions across the different risk types;
- reviewed by an independent risk function with adequate resources, authority and expertise; and
- accompanied by contingency plans to ensure resilience against potential crises or unexpected events.

The Board of Directors (Board) has the ultimate responsibility for the effective management of risk and establishes the corporate strategy and approves the risk appetite within which senior management should execute the strategy.

The Board Risk Management Committee (BRMC) is the designated board committee to ensure that the Group's overall risk management philosophy and principles are aligned with the corporate strategy and within the approved risk appetite. It also ensures that the overall risk management organisation is implemented and effective. Based on the approved risk appetite, BRMC approves various quantitative guidance and qualitative expectations and these are cascaded to major business units and risk functions to guide risk-taking. Risk drivers, risk profiles across major lines of business and risk types, as well as major risk policies and compliance matters are regularly reviewed by the senior management, Chief Executive Officer (CEO) and BRMC. These matters are reviewed and discussed in greater detail at the dedicated risk committees for major risk types.

The Bank has an independent risk management function, Group Risk Management Division (GRM), headed by the Group Chief Risk Officer (CRO), who reports to the BRMC and CEO. GRM is an independent risk and control oversight function that principally executes the risk management framework and principles. It provides risk committees, the BRMC and the Board regular risk reports and updates on material information with regard to risks. Functions in GRM are primarily organised by major risk types. Risk management staff work closely with the business and other support units to ensure that risks are well managed. GRM also oversees the Group's data management via a framework that comprises data policies, standards and controls. The objective is to ensure the quality of critical risk data and the ability of the Bank to effectively aggregate such data for accurate and timely risk reporting. In addition, it oversees the New Product Approval Process (NPAP) to ensure that all inherent risks associated with new products and services are comprehensively identified, managed and mitigated, including compliance with regulatory requirements and adequacy of resources to support the new product and services.

39. Risk Management (continued)

39.2 Credit Risk

Credit risk is the risk of loss of principal and/or income due to the failure of an obligor or counterparty to meet its financial or contractual obligations as originally scheduled or a change in the credit profile of the obligor or counterparty. Credit risk arises from the Group's lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from the Group's trading and investment banking activities.

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	2019	2018	2019	2018
Credit risk exposure of on-balance sheet assets:				
Loans and bills receivable	**262,045**	255,193	**256,141**	247,290
Placements with and loans to banks	**35,813**	39,035	**36,495**	40,078
Government treasury bills and securities	**28,663**	27,776	**28,934**	27,014
Debt securities	**24,304**	21,632	**23,132**	21,247
Amounts due from associates	**75**	80	**31**	147
Assets pledged	**1,166**	1,105	**1,863**	2,002
Derivative receivables	**7,349**	7,201	**15,882**	8,110
Other assets, comprising interest receivables and sundry debtors	**1,806**	1,716	**2,100**	921
	361,221	353,738	**364,578**	346,809
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**13,944**	11,964	**12,333**	11,517
Credit commitments	**153,799**	142,714	**148,326**	135,963
	167,743	154,678	**160,659**	147,480
Total maximum credit risk exposure	**528,964**	508,416	**525,237**	494,289

Collaterals

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

- Personal housing loans — Mortgages over residential properties
- Commercial property loans — Mortgages over commercial properties
- Derivatives — Cash and securities
- Car loans — Charges over the vehicles financed
- Share margin financing — Charges over listed securities including those of Singapore, Malaysia and Hong Kong
- Other loans — Securities and charges over business assets such as premises, inventories, trade receivables or deposits

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39. 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 categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Impaired loans are classified loans with specific allowances made.

	Bank loans		Non-bank loans	
$ million	2019	2018	2019	2018
Neither past due nor impaired	34,616	37,912	259,662	251,002
Non-impaired	–	–	1,818	3,731
Impaired	–	–	2,550	1,592
Past due loans	–	–	4,368	5,323
Impaired but not past due	–	–	743	1,380
Gross loans	34,616	37,912	264,773	257,705
Allowances				
Impaired loans	–	–	(1,395)	(1,219)
Non-impaired loans	(9)	(13)	(1,030)	(984)
Net loans	34,607	37,899	262,348	255,502

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:

	Bank loans		Non-bank loans	
$ million	2019	2018	2019	2018
Grades				
Performing	34,616	37,912	259,482	250,671
Non-performing	–	–	180	331
Neither past due nor impaired	34,616	37,912	259,662	251,002

Past Due Loans

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

	Bank loans		Non-bank loans	
$ million	2019	2018	2019	2018
By industry				
Agriculture, mining and quarrying	–	–	243	108
Manufacturing	–	–	520	734
Building and construction	–	–	160	271
General commerce	–	–	646	1,217
Transport, storage and communication	–	–	1,149	496
Financial institutions, investment and holding companies	–	–	136	295
Professionals and individuals (include housing)	–	–	1,444	1,935
Others	–	–	70	267
	–	–	4,368	5,323
By geography				
Singapore	–	–	1,846	1,847
Malaysia	–	–	863	757
Indonesia	–	–	848	1,719
Greater China	–	–	652	680
Rest of the World	–	–	159	320
	–	–	4,368	5,323

39. 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. The Group's non-bank loans which are past due but not impaired are as follows:

$ million	2019	2018
Past due		
Less than 30 days	**1,017**	2,795
30 to 90 days	**444**	474
Over 90 days	**357**	462
Past due but not impaired	**1,818**	3,731

Collateral and Other Credit Enhancements Obtained

Assets amounting to $49 million (2018: $69 million) were obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

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

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. The Group's main cross-border transfer risk exposures during the financial year were in Hong Kong SAR, People's Republic of China and Malaysia.

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39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management

Market risk is the risk of losing income and/or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatilities, or correlation of such factors. Market risks arise mainly from the Group's trading, client servicing and balance sheet management activities.

The Group's market risk management framework covers the identification, assessment, measurement, monitoring and control of risks. Group-level market risk policies and procedures are established to provide common guidelines and standards for managing market risks. The Group's market risk management strategy and limits are regularly reviewed and established within the Group's risk appetite and business strategies, taking into account prevailing macroeconomic and market conditions.

Asset liability management is the strategic management of the Group's balance sheet structure and liquidity requirements. It covers liquidity sourcing and diversification as well as interest rate and structural foreign exchange management.

The Group's asset liability management framework focuses on managing the exposures arising from the Bank's balance sheet. The Group monitors its liquidity risk, interest rate risk in the banking book (IRRBB) and structural foreign exchange risk profiles against approved risk limits under both business-as-usual and stressed scenarios. These are based on the standards established in the Group's framework, policies and procedures which are subject to regular reviews to ensure that they remain relevant in the context of the prevailing market conditions and practices.

Interest Rate Risk

IRRBB is the risk to earnings and capital arising from exposure to adverse changes in the interest rate environment.

The primary goal of the management of IRRBB is to ensure that interest rate risk exposures are maintained within defined risk tolerances and are consistent with the Group's risk appetite. The material sources of IRRBB are repricing risk, yield curve risk, basis risk and optionality risk.

A range of techniques are used to measure IRRBB from both earnings and economic value perspectives. One method involves the simulation of the impact of various interest rate scenarios on the Group's net interest income and economic value of equity (EVE). Other measures include interest rate sensitivity measures such as PV01 and repricing gap profile analysis. Behavioural models are used to assess interest rate risks in relation to loan prepayment, time deposit early redemption and the profile of non-maturity deposits. These measurements are used to adjust IRRBB management and hedging strategies, policies and positions.

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 using a variety of risk metrics. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $681 million (2018: $744 million), or approximately +10.8% (2018: +12.6%) of reported net interest income. The corresponding impact from a 100 bp decrease is an estimated reduction of $681 million (2018: $744 million) in net interest income, or approximately -10.8% (2018: -12.6%) of reported net interest income.

The 1% rate shock impact on net interest income is based on 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 projections also assume a constant balance sheet position and that all positions run to maturity.

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Interest Rate Risk (continued)

The table below summarises the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates, except for trading portfolio liabilities which is in accordance with the Group's trading strategies.

$ 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
2019								
Cash and placements with central banks	8,454	4,007	3,171	–	–	836	6,734	23,202
Placements with and loans to banks	3,535	3,161	8,745	15,495	–	–	3,671	34,607
Loans and bills receivable [(1)]	46,298	80,419	90,587	30,561	9,168	2,386	2,930	262,349
Securities [(2)]	1,210	3,672	9,334	10,281	14,222	13,873	5,415	58,007
Derivative receivables	–	–	–	–	–	–	7,349	7,349
Other assets	235	75	335	119	9	#	3,636	4,409
Amounts due from associates	–	–	22	–	–	–	53	75
Financial assets	59,732	91,334	112,194	56,456	23,399	17,095	29,788	389,998
Deposits of non-bank customers	72,608	68,644	50,161	38,006	37,908	916	34,608	302,851
Deposits and balances of banks	2,885	1,250	1,005	54	271	–	2,785	8,250
Trading portfolio liabilities	–	–	90	–	–	–	2	92
Derivative payables	–	–	–	–	–	–	7,687	7,687
Other liabilities [(3)]	73	72	93	106	1	–	6,848	7,193
Debt issued	1,397	2,410	7,896	10,072	3,480	4,073	60	29,388
Financial liabilities	76,963	72,376	59,245	48,238	41,660	4,989	51,990	355,461
On-balance sheet sensitivity gap	(17,231)	18,958	52,949	8,218	(18,261)	12,106		
Off-balance sheet sensitivity gap	(625)	480	(3,577)	1,936	1,529	257		
Net interest sensitivity gap	(17,856)	19,438	49,372	10,154	(16,732)	12,363		
2018								
Cash and placements with central banks	6,828	3,222	2,569	–	–	889	5,240	18,748
Placements with and loans to banks	4,480	4,693	9,357	15,279	–	–	4,089	37,898
Loans and bills receivable [(1)]	46,290	81,671	87,445	28,349	6,210	2,343	3,194	255,502
Securities [(2)]	442	2,968	8,183	12,431	12,394	12,181	5,390	53,989
Derivative receivables	–	–	–	–	–	–	7,201	7,201
Other assets	170	8	259	#	#	36	3,002	3,475
Amounts due from associates	–	–	79	–	–	–	1	80
Financial assets	58,210	92,562	107,892	56,059	18,604	15,449	28,117	376,893
Deposits of non-bank customers	69,703	67,900	52,244	34,623	35,278	865	34,799	295,412
Deposits and balances of banks	1,862	851	1,757	58	143	–	2,905	7,576
Trading portfolio liabilities	–	–	214	–	–	–	–	214
Derivative payables	–	–	–	–	–	–	7,105	7,105
Other liabilities [(3)]	64	72	121	100	#	–	5,822	6,179
Debt issued	1,551	4,080	9,886	6,843	1,701	5,718	493	30,272
Financial liabilities	73,180	72,903	64,222	41,624	37,122	6,583	51,124	346,758
On-balance sheet sensitivity gap	(14,970)	19,659	43,670	14,435	(18,518)	8,866		
Off-balance sheet sensitivity gap	(137)	93	(5,868)	5,774	(1,301)	1,439		
Net interest sensitivity gap	(15,107)	19,752	37,802	20,209	(19,819)	10,305		

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

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39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Currency Risk

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

$ million	SGD	USD	MYR	HKD	Others	Total
2019						
Cash and placements with central banks	**13,438**	**3,151**	**1,977**	**308**	**4,328**	**23,202**
Placements with and loans to banks	**281**	**25,497**	**969**	**822**	**7,038**	**34,607**
Loans and bills receivable	**92,951**	**64,116**	**20,546**	**34,276**	**50,459**	**262,348**
Securities [(1)]	**14,311**	**16,782**	**4,959**	**2,613**	**19,342**	**58,007**
Derivative receivables	**2,278**	**3,374**	**94**	**451**	**1,152**	**7,349**
Other assets	**1,383**	**1,860**	**205**	**258**	**703**	**4,409**
Amounts due from associates	**–**	**–**	**–**	**#**	**75**	**75**
Financial assets	**124,642**	**114,780**	**28,750**	**38,728**	**83,097**	**389,997**
Deposits of non-bank customers	**107,278**	**102,800**	**22,827**	**25,906**	**44,040**	**302,851**
Deposits and balances of banks	**801**	**4,287**	**184**	**282**	**2,696**	**8,250**
Trading portfolio liabilities	**90**	**#**	**–**	**–**	**2**	**92**
Derivative payables	**2,300**	**3,537**	**120**	**532**	**1,198**	**7,687**
Other liabilities [(2)]	**3,611**	**1,806**	**603**	**614**	**559**	**7,193**
Debt issued	**413**	**20,092**	**192**	**243**	**8,448**	**29,388**
Financial liabilities	**114,493**	**132,522**	**23,926**	**27,577**	**56,943**	**355,461**
Net financial assets/(liabilities) exposure [(3)]	**10,149**	**(17,742)**	**4,824**	**11,151**	**26,154**	
2018						
Cash and placements with central banks	10,761	1,753	2,014	426	3,794	18,748
Placements with and loans to banks	518	29,592	1,269	694	5,825	37,898
Loans and bills receivable	91,021	66,333	20,562	35,114	42,472	255,502
Securities [(1)]	12,683	14,302	5,261	1,881	19,862	53,989
Derivative receivables	1,855	3,392	84	443	1,427	7,201
Other assets	1,235	1,135	240	321	544	3,475
Amounts due from associates	#	–	–	#	80	80
Financial assets	118,073	116,507	29,430	38,879	74,004	376,893
Deposits of non-bank customers	105,327	91,036	23,297	28,428	47,324	295,412
Deposits and balances of banks	538	4,104	218	649	2,067	7,576
Trading portfolio liabilities	206	8	–	–	–	214
Derivative payables	1,814	3,429	72	445	1,345	7,105
Other liabilities [(2)]	2,627	1,564	620	609	759	6,179
Debt issued	406	20,071	256	358	9,181	30,272
Financial liabilities	110,918	120,212	24,463	30,489	60,676	346,758
Net financial assets/(liabilities) exposure [(3)]	7,155	(3,705)	4,967	8,390	13,328	

(1) *Securities comprise government, debt and equity securities (including assets pledged).*
(2) *Other liabilities include amounts due to associates.*
(3) *Net exposure without taking into account the effect of offsetting derivative exposures.*
(4) *# represents amounts less than $0.5 million.*

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from the Group's net investment in overseas branches, subsidiaries as well as other strategic and property assets. The Group manages structural foreign exchange risk through hedges and matched funding for foreign currency investments where appropriate. The table below shows the Group's structural foreign currency exposure at reporting date.

	2019			2018		
$ million	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure
Hong Kong Dollar	**7,029**	**–**	**7,029**	6,785	3,081	3,704
Chinese Renminbi	**5,410**	**–**	**5,410**	4,609	–	4,609
US Dollar	**3,909**	**3,174**	**735**	4,024	3,216	808
Others	**7,235**	**51**	**7,184**	6,591	115	6,476
Total	**23,583**	**3,225**	**20,358**	22,009	6,412	15,597

Net Investment Hedges

The amounts relating to items designated as hedging instruments were as follows.

		Carrying amount	
$ million	Nominal amount	Assets	Liabilities
2019			
Foreign exchange derivatives	**3,119**	**42**	**198**
2018			
Debt issued	3,110	–	3,096
Foreign exchange derivatives	3,845	56	169
	6,955	56	3,265

The total change in fair value of the hedging instruments during the year was $62 million (2018: $114 million) and the change in value of the hedging instruments recognised in OCI was $48 million (2018: $108 million). $14 million gain (2018: $6 million loss) was recognised in other income arising from hedge ineffectiveness.

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39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Liquidity Risk

Liquidity risk is the risk arising from the inability to meet financial obligations as they fall due without incurring unacceptable costs or losses through fundraising and assets liquidation.

The objective of liquidity risk management is to ensure that the Group has sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on both contractual and behavioural bases. Indicators such as liquidity and deposit concentration ratios are used to establish the level of optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. Simulations of liquidity exposures under stressed market scenarios are performed and the results are used to adjust liquidity risk management strategies, policies and positions, as well as develop contingency funding plans.

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

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2019								
Cash and placements with central banks	10,666	4,113	3,181	99	–	–	5,143	23,202
Placements with and loans to banks	5,688	2,314	6,472	17,596	2,537	#	–	34,607
Loans and bills receivable	19,689	33,501	24,789	26,535	42,735	115,099	–	262,348
Securities (1)	753	2,362	4,538	9,810	18,455	17,859	4,230	58,007
Derivative receivables	7,090	2	#	#	82	175	–	7,349
Other assets (2)	1,570	1,089	729	375	81	74	578	4,496
Associates	1	29	22	23	#	–	3,563	3,638
Property, plant and equipment and investment property (3)	#	–	2	1	–	–	3,783	3,786
Goodwill and intangible assets	–	–	–	–	–	–	4,980	4,980
Total	45,457	43,410	39,733	54,439	63,890	133,207	22,277	402,413
Total life insurance fund assets								89,278
Total assets								491,691
Deposits of non-bank customers	165,089	40,877	50,555	42,751	1,792	1,787	–	302,851
Deposits and balances of banks	5,872	1,318	1,006	54	–	–	–	8,250
Trading portfolio liabilities	–	–	90	–	–	–	2	92
Derivative payables	7,409	1	#	9	55	213	–	7,687
Other liabilities (4)	2,944	1,232	1,055	2,044	169	160	878	8,482
Debt issued	737	1,845	6,492	10,738	5,503	4,073	–	29,388
Total	182,051	45,273	59,198	55,596	7,519	6,233	880	356,750
Total life insurance fund liabilities								86,338
Total liabilities								443,088
Net liquidity gap	(136,594)	(1,863)	(19,465)	(1,157)	56,371	126,974		

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

39. Risk Management (continued)

39.3 Market Risk and Asset Liability Management (continued)

Liquidity Risk (continued)

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2018								
Cash and placements with central banks	7,320	3,474	2,569	20	–	–	5,365	18,748
Placements with and loans to banks	6,622	3,375	6,887	20,218	451	345	–	37,898
Loans and bills receivable	19,565	37,045	23,081	26,606	41,075	108,130	–	255,502
Securities (1)	449	1,900	4,570	13,644	14,594	14,922	3,910	53,989
Derivative receivables	7,027	2	#	3	6	163	–	7,201
Other assets (2)	900	1,182	633	354	46	88	378	3,581
Associates	–	–	79	–	1	–	3,103	3,183
Property, plant and equipment and investment property (3)	–	–	2	–	–	–	3,649	3,651
Goodwill and intangible assets	–	–	–	–	–	–	5,093	5,093
Total	41,883	46,978	37,821	60,845	56,173	123,648	21,498	388,846
Total life insurance fund assets								78,697
Total assets								467,543
Deposits of non-bank customers	156,168	42,765	52,937	38,256	2,749	2,537	–	295,412
Deposits and balances of banks	4,885	849	1,739	103	–	–	–	7,576
Trading portfolio liabilities	–	–	214	–	–	–	#	214
Derivative payables	6,901	1	1	10	3	189	–	7,105
Other liabilities (4)	2,651	1,001	1,067	1,501	35	84	907	7,246
Debt issued	1,551	3,020	8,822	7,133	3,628	6,118	–	30,272
Total	172,156	47,636	64,780	47,003	6,415	8,928	907	347,825
Total life insurance fund liabilities								76,326
Total liabilities								424,151
Net liquidity gap	(130,273)	(658)	(26,959)	13,842	49,758	114,720		

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

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39. 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, except for trading portfolio liabilities which is in accordance with the Group's trading strategies. 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
2019							
Deposits of non-bank customers [1]	**165,175**	**41,105**	**50,946**	**43,455**	**1,910**	**1,841**	**304,432**
Deposits and balances of banks [1]	**5,873**	**1,347**	**1,010**	**54**	**–**	**–**	**8,284**
Trading portfolio liabilities	**–**	**–**	**92**	**–**	**–**	**–**	**92**
Other liabilities [2]	**2,836**	**699**	**1,013**	**833**	**186**	**145**	**5,712**
Debt issued	**738**	**1,857**	**6,522**	**10,881**	**5,718**	**4,229**	**29,945**
Net settled derivatives							
Trading	**436**	**149**	**329**	**979**	**1,491**	**1,691**	**5,075**
Hedging	**#**	**#**	**3**	**9**	**23**	**15**	**50**
Gross settled derivatives							
Trading – Outflow	**42,545**	**54,296**	**63,445**	**76,443**	**28,268**	**17,524**	**282,521**
Trading – Inflow	**(42,508)**	**(54,315)**	**(63,506)**	**(76,495)**	**(28,324)**	**(17,503)**	**(282,651)**
Hedging – Outflow	**5**	**107**	**10**	**56**	**1,636**	**1,717**	**3,531**
Hedging – Inflow	**–**	**(101)**	**(5)**	**(2)**	**(1,522)**	**(1,513)**	**(3,143)**
	175,100	**45,144**	**59,859**	**56,213**	**9,386**	**8,146**	**353,848**
2018							
Deposits of non-bank customers [1]	156,296	42,937	53,344	39,020	2,956	2,651	297,204
Deposits and balances of banks [1]	4,887	851	1,750	104	1	–	7,593
Trading portfolio liabilities	–	–	214	–	–	–	214
Other liabilities [2]	2,456	555	952	507	13	83	4,566
Debt issued	1,553	3,033	8,859	7,350	3,918	6,494	31,207
Net settled derivatives							
Trading	484	309	372	1,288	1,026	1,049	4,528
Hedging	#	15	2	(3)	3	2	19
Gross settled derivatives							
Trading – Outflow	46,495	59,600	64,082	65,093	27,251	19,729	282,250
Trading – Inflow	(46,473)	(59,823)	(64,090)	(65,102)	(27,419)	(19,676)	(282,583)
Hedging – Outflow	6	169	13	81	195	3,373	3,837
Hedging – Inflow	–	(162)	(5)	(2)	(14)	(3,153)	(3,336)
	165,704	47,484	65,493	48,336	7,930	10,552	345,499

(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 amounts due to associates.
(3) # represents amounts less than $0.5 million.

39. Risk Management (continued)

39.4 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. As stated in the Enterprise Risk Management (ERM) Framework, GEH Group shall operate within parameters and limits that have been set based on the risk appetite approved by the GEH Board, and pursue appropriate risk-adjusted returns.

GEH Group Risk Management department spearheads the development and implementation of the ERM Framework for GEH Group.

GEH Board is responsible to provide oversight on the risk management initiatives. GEH Board may delegate this responsibility to the Risk Management Committee (RMC). At GEH Group level, detailed risk management and oversight activities are undertaken by the following group management committees chaired by the Group Chief Executive Officer and comprising key Senior Management Executives, namely: Group Management Committee (GMC), Group Asset-Liability Committee (Group ALC), Group Investment Committee (Group IC), Group Product Management and Approval Committee (Group PMAC) and Group Technology Strategy Committee (Group TSC).

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

Group IC is responsible for the oversight of all investment management activities of the company with added oversight to ensure that for the insurance funds, the interests and rights of policyholders are not compromised.

Group ALC is responsible for balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodologies 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 ALC.

Group TSC is responsible for assisting GMC in providing the overall strategic direction and approval of all IT related issues and initiatives to support GEH Group strategic growth into the future. Group TSC is supported by local TSC.

Group PMAC is responsible for reviewing, approving and managing new and existing products, ensuring the business operates within the risk appetite to deliver the annual business targets. Local PDC is responsible for reviewing and endorsing new products at the local operating subsidiaries.

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

The objectives of GEH's capital management policy are 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 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 regulatory minimum ratios under the Risk based Capital Frameworks established by the Monetary Authority of Singapore (MAS) and Bank Negara, Malaysia (BNM) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Capital Management (continued)

Regulatory Capital (continued)

GEH Group's approach to capital management aims to maintain an adequate level of capital to meet regulatory 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 sources of capital of GEH Group are shareholders' equity and issued subordinated debt. GEH Group defines available capital as the amount of assets in excess of liabilities measured in accordance with the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2019 amounted to $13.9 billion (2018: $11.5 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2019 amounted to $7.9 billion (2018: $8.0 billion).

Dividend

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

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 activity of GEH Group is the provision of insurance products and related financial advisory services. The products cover risks such as mortality, morbidity (health, disability, critical illness, personal accident), and property and casualty, and meet customer needs in investment and retirement provision.

GEH Group's underwriting strategy is designed to ensure that risks are well diversified across the types 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, 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 Risks of Life Insurance Contracts

Insurance risks arise when GEH Group underwrites insurance contracts. While insurance risks do not vary significantly across the geographical locations in which GEH Group currently operates, the types of risks insured, assumptions used in pricing the insurance products as well as subsequent setting aside of the technical provisions may give rise to potential shortfalls in provision for future claims and expenses when actual experience is different from the underlying assumptions. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

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 insured. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant and there is no material concentration risk.

In general, reinsurers must have a minimum credit rating of S&P A- or equivalent to be considered for reinsurance business. GEH Group limits its risk to any one reinsurer 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.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

A substantial portion of GEH Group's life insurance 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 below expectations, 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 scenarios, expense patterns, mortality/morbidity patterns and lapse rates.

Table 39.4(A):

The table below sets out the distribution of the various categories of the life insurance risk as at the balance sheet date.

		Life insurance	
Insurance liabilities ($ million)		2019	2018
(a)	**By class of business**		
	Whole life	**40,933**	36,350
	Endowment	**28,504**	25,368
	Term	**499**	452
	Accident and health	**372**	1,804
	Annuity	**507**	520
	Others	**1,248**	1,099
	Total	**72,063**	65,593
(b)	**By country**		
	Singapore	**50,918**	45,584
	Malaysia	**20,359**	19,384
	Others	**786**	625
	Total	**72,063**	65,593

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 are based on parameters set out as follows:

		Change in assumptions
(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

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

Table 39.4(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
2019							
Gross impact	**(177.8)**	**97.8**	**(87.0)**	**35.5**	**68.7**	**(79.1)**	**(12.0)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(177.8)**	**97.8**	**(87.0)**	**35.5**	**68.7**	**(79.1)**	**(12.0)**
2018							
Gross impact	(100.3)	23.1	34.7	(77.1)	55.9	(65.4)	(26.0)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(100.3)	23.1	34.7	(77.1)	55.9	(65.4)	(26.0)

Table 39.4(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
2019							
Gross impact	**(95.0)**	**85.9**	**(17.8)**	**13.1**	**1.2**	**1.5**	**(28.1)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(95.0)**	**85.9**	**(17.8)**	**13.1**	**1.2**	**1.5**	**(28.1)**
2018							
Gross impact	(76.9)	67.2	(15.3)	11.9	(4.4)	6.1	(24.8)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(76.9)	67.2	(15.3)	11.9	(4.4)	6.1	(24.8)

The above tables demonstrate the sensitivity of GEH Group's profit and loss after tax to a 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, including the significant assumptions made, for performing the above sensitivity analysis 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. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

Table 39.4(C1):

The table below sets out the distribution of the various categories of the non-life insurance risk as at the balance sheet date:

Non-life insurance contracts $ million	2019 Gross premium liabilities	2019 Reinsured premium liabilities	2019 Net premium liabilities	2018 Gross premium liabilities	2018 Reinsured premium liabilities	2018 Net premium liabilities
(a) By class of business						
Fire	**27**	**(10)**	**17**	19	(6)	13
Motor	**38**	**(2)**	**36**	35	(2)	33
Marine and aviation	**11**	**(6)**	**5**	3	(3)	#
Workmen's compensation	**27**	**(11)**	**16**	16	(4)	12
Personal accident and health	**24**	**(2)**	**22**	24	(2)	22
Miscellaneous	**52**	**(33)**	**19**	50	(34)	16
Total	**179**	**(64)**	**115**	147	(51)	96
(b) By country						
Singapore	**95**	**(43)**	**52**	78	(35)	43
Malaysia	**71**	**(19)**	**52**	69	(16)	53
Indonesia	**13**	**(2)**	**11**	–	–	–
Total	**179**	**(64)**	**115**	147	(51)	96

Non-life insurance contracts $ million	2019 Gross claims liabilities	2019 Reinsured claims liabilities	2019 Net claims liabilities	2018 Gross claims liabilities	2018 Reinsured claims liabilities	2018 Net claims liabilities
(a) By class of business						
Fire	**50**	**(33)**	**17**	29	(19)	10
Motor	**56**	**(5)**	**51**	55	(5)	50
Marine and aviation	**51**	**(36)**	**15**	25	(22)	3
Workmen's compensation	**29**	**(11)**	**18**	26	(9)	17
Personal accident and health	**22**	**(3)**	**19**	18	(2)	16
Miscellaneous	**72**	**(44)**	**28**	84	(64)	20
Total	**280**	**(132)**	**148**	237	(121)	116
(b) By country						
Singapore	**111**	**(61)**	**50**	123	(74)	49
Malaysia	**127**	**(55)**	**72**	114	(47)	67
Indonesia	**42**	**(16)**	**26**	–	–	–
Total	**280**	**(132)**	**148**	237	(121)	116

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

Table 39.4(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 2019

$ million		2012	2013	2014	2015	2016	2017	2018	2019	Total
(a)	**Estimate of cumulative claims**									
	Accident Year	93	138	127	166	178	169	163	214	
	One year later	100	131	119	162	178	166	141	–	
	Two years later	97	117	116	134	173	147	–	–	
	Three years later	94	116	112	140	169	–	–	–	
	Four years later	89	120	107	139	–	–	–	–	
	Five years later	87	123	108	–	–	–	–	–	
	Six years later	85	122	–	–	–	–	–	–	
	Seven years later	84	–	–	–	–	–	–	–	
	Current estimate of cumulative claims	**84**	**122**	**108**	**139**	**169**	**147**	**141**	**214**	
(b)	**Cumulative payments**									
	Accident Year	37	38	39	52	82	64	55	91	
	One year later	64	79	87	105	138	107	101	–	
	Two years later	75	91	96	114	154	121	–	–	
	Three years later	81	95	99	128	158	–	–	–	
	Four years later	83	112	100	130	–	–	–	–	
	Five years later	84	121	102	–	–	–	–	–	
	Six years later	84	121	–	–	–	–	–	–	
	Seven years later	84	–	–	–	–	–	–	–	
	Cumulative payments	**84**	**121**	**102**	**130**	**158**	**121**	**101**	**91**	
(c)	**Non-life gross claim liabilities**	**#**	**1**	**6**	**9**	**11**	**26**	**40**	**123**	**216**
	Reserve for prior years									**22**
	Estimated cumulative claims of PT Great Eastern General Insurance, gross									**42**
	Non-life insurance contract liabilities, gross									**280**

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

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2019

	$ million	2012	2013	2014	2015	2016	2017	2018	2019	Total
(a)	**Estimate of cumulative claims**									
	Accident Year	64	93	80	83	91	93	106	119	
	One year later	70	74	77	79	85	92	98	–	
	Two years later	66	72	76	75	83	90	–	–	
	Three years later	65	71	75	72	81	–	–	–	
	Four years later	63	69	72	70	–	–	–	–	
	Five years later	61	67	72	–	–	–	–	–	
	Six years later	60	66	–	–	–	–	–	–	
	Seven years later	60	–	–	–	–	–	–	–	
	Current estimate of cumulative claims	**60**	**66**	**72**	**70**	**81**	**90**	**98**	**119**	
(b)	**Cumulative payments**									
	Accident Year	32	30	32	30	41	44	47	54	
	One year later	49	55	59	56	66	72	78	–	
	Two years later	56	61	65	62	72	79	–	–	
	Three years later	58	63	67	64	75	–	–	–	
	Four years later	59	64	69	65	–	–	–	–	
	Five years later	60	65	69	–	–	–	–	–	
	Six years later	60	65	–	–	–	–	–	–	
	Seven years later	60	–	–	–	–	–	–	–	
	Cumulative payments	**60**	**65**	**69**	**65**	**75**	**79**	**78**	**54**	
(c)	**Non-life net claim liabilities**	**#**	**1**	**3**	**5**	**6**	**11**	**20**	**65**	**111**
	Reserve for prior years									**11**
	Estimated cumulative claims of PT Great Eastern General Insurance, net									**26**
	Non-life insurance contract liabilities, net									**148**

(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 achieving 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, thorough 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 put in place to reduce the risk exposure of GEH Group. GEH Group further enforces a policy of active management and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the GEH 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.

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For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (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
2019					
Provision for adverse deviation margin	**+20%**	**7**	**2**	**(2)**	**(2)**
Loss ratio [1]	**+20%**	**67**	**41**	**(41)**	**(32)**
Claims handling expenses	**+20%**	**2**	**1**	**(1)**	**(1)**
2018					
Provision for adverse deviation margin	+20%	6	3	(3)	(2)
Loss ratio [1]	+20%	76	51	(51)	(39)
Claims handling expenses	+20%	2	2	(2)	(1)

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

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 values 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. In the case of the third-party 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, Group IC 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 are monitored at various levels to ensure that all investment activities are conducted within GEH Group's risk appetite and in line with GEH Group's management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by GEH Group in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit risk, alternative investment risk and liquidity risk, is briefly described below.

(a) Interest Rate Risk (Including Asset Liability Mismatch)

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments 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 the 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.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(a) Interest Rate Risk (Including Asset Liability Mismatch) (continued)

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 foreign currency denominated fixed income portfolio. Portfolios are mostly hedged where practical and cost-effective. Foreign exchange instruments are also used for efficient portfolio management.

GEH Group is also exposed to foreign exchange risk on the net investment in its foreign subsidiaries. Such risk mainly arises from GEH Group's subsidiaries in Malaysia. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by BNM.

Limits are set on the total amount of foreign currency (net of liabilities) to cap GEH Group's foreign currency risk.

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

$ million	SGD	MYR	USD	Others	Total
2019					
Financial assets at FVOCI					
Equity securities	364	221	–	1,004	1,589
Debt securities	4,834	816	2,616	401	8,667
Financial assets at FVTPL					
Equity securities	1,435	7,017	1,161	3,629	13,242
Debt securities	16,433	14,352	9,993	5,629	46,407
Other investments	5,646	213	4,375	1,852	12,086
Financial assets at amortised cost					
Debt securities	–	–	112	15	127
Derivative financial assets	375	–	25	17	417
Loans	608	443	2	19	1,072
Insurance receivables	1,118	1,859	14	41	3,032
Other debtors	754	240	33	50	1,077
Cash and cash equivalents	3,768	1,761	295	392	6,216
Financial and insurance-related assets	35,335	26,922	18,626	13,049	93,932
Other creditors	3,469	298	96	36	3,899
Insurance payables	1,621	3,565	3	16	5,205
Derivative financial liabilities	19	–	68	109	196
Provision for agents' retirement benefits	–	294	–	–	294
Debt issued	400	–	–	–	400
Insurance contract liabilities	49,214	20,557	2,130	621	72,522
Financial and insurance-related liabilities	54,723	24,714	2,297	782	82,516

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(b) Foreign Currency Risk (continued)

$ million	SGD	MYR	USD	Others	Total
2018					
Financial assets at FVOCI					
Equity securities	535	192	–	1,125	1,852
Debt securities	3,730	695	2,305	229	6,959
Financial assets at FVTPL					
Equity securities	1,696	6,005	911	3,586	12,198
Debt securities	13,511	14,045	8,967	4,422	40,945
Other investments	4,559	199	3,290	1,520	9,568
Derivative financial assets	217	–	8	2	227
Loans	510	818	2	–	1,330
Insurance receivables	1,115	1,675	#	4	2,794
Other debtors	604	247	132	32	1,015
Cash and cash equivalents	3,505	1,387	541	272	5,705
Financial and insurance-related assets	29,982	25,263	16,156	11,192	82,593
Other creditors	1,168	324	98	22	1,612
Insurance payables	1,359	3,244	4	12	4,619
Derivative financial liabilities	6	2	121	166	295
Provision for agents' retirement benefits	–	276	–	–	276
Debt issued	400	–	–	–	400
Insurance contract liabilities	44,142	19,567	1,764	503	65,976
Financial and insurance-related liabilities	47,075	23,413	1,987	703	73,178

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

GEH Group has no significant concentration of foreign currency risk.

(c) Equity Price Risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity, equity derivatives and fund investments, where GEH Group, through investments, 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 IC.

(f) Commodity Risk

GEH Group does not have any direct exposure to commodity risk.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk

Liquidity risk arises when a company is unable to meet the cash flow needs of its financial liabilities, or if the assets backing the liabilities cannot be sold quickly enough without incurring unreasonable losses. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. 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.

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

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2019					
Financial assets at FVOCI					
Equity securities	–	–	–	1,589	1,589
Debt securities	516	3,817	7,638	–	11,971
Financial assets at FVTPL					
Equity securities	–	–	–	13,242	13,242
Debt securities	3,862	14,369	41,666	2,330	62,227
Other investments	–	–	–	12,086	12,086
Financial assets at amortised cost					
Debt securities	7	27	235	–	269
Loans	291	796	103	–	1,190
Insurance receivables	643	2	–	2,387	3,032
Other debtors	1,055	–	18	4	1,077
Cash and cash equivalents	6,216	–	–	–	6,216
Financial and insurance-related assets	12,590	19,011	49,660	31,638	112,899
Other creditors	3,775	#	–	28	3,803
Lease liabilities	14	51	45	–	110
Insurance payables	5,180	13	–	12	5,205
Provision for agents' retirement benefits	115	59	120	–	294
Debt issued	19	409	–	–	428
Insurance contract liabilities	12,270	15,466	44,776	10	72,522
Financial and insurance-related liabilities	21,373	15,998	44,941	50	82,362

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk (continued)

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2018					
Financial assets at FVOCI					
Equity securities	–	–	–	1,852	1,852
Debt securities	331	2,077	8,283	–	10,691
Financial assets at FVTPL					
Equity securities	–	–	–	12,198	12,198
Debt securities	2,453	15,359	37,799	2,225	57,836
Other investments	–	–	–	9,568	9,568
Loans	533	738	216	–	1,487
Insurance receivables	385	3	–	2,406	2,794
Other debtors	952	11	18	34	1,015
Cash and cash equivalents	5,705	–	–	–	5,705
Financial and insurance-related assets	10,359	18,188	46,316	28,283	103,146
Other creditors	1,580	4	#	28	1,612
Insurance payables	3,571	1,044	–	4	4,619
Provision for agents' retirement benefits	100	59	117	–	276
Debt issued	18	428	–	–	446
Insurance contract liabilities	7,935	14,988	43,033	20	65,976
Financial and insurance-related liabilities	13,204	16,523	43,150	52	72,929

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

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk (continued)

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

$ million	Current*	Non-current	Unit-linked	Total
2019				
Cash and cash equivalents	5,901	–	315	6,216
Other debtors	1,017	47	61	1,125
Insurance receivables	1,546	1,486	–	3,032
Loans	217	855	–	1,072
Derivative financial assets	241	171	5	417
Investments	11,195	64,645	6,278	82,118
Associates	–	2	–	2
Intangible assets	–	32	–	32
Property, plant and equipment	–	709	–	709
Investment properties	–	1,786	–	1,786
Assets	20,117	69,733	6,659	96,509
Insurance payables	5,188	17	–	5,205
Other creditors	3,750	113	83	3,946
Derivative financial liabilities	93	98	5	196
Income tax payable	554	–	4	558
Provision for agents' retirement benefits	115	179	–	294
Deferred tax	–	1,541	2	1,543
Debt issued	–	400	–	400
Insurance contract liabilities	5,399	63,023	7,242	75,664
Liabilities	15,099	65,371	7,336	87,806
2018				
Cash and cash equivalents	5,170	–	535	5,705
Other debtors	948	64	62	1,074
Insurance receivables	385	2,409	–	2,794
Loans	483	847	–	1,330
Derivative financial assets	94	129	4	227
Investments	14,207	52,046	5,268	71,521
Associates	–	2	–	2
Intangible assets	–	27	–	27
Property, plant and equipment	–	591	–	591
Investment properties	–	1,771	–	1,771
Assets	21,287	57,886	5,869	85,042
Insurance payables	3,571	1,048	–	4,619
Other creditors	1,527	33	87	1,647
Derivative financial liabilities	51	242	2	295
Income tax payable	501	–	7	508
Provision for agents' retirement benefits	100	176	–	276
Deferred tax	–	1,131	1	1,132
Debt issued	–	400	–	400
Insurance contract liabilities	1,839	60,628	6,176	68,643
Liabilities	7,589	63,658	6,273	77,520

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 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 investments 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, counterparty and investment grade. 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 mitigated through counterparty limits that are reviewed and approved on an annual basis. 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%. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines on the eligibility of collateral have been established, and all collaterals are revalued on a regular basis. 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:

		2019		2018	
$ million	Type of collateral	Carrying amount	Fair value	Carrying amount	Fair value
Policy loans	Cash value of policies	**2,387**	**4,862**	2,345	4,806
Secured loans	Properties	**731**	**1,343**	605	1,033
Secured loans	Others	**100** (1)	**1**	430 (1)	8
		3,218	**6,206**	3,380	5,847

(1) *This includes secured loans which are guaranteed by the government although there is no collateral held.*

There were no securities lending arrangements as at 31 December 2019 (2018: nil).

As at the balance sheet date, no investments (2018: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under standard terms and conditions for securities borrowing and lending activities.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out information about the credit quality of loans and debt securities measured at amortised cost and debt securities measured at FVOCI. 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 loan commitments, the amounts in the table represent the amounts committed.

$ million	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
2019				
Loans at amortised cost				
Investment grade* (BBB to AAA)	**717**	**–**	**–**	**717**
Non investment grade* (C to BB)	**67**	**225**	**109**	**401**
Not rated	**1**	**–**	**–**	**1**
	785	**225**	**109**	**1,119**
Loss allowance	**(1)**	**(5)**	**(42)**	**(48)**
Carrying amount	**784**	**220**	**67**	**1,071**
Debt securities at amortised cost				
Investment grade* (BBB to AAA)	**122**	**–**	**–**	**122**
Non investment grade* (C to BB)	**6**	**–**	**–**	**6**
	128	**–**	**–**	**128**
Loss allowance	**(1)**	**–**	**–**	**(1)**
Carrying amount	**127**	**–**	**–**	**127**
Debt securities at FVOCI				
Investment grade* (BBB to AAA)	**7,893**	**19**	**–**	**7,912**
Non investment grade* (C to BB)	**714**	**41**	**–**	**755**
	8,607	**60**	**–**	**8,667**
2018				
Loans at amortised cost				
Investment grade* (BBB to AAA)	862	44	–	906
Non investment grade* (C to BB)	40	292	110	442
Not rated	3	–	–	3
	905	336	110	1,351
Loss allowance	(1)	(6)	(14)	(21)
Carrying amount	904	330	96	1,330
Debt securities at FVOCI				
Investment grade* (BBB to AAA)	6,581	26	–	6,607
Non investment grade* (C to BB)	294	56	2	352
	6,875	82	2	6,959
Loan commitments				
Investment grade* (BBB to AAA)	26	1	–	27

(1) ** Based on internal ratings grades which are equivalent to grades of external rating agencies.*

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For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost, other than loans and debt securities measured at amortised cost.

$ million	Investment grade* (BBB to AAA)	Non investment grade* (C to BB)	Not rated	Unit-linked	Not subject to credit risk	Total carrying amount
2019						
Financial assets at FVOCI						
Equity securities	–	–	–	–	1,589	1,589
Financial assets at FVTPL						
Equity securities	–	–	1	2,665	10,576	13,242
Debt securities	37,576	1,971	5,472	1,388	–	46,407
Other investments	–	–	136	2,743	9,207	12,086
Derivative financial assets	412	–	#	5	–	417
Insurance receivables	47	–	2,979	6	–	3,032
Other debtors	3	–	1,014	60	–	1,077
Cash and cash equivalents	5,761	–	93	362	–	6,216
	43,799	1,971	9,695	7,229	21,372	84,066
2018						
Financial assets at FVOCI						
Equity securities	–	–	–	–	1,852	1,852
Financial assets at FVTPL						
Equity securities	–	–	1	1,979	10,218	12,198
Debt securities	33,349	1,483	4,868	1,245	–	40,945
Other investments	–	–	132	2,307	7,129	9,568
Derivative financial assets	219	–	3	5	–	227
Insurance receivables	4	–	2,617	2	–	2,623
Other debtors	2	–	952	61	–	1,015
Cash and cash equivalents	5,102	–	87	516	–	5,705
	38,676	1,483	8,660	6,115	19,199	74,133

(1) ** Based on internal ratings grades which are equivalent to grades of external rating agencies.*

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

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)
Amounts arising from ECL

Measurement of ECL - Explanation of Inputs, Assumptions and Estimation Techniques
The key inputs into the measurement of ECL are the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from internally developed statistical models as developed by GEH Group based on historical data. They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are based on rating models that consider both quantitative and qualitative inputs derived from internal and external compiled data.

LGD is the magnitude of the likely loss incurred during a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and represents an estimate of the economic loss in the event of the default of the counterparty. Drivers of LGD include the seniority of the claim, the availability and quality of collateral, legal enforceability processes in the jurisdiction and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on statistical models. These statistical models are developed using internally compiled data, and comprised both quantitative and qualitative factors.

EAD represents the expected exposure in the event of a default. GEH Group derives the EAD from the current exposure to the counterparty, including amortisation schedules. The EAD of a financial asset is its gross carrying amount.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Significant Increase in Credit Risk
To assess whether there is a significant increase in credit risk, GEH Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. GEH Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:
– Internal credit rating;
– External credit rating;
– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on GEH Group's quantitative model, the 12M PD is determined to have more than doubled since origination except where the counterparty remains within the investment grade rating. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

Using its expert credit judgement and, where possible, relevant historical experience, GEH Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. GEH Group uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

GEH Group considers "low credit risk" to be an investment grade credit rating using a combination of internal and external credit rating models.

Notes to the Financial Statements

For the financial year ended 31 December 2019

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Credit Risk Grades

GEH Group assigns each exposure to a credit risk grade reflecting the PD of the counterparty and applying experienced credit judgement. Credit risk grades are established based on qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the risk of default occurring increases as the credit risk deteriorates. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of information obtained during periodic review, including published financial statements, external rating (where available), qualitative information about an obligor's industry characteristics, competitive positioning, management, financial policy and financial flexibility.

Definition of Default

GEH Group considers a financial asset to be in default by assessing the following criteria:

Quantitative Criteria

For insurance receivables, the counterparty fails to make contractual payments within 12 months when they fall due. For bonds and loans, the instrument is considered as default if it is in overdue status and there are non-payments on another debt obligation of the same issuer to GEH Group.

Qualitative Criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption or breach of material loan covenants not rectified within a given timeframe, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within given timeframe.

The criteria above have been applied to all financial instruments held by GEH Group and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout GEH Group's expected loss calculations.

Incorporating of Forward-Looking Information

GEH Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. GEH Group has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the base economic scenario) are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, after which, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

In addition to the base economic scenario, GEH Group uses multiple scenarios to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2019, for all portfolios, GEH Group concluded that two scenarios appropriately captured non-linearities. The scenario weightings are determined by expert credit judgement, taking into account the range of possible outcomes the chosen scenario is representative of. The assessment of significant increase in credit risk is performed using the 12M PD under each of the base, and the other scenario, multiplied by the associated scenario weighting. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12M or lifetime ECL should be recorded. Following this assessment, GEH Group measures ECL as either a probability weighted 12M ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. GEH Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within GEH Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to GEH Group for the year ended 31 December 2019.

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Loss Allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

$ million	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans at amortised cost				
At 1 January 2018	–	–	47.3	47.3
Effect of adopting SFRS(I) 9	0.3	9.2	–	9.5
Adjusted balance at 1 January	0.3	9.2	47.3	56.8
Net remeasurement of loss allowance	0.2	0.3	(33.5)	(33.0)
New financial assets purchased	0.1	–	–	0.1
Financial assets that have been derecognised	(0.2)	(2.9)	–	(3.1)
Foreign exchange and other movements	0.1	(0.1)	(0.1)	(0.1)
At 31 December 2018/1 January 2019	**0.5**	**6.5**	**13.7**	**20.7**
Net remeasurement of loss allowance	**–**	**(0.9)**	**28.6**	**27.7**
New financial assets purchased	**0.3**	**–**	**–**	**0.3**
Financial assets that have been derecognised	**(0.2)**	**(1.1)**	**–**	**(1.3)**
Changes in models/risk parameters	**0.1**	**0.1**	**–**	**0.2**
At 31 December 2019	**0.7**	**4.6**	**42.3**	**47.6**
Debt securities at amortised cost				
At 1 January 2019	**–**	**–**	**–**	**–**
New financial assets purchased	**0.6**	**–**	**–**	**0.6**
Changes in models/risk parameters	**0.1**	**–**	**–**	**0.1**
At 31 December 2019	**0.7**	**–**	**–**	**0.7**
Debt securities at FVOCI				
At 1 January 2018	–	–	64.0	64.0
Effect of adopting SFRS(I) 9	3.5	3.5	(57.4)	(50.4)
Adjusted balance at 1 January	3.5	3.5	6.6	13.6
Transfer to 12-month ECL	0.2	(0.2)	–	–
New financial assets purchased	2.0	0.2	–	2.2
Financial assets that have been derecognised	(1.1)	(1.7)	(3.9)	(6.7)
Changes in models/risk parameters	0.1	–	–	0.1
Foreign exchange and other movements	(0.1)	0.1	0.1	0.1
At 31 December 2018/1 January 2019	**4.6**	**1.9**	**2.8**	**9.3**
Additional loss due to transfer	**–**	**0.3**	**–**	**0.3**
Net remeasurement of loss allowance	**–**	**(0.3)**	**–**	**(0.3)**
New financial assets purchased	**2.0**	**–**	**–**	**2.0**
Financial assets that have been derecognised	**(1.7)**	**(0.3)**	**–**	**(2.0)**
Changes in models/risk parameters	**0.9**	**–**	**–**	**0.9**
At 31 December 2019	**5.8**	**1.6**	**2.8**	**10.2**
Increase/(decrease) in provision for impairment of financial assets for the year				
31 December 2019	**2.1**	**(2.2)**	**28.6**	**28.5**
31 December 2018	1.1	(4.1)	(37.4)	(40.4)

The carrying amount of outstanding premiums as at 31 December 2019 is $416.7 million (2018: $261.5 million). The ECL relating to outstanding premiums as at 31 December 2019 was $4.7 million (2018: $2.7 million) for GEH Group. The changes in credit loss recognised in the income statement during the year was positive $1.6 million (2018: negative $1.7 million).

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39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(i) Sensitivity Analysis on Financial Risks

The sensitivity analysis below shows the impact on GEH Group's net profit after tax by applying possible shocks to each key variable, with all other variables constant. While the co-movement of key variable can significantly affect the fair values and/or amortised cost of financial assets, but to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net 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 equity sensitivity represents the impact on net profit after tax and the effect on changes in fair value of financial assets measured at FVOCI.

Market Risk Sensitivity Analysis

	Impact on profit after tax		Impact on equity	
$ million	2019	2018	2019	2018
Change in variables:				
(a) Interest rate				
+100 basis points	**38.6**	62.4	**(482.1)**	(383.2)
–100 basis points	**(238.8)**	(160.4)	**371.8**	365.9
(b) LTRFDR [1]				
+10 basis points	**19.9**	41.0	**19.9**	41.0
–10 basis points	**(21.0)**	(43.6)	**(21.0)**	(43.6)
(c) Foreign currency				
5% increase in market value of foreign currency denominated assets	**50.4**	22.8	**94.3**	71.2
5% decrease in market value of foreign currency denominated assets	**(50.4)**	(22.8)	**(94.3)**	(71.2)
(d) Equity				
20% increase in market indices				
STI	**51.3**	67.9	**111.0**	156.0
KLCI	**6.0**	27.5	**30.7**	49.1
20% decrease in market indices				
STI	**(51.3)**	(67.9)	**(111.0)**	(156.0)
KLCI	**(6.0)**	(27.5)	**(30.7)**	(49.1)
(e) Credit				
Spread +100 basis points	**(204.2)**	(164.8)	**(605.8)**	(490.0)
Spread –100 basis points	**221.9**	177.5	**693.6**	558.7
(f) Alternative investments [2]				
10% increase in market value of all alternative investments	**69.9**	49.1	**71.6**	53.5
10% decrease in market value of all alternative investments	**(69.9)**	(49.1)	**(71.6)**	(53.5)

(1) *LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.*
(2) *Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.*

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

39. Risk Management (continued)

39.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(j) 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 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 investment mix to ensure that there is no significant concentration of market and credit risk.

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events and compliance risk is a similar event or action resulting from its failure to comply with the following applicable laws, regulations and standards:

– local laws, regulations and rules governing licensed activities undertaken by GEH Group;
– foreign laws, regulations and rules that have extraterritorial jurisdiction over GEH Group's licensed activities;
– codes of practice promoted by industry associations of which GEH Group are members of; and
– any other applicable regulations which do not specifically govern the licensed activities undertaken by GEH Group but can expose the organisation to legal, regulatory or reputational loss.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal control frameworks, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMC reviews operational and compliance issues on a GEH Group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. GEH Group Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to GEH Group Audit Committee.

Technology, Information and Cyber Risks

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, system/hardware failure, capacity deficiency arising from the use of technologies such as electronic hardware/devices, software, online networks and telecommunications systems.

Information risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

GEH Group adopts a risk based approach in managing technology, information and cyber risks relating to cyber-attacks, data loss/leakage, deficiency in change management, emerging technology, inadequate vendor management, inferior system acquisition and development, network security vulnerability, privilege access misuse, system security vulnerability, system unavailability and technology obsolescence. Key risk indicators related to technology, information and cyber risks are reported to GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit for its adequacy and effectiveness.

Notes to the Financial Statements

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40. Financial Assets and Financial Liabilities Classification

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2019						
Cash and placements with central banks	–	–	23,202	–	–	23,202
Singapore government treasury bills and securities	1,744	–	–	9,299	–	11,043
Other government treasury bills and securities	2,862	9	410	14,339	–	17,620
Placements with and loans to banks	1,992	–	22,847	10,974	–	35,813
Loans and bills receivable	180	–	261,865	–	–	262,045
Debt and equity securities	7,018	15	65	21,435	–	28,533
Assets pledged	61	–	304	801	–	1,166
Derivative receivables	7,349	–	–	–	–	7,349
Other assets	–	–	3,713	–	205	3,918
Amounts due from associates	–	–	75	–	–	75
Financial assets	21,206	24	312,481	56,848	205	390,764
Non-financial assets						13,590
						404,354
Life insurance fund investment financial assets	27,337	42,692	9,338	6,159	–	85,526
Life insurance fund investment non-financial assets						1,811
Total assets						491,691
Deposits of non-bank customers	–	–	302,851	–	–	302,851
Deposits and balances of banks	–	–	8,250	–	–	8,250
Trading portfolio liabilities	92	–	–	–	–	92
Derivative payables	7,687	–	–	–	–	7,687
Other liabilities [1]	–	–	6,288	–	511	6,799
Debt issued	–	1,311	28,077	–	–	29,388
Financial liabilities	7,779	1,311	345,466	–	511	355,067
Non-financial liabilities						3,575
						358,642
Life insurance fund financial liabilities	191	–	8,998	–	72,063	81,252
Life insurance fund non-financial liabilities						3,194
Total liabilities						443,088

(1) *Other liabilities include amounts due to associates.*

40. Financial Assets and Financial Liabilities Classification (continued)

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2018						
Cash and placements with central banks	–	–	18,748	–	–	18,748
Singapore government treasury bills and securities	1,587	–	–	8,024	–	9,611
Other government treasury bills and securities	2,348	10	374	15,433	–	18,165
Placements with and loans to banks	2,630	–	25,455	10,950	–	39,035
Loans and bills receivable	272	–	254,921	–	–	255,193
Debt and equity securities	6,160	17	92	19,274	–	25,543
Assets pledged	–	–	309	796	–	1,105
Derivative receivables	7,201	–	–	–	–	7,201
Other assets	–	–	3,026	–	177	3,203
Amounts due from associates	–	–	80	–	–	80
Financial assets	20,198	27	303,005	54,477	177	377,884
Non-financial assets						12,792
						390,676
Life insurance fund investment financial assets	23,290	37,794	8,583	5,398	–	75,065
Life insurance fund investment non-financial assets						1,802
Total assets						467,543
Deposits of non-bank customers	–	–	295,412	–	–	295,412
Deposits and balances of banks	–	–	7,576	–	–	7,576
Trading portfolio liabilities	214	–	–	–	–	214
Derivative payables	7,105	–	–	–	–	7,105
Other liabilities [1]	–	–	5,174	–	422	5,596
Debt issued	–	1,075	29,197	–	–	30,272
Financial liabilities	7,319	1,075	337,359	–	422	346,175
Non-financial liabilities						3,048
						349,223
Life insurance fund financial liabilities	289	–	6,351	–	65,593	72,233
Life insurance fund non-financial liabilities						2,695
Total liabilities						424,151

(1) *Other liabilities include amounts due to associates.*

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40. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Total
2019					
Cash and placements with central banks	–	–	17,824	–	17,824
Singapore government treasury bills and securities	1,744	–	–	8,148	9,892
Other government treasury bills and securities	2,142	–	410	5,092	7,644
Placements with and loans to banks	1,992	–	18,408	7,656	28,056
Loans and bills receivable	171	–	164,393	–	164,564
Debt and equity securities	4,484	–	65	9,661	14,210
Placements with and advances to subsidiaries	–	–	18,073	–	18,073
Assets pledged	–	–	–	122	122
Derivative receivables	6,324	–	–	–	6,324
Other assets	–	–	2,209	–	2,209
Amounts due from associates	–	–	74	–	74
Financial assets	16,857	–	221,456	30,679	268,992
Non-financial assets					19,759
Total assets					288,751
Deposits of non-bank customers	–	–	189,420	–	189,420
Deposits and balances of banks	–	–	5,938	–	5,938
Deposits and balances of subsidiaries	–	–	21,435	–	21,435
Trading portfolio liabilities	92	–	–	–	92
Derivative payables	6,743	–	–	–	6,743
Other liabilities [1]	–	–	1,904	–	1,904
Debt issued	–	1,311	26,915	–	28,226
Financial liabilities	6,835	1,311	245,612	–	253,758
Non-financial liabilities					993
Total liabilities					254,751

(1) *Other liabilities include amounts due to associates.*

40. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Total
2018					
Cash and placements with central banks	–	–	13,740	–	13,740
Singapore government treasury bills and securities	1,587	–	–	7,386	8,973
Other government treasury bills and securities	1,573	–	374	6,312	8,259
Placements with and loans to banks	2,629	–	20,393	6,042	29,064
Loans and bills receivable	250	–	156,647	–	156,897
Debt and equity securities	3,789	–	92	8,092	11,973
Placements with and advances to subsidiaries	–	–	22,808	–	22,808
Assets pledged	–	–	–	1,007	1,007
Derivative receivables	5,331	–	–	–	5,331
Other assets	–	–	1,617	–	1,617
Amounts due from associates	–	–	#	–	#
Financial assets	15,159	–	215,671	28,839	259,669
Non-financial assets					19,308
Total assets					278,977
Deposits of non-bank customers	–	–	183,600	–	183,600
Deposits and balances of banks	–	–	6,350	–	6,350
Deposits and balances of subsidiaries	–	–	20,938	–	20,938
Trading portfolio liabilities	214	–	–	–	214
Derivative payables	5,252	–	–	–	5,252
Other liabilities [1]	–	–	1,772	–	1,772
Debt issued	–	1,075	27,737	–	28,812
Financial liabilities	5,466	1,075	240,397	–	246,938
Non-financial liabilities					743
Total liabilities					247,681

(1) *Other liabilities include amounts due to associates.*
(2) *# represents amounts less than $0.5 million.*

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41. Fair Values of Financial Instruments

41.1 Valuation Governance Framework

The Group has an established governance 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 GRM is responsible for the model validation process. Financial models are used to price financial instruments and to calculate value-at-risk (VaR). MRM ensure that the models used are fit for their intended purposes through internal independent validation and periodic review. MRM source market rates independently for risk measurement and valuation.

The Treasury Financial Control and Advisory – 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 adjustment methodologies, independent price testing, and identifying valuation gaps.

Valuation policies are formulated and reviewed annually by the Valuation Control function, and approved by the Market Risk Management Committee, the CEO and BRMC. Valuation adjustments are applied to account for input parameter uncertainties, known model deficiencies and other factors that may affect valuation. The main valuation adjustments are described below.

Bid Offer Adjustments
When the position is marked at mid-price, bid offer adjustment is applied to account for close out cost.

Model Adjustments
Model adjustments are applied when there are inherent limitations in the valuation models used by the Bank.

Day 1 Profit or Loss Adjustments
Day 1 profit or loss adjustments are applied when the valuation technique involves the use of significant inputs which are not readily observable. The difference between the fair value at initial recognition and the transaction price is deferred as an adjustment.

Credit and Funding Adjustments
Credit and funding adjustments are applied to account for the expected losses due to counterparty default and the cost of funding above the risk-free rate of return of uncollateralised derivatives.

Parameter Uncertainty Adjustments
These valuation adjustments mainly include adjustments for illiquid prices or internal methodologies used to derive model inputs.

The Group's internal audit provides independent assurance on the respective divisions' compliance with the policy.

41. Fair Values of Financial Instruments (continued)

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 amounts 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 mainly carried at amortised cost on the balance sheet, net of allowances for impaired and non-impaired loans. The Group deems that the carrying amounts of non-bank loans approximate their fair values as substantially all 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 amounts due to their short tenor. For non-bank customer term deposits, contractual or derived cash flows are discounted at market rates as at reporting date to estimate the fair values, which approximate the carrying amounts.

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

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.

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41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

The following table summarises the Group's assets and liabilities measured at fair values subsequent to initial recognition by level of the fair value hierarchy:

	2019				2018			
$ 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	**2,588**	**10,429**	**–**	**13,017**	–	13,705	–	13,705
Debt and equity securities	**25,573**	**2,589**	**1,025**	**29,187**	21,714	3,496	883	26,093
Loans and bills receivable	**–**	**–**	**180**	**180**	–	–	272	272
Derivative receivables	**31**	**7,257**	**61**	**7,349**	109	7,021	71	7,201
Government treasury bills and securities	**25,917**	**2,428**	**–**	**28,345**	23,960	3,470	–	27,430
Life insurance fund investment assets	**59,719**	**14,705**	**1,764**	**76,188**	47,551	17,582	1,350	66,483
Total	**113,828**	**37,408**	**3,030**	**154,266**	93,334	45,274	2,576	141,184
Non-financial assets measured at fair value								
Life insurance fund investment properties	**–**	**–**	**1,786**	**1,786**	–	–	1,771	1,771
Total	**–**	**–**	**1,786**	**1,786**	–	–	1,771	1,771
Financial liabilities measured at fair value								
Derivative payables	**41**	**7,603**	**43**	**7,687**	94	6,985	26	7,105
Trading portfolio liabilities	**92**	**–**	**–**	**92**	214	–	–	214
Debt issued	**–**	**1,311**	**–**	**1,311**	–	1,075	–	1,075
Life insurance fund financial liabilities	**3**	**188**	**–**	**191**	3	286	–	289
Total	**136**	**9,102**	**43**	**9,281**	311	8,346	26	8,683
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	**2,328**	**7,365**	**–**	**9,693**	–	8,792	–	8,792
Debt and equity securities	**12,050**	**1,715**	**442**	**14,207**	10,161	1,737	546	12,444
Loans and bills receivable	**–**	**–**	**171**	**171**	–	–	250	250
Derivative receivables	**5**	**6,266**	**53**	**6,324**	7	5,277	47	5,331
Government treasury bills and securities	**15,437**	**1,705**	**–**	**17,142**	14,068	3,113	–	17,181
Total	**29,820**	**17,051**	**666**	**47,537**	24,236	18,919	843	43,998
Financial liabilities measured at fair value								
Derivative payables	**11**	**6,699**	**33**	**6,743**	23	5,227	2	5,252
Trading portfolio liabilities	**92**	**–**	**–**	**92**	214	–	–	214
Debt issued	**–**	**1,311**	**–**	**1,311**	–	1,075	–	1,075
Total	**103**	**8,010**	**33**	**8,146**	237	6,302	2	6,541

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

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Valuation Techniques and Unobservable Inputs for Level 3 Instruments

GROUP $ million	Fair value at 31 December 2019	Classification	Valuation techniques	Unobservable inputs
Financial assets				
Equity securities	**1,025**	FVTPL/FVOCI	Net asset value/ Multiples	Value of net asset/ Earnings and multiples
Loans and bills receivable	**180**	FVTPL	Discounted cash flows	Credit spreads
Derivative receivables	**61**	FVTPL	Option pricing model	Volatility/Correlation
Life insurance fund investment assets	**1,764**	FVTPL/FVOCI	Net asset value	Value of net asset
Total	**3,030**			
Financial liabilities				
Derivative payables	**43**	FVTPL	Option pricing model	Volatility/Correlation
Total	**43**			

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

Movements in Level 3 Financial Assets and Liabilities

	2019				
GROUP $ million	Debt and equity securities	Loans and bills receivable	Derivative receivables	Life insurance fund investment assets	Total
Financial assets measured at fair value					
At 1 January	**883**	**272**	**71**	**1,350**	**2,576**
Purchases	**96**	**4**	**1**	**654**	**755**
Settlements/disposals	**(88)**	**(95)**	**–**	**(227)**	**(410)**
Transfers (out of)/in to Level 3	**(#)** [(1)]	**–**	**1** [(2)]	**–**	**1**
Gains/(losses) recognised in					
– profit or loss	**8**	**(1)**	**(12)**	**(15)**	**(20)**
– other comprehensive income	**126**	**(#)**	**(#)**	**2**	**128**
At 31 December	**1,025**	**180**	**61**	**1,764**	**3,030**
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**9**	**(1)**	**169**	**19**	**196**

(1) *Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.*
(2) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*
(3) *# represents amounts less than $0.5 million.*

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For the financial year ended 31 December 2019

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

GROUP $ million	2018 Debt and equity securities	Loans and bills receivable	Derivative receivables	Life insurance fund investment assets	Total
Financial assets measured at fair value					
At 1 January	738	–	28	1,239	2,005
Effect of adopting SFRS(I) 9	–	259	–	–	259
Adjusted balance at 1 January	738	259	28	1,239	2,264
Purchases	156	113	3	281	553
Settlements/disposals	(155)	(118)	(#)	(221)	(494)
Transfers in to Level 3 (1)	15	18	–	4	37
Gains/(losses) recognised in					
– profit or loss	42	(1)	41	21	103
– other comprehensive income	87	1	(1)	26	113
At 31 December	883	272	71	1,350	2,576
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	34	(1)	79	82	194

(1) *Relates to transfers from amortised cost to Level 3 due to use of inputs not based on market observable data.*
(2) *# represents amounts less than $0.5 million.*

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

GROUP $ million	2019 Net interest income	Trading income	Other income	Total	2018 Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**–**	**(5)**	**(15)**	**(20)**	#	82	21	103
Unrealised gains included in profit or loss for assets held at the end of the year	**–**	**177**	**19**	**196**	–	112	82	194

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

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

BANK $ million	2019 Debt and equity securities	Loans and bills receivable	Derivative receivables	Total	2018 Debt and equity securities	Loans and bills receivable	Derivative receivables	Total
Financial assets measured at fair value								
At 1 January	**546**	**250**	**47**	**843**	565	–	22	587
Effect of adopting SFRS(I) 9	**–**	**–**	**–**	**–**	–	231	–	231
Adjusted balance at 1 January	**546**	**250**	**47**	**843**	565	231	22	818
Purchases	**12**	**1**	**1**	**14**	114	113	3	230
Settlements/disposals	**(88)**	**(79)**	**–**	**(167)**	(120)	(92)	–	(212)
Gains/(losses) recognised in								
– profit or loss	**(9)**	**(1)**	**5**	**(5)**	(2)	(2)	22	18
– other comprehensive income	**(19)**	**(#)**	**–**	**(19)**	(11)	#	–	(11)
At 31 December	**442**	**171**	**53**	**666**	546	250	47	843
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**(8)**	**(1)**	**162**	**153**	(10)	(2)	58	46

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

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

BANK $ million	2019 Net interest income	Trading income	Other income	Total	2018 Net interest income	Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**–**	**(5)**	**–**	**(5)**	#	18	–	18
Unrealised gains included in profit or loss for assets held at the end of the year	**–**	**153**	**–**	**153**	–	46	–	46

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

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For the financial year ended 31 December 2019

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

	GROUP				BANK			
	2019		2018		2019		2018	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Financial liabilities measured at fair value								
At 1 January	**26**	**26**	14	14	**2**	**2**	8	8
Issues	**18**	**18**	11	11	**18**	**18**	11	11
Settlements/disposals	**–**	**–**	(#)	(#)	**–**	**–**	–	–
Transfers in to Level 3 [(1)]	**1**	**1**	–	–	**–**	**–**	–	–
Losses/(gains) recognised in								
– profit or loss	**(2)**	**(2)**	2	2	**13**	**13**	(17)	(17)
– other comprehensive income	**(#)**	**(#)**	(1)	(1)	**–**	**–**	–	–
At 31 December	**43**	**43**	26	26	**33**	**33**	2	2
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(193)**	**(193)**	(38)	(38)	**(184)**	**(184)**	(18)	(18)

(1) Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.
(2) # represents amounts less than $0.5 million.

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

	GROUP				BANK			
	2019		2018		2019		2018	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total gains/(losses) included in profit or loss for the year ended	**2**	**2**	(2)	(2)	**(13)**	**(13)**	17	17
Unrealised losses included in profit or loss for liabilities held at the end of the year	**(193)**	**(193)**	(38)	(38)	**(184)**	**(184)**	(18)	(18)

Movements in Level 3 Non-Financial Assets

	GROUP			
	2019		2018	
$ million	Life insurance fund investment properties	Total	Life insurance fund investment properties	Total
Non-financial assets measured at fair value				
At 1 January	**1,771**	**1,771**	1,553	1,553
Purchases/transfers	**1**	**1**	180	180
Sales	**–**	**–**	(1)	(1)
Gains/(losses) recognised in				
– profit or loss	**14**	**14**	40	40
– other comprehensive income	**(#)**	**(#)**	(1)	(1)
At 31 December	**1,786**	**1,786**	1,771	1,771

(1) # 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)	Amount not subject to netting agreement (B)	Amount subject to netting agreement (A – B = C + D + E)	Financial instruments (C)	Collateral (D)	Net amounts in scope (E)
2019						
Financial assets						
Derivative receivables	**7,349**	**2,090**	**5,259**	**4,183**	**193**	**883**
Reverse repurchase agreements	**2,564** [(1)]	**557**	**2,007**	**1,994**	**–**	**13**
Securities borrowings	**21** [(2)]	**–**	**21**	**6**	**–**	**15**
Total	**9,934**	**2,647**	**7,287**	**6,183**	**193**	**911**
Financial liabilities						
Derivative payables	**7,687**	**1,726**	**5,961**	**4,183**	**684**	**1,094**
Repurchase agreements	**1,628** [(3)]	**1,533**	**95**	**95**	**–**	**–**
Securities lendings	**402** [(4)]	**402**	**–**	**–**	**–**	**–**
Total	**9,717**	**3,661**	**6,056**	**4,278**	**684**	**1,094**
2018						
Financial assets						
Derivative receivables	7,201	2,575	4,626	3,558	289	779
Reverse repurchase agreements	4,686 [(1)]	1,196	3,490	3,490	–	–
Securities borrowings	29 [(2)]	–	29	23	–	6
Total	11,916	3,771	8,145	7,071	289	785
Financial liabilities						
Derivative payables	7,105	1,861	5,244	3,558	1,101	585
Repurchase agreements	1,466 [(3)]	836	630	630	–	–
Securities lendings	323 [(4)]	323	–	–	–	–
Total	8,894	3,020	5,874	4,188	1,101	585

(1) *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 and other assets. These transactions are measured either at fair value or amortised cost.*

(2) *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.*

(3) *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 other liabilities, and are measured at amortised cost.*

(4) *Cash collateral placed under securities lendings are presented under other liabilities, and are measured at amortised cost.*

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42. Offsetting Financial Assets and Financial Liabilities (continued)

Types of financial assets/liabilities BANK ($ million)	Carrying amounts on balance sheet (A)	Amount not subject to netting agreement (B)	Amount subject to netting agreement (A – B = C + D + E)	Related amounts not offset on balance sheet: Financial instruments (C)	Collateral (D)	Net amounts in scope (E)
2019						
Financial assets						
Derivative receivables	**6,324**	**1,251**	**5,073**	**4,108**	**174**	**791**
Reverse repurchase agreements	**2,511** [(1)]	**513**	**1,998**	**1,985**	**–**	**13**
Securities borrowings	**4** [(2)]	**–**	**4**	**4**	**–**	**–**
Total	**8,839**	**1,764**	**7,075**	**6,097**	**174**	**804**
Financial liabilities						
Derivative payables	**6,743**	**1,153**	**5,590**	**4,108**	**525**	**957**
Repurchase agreements	**95** [(3)]	**–**	**95**	**95**	**–**	**–**
Total	**6,838**	**1,153**	**5,685**	**4,203**	**525**	**957**
2018						
Financial assets						
Derivative receivables	5,331	1,259	4,072	3,275	165	632
Reverse repurchase agreements	4,660 [(1)]	1,176	3,484	3,484	–	–
Securities borrowings	13 [(2)]	–	13	13	–	–
Total	10,004	2,435	7,569	6,772	165	632
Financial liabilities						
Derivative payables	5,252	852	4,400	3,275	752	373
Repurchase agreements	630 [(3)]	–	630	630	–	–
Total	5,882	852	5,030	3,905	752	373

(1) *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 and other assets. These transactions are measured either at fair value or amortised cost.*

(2) *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.*

(3) *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 other liabilities, 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**4,610,301**	4,319,456	**3,411,718**	3,350,701
Term to maturity of more than one year	**2,691,041**	2,357,153	**1,789,204**	1,474,099
	7,301,342	6,676,609	**5,200,922**	4,824,800
Acceptances and endorsements	**1,448,285**	1,095,812	**930,235**	466,834
Documentary credits and other short term trade-related transactions	**5,194,781**	4,192,013	**4,309,226**	3,273,579
	13,944,408	11,964,434	**10,440,383**	8,565,213
43.1 Analysed by Industry				
Agriculture, mining and quarrying	**229,299**	77,630	**17,662**	99,805
Manufacturing	**1,127,002**	1,560,800	**359,542**	480,407
Building and construction	**2,197,505**	1,757,310	**1,262,733**	736,127
General commerce	**7,532,137**	5,387,832	**6,645,473**	4,590,359
Transport, storage and communication	**512,522**	576,778	**435,088**	457,566
Financial institutions, investment and holding companies	**787,927**	697,767	**543,776**	611,443
Professionals and individuals	**301,972**	228,573	**45,990**	55,523
Others	**1,256,044**	1,677,744	**1,130,119**	1,533,983
	13,944,408	11,964,434	**10,440,383**	8,565,213
43.2 Analysed by Geography				
Singapore	**9,706,317**	7,085,359	**9,496,753**	7,050,382
Malaysia	**1,193,565**	1,267,939	**6,359**	6,126
Indonesia	**1,001,632**	1,159,064	**–**	–
Greater China	**1,615,035**	1,932,685	**499,143**	978,912
Other Asia Pacific	**220,073**	256,498	**230,342**	266,904
Rest of the World	**207,786**	262,889	**207,786**	262,889
	13,944,408	11,964,434	**10,440,383**	8,565,213

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

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44. Commitments

Commitments comprise mainly agreements to provide credit facilities to customers. Such credit facilities (cancellable and non-cancellable) can either be made for a fixed period, or have no specific maturity.

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
44.1 Credit Commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**131,992,359**	124,392,476	**56,893,865**	54,734,471
Term to maturity of more than one year	**21,806,350**	18,321,731	**32,429,837**	30,057,578
	153,798,709	142,714,207	**89,323,702**	84,792,049
44.2 Other Commitments				
Operating lease (non-cancellable) commitments: (1)				
Within 1 year	**–**	82,059	**–**	81,364
After 1 year but within 5 years	**–**	126,565	**–**	35,113
Over 5 years	**–**	8,746	**–**	4,499
	–	217,370	**–**	120,976
Capital commitment authorised and contracted	**199,019**	204,703	**239,702**	125,767
Forward deposits and assets purchase	**2,295,183**	647,045	**5,774,445**	626,272
	2,494,202	1,069,118	**6,014,147**	873,015
44.3 Total Commitments	**156,292,911**	143,783,325	**95,337,849**	85,665,064

(1) *From 1 January 2019, the Group has recognised ROU assets for these leases, except for short-term leases and low-value assets.*

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
44.4 Credit Commitments Analysed by Industry				
Agriculture, mining and quarrying	**1,260,274**	1,370,865	**476,816**	661,424
Manufacturing	**9,435,030**	9,601,792	**4,212,356**	4,412,119
Building and construction	**15,685,078**	16,555,823	**11,330,932**	12,808,761
General commerce	**23,394,029**	21,370,428	**18,867,490**	17,041,989
Transport, storage and communication	**4,098,990**	2,971,927	**3,142,068**	2,465,552
Financial institutions, investment and holding companies	**42,604,791**	37,254,422	**33,076,752**	30,745,810
Professionals and individuals	**49,543,725**	46,872,065	**13,014,202**	12,337,125
Others	**7,776,792**	6,716,885	**5,203,086**	4,319,269
	153,798,709	142,714,207	**89,323,702**	84,792,049
44.5 Credit Commitments Analysed by Geography				
Singapore	**113,241,431**	103,743,918	**74,391,796**	69,127,914
Malaysia	**7,847,993**	7,629,720	**125,812**	280,771
Indonesia	**5,024,606**	4,210,361	**–**	–
Greater China	**21,924,023**	22,754,690	**9,026,378**	10,994,426
Other Asia Pacific	**2,197,245**	2,035,039	**2,198,754**	2,036,581
Rest of the World	**3,563,411**	2,340,479	**3,580,962**	2,352,357
	153,798,709	142,714,207	**89,323,702**	84,792,049

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
2019				
FVOCI investments	**57**	**–**	**#**	**57**
FVTPL investments	**–**	**85**	**–**	**85**
Other assets	**–**	**7**	**–**	**7**
Total assets	**57**	**92**	**#**	**149**
Other liabilities	**–**	**–**	**#**	**#**
Total liabilities	**–**	**–**	**#**	**#**
Other commitments				
Loan and capital commitments authorised and contracted (1)	**23**	**–**	**–**	**23**
Income earned from sponsored structured entities (2)	**1**	**48**	**36**	**85**
Assets of structured entities	**445**	**5,069**	**2,593**	**8,107**
2018				
FVOCI investments	58	–	#	58
FVTPL investments	–	132	–	132
Other assets	–	8	–	8
Total assets	58	140	#	198
Other liabilities	–	1	#	1
Total liabilities	–	1	#	1
Other commitments				
Loan and capital commitments authorised and contracted (1)	23	–	–	23
Income earned from sponsored structured entities (2)	–	53	11	64
Assets of structured entities	448	3,851	1,329	5,628

(1) *These were also included in the Group's capital commitments 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 2019 and 2018 were not significant.

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46. Financial Assets Transferred

46.1 Assets Pledged

	GROUP		BANK	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Government treasury bills and securities (Note 24)				
– Singapore	**–**	–	**–**	312,750
– Others	**92,134**	27,962	**16,581**	10,504
Placements with and loans to banks (Note 25)	**50,992**	124,661	**44,246**	120,782
Loans and bills receivable (Note 26)	**303,640**	309,155	**–**	–
Debt securities (Note 29)	**718,961**	642,795	**61,631**	563,312
	1,165,727	1,104,573	**122,458**	1,007,348
Obligations to repurchase assets pledged	**759,326**	721,321	**94,654**	941,472

(a) The amounts received from repurchase transactions are recognised as collaterised borrowings, "obligations to repurchase assets pledged", measured at amortised cost and included in deposits of banks and non-bank customers and other liabilities on the balance sheet. The above assets pledged as collateral for repurchase transactions are not derecognised but are presented separately on the balance sheet.

(b) The amounts paid in reverse repurchase transactions are recognised as collaterised lendings, measured at amortised cost and included in loans to banks and non-bank customers as appropriate. The financial assets accepted as collateral for reverse repurchase transactions are not recognised as assets on the balance sheet. 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 $2.35 billion (2018: $4.03 billion), of which $0.03 billion (2018: $0.31 billion) have been sold or re-pledged. The Group is obliged to return equivalent assets.

(c) Transactions are conducted under terms and conditions that are usual and customary to standard securities lending (equivalent to repurchase transactions) and securities borrowing (equivalent to reverse repurchase transactions).

46.2 Assets Assigned as Security for Covered Bonds Issued (Note 21.5)

Pursuant to the Bank's Global Covered Bond Programme, selected pools of Singapore home loans originated by the Bank have been assigned to a bankruptcy-remote structured entity, Red Sail Pte. Ltd. (Note 34.4). These home loans continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2019, the carrying amounts of the covered bonds in issue was $3.47 billion (2018: $3.53 billion), while the carrying amounts of assets assigned was $6.91 billion (2018: $6.00 billion). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

47. Assets Held for Sale

Assets held for sale comprise properties which the Group is disposing of, 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 financial year ending 31 December 2020.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Within 1 year	**43,480**	48,640	**16,132**	17,962
After 1 year but within 5 years	**66,771**	36,556	**8,421**	9,099
Over 5 years	**2,224**	–	**–**	–
	112,475	85,196	**24,553**	27,061

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

	GROUP		BANK		
$ million	Associates	Life insurance fund	Subsidiaries	Associates	Life insurance fund
(a) Loans, placements and other receivables					
At 1 January 2019	80	141	22,808	#	–
Net change	(5)	269	(4,735)	74	104
At 31 December 2019	**75**	**410**	**18,073**	**74**	**104**
(b) Deposits, borrowings and other payables					
At 1 January 2019	366	1,340	20,938	142	653
Net change	(19)	(346)	497	(4)	(221)
At 31 December 2019	**347**	**994**	**21,435**	**138**	**432**
(c) Off-balance sheet credit facilities (1)					
At 1 January 2019	–	4	16,932	–	4
Net change	–	2	2,725	–	2
At 31 December 2019	**–**	**6**	**19,657**	**–**	**6**
(d) Income statement transactions					
Year ended 31 December 2019					
Interest income	**1**	**10**	**363**	**#**	**#**
Interest expense	**6**	**18**	**472**	**2**	**3**
Rental income	**–**	**2**	**27**	**–**	**#**
Fee and commission and other income	**–**	**225**	**57**	**–**	**167**
Rental and other expenses	**25**	**37**	**359**	**25**	**#**
Year ended 31 December 2018					
Interest income	7	7	363	#	#
Interest expense	4	14	416	2	3
Rental income	–	2	23	–	–
Fee and commission and other income	–	197	57	–	142
Rental and other expenses	20	12	312	20	#

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

During the financial year, the Group had banking transactions with director-related and key management-related entities and personnel of the Group. These transactions were not material.

Notes to the Financial Statements

For the financial year ended 31 December 2019

49. Related Party Transactions (continued)

49.2 Key Management Personnel Compensation

	BANK	
	2019 $ million	2018 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**44**	41
Share-based benefits	**16**	16
	60	57

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2019 included in the above table are subject to the approval of the Remuneration Committee.

50. Capital Management

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, OCBC targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. OCBC actively manages its capital composition with an optimal mix of capital instruments in order to keep our overall cost of capital low.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 14 and 21 of the financial statements, and the approaches adopted by OCBC for the computation of risk-weighted assets can be found in the "Pillar 3 Disclosures" chapter.

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2019.

$ million	Basel III 2019	Basel III 2018
Tier 1 Capital		
Ordinary shares	**17,261**	15,750
Disclosed reserves/others	**21,452**	19,219
Regulatory adjustments	**(6,913)**	(6,901)
Common Equity Tier 1 Capital	**31,800**	28,068
Additional Tier 1 capital	**1,531**	1,572
Regulatory adjustments	**–**	–
Tier 1 Capital	**33,331**	29,640
Tier 2 capital	**2,661**	3,347
Regulatory adjustments	**–**	(1)
Total Eligible Capital	**35,992**	32,986
Credit	**183,439**	171,487
Market	**14,751**	14,669
Operational	**15,166**	14,092
Risk Weighted Assets	**213,356**	200,248
Capital Adequacy Ratios		
Common Equity Tier 1	**14.9%**	14.0%
Tier 1	**15.6%**	14.8%
Total	**16.8%**	16.4%

51. New Accounting Standards and Interpretations

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

SFRS(I)	Title	Effective for financial year beginning on or after
Various	*Amendments to References to the Conceptual Framework in SFRS(I) Standards*	1 January 2020
SFRS(I) 3 (Amendments)	*Definition of a Business*	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	*Definition of Material*	1 January 2020
SFRS(I) 17	*Insurance Contracts*	1 January 2021
SFRS(I) 10, SFRS(I) 1-28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Based on the Group's preliminary analysis, the initial application of the above standards (including their consequential amendments) and interpretations are not expected to have a significant impact on the Group's financial statements, except for SFRS(I) 17.

SFRS(I) 17 *Insurance Contracts*

SFRS(I) 17 was issued in May 2017 as replacement for SFRS(I) 4 *Insurance Contracts*. It is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SFRS(I) 17 requires a general model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The general model is supplemented by:

- a simplified approach (the premium allocation approach) mainly for short duration contracts; and
- a modification of the general measurement model (the variable fee approach) for contracts with direct participation features.

SFRS(I) 17 is effective for annual periods beginning on or after 1 January 2021[(1)], with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. GEH Group plans to adopt SFRS(I) 17 on the required effective date and a Project Steering Committee was formed to oversee the implementation of the standard. GEH Group expects that SFRS(I) 17 will result in an important change to the accounting policies for insurance contract liabilities of GEH Group and is likely to have a significant impact on profit and total equity together with GEH Group's financial statements' presentation and disclosures.

(1) *The International Accounting Standards Board published an exposure draft Amendments to IFRS 17 in June 2019 which proposes that the effective date of IFRS 17 Insurance Contracts be deferred by one year, such that it would apply to entities with annual periods beginning on or after 1 January 2022.*

Notes to the Financial Statements

For the financial year ended 31 December 2019

52. Subsequent Events

52.1 National B40 Protection Trust Fund

On 9 November 2018 and 24 January 2019, GEH Group announced that as part of its corporate social responsibility efforts and in line with the objectives of the Malaysian authorities, GEH Group has opted to make a contribution of MYR2 billion (approximately S$0.7 billion) to the National B40 Protection Trust Fund in satisfaction and in lieu of the local shareholder requirement imposed on its subsidiary, Great Eastern Life Assurance (Malaysia) Berhad. Subsequent to the financial year end, GEH Group has received the necessary approval from the relevant authorities and is currently finalising the details of the contribution.

52.2 Coronavirus Outbreak

The coronavirus outbreak since early 2020 has brought about uncertainties to key markets in which the Group operate. The Group has been closely monitoring the impact of the developments on the Group's businesses. As the situation is rapidly evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects presently unknown.

Independent Auditor's Report

To The Members Of Oversea-Chinese Banking Corporation Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of Oversea-Chinese Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group") and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the financial performance and changes in equity of the Bank for the year ended on that date.

What We Have Audited

The financial statements of the Bank and the Group comprise:

- the income statements of the Group and of the Bank for the year ended 31 December 2020;
- the statements of comprehensive income of the Group and of the Bank for the year then ended;
- the balance sheets of the Group and of the Bank as at 31 December 2020;
- the statement of changes in equity of the Group for the year then ended;
- the statement of changes in equity of the Bank for the year then ended;
- the consolidated cash flow statement of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans to customers *(Refer to Notes 2.25, 26, 28 and 30 to the financial statements)* The Group's allowances on non-impaired loans and impaired loans are S$1,890 million and S$1,812 million respectively as at 31 December 2020. These allowances are determined by the Group based on the Expected Credit Losses ("ECL") framework under SFRS(I) 9 Financial Instruments ("SFRS(I) 9"). *ECL on non credit-impaired loans to customers* In respect of ECL on non credit-impaired loans to customers, the Group utilises models which are reliant on internal and external data as well as a number of estimates. We considered this a key audit matter due to the inherent estimation uncertainty in this area which involves significant judgement and assumptions that relate to, amongst others: • determining whether a significant increase in credit risk ("SICR") has occurred; • estimating forward-looking macroeconomic scenarios; and • identifying and determining post model adjustments to the ECL models. Further, the rapidly developing COVID-19 pandemic has increased the uncertainty of these estimates and degree of judgement required to be exercised in calculating ECL. *ECL on credit-impaired loans to customers* As at 31 December 2020, 81% (S$1,471 million) of the Group's ECL on credit-impaired loans to customers relates to the Global Wholesale Banking ("GWB") loan portfolio. We focused on this area because of the highly subjective judgements and assumptions applied by management in determining the necessity for, and estimating the size of, ECL allowances against credit-impaired loans to customers. Significant judgements were also required for the credit grading of borrowers in accordance with MAS Notice 612.	*ECL on non credit-impaired loans to customers* We assessed the design and evaluated the operating effectiveness of controls over the ECL on non credit-impaired loans to customers. These controls include: • review and approval of forward-looking information used in the ECL models; • reliability and accuracy of critical data elements used in the ECL models; • review and approval of ECL results, including management overlays applied; • independent validation of ECL models and review of model validation results by management; and • general IT controls over the ECL system as well as IT application controls over the completeness and accuracy of data flows from source systems to the ECL systems. We determined that we could rely on these controls for the purposes of our audit. For a sample of the Group's ECL models, we examined the model methodologies and assessed the reasonableness of key judgements and assumptions made by management in the model and parameters used. We also reviewed the results of independent model validation conducted by the Group's model validation function as part of our assessment of the ECL models. We also assessed the reasonableness of criteria used to determine a 'significant increase in credit risk' and accuracy and timeliness of allocation of exposures into Stage 1 and Stage 2 based on quantitative and qualitative criteria. Through the course of our work, we challenged the rationale and calculation basis of post model adjustments. Overall, we assessed the methodologies and assumptions made by the Group to estimate ECL on non credit-impaired loans to customers to be reasonable. *ECL on credit-impaired loans to customers* We assessed the design effectiveness and tested the operating effectiveness of key controls over credit grading, credit monitoring and management's determination of ECL allowances for loans to customers. These controls include: • oversight and review of credit risk by the Credit Risk Management Committee; • credit portfolio review and monitoring; • collateral monitoring and valuation; • monitoring of loan covenants and breaches; and • classification of loans to customers in accordance with MAS Notice 612. We determined that we could rely on these controls for the purposes of our audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans to customers (continued) *ECL on credit-impaired loans to customers* (continued) For GWB's credit-impaired loan portfolio, significant management judgement and estimation include: • Identifying credit-impaired exposures; • Estimating the future profitability of the borrowers and recoverable cash flows; and • Determining collateral values and timing of realisation. Current significant events (e.g. economic and geopolitical developments, oil price volatility and the COVID-19 pandemic) added complexity to the estimation of ECL allowances. The outcome and corresponding impact of these events are uncertain.	*ECL on credit-impaired loans to customers* (continued) We selected a sample of credit exposures in the GWB loan portfolio and performed credit file reviews to assess the appropriateness of credit grading in accordance with the requirements of MAS Notice 612. In that process, we have also considered management's assessment on the impact of current significant events in the identification of credit-impaired exposures. Where there was objective evidence of impairment, we assessed whether ECL allowances were recognised on a timely basis and evaluated the size of such impairment. Our work includes: • considering the background facts and the latest circumstances in relation to the borrower; • examining and challenging management's assumptions applied on expected future cash flows of the borrower, including amounts and timing of recoveries; • comparing the realisable value of collateral against externally derived evidence including independent valuation reports, where available; and • testing the calculation of impairment. For a sample of non credit-impaired loans to customers, we challenged management's assumptions on whether their classification was appropriate, based on our understanding of the customers, business environment and other external evidence where available. Based on the procedures performed, we have assessed that the ECL allowances for credit-impaired loans to customers were within an acceptable range of estimates.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial instruments measured at fair value - Levels 2 and 3 *(Refer to Notes 2.25 and 40.3 to the financial statements)* As at 31 December 2020, the Group had financial assets of S$60 billion and financial liabilities of S$17 billion measured at fair value which were classified as Level 2. These represent 34% of the financial assets and 97% of the financial liabilities measured at fair value respectively. We considered valuation of Level 2 financial instruments to be a key audit matter due to their financial significance to the Group as well as the judgement required in relation to the application of the appropriate models, assumptions and inputs. The Group also had financial assets of S$3 billion and financial liabilities of S$69 million measured at fair value which were classified as Level 3. These represent 2% of the financial assets and 0.4% of the financial liabilities measured at fair value respectively.	We assessed the design and tested the operating effectiveness of the controls over the Group's financial instruments valuation processes, including the controls over: • management's testing and approval of valuation models; • the completeness and accuracy of the data feeds and other inputs into valuation models; • follow-up on collateral disputes, which takes into account counterparty valuations, to identify possible indicators of inappropriate valuations by the Group; and • governance mechanisms and monitoring over the valuation processes by the Market Risk Management Committee, including over valuation adjustments. We determined that we could rely on the controls for the purposes of our audit. Together with our valuation specialists, we compared the Group's valuation of Level 2 financial instruments to our own estimates on a sampling basis. This involved sourcing inputs from market data providers or external sources and using our own valuation models, and investigating the root cause for material variances at the instrument level.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial instruments measured at fair value - Levels 2 and 3 (continued) We focused on the valuation of Level 3 financial assets and financial liabilities, as management makes significant judgements and assumptions (using valuation models) when valuing these financial instruments, as they are complex or illiquid and the external evidence supporting the Group's valuations are limited due to the lack of a liquid market.	For a sample of Level 3 financial instruments, with the assistance of our valuation specialists, we assessed the reasonableness of the methodologies used and the assumptions made. For all financial instruments at Levels 2 and 3, we also performed: • procedures on collateral disputes, which takes into account counterparty valuations, to identify possible indicators of inappropriate valuations by the Group; and • assessed the adequacy of the Group's financial statements disclosures in the context of the relevant accounting standards. Overall, the valuation of Levels 2 and 3 financial instruments measured at fair value was within a reasonable range of outcomes.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill *(Refer to Notes 2.25 and 36 to the financial statements)* The Group has a significant amount of goodwill arising from its business acquisitions. As at 31 December 2020, the carrying amount of goodwill on the Group's balance sheet amounted to S$4,431 million. In performing the impairment assessment of the carrying amount of goodwill, significant judgement is made by management in estimating the recoverable amounts of the cash generating units ("CGUs"). For the Banking CGUs, this involves the estimation of discounted cash flows, where the significant assumptions used in the assessment include: • forecasts of future cash flows; • inputs to determine the appropriate discount rates; and • perpetual growth rates. For the Insurance CGU, the Group applies the appraisal value technique, which comprises the embedded value of in-force business and the estimated value of projected distributable profits from new businesses. The key assumptions used in this assessment include: • risk-adjusted discount rates; and • investment returns based on long term strategic asset mix and expected future returns. Given the level of complexity and extent of judgement involved, further compounded by the effects of the COVID-19 pandemic, we considered this to be a key audit matter.	We assessed the appropriateness of management's identification of the Group's CGUs and methodology used in the estimation of recoverable amounts. We also evaluated the key assumptions used by management in estimating the recoverable amounts of the CGUs. *Banking CGUs* Together with our valuation specialists, the procedures we performed include: • evaluating management's cash flow projections by comparing previous forecasts to actual results; • evaluating the methodology and external data sources used in deriving the discount rates and growth rates; • assessing the growth rate assumptions against the Group's historical performance and available external industry and economic indicators; and • performing sensitivity analysis over the key assumptions. *Insurance CGU* We involved our actuarial specialists to evaluate the appropriateness of the methodologies in calculating the appraisal value. Sensitivity analysis was applied to the key assumptions including discount rates and investment returns to determine whether any possible change in these assumptions would result in an impairment. We found the assumptions and estimates made by management to be reasonable based on our audit procedures performed. We concur with management's assessment that there is no impairment of the Group's goodwill as at 31 December 2020.

Independent Auditor's Report
To The Members Of Oversea-Chinese Banking Corporation Limited

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities *(Refer to Notes 2.25, 22 and 38.4 to the financial statements)* The Group's insurance operations are conducted through Great Eastern Holdings Limited and its subsidiaries ("GEH"). Management's valuation of life insurance contract liabilities uses complex actuarial methods and models. The valuation process involves significant judgement about the assumptions of uncertain future events, including: mortality, morbidity, expense, lapse, surrender and interest rates. In addition to historical experience, management judgement is involved in the application of these assumptions. Changes in these assumptions used could result in a material impact to the valuation of the life insurance contract liabilities and the related movements in the consolidated profit or loss statement of the Group.	We performed the following audit procedures to address this matter: • We understood the actuarial valuation process, including model changes and assumptions setting; • We tested the design and operating effectiveness of controls over the accuracy and completeness of the data used; • We understood the valuation methodologies used, identified changes in methodologies from previous valuation and assessed the reasonableness and impact for material changes identified. We carried out these procedures by applying our industry knowledge and experience and assessed whether the methodologies and changes to those methodologies are consistent with recognised actuarial practices and expectations derived from market experience; • We performed an independent review of model points on a sample basis to assess that the methodologies and assumptions have been applied appropriately; • We assessed the reasonableness of the key assumptions used by management including: mortality, morbidity, expense, lapse, surrender and interest rates, by comparing against GEH's historical experiences and market observable data, where applicable; and • We reviewed the reasonableness of the movement analysis of the insurance contract liabilities prepared by management. The movement analysis provides a reconciliation of the balance as at 31 December 2019 to 31 December 2020, showing the key drivers of the changes during the year. Based on the work performed and the evidence obtained, we found the methodologies and assumptions used by management to be reasonable.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lian Wee Cheow.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 23 February 2021

Income Statements

For the financial year ended 31 December 2020

		GROUP		BANK	
		2020	2019	2020	2019
	Note	$ million	$ million	$ million	$ million
Interest income		**9,143**	12,098	**5,070**	7,236
Interest expense		**(3,177)**	(5,767)	**(1,821)**	(3,645)
Net interest income	3	**5,966**	6,331	**3,249**	3,591
Profit from life insurance [1]	4	**698**	779	**–**	–
Premium income from general insurance		**201**	197	**–**	–
Fees and commissions (net)	5	**2,003**	2,123	**815**	1,018
Dividends	6	**78**	92	**1,468**	1,032
Net trading income [2]	7	**863**	977	**305**	289
Other income [2]	8	**330**	372	**158**	247
Non-interest income		**4,173**	4,540	**2,746**	2,586
Total income		**10,139**	10,871	**5,995**	6,177
Staff costs		**(2,748)**	(2,840)	**(969)**	(1,001)
Other operating expenses		**(1,691)**	(1,804)	**(1,018)**	(1,099)
Total operating expenses	9	**(4,439)**	(4,644)	**(1,987)**	(2,100)
Operating profit before allowances and amortisation		**5,700**	6,227	**4,008**	4,077
Amortisation of intangible assets	36	**(104)**	(103)	**–**	–
Allowances for loans and other assets	10	**(2,043)**	(890)	**(1,493)**	(595)
Operating profit after allowances and amortisation		**3,553**	5,234	**2,515**	3,482
Share of results of associates, net of tax		**612**	566	**–**	–
Profit before income tax		**4,165**	5,800	**2,515**	3,482
Income tax expense	11	**(437)**	(778)	**(169)**	(376)
Profit for the year		**3,728**	5,022	**2,346**	3,106
Attributable to:					
Equity holders of the Bank		**3,586**	4,869		
Non-controlling interests		**142**	153		
		3,728	5,022		
Earnings per share ($)	12				
Basic		**0.80**	1.12		
Diluted		**0.80**	1.12		

(1) *Comprised premium and investment income of $20,890 million (2019: $17,876 million) and insurance claims, commission and other expenses of $20,203 million (2019: $17,022 million) for the Group. Refer to Note 4.*

(2) *Comparatives have been reclassified to conform to current year's presentation. Refer to Note 2.26.*

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

Statements of Comprehensive Income

For the financial year ended 31 December 2020

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Profit for the year	**3,728**	5,022	**2,346**	3,106
Other comprehensive income:				
Items that may be reclassified subsequently to income statement:				
Financial assets, at FVOCI (1)				
Fair value gains for the year	**877**	983	**292**	246
Reclassification of (gains)/losses to income statement				
– on disposal	**(506)**	(295)	**(73)**	(73)
– on impairment	**5**	(5)	**1**	#
Tax on net movements	**(37)**	(99)	**(5)**	(6)
Cash flow hedges	**#**	(1)	**1**	(#)
Currency translation on foreign operations (2)	**42**	(52)	**50**	(17)
Other comprehensive income of associates	**129**	(12)	**–**	–
Items that will not be reclassified subsequently to income statement:				
Currency translation on foreign operations (2)	**(12)**	9	**–**	–
Financial assets, at FVOCI (1), net change in fair value	**116**	316	**(25)**	38
Defined benefit plans remeasurements	**#**	(1)	**(#)**	(#)
Own credit	**1**	1	**1**	1
Total other comprehensive income, net of tax	**615**	844	**242**	189
Total comprehensive income for the year, net of tax	**4,343**	5,866	**2,588**	3,295
Total comprehensive income attributable to:				
Equity holders of the Bank	**4,200**	5,646		
Non-controlling interests	**143**	220		
	4,343	5,866		

(1) *Fair value through other comprehensive income.*
(2) *Comparatives have been reclassified to conform to current year's presentation. Refer to Note 2.26.*
(3) *# represents amounts less than $0.5 million.*

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

Balance Sheets

As at 31 December 2020

		GROUP		BANK	
		2020	2019	2020	2019
	Note	$ million	$ million	$ million	$ million
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**17,833**	17,261	**17,833**	17,261
Other equity instruments	14	**1,198**	1,497	**1,198**	1,497
Capital reserves	15	**1,229**	1,253	**994**	986
Fair value reserves		**1,358**	919	**300**	114
Revenue reserves	16	**28,004**	26,232	**14,560**	14,142
		49,622	47,162	**34,885**	34,000
Non-controlling interests		**1,554**	1,441	**–**	–
Total equity		**51,176**	48,603	**34,885**	34,000
LIABILITIES					
Deposits of non-bank customers	17	**314,907**	302,851	**197,745**	189,420
Deposits and balances of banks	17	**9,586**	8,250	**7,408**	5,938
Due to subsidiaries		**–**	–	**25,793**	21,435
Due to associates		**406**	347	**200**	138
Trading portfolio liabilities		**339**	92	**339**	92
Derivative payables	18	**15,516**	7,687	**13,768**	6,743
Other liabilities	19	**8,093**	6,945	**1,886**	2,086
Current tax payables		**745**	1,189	**366**	435
Deferred tax liabilities	20	**1,818**	1,893	**223**	238
Debt issued	21	**24,355**	29,388	**23,397**	28,226
		375,765	358,642	**271,125**	254,751
Life insurance fund liabilities	22	**94,454**	84,446	**–**	–
Total liabilities		**470,219**	443,088	**271,125**	254,751
Total equity and liabilities		**521,395**	491,691	**306,010**	288,751
ASSETS					
Cash and placements with central banks	23	**26,525**	23,201	**20,969**	17,824
Singapore government treasury bills and securities	24	**10,628**	11,042	**9,294**	9,892
Other government treasury bills and securities [(1)]	24	**22,663**	17,712	**9,411**	7,661
Placements with and loans to banks [(1)]	25	**32,816**	35,864	**24,083**	28,100
Loans to customers [(1)]	26	**263,538**	262,348	**170,651**	164,564
Debt and equity securities [(1)]	29	**33,143**	29,253	**17,844**	14,271
Assets held for sale	46	**2**	3	**–**	2
Derivative receivables	18	**15,223**	7,349	**13,518**	6,324
Other assets	31	**5,806**	4,409	**3,135**	2,442
Deferred tax assets	20	**133**	87	**41**	21
Associates	32	**4,633**	3,638	**1,749**	1,460
Subsidiaries	33	**–**	–	**32,272**	33,159
Property, plant and equipment	34	**3,567**	3,628	**698**	684
Investment property	35	**813**	839	**478**	480
Goodwill and intangible assets	36	**4,837**	4,980	**1,867**	1,867
		424,327	404,353	**306,010**	288,751
Life insurance fund investment securities and other assets	22	**97,068**	87,338	**–**	–
Total assets		**521,395**	491,691	**306,010**	288,751

(1) *Comparatives have been reclassified to conform to current year's presentation. Refer to Note 2.26.*

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

Statement of Changes in Equity – Group

For the financial year ended 31 December 2020

	Attributable to equity holders of the Bank						
In $ million	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	**18,758**	**1,253**	**919**	**26,232**	**47,162**	**1,441**	**48,603**
Total comprehensive income for the year							
Profit for the year	–	–	–	3,586	3,586	142	3,728
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value gains for the year	–	–	819	–	819	58	877
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(461)	–	(461)	(45)	(506)
– on impairment	–	–	5	–	5	#	5
Tax on net movements	–	–	(34)	–	(34)	(3)	(37)
Cash flow hedges	–	–	–	#	#	–	#
Currency translation on foreign operations	–	–	–	42	42	–	42
Other comprehensive income of associates	–	–	(44)	173	129	–	129
Items that will not be reclassified subsequently to income statement:							
Currency translation on foreign operations	–	–	–	–	–	(12)	(12)
Financial assets, at FVOCI, net change in fair value	–	–	154	(41)	113	3	116
Defined benefit plans remeasurements	–	–	–	#	#	#	#
Own credit	–	–	–	1	1	–	1
Total other comprehensive income, net of tax	–	–	439	175	614	1	615
Total comprehensive income for the year	–	–	439	3,761	4,200	143	4,343
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	3	2	–	(5)	–	–	–
Buy-back of shares held as treasury shares	(63)	–	–	–	(63)	–	(63)
Dividends and distributions	–	–	–	(1,467)	(1,467)	(34)	(1,501)
DSP reserve from dividends on unvested shares	–	–	–	10	10	–	10
Issue of perpetual capital securities	200	–	–	–	200	–	200
Redemption of perpetual capital securities	(499)	–	–	(1)	(500)	–	(500)
Share-based payments for staff costs	–	11	–	–	11	–	11
Shares issued in lieu of ordinary dividends	526	–	–	(526)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(10)	–	–	(10)	–	(10)
Shares vested under DSP Scheme	–	62	–	–	62	–	62
Treasury shares transferred/sold	105	(89)	–	–	16	–	16
Total contributions by and distributions to owners	273	(24)	–	(1,989)	(1,740)	(34)	(1,774)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	(#)	(#)	4	4
Total changes in interests in subsidiaries	–	–	–	(#)	(#)	4	4
Balance at 31 December 2020	**19,031**	**1,229**	**1,358**	**28,004**	**49,622**	**1,554**	**51,176**
Included in the balances:							
Share of reserves of associates	–	–	47	2,217	2,264	–	2,264

(1) *Included regulatory loss allowance reserve of $876 million at 1 January 2020 and $874 million at 31 December 2020.*
(2) *# represents amounts less than $0.5 million.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 13 to 16.

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

In $ million	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2019	17,247	930	(66)	24,026	42,137	1,255	43,392
Total comprehensive income for the year							
Profit for the year	–	–	–	4,869	4,869	153	5,022
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value gains for the year	–	–	914	–	914	69	983
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(276)	–	(276)	(19)	(295)
– on impairment	–	–	(5)	–	(5)	(#)	(5)
Tax on net movements	–	–	(90)	–	(90)	(9)	(99)
Cash flow hedges	–	–	–	(1)	(1)	–	(1)
Currency translation on foreign operations	–	–	–	(52)	(52)	–	(52)
Other comprehensive income of associates	–	–	66	(78)	(12)	–	(12)
Items that will not be reclassified subsequently to income statement:							
Currency translation on foreign operations	–	–	–	–	–	9	9
Financial assets, at FVOCI, net change in fair value	–	–	376	(77)	299	17	316
Defined benefit plans remeasurements	–	–	–	(1)	(1)	#	(1)
Own credit	–	–	–	1	1	–	1
Total other comprehensive income, net of tax	–	–	985	(208)	777	67	844
Total comprehensive income for the year	–	–	985	4,661	5,646	220	5,866
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	8	337	–	(345)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	2	2
Buy-back of shares held as treasury shares	(192)	–	–	–	(192)	–	(192)
Dividends and distributions	–	–	–	(602)	(602)	(34)	(636)
DSP reserve from dividends on unvested shares	–	–	–	8	8	–	8
Share-based payments for staff costs	–	15	–	–	15	–	15
Shares issued in lieu of ordinary dividends	1,515	–	–	(1,515)	–	–	–
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(8)	–	–	(8)	–	(8)
Shares vested under DSP Scheme	–	70	–	–	70	–	70
Treasury shares transferred/sold	179	(91)	–	–	88	–	88
Total contributions by and distributions to owners	1,511	323	–	(2,454)	(620)	(32)	(652)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	(1)	(1)	(2)	(3)
Total changes in interests in subsidiaries	–	–	–	(1)	(1)	(2)	(3)
Balance at 31 December 2019	18,758	1,253	919	26,232	47,162	1,441	48,603
Included in the balances:							
Share of reserves of associates	–	–	91	1,561	1,652	–	1,652

(1) *Included regulatory loss allowance reserve of $534 million at 1 January 2019 and $876 million at 31 December 2019.*
(2) *# represents amounts less than $0.5 million.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 13 to 16.

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

Statement of Changes in Equity – Bank

For the financial year ended 31 December 2020

In $ million	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2020	**18,758**	**986**	**114**	**14,142**	**34,000**
Profit for the year	**–**	**–**	**–**	**2,346**	**2,346**
Other comprehensive income	**–**	**–**	**186**	**56**	**242**
Total comprehensive income for the year [2]	**–**	**–**	**186**	**2,402**	**2,588**
Transfers	**3**	**(3)**	**–**	**–**	**–**
Buy-back of shares held as treasury shares	**(63)**	**–**	**–**	**–**	**(63)**
Dividends and distributions	**–**	**–**	**–**	**(1,467)**	**(1,467)**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**10**	**10**
Issue of perpetual capital securities	**200**	**–**	**–**	**–**	**200**
Redemption of perpetual capital securities	**(499)**	**–**	**–**	**(1)**	**(500)**
Share-based payments for staff costs	**–**	**11**	**–**	**–**	**11**
Shares issued in lieu of ordinary dividends	**526**	**–**	**–**	**(526)**	**–**
Shares issued to non-executive directors	**1**	**–**	**–**	**–**	**1**
Treasury shares transferred/sold	**105**	**–**	**–**	**–**	**105**
Balance at 31 December 2020	**19,031**	**994**	**300**	**14,560**	**34,885**
Balance at 1 January 2019	17,247	639	(81)	13,491	31,296
Profit for the year	–	–	–	3,106	3,106
Other comprehensive income	–	–	195	(6)	189
Total comprehensive income for the year [2]	–	–	195	3,100	3,295
Transfers	8	332	–	(340)	–
Buy-back of shares held as treasury shares	(192)	–	–	–	(192)
Dividends and distributions	–	–	–	(602)	(602)
DSP reserve from dividends on unvested shares	–	–	–	8	8
Share-based payments for staff costs	–	15	–	–	15
Shares issued in lieu of ordinary dividends	1,515	–	–	(1,515)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	179	–	–	–	179
Balance at 31 December 2019	18,758	986	114	14,142	34,000

(1) *Included regulatory loss allowance reserve of $874 million at 1 January 2020 (1 January 2019: $534 million) and $874 million at 31 December 2020 (31 December 2019: $874 million).*
(2) *Refer to Statements of Comprehensive Income for detailed breakdown.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 13 to 16.

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2020

In $ million	2020	2019
Cash flows from operating activities		
Profit before income tax	**4,165**	5,800
Adjustments for non-cash items:		
Allowances for loans and other assets	**2,043**	890
Amortisation of intangible assets	**104**	103
Change in hedging transactions, fair value through profit or loss securities and debt issued	**26**	(226)
Depreciation of property and equipment and interest expense on lease liabilities	**424**	402
Net gain on disposal of government, debt and equity securities	**(208)**	(171)
Net gain on disposal of property and equipment	**(44)**	(82)
Net gain on disposal of interests in subsidiaries	**(9)**	(1)
Share-based costs	**76**	69
Share of results of associates, net of tax	**(612)**	(566)
Items relating to life insurance fund		
Surplus before income tax	**687**	854
Surplus transferred from life insurance fund	**(698)**	(779)
Operating profit before change in operating assets and liabilities	**5,954**	6,293
Change in operating assets and liabilities:		
Deposits of non-bank customers	**12,115**	7,420
Deposits and balances of banks	**1,336**	673
Derivative payables and other liabilities	**9,161**	1,066
Trading portfolio liabilities	**247**	(122)
Restricted balances with central banks	**695**	222
Government securities and treasury bills	**(4,039)**	(742)
Fair value through profit or loss securities	**(698)**	(487)
Placements with and loans to banks	**3,048**	3,296
Loans to customers	**(3,101)**	(7,743)
Derivative receivables and other assets	**(9,919)**	(1,402)
Net change in other assets and liabilities of life insurance fund [1]	**1,660**	5,699
Cash provided by operating activities	**16,459**	14,173
Income tax paid	**(822)**	(754)
Net cash provided by operating activities	**15,637**	13,419
Cash flows from investing activities		
Acquisitions, net of cash acquired (Note 33.3)	**–**	16
Dividends from associates	**201**	23
Investment in associates	**(418)**	–
Purchases of debt and equity securities	**(14,882)**	(14,878)
Purchases of life insurance fund investment securities [1]	**(37,978)**	(36,556)
Purchases of property and equipment	**(384)**	(368)
Proceeds from disposal of debt and equity securities	**12,133**	13,316
Proceeds from disposal of interests in a subsidiary	**32**	–
Proceeds from disposal of life insurance fund investment securities [1]	**36,871**	31,321
Proceeds from disposal of property and equipment	**86**	127
Net cash used in investing activities	**(4,339)**	(6,999)
Cash flows from financing activities		
Changes in non-controlling interests	**4**	(3)
Buy-back of shares held as treasury shares	**(63)**	(192)
Dividends and distributions paid	**(1,501)**	(636)
Net (redemption)/issuance of other debt issued (Note 21.6)	**(6,961)**	696
Net proceeds from perpetual capital securities issued	**200**	–
Payment of lease liabilities	**(93)**	(81)
Proceeds from subordinated debt issued (Note 21.6)	**1,365**	–
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**16**	88
Redemption of perpetual capital securities issued	**(500)**	–
Redemption of subordinated debt issued (Note 21.6)	**–**	(1,504)
Net cash used in financing activities	**(7,533)**	(1,632)
Net change in cash and cash equivalents	**3,765**	4,788
Net currency translation adjustments	**253**	(114)
Cash and cash equivalents at 1 January	**18,060**	13,386
Cash and cash equivalents at 31 December (Note 23)	**22,078**	18,060

(1) *Comparatives have been reclassified to reflect the cash flows arising from purchase and sale of investment securities. Refer to Note 2.26.*

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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 23 February 2021.

1. General

Oversea-Chinese Banking Corporation Limited (the Bank) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. 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. The Group is principally engaged in the business of banking, life insurance, 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 (International) (SFRS(I)) as required by the Singapore Companies Act (the Act).

The financial statements are presented in Singapore Dollar, rounded to the nearest million unless otherwise stated. # represents amounts less than $0.5 million. 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 SFRS(I) 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 2.25.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2020:

SFRS(I)	Title
Various	*Amendments to References to the Conceptual Framework in SFRS(I) Standards*
SFRS(I) 3 (Amendments)	*Definition of a Business*
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	*Definition of Material*
SFRS(I) 16 (Amendments)	*COVID-19-Related Rent Concessions*

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

2.2 Basis of Consolidation

2.2.1 Subsidiaries

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

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

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

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

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

The excess of the fair value of consideration transferred, the recognised 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 net assets acquired is recognised as goodwill at the date of acquisition. When the excess is negative, a bargain purchase gain is recognised immediately in the income statements.

2. Summary of Significant Accounting Policies (continued)

2.2 Basis of Consolidation (continued)

2.2.1 Subsidiaries (continued)

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are reclassified. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognised directly in equity.

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

Associates are entities over which the Group 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. If the investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Group may elect to measure that investment at fair value through profit or loss in accordance with SFRS(I) 9 *Financial Instruments*. The Group will make this election separately for each associate, at initial recognition of the associate or joint venture.

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.

The investment in an associate or joint venture is derecognised when the Group ceases to have significant influence or joint control over the investee. Amounts previously recognised in other comprehensive income (OCI) in respect of the investee are transferred to the income statement. Any retained interest in the entity is re-measured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control ceases, and its corresponding fair value, is recognised in the income statement.

2.2.4 Life Insurance Companies

Certain subsidiaries of the Group engaged in life insurance business are structured into one or more long-term life insurance funds, and shareholders' funds. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life insurance 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 insurance funds. The amount allocated to shareholders is reported as "Profit from life insurance" 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. Summary of Significant Accounting Policies (continued)

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 fair value through other comprehensive income (FVOCI) financial assets are recognised in OCI and presented in the fair value reserve within equity.

2.3.2 Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on the acquisition of a foreign operation, 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.

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

2.4 Cash and Cash Equivalents

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

2.5 Financial Instruments

2.5.1 Recognition

The Group initially recognises loans and advances, deposits and debts issued on the date of origination. All other financial instruments, including 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 ownership 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 Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be accounted based on the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

2.5.4 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.

2.5.5 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

Classification and Measurement of Financial Assets

A non-derivative financial asset is initially recognised and is measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at fair value through profit or loss.

2. Summary of Significant Accounting Policies (continued)

2.6 Non-Derivative Financial Assets (continued)

Classification and Measurement of Financial Assets (continued)

(a) Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy of how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated or managed on a fair value basis are measured at FVTPL because they are neither within the business model to hold to collect contractual cash flows, nor within the business model to hold both to collect contractual cash flows and to sell financial assets.

(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

2.6.1 Debt Instruments Measured at Amortised Cost

A debt financial instrument is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold the asset until maturity to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as amortised cost are subject to the expected credit loss requirements in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

2.6.2 Debt Instruments Measured at FVOCI

A debt financial instrument is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as FVOCI are subject to the expected credit loss requirements in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

At the balance sheet date, the Group recognises unrealised fair value gains and losses on revaluing these assets in OCI and presents the cumulative gains and losses in fair value reserve within equity, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. At maturity or upon disposal, the cumulative gain or loss previously recognised in OCI is reclassified from fair value reserve to income statement.

2.6.3 Debt Instruments Measured at FVTPL

Debt instruments that do not meet the requirements to be measured at amortised cost or at FVOCI are measured at FVTPL. At the balance sheet date, the Group recognises realised and unrealised gains and losses as trading income in the income statement. Interest earned while holding the assets are included in interest income.

2.6.4 Designation at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset at FVTPL notwithstanding that it would otherwise meet the requirements to be measured at amortised cost or at FVOCI, if doing so, it eliminates or significantly reduces an accounting mismatch that would otherwise arise. Upon designation, financial assets are measured at fair value on each balance sheet date until maturity or derecognition. Realised and unrealised fair value changes are recognised in the income statement.

2. Summary of Significant Accounting Policies (continued)

2.6 Non-Derivative Financial Assets (continued)

Classification and Measurement of Financial Assets (continued)

(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest (continued)

2.6.5 Equity Instruments

Equity instruments held for trading are classified as FVTPL. Equity instruments that are not held for trading may be classified as FVOCI based on an irrevocable election on initial recognition on an investment-by-investment basis.

At the balance sheet date, realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVTPL are recognised in the income statement. Realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVOCI are recognised in OCI and are never reclassified to the income statement.

Dividend earned whilst holding the equity instruments classified as FVTPL is recognised as dividend income in the income statement. Dividend from equity instruments classified as FVOCI is recognised as dividend income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

2.6.6 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period when the Group changes its business model for managing its financial assets.

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. Fair values reflect the exit price of the instrument and include adjustments to take into account the credit risk of the Group and the counterparty where appropriate. An embedded derivative is not separated from the host contract that is a financial asset. However, it is separated from the host contract that is a financial liability or a non-financial item for grouping with other stand-alone financial derivatives.

The Group 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 fair value, cash flow or net investment hedge accounting when the transactions meet the specified criteria for hedge accounting. For derivative transactions entered into for trading or any other purposes, the realised and unrealised gains and losses from subsequent measurements are recognised in profit or loss.

Before the Group applies any hedge accounting, the Group determines whether an economic relationship exists between the hedged item and the hedging instrument by considering qualitative characteristics of these items and wherever necessary, supported by quantitative analysis. In its qualitative assessment, the Group considers whether the critical terms of its hedged item and the hedging instrument are closely aligned and evaluates whether the hedged item and hedging instrument respond similarly to similar risks. For all hedge accounting of the Group, where economic hedge relationships meet the hedge accounting criteria, the Group establishes its hedge ratio by aligning the principal amount of the hedging instrument to the extent of its hedged item.

In a fair value hedging relationship, the Group mainly uses interest rate swaps and cross currency swaps to hedge its exposure to changes in the fair value of fixed rate instruments and its foreign currency risk exposure. 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 amount 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.

The risk exposure for cash flow hedge is managed similarly to that for fair value hedges. In a cash flow hedge relationship, the Group mainly uses interest rate swaps to hedge the variability in the cash flows that is related to a variable or fixed rate asset or liability resulting from changes in interest rates. For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is recognised in 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 hedged cash flows is recognised in the income statement. When the hedged cash flows are no longer expected to occur, the cumulative gain or loss in the hedge reserve is immediately transferred to the income statement.

"Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of a benchmark hedging instrument that is a perfect match. The amount of ineffectiveness is recognised immediately in profit or loss. The sources of ineffectiveness for both fair value hedges and cash flow hedges include imperfect relationship or matching between the hedging instrument and the risk being hedged as well as the effect of credit risk existing in the hedging instrument.

2. Summary of Significant Accounting Policies (continued)

2.7 Derivative Financial Instruments (continued)

The hedged risk in the Group's net investment hedges is the foreign currency exposure that arises from a net investment in subsidiaries and foreign operations that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Bank's functional currency. The Group uses a mixture of derivative financial instruments and liabilities to manage its foreign currency exposure in its net investment hedges. 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. The source of ineffectiveness for the Group's net investment hedge is the use of a hedging instrument denominated in a proxy currency that is not perfectly correlated to the actual currency to which the Group is exposed.

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of the interest rate benchmark reform. The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

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 insurance 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 insurance 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 insurance business. The fair value of the investment property is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying amount resulting from revaluation are recognised in the income statement of the life insurance 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.

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

2. Summary of Significant Accounting Policies (continued)

2.10 Goodwill and Intangible Assets (continued)

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 estimated useful lives range from 6 to 20 years. 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, the assets are generally measured at the lower of their carrying amount and fair value less cost to sell.

2.12 Impairment of Assets

(I) Financial Assets

Impairment allowances for financial assets are assessed using a forward-looking expected credit loss (ECL) model in accordance with the requirements of SFRS(I) 9.

2.12.1 Scope

Under SFRS(I) 9, except for equity investments, the ECL model is applied to debt financial assets measured at amortised cost or FVOCI and most off-balance sheet loan commitments and financial guarantees.

2.12.2 Expected Credit Loss Impairment Model

Under SFRS(I) 9, credit loss allowances are measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – On initial recognition, expected credit loss will be that resulting from default events that are possible over the next 12 months.
- Stage 2 – Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that resulting from default events that are possible over the expected life of the asset.
- Stage 3 – When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, the credit loss allowance will be the full lifetime expected credit loss.

2.12.3 Measurement

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

(a) financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
(b) financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
(c) undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
(d) financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used in the measurement of ECL are:

- Probability of default (PD) – This is an estimate of the likelihood of default over a given time horizon
- Exposure at default (EAD) - This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as well as expected drawdowns on committed facilities
- Loss given default (LGD) - This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying lifetime PD by LGD and EAD.

Loans to customers that are collectively assessed are grouped on the basis of shared credit risk characteristics such as account loan type, industry, geographical location of the borrower, collateral type and other relevant factors.

All key inputs (PD, LGD and EAD) used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on three macroeconomic scenarios (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

The three macroeconomic scenarios represent a most likely "Base" outcome, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macroeconomic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to reflect current economic situations.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for the lifetime period, reverting to long-run averages generally after 3 to 5 year periods. Depending on their usage in the models, macroeconomic variables are projected at a country or more granular level which differ by portfolio. The primary macroeconomic variables adopted are Gross Domestic Product, Unemployment rate, Property Price Index and Interest rate.

2. Summary of Significant Accounting Policies (continued)

2.12 Impairment of Assets (continued)

(I) Financial Assets (continued)

2.12.3 Measurement (continued)

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout Group's expected credit loss calculations.

The Group considers a financial asset to be in default by assessing both quantitative and qualitative criteria such as days past due and the terms of financial covenants. A default occurs when the borrower or bond issuer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or when the financial asset is more than 90 days past due.

An instrument is considered to be no longer in default when there is an established trend of credit improvement, supported by an assessment of the borrower's repayment capability, cash flows and financial position.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Financial assets are written off against their related impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

2.12.4 Movement Between Stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial recognition.

In accordance with SFRS(I) 9, financial assets are classified in Stage 2 where there is a significant increase in credit risk since initial recognition, where the credit loss allowance will be measured using lifetime ECL.

The Group considers both qualitative and quantitative parameters in the assessment of whether this is a significant increase in credit risk. These include the following:

(a) The Group has established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
(b) The Group conducts qualitative assessment to ascertain if there has been significant increase in credit risk.
(c) The Group uses days past due as a further indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under SFRS(I) 9 will be based on objective evidence of impairment.

The assessments for a significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. A modification of the terms of a financial asset that does not result in derecognition will result in the financial asset being transferred out of Stage 3 if the indicators of it being identified as credit-impaired is no longer met and that the evidence for its transfer out of Stage 3 solely relates to events such as up-to-date and timely payment occurring in the subsequent periods.

If a modified financial asset results in derecognition, the new financial asset will be recognised under Stage 1, unless it is assessed to be credit-impaired at time of the modification.

2.12.5 Regulatory Framework

Under MAS 612 requirement, the Group is required to maintain a minimum regulatory loss allowance (MRLA) of 1% of the gross carrying amount of selected credit exposures, net of collateral. Where the accounting loss allowance of selected non credit-impaired exposures computed under SFRS(I) 9 is less than the MRLA, the Group shall maintain the difference in a non-distributable regulatory loss allowance reserve (RLAR) account through the appropriation of revenue reserves to meet the minimum 1% amount. Where the aggregated accounting loss allowance and RLAR exceeds the MRLA, the Group may transfer the excess amount in the RLAR to revenue reserves.

(II) Other Assets

2.12.6 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. Summary of Significant Accounting Policies (continued)

2.12 Impairment of Assets (continued)

(II) Other Assets (continued)

2.12.7 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 amount of an asset may not be recoverable. If such an indication exists, the carrying amount 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 amount 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. A loss allowance is measured at an amount equal to lifetime expected credit losses, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criterion for financial assets has been met. The Group's insurance receivables include outstanding premium, policy loan and reinsurance receivables. Policy loans are loans and advances made to policyholders, and are collateralised by the underlying policies.

2.14 Financial Liabilities

A non-derivative financial liability is initially recognised at fair value less transaction costs and is subsequently measured at amortised cost using the effective interest method except where it is designated as FVTPL.

For financial liabilities designated at fair value, gains and losses arising from changes in fair value are recognised in the net trading income line in the income statement except for changes in fair value attributable to the Group's own credit risk where it is presented directly within other comprehensive income. Amounts recorded in OCI related to this credit risk are not subject to recycling in profit or loss, but are transferred to unappropriated profit when realised. Financial liabilities are held at fair value through profit or loss 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 otherwise need to be separately recorded.

2.15 Provisions and Other Liabilities

2.15.1 Provisions

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 agent's agreement. The deferred/retirement benefit accumulated at the balance sheet date includes accrued interest.

2.15.2 Policy Benefits

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life insurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life insurance 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 GEH, has accepted significant insurance risk from 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 expired.

For the purpose of SFRS(I) 4 *Insurance Contracts*, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value or discounted maturity value as the proxy for realisable value of the insurance contract. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at inception of the insurance contract. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Certain subsidiaries within the Group, primarily GEH 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 insurance contract liabilities, comprising
- Participating Fund contract liabilities;
- Non-participating Fund contract liabilities; and
- Investment-linked Fund contract liabilities.

(b) Non-life insurance contract liabilities

(c) Reinsurance contracts

Life Insurance 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 subsidiaries.

The valuation of insurance contract liabilities is determined according to the Insurance Regulations:

(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.

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

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

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

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

__Risk Transfer__

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 other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

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

The Group issues investment linked contracts as an insurance contract 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 an 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 in accordance with the terms and conditions of the insurance contracts.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Life Insurance Contract Liabilities (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) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; (ii) Guaranteed cash flows discounted using the interest rate outlined below; and (iii) Total assets less all liabilities except insurance contract liabilities of the Participant fund.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) Guaranteed cash flows discounted using Malaysia Government Securities zero coupon spot yields (as outlined below).
Discount rate [1]	For policies denominated in SGD/USD: (i) Singapore Government Securities/US Treasury yields for cash flows up to 20 years and 30 years respectively; (ii) Ultimate forward rate of 3.8% applicable for cash flows beyond 60 years; (iii) Extrapolated yields in between; and (iv) Adjustments for matching adjustment and illiquidity premium according to MAS Notice 133, if any.	Malaysia Government Securities yields determined based on the following: (i) For cash flows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity.
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [1]	Participating Fund: – Best estimates for Gross Premium Valuation method (i); – Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method (ii). Non-Participating and Non-Unit reserves of Investment-linked Fund: Best estimates plus provision for adverse deviation (PAD).	Participating Fund: – Best estimates for Gross Premium Valuation method (i); – Best estimates plus provision for risk of adverse deviation (PRAD) for Gross Premium Valuation method (ii). Non-Participating and Non-Unit reserves of Investment-linked Fund: Best estimates plus provision for risk of adverse deviation (PRAD).

[1] *Refer to Note 2.25 on Critical accounting estimates and judgements.*

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Life Insurance Contract Liabilities (continued)

Subsequent Measurement of Life Insurance Contract Liabilities

Adjustments to liabilities at each reporting date are recorded in the income statements. Profits originating from the release in margins for adverse deviations 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.

Derecognition of Life Insurance Contract Liabilities

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

Benefits and Claims

Insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the period, as well as policyholder dividends accrued in anticipation of dividend declarations. Accident and health claims incurred include all losses occurring during the period, whether reported or not, related handling costs, a reduction for recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims, and are included in operating expenses.

Insurance Contracts and Investment Contracts with Discretionary Participating Features (DPF)

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 investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from 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. Any surplus that is not allocated is recognised as unallocated surplus. The unallocated surplus forms part of the life insurance contract liabilities. The annual declaration of the quantum of policyholder 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.

Liability Adequacy Test

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 amount of the liability. Any deficiency is charged to the income statement.

Non-Life Insurance Contract Liabilities

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

Non-life insurance contract liabilities include claim liabilities and premium liabilities.

Claim Liabilities

Claim liabilities 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 recoveries. 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 claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Non-Life Insurance Contract Liabilities (continued)

Claim Liabilities (continued)

The valuation of non-life insurance claim liabilities at the balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. The provision for adverse deviation is set at 75% level of sufficiency for Singapore, Malaysia and Indonesia. The valuation methods used include the Paid and Incurred Loss Development methods (also known as the Link Ratio methods), the Paid and Incurred Bornhuetter-Ferguson methods and the Expected Loss Ratio method. For Singapore and Malaysia, the claim liabilities are not discounted for the time value of money. However, for Indonesia, the claim liabilities are discounted for the time value of money.

Premium Liabilities

Premium liabilities are the provision of unearned premiums representing 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. Further provisions are made if expected future cash flow of unexpired insurance contracts exceed the unearned premiums of these contracts.

Reinsurance Contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent amounts receivable in respect of ceded insurance liabilities. These amounts are estimated in a manner consistent with the reinsured insurance contract liabilities, the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets arising from ceding of in-force book and gross onerous contracts are recognised in the same period when the gross liabilities are accrued.

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 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 Share Capital and Dividend

Ordinary shares, non-cumulative non-convertible preference shares and perpetual capital securities are classified as equity on the balance sheet.

Incremental costs directly attributable to the issue of new capital securities are shown in equity as a deduction from the proceeds.

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.

2.18 Leases

2.18.1 As Lessee

At the inception of a contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-Use Assets

The Group recognises a right-of-use (ROU) asset and lease liability at the date which the underlying asset is available for use. ROU assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the ROU assets.

2. Summary of Significant Accounting Policies (continued)

2.18 Leases (continued)

2.18.1 As Lessee (continued)

Right-of-Use Assets (continued)

These ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

ROU assets are presented within "Property, plant and equipment".

Lease Liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease liability is subsequently measured at amortised cost using the effective interest method. Lease liability shall be remeasured when there is modification in the scope or the consideration of the lease that was not part of the original term.

Short-Term Leases and Low-Value Assets

The Group has elected to not recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.18.2 As Lessor

Rental income on tenanted areas of the buildings owned by the Group is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2.19 Recognition of Income and Expense

2.19.1 Interest Income and Expense

Interest income or expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.19.2 Premiums and Commissions from Insurance Business

Life Insurance Business

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. 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. Commission is recognised as an expense when incurred.

Non-Life Insurance Business

Premiums from the non-life insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the balance sheet date are adjusted through the movement in premium liabilities. 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 non-life 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.

2.19.3 Fees and Commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Group has satisfied its performance obligations in providing the services to the customer. Transaction based 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.

2.19.4 Dividends

Dividends from equity securities, subsidiaries and associates are recognised when the right to receive payment is established.

2. Summary of Significant Accounting Policies (continued)

2.19 Recognition of Income and Expense (continued)

2.19.5 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 OCI in the period in which they arise.

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

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

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

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

2.20 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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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. Summary of Significant Accounting Policies (continued)

2.22 Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2.23 Segment Reporting

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Wholesale Banking, Global Treasury and Markets and Insurance. 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.

2.24 Government Grants

Government grants related to assets are initially recognised by deducting the grant in arriving at the carrying amount of the asset if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Grants that compensate the Group for expenses incurred are recognised in profit or loss by deducting the grant from the related expense.

Grants that are not related to assets or expenses incurred are recognised in profit or loss as other income.

2.25 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.

COVID-19 Pandemic

The COVID-19 pandemic and the effects on the global economy are unprecedented in its scale and impact. These have increased the estimated uncertainty in the preparation of these financial statements. Sources of estimation uncertainty include how the pandemic will continue to evolve, the corresponding impact on the duration and extent of disruption to businesses, individuals and the wider economy (including macroeconomic forecasts, credit, liquidity and market conditions) as well as the effectiveness of government support measures in softening the impact of the crisis.

The significant accounting estimates impacted by these uncertainties relate mainly to impairment of financial assets and impairment of goodwill and intangible assets, which are discussed below:

2.25.1 Impairment of Financial Assets

In determining whether the credit risk of the Group's financial exposures has increased significantly since initial recognition, the Group considers quantitative and qualitative information such as the Group's historical credit assessment experience and available forward-looking information. Expected credit losses (ECL) estimates are based on probability-weighted forward-looking economic scenarios. The parameters used in ECL measurement (probability of default, loss given default and exposure at default) incorporates forward-looking information. The determination of the forward-looking economic scenarios and incorporation of forward-looking information into ECL measurement requires management to exercise judgement based on its assessment of current macroeconomic conditions.

Allowances for Non Credit-Impaired Loans to Customers

As of 31 December 2020, the forward-looking scenarios used in the ECL model have been updated from those as of 31 December 2019. They reflect the latest available macroeconomic view which shows a sharp deterioration in the short term and a gradual subsequent recovery, resulting in an increase in ECL during the year. This view also considers the impact of significant government measures (primarily in Singapore, Malaysia, Hong Kong and China) to cushion the impact of the crisis to some degree. Additional model overlays, which further increased the ECL, were also made to reflect the uncertainty regarding forward-looking economic conditions.

2. Summary of Significant Accounting Policies (continued)

2.25 Critical Accounting Estimates and Judgements (continued)

2.25.1 Impairment of Financial Assets (continued)

Allowances for Non Credit-Impaired Loans to Customers (continued)

Another key element in determining ECL is the assessment of whether or not a significant increase in credit risk (SICR) has occurred and hence whether a lifetime, rather than 12-month, ECL is required. During the year, various loan reliefs, such as payment holidays and moratoriums, have been offered to affected customers as part of a broader set of COVID-19 support measures. Deferral of payments by customers in hardship arrangements is generally treated as an indication of a SICR. However, in line with regulatory guidance, the Group has determined that the extension of such reliefs is not automatically considered to indicate SICR, but considers it within a broader set of indicators to assess and grade customer facilities as necessary. Nevertheless, such loan reliefs, payment holidays and moratoriums have the effect of delaying the identification of customer delinquency even though customers who took up such relief packages may be of higher risk. Therefore, where appropriate, refinements are made to the determination of probability of default for such borrowers to reflect higher risk of default.

In assessing the sensitivity of the allowances to changes in forward-looking assumptions, the Group performs scenario analyses using alternative macroeconomic scenarios. The results show that the Group's allowances for non credit-impaired loans to customers is within a reasonable range of potential future loss outcomes.

The Group's allowances for financial assets are disclosed in Note 30.

Allowances for Credit-Impaired Loans to Customers

In respect of credit-impaired exposures, management judgement and estimation are applied in, amongst others, identifying impaired exposures, estimating the related recoverable cash flows and where applicable, determining collateral values and timing of realisation. Judgements and assumptions in respect of these matters have been updated to reflect the potential impact of COVID-19.

The Group's allowances for credit-impaired loans to customers are disclosed in Note 28.

2.25.2 Fair Value Estimation

Fair value is derived from quoted market prices or valuation techniques which maximise the use of relevant observable inputs and minimise the use of unobservable inputs. 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 or loss" is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit or 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.

2.25.3 Liabilities of Insurance Business

The estimation of the ultimate liabilities arising from claims made under life and non-life 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, morbidity, disabilities, lapses, voluntary terminations, investment returns, administration expenses and discount rates. The Group relies on standard industry and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance contract liabilities.

For non-life 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).

2. Summary of Significant Accounting Policies (continued)

2.25 Critical Accounting Estimates and Judgements (continued)

2.25.3 Liabilities of Insurance Business (continued)

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 insurance subsidiaries' 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.

2.25.4 Impairment of Goodwill and Intangible Assets

The Group performs an annual review of the carrying amount 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 banking CGUs are determined based on the present value of estimated future cash flows expected to arise from the respective CGUs' continuing operations. The recoverable amount of insurance CGU is determined using the appraisal value method. Management exercises its judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

In light of current macroeconomic conditions, management reassessed the assumptions applied in estimating the future cash flows, including growth rates and discount rates used in computing the recoverable amount, and determined that no impairment should be recognised during the year.

2.25.5 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 income tax liabilities. 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 balances in the period in which the determination is made.

2.25.6 Insurance Contract Classification

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

2. Summary of Significant Accounting Policies (continued)

2.26 Comparative Figures

Certain comparative figures have been reclassified to be consistent with current year's presentation.

	GROUP 2019		
	As reclassified $ million	As previously reported $ million	Increase/ (Decrease) $ million
Income statement			
Net trading income	977	–	977
Rental income	–	80	(80)
Other income	372	1,269	(897)
Statement of comprehensive income			
Items that may be reclassified subsequently to income statement:			
Currency translation on foreign operations	(52)	(43)	(9)
Items that will not be reclassified subsequently to income statement:			
Currency translation on foreign operations	9	–	9
Consolidated cash flow statement			
Net change in other assets and liabilities of life insurance fund	5,699	464	5,235
Purchases of life insurance fund investment securities	(36,556)	–	(36,556)
Proceeds from disposal of life insurance fund investment securities	31,321	–	31,321

	GROUP 31 December 2019		
	As reclassified $ million	As previously reported $ million	Increase/ (Decrease) $ million
Balance sheet			
Assets pledged	–	1,166	(1,166)
Other government treasury bills and securities	17,712	17,620	92
Placements with and loans to banks	35,864	35,813	51
Loans to customers	262,348	262,045	303
Debt and equity securities	29,253	28,533	720

2. Summary of Significant Accounting Policies (continued)

2.26 Comparative Figures (continued)

	BANK 2019 As reclassified $ million	As previously reported $ million	Increase/ (Decrease) $ million
Income statement			
Net trading income	289	–	289
Rental income	–	60	(60)
Other income	247	476	(229)

	BANK 31 December 2019 As reclassified $ million	As previously reported $ million	Increase/ (Decrease) $ million
Balance sheet			
Assets pledged	–	122	(122)
Other government treasury bills and securities	7,661	7,644	17
Placements with and loans to banks	28,100	28,056	44
Debt and equity securities	14,271	14,210	61

3. Net Interest Income

	GROUP 2020 $ million	GROUP 2019 $ million	BANK 2020 $ million	BANK 2019 $ million
Interest income				
Loans to non-bank customers	**6,992**	9,086	**3,791**	5,119
Placements with and loans to banks	**839**	1,503	**695**	1,441
Other interest-earning assets	**1,312**	1,509	**584**	676
	9,143	12,098	**5,070**	7,236
Interest expense				
Deposits of non-bank customers	**(2,699)**	(4,807)	**(1,266)**	(2,495)
Deposits and balances of banks	**(92)**	(192)	**(225)**	(453)
Other borrowings	**(386)**	(768)	**(330)**	(697)
	(3,177)	(5,767)	**(1,821)**	(3,645)
Analysed by classification of financial instruments				
Income – Assets at amortised cost	**7,471**	10,175	**4,235**	6,280
Income – Assets at FVOCI	**1,310**	1,528	**566**	662
Income – Assets mandatorily measured at FVTPL	**362**	395	**269**	294
Expense – Liabilities not at fair value through profit or loss	**(3,169)**	(5,761)	**(1,814)**	(3,639)
Expense – Liabilities mandatorily measured at FVTPL	**(8)**	(6)	**(7)**	(6)
Net interest income	**5,966**	6,331	**3,249**	3,591

Included in interest income were interest of $42 million (2019: $53 million) and $30 million (2019: $46 million) on impaired assets for the Group and Bank respectively.

The Group's and Bank's interest expenses on lease liabilities were not significant for the financial years ended 31 December 2020 and 31 December 2019.

4. Profit from Life Insurance

	GROUP	
	2020	2019
	$ million	$ million
Income		
Annual	**7,780**	7,372
Single	**7,371**	4,041
Gross premiums	**15,151**	11,413
Reinsurance	**(559)**	(448)
Premium income (net)	**14,592**	10,965
Investment income (net) [1]	**6,298**	6,911
Total income	**20,890**	17,876
Expenses		
Gross claims, surrenders and annuities	**(10,170)**	(6,636)
Claims, surrenders and annuities recovered from reinsurers	**596**	232
Net claims, surrenders and annuities	**(9,574)**	(6,404)
Net change in life insurance contract liabilities	**(9,009)**	(8,557)
Commission and agency expenses	**(1,209)**	(1,062)
Depreciation – property, plant and equipment (Note 34)	**(70)**	(65)
Other expenses	**(341)**	(934)
Total expenses	**(20,203)**	(17,022)
Surplus from operations	**687**	854
Share of results of associates	**#**	(#)
Income tax credit/(expense)	**11**	(75)
Profit from life insurance	**698**	779

(1) *Includes income from financial instruments measured at fair value through profit or loss of $5.7 billion (2019: $6.4 billion).*

Profit from life insurance 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	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Gross fee and commission income				
Brokerage	**140**	82	**1**	1
Credit card	**274**	348	**230**	297
Fund management	**122**	115	**–**	1
Guarantees	**14**	16	**6**	7
Investment banking	**87**	106	**75**	90
Loan-related	**165**	307	**106**	231
Service charges	**84**	99	**58**	73
Trade-related and remittances	**252**	254	**178**	180
Wealth management [1]	**1,130**	1,036	**294**	292
Others	**45**	44	**8**	7
	2,313	2,407	**956**	1,179
Fee and commission expense	**(310)**	(284)	**(141)**	(161)
Fees and commissions (net)	**2,003**	2,123	**815**	1,018

(1) *Includes trust and custodian fees.*

6. Dividends

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Subsidiaries	**–**	–	**1,321**	914
Associates	**–**	–	**121**	86
FVTPL securities	**44**	49	**25**	29
FVOCI securities	**34**	43	**1**	3
	78	92	**1,468**	1,032

7. Net Trading Income

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Foreign exchange [1]	**585**	463	**278**	123
Hedging activities [2]				
Hedging instruments	**133**	(92)	**183**	(46)
Hedged items	**(133)**	95	**(182)**	48
Net gain from fair value hedge ineffectiveness	**#**	3	**1**	2
Net loss from interest rate and other derivative financial instruments [3]	**(41)**	(83)	**(20)**	(127)
Net gain from non-derivative financial instruments [4]	**318**	592	**46**	290
Others	**1**	2	**#**	1
	863	977	**305**	289

(1) *"Foreign exchange" include gains and losses from spot and forward contracts and translation of foreign currency denominated 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) *"Non-derivative financial instruments" include trading gains and losses from fair value financial instruments which are either designated at initial recognition or mandatorily measured at FVTPL.*

8. Other Income

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Disposal of investment securities	**208**	171	**73**	73
Disposal of subsidiaries	**9**	1	**–**	6
Disposal of plant and equipment	**(1)**	(1)	**(#)**	(#)
Disposal of properties	**45**	83	**8**	74
Rental and property-related income	**63**	91	**39**	60
Others	**6**	27	**38**	34
	330	372	**158**	247

9. Staff Costs and Other Operating Expenses

		GROUP		BANK	
		2020 $ million	2019 $ million	2020 $ million	2019 $ million
9.1	**Staff costs** [(1)]				
	Salaries and other costs	**2,457**	2,553	**849**	883
	Share-based expenses	**75**	69	**26**	26
	Contribution to defined contribution plans	**199**	202	**79**	78
		2,731	2,824	**954**	987
	Directors' emoluments:				
	Remuneration of Bank's directors	**11**	11	**11**	10
	Fees of Bank's directors [(2)]	**6**	5	**4**	4
		17	16	**15**	14
	Total staff costs	**2,748**	2,840	**969**	1,001
9.2	**Other operating expenses**				
	Property and equipment: [(3)]				
	Depreciation	**419**	397	**184**	169
	Maintenance and rental [(4)]	**150**	160	**97**	101
	Others [(5)]	**293**	301	**143**	139
		862	858	**424**	409
	Auditors' remuneration:				
	Payable to auditors of the Bank	**6**	4	**2**	3
	Payable to associated firms of auditors of the Bank	**3**	3	**#**	#
	Payable to other auditors	**#**	2	**#**	#
		9	9	**2**	3
	Other fees:				
	Payable to auditors of the Bank [(6)]	**2**	2	**1**	1
	Payable to associated firms of auditors of the Bank	**1**	#	**1**	#
		3	2	**2**	1
	Hub processing charges	**–**	–	**251**	253
	General insurance claims	**101**	107	**–**	–
	Others [(7)]	**716**	828	**339**	433
		817	935	**590**	686
	Total other operating expenses	**1,691**	1,804	**1,018**	1,099
9.3	**Staff costs and other operating expenses**	**4,439**	4,644	**1,987**	2,100

(1) *Grants provided by governments to provide wage support to employers due to the COVID-19 pandemic are recognised as a reduction in staff costs.*

(2) *Includes remuneration shares amounting to $1 million (2019: $1 million) issued to directors.*

(3) *Direct operating expenses on leased investment property for the Group and the Bank amounted to $13 million and $3 million (2019: $16 million and $4 million) respectively. Direct operating expenses on vacant investment property for the Group and the Bank amounted to $1 million and $# million (2019: $1 million and $# million) respectively.*

(4) *Includes expenses relating to short-term leases of $14 million and $5 million for the Group and the Bank (2019: $29 million and $13 million) respectively, and low-value assets of $5 million and $1 million (2019: $6 million and $1 million) for the Group and the Bank respectively.*

(5) *Property tax rebates received from government are recognised as a reduction in property and equipment expense.*

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

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

10. Allowances for Loans and Other Assets

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Allowances/(write-back):				
Impaired loans (Note 28)	**1,149**	856	**877**	593
Impaired other assets	**30**	2	**11**	3
Non-impaired loans	**860**	39	**604**	#
Non-impaired other assets	**4**	(7)	**1**	(1)
Allowances for loans and other assets	**2,043**	890	**1,493**	595

11. Income Tax Expense

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Current tax expense	**687**	829	**250**	343
Deferred tax (credit)/expense (Note 20)	**(46)**	(3)	**(37)**	57
	641	826	**213**	400
Over provision in prior years	**(204)**	(48)	**(44)**	(24)
Charge to income statements	**437**	778	**169**	376

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

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Operating profit after allowances and amortisation	**3,553**	5,234	**2,515**	3,482
Prima facie tax calculated at tax rate of 17%	**604**	890	**428**	592
Effect of:				
Different tax rates in other countries	**100**	104	**26**	21
Income not subject to tax	**(45)**	(37)	**(261)**	(181)
Income taxed at concessionary rates	**(25)**	(88)	**(13)**	(70)
Singapore life insurance funds	**(21)**	(66)	**–**	–
Non-deductible expenses and losses	**37**	35	**14**	21
Others	**(9)**	(12)	**19**	17
	641	826	**213**	400
The deferred tax (credit)/expense comprised:				
Accelerated tax depreciation	**5**	5	**2**	8
Depreciable assets acquired in business combinations	**(10)**	(16)	**(1)**	(7)
Tax losses	**(1)**	4	**(1)**	9
Unrealised losses on financial assets	**(2)**	(8)	**(11)**	(11)
(Allowances)/write-back for assets	**(64)**	2	**(18)**	50
Other temporary differences	**26**	10	**(8)**	8
	(46)	(3)	**(37)**	57

12. Earnings Per Share

	GROUP	
	2020	2019
	$ million	$ million
Profit attributable to equity holders of the Bank	**3,586**	4,869
Perpetual capital securities distributions declared in respect of the period	**(53)**	(59)
Profit attributable to ordinary equity holders of the Bank after other equity distributions	**3,533**	4,810
Weighted average number of ordinary shares (million)		
For basic earnings per share	**4,420**	4,307
Adjustment for assumed conversion of share options and acquisition rights	**1**	4
For diluted earnings per share	**4,421**	4,311
Earnings per share ($)		
Basic	**0.80**	1.12
Diluted	**0.80**	1.12

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends and perpetual capital securities distributions 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.

13. Share Capital

13.1 Share Capital

GROUP AND BANK	2020 Shares (million)	2019 Shares (million)
Ordinary shares		
At 1 January	**4,409**	4,257
Shares issued in lieu of ordinary dividends	**67**	152
Shares issued to non-executive directors	**#**	#
At 31 December	**4,476**	4,409
Treasury shares		
At 1 January	**(8)**	(7)
Share buyback	**(7)**	(17)
Share Option Schemes	**2**	3
Share Purchase Plan	**#**	6
Treasury shares transferred to DSP Trust	**11**	7
At 31 December	**(2)**	(8)

GROUP AND BANK	2020 $ million	2019 $ million
Issued share capital, at 31 December	**17,833**	17,261

(1) *# represents less than 500,000 shares.*

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.

The issued ordinary shares qualify as Common Equity Tier 1 capital for the Group.

All issued shares were fully paid.

Associates of the Group did not hold shares in the capital of the Bank as at 31 December 2020 and 31 December 2019.

13. Share Capital (continued)

13.2 Share Option Scheme

Executives of the Group ranked Manager and above and non-executive directors of the Group are eligible to participate in the OCBC Share Option Scheme 2001 (2001 Scheme). The Bank has ceased granting share options under the 2001 Scheme effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by the recipients. Options granted to Group executives are exercisable for up to 10 years, while options granted to non-executive Directors are exercisable for up to five years.

For the financial years ended 31 December 2020 and 31 December 2019, there was no options granted under the 2001 Scheme.

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

	2020		2019	
	Number of shares under options ('000)	Average price	Number of shares under options ('000)	Average price
At 1 January	**35,154**	**$10.183**	38,623	$10.067
Exercised	**(1,786)**	**$8.800**	(3,142)	$8.588
Forfeited/lapsed	**(454)**	**$11.621**	(327)	$11.702
At 31 December	**32,914**	**$10.239**	35,154	$10.183
Exercisable options at 31 December	**30,789**	**$10.025**	27,726	$9.754
Average share price underlying the options exercised		**$9.936**		$11.344

At 31 December 2020, the weighted average remaining contractual life of outstanding share options was 4.9 years (2019: 5.8 years). The aggregate number of shares under outstanding options held by an executive director of the Bank was 4,596,480 (2019: 5,034,060).

13.3 Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan (ESP Plan) was implemented for all employees of the participating companies in the Group, including executive Directors.

The ESP Plan is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll and/or from Central Provident Fund. The employees have the option to convert the contributions to ordinary shares after one year or to withdraw the contributions at any time. As a further incentive to employees to enrol in the ESP Plan, the Bank pays interest on the amounts saved at a preferential interest rate. The duration of the offering period is 24 months.

In June 2020, the Bank launched its fifteenth offering of ESP Plan for Group employees, which commenced on 1 July 2020 and expire on 30 June 2022. Under the offering, the Bank granted rights to acquire 12,688,439 (2019: 8,905,273) ordinary shares in the Bank, including rights granted to an executive director of the Bank to acquire 4,008 (2019: 3,180) ordinary shares in the Bank. The fair value of rights, determined using the binomial valuation model, was $13.7 million (2019: $7.4 million). Significant inputs to the valuation model are set out below:

	2020	2019
Acquisition price ($)	**8.98**	11.32
Share price ($)	**9.24**	10.78
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**24.62**	17.57
Risk-free rate based on 2-year swap rate (%)	**0.31**	1.72
Expected dividend yield (%)	**5.19**	3.62

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:

	2020		2019	
	Number of acquisition rights ('000)	Average price	Number of acquisition rights ('000)	Average price
At 1 January	**14,325**	**$11.439**	13,371	$11.233
Exercised and conversion upon expiry	**(11)**	**$11.552**	(5,635)	$10.773
Forfeited	**(8,912)**	**$11.344**	(2,316)	$11.409
Subscription	**12,688**	**$8.980**	8,905	$11.320
At 31 December	**18,090**	**$9.761**	14,325	$11.439
Average share price underlying acquisition rights exercised/converted		**$9.571**		$11.539

At 31 December 2020, the weighted average remaining contractual life of outstanding acquisition rights was 1.2 years (2019: 1.1 years). There were 7,188 (2019: 6,283) rights held by an executive director of the Bank.

13.4 Deferred Share Plan

The OCBC Deferred Share Plan (DSP) aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives with the sustained business performance of the Bank. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee, are eligible to participate in the DSP.

Half (50%) of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the DSP. Prior to the vesting date, the executives will not be accorded voting rights for the shares.

Total awards of 11,016,332 (2019: 8,506,920) ordinary shares, which included 409,894 (2019: 339,880) ordinary shares to an executive director of the Bank, were granted to eligible executives under the DSP for the financial year ended 31 December 2020. The fair value of the shares at grant date was $95.1 million (2019: $96.2 million).

During the year, 5,595,172 (2019: 6,430,261) deferred shares were released to employees, of which 225,961 (2019: 295,494) deferred shares were released to an executive director of the Bank who held office as at the end of the financial year. At 31 December 2020, an executive director of the Bank had deemed interest in 912,015 (2019: 684,933) deferred shares.

The accounting treatment of share-based compensation plan is set out in Note 2.19.5.

14. Other Equity Instruments

		GROUP AND BANK	
	Note	2020 $ million	2019 $ million
SGD500 million 3.8% non-cumulative non-convertible perpetual capital securities (3.8% Capital Securities)	(a)	**–**	499
SGD1,000 million 4.0% non-cumulative non-convertible perpetual capital securities (4.0% Capital Securities)	(b)	**998**	998
SGD200 million 3.0% non-cumulative non-convertible perpetual capital securities (3.0% Capital Securities)	(c)	**200**	–
		1,198	1,497

(a) The 3.8% Capital Securities issued by the Bank on 25 August 2015 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore (MAS) Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore (MAS Notice 637) on the basis that the Bank is subject to the application of MAS Notice 637.

The 3.8% Capital Securities were fully redeemed by the Bank on 25 August 2020.

(b) The 4.0% Capital Securities issued by the Bank on 24 August 2018 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 4.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank: (i) on 24 August 2023 (the First Reset Date) or any distribution payment date falling after the First Reset Date; (ii) upon the occurrence of a tax event; or (iii) if the 4.0% Capital Securities would no longer qualify as eligible capital. The terms of the 4.0% Capital Securities may also be varied, subject to MAS approval, so that the 4.0% Capital Securities remain as Additional Tier 1 capital of the Bank. If the Bank is determined by the MAS to be non-viable, the 4.0% Capital Securities will be written off in whole or in part.

The 4.0% Capital Securities pay distributions to holders semi-annually in arrear in February and August at a fixed rate of 4.0% per annum from the issue date to the First Reset Date. If the 4.0% Capital Securities are not redeemed on the First Reset Date, the distribution rate will be reset on the First Reset Date and every five years thereafter to a fixed rate per annum equal to the aggregate of the then-prevailing five-year SGD Swap Offer Rate and the initial spread of 1.811%. Distributions may be cancelled by the Bank at its sole discretion, subject to the provisions of the 4.0% Capital Securities. The Bank is also not obliged to pay distributions to holders under certain circumstances. Any distributions which are not paid, in accordance with the terms and conditions of the 4.0% Capital Securities, are non-cumulative and will not compound.

(c) The 3.0% Capital Securities issued by the Bank on 30 September 2020 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 3.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on or after 30 September 2030 (First Reset Date). Their terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2030, the 3.0% Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The 3.0% Capital Securities bear a fixed distribution rate of 3.0% per annum from the issue date to the First Reset Date and will be reset every 10 years thereafter to a fixed rate equal to the then-prevailing 10-year SGD Swap Offer Rate plus 2.19%. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in March and September, unless cancelled by the Bank at its option. The 3.0% Capital Securities constitute unsecured and subordinated obligations, ranking senior only to shareholders of the Bank.

15. Capital Reserves

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
At 1 January	**1,253**	930	**986**	639
Share-based payments for staff costs	**11**	15	**11**	15
Shares transferred to DSP Trust	**(99)**	(99)	**–**	–
Shares vested under DSP Scheme	**62**	70	**–**	–
Transfer from unappropriated profit (Note 16.1)	**5**	345	**–**	340
Transfer to share capital	**(3)**	(8)	**(3)**	(8)
At 31 December	**1,229**	1,253	**994**	986

Capital reserves include regulatory loss allowance reserve and statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations. Capital reserves also include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

16. Revenue Reserves

		GROUP		BANK	
	Note	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Unappropriated profit	16.1	**27,321**	25,775	**13,235**	12,879
General reserves	16.2	**1,345**	1,335	**1,396**	1,386
Cash flow hedge reserves	16.3	**(#)**	(#)	**#**	(1)
Currency translation reserves	16.4	**(658)**	(873)	**(67)**	(117)
Own credit reserves		**(4)**	(5)	**(4)**	(5)
At 31 December		**28,004**	26,232	**14,560**	14,142

16. Revenue Reserves (continued)

16.1 Unappropriated Profit

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Profit attributable to equity holders of the Bank	**3,586**	4,869	**2,346**	3,106
Add:				
Unappropriated profit at 1 January	**25,775**	23,440	**12,879**	12,213
Total amount available for appropriation	**29,361**	28,309	**15,225**	15,319
Appropriated as follows:				
Ordinary dividends:				
Final tax-exempt dividend of 28 cents paid for the previous financial year (2019: tax-exempt dividend of 23 cents)	**(1,233)**	(978)	**(1,233)**	(978)
Interim tax-exempt dividend of 15.9 cents paid for the current financial year (2019: tax-exempt dividend of 25 cents)	**(701)**	(1,079)	**(701)**	(1,079)
Distributions for other equity instruments:				
3.8% perpetual capital securities	**(19)**	(19)	**(19)**	(19)
4.0% perpetual capital securities	**(40)**	(40)	**(40)**	(40)
Transfer (to)/from:				
Capital reserves (Note 15)	**(5)**	(345)	**–**	(340)
Fair value reserves	**(41)**	(78)	**4**	9
General reserves (Note 16.2)	**–**	7	**–**	7
Others	**(1)**	(2)	**(1)**	(#)
	(2,040)	(2,534)	**(1,990)**	(2,440)
At 31 December	**27,321**	25,775	**13,235**	12,879

At the annual general meeting to be held, a final tax-exempt dividend of 15.9 cents per ordinary share in respect of the financial year ended 31 December 2020, totalling $711 million, will be proposed. The dividends will be accounted for as a distribution in the 2021 financial statements.

16. Revenue Reserves (continued)

16.2 General Reserves

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
At 1 January	**1,335**	1,334	**1,386**	1,385
DSP reserve from dividends on unvested shares	**10**	8	**10**	8
Transfer to unappropriated profit (Note 16.1)	**–**	(7)	**–**	(7)
At 31 December	**1,345**	1,335	**1,396**	1,386

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.

16.3 Cash Flow Hedge Reserves

The cash flow hedge reserves comprise the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow. The cash flow hedges principally consist of interest rate contracts that are used to hedge against the variability in cash flows of certain floating rate liabilities.

16.4 Currency Translation Reserves

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
At 1 January	**(873)**	(744)	**(117)**	(101)
Movements for the year	**90**	(177)	**45**	(17)
Effective portion of hedge	**125**	48	**5**	1
At 31 December	**(658)**	(873)	**(67)**	(117)

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

Refer to Note 38.3 Currency risk – Structural foreign exchange risk for management of structural foreign exchange risk.

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

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Deposits of non-bank customers				
Current accounts	**118,751**	89,024	**58,217**	44,546
Savings deposits	**71,097**	57,465	**57,309**	46,151
Term deposits	**90,786**	123,333	**51,998**	70,343
Structured deposits	**4,505**	5,656	**1,448**	2,177
Certificates of deposit issued	**22,229**	20,402	**22,121**	19,977
Other deposits	**7,539**	6,971	**6,652**	6,226
	314,907	302,851	**197,745**	189,420
Deposits and balances of banks	**9,586**	8,250	**7,408**	5,938
	324,493	311,101	**205,153**	195,358

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.

	2020			2019		
GROUP ($ million)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives (FED)						
Forwards	**62,902**	**570**	**616**	60,248	327	400
Swaps	**358,713**	**5,689**	**5,900**	315,599	2,344	2,483
OTC options	**61,700**	**338**	**297**	61,469	188	195
Exchange traded futures	**7**	**#**	**–**	–	–	–
	483,322	**6,597**	**6,813**	437,316	2,859	3,078
Interest rate derivatives (IRD)						
Forwards	**527**	**2**	**2**	–	–	–
Swaps	**475,498**	**7,971**	**8,020**	510,396	4,203	4,238
OTC options	**3,715**	**29**	**42**	3,485	20	40
Exchange traded options	**–**	**–**	**–**	754	#	#
Exchange traded futures	**5,232**	**1**	**1**	13,809	#	1
	484,972	**8,003**	**8,065**	528,444	4,223	4,279
Equity derivatives						
Swaps	**3,906**	**216**	**204**	3,196	64	132
OTC options	**7,291**	**223**	**243**	4,595	81	79
Exchange traded options	**19**	**#**	**–**	–	–	–
Exchange traded futures	**551**	**1**	**4**	286	2	#
Others	**–**	**–**	**–**	2	#	#
	11,767	**440**	**451**	8,079	147	211
Credit derivatives						
Swaps – protection buyer	**3,969**	**11**	**60**	2,412	7	40
Swaps – protection seller	**2,745**	**56**	**11**	2,053	40	7
	6,714	**67**	**71**	4,465	47	47
Other derivatives						
Precious metals	**1,366**	**25**	**25**	913	13	13
OTC options	**7,984**	**89**	**89**	4,796	59	59
Futures	**1**	**#**	**–**	10	#	–
Commodity swaps	**26**	**2**	**2**	13	1	#
	9,377	**116**	**116**	5,732	73	72
Total	**996,152**	**15,223**	**15,516**	984,036	7,349	7,687
Included items designated for hedges:						
Fair value hedge – FED	**1,539**	**–**	**112**	727	–	15
Fair value and cash flow hedge – IRD	**12,293**	**150**	**217**	13,976	88	116
Hedge of net investments – FED	**3,345**	**161**	**20**	3,119	42	198
	17,177	**311**	**349**	17,822	130	329

For the fair value hedges, the carrying amount at 31 December 2020 relating to the assets and liabilities designated as hedged items were $7,152 million and $7,450 million (2019: $7,994 million and $7,173 million) respectively. The hedged items were mainly fixed rate debt securities held (financial assets) and debt securities issued (financial liabilities).

For the cash flow hedges, the carrying amount at 31 December 2020 relating to the assets and liabilities designated as hedged items were $2,151 million and $2,151 million (2019: $2,017 million and $2,017 million) respectively. The hedged items were mainly variable rate loans (financial assets) and deposits (financial liabilities).

18. Derivative Financial Instruments (continued)

	2020			2019		
BANK ($ million)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives (FED)						
Forwards	**35,367**	**350**	**450**	36,561	177	247
Swaps	**330,179**	**5,016**	**5,196**	276,330	1,854	2,137
OTC options	**4,973**	**47**	**45**	7,868	51	59
Exchange traded futures	**7**	**#**	**–**	–	–	–
	370,526	**5,413**	**5,691**	320,759	2,082	2,443
Interest rate derivatives (IRD)						
Swaps	**394,770**	**7,766**	**7,714**	434,510	4,111	4,083
OTC options	**3,703**	**29**	**42**	3,401	19	40
Exchange traded options	**–**	**–**	**–**	754	#	#
Exchange traded futures	**4,930**	**1**	**1**	13,110	1	1
	403,403	**7,796**	**7,757**	451,775	4,131	4,124
Equity derivatives						
Swaps	**3,528**	**208**	**194**	2,932	58	126
OTC options	**1,894**	**45**	**65**	1,067	11	9
Exchange traded options	**19**	**#**	**–**	–	–	–
Exchange traded futures	**298**	**–**	**#**	258	2	#
Others	**–**	**–**	**–**	2	#	#
	5,739	**253**	**259**	4,259	71	135
Credit derivatives						
Swaps – protection buyer	**3,819**	**–**	**60**	2,255	–	40
Swaps – protection seller	**2,593**	**56**	**–**	1,897	40	–
	6,412	**56**	**60**	4,152	40	40
Other derivatives						
Precious metals	**93**	**#**	**1**	34	#	1
Futures	**1**	**#**	**–**	–	–	–
	94	**#**	**1**	34	#	1
Total	**786,174**	**13,518**	**13,768**	780,979	6,324	6,743
Included items designated for hedges:						
Fair value hedge – FED	**4,506**	**159**	**119**	3,476	41	190
Fair value hedge – IRD	**7,922**	**148**	**112**	9,711	88	58
Hedge of net investments – FED	**294**	**2**	**4**	285	1	20
	12,722	**309**	**235**	13,472	130	268

18. Derivative Financial Instruments (continued)

Interest Rate Benchmark Reform

London Interbank Offered Rate (LIBOR), a key benchmark used in international financial markets is expected to be discontinued after end-2021. LIBOR will be replaced by Risk Free Rates (RFR), which are already being increasingly adopted in new transactions. The expected discontinuation of LIBOR directly impacts the viability of the Singapore Dollar Swap Offer Rate (SOR), which relies on USD LIBOR in its computation. The Singapore Overnight Rate Average (SORA) has been identified as the alternative benchmark to SOR. To ensure a smooth transition from LIBOR to RFRs and from SOR to SORA, OCBC has established its internal Steering Committee to coordinate the effort across various business, control and support functions.

The Group has assessed the adequacy and appropriateness of provisions relating to the permanent discontinuation of benchmarks, in loan documentation, derivative contracts, debt issuances and other relevant contracts. Plans have been made to remediate the contracts with appropriate revisions. A communications plan has been established to identify and engage clients with a view to help them understand how their contracts may be affected and the potential actions they could take in relation to their contracts with OCBC. To ensure infrastructure and process readiness, the Group also plans to implement the necessary system upgrades and modifications.

The Group uses interest rate swaps and cross currency swaps to hedge its exposure to changes in fair value of fixed rate debt instruments and its foreign currency exposure in a fair value hedge. The Group also uses interest rate swaps to hedge the variability in the cash flows that is related to a variable rate asset or liability resulting from changes in interest rate. With respect to hedge accounting, the Group's primary exposure is to USD LIBOR due to the extent of fixed rate debt instruments and subordinated debt denominated in USD that are designated in fair value hedge relationships.

The Group has applied the following relief from hedge accounting requirements that were introduced by the amendments made to SFRS(I) 9:

- When considering the 'highly probable' requirement, the Group assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.
- In assessing the economic relationship between the hedged item and the hedging instrument, the Group assume that the interest rate benchmark on which the hedged item and hedging instruments are based is not altered as a result of the interest rate benchmark reform.
- For fair value hedges of interest rate risk on fixed rate debt, the Group only assesses whether the designated benchmark is separately identifiable at hedge inception and not revisited on reporting date.

In applying the amendments, the Group assumes that the uncertainty arising from interest rate benchmark reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group also assumes that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.

As at 31 December 2020, the notional amount of hedging instruments referencing USD LIBOR is $10.5 billion.

19. Other Liabilities

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Bills payable	**400**	380	**274**	257
Interest payable	**472**	932	**264**	590
Lease liabilities	**278**	293	**62**	67
Sundry creditors	**5,472**	4,035	**654**	611
Others	**1,471**	1,305	**632**	561
	8,093	6,945	**1,886**	2,086

At 31 December 2020, reinsurance liabilities and third-party interests in consolidated investment funds included in "Others" amounted to $66 million (2019: $52 million) and $# million (2019: $28 million) respectively for the Group.

20. Deferred Tax

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
At 1 January	**1,806**	1,346	**217**	153
Acquisitions	**–**	(5)	**–**	–
Currency translation and others	**2**	(3)	**(1)**	(#)
Net (credit)/charge to income statements (Note 11)	**(46)**	(3)	**(37)**	57
(Over)/under provision in prior years	**(#)**	(#)	**(#)**	#
Net charge to equity	**70**	160	**3**	7
Net change in life insurance fund tax	**(147)**	311	**–**	–
At 31 December	**1,685**	1,806	**182**	217

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	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Deferred tax liabilities				
Accelerated tax depreciation	**101**	94	**67**	64
Unrealised gains on investments	**317**	337	**9**	19
Depreciable assets acquired in business combination	**138**	147	**38**	39
Provision for policy liabilities	**1,110**	1,181	**–**	–
Regulatory loss allowance reserve	**125**	129	**125**	129
Others	**182**	139	**2**	3
	1,973	2,027	**241**	254
Amount offset against deferred tax assets	**(155)**	(134)	**(18)**	(16)
	1,818	1,893	**223**	238
Deferred tax assets				
Allowances for impairment of assets	**(169)**	(112)	**(26)**	(11)
Tax losses	**(9)**	(11)	**(6)**	–
Others	**(110)**	(98)	**(27)**	(26)
	(288)	(221)	**(59)**	(37)
Amount offset against deferred tax liabilities	**155**	134	**18**	16
	(133)	(87)	**(41)**	(21)
Net deferred tax liabilities/(assets)	**1,685**	1,806	**182**	217

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 2020, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to $72 million (2019: $65 million) for the Group, $9 million (2019: $13 million) for the Bank. These tax losses have no expiry date except for an amount of $61 million (2019: $52 million) which will expire between the years 2021 and 2028 (2019: years 2021 and 2028).

21. Debt Issued

		GROUP		BANK	
	Note	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Unsecured					
Subordinated debt	21.1	**3,145**	1,797	**2,745**	1,397
Fixed and floating rate notes	21.2	**3,551**	4,502	**2,993**	3,861
Commercial paper	21.3	**12,057**	17,872	**12,057**	17,751
Structured notes	21.4	**1,869**	1,742	**1,869**	1,742
		20,622	25,913	**19,664**	24,751
Secured					
Covered bonds	21.5	**3,733**	3,475	**3,733**	3,475
Total debt issued		**24,355**	29,388	**23,397**	28,226

21.1 Subordinated Debt

				GROUP	
	Note	Issue date	Maturity date	2020 $ million	2019 $ million
Issued by the Bank:					
USD1 billion 4.25% notes	(a)	19 Jun 2014	19 Jun 2024	**1,426**	1,397
USD1 billion 1.832% notes	(b)	10 Sep 2020	10 Sep 2030	**1,319**	–
				2,745	1,397
Issued by The Great Eastern Life Assurance Company Limited (GEL):					
SGD400 million 4.60% notes	(c)	19 Jan 2011	19 Jan 2026	**400**	400
Total subordinated debt				**3,145**	1,797

(a) 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 amount. The subordinated notes qualify as Tier 2 capital for the Group.

(b) The subordinated notes are redeemable in whole at the option of the Bank on 10 September 2025. 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 10 March and 10 September each year at 1.832% per annum up to 10 September 2025, and thereafter at a fixed rate per annum equal to the then prevailing 5-year U.S. Treasury Rate plus 1.58% if the redemption option is not exercised. The subordinated notes qualify as Tier 2 capital for the Group.

(c) The subordinated notes are redeemable in whole at the option of 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

	Note	Issue date	Maturity date	GROUP 2020 $ million	GROUP 2019 $ million
Issued by the Bank:					
AUD300 million floating rate notes	(a)	17 Mar 2016	17 Mar 2020	–	283
AUD500 million floating rate notes	(a)	6 Oct 2017 – 6 Nov 2017	6 Oct 2020	–	471
AUD600 million floating rate notes	(b)	23 Apr 2018	23 Apr 2021	**610**	566
AUD500 million floating rate notes	(c)	6 Sep 2018	6 Sep 2021	**509**	471
AUD100 million floating rate notes	(a)	28 Nov 2018	24 Feb 2020	–	94
AUD200 million floating rate notes	(a)	8 Apr 2019	6 Apr 2020	–	189
AUD700 million floating rate notes (2019: AUD550 million)	(d)	23 May 2019 – 15 Jan 2020	23 May 2022	**712**	518
AUD500 million floating rate notes	(e)	5 Dec 2019	5 Dec 2022	**509**	471
AUD200 million floating rate notes	(f)	4 Sep 2020	4 Sep 2023	**204**	–
CNY500 million 3.50% fixed rate notes	(a)	5 Feb 2013	5 Feb 2020	–	97
HKD1.403 billion 1.59% fixed rate notes	(a)	25 Sep 2017	25 Sep 2020	–	243
USD340 million floating rate notes	(g)	17 May 2018	17 May 2021	**449**	458
				2,993	3,861
Issued by PT Bank OCBC NISP Tbk:					
IDR454 billion 7.70% fixed rate bonds	(a)	22 Aug 2017	22 Aug 2020	–	44
IDR609 billion 7.20% fixed rate bonds	(a)	12 Dec 2017	12 Dec 2020	–	59
IDR535 billion 6.90% fixed rate bonds	(h)	11 Apr 2018	10 Apr 2021	**47**	48
IDR3 billion 7.25% fixed rate bonds	(a)	6 Jul 2018	6 Jul 2020	–	#
IDR342 billion 7.75% fixed rate bonds	(h)	6 Jul 2018	6 Jul 2021	**32**	33
				79	184
Issued by Pac Lease Berhad:					
MYR85 million 4.40% fixed rate notes	(a)	13 Nov 2018	13 May 2020	–	28
MYR80 million 3.80% fixed rate notes	(i)	23 Sep 2019	23 Mar 2021	**26**	26
MYR50 million 3.80% fixed rate notes	(i)	26 Sep 2019	26 Mar 2021	**16**	17
MYR50 million 3.45% fixed rate notes	(i)	6 Mar 2020	7 Mar 2022	**16**	–
MYR50 million 3.00% fixed rate notes	(i)	22 Dec 2020	22 Jun 2022	**16**	–
				74	71
Issued by OCBC Wing Hang Bank (China) Limited:					
CNY2 billion 4.06% fixed rate bonds	(j)	28 Nov 2018	28 Nov 2021	**405**	386
Total fixed and floating rate notes				**3,551**	4,502

(a) The notes and bonds were fully redeemed on their respective maturity dates.

(b) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.70% per annum.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.72% per annum.

(d) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.62% per annum.

21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes (continued)

(e) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.63% per annum.

(f) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.48% per annum.

(g) Interest is payable quarterly at the 3-month US Dollar London Interbank Offer Rate plus 0.45% per annum.

(h) Interest is payable quarterly.

(i) Interest is payable semi-annually.

(j) Interest is payable annually.

21.3 Commercial Paper

		GROUP	
	Note	2020 $ million	2019 $ million
Issued by the Bank	(a)	**12,057**	17,751
Issued by Pac Lease Berhad	(b)	**–**	121
Total commercial paper issued		**12,057**	17,872

(a) The Bank issued the commercial paper under its USD10 billion ECP programme and USD15 billion USCP programme. The notes outstanding as at 31 December 2020 (2019: 31 December 2019) were issued between 6 February 2020 (2019: 19 February 2019) and 16 December 2020 (2019: 20 December 2019), and mature between 4 January 2021 (2019: 3 January 2020) and 8 October 2021 (2019: 5 November 2020), yielding between 0.13% and 0.29% (2019: 0.81% and 2.09%).

(b) Pac Lease Berhad issued the commercial paper under its MYR1 billion 7-year CP/MTN programme. The commercial papers were fully redeemed during the year.

The notes outstanding as at 31 December 2019 were issued between 4 December 2019 and 19 December 2019, and matured between 3 January 2020 and 20 January 2020, with interest rate at 3.55%.

21.4 Structured Notes

			GROUP	
	Issue date	Maturity date	2020 $ million	2019 $ million
Issued by the Bank:				
Credit linked notes	1 Oct 2012 – 28 Dec 2020	29 Jan 2021 – 15 Jan 2026	**867**	1,094
Fixed rate notes	9 Oct 2012 – 27 Dec 2012	9 Oct 2037 – 28 Dec 2037	**106**	108
Bond linked notes	12 Oct 2016 – 9 Oct 2020	3 Feb 2021 – 24 May 2027	**221**	342
Index linked notes	3 Apr 2018 – 15 Mar 2019	25 Feb 2021	**14**	60
Fund linked notes	16 Jul 2018 – 6 Nov 2020	4 Mar 2021 – 8 May 2025	**50**	39
Participation notes	14 Jun 2019 – 23 Dec 2020	26 Feb 2021 – 7 Jul 2028	**611**	99
			1,869	1,742

21. Debt Issued (continued)

21.4 Structured Notes (continued)

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and were measured at amortised cost, except for $785 million (2019: $969 million) included under credit linked notes and $221 million (2019: $342 million) included under bond linked notes as at 31 December 2020 which were measured at fair value through profit or loss.

In accordance with SFRS(I) 9, 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 or loss, and were included as part of the Group's derivatives in the financial statements.

21.5 Covered Bonds

			GROUP	
	Issue date	Maturity date	2020 $ million	2019 $ million
Issued by the Bank:				
EUR1 billion 0.25% fixed rate bonds	21 Mar 2017 – 5 Oct 2017	21 Mar 2022 – 5 Oct 2022	**1,631**	1,510
EUR500 million 0.375% fixed rate bonds	1 Mar 2018	1 Mar 2023	**820**	760
EUR500 million 0.625% fixed rate bonds	18 Apr 2018	18 Apr 2025	**833**	764
GBP250 million floating rate bonds	14 Mar 2018	14 Mar 2023	**449**	441
			3,733	3,475

The covered bonds were issued by the Bank under its USD10 billion Global Covered Bond Programme. The Covered Bond Guarantor, Red Sail Pte. Ltd., guarantees the payments of interest and principal. The guarantee is secured by a portfolio of Singapore housing loans transferred from OCBC Bank to Red Sail Pte. Ltd. (Note 45.2). Interest for the EUR and GBP covered bonds is payable annually and quarterly, respectively, and in arrears.

21.6 Reconciliation of Movements of Liabilities to Cash Flow Arising from Financing Activities

GROUP ($ million)	Subordinated debt	Fixed and floating rate notes	Commercial paper	Structured notes	Covered bonds	Total
At 1 January 2019	3,247	3,857	18,155	1,483	3,530	30,272
Cash flows	(1,504)	703	(241)	234	–	(808)
Non-cash changes						
Currency translation	(11)	(59)	(188)	26	(23)	(255)
Others	65	1	146	(1)	(32)	179
At 31 December 2019/ 1 January 2020	**1,797**	**4,502**	**17,872**	**1,742**	**3,475**	**29,388**
Cash flows	**1,365**	**(1,206)**	**(5,905)**	**150**	**–**	**(5,596)**
Non-cash changes						
Currency translation	**(71)**	**254**	**24**	**(22)**	**(39)**	**146**
Others	**54**	**1**	**66**	**(1)**	**297**	**417**
At 31 December 2020	**3,145**	**3,551**	**12,057**	**1,869**	**3,733**	**24,355**

22. Life Insurance Fund Liabilities and Assets

	GROUP	
	2020 $ million	2019 $ million
Life insurance fund liabilities		
Movements in life insurance fund		
At 1 January	**75,204**	68,260
Currency translation	**41**	(45)
Changes due to transfer of Eldershield portfolio [1]	**–**	(1,572)
Net change in life insurance contract liabilities	**8,224**	8,561
At 31 December	**83,469**	75,204
Policy benefits	**5,067**	4,672
Others [1]	**5,918**	4,570
	94,454	84,446
Life insurance fund investment securities and other assets		
Deposits with banks and financial institutions	**7,074**	4,380
Loans	**890**	1,064
Securities	**80,462**	75,787
Investment property	**1,767**	1,786
Others [2]	**6,875**	4,321
	97,068	87,338
Life insurance fund balances included under the following balance sheet items:		
Liabilities		
Current tax	**67**	285
Deferred tax	**1,369**	1,508
Other liabilities	**88**	99
Assets		
Cash and placements with central banks	**#**	#
Placements with and loans to banks	**1,509**	1,257
Property, plant and equipment and intangible assets	**702**	684
The following contracts were entered into under the life insurance fund:		
Capital commitment authorised and contracted	**171**	173
Derivative financial instruments (principal notional amount)	**35,345**	27,916
Derivative receivables	**747**	400
Derivative payables	**264**	191
Minimum lease payment receivable	**57**	61

(1) *On 28 December 2018, The Great Eastern Life Assurance Company Limited entered into an Agreement to Transfer with Ministry of Health (MOH) for the Government to take over the administration of the ElderShield scheme. Following the enactment of Careshield Life and Long-Term Care Act 2019, The Great Eastern Life Assurance Company Limited has derecognised the liabilities of the Eldershield portfolio as at 31 December 2019. The Great Eastern Life Assurance Company Limited had transferred the amount due to MOH and corresponding assets backing these liabilities to MOH in 2020.*

(2) *Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.*

23. Cash and Placements with Central Banks

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Cash on hand	**629**	899	**346**	450
Non-restricted balances with central banks	**2,360**	1,800	**2,346**	1,771
Money market placements and reverse repos with central banks	**19,089**	15,361	**14,820**	12,552
Cash and cash equivalents	**22,078**	18,060	**17,512**	14,773
Restricted balances with central banks – mandatory reserve deposits	**4,448**	5,142	**3,458**	3,052
Gross cash and placements with central banks	**26,526**	23,202	**20,970**	17,825
Allowances for non-impaired placements with central banks	**(1)**	(1)	**(1)**	(1)
Net cash and placements with central banks	**26,525**	23,201	**20,969**	17,824

24. Government Treasury Bills and Securities

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Singapore government treasury bills and securities				
Gross securities	**10,628**	11,042	**9,294**	9,892
Other government treasury bills and securities				
Gross securities	**22,663**	17,712	**9,411**	7,661
Allowances for non-impaired other government treasury bills and securities	**–**	(#)	**–**	(#)
Net securities	**22,663**	17,712	**9,411**	7,661
Total government treasury bills and securities	**33,291**	28,754	**18,705**	17,553

25. Placements with and Loans to Banks

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Certificates of deposit held	**13,100**	13,017	**10,120**	9,693
Placements with and loans to banks	**17,406**	20,579	**13,160**	17,394
Market bills purchased	**803**	796	**803**	796
Reverse repos	**1**	224	**1**	224
Balances with banks	**31,310**	34,616	**24,084**	28,107
Bank balances of life insurance fund	**1,509**	1,257	**–**	–
Placements with and loans to banks	**32,819**	35,873	**24,084**	28,107
Allowances for non-impaired placements with and loans to banks	**(3)**	(9)	**(1)**	(7)
Net placements with and loans to banks	**32,816**	35,864	**24,083**	28,100

26. Loans to Customers

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Gross loans	**267,240**	264,773	**173,216**	166,161
Allowances				
Impaired loans (Note 28)	**(1,812)**	(1,395)	**(1,393)**	(1,035)
Non-impaired loans (Note 30)	**(1,890)**	(1,030)	**(1,172)**	(562)
Net loans	**263,538**	262,348	**170,651**	164,564

26.1 Analysed by Product

Overdrafts	**3,933**	4,155	**512**	656
Short-term and revolving loans	**62,780**	66,517	**26,346**	26,421
Syndicated and term loans	**107,778**	93,725	**87,827**	78,387
Housing and commercial property loans	**67,093**	71,414	**42,189**	42,734
Car, credit card and share margin loans	**4,626**	5,324	**3,058**	3,271
Bills receivable	**5,232**	7,481	**3,856**	6,145
Others	**15,798**	16,157	**9,428**	8,547
	267,240	264,773	**173,216**	166,161

26.2 Analysed by Industry

Agriculture, mining and quarrying	**8,483**	8,963	**5,630**	5,736
Manufacturing	**15,814**	17,074	**8,408**	9,388
Building and construction	**71,994**	64,686	**57,667**	51,985
Housing loans	**59,842**	62,069	**40,427**	40,916
General commerce	**28,834**	31,823	**20,850**	23,111
Transport, storage and communication	**14,340**	13,311	**11,919**	10,529
Financial institutions, investment and holding companies	**22,821**	24,542	**5,267**	4,780
Professionals and individuals	**30,659**	30,322	**11,837**	10,694
Others	**14,453**	11,983	**11,211**	9,022
	267,240	264,773	**173,216**	166,161

27. Non-Performing Assets

Non-performing assets (NPAs) comprise non-performing loans, debt securities and contingents that are classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Allowances for impaired assets	Net loans, securities and contingents
GROUP						
2020						
Classified loans	**2,152**	**1,442**	**323**	**3,917**	**(1,807)**	**2,110**
Classified debt securities	**5**	**2**	**–**	**7**	**(3)**	**4**
Classified contingents	**14**	**67**	**#**	**81**	**(5)**	**76**
Total classified assets	**2,171**	**1,511**	**323**	**4,005**	**(1,815)**	**2,190**
2019						
Classified loans	2,310	1,094	434	3,838	(1,388)	2,450
Classified debt securities	–	2	–	2	(2)	–
Classified contingents	20	23	#	43	(5)	38
Total classified assets	2,330	1,119	434	3,883	(1,395)	2,488
BANK						
2020						
Classified loans	**1,523**	**922**	**141**	**2,586**	**(1,388)**	**1,198**
Classified debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Classified contingents	**#**	**54**	**–**	**54**	**(5)**	**49**
Total classified assets	**1,523**	**976**	**141**	**2,640**	**(1,393)**	**1,247**
2019						
Classified loans	1,780	705	186	2,671	(1,031)	1,640
Classified debt securities	–	–	–	–	–	–
Classified contingents	19	13	#	32	(4)	28
Total classified assets	1,799	718	186	2,703	(1,035)	1,668

27. Non-Performing Assets (continued)

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
27.1 Analysed by Period Overdue				
Over 180 days	**1,857**	1,770	**1,348**	1,229
Over 90 days to 180 days	**286**	173	**225**	77
30 days to 90 days	**170**	530	**98**	452
Less than 30 days	**473**	474	**97**	203
No overdue	**1,219**	936	**872**	742
	4,005	3,883	**2,640**	2,703
27.2 Analysed by Collateral Type				
Property	**900**	863	**246**	277
Fixed deposit	**9**	6	**1**	2
Stock and shares	**147**	128	**129**	125
Motor vehicles	**5**	4	**#**	1
Secured – Others	**1,365**	1,554	**1,296**	1,497
Unsecured – Corporate and other guarantees	**708**	491	**685**	491
Unsecured – Clean	**871**	837	**283**	310
	4,005	3,883	**2,640**	2,703
27.3 Analysed by Industry				
Agriculture, mining and quarrying	**345**	470	**272**	449
Manufacturing	**570**	468	**84**	94
Building and construction	**211**	165	**35**	37
Housing loans	**420**	435	**193**	226
General commerce	**614**	556	**383**	285
Transport, storage and communication	**1,636**	1,592	**1,593**	1,538
Financial institutions, investment and holding companies	**33**	27	**–**	–
Professionals and individuals	**133**	123	**51**	42
Others	**43**	47	**29**	32
	4,005	3,883	**2,640**	2,703

27. Non-Performing Assets (continued)

27.4 Restructured/Renegotiated Loans

Non-performing restructured loans by loan classification and the related allowances are shown below. The restructured loans as a percentage of total non-performing loans were 45.2% (2019: 42.7%) and 51.6% (2019: 47.9%) for the Group and the Bank respectively.

	2020		2019	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**1,148**	**846**	1,099	498
Doubtful	**589**	**359**	515	279
Loss	**34**	**19**	44	18
	1,771	**1,224**	1,658	795
BANK				
Substandard	**939**	**721**	986	463
Doubtful	**390**	**318**	292	216
Loss	**5**	**4**	17	#
	1,334	**1,043**	1,295	679

28. Allowances for Impaired Loans to Customers

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
At 1 January	**1,395**	1,219	**1,035**	949
Currency translation	**(44)**	(12)	**(40)**	(10)
Write-offs	**(663)**	(642)	**(466)**	(478)
Allowances	**1,204**	929	**913**	638
Recovery	**(55)**	(73)	**(36)**	(45)
Net allowances (Note 10)	**1,149**	856	**877**	593
Interest recognition on impaired loans	**(42)**	(53)	**(30)**	(46)
Transfers	**17**	27	**17**	27
At 31 December (Note 26)	**1,812**	1,395	**1,393**	1,035

28. Allowances for Impaired Loans to Customers (continued)

Analysed by Industry

	Cumulative allowances for impaired loans		Net allowances for impaired loans charged/(write-back) to income statements	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
GROUP				
Agriculture, mining and quarrying	**72**	159	**52**	20
Manufacturing	**177**	132	**103**	107
Building and construction	**65**	36	**50**	19
Housing loans	**47**	47	**24**	69
General commerce	**249**	174	**465**	90
Transport, storage and communication	**1,110**	726	**392**	366
Financial institutions, investment and holding companies	**12**	46	**7**	134
Professionals and individuals	**70**	63	**51**	37
Others	**10**	12	**5**	14
	1,812	1,395	**1,149**	856
BANK				
Agriculture, mining and quarrying	**68**	157	**46**	13
Manufacturing	**38**	37	**12**	28
Building and construction	**20**	4	**16**	1
Housing loans	**3**	8	**–**	–
General commerce	**133**	48	**382**	23
Transport, storage and communication	**1,086**	696	**388**	346
Financial institutions, investment and holding companies	**–**	44	**(#)**	133
Professionals and individuals	**39**	37	**25**	19
Others	**6**	4	**8**	30
	1,393	1,035	**877**	593

29. Debt and Equity Securities

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Debt securities	**27,934**	25,023	**15,648**	12,691
Equity securities	**2,756**	2,419	**983**	884
Investment funds	**2,454**	1,811	**1,214**	696
Total securities	**33,144**	29,253	**17,845**	14,271
Allowances for non-impaired debt securities	**(1)**	(#)	**(1)**	(#)
	33,143	29,253	**17,844**	14,271

Debt Securities Analysis:

29.1 By Credit Ratings

	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
Investment grade (AAA to BBB)	**18,308**	16,351	**11,697**	9,454
Non-investment grade (BB to C)	**109**	270	**109**	270
Non-rated	**9,517**	8,402	**3,842**	2,967
	27,934	25,023	**15,648**	12,691

29.2 By Credit Quality

	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
Pass	**27,916**	24,989	**15,640**	12,657
Special mention	**11**	34	**8**	34
Substandard	**5**	–	**–**	–
Doubtful	**2**	–	**–**	–
	27,934	25,023	**15,648**	12,691

Debt and Equity Securities Analysis:

29.3 By Industry

	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
Agriculture, mining and quarrying	**545**	539	**326**	299
Manufacturing	**1,536**	1,233	**948**	848
Building and construction	**2,380**	1,389	**1,539**	621
General commerce	**555**	558	**358**	448
Transport, storage and communication	**1,991**	1,849	**1,288**	1,118
Financial institutions, investment and holding companies	**21,426**	19,965	**10,748**	8,970
Others	**4,711**	3,720	**2,638**	1,967
	33,144	29,253	**17,845**	14,271

30. Allowances for Financial Assets

The following tables show reconciliations from the opening to the closing balance of expected credit loss (ECL).

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
At 1 January 2019	491	523	1,221	2,235
Transfer to Stage 1	474	(446)	(28)	–
Transfer to Stage 2	(104)	149	(45)	–
Transfer to Stage 3	(4)	(186)	190	–
Remeasurement [(1)]	(563)	514	714	665
New financial assets originated or purchased	545	239	–	784
Financial assets that have been derecognised	(374)	(216)	–	(590)
Changes in models [(2)]	4	–	–	4
Write-offs	–	–	(642)	(642)
Foreign exchange and other movements	1	1	(13)	(11)
At 31 December 2019/1 January 2020	**470**	**578**	**1,397**	**2,445**
Transfer to Stage 1	**497**	**(475)**	**(22)**	**–**
Transfer to Stage 2	**(181)**	**200**	**(19)**	**–**
Transfer to Stage 3	**(4)**	**(97)**	**101**	**–**
Remeasurement [(1)]	**1**	**783**	**1,065**	**1,849**
New financial assets originated or purchased	**609**	**257**	**–**	**866**
Financial assets that have been derecognised	**(429)**	**(312)**	**–**	**(741)**
Changes in models [(2)]	**7**	**7**	**–**	**14**
Write-offs	**–**	**–**	**(663)**	**(663)**
Foreign exchange and other movements	**(3)**	**(1)**	**(44)**	**(48)**
At 31 December 2020	**967**	**940**	**1,815**	**3,722**
BANK				
At 1 January 2019	198	375	949	1,522
Transfer to Stage 1	348	(330)	(18)	–
Transfer to Stage 2	(61)	89	(28)	–
Transfer to Stage 3	(2)	(128)	130	–
Remeasurement [(1)]	(361)	319	490	448
New financial assets originated or purchased	302	170	–	472
Financial assets that have been derecognised	(201)	(147)	–	(348)
Changes in models [(2)]	2	–	–	2
Write-offs	–	–	(478)	(478)
Foreign exchange and other movements	(1)	–	(10)	(11)
At 31 December 2019/1 January 2020	**224**	**348**	**1,035**	**1,607**
Transfer to Stage 1	**386**	**(371)**	**(15)**	**–**
Transfer to Stage 2	**(106)**	**118**	**(12)**	**–**
Transfer to Stage 3	**(2)**	**(37)**	**39**	**–**
Remeasurement [(1)]	**77**	**443**	**853**	**1,373**
New financial assets originated or purchased	**358**	**192**	**–**	**550**
Financial assets that have been derecognised	**(216)**	**(231)**	**–**	**(447)**
Changes in models [(2)]	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**(466)**	**(466)**
Foreign exchange and other movements	**(4)**	**(2)**	**(41)**	**(47)**
At 31 December 2020	**717**	**460**	**1,393**	**2,570**

(1) *Remeasurement includes the changes in model inputs or assumptions such as changes in the forward looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.*

(2) *Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.*

30. Allowances for Financial Assets (continued)

Analysed by Main Class of Financial Instruments

Loans to customers at amortised cost [1]

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
At 1 January 2019	466	518	1,219	2,203
Transfer to Stage 1	471	(443)	(28)	–
Transfer to Stage 2	(103)	148	(45)	–
Transfer to Stage 3	(5)	(186)	191	–
Remeasurement [2]	(544)	512	713	681
New financial assets originated or purchased	517	239	–	756
Financial assets that have been derecognised	(352)	(214)	–	(566)
Changes in models [3]	3	–	–	3
Write-offs	–	–	(642)	(642)
Foreign exchange and other movements	2	1	(13)	(10)
At 31 December 2019/1 January 2020	**455**	**575**	**1,395**	**2,425**
Transfer to Stage 1	**493**	**(471)**	**(22)**	**–**
Transfer to Stage 2	**(180)**	**199**	**(19)**	**–**
Transfer to Stage 3	**(4)**	**(97)**	**101**	**–**
Remeasurement [2]	**13**	**777**	**1,064**	**1,854**
New financial assets originated or purchased	**590**	**257**	**–**	**847**
Financial assets that have been derecognised	**(414)**	**(310)**	**–**	**(724)**
Changes in models [3]	**4**	**7**	**–**	**11**
Write-offs	**–**	**–**	**(663)**	**(663)**
Foreign exchange and other movements	**(3)**	**(1)**	**(44)**	**(48)**
At 31 December 2020	**954**	**936**	**1,812**	**3,702**
BANK				
At 1 January 2019	184	374	949	1,507
Transfer to Stage 1	348	(330)	(18)	–
Transfer to Stage 2	(61)	89	(28)	–
Transfer to Stage 3	(2)	(128)	130	–
Remeasurement [2]	(353)	319	490	456
New financial assets originated or purchased	282	170	–	452
Financial assets that have been derecognised	(184)	(147)	–	(331)
Changes in models [3]	1	–	–	1
Write-offs	–	–	(478)	(478)
Foreign exchange and other movements	–	–	(10)	(10)
At 31 December 2019/1 January 2020	**215**	**347**	**1,035**	**1,597**
Transfer to Stage 1	**385**	**(370)**	**(15)**	**–**
Transfer to Stage 2	**(105)**	**117**	**(12)**	**–**
Transfer to Stage 3	**(2)**	**(37)**	**39**	**–**
Remeasurement [2]	**88**	**442**	**853**	**1,383**
New financial assets originated or purchased	**342**	**192**	**–**	**534**
Financial assets that have been derecognised	**(206)**	**(230)**	**–**	**(436)**
Changes in models [3]	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**(466)**	**(466)**
Foreign exchange and other movements	**(4)**	**(2)**	**(41)**	**(47)**
At 31 December 2020	**713**	**459**	**1,393**	**2,565**

(1) *Includes ECL on contingent liabilities and other credit commitments.*
(2) *Remeasurement includes the changes in model inputs or assumptions such as changes in the forward looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.*
(3) *Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.*

30. Allowances for Financial Assets (continued)

The following tables set out information about the credit quality of financial assets.

	2020				2019			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
GROUP								
Cash and placements with central banks (Note 23)								
Pass	**25,862**	**35**	**–**	**25,897**	22,267	36	–	22,303
Loss allowances	**(#)**	**(1)**	**–**	**(1)**	(#)	(1)	–	(1)
Carrying amount	**25,862**	**34**	**–**	**25,896**	22,267	35	–	22,302
Government treasury bills and securities – Amortised cost (Note 39)								
Pass	**378**	**–**	**–**	**378**	410	–	–	410
Loss allowances	**–**	**–**	**–**	**–**	(#)	–	–	(#)
Carrying amount	**378**	**–**	**–**	**378**	410	–	–	410
Government treasury bills and securities – FVOCI [(1)] (Note 39)								
Pass	**28,395**	**–**	**–**	**28,395**	23,671	–	–	23,671
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Placements with and loans to banks – Amortised cost (Note 39)								
Pass	**19,716**	**3**	**–**	**19,719**	22,719	137	–	22,856
Loss allowances	**(3)**	**(#)**	**–**	**(3)**	(8)	(1)	–	(9)
Carrying amount	**19,713**	**3**	**–**	**19,716**	22,711	136	–	22,847
Placements with and loans to banks – FVOCI [(1)] (Note 39)								
Pass	**11,869**	**–**	**–**	**11,869**	11,025	–	–	11,025
Loss allowances	**(#)**	**–**	**–**	**(#)**	(1)	–	–	(1)
Loans to customers – Amortised cost (Note 39)								
Pass	**237,043**	**21,817**	**–**	**258,860**	244,135	14,070	–	258,205
Special mention	**–**	**4,374**	**–**	**4,374**	–	2,550	–	2,550
Substandard	**–**	**–**	**2,152**	**2,152**	–	–	2,310	2,310
Doubtful	**–**	**–**	**1,442**	**1,442**	–	–	1,094	1,094
Loss	**–**	**–**	**323**	**323**	–	–	434	434
	237,043	**26,191**	**3,917**	**267,151**	244,135	16,620	3,838	264,593
Loss allowances	**(765)**	**(679)**	**(1,807)**	**(3,251)**	(317)	(436)	(1,390)	(2,143)
Carrying amount	**236,278**	**25,512**	**2,110**	**263,900**	243,818	16,184	2,448	262,450
Debt securities – Amortised cost (Note 39)								
Pass	**388**	**–**	**–**	**388**	65	–	–	65
Loss allowances	**(1)**	**–**	**–**	**(1)**	(#)	–	–	(#)
Carrying amount	**387**	**–**	**–**	**387**	65	–	–	65
Debt securities – FVOCI [(1)] (Note 39)								
Pass	**23,302**	**243**	**–**	**23,545**	20,570	257	–	20,827
Special mention	**–**	**3**	**–**	**3**	–	–	–	–
Substandard	**–**	**–**	**5**	**5**	–	–	–	–
Doubtful	**–**	**–**	**2**	**2**	–	–	2	2
	23,302	**246**	**7**	**23,555**	20,570	257	2	20,829
Loss allowances	**(9)**	**(3)**	**(3)**	**(15)**	(6)	(1)	(2)	(9)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loan commitments and contingent liabilities								
Pass	**108,344**	**9,671**	**–**	**118,015**	87,145	4,909	–	92,054
Special mention	**–**	**830**	**–**	**830**	–	557	–	557
Substandard	**–**	**–**	**272**	**272**	–	–	881	881
Doubtful	**–**	**–**	**302**	**302**	–	–	429	429
Loss	**–**	**–**	**227**	**227**	–	–	254	254
	108,344	**10,501**	**801**	**119,646**	87,145	5,466	1,564	94,175
Allowances for contingent liabilities and credit commitments	**(189)**	**(257)**	**(5)**	**(451)**	(138)	(139)	(5)	(282)

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

30. Allowances for Financial Assets (continued)

	2020				2019			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
BANK								
Cash and placements with central banks (Note 23)								
Pass	**20,589**	**35**	**–**	**20,624**	17,340	35	–	17,375
Loss allowances	**(#)**	**(1)**	**–**	**(1)**	(#)	(1)	–	(1)
Carrying amount	**20,589**	**34**	**–**	**20,623**	17,340	34	–	17,374
Government treasury bills and securities – Amortised cost (Note 39)								
Pass	**378**	**–**	**–**	**378**	410	–	–	410
Loss allowances	**–**	**–**	**–**	**–**	(#)	–	–	(#)
Carrying amount	**378**	**–**	**–**	**378**	410	–	–	410
Government treasury bills and securities – FVOCI [(1)] (Note 39)								
Pass	**15,011**	**–**	**–**	**15,011**	13,257	–	–	13,257
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Placements with and loans to banks – Amortised cost (Note 39)								
Pass	**13,962**	**2**	**–**	**13,964**	18,278	137	–	18,415
Loss allowances	**(1)**	**(#)**	**–**	**(1)**	(7)	(#)	–	(7)
Carrying amount	**13,961**	**2**	**–**	**13,963**	18,271	137	–	18,408
Placements with and loans to banks – FVOCI [(1)] (Note 39)								
Pass	**8,889**	**–**	**–**	**8,889**	7,700	–	–	7,700
Loss allowances	**(#)**	**–**	**–**	**(#)**	(1)	–	–	(1)
Loans to customers – Amortised cost (Note 39)								
Pass	**156,100**	**12,496**	**–**	**168,596**	152,568	9,075	–	161,643
Special mention	**–**	**1,950**	**–**	**1,950**	–	1,675	–	1,675
Substandard	**–**	**–**	**1,523**	**1,523**	–	–	1,780	1,780
Doubtful	**–**	**–**	**922**	**922**	–	–	705	705
Loss	**–**	**–**	**141**	**141**	–	–	186	186
	156,100	**14,446**	**2,586**	**173,132**	152,568	10,750	2,671	165,989
Loss allowances	**(592)**	**(299)**	**(1,388)**	**(2,279)**	(138)	(247)	(1,031)	(1,416)
Carrying amount	**155,508**	**14,147**	**1,198**	**170,853**	152,430	10,503	1,640	164,573
Debt securities – Amortised cost (Note 39)								
Pass	**388**	**–**	**–**	**388**	65	–	–	65
Loss allowances	**(1)**	**–**	**–**	**(1)**	(#)	–	–	(#)
Carrying amount	**387**	**–**	**–**	**387**	65	–	–	65
Debt securities – FVOCI [(1)] (Note 39)								
Pass	**12,018**	**63**	**–**	**12,081**	9,462	92	–	9,554
Loss allowances	**(2)**	**–**	**–**	**(2)**	(1)	(#)	–	(1)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loan commitments and contingent liabilities								
Pass	**82,012**	**7,722**	**–**	**89,734**	76,088	3,735	–	79,823
Special mention	**–**	**623**	**–**	**623**	–	443	–	443
Substandard	**–**	**–**	**241**	**241**	–	–	869	869
Doubtful	**–**	**–**	**277**	**277**	–	–	342	342
Loss	**–**	**–**	**158**	**158**	–	–	248	248
	82,012	**8,345**	**676**	**91,033**	76,088	4,178	1,459	81,725
Allowances for contingent liabilities and credit commitments	**(121)**	**(160)**	**(5)**	**(286)**	(77)	(100)	(4)	(181)

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

31. Other Assets

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Interest receivable	**970**	1,151	**509**	709
Sundry debtors (net)	**1,156**	655	**98**	72
Deposits and prepayments	**2,541**	1,610	**2,146**	1,253
Others	**1,139**	993	**382**	408
	5,806	4,409	**3,135**	2,442

At 31 December 2020, reinsurance assets included in "Others" amounted to $298 million (2019: $205 million) for the Group.

32. Associates

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
Quoted equity security, at cost	**2,087**	1,765	**1,643**	1,322
Unquoted equity securities, at cost	**144**	145	**65**	65
	2,231	1,910	**1,708**	1,387
Share of post-acquisition reserves	**2,264**	1,653	**–**	–
Unquoted equity security, at fair value	**97**	–	**–**	–
Net carrying amount	**4,592**	3,563	**1,708**	1,387
Amounts due from associates (unsecured)	**41**	75	**41**	73
Allowances for non-impaired amounts due from associates	**(#)**	(#)	**(#)**	(#)
	41	75	**41**	73
Investments in and amounts due from associates	**4,633**	3,638	**1,749**	1,460

32. Associates (continued)

32.1 List of Principal Associates

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] 2020	2019
Quoted				
Bank of Ningbo Co., Ltd. [1]	People's Republic of China	A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking.	**20**	20
Unquoted				
Maxwealth Fund Management Company Limited [1]	People's Republic of China	A privately held asset manager that manufactures and distributes mutual funds in Greater China.	**29**	29
Network for Electronic Transfers (Singapore) Pte Ltd [2]	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 KPMG LLP.*
(3) *Rounded to the nearest percentage.*

As at 31 December 2020, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo was $8.60 billion (2019: $6.12 billion). The carrying amount of the Group's interests was $4.20 billion (2019: $3.30 billion).

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

32. Associates (continued)

32.2 Financial Information of Material Associate

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

	Bank of Ningbo Co., Ltd.	
$ million	2020	2019
Selected income statement information		
Revenue	**8,210**	6,928
Net profit from continuing operations	**3,023**	2,723
Other comprehensive income	**(227)**	546
Total comprehensive income	**2,796**	3,269
Selected balance sheet information		
Current assets	**237,879**	187,980
Non-current assets	**91,589**	60,482
Current liabilities	**(254,161)**	(213,767)
Non-current liabilities	**(51,205)**	(15,246)
Net assets	**24,102**	19,449
Non-controlling interests	**(104)**	(82)
Preference shares/other equity instruments issued	**(3,000)**	(2,860)
Net assets attributable to ordinary shareholders	**20,998**	16,507
Reconciliation of associate's total ordinary shareholders' equity to the carrying amount in the Group's financial statements		
Group's interests in net assets of investee at beginning of the year	**3,301**	2,565
Group's share of:		
– net profit from continuing operations	**571**	533
– other comprehensive income	**123**	(17)
– total comprehensive income	**694**	516
Dividends	**(118)**	(86)
Conversion of convertible securities	**–**	306
Subscription of shares	**322**	–
Carrying amount of interest in investee at end of the year	**4,199**	3,301
Dividends received during the year	**118**	86

32. Associates (continued)

32.2 Financial Information of Material Associate (continued)

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

$ million	2020	2019
At 31 December:		
Aggregate carrying amount of individually immaterial associates	**296**	262
For the year ended:		
Aggregate amounts of the Group's share of:		
Net profit from continuing operations	**40**	34
Other comprehensive income	**6**	4
Total comprehensive income	**46**	38
Dividends received during the year	**2**	#

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

$ million	2020	2019
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**8,670**	7,084

33. Subsidiaries

	BANK	
	2020 $ million	2019 $ million
Investments in subsidiaries, at cost		
Quoted securities	**1,970**	1,970
Unquoted securities	**13,085**	13,134
Allowance for impairment	**(29)**	(18)
Net carrying amount	**15,026**	15,086
Amount due from subsidiaries		
Term to maturity of one year or less	**8,773**	10,418
Term to maturity of more than one year	**8,473**	7,655
	17,246	18,073
Of which:		
Unsecured	**16,652**	17,432
Secured	**594**	641
	17,246	18,073
Investments in and amount due from subsidiaries	**32,272**	33,159

At 31 December 2020, the fair values (Level 1 of the fair value hierarchy) of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $8.32 billion (2019: $9.01 billion) and $1.50 billion (2019: $1.60 billion) respectively.

33. Subsidiaries (continued)

33.1 List of Principal Subsidiaries

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by the Group (%)		Proportion of ownership interests and voting rights held by non-controlling interests (%)	
		2020 [3]	2019 [3]	2020 [3]	2019 [3]
Banking					
Banco OCBC Weng Hang, S.A.	Macau SAR	**100**	100	**–**	–
Bank of Singapore Limited	Singapore	**100**	100	**–**	–
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100	**–**	–
OCBC Wing Hang Bank (China) Limited	People's Republic of China	**100**	100	**–**	–
OCBC Wing Hang Bank Limited	Hong Kong SAR	**100**	100	**–**	–
PT Bank OCBC NISP Tbk [1]	Indonesia	**85**	85	**15**	15
Insurance					
Great Eastern General Insurance Limited [2]	Singapore	**88**	88	**12**	12
Great Eastern General Insurance (Malaysia) Berhad [2]	Malaysia	**88**	88	**12**	12
Great Eastern Life Assurance (Malaysia) Berhad [2]	Malaysia	**88**	88	**12**	12
The Great Eastern Life Assurance Company Limited [2]	Singapore	**88**	88	**12**	12
Asset management and investment holding					
Lion Global Investors Limited [2]	Singapore	**92**	92	**8**	8
Great Eastern Holdings Limited [2]	Singapore	**88**	88	**12**	12
Stockbroking					
OCBC Securities Private Limited	Singapore	**100**	100	**–**	–

For the financial year ended 2020, the principal subsidiaries listed above are audited by PricewaterhouseCoopers LLP Singapore and its associated firms.

(3) *Rounded to the nearest percentage.*

For the financial year ended 2019, 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.

33. Subsidiaries (continued)

33.2 Non-Controlling Interests in Subsidiaries

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material NCI.

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	2020	2019	2020	2019
Net assets attributable to NCI	**402**	383	**1,120**	1,031
Total comprehensive income attributable to NCI	**18**	46	**123**	133
Dividends paid to NCI during the year	**–**	–	**34**	34
Summarised financial information				
Total assets	**18,886**	17,071	**106,928**	98,604
Total liabilities	**(16,196)**	(14,504)	**(97,453)**	(89,902)
Total net assets	**2,690**	2,567	**9,475**	8,702
Revenue	**882**	832	**21,478**	18,619
Profit	**169**	208	**988**	1,022
Other comprehensive income	**31**	25	**74**	454
Total comprehensive income	**200**	233	**1,062**	1,476
Cash flows provided by/(used in) operating activities	**498**	449	**1,532**	3,646
Cash flows provided by/(used in) investing activities	**(1,594)**	286	**2,204**	(2,829)
Cash flows provided by/(used in) financing activities	**154**	(237)	**(302)**	(306)
Effect of currency translation reserve adjustment	**11**	(#)	**–**	–
Net changes in cash and cash equivalents	**(931)**	498	**3,434**	511

33. Subsidiaries (continued)

33.3 Acquisition of Subsidiary

On 2 May 2019 (the acquisition date), GEH Group's subsidiary company, Great Eastern General Insurance Limited (GEG) acquired 95% of the share capital of PT QBE General Insurance Indonesia (PT QBE), a general insurance company in Indonesia, for a cash consideration of USD29.9 million (approximately S$40.7 million). Upon the acquisition, PT QBE became a subsidiary of GEH Group.

On 17 May 2019, PT QBE changed its name to PT Great Eastern General Insurance Indonesia (GEGI).

GEH Group has acquired GEGI to be better positioned to comprehensively provide both general and life insurance solutions to the business community and consumers and deepen its footprint in Indonesia.

GEH Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of GEGI's net identifiable assets.

The fair value of the identifiable assets and liabilities of GEGI as at the acquisition date were:

$ million	2019
Identifiable assets and liabilities	
Cash and placements with central banks	57.2
Investments	16.0
Deferred tax assets	4.7
Other assets	37.3
Property, plant and equipment	1.3
Total assets	116.5
Current tax liabilities	(0.6)
Other liabilities	(75.4)
	(76.0)
Net identifiable assets acquired	40.5
Less: Non-controlling interests	(2.0)
	38.5
Goodwill (Note 36)	2.3
Cost of acquisition	40.8
Less: Cash and cash equivalents in GEGI	(57.2)
Net cash inflow arising from business combination	16.4

33.4 Consolidated Structured Entities

The Bank has established a USD10 billion Global Covered Bond Programme (the Programme). Under the Programme, the Bank may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor, Red Sail Pte. Ltd. (the CBG). The Covered Bonds issued under the Programme will predominantly be backed by a portfolio of Singapore housing loans transferred from the Bank to the CBG. Integral to the Programme structure, the Bank provides funding and hedging facilities to the CBG.

34. Property, Plant and Equipment

GROUP ($ million)	2020 Property-related	2020 Computer-related [1]	2020 Others	2020 Total	2019 Property-related	2019 Computer-related [1]	2019 Others	2019 Total
Cost								
At 1 January	**3,753**	**2,494**	**640**	**6,887**	3,373	2,207	616	6,196
Effect of adopting SFRS(I) 16	**–**	**–**	**–**	**–**	198	8	1	207
Adjusted balance at 1 January	**3,753**	**2,494**	**640**	**6,887**	3,571	2,215	617	6,403
Currency translation	**(11)**	**(5)**	**(1)**	**(17)**	(13)	#	(2)	(15)
Acquisitions	**–**	**–**	**–**	**–**	1	#	#	1
Additions/modifications	**109**	**309**	**38**	**456**	206	297	41	544
Disposals/terminations and other transfers	**(82)**	**(59)**	**(21)**	**(162)**	(16)	(18)	(16)	(50)
Net transfer (to)/from:								
Assets held for sale	**(#)**	**–**	**(#)**	**(#)**	–	–	(#)	(#)
Investment property (Note 35)	**(5)**	**–**	**–**	**(5)**	4	–	–	4
At 31 December	**3,764**	**2,739**	**656**	**7,159**	3,753	2,494	640	6,887
Accumulated depreciation								
At 1 January	**(899)**	**(1,805)**	**(491)**	**(3,195)**	(737)	(1,588)	(470)	(2,795)
Currency translation	**(#)**	**3**	**1**	**4**	3	1	1	5
Disposals/terminations and other transfers	**43**	**59**	**28**	**130**	8	13	20	41
Depreciation charge	**(153)**	**(210)**	**(36)**	**(399)**	(147)	(195)	(35)	(377)
Depreciation charge to profit from life insurance (Note 4)	**(23)**	**(40)**	**(7)**	**(70)**	(22)	(36)	(7)	(65)
Net transfer to/(from):								
Assets held for sale	**#**	**–**	**#**	**#**	–	–	#	#
Investment property (Note 35)	**1**	**–**	**–**	**1**	(4)	–	–	(4)
At 31 December	**(1,031)**	**(1,993)**	**(505)**	**(3,529)**	(899)	(1,805)	(491)	(3,195)
Accumulated impairment losses								
At 1 January	**(63)**	**(#)**	**(1)**	**(64)**	(63)	(#)	(1)	(64)
Currency translation	**(#)**	**–**	**–**	**(#)**	#	–	–	#
Disposals and other transfers	**1**	**–**	**–**	**1**	–	–	#	#
Write-back/(impairment charge) to income statement	**–**	**–**	**#**	**#**	–	–	(#)	(#)
At 31 December	**(62)**	**(#)**	**(1)**	**(63)**	(63)	(#)	(1)	(64)
Net carrying amount, at 31 December [2]	**2,671**	**746**	**150**	**3,567**	2,791	689	148	3,628
Freehold property	**435**				437			
Leasehold property	**1,959**				2,054			
Net carrying amount	**2,394**				2,491			

(1) *Includes computer software of $452 million (2019: $411 million). The cost and accumulated depreciation are $1,575 million (2019: $1,442 million) and $1,123 million (2019: $1,031 million) respectively.*

(2) *Includes ROU assets comprising property-related of $277 million (2019: $300 million), computer-related of $4 million (2019: $5 million) and others of $2 million (2019: $2 million).*

34. Property, Plant and Equipment (continued)

BANK ($ million)	2020 Property-related	2020 Computer-related [(1)]	2020 Others	2020 Total	2019 Property-related	2019 Computer-related [(1)]	2019 Others	2019 Total
Cost								
At 1 January	**417**	**1,332**	**191**	**1,940**	326	1,170	184	1,680
Effect of adopting SFRS(I) 16	**–**	**–**	**–**	**–**	55	5	1	61
Adjusted balance at 1 January	**417**	**1,332**	**191**	**1,940**	381	1,175	185	1,741
Currency translation	**#**	**#**	**#**	**#**	(#)	#	#	(#)
Additions	**26**	**155**	**13**	**194**	35	158	11	204
Disposals/terminations and other transfers	**(13)**	**(40)**	**(16)**	**(69)**	(2)	(1)	(5)	(8)
Net transfer (to)/from investment property (Note 35)	**(5)**	**–**	**–**	**(5)**	3	–	–	3
At 31 December	**425**	**1,447**	**188**	**2,060**	417	1,332	191	1,940
Accumulated depreciation								
At 1 January	**(124)**	**(976)**	**(155)**	**(1,255)**	(91)	(862)	(149)	(1,102)
Currency translation	**(#)**	**(#)**	**(#)**	**(#)**	(#)	(#)	(#)	(#)
Disposals/terminations and other transfers	**12**	**40**	**15**	**67**	1	2	5	8
Depreciation charge	**(38)**	**(126)**	**(11)**	**(175)**	(33)	(116)	(11)	(160)
Net transfer to/(from) investment property (Note 35)	**2**	**–**	**–**	**2**	(1)	–	–	(1)
At 31 December	**(148)**	**(1,062)**	**(151)**	**(1,361)**	(124)	(976)	(155)	(1,255)
Accumulated impairment losses								
At 1 January	**(1)**	**–**	**–**	**(1)**	(1)	–	–	(1)
Disposals and other transfers	**#**	**–**	**–**	**#**	–	–	–	–
At 31 December	**(1)**	**–**	**–**	**(1)**	(1)	–	–	(1)
Net carrying amount, at 31 December [(2)]	**276**	**385**	**37**	**698**	292	356	36	684
Freehold property	**43**				43			
Leasehold property	**176**				186			
Net carrying amount	**219**				229			

(1) *Includes computer software of $328 million (2019: $290 million). The cost and accumulated depreciation are $1,126 million (2019: $1,030 million) and $798 million (2019: $740 million) respectively.*

(2) *Includes ROU assets comprising property-related of $57 million (2019: $63 million), computer-related of $3 million (2019: $3 million) and others of $# million (2019: $# million).*

35. Investment Property

	GROUP		BANK	
$ million	2020	2019	2020	2019
Cost				
At 1 January	**1,056**	1,117	**593**	658
Currency translation	**2**	(3)	**–**	–
Additions	**4**	18	**4**	4
Disposals and other transfers	**(15)**	(64)	**(#)**	(63)
Net transfer from/(to):				
Property, plant and equipment (Note 34)	**5**	(4)	**5**	(3)
Assets held for sale	**(3)**	(8)	**–**	(3)
At 31 December	**1,049**	1,056	**602**	593
Accumulated depreciation				
At 1 January	**(216)**	(234)	**(112)**	(131)
Currency translation	**(#)**	1	**–**	–
Disposals and other transfers	**1**	28	**–**	26
Depreciation charge	**(20)**	(20)	**(9)**	(9)
Net transfer (from)/to:				
Property, plant and equipment (Note 34)	**(1)**	4	**(2)**	1
Assets held for sale	**1**	5	**–**	1
At 31 December	**(235)**	(216)	**(123)**	(112)
Accumulated impairment losses				
At 1 January	**(1)**	(2)	**(1)**	(2)
Write-back to income statement	**–**	1	**–**	1
Net transfer from property, plant and equipment	**(#)**	–	**(#)**	–
At 31 December	**(1)**	(1)	**(1)**	(1)
Net carrying amount				
Freehold property	**547**	570	**162**	163
Leasehold property	**266**	269	**316**	317
At 31 December	**813**	839	**478**	480
Fair value hierarchy				
Level 2	**1,023**	1,057	**327**	289
Level 3	**1,811**	1,805	**1,041**	1,130
Market value	**2,834**	2,862	**1,368**	1,419

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

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

36. Goodwill and Intangible Assets

	GROUP		BANK	
$ million	2020	2019	2020	2019
Goodwill				
At 1 January	**4,468**	4,479	**1,867**	1,867
Acquisition (Note 33.3)	**–**	2	**–**	–
Currency translation	**(37)**	(13)	**–**	–
At 31 December	**4,431**	4,468	**1,867**	1,867
Intangible assets				
At 1 January	**512**	614		
Acquisition	**–**	3		
Amortisation charged to income statement:				
– Core deposit relationships [1]	**(42)**	(41)		
– Customer relationships [2]	**(15)**	(15)		
– Distribution platform	**(#)**	(#)		
– Life insurance business [3]	**(47)**	(47)		
Currency translation	**(2)**	(2)		
At 31 December	**406**	512		
Total goodwill and intangible assets	**4,837**	4,980	**1,867**	1,867
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**4,431**	4,468	**1,867**	1,867
Intangible assets, at cost	**1,560**	1,570	**–**	–
Accumulated amortisation for intangible assets	**(1,154)**	(1,058)	**–**	–
	4,837	4,980	**1,867**	1,867

(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 2020, these have a remaining useful life of 3.5 years (2019: 4.5 years).*

(2) *Customer relationships, arising from the acquisition of Bank of Singapore Limited and Barclays WIM, are determined to have an estimated useful life of 10 years. At 31 December 2020, these have a remaining useful life of up to 6 years (2019: 7 years).*

(3) *The value of in-force insurance business of the Group is amortised over a useful life of 20 years. At 31 December 2020, the intangible asset has a remaining useful life of 4 years (2019: 5 years).*

36. Goodwill and Intangible Assets (continued)

Impairment Tests for Goodwill

For impairment testing, goodwill is allocated to the Group's CGU identified mainly to business segments as follows:

$ million **Cash Generating Units**	Basis of determining recoverable value	Carrying amount 2020	2019
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		**844**	844
Global Corporate Banking		**570**	570
Global Treasury		**524**	524
	Value-in-use	**1,938**	1,938
Great Eastern Holdings Limited	Appraisal value	**427**	427
Bank of Singapore Limited	Value-in-use	**796**	811
Lion Global Investors Limited	Value-in-use	**30**	30
OCBC Wing Hang Bank Limited	Value-in-use	**1,056**	1,073
PT Bank OCBC NISP Tbk	Value-in-use	**174**	179
Others	Value-in-use	**10**	10
		4,431	4,468

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 cash flow projections are discounted at a pre-tax discount rate that includes 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Discount rate	**10.0%**	7.7%	**11.8%**	9.8%	**10.5%**	8.8%	**16.0%**	12.8%
Terminal growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**2.6%**	2.6%	**4.0%**	4.0%

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 insurance 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 6.00% (2019: 7.00%) and 7.75% (2019: 8.75%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life insurance 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.

37. Segment Information

37.1 Business Segments

$ million	Global Consumer/ Private Banking	Global Wholesale Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2020						
Net interest income	1,953	2,740	899	106	268	5,966
Non-interest income	1,864	801	316	1,169	23	4,173
Total income	3,817	3,541	1,215	1,275	291	10,139
Operating profit before allowances and amortisation	1,442	2,199	896	968	195	5,700
Amortisation of intangible assets	(15)	–	–	(47)	(42)	(104)
Allowances for loans and other assets	(181)	(1,491)	(#)	(2)	(369)	(2,043)
Operating profit after allowances and amortisation	1,246	708	896	919	(216)	3,553
Share of results of associates, net of tax	–	–	–	–	612	612
Profit before income tax	1,246	708	896	919	396	4,165
Other information:						
Capital expenditure	58	21	2	103	250	434
Depreciation	108	11	2	8	290	419
At 31 December 2020						
Segment assets	127,746	169,713	105,718	107,526	34,791	545,494
Unallocated assets						133
Elimination						(24,232)
Total assets						521,395
Segment liabilities	162,970	138,199	62,908	95,731	32,080	491,888
Unallocated liabilities						2,563
Elimination						(24,232)
Total liabilities						470,219
Other information:						
Gross non-bank loans	103,356	162,327	759	3	795	267,240
NPAs	574	3,417	–	5	9	4,005

37. Segment Information (continued)
37.1 Business Segments (continued)

$ million	Global Consumer/ Private Banking	Global Wholesale Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2019						
Net interest income	2,262	3,114	693	112	150	6,331
Non-interest income	1,732	845	287	1,358	318	4,540
Total income	3,994	3,959	980	1,470	468	10,871
Operating profit before allowances and amortisation	1,593	2,609	681	1,115	229	6,227
Amortisation of intangible assets	(15)	–	–	(47)	(41)	(103)
Allowances for loans and other assets	(38)	(813)	3	(#)	(42)	(890)
Operating profit after allowances and amortisation	1,540	1,796	684	1,068	146	5,234
Share of results of associates, net of tax	–	–	–	–	566	566
Profit before income tax	1,540	1,796	684	1,068	712	5,800
Other information:						
Capital expenditure	116	8	1	183	254	562
Depreciation	99	11	2	8	277	397
At 31 December 2019						
Segment assets	127,364	162,409	92,234	97,158	33,752	512,917
Unallocated assets						87
Elimination						(21,313)
Total assets						491,691
Segment liabilities	149,193	132,889	57,558	85,703	35,975	461,318
Unallocated liabilities						3,083
Elimination						(21,313)
Total liabilities						443,088
Other information:						
Gross non-bank loans	107,275	155,359	1,258	9	872	264,773
NPAs	576	3,296	–	2	9	3,883

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

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 Wholesale Banking
Global Wholesale Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The business provides a full range of financing solutions including long-term project financing, short-term credit, working capital and trade financing, as well as customised and structured equity-linked financing. It also provides customers with a broad range of products and services such as cash management and custodian services, capital market solutions, corporate finance services and advisory banking, and treasury products.

37. Segment Information (continued)

37.1 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 Wholesale Banking, is reflected in the respective business segments.

Insurance

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

Others

Others comprise mainly 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 reclassified to allow comparability. There are no material items of income or expense between the business segments.

37.2 Geographical Segments

$ million	Total income	Profit before income tax	Income tax expenses	Capital expenditure	Total assets	Total liabilities
2020						
Singapore	**5,459**	**1,505**	**12**	**278**	**307,328**	**298,782**
Malaysia	**1,616**	**850**	**165**	**73**	**67,005**	**55,796**
Indonesia	**913**	**225**	**59**	**36**	**19,845**	**16,690**
Greater China	**1,603**	**1,285**	**118**	**34**	**85,326**	**60,820**
Other Asia Pacific	**242**	**123**	**32**	**7**	**18,558**	**10,394**
Rest of the World	**306**	**177**	**51**	**6**	**23,333**	**27,737**
	10,139	**4,165**	**437**	**434**	**521,395**	**470,219**
2019						
Singapore	6,552	3,221	358	397	287,129	283,312
Malaysia	1,469	830	160	56	65,584	54,387
Indonesia	849	274	69	28	17,900	14,639
Greater China	1,494	1,154	105	59	81,684	54,544
Other Asia Pacific	224	156	44	4	16,264	9,426
Rest of the World	283	165	42	18	23,130	26,780
	10,871	5,800	778	562	491,691	443,088

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.

38. Risk Management

38.1 Overview

The Group's risk management framework encompasses good governance, sound policies, robust lines of defence, right expertise and continuous investment in human resources, technology and digital capabilities. The framework is underpinned by a strong corporate culture that demands accountability, ownership and high ethical standards to ensure that the risks being taken are:

- consistent with the Group's corporate strategy and within established risk appetite;
- adequately compensated and meet the Group's risk-return expectations;
- well-understood, evaluated qualitatively and supported by robust quantitative analyses and stress testing;
- managed holistically by evaluating risk interactions across the different risk types;
- efficiently and comprehensively captured, aggregated and reported;
- reviewed by an independent risk function with adequate resources, authority and expertise; and
- accompanied by contingency plans to ensure resilience against potential crises or unexpected events.

The Board of Directors (Board) has the ultimate responsibility for the effective management of risk and establishes the corporate strategy and approves the risk appetite within which senior management should execute the strategy.

The Board Risk Management Committee (BRMC) is the designated board committee to ensure that the Group's overall risk management philosophy and principles are aligned with the corporate strategy and within the approved risk appetite. It also ensures that the overall risk management organisation is in place and effective. Based on the approved risk appetite, BRMC approves various quantitative guidance and qualitative expectations and these are cascaded to major business units and risk functions to guide risk-taking. Risk drivers, risk profiles across major lines of business and risk types, as well as major risk policies and compliance matters are regularly reviewed by senior management, Group Chief Executive Officer (CEO) and BRMC. These matters are reviewed and discussed in greater detail at the dedicated risk committees for major risk types.

The Bank has an independent risk management function, Group Risk Management Division (GRM), headed by the Group Chief Risk Officer (CRO), who reports to the BRMC and CEO. GRM has the functional responsibility for providing independent risk control and managing credit, market, liquidity and operational risks. It provides regular risk reports and updates on material risk issues to the senior management, risk committees, BRMC and the Board. Risk management staff work closely with the business and other support units to ensure that risks are well managed.

In addition to the above, GRM oversees the Group's data management via a framework that comprises data policies, standards and controls. The objective is to ensure the quality of critical data elements and to effectively aggregate such data for accurate and timely reporting. To ensure the ethical use of data, the Group has embedded the Monetary Authority of Singapore's Principles to Promote Fairness, Ethics, Accountability and Transparency (FEAT) in the use of artificial intelligence and data analytics (AIDA) in decision-making models in the Group's Model Risk Management Framework.

GRM also oversees the New Product Approval Process (NPAP) to ensure that all inherent risks associated with new products and services are comprehensively identified, managed and mitigated. Compliance with regulatory requirements and adequacy of resources to support the new products and services are also addressed through the NPAP.

The table below shows the value-at-risk (VaR) by risk type for the Group's trading portfolio.

	2020				2019			
$ million	End of the period	Average	Minimum	Maximum	End of the period	Average	Minimum	Maximum
Interest rate VaR	**5.69**	**7.99**	**2.96**	**15.20**	3.28	3.28	2.03	5.20
Foreign exchange VaR	**3.77**	**2.67**	**1.00**	**6.74**	1.35	2.53	0.95	5.25
Equity VaR	**4.88**	**2.88**	**0.42**	**10.49**	2.88	1.48	0.37	3.14
Credit spread VaR	**6.01**	**5.29**	**1.24**	**10.75**	1.17	1.76	0.85	4.28
Diversification effect [1]	**(7.18)**	**(8.66)**	**NM** [2]	**NM** [2]	(4.58)	(4.55)	NM [2]	NM [2]
Aggregate VaR	**13.17**	**10.18**	**4.12**	**26.34**	4.11	4.51	2.65	7.42

(1) *Diversification effect is computed as the difference between Aggregate VaR and the sum of asset class VaRs.*
(2) *Not meaningful as the minimum and maximum VaR may have occurred on different days for different asset classes.*

38. Risk Management (continued)

38.2 Credit Risk

Credit risk is the risk of loss of principal and/or income due to the failure of an obligor or counterparty to meet its financial or contractual obligations or an adverse change in the credit profile of the obligor or counterparty. Credit risk arises from the Group's lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from the Group's trading and investment banking activities.

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.

	Carrying amount		Average	
$ million	2020	2019	2020	2019
Credit risk exposure of on-balance sheet assets:				
Loans to customers	**263,538**	262,348	**264,153**	256,419
Placements with and loans to banks	**32,816**	35,864	**33,497**	36,749
Government treasury bills and securities	**33,291**	28,754	**30,866**	29,091
Debt securities	**27,934**	25,023	**27,074**	24,306
Amounts due from associates	**41**	75	**27**	31
Derivative receivables	**15,223**	7,349	**15,470**	15,882
Other assets, comprising interest receivables and sundry debtors	**2,126**	1,806	**2,944**	2,100
	374,969	361,219	**374,031**	364,578
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**13,292**	13,944	**13,101**	12,333
Credit commitments	**160,134**	153,799	**160,213**	148,326
	173,426	167,743	**173,314**	160,659
Total maximum credit risk exposure	**548,395**	528,962	**547,345**	525,237

Collateral

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

- Residential property loans — Mortgages over residential properties
- Commercial property loans — Mortgages over commercial properties
- Derivatives — Cash and securities
- Car loans — Charges over the vehicles financed
- Share margin financing — Charges over listed securities including those of Singapore, Malaysia and Hong Kong
- Other loans — Securities and charges over business assets such as premises, inventories, trade receivables, deposits, single premium insurance policies or marketable securities

38. Risk Management (continued)

38.2 Credit Risk (continued)

Analysed by Geography

$ million	Derivative receivables (Note 18)	Government treasury bills and securities (Note 24)	Balances with banks (Note 25)	Loans to customers (Note 26)	Non-performing assets (Note 27)	Allowances for impaired assets (Note 27)	Debt securities (Note 29)
GROUP							
2020							
Singapore	**1,719**	**10,628**	**644**	**109,826**	**1,725**	**969**	**2,863**
Malaysia	**433**	**5,148**	**2,945**	**27,819**	**782**	**205**	**1,452**
Indonesia	**311**	**4,605**	**553**	**18,833**	**651**	**312**	**1,318**
Greater China	**2,129**	**5,678**	**20,895**	**65,216**	**358**	**129**	**15,431**
Other Asia Pacific	**875**	**4,906**	**1,443**	**18,886**	**118**	**45**	**4,635**
Rest of the World	**9,756**	**2,326**	**4,830**	**26,660**	**371**	**155**	**2,235**
	15,223	**33,291**	**31,310**	**267,240**	**4,005**	**1,815**	**27,934**
2019							
Singapore	930	11,043	730	108,981	1,717	679	2,615
Malaysia	263	3,841	4,292	28,585	738	308	1,306
Indonesia	184	2,831	905	19,680	678	235	1,545
Greater China	913	4,085	24,017	65,358	230	47	13,032
Other Asia Pacific	444	4,234	1,065	15,674	101	32	4,430
Rest of the World	4,615	2,720	3,607	26,495	419	94	2,095
	7,349	28,754	34,616	264,773	3,883	1,395	25,023
BANK							
2020							
Singapore	**1,869**	**9,294**	**34**	**100,427**	**1,719**	**966**	**1,372**
Malaysia	**185**	**53**	**1,683**	**4,131**	**107**	**41**	**108**
Indonesia	**241**	**526**	**205**	**6,642**	**143**	**90**	**672**
Greater China	**1,203**	**3,005**	**18,539**	**27,373**	**220**	**109**	**7,855**
Other Asia Pacific	**751**	**4,895**	**1,355**	**15,914**	**118**	**44**	**3,957**
Rest of the World	**9,269**	**932**	**2,268**	**18,729**	**333**	**143**	**1,684**
	13,518	**18,705**	**24,084**	**173,216**	**2,640**	**1,393**	**15,648**
2019							
Singapore	923	9,892	366	98,419	1,714	677	708
Malaysia	81	152	3,271	4,072	254	173	169
Indonesia	127	348	367	6,503	143	36	840
Greater China	450	2,036	21,317	26,398	102	28	5,991
Other Asia Pacific	378	4,224	957	12,673	100	31	3,518
Rest of the World	4,365	901	1,829	18,096	390	90	1,465
	6,324	17,553	28,107	166,161	2,703	1,035	12,691

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

38. Risk Management (continued)

38.2 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 categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Impaired loans are classified loans with specific allowances made.

	Bank loans		Non-bank loans	
$ million	2020	2019	2020	2019
Neither past due nor impaired	**31,310**	34,616	**261,570**	259,662
Non-impaired	**–**	–	**2,335**	1,818
Impaired	**–**	–	**2,332**	2,550
Past due loans	**–**	–	**4,667**	4,368
Impaired but not past due	**–**	–	**1,003**	743
Gross loans	**31,310**	34,616	**267,240**	264,773
Allowances				
Impaired loans	**–**	–	**(1,812)**	(1,395)
Non-impaired loans	**(3)**	(9)	**(1,890)**	(1,030)
Net loans	**31,307**	34,607	**263,538**	262,348

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:

	Bank loans		Non-bank loans	
$ million	2020	2019	2020	2019
Grades				
Performing	**31,310**	34,616	**261,383**	259,482
Non-performing	**–**	–	**187**	180
Neither past due nor impaired	**31,310**	34,616	**261,570**	259,662

Past Due Loans

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

	Bank loans		Non-bank loans	
$ million	2020	2019	2020	2019
By industry				
Agriculture, mining and quarrying	**–**	–	**102**	243
Manufacturing	**–**	–	**808**	520
Building and construction	**–**	–	**444**	160
General commerce	**–**	–	**907**	646
Transport, storage and communication	**–**	–	**1,163**	1,149
Financial institutions, investment and holding companies	**–**	–	**149**	136
Professionals and individuals (include housing loans)	**–**	–	**953**	1,444
Others	**–**	–	**141**	70
	–	–	**4,667**	4,368
By geography				
Singapore	**–**	–	**1,383**	1,846
Malaysia	**–**	–	**672**	863
Indonesia	**–**	–	**2,043**	848
Greater China	**–**	–	**346**	652
Rest of the World	**–**	–	**223**	159
	–	–	**4,667**	4,368

38. Risk Management (continued)

38.2 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. The Group's non-bank loans which are past due but not impaired are as follows:

$ million	2020	2019
Past due		
Less than 30 days	**1,697**	1,017
30 to 90 days	**311**	444
Over 90 days	**327**	357
Past due but not impaired	**2,335**	1,818

Collateral and Other Credit Enhancements Obtained

Assets amounting to $18 million (2019: $49 million) were obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

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

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. The Group's main cross-border transfer risk exposures during the financial year were in Hong Kong SAR, People's Republic of China and Malaysia.

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management

Market risk is the risk of losing income and/or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatilities, or correlation of such factors. Market risks arise mainly from the Group's trading, client servicing and balance sheet management activities. It includes interest rate risk in the banking book (IRRBB) which is the risk to earnings and capital arising from exposure to adverse changes in the interest rate environment.

The Group's market risk management framework covers the identification, assessment, measurement, monitoring and control of risks. Group-level market risk policies and procedures are established to provide common guidelines and standards for managing market risks. The Group's market risk management strategy and limits – established within the Group's risk appetite and in line with the Group's business strategies – are regularly reviewed, taking into account prevailing macroeconomic and market conditions.

Asset liability management is the strategic management of the Group's balance sheet structure and liquidity requirements. It covers liquidity sourcing and diversification as well as interest rate and structural foreign exchange management.

The Group's asset liability management framework focuses on managing the exposures arising from the Bank's balance sheet. The Group monitors its liquidity risk, IRRBB and structural foreign exchange risk profiles against approved risk limits under both business-as-usual and stressed scenarios. These are based on the standards established in the Group's framework, policies and procedures which are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions and practices.

Interest Rate Risk

The primary goal of the management of IRRBB is to ensure that interest rate risk exposures are maintained within defined risk tolerances and are consistent with the Group's risk appetite. The material sources of IRRBB are repricing risk, yield curve risk, basis risk and optionality risk.

A range of techniques are used to measure IRRBB from both the earnings and economic value perspectives. One method involves the assessment of the impact of various interest rate scenarios on the Group's net interest income and economic value of equity (EVE) of the banking book. Other measures include interest rate sensitivity metrics such as PV01 and repricing gap profile analysis. Behavioural models are used to assess interest rate risks in relation to loan prepayment, time deposit early redemption and the profile of non-maturity deposits. These measurements are used to adjust IRRBB management and hedging strategies, policies and positions.

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 business. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $805 million (2019: $681 million), or approximately +13.5% (2019: +10.8%) of reported net interest income. The corresponding impact from a 100 bp decrease in interest rates is an estimated reduction of $805 million (2019: $681 million) in net interest income, or approximately -13.5% (2019: -10.8%) of reported net interest income.

The 1% rate shock impact on net interest income is based on 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. The projections also assume a constant balance sheet size and position.

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management (continued)

Currency Risk

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

$ million	SGD	USD	MYR	HKD	Others	Total
2020						
Cash and placements with central banks	**16,946**	**2,735**	**893**	**367**	**5,584**	**26,525**
Placements with and loans to banks	**666**	**22,430**	**1,209**	**135**	**6,867**	**31,307**
Loans to customers	**95,319**	**61,017**	**19,994**	**32,593**	**54,615**	**263,538**
Securities [1]	**14,164**	**18,303**	**6,398**	**2,521**	**25,048**	**66,434**
Derivative receivables	**5,705**	**5,440**	**222**	**1,126**	**2,730**	**15,223**
Other assets	**1,748**	**2,380**	**261**	**549**	**868**	**5,806**
Amounts due from associates	**–**	**–**	**–**	**#**	**41**	**41**
Financial assets	**134,548**	**112,305**	**28,977**	**37,291**	**95,753**	**408,874**
Deposits of non-bank customers	**123,217**	**95,226**	**23,096**	**23,463**	**49,905**	**314,907**
Deposits and balances of banks	**675**	**4,268**	**234**	**1,065**	**3,344**	**9,586**
Trading portfolio liabilities	**296**	**42**	**–**	**–**	**1**	**339**
Derivative payables	**5,340**	**5,816**	**266**	**1,041**	**3,053**	**15,516**
Other liabilities [2]	**4,050**	**2,217**	**559**	**642**	**944**	**8,412**
Debt issued	**411**	**15,781**	**74**	**–**	**8,089**	**24,355**
Financial liabilities	**133,989**	**123,350**	**24,229**	**26,211**	**65,336**	**373,115**
Net financial assets/(liabilities) exposure [3]	**559**	**(11,045)**	**4,748**	**11,080**	**30,417**	
2019						
Cash and placements with central banks	13,437	3,151	1,977	308	4,328	23,201
Placements with and loans to banks	281	25,497	969	822	7,038	34,607
Loans to customers	92,951	64,116	20,546	34,276	50,459	262,348
Securities [1]	14,311	16,782	4,959	2,613	19,342	58,007
Derivative receivables	2,278	3,374	94	451	1,152	7,349
Other assets	1,383	1,860	205	258	703	4,409
Amounts due from associates	–	–	–	#	75	75
Financial assets	124,641	114,780	28,750	38,728	83,097	389,996
Deposits of non-bank customers	107,278	102,800	22,827	25,906	44,040	302,851
Deposits and balances of banks	801	4,287	184	282	2,696	8,250
Trading portfolio liabilities	90	#	–	–	2	92
Derivative payables	2,300	3,537	120	532	1,198	7,687
Other liabilities [2]	3,611	1,806	603	614	559	7,193
Debt issued	413	20,092	192	243	8,448	29,388
Financial liabilities	114,493	132,522	23,926	27,577	56,943	355,461
Net financial assets/(liabilities) exposure [3]	10,148	(17,742)	4,824	11,151	26,154	

(1) *Securities comprise government, debt and equity securities.*
(2) *Other liabilities include amounts due to associates.*
(3) *Net exposure without taking into account the effect of offsetting derivative exposures.*

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management (continued)

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from the Group's non-SGD investment in overseas branches, subsidiaries and associates, strategic investments, as well as property assets. The Group manages structural foreign exchange risk through hedging instruments including the use of derivatives and matched funding for foreign currency investments. The table below shows the Group's structural foreign currency exposure at reporting date.

	2020			2019		
$ million	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure
Hong Kong Dollar	**7,217**	**–**	**7,217**	7,029	–	7,029
Chinese Renminbi	**6,495**	**–**	**6,495**	5,410	–	5,410
US Dollar	**3,584**	**3,115**	**469**	3,909	3,174	735
Others	**7,836**	**50**	**7,786**	7,235	51	7,184
Total	**25,132**	**3,165**	**21,967**	23,583	3,225	20,358

Net Investment Hedges

The amounts relating to items designated as hedging instruments were as follows.

		Carrying amount	
$ million	Nominal amount	Assets	Liabilities
2020			
Foreign exchange derivatives	**3,345**	**161**	**20**
2019			
Foreign exchange derivatives	3,119	42	198

The total change in fair value of the hedging instruments during the year was $125 million (2019: $62 million) and the change in value of the hedging instruments recognised in OCI was $125 million (2019: $48 million). There was no gain or loss recognised in other income arising from hedge ineffectiveness in 2020 (2019: $14 million gain).

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management (continued)

Liquidity Risk

Liquidity risk is the risk of being unable to meet financial obligations falling due without incurring unacceptable losses. This risk includes the inability of the Group to manage unplanned decreases or changes in funding sources and the failure to recognise or address changes in market conditions that affect the Group's ability to liquidate assets with minimal loss in value.

The objective of liquidity risk management is to ensure that the Group has sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on contractual and behavioural bases. Indicators such as liquidity and deposit concentration ratios are used to establish the optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. Simulations of liquidity exposures under stressed market scenarios are performed and the results are used to adjust liquidity risk management strategies, policies and positions, as well as develop contingency funding plans.

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

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2020								
Cash and placements with central banks	11,968	4,546	5,286	277	–	–	4,448	26,525
Placements with and loans to banks	7,296	1,430	5,503	14,824	2,254	#	–	31,307
Loans to customers	19,291	37,177	16,593	27,836	53,112	109,529	–	263,538
Securities [(1)]	522	1,450	3,636	14,927	21,403	19,286	5,210	66,434
Derivative receivables	14,603	3	#	#	320	297	–	15,223
Other assets [(2)]	2,845	1,078	789	356	69	49	753	5,939
Associates	1	–	#	40	–	#	4,592	4,633
Property, plant and equipment and investment property [(3)]	–	#	2	–	–	–	3,679	3,681
Goodwill and intangible assets	–	–	–	–	–	–	4,837	4,837
Total	56,526	45,684	31,809	58,260	77,158	129,161	23,519	422,117
Total life insurance fund assets								99,278
Total assets								521,395
Deposits of non-bank customers	202,606	32,526	39,950	37,286	1,748	791	–	314,907
Deposits and balances of banks	6,881	2,103	588	14	–	–	–	9,586
Trading portfolio liabilities	–	–	337	–	–	–	2	339
Derivative payables	15,167	2	1	45	146	155	–	15,516
Other liabilities [(4)]	4,294	1,242	759	1,717	221	167	1,138	9,538
Debt issued	331	1,028	5,777	8,151	4,994	4,074	–	24,355
Total	229,279	36,901	47,412	47,213	7,109	5,187	1,140	374,241
Total life insurance fund liabilities								95,978
Total liabilities								470,219
Net liquidity gap	(172,753)	8,783	(15,603)	11,047	70,049	123,974		

(1) Securities comprise government, debt and equity securities.
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amounts due to associates, current tax and deferred tax liabilities.

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management (continued)

Liquidity Risk (continued)

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2019								
Cash and placements with central banks	10,665	4,113	3,181	99	–	–	5,143	23,201
Placements with and loans to banks	5,688	2,314	6,472	17,596	2,537	#	–	34,607
Loans to customers	19,689	33,501	24,789	26,535	42,735	115,099	–	262,348
Securities [1]	753	2,362	4,538	9,810	18,455	17,859	4,230	58,007
Derivative receivables	7,090	2	#	#	82	175	–	7,349
Other assets [2]	1,570	1,089	729	375	81	74	578	4,496
Associates	1	29	22	23	#	–	3,563	3,638
Property, plant and equipment and investment property [3]	#	–	2	1	–	–	3,783	3,786
Goodwill and intangible assets	–	–	–	–	–	–	4,980	4,980
Total	45,456	43,410	39,733	54,439	63,890	133,207	22,277	402,412
Total life insurance fund assets								89,279
Total assets								491,691
Deposits of non-bank customers	165,089	40,877	50,555	42,751	1,792	1,787	–	302,851
Deposits and balances of banks	5,872	1,318	1,006	54	–	–	–	8,250
Trading portfolio liabilities	–	–	90	–	–	–	2	92
Derivative payables	7,409	1	#	9	55	213	–	7,687
Other liabilities [4]	2,944	1,232	1,055	2,044	169	160	878	8,482
Debt issued	737	1,845	6,492	10,738	5,503	4,073	–	29,388
Total	182,051	45,273	59,198	55,596	7,519	6,233	880	356,750
Total life insurance fund liabilities								86,338
Total liabilities								443,088
Net liquidity gap	(136,595)	(1,863)	(19,465)	(1,157)	56,371	126,974		

(1) *Securities comprise government, debt and equity securities.*
(2) *Other assets include deferred tax assets.*
(3) *Property, plant and equipment and investment property include assets held for sale.*
(4) *Other liabilities include amounts due to associates, current tax and deferred tax liabilities.*

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

Contractual Maturity for Financial Liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities, except for trading portfolio liabilities which is profiled in accordance with the Group's trading strategies. Information on cash outflow of gross loan commitments is set out in Note 43. The behavioural cash flows of these liabilities could vary significantly from what is shown in the table. For example, demand deposits of non-bank customers, such as current and savings deposits (Note 17) may exhibit a longer behavioural maturity beyond the contractual profile. Similarly, loan commitments are not all expected to be drawn down immediately.

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management (continued)

Contractual Maturity for Financial Liabilities (continued)

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2020							
Deposits of non-bank customers [1]	**202,631**	**32,629**	**40,082**	**37,583**	**1,862**	**842**	**315,629**
Deposits and balances of banks [1]	**6,883**	**2,104**	**588**	**14**	**–**	**–**	**9,589**
Trading portfolio liabilities	**–**	**–**	**339**	**–**	**–**	**–**	**339**
Other liabilities [2]	**4,258**	**1,127**	**627**	**908**	**198**	**160**	**7,278**
Debt issued	**331**	**1,043**	**5,796**	**8,250**	**5,164**	**4,065**	**24,649**
Derivatives							
Trading	**15,167**	**–**	**–**	**–**	**–**	**–**	**15,167**
Hedging – Net settled	**#**	**2**	**5**	**57**	**105**	**58**	**227**
Hedging – Gross settled							
Outflow	**1**	**100**	**3**	**19**	**2,331**	**837**	**3,291**
Inflow	**–**	**(97)**	**(5)**	**(2)**	**(2,446)**	**(812)**	**(3,362)**
	229,271	**36,908**	**47,435**	**46,829**	**7,214**	**5,150**	**372,807**
2019							
Deposits of non-bank customers [1]	165,175	41,105	50,946	43,455	1,910	1,841	304,432
Deposits and balances of banks [1]	5,873	1,347	1,010	54	–	–	8,284
Trading portfolio liabilities	–	–	92	–	–	–	92
Other liabilities [2]	2,836	699	1,013	833	186	145	5,712
Debt issued	738	1,857	6,522	10,881	5,718	4,229	29,945
Derivatives							
Trading	4,945	–	–	–	–	–	4,945
Hedging – Net settled	#	#	3	9	23	15	50
Hedging – Gross settled							
Outflow	5	107	10	56	1,636	1,717	3,531
Inflow	–	(101)	(5)	(2)	(1,522)	(1,513)	(3,143)
	179,572	45,014	59,591	55,286	7,951	6,434	353,848

(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 amounts due to associates.*

38.4 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. As stated in the Enterprise Risk Management (ERM) Framework, GEH Group shall operate within parameters and limits that are calibrated to the risk appetite approved by the GEH Board, and pursue appropriate risk-adjusted returns.

GEH Group Risk Management department spearheads the development and implementation of the ERM Framework for GEH Group.

GEH Board is responsible for overseeing GEH Group's risk management initiatives. GEH Board may delegate this responsibility to the Risk Management Committee (RMC). At GEH Group level, detailed risk management and oversight activities are undertaken by the following Group Management committees, all of which are chaired by GEH Group Chief Executive Officer and comprise key Senior Management Executives, namely: Group Management Committee (GMC), Group Asset-Liability Committee (Group ALC), Group Investment Committee (Group IC), Group Product Management and Approval Committee (Group PMAC) and Group Technology Strategy Committee (Group TSC).

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Governance Framework (continued)

GMC is responsible for providing leadership, direction and functional oversight on all matters of GEH Group. In addition to complying with regulatory requirements, the GMC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMC is supported by the Group IC, Group ALC, Group PMAC, Group TSC, Local Senior Management Team (SMT), Local ALC, Local Product Development Committee (PDC) and Local TSC.

Group IC is responsible for overseeing all investment management activities of GEH Group and ensuring that the interests and rights of policyholders are not compromised.

Group ALC is responsible for balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies, processes and methodologies 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 ALC.

Group TSC is responsible for assisting GMC in providing the overall strategic direction and approval of all IT related issues and initiatives, including the digitalisation and transformation programs to support GEH Group's strategic growth into the future. Group TSC is supported by local TSC.

Group PMAC is responsible for reviewing, approving and managing new and existing products, ensuring the business operates within the risk appetite to deliver the annual business targets. Local PDC is responsible for reviewing and endorsing new products at the local operating subsidiaries.

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. GEH Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital Management

The objectives of GEH's capital management policy are 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 had no significant changes in the policies and processes relating to its capital structure during the year.

Regulatory Capital

GEH Group and its insurance subsidiaries are required to comply with the capital ratios prescribed by the insurance regulations of the jurisdictions in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group and its insurance subsidiaries in Singapore, Malaysia and Indonesia remained well above the regulatory minimum ratios under the Risk-based Capital Frameworks established by the Monetary Authority of Singapore (MAS), Bank Negara Malaysia (BNM) and Otoritas Jasa Keuangan, Indonesia respectively.

GEH Group's approach to capital management aims to maintain an adequate level of capital to meet regulatory requirements, including any additional amounts required by the regulators of GEH Group and its insurance subsidiaries. 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 appropriate actions to adjust the capital position of GEH Group and/or its subsidiaries in light of changes in economic conditions and risk characteristics.

The primary sources of capital of GEH Group are shareholders' equity and issued subordinated debt. GEH Group defines available capital as the amount of assets in excess of liabilities measured in accordance with the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate.

Dividend

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

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

The following sections provide details of GEH Group's exposure to insurance and key financial risks, as well as the objectives, policies and processes for managing 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 activity of GEH Group is the provision of insurance products and related financial advisory services. The products cover risks such as mortality, morbidity (health, disability, critical illness, personal accident), and property and casualty, and meet customer needs in investment and retirement provision.

GEH Group's underwriting strategy is designed to ensure that risks are well diversified across the types 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 into account of current health conditions and family medical history, regular review of actual claims experience, as well as detailed claims handling procedures. Underwriting limits are also established to enforce appropriate risk selection criteria. For example, GEH Group has the right to reject renewal of insurance policy, impose deductibles and reject payment of fraudulent claims.

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

Insurance Risks of Life Insurance Contracts

Insurance risks arise when GEH Group underwrites insurance contracts. While insurance risks may not vary significantly across the geographical locations in which GEH Group currently operates, the types of risks insured, assumptions used in pricing the insurance products and subsequent setting aside of the technical provisions may give rise to potential shortfalls in provision for future claims and expenses when actual claims experience are worse than projections. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

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 GEH Group ALC. Reinsurance is structured according to the type of risk insured. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group's exposure to group insurance business is not significant and there is no material concentration risk.

In general, reinsurers must have a minimum credit rating of S&P A- or equivalent to be considered for reinsurance business. GEH Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

GEH Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses and ensures that the policies, guidelines and limits established for managing the risks remain adequate and appropriate.

A substantial portion of GEH Group's life insurance 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 payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment portfolios perform below expectations, 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 is performed at least once a year to assess the solvency of the life insurance fund under various stress scenarios. The stress scenarios include regulatory prescribed scenarios, as well as scenarios depicting drastic changes in key parameters such as new business volume, market volatilities, expense patterns, mortality/morbidity patterns and lapse rates.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

Table 38.4(A):

The table below sets out the concentration of insurance contract liabilities by type of contract and country as at the balance sheet date.

	Gross			Reinsurance			
$ million	With DPF [1]	Without DPF	Total	With DPF	Without DPF	Total	Net total
(a) By class of business							
2020							
Whole life	**37,089**	**10,287**	**47,376**	**14**	**(32)**	**(18)**	**47,358**
Endowment	**22,580**	**7,768**	**30,348**	**(65)**	**(120)**	**(185)**	**30,163**
Term	**#**	**807**	**807**	**(#)**	**(125)**	**(125)**	**682**
Accident and health	**2**	**2,357**	**2,359**	**–**	**(1,860)**	**(1,860)**	**499**
Annuity	**27**	**497**	**524**	**–**	**–**	**–**	**524**
Others	**131**	**1,361**	**1,492**	**(1)**	**(20)**	**(21)**	**1,471**
Total	**59,829**	**23,077**	**82,906**	**(52)**	**(2,157)**	**(2,209)**	**80,697**
2019							
Whole life	32,247	8,749	40,996	(7)	(56)	(63)	40,933
Endowment	21,114	7,946	29,060	(68)	(488)	(556)	28,504
Term	#	531	531	–	(32)	(32)	499
Accident and health	2	1,814	1,816	–	(1,444)	(1,444)	372
Annuity	27	480	507	–	–	–	507
Others	183	1,067	1,250	(1)	(1)	(2)	1,248
Total	53,573	20,587	74,160	(76)	(2,021)	(2,097)	72,063
(b) By country							
2020							
Singapore	**43,512**	**16,745**	**60,257**	**(46)**	**(1,901)**	**(1,947)**	**58,310**
Malaysia	**15,966**	**5,773**	**21,739**	**(7)**	**(253)**	**(260)**	**21,479**
Others	**351**	**559**	**910**	**1**	**(3)**	**(2)**	**908**
Total	**59,829**	**23,077**	**82,906**	**(52)**	**(2,157)**	**(2,209)**	**80,697**
2019							
Singapore	37,445	15,441	52,886	(68)	(1,900)	(1,968)	50,918
Malaysia	15,828	4,658	20,486	(8)	(119)	(127)	20,359
Others	300	488	788	#	(2)	(2)	786
Total	53,573	20,587	74,160	(76)	(2,021)	(2,097)	72,063

[1] *DPF is defined as contracts with Discretionary Participating Features.*

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

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

		Change in assumptions
(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

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

Table 38.4(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

Life insurance contracts

	2020			2019		
$ million	Gross impact	Reinsurance ceded	Net impact	Gross impact	Reinsurance ceded	Net impact
Scenario 1	**(622)**	**282**	**(340)**	(317)	139	(178)
Scenario 2	**434**	**(196)**	**238**	144	(46)	98
Scenario 3	**(328)**	**201**	**(127)**	(88)	1	(87)
Scenario 4	**204**	**(89)**	**115**	36	(#)	36
Scenario 5	**108**	**(17)**	**91**	77	(8)	69
Scenario 6	**(147)**	**26**	**(121)**	(82)	3	(79)
Scenario 7	**(44)**	**6**	**(38)**	(13)	1	(12)

Table 38.4(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

Life insurance contracts

	2020			2019		
$ million	Gross impact	Reinsurance ceded	Net impact	Gross impact	Reinsurance ceded	Net impact
Scenario 1	**(131)**	**7**	**(124)**	(103)	8	(95)
Scenario 2	**117**	**(7)**	**110**	94	(8)	86
Scenario 3	**(19)**	**1**	**(18)**	(19)	1	(18)
Scenario 4	**17**	**(1)**	**16**	14	(1)	13
Scenario 5	**(1)**	**(#)**	**(1)**	1	(#)	1
Scenario 6	**5**	**#**	**5**	1	#	1
Scenario 7	**(32)**	**–**	**(32)**	(28)	–	(28)

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

The method used, including the significant assumptions made, for performing the above sensitivity analysis 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.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

Table 38.4(C1):

The table below sets out the distribution of the various categories of the non-life insurance risk as at the balance sheet date.

Non-life insurance contracts $ million	2020 Gross premium liabilities	2020 Reinsured premium liabilities	2020 Net premium liabilities	2019 Gross premium liabilities	2019 Reinsured premium liabilities	2019 Net premium liabilities
(a) By class of business						
Fire	**32**	**(14)**	**18**	27	(10)	17
Motor	**38**	**(4)**	**34**	38	(2)	36
Marine and aviation	**12**	**(7)**	**5**	11	(6)	5
Workmen's compensation	**22**	**(7)**	**15**	27	(11)	16
Personal accident and health	**23**	**(2)**	**21**	24	(2)	22
Miscellaneous	**62**	**(39)**	**23**	52	(33)	19
Total	**189**	**(73)**	**116**	179	(64)	115
(b) By country						
Singapore	**98**	**(44)**	**54**	95	(43)	52
Malaysia	**74**	**(23)**	**51**	71	(19)	52
Indonesia	**17**	**(6)**	**11**	13	(2)	11
Total	**189**	**(73)**	**116**	179	(64)	115

Non-life insurance contracts $ million	2020 Gross claims liabilities	2020 Reinsured claims liabilities	2020 Net claims liabilities	2019 Gross claims liabilities	2019 Reinsured claims liabilities	2019 Net claims liabilities
(a) By class of business						
Fire	**55**	**(37)**	**18**	50	(33)	17
Motor	**52**	**(7)**	**45**	56	(5)	51
Marine and aviation	**34**	**(25)**	**9**	51	(36)	15
Workmen's compensation	**27**	**(10)**	**17**	29	(11)	18
Personal accident and health	**23**	**(3)**	**20**	22	(3)	19
Miscellaneous	**160**	**(124)**	**36**	72	(44)	28
Total	**351**	**(206)**	**145**	280	(132)	148
(b) By country						
Singapore	**191**	**(137)**	**54**	111	(61)	50
Malaysia	**128**	**(55)**	**73**	127	(55)	72
Indonesia	**32**	**(14)**	**18**	42	(16)	26
Total	**351**	**(206)**	**145**	280	(132)	148

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

Table 38.4(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 2020

$ million	2013	2014	2015	2016	2017	2018	2019	2020	Total
(a) Estimate of cumulative claims									
Accident Year	138	127	166	178	169	163	234	288	
One year later	131	119	162	178	166	172	235	–	
Two years later	117	116	134	173	200	161	–	–	
Three years later	116	112	140	210	205	–	–	–	
Four years later	120	107	178	209	–	–	–	–	
Five years later	123	141	178	–	–	–	–	–	
Six years later	141	140	–	–	–	–	–	–	
Seven years later	141	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**141**	**140**	**178**	**209**	**205**	**161**	**235**	**288**	
(b) Cumulative payments									
Accident Year	38	39	52	82	64	55	96	108	
One year later	79	87	105	138	107	120	158	–	
Two years later	91	96	114	154	166	135	–	–	
Three years later	95	99	128	196	180	–	–	–	
Four years later	112	100	166	198	–	–	–	–	
Five years later	121	135	167	–	–	–	–	–	
Six years later	140	136	–	–	–	–	–	–	
Seven years later	141	–	–	–	–	–	–	–	
Cumulative payments	**141**	**136**	**167**	**198**	**180**	**135**	**158**	**108**	
(c) Non-life gross claim liabilities	**#**	**4**	**11**	**11**	**25**	**26**	**77**	**180**	**334**
Reserve for prior years									**17**
Non-life insurance contract liabilities, gross									**351**

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

Table 38.4(C2): Cumulative Claims Estimates and Cumulative Payments To-Date (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2020

$ million	2013	2014	2015	2016	2017	2018	2019	2020	Total
(a) Estimate of cumulative claims									
Accident Year	93	81	83	91	93	106	132	119	
One year later	74	77	79	85	92	120	122	–	
Two years later	72	76	75	83	127	117	–	–	
Three years later	71	75	72	107	125	–	–	–	
Four years later	69	72	95	106	–	–	–	–	
Five years later	67	93	95	–	–	–	–	–	
Six years later	80	92	–	–	–	–	–	–	
Seven years later	79	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**79**	**92**	**95**	**106**	**125**	**117**	**122**	**119**	
(b) Cumulative payments									
Accident Year	30	32	30	41	44	47	59	51	
One year later	55	59	56	66	72	93	95	–	
Two years later	61	65	62	72	109	102	–	–	
Three years later	63	68	64	98	113	–	–	–	
Four years later	64	69	88	100	–	–	–	–	
Five years later	65	90	89	–	–	–	–	–	
Six years later	79	91	–	–	–	–	–	–	
Seven years later	79	–	–	–	–	–	–	–	
Cumulative payments	**79**	**91**	**89**	**100**	**113**	**102**	**95**	**51**	
(c) Non-life net claim liabilities	**#**	**1**	**6**	**6**	**12**	**15**	**27**	**68**	**135**
Reserve for prior years									**10**
Non-life insurance contract liabilities, net									**145**

Key Assumptions

Non-life insurance contract liabilities are determined based on claims experience, knowledge of existing events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, trends in historical claims, 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 achieving a large and well-diversified portfolio of insurance contracts across various industries and geographical areas. The risks are further mitigated 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. Comprehensive assessment of new and on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to further reduce the risk exposure of GEH Group. In addition, GEH Group further enforces a policy of active management and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact GEH 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 such as hurricanes, earthquakes and flood damages.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (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
2020					
Provision for adverse deviation margin	**+20%**	**8**	**4**	**(4)**	**(3)**
Loss ratio [1]	**+20%**	**78**	**37**	**(37)**	**(30)**
Claims handling expenses	**+20%**	**2**	**2**	**(2)**	**(1)**
2019					
Provision for adverse deviation margin	+20%	7	2	(2)	(2)
Loss ratio [1]	+20%	67	41	(41)	(32)
Claims handling expenses	+20%	2	1	(1)	(1)

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

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 market values of assets and liabilities are adversely affected by changes in financial markets. Changes in interest rates, foreign exchange rates, equity prices and prices of alternative investment assets can impact present and future earnings of the insurance operations, as well as shareholders' equity.

GEH Group is exposed to market risk through its investment portfolios, as well as in the mismatches between the assets and liabilities of the Insurance Funds. In the case of the third-party 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 valuations.

GEH Group ALC, Group IC and local ALCs actively manage market risks through the setting of investment policies and asset allocations, approving portfolio construction, risk measurement methodologies, as well as hedging and alternative risk transfer strategies. Investment limits are monitored at various levels to ensure that all investment activities are conducted within GEH Group's risk appetite and in line with GEH Group's management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by GEH Group in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit risk, alternative investment risk and liquidity risk, is briefly described below.

(a) Interest Rate Risk (Including Asset Liability Mismatch)

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments 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 economic losses when interest rates rise. Given the long duration of policy liabilities and the uncertainties in the cash flows of Insurance Funds, it is not possible to hold assets with duration that perfectly matches the duration of the policy liabilities. This results in interest rate risk and asset liability mismatch risk, and these risks are managed and monitored by GEH Group ALC and the local ALCs. The Insurance Funds will incur an economic loss when interest rates drop as the duration of policy liabilities is generally longer than the duration of fixed income assets.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(a) Interest Rate Risk (Including Asset Liability Mismatch) (continued)

Under Singapore regulations governed by the MAS, the discounting rate used for discounting liability cash flows may include a positive adjustment in the form of Matching Adjustment, or Illiquidity Premium, subject to certain conditions being met. As a result, the Singapore non-participating funds could have losses when the magnitude of the adjustment decreases.

Under Malaysia regulations governed by BNM, liability cash flows with durations less than 15 years are discounted using zero-coupon spot yields of Malaysia Government Securities (MGS) with matching durations, while liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with a 15-year term to maturity. As a result, the Malaysia non-participating fund could have losses when the zero-coupon spot yields of MGS decrease.

(b) Foreign Exchange Risk

The foreign exchange risk inherent in foreign currency fixed income portfolio is typically hedged using currency forwards and swaps wherever practical and cost-effective. Foreign exchange instruments are also used for efficient portfolio management.

The SGD and MYR positions predominately arose from the entities within GEH Group with the same respective functional currencies. GEH Group has no significant concentration of foreign exchange risk.

Limits are set on the total amount of foreign currency (net of liabilities) to cap GEH Group's foreign exchange risk.

The tables below show the foreign exchange position of GEH Group's financial and insurance-related assets and liabilities by major currencies.

$ million	SGD	MYR	USD	Others	Total
2020					
Financial assets at FVOCI					
Equity securities	392	308	142	1,180	2,022
Debt securities	2,707	1,006	2,449	389	6,551
Financial assets at FVTPL					
Equity securities	1,348	7,768	1,402	3,785	14,303
Debt securities	17,952	14,873	11,504	5,793	50,122
Other investments	5,886	151	5,161	2,038	13,236
Financial assets at amortised cost					
Debt securities	–	–	159	14	173
Derivative financial assets	468	3	249	44	764
Loans	587	282	2	20	891
Reinsurers' share of insurance contract liabilities	1,946	338	191	13	2,488
Insurance receivables	1,045	2,005	8	15	3,073
Other debtors	424	283	201	76	984
Cash and cash equivalents	7,408	1,387	516	339	9,650
Financial and insurance-related assets	**40,163**	**28,404**	**21,984**	**13,706**	**104,257**
Other creditors	1,899	460	181	26	2,566
Insurance payables	1,819	4,010	3	10	5,842
Derivative financial liabilities	30	–	29	214	273
Provision for agents' retirement benefits	–	296	–	–	296
Debt issued	400	–	–	–	400
Insurance contract liabilities	58,145	21,942	2,690	669	83,446
Financial and insurance-related liabilities	**62,293**	**26,708**	**2,903**	**919**	**92,823**

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(b) Foreign Exchange Risk (continued)

$ million	SGD	MYR	USD	Others	Total
2019					
Financial assets at FVOCI					
Equity securities	364	221	–	1,004	1,589
Debt securities	4,834	816	2,616	401	8,667
Financial assets at FVTPL					
Equity securities	1,435	7,017	1,161	3,629	13,242
Debt securities	16,433	14,352	9,993	5,629	46,407
Other investments	5,646	213	4,375	1,852	12,086
Financial assets at amortised cost					
Debt securities	–	–	112	15	127
Derivative financial assets	375	–	25	17	417
Loans	608	443	2	19	1,072
Reinsurers' share of insurance contract liabilities	2,072	201	10	10	2,293
Insurance receivables	1,017	1,803	7	31	2,858
Other debtors	751	221	33	50	1,055
Cash and cash equivalents	3,768	1,761	295	392	6,216
Financial and insurance-related assets	37,303	27,048	18,629	13,049	96,029
Other creditors	3,375	296	96	36	3,803
Insurance payables	1,621	3,565	3	16	5,205
Derivative financial liabilities	19	–	68	109	196
Provision for agents' retirement benefits	–	294	–	–	294
Debt issued	400	–	–	–	400
Insurance contract liabilities	51,182	20,683	2,130	624	74,619
Financial and insurance-related liabilities	56,597	24,838	2,297	785	84,517

GEH Group has no significant concentration of foreign exchange risk.

(c) Equity Price Risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity, equity derivatives and fund investments, where GEH Group, through investments, bears all or most of the equity volatility and investment risks. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the performances of 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 total equity holdings.

(d) Credit Spread Risk

Exposure to credit spread risk exists in GEH Group's bond investments. Credit spread is the difference between the quoted yields of a credit and a government bond of the same maturity. Credit spreads widen when the default risk of credit bonds increases. Hence, widening credit spreads will result in mark-to-market losses in GEH Group's bond portfolio.

(e) Alternative Investment Risk

GEH Group is exposed to alternative investment risk through investments in real estate that it owns in Singapore and Malaysia, and through real estate funds, private equities, infrastructure and hedge funds with exposures in other countries. A monitoring process is established 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 IC.

(f) Commodity Risk

GEH Group does not have any direct exposure to commodity risk.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk

Liquidity risk arises when GEH Group is unable to meet its cash flow demands, or if the assets backing the liabilities cannot be sold quickly enough without incurring significant losses. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations via premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, adverse news on 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 regularly monitored, and a reasonable amount of liquid assets are maintained 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 mitigated through a combination of product design, risk diversification, investment strategies and systematic monitoring. Surrender penalty in insurance contracts also protects GEH Group from losses due to unexpected surrender trends and reduces the sensitivity of surrenders to changes in interest rates.

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

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2020					
Financial assets at FVOCI					
Equity securities	–	–	–	2,022	2,022
Debt securities	280	2,346	5,950	–	8,576
Financial assets at FVTPL					
Equity securities	–	–	–	14,303	14,303
Debt securities	3,460	14,738	44,211	1,852	64,261
Other investments	–	–	–	13,236	13,236
Financial assets at amortised cost					
Debt securities	9	36	297	–	342
Derivative financial assets	584	80	100	–	764
Loans	201	623	181	–	1,005
Reinsurers' share of insurance contract liabilities	1,933	389	166	–	2,488
Insurance receivables	640	2	20	2,411	3,073
Other debtors	983	1	–	#	984
Cash and cash equivalents	9,650	–	–	–	9,650
Financial and insurance-related assets	17,740	18,215	50,925	33,824	120,704
Other creditors	2,550	7	–	#	2,557
Insurance payables	5,816	7	–	19	5,842
Derivative financial liabilities	190	83	#	–	273
Provision for agents' retirement benefits	127	61	108	–	296
Debt issued	409	–	–	–	409
Insurance contract liabilities	16,833	17,227	49,376	10	83,446
Financial and insurance-related liabilities	25,925	17,385	49,484	29	92,823

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk (continued)

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2019					
Financial assets at FVOCI					
Equity securities	–	–	–	1,589	1,589
Debt securities	516	3,817	7,638	–	11,971
Financial assets at FVTPL					
Equity securities	–	–	–	13,242	13,242
Debt securities	3,862	14,369	41,666	2,330	62,227
Other investments	–	–	–	12,086	12,086
Financial assets at amortised cost					
Debt securities	7	27	235	–	269
Derivative financial assets	241	120	56	–	417
Loans	291	796	103	–	1,190
Reinsurers' share of insurance contract liabilities	1,992	210	91	–	2,293
Insurance receivables	469	2	–	2,387	2,858
Other debtors	1,033	–	18	4	1,055
Cash and cash equivalents	6,216	–	–	–	6,216
Financial and insurance-related assets	14,627	19,341	49,807	31,638	115,413
Other creditors	3,765	#	–	28	3,793
Insurance payables	5,180	13	–	12	5,205
Derivative financial liabilities	98	90	8	–	196
Provision for agents' retirement benefits	115	59	120	–	294
Debt issued	19	409	–	–	428
Insurance contract liabilities	14,504	15,269	44,836	10	74,619
Financial and insurance-related liabilities	23,681	15,840	44,964	50	84,535

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk (continued)

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

$ million	Current*	Non-current	Unit-linked	Total
2020				
Cash and cash equivalents	**9,262**	**–**	**388**	**9,650**
Other debtors	**862**	**28**	**138**	**1,028**
Insurance receivables	**1,609**	**1,464**	**–**	**3,073**
Reinsurers' share of insurance contract liabilities	**1,926**	**548**	**14**	**2,488**
Loans	**142**	**749**	**–**	**891**
Derivative financial assets	**577**	**179**	**8**	**764**
Investments	**12,929**	**65,530**	**7,948**	**86,407**
Associates	**–**	**97**	**–**	**97**
Intangible assets	**–**	**31**	**–**	**31**
Property, plant and equipment	**68**	**664**	**–**	**732**
Investment properties	**–**	**1,767**	**–**	**1,767**
Assets	**27,375**	**71,057**	**8,496**	**106,928**
Insurance payables	**5,835**	**7**	**–**	**5,842**
Other creditors	**2,228**	**90**	**387**	**2,705**
Derivative financial liabilities	**184**	**81**	**8**	**273**
Income tax payable	**226**	**–**	**–**	**226**
Provision for agents' retirement benefits	**25**	**271**	**–**	**296**
Deferred tax	**27**	**1,444**	**14**	**1,485**
Debt issued	**400**	**–**	**–**	**400**
Insurance contract liabilities	**8,168**	**69,231**	**8,828**	**86,227**
Liabilities	**17,093**	**71,124**	**9,237**	**97,454**
2019				
Cash and cash equivalents	5,901	–	315	6,216
Other debtors	995	47	61	1,103
Insurance receivables	1,372	1,486	–	2,858
Reinsurers' share of insurance contract liabilities	1,986	295	12	2,293
Loans	217	855	–	1,072
Derivative financial assets	241	171	5	417
Investments	11,195	64,645	6,278	82,118
Associates	–	2	–	2
Intangible assets	–	32	–	32
Property, plant and equipment	71	638	–	709
Investment properties	–	1,786	–	1,786
Assets	21,978	69,957	6,671	98,606
Insurance payables	5,188	17	–	5,205
Other creditors	3,750	113	83	3,946
Derivative financial liabilities	93	98	5	196
Income tax payable	554	–	4	558
Provision for agents' retirement benefits	25	269	–	294
Deferred tax	22	1,519	2	1,543
Debt issued	–	400	–	400
Insurance contract liabilities	5,399	65,120	7,242	77,761
Liabilities	15,031	67,536	7,336	89,903

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

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk

Credit risk is the risk of loss arising from an obligor 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 downgrading of credit rating or credit default by the borrower or counterparty.

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 establishes internal limits by issuer, counterparty and investment grade which are actively monitored to manage the credit and concentration risk and 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 mitigated through counterparty limits that are reviewed and approved on an annual basis.

Credit risk arising from 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 which 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 or market 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%. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines on the collateral eligibility of collateral have been established, and all collateral are revalued on a regular basis. GEH management monitors the market values of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair values of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as tabulated below:

		2020		2019	
$ million	Type of collateral	Carrying amount	Fair value	Carrying amount	Fair value
Policy loans	Cash value of policies	**2,387**	**5,024**	2,387	4,862
Secured loans	Properties	**643**	**1,217**	731	1,343
Secured loans	Others	**1**	**1**	100	1
		3,031	**6,242**	3,218	6,206

There were no securities lending arrangements as at 31 December 2020 (2019: nil).

As at the balance sheet date, no investments (2019: nil) were placed as collateral for currency hedging purposes.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out information about the credit quality of loans and debt securities measured at amortised cost and debt securities measured at FVOCI. The maximum exposure is shown on a gross basis, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

$ million	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
2020				
Loans at amortised cost				
Investment grade* (BBB to AAA)	**662**	**125**	**–**	**787**
Non investment grade* (C to BB)	**–**	**–**	**147**	**147**
Not rated	**1**	**–**	**2**	**3**
	663	**125**	**149**	**937**
Loss allowance	**(1)**	**(4)**	**(42)**	**(47)**
Carrying amount	**662**	**121**	**107**	**890**
Debt securities at amortised cost				
Investment grade* (BBB to AAA)	**169**	**–**	**–**	**169**
Non investment grade* (C to BB)	**5**	**–**	**–**	**5**
	174	**–**	**–**	**174**
Loss allowance	**(1)**	**–**	**–**	**(1)**
Carrying amount	**173**	**–**	**–**	**173**
Debt securities at FVOCI				
Investment grade* (BBB to AAA)	**6,238**	**34**	**–**	**6,272**
Non investment grade* (C to BB)	**204**	**6**	**2**	**212**
Not rated	**67**	**–**	**–**	**67**
	6,509	**40**	**2**	**6,551**
2019				
Loans at amortised cost				
Investment grade* (BBB to AAA)	717	–	–	717
Non investment grade* (C to BB)	67	225	109	401
Not rated	1	–	–	1
	785	225	109	1,119
Loss allowance	(1)	(5)	(42)	(48)
Carrying amount	784	220	67	1,071
Debt securities at amortised cost				
Investment grade* (BBB to AAA)	122	–	–	122
Non investment grade* (C to BB)	6	–	–	6
	128	–	–	128
Loss allowance	(1)	–	–	(1)
Carrying amount	127	–	–	127
Debt securities at FVOCI				
Investment grade* (BBB to AAA)	7,893	19	–	7,912
Non investment grade* (C to BB)	714	41	–	755
	8,607	60	–	8,667

(1) ** Based on internal ratings grades which are equivalent to grades of external rating agencies.*

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out the credit analysis for financial assets that are not subjected to ECL.

$ million	Investment grade* (BBB to AAA)	Non investment grade* (C to BB)	Not rated	Unit-linked	Not subject to credit risk	Total carrying amount
2020						
Financial assets at FVOCI						
Equity securities	**–**	**–**	**–**	**–**	**2,022**	**2,022**
Financial assets at FVTPL						
Equity securities	**–**	**–**	**–**	**3,305**	**10,998**	**14,303**
Debt securities	**40,846**	**2,024**	**5,645**	**1,607**	**–**	**50,122**
Other investments	**–**	**–**	**–**	**3,404**	**9,832**	**13,236**
Derivative financial assets	**747**	**–**	**10**	**7**	**–**	**764**
Reinsurers' share of insurance contract liabilities	**–**	**–**	**2,488**	**–**	**–**	**2,488**
Insurance receivables	**7**	**–**	**3,058**	**8**	**–**	**3,073**
Other debtors	**5**	**1**	**721**	**257**	**–**	**984**
Cash and cash equivalents	**9,129**	**–**	**97**	**424**	**–**	**9,650**
	50,734	**2,025**	**12,019**	**9,012**	**22,852**	**96,642**
2019						
Financial assets at FVOCI						
Equity securities	–	–	–	–	1,589	1,589
Financial assets at FVTPL						
Equity securities	–	–	–	2,665	10,577	13,242
Debt securities	37,332	1,971	5,716	1,388	–	46,407
Other investments	–	–	–	2,744	9,342	12,086
Derivative financial assets	412	–	#	5	–	417
Reinsurers' share of insurance contract liabilities	–	–	2,293	–	–	2,293
Insurance receivables	47	–	2,805	6	–	2,858
Other debtors	3	–	992	60	–	1,055
Cash and cash equivalents	5,769	–	85	362	–	6,216
	43,563	1,971	11,891	7,230	21,508	86,163

(1) ** Based on internal ratings grades which are equivalent to grades of external rating agencies.*

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Amounts Arising from ECL

ECL is recognised for credit-impaired and non credit-impaired exposure in accordance to SFRS (I) 9 through forward-looking ECL models.

Measurement of ECL - Explanation of Inputs, Assumptions and Estimation Techniques

The key inputs into the measurement of ECL are the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from statistical models internally developed by GEH Group.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are derived from PD models that incorporate both quantitative and qualitative inputs, which are in turn derived from internal and external compiled data.

LGD is the magnitude of the likely loss incurred during a default. LGD is expressed as a percentage of loss per unit of exposure at the time of default and represents an estimate of the economic loss in the event of the default of the counterparty. Factors in determining LGDs include claim seniority, availability and quality of collateral, legal enforceability processes in the jurisdiction and industry of borrower and prevailing market conditions. They are estimates at a certain date and are derived using statistical models. These statistical models are developed using internally compiled data and incorporate both quantitative and qualitative factors. The model outputs are adjusted to reflect forward-looking information whenever appropriate.

EAD represents the expected exposure in the event of a default. GEH Group derives the EAD based on the current exposure to the counterparty and potential future exposure.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. The ECLs are first determined from the product of these three components, which are then adjusted for forward-looking information. The ECLs are finally discounted to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Significant Increase in Credit Risk

To assess whether there is a significant increase in credit risk, GEH Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. GEH Group considers available reasonable and supportive forward-looking information, which includes the following indicators:

– Internal credit rating;
– External credit rating;
– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty’s ability to meet its obligations.

A movement of an obligor’s credit rating along the rating scale represents a change in the credit risk as measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of an obligor is deemed to have increased significantly since initial recognition if, based on GEH Group’s quantitative model, the 12M PD is determined to have more than doubled since origination, except when the obligor remains within the investment grade ratings.

Using its expert credit judgement and, where possible, relevant historical experience, GEH Group may determine that an obligor has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. GEH Group uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

GEH Group considers an obligor to have “low credit risk” if it is of investment grade, taking into account both internal and external credit ratings.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Credit Risk Grades

GEH Group assigns each obligor to a credit risk grade that reflects the PD of the obligor. Credit risk grades are established based on qualitative and quantitative factors that are indicative of default risk. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the default risk increases as credit risk deteriorates. Each exposure is assigned with a credit risk grade at initial recognition based on available information on the borrower. Obligors are subject to ongoing monitoring and review, and may be assigned with new credit risk grades based on latest available information that better reflects their creditworthiness. The monitoring typically involves the use of information obtained during periodic review, including published financial statements, external rating (where available), as well as qualitative information on an obligor's industry characteristics, competitive positioning, management, financial policy and financial flexibility.

Definition of Default

GEH Group considers a financial asset to be in default by assessing the following criteria:

Quantitative Criteria

For insurance receivables, the obligor is said to be in default if it fails to make contractual payments within 12 months after it falls due. For bonds and loans, the obligor is said to be in default if it fails to meet its contractual obligation and there are non-payments on another debt obligation of the same issuer to GEH Group.

Qualitative Criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption or breach of material loan covenants not rectified within a given timeframe, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within given timeframe.

The criteria above have been applied to all financial instruments held by GEH Group and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout GEH Group's expected loss calculations.

Incorporating of Forward-Looking Information

GEH Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its ECL measurement. GEH Group has performed historical analysis and identified key economic variables impacting credit risk and ECLs for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the base economic scenario) are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, after which, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on PDs, EADs and LGDs has been determined via regression analyses.

In addition to the base economic scenario, GEH Group uses multiple scenarios to ensure non-linear risks are captured. The number of scenarios and their attributes are reviewed at each reporting date. At 31 December 2020, for all portfolios, GEH Group concluded that two particular scenarios are capable of capturing non-linear risks inherent in all portfolios. The scenario weightings are determined by expert credit judgement, taking into account the range of possible outcomes the chosen scenario is representative of. The assessment of significant increase in credit risk is performed using the 12M PD under each of the scenarios multiplied by the associated scenario weights. This determines whether the whole financial instrument is in Stage 1, 2 or 3, and hence whether 12M or lifetime ECL should be applied. Following this assessment, GEH Group measures ECL as either a probability-weighted 12M ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and the actual outcomes may be significantly different from projected outcomes. GEH Group considers these forecasts being representative of the best estimates of the possible outcomes and has analysed the non-linear risks and asymmetries within the various portfolios of GEH Group to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to GEH Group for the year ended 31 December 2020.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Loss Allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

$ million	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans at amortised cost				
At 1 January 2019	0.5	6.5	13.7	20.7
Net remeasurement of loss allowance	–	(0.9)	28.6	27.7
New financial assets purchased	0.3	–	–	0.3
Financial assets that have been derecognised	(0.2)	(1.1)	–	(1.3)
Foreign exchange and other movements	0.1	0.1	–	0.2
At 31 December 2019/1 January 2020	**0.7**	**4.6**	**42.3**	**47.6**
Transfer to 12-month ECL	**0.5**	**(0.5)**	**–**	**–**
Decrease in losses due to transfer	**(0.3)**	**–**	**–**	**(0.3)**
Net remeasurement of loss allowance	**(0.1)**	**(0.6)**	**–**	**(0.7)**
New financial assets purchased	**0.1**	**1.1**	**–**	**1.2**
Financial assets that have been derecognised	**(0.2)**	**(0.3)**	**–**	**(0.5)**
Changes in models/risk parameters	**0.7**	**(0.8)**	**–**	**(0.1)**
At 31 December 2020	**1.4**	**3.5**	**42.3**	**47.2**
Debt securities at amortised cost				
At 1 January 2019	–	–	–	–
New financial assets purchased	0.6	–	–	0.6
Changes in models/risk parameters	0.1	–	–	0.1
At 31 December 2019/1 January 2020	**0.7**	**–**	**–**	**0.7**
New financial assets purchased	**0.2**	**–**	**–**	**0.2**
Changes in models/risk parameters	**0.4**	**–**	**–**	**0.4**
At 31 December 2020	**1.3**	**–**	**–**	**1.3**
Debt securities at FVOCI				
At 1 January 2019	4.6	1.9	2.8	9.3
Additional loss due to transfer	–	0.3	–	0.3
Net remeasurement of loss allowance	–	(0.3)	–	(0.3)
New financial assets purchased	2.0	–	–	2.0
Financial assets that have been derecognised	(1.7)	(0.3)	–	(2.0)
Changes in models/risk parameters	0.9	–	–	0.9
At 31 December 2019/1 January 2020	**5.8**	**1.6**	**2.8**	**10.2**
Transfer to 12-month ECL	**0.1**	**(0.1)**	**–**	**–**
(Decrease)/increase in losses due to transfer	**(0.2)**	**0.2**	**–**	**–**
Net remeasurement of loss allowance	**0.2**	**(0.2)**	**–**	**–**
New financial assets purchased	**5.7**	**–**	**–**	**5.7**
Financial assets that have been derecognised	**(6.7)**	**(0.2)**	**–**	**(6.9)**
Changes in models/risk parameters	**5.9**	**(0.1)**	**–**	**5.8**
At 31 December 2020	**10.8**	**1.2**	**2.8**	**14.8**
Increase/(decrease) in provision for impairment of financial assets for the year				
31 December 2020	**6.3**	**(1.5)**	**–**	**4.8**
31 December 2019	2.1	(2.2)	28.6	28.5

The carrying amount of outstanding premiums as at 31 December 2020 is $553.5 million (2019: $416.7 million). The ECL relating to outstanding premiums as at 31 December 2020 was $18.7 million (2019: $4.7 million) for GEH Group. The changes in credit loss recognised in the income statement during the year was $14.4 million (2019: $1.6 million).

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(i) Sensitivity Analysis on Financial Risks

The sensitivity analysis below shows the impact on GEH Group's net profit after tax by applying possible shocks to each key variable, with all other variables constant. Co-movement of key variable can significantly affect the fair values and/or amortised cost of financial assets. To demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net 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 equity sensitivity represents the impact on net profit after tax and the effect on changes in fair value of financial assets measured at FVOCI.

Market Risk Sensitivity Analysis

	Impact on profit after tax		Impact on equity	
$ million	2020	2019	2020	2019
Change in variables:				
(a) Interest rate				
+50 basis points	**113.6**	38.2	**(112.2)**	(233.4)
–50 basis points	**(190.2)**	(95.0)	**53.4**	199.1
(b) Foreign currency				
5% increase in market value of MYR denominated assets	**0.1**	0.4	**0.1**	0.4
5% decrease in market value of MYR denominated assets	**(0.1)**	(0.4)	**(0.1)**	(0.4)
5% increase in market value of USD denominated assets	**(0.1)**	(1.2)	**(0.1)**	(1.2)
5% decrease in market value of USD denominated assets	**0.1**	1.2	**0.1**	1.2
(c) Equity				
20% increase in market indices				
STI	**50.0**	51.3	**114.2**	111.0
KLCI	**11.6**	6.0	**52.4**	30.7
20% decrease in market indices				
STI	**(50.0)**	(51.3)	**(114.2)**	(111.0)
KLCI	**(11.6)**	(6.0)	**(52.4)**	(30.7)
(d) Credit				
Spread +100 basis points	**(129.9)**	(204.2)	**(454.8)**	(605.8)
Spread –100 basis points	**160.5**	221.9	**540.1**	693.6
(e) Alternative investments [1]				
10% increase in market value of all alternative investments	**74.8**	69.9	**76.6**	71.6
10% decrease in market value of all alternative investments	**(74.8)**	(69.9)	**(76.6)**	(71.6)

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

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

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(j) 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 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 investment mix to ensure that there is no significant concentration in market and credit risk.

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives, as a result of its failure to comply with the following applicable laws, regulations and standards:

- local laws, regulations and rules governing licensed activities undertaken by GEH Group;
- foreign laws, regulations and rules that have extraterritorial jurisdiction over GEH Group's licensed activities;
- codes of practice promoted by industry associations of which GEH Group are members of; and
- any other applicable regulations which do not specifically govern the licensed activities undertaken by GEH Group but can expose the organisation to legal, regulatory or reputational loss.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal control frameworks, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMC reviews operational and compliance issues on a GEH Group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. GEH Group Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to GEH Group Audit Committee.

Technology, Information and Cyber Risks

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, system/hardware failure, capacity deficiency arising from the use of technologies such as electronic hardware/devices, software, online networks and telecommunications systems.

Information risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

GEH Group adopts a risk based approach in managing technology, information and cyber risks relating to cyber-attacks, data loss/leakage, deficiency in change management, emerging technology, inadequate vendor management, inferior system acquisition and development, network security vulnerability, privilege access misuse, system security vulnerability, system unavailability and technology obsolescence. Key risk indicators related to technology, information and cyber risks are reported to GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit for its adequacy and effectiveness.

39. Financial Assets and Financial Liabilities Classification

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2020						
Cash and placements with central banks	–	–	26,525	–	–	26,525
Singapore government treasury bills and securities	1,139	–	–	9,489	–	10,628
Other government treasury bills and securities	3,365	14	378	18,906	–	22,663
Placements with and loans to banks	1,231	–	19,716	11,869	–	32,816
Loans to customers	89	–	263,449	–	–	263,538
Debt securities	3,972	19	387	23,555	–	27,933
Equity securities and investment funds	3,661	–	–	1,549	–	5,210
Debt and equity securities	7,633	19	387	25,104	–	33,143
Derivative receivables	15,223	–	–	–	–	15,223
Other assets	–	–	4,887	–	298	5,185
Amounts due from associates	–	–	41	–	–	41
Financial assets	28,680	33	315,383	65,368	298	409,762
Non-financial assets						14,565
						424,327
Life insurance fund financial assets	31,830	44,457	14,244	4,749	–	95,280
Life insurance fund non-financial assets						1,788
Total assets						521,395
Deposits of non-bank customers	–	–	314,907	–	–	314,907
Deposits and balances of banks	–	–	9,586	–	–	9,586
Trading portfolio liabilities	339	–	–	–	–	339
Derivative payables	15,516	–	–	–	–	15,516
Other liabilities [1]	–	–	7,205	–	605	7,810
Debt issued	–	1,006	23,349	–	–	24,355
Financial liabilities	15,855	1,006	355,047	–	605	372,513
Non-financial liabilities						3,252
						375,765
Life insurance fund financial liabilities	264	–	8,590	–	82,906	91,760
Life insurance fund non-financial liabilities						2,694
Total liabilities						470,219

(1) *Other liabilities include amounts due to associates.*

39. Financial Assets and Financial Liabilities Classification (continued)

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2019						
Cash and placements with central banks	–	–	23,201	–	–	23,201
Singapore government treasury bills and securities	1,744	–	–	9,298	–	11,042
Other government treasury bills and securities	2,920	9	410	14,373	–	17,712
Placements with and loans to banks	1,992	–	22,847	11,025	–	35,864
Loans to customers	180	–	262,168	–	–	262,348
Debt securities	4,114	15	65	20,829	–	25,023
Equity securities and investment funds	2,906	–	–	1,324	–	4,230
Debt and equity securities	7,020	15	65	22,153	–	29,253
Derivative receivables	7,349	–	–	–	–	7,349
Other assets	–	–	3,713	–	205	3,918
Amounts due from associates	–	–	75	–	–	75
Financial assets	21,205	24	312,479	56,849	205	390,762
Non-financial assets						13,591
						404,353
Life insurance fund financial assets	27,337	42,692	9,338	6,159	–	85,526
Life insurance fund non-financial assets						1,812
Total assets						491,691
Deposits of non-bank customers	–	–	302,851	–	–	302,851
Deposits and balances of banks	–	–	8,250	–	–	8,250
Trading portfolio liabilities	92	–	–	–	–	92
Derivative payables	7,687	–	–	–	–	7,687
Other liabilities [1]	–	–	6,288	–	511	6,799
Debt issued	–	1,311	28,077	–	–	29,388
Financial liabilities	7,779	1,311	345,466	–	511	355,067
Non-financial liabilities						3,575
						358,642
Life insurance fund financial liabilities	191	–	8,998	–	72,063	81,252
Life insurance fund non-financial liabilities						3,194
Total liabilities						443,088

(1) *Other liabilities include amounts due to associates.*

39. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Total
2020					
Cash and placements with central banks	–	–	20,969	–	20,969
Singapore government treasury bills and securities	1,052	–	–	8,242	9,294
Other government treasury bills and securities	2,264	–	378	6,769	9,411
Placements with and loans to banks	1,231	–	13,963	8,889	24,083
Loans to customers	84	–	170,567	–	170,651
Debt securities	3,179	–	387	12,081	15,647
Equity securities and investment funds	2,066	–	–	131	2,197
Debt and equity securities	5,245	–	387	12,212	17,844
Placements with and advances to subsidiaries	–	–	17,246	–	17,246
Derivative receivables	13,518	–	–	–	13,518
Other assets	–	–	2,886	–	2,886
Amounts due from associates	–	–	41	–	41
Financial assets	23,394	–	226,437	36,112	285,943
Non-financial assets					20,067
Total assets					306,010
Deposits of non-bank customers	–	–	197,745	–	197,745
Deposits and balances of banks	–	–	7,408	–	7,408
Deposits and balances of subsidiaries	–	–	25,793	–	25,793
Trading portfolio liabilities	339	–	–	–	339
Derivative payables	13,768	–	–	–	13,768
Other liabilities [1]	–	–	1,710	–	1,710
Debt issued	–	1,006	22,391	–	23,397
Financial liabilities	14,107	1,006	255,047	–	270,160
Non-financial liabilities					965
Total liabilities					271,125

[1] *Other liabilities include amounts due to associates.*

39. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Total
2019					
Cash and placements with central banks	–	–	17,824	–	17,824
Singapore government treasury bills and securities	1,744	–	–	8,148	9,892
Other government treasury bills and securities	2,142	–	410	5,109	7,661
Placements with and loans to banks	1,992	–	18,408	7,700	28,100
Loans to customers	172	–	164,392	–	164,564
Debt securities	3,072	–	65	9,554	12,691
Equity securities and investment funds	1,411	–	–	169	1,580
Debt and equity securities	4,483	–	65	9,723	14,271
Placements with and advances to subsidiaries	–	–	18,073	–	18,073
Derivative receivables	6,324	–	–	–	6,324
Other assets	–	–	2,209	–	2,209
Amounts due from associates	–	–	73	–	73
Financial assets	16,857	–	221,454	30,680	268,991
Non-financial assets					19,760
Total assets					288,751
Deposits of non-bank customers	–	–	189,420	–	189,420
Deposits and balances of banks	–	–	5,938	–	5,938
Deposits and balances of subsidiaries	–	–	21,435	–	21,435
Trading portfolio liabilities	92	–	–	–	92
Derivative payables	6,743	–	–	–	6,743
Other liabilities [1]	–	–	1,904	–	1,904
Debt issued	–	1,311	26,915	–	28,226
Financial liabilities	6,835	1,311	245,612	–	253,758
Non-financial liabilities					993
Total liabilities					254,751

(1) *Other liabilities include amounts due to associates.*

40. Fair Values of Financial Instruments

40.1 Valuation Governance Framework

The Group has an established governance 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 GRM is responsible for the model validation process. Financial models are used to price financial instruments and to calculate value-at-risk (VaR). MRM ensures that the models used are fit for their intended purposes through internal independent validation and periodic review. MRM sources market rates independently for risk measurement and valuation.

The Treasury Financial Control and Advisory – 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 adjustment methodologies, independent price testing, and identifying valuation gaps.

Valuation policies are formulated and reviewed annually by the Valuation Control function, and approved by the Market Risk Management Committee, the CEO and BRMC. Valuation adjustments are applied to account for input parameter uncertainties, known model deficiencies and other factors that may affect valuation. The main valuation adjustments are described below.

Bid Offer Adjustments
When the position is marked at mid-price, bid offer adjustment is applied to account for close out cost.

Model Adjustments
Model adjustments are applied when there are inherent limitations in the valuation models used by the Bank.

Day 1 Profit or Loss Adjustments
Day 1 profit or loss adjustments are applied when the valuation technique involves the use of significant inputs which are not readily observable. The difference between the fair value at initial recognition and the transaction price is deferred as an adjustment.

The Day 1 profit or loss adjustments are released to the income statement when the significant inputs become observable, when the transaction is derecognised or amortised over the life of the transaction.

Credit Adjustments
Credit adjustments are applied to account for the expected losses due to counterparty default on uncollateralised derivatives.

Parameter Uncertainty Adjustments
These valuation adjustments mainly include adjustments for illiquid prices or internal methodologies used to derive model inputs.

The Group's internal audit provides independent assurance on the respective divisions' compliance with the policy.

40. Fair Values of Financial Instruments (continued)

40.2 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 amounts 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 mainly carried at amortised cost on the balance sheet, net of allowances for impaired and non-impaired loans. The Group deems that the carrying amounts of non-bank loans approximate their fair values as substantially all 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 amounts due to their short tenor. For non-bank customer term deposits, contractual or derived cash flows are discounted at market rates as at reporting date to estimate the fair values, which approximate the carrying amounts.

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

40.3 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.

40. Fair Values of Financial Instruments (continued)

40.3 Fair Value Hierarchy (continued)

The following table summarises the Group's assets and liabilities measured at fair values subsequent to initial recognition by level of the fair value hierarchy:

	2020				2019			
$ 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	**3,088**	**10,012**	**–**	**13,100**	2,588	10,429	–	13,017
Debt and equity securities	**25,204**	**6,338**	**1,214**	**32,756**	25,574	2,589	1,025	29,188
Loans to customers	**–**	**–**	**89**	**89**	–	–	180	180
Derivative receivables	**73**	**15,048**	**102**	**15,223**	31	7,257	61	7,349
Government treasury bills and securities	**27,234**	**5,679**	**–**	**32,913**	25,916	2,428	–	28,344
Life insurance fund investment securities and other assets	**56,272**	**22,797**	**1,967**	**81,036**	59,719	14,705	1,764	76,188
Total	**111,871**	**59,874**	**3,372**	**175,117**	113,828	37,408	3,030	154,266
Non-financial assets measured at fair value								
Life insurance fund investment properties	**–**	**–**	**1,767**	**1,767**	–	–	1,786	1,786
Associates	**–**	**97**	**–**	**97**	–	–	–	–
Total	**–**	**97**	**1,767**	**1,864**	–	–	1,786	1,786
Financial liabilities measured at fair value								
Derivative payables	**117**	**15,330**	**69**	**15,516**	41	7,603	43	7,687
Trading portfolio liabilities	**339**	**–**	**–**	**339**	92	–	–	92
Debt issued	**–**	**1,006**	**–**	**1,006**	–	1,311	–	1,311
Life insurance fund financial liabilities	**2**	**262**	**–**	**264**	3	188	–	191
Total	**458**	**16,598**	**69**	**17,125**	136	9,102	43	9,281
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	**2,538**	**7,582**	**–**	**10,120**	2,328	7,364	–	9,692
Debt and equity securities	**13,143**	**3,871**	**443**	**17,457**	12,049	1,715	442	14,206
Loans to customers	**–**	**–**	**84**	**84**	–	–	172	172
Derivative receivables	**9**	**13,411**	**98**	**13,518**	5	6,266	53	6,324
Government treasury bills and securities	**13,903**	**4,424**	**–**	**18,327**	15,437	1,706	–	17,143
Total	**29,593**	**29,288**	**625**	**59,506**	29,819	17,051	667	47,537
Financial liabilities measured at fair value								
Derivative payables	**68**	**13,645**	**55**	**13,768**	11	6,699	33	6,743
Trading portfolio liabilities	**339**	**–**	**–**	**339**	92	–	–	92
Debt issued	**–**	**1,006**	**–**	**1,006**	–	1,311	–	1,311
Total	**407**	**14,651**	**55**	**15,113**	103	8,010	33	8,146

During the financial year, the Group transferred financial assets from Level 2 to Level 1 as prices became observable arising from increased market activity. Financial assets were also transferred from Level 1 to Level 2 when quoted prices become unobservable arising from reduced market activity.

40. Fair Values of Financial Instruments (continued)

40.3 Fair Value Hierarchy (continued)

Valuation Techniques and Unobservable Inputs for Level 3 Instruments

GROUP $ million	Fair value at 31 December 2020	Classification	Valuation techniques	Unobservable inputs
Financial assets				
Equity securities	**1,214**	FVTPL/FVOCI	Net asset value/ Multiples	Value of net asset/ Earnings and multiples
Loans to customers	**89**	FVTPL	Discounted cash flows	Credit spreads
Derivative receivables	**102**	FVTPL	Option pricing model Derivatives pricing	Volatility/Correlation Long dated rate
Life insurance fund investment securities and other assets	**1,967**	FVTPL/FVOCI	Net asset value	Value of net asset
Total	**3,372**			
Financial liabilities				
Derivative payables	**69**	FVTPL	Option pricing model Derivatives pricing	Volatility/Correlation Long dated rate
Total	**69**			

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

Movements in Level 3 Financial Assets and Liabilities

	2020				
GROUP $ million	Debt and equity securities	Loans to customers	Derivative receivables	Life insurance fund investment securities and other assets	Total
Financial assets measured at fair value					
At 1 January	**1,025**	**180**	**61**	**1,764**	**3,030**
Purchases	**94**	**1**	**10**	**284**	**389**
Settlements/disposals	**(86)**	**(90)**	**(#)**	**(99)**	**(275)**
Transfers in to/(out of) Level 3	**23** [(1)]	**–**	**(7)** [(2)]	**–**	**16**
Gains/(losses) recognised in					
– profit or loss	**53**	**(2)**	**38**	**20**	**109**
– other comprehensive income	**105**	**(#)**	**#**	**(2)**	**103**
At 31 December	**1,214**	**89**	**102**	**1,967**	**3,372**
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**53**	**(3)**	**66**	**51**	**167**

(1) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*
(2) *Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.*

40. Fair Values of Financial Instruments (continued)

40.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

GROUP $ million	2019 Debt and equity securities	Loans to customers	Derivative receivables	Life insurance fund investment securities and other assets	Total
Financial assets measured at fair value					
At 1 January	883	272	71	1,350	2,576
Purchases	96	4	1	654	755
Settlements/disposals	(88)	(95)	–	(227)	(410)
Transfers (out of)/in to Level 3	(#) [(1)]	–	1 [(2)]	–	1
Gains/(losses) recognised in					
– profit or loss	8	(1)	(12)	(15)	(20)
– other comprehensive income	126	(#)	(#)	2	128
At 31 December	1,025	180	61	1,764	3,030
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	9	(1)	169	19	196

(1) *Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.*
(2) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*

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

GROUP $ million	2020 Trading income	Other income	Total	2019 Trading income	Other income	Total
Total gains/(losses) included in profit or loss for the year ended	**89**	**20**	**109**	(5)	(15)	(20)
Unrealised gains included in profit or loss for assets held at the end of the year	**116**	**51**	**167**	177	19	196

40. Fair Values of Financial Instruments (continued)

40.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

BANK $ million	2020 Debt and equity securities	2020 Loans to customers	2020 Derivative receivables	2020 Total	2019 Debt and equity securities	2019 Loans to customers	2019 Derivative receivables	2019 Total
Financial assets measured at fair value								
At 1 January	**442**	**172**	**53**	**667**	546	250	47	843
Purchases	**86**	**#**	**8**	**94**	12	1	1	14
Settlements/disposals	**(83)**	**(86)**	**(1)**	**(170)**	(88)	(78)	–	(166)
Transfers out of Level 3	**(2)** [(1)]	**–**	**–**	**(2)**	–	–	–	–
Gains/(losses) recognised in								
– profit or loss	**12**	**(2)**	**38**	**48**	(9)	(1)	5	(5)
– other comprehensive income	**(12)**	**(#)**	**–**	**(12)**	(19)	(#)	–	(19)
At 31 December	**443**	**84**	**98**	**625**	442	172	53	667
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**12**	**(3)**	**69**	**78**	(8)	(1)	162	153

(1) *Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.*

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

BANK $ million	2020 Trading income	2020 Total	2019 Trading income	2019 Total
Total gains/(losses) included in profit or loss for the year ended	**48**	**48**	(5)	(5)
Unrealised gains included in profit or loss for assets held at the end of the year	**78**	**78**	153	153

40. Fair Values of Financial Instruments (continued)

40.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

	GROUP				BANK			
	2020		2019		2020		2019	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Financial liabilities measured at fair value								
At 1 January	**43**	**43**	26	26	**33**	**33**	2	2
Issues	**82**	**82**	18	18	**79**	**79**	18	18
Settlements/disposals	**(16)**	**(16)**	–	–	**(16)**	**(16)**	–	–
Transfers (out of)/in to Level 3	**(7)** [(1)]	**(7)**	1 [(2)]	1	**–**	**–**	–	–
Losses/(gains) recognised in								
– profit or loss	**(33)**	**(33)**	(2)	(2)	**(41)**	**(41)**	13	13
– other comprehensive income	**#**	**#**	(#)	(#)	**–**	**–**	–	–
At 31 December	**69**	**69**	43	43	**55**	**55**	33	33
Unrealised gains/(losses) included in profit or loss for liabilities held at the end of the year	**9**	**9**	(193)	(193)	**19**	**19**	(184)	(184)

(1) Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.
(2) Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.

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

	GROUP				BANK			
	2020		2019		2020		2019	
$ million	Trading income	Total	Trading income	Total	Trading income	Total	Trading income	Total
Total gains/(losses) included in profit or loss for the year ended	**33**	**33**	2	2	**41**	**41**	(13)	(13)
Unrealised gains/(losses) included in profit or loss for liabilities held at the end of the year	**9**	**9**	(193)	(193)	**19**	**19**	(184)	(184)

Movements in Level 3 non-financial assets

	GROUP			
	2020		2019	
$ million	Life insurance fund investment properties	Total	Life insurance fund investment properties	Total
Non-financial assets measured at fair value				
At 1 January	**1,786**	**1,786**	1,771	1,771
Purchases/transfers	**#**	**#**	1	1
Gains/(losses) recognised in				
– profit or loss	**(19)**	**(19)**	14	14
– other comprehensive income	**#**	**#**	(#)	(#)
At 31 December	**1,767**	**1,767**	1,786	1,786

41. 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.

GROUP				Related amounts not offset on balance sheet		
Types of financial assets/liabilities $ million	Carrying amounts on balance sheet (A)	Amounts not subject to netting agreement (B)	Amounts subject to netting agreement (A – B = C + D + E)	Financial instruments (C)	Collateral (D)	Net amounts in scope (E)
2020						
Financial assets						
Derivative receivables	**15,223**	**4,441**	**10,782**	**8,437**	**423**	**1,922**
Reverse repurchase agreements	**4,157** (1)	**2,437**	**1,720**	**1,710**	**–**	**10**
Securities borrowings	**2** (2)	**1**	**1**	**1**	**–**	**–**
Total	**19,382**	**6,879**	**12,503**	**10,148**	**423**	**1,932**
Financial liabilities						
Derivative payables	**15,516**	**3,343**	**12,173**	**8,437**	**1,398**	**2,338**
Repurchase agreements	**1,221** (3)	**1,136**	**85**	**85**	**–**	**–**
Securities lendings	**1** (4)	**1**	**–**	**–**	**–**	**–**
Total	**16,738**	**4,480**	**12,258**	**8,522**	**1,398**	**2,338**
2019						
Financial assets						
Derivative receivables	7,349	2,090	5,259	4,183	193	883
Reverse repurchase agreements	2,564 (1)	557	2,007	1,994	–	13
Securities borrowings	21 (2)	–	21	6	–	15
Total	9,934	2,647	7,287	6,183	193	911
Financial liabilities						
Derivative payables	7,687	1,726	5,961	4,183	684	1,094
Repurchase agreements	1,628 (3)	1,533	95	95	–	–
Securities lendings	402 (4)	402	–	–	–	–
Total	9,717	3,661	6,056	4,278	684	1,094

(1) *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 and other assets. These transactions are measured either at fair value or amortised cost.*

(2) *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.*

(3) *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 other liabilities, and are measured at amortised cost.*

(4) *Cash collateral placed under securities lendings are presented under other liabilities, and are measured at amortised cost.*

41. Offsetting Financial Assets and Financial Liabilities (continued)

BANK				Related amounts not offset on balance sheet		
Types of financial assets/liabilities $ million	Carrying amounts on balance sheet (A)	Amounts not subject to netting agreement (B)	Amounts subject to netting agreement (A – B = C + D + E)	Financial instruments (C)	Collateral (D)	Net amounts in scope (E)
2020						
Financial assets						
Derivative receivables	**13,518**	**2,820**	**10,698**	**8,318**	**607**	**1,773**
Reverse repurchase agreements	**1,808** (1)	**90**	**1,718**	**1,708**	**–**	**10**
Securities borrowings	**1** (2)	**1**	**–**	**–**	**–**	**–**
Total	**15,327**	**2,911**	**12,416**	**10,026**	**607**	**1,783**
Financial liabilities						
Derivative payables	**13,768**	**2,267**	**11,501**	**8,318**	**1,025**	**2,158**
Repurchase agreements	**85** (3)	**–**	**85**	**85**	**–**	**–**
Total	**13,853**	**2,267**	**11,586**	**8,403**	**1,025**	**2,158**
2019						
Financial assets						
Derivative receivables	6,324	1,251	5,073	4,108	174	791
Reverse repurchase agreements	2,511 (1)	513	1,998	1,985	–	13
Securities borrowings	4 (2)	–	4	4	–	–
Total	8,839	1,764	7,075	6,097	174	804
Financial liabilities						
Derivative payables	6,743	1,153	5,590	4,108	525	957
Repurchase agreements	95 (3)	–	95	95	–	–
Total	6,838	1,153	5,685	4,203	525	957

(1) *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 and other assets. These transactions are measured either at fair value or amortised cost.*

(2) *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.*

(3) *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 other liabilities, and are measured at amortised cost.*

42. 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	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**4,248**	4,610	**3,202**	3,412
Term to maturity of more than one year	**2,437**	2,691	**1,505**	1,789
	6,685	7,301	**4,707**	5,201
Acceptances and endorsements	**845**	1,448	**337**	930
Documentary credits and other short term trade-related transactions	**5,762**	5,195	**4,627**	4,309
	13,292	13,944	**9,671**	10,440

42.1 Analysed by Industry

	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
Agriculture, mining and quarrying	**56**	229	**22**	18
Manufacturing	**1,216**	1,127	**228**	359
Building and construction	**2,171**	2,197	**1,183**	1,263
General commerce	**7,423**	7,532	**6,388**	6,645
Transport, storage and communication	**359**	513	**296**	435
Financial institutions, investment and holding companies	**657**	788	**506**	544
Professionals and individuals	**283**	302	**43**	46
Others	**1,127**	1,256	**1,005**	1,130
	13,292	13,944	**9,671**	10,440

42.2 Analysed by Geography

	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
Singapore	**8,913**	9,706	**8,773**	9,497
Malaysia	**1,114**	1,193	**6**	6
Indonesia	**1,003**	1,002	**–**	–
Greater China	**1,835**	1,615	**445**	499
Other Asia Pacific	**192**	220	**212**	230
Rest of the World	**235**	208	**235**	208
	13,292	13,944	**9,671**	10,440

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

43. Commitments

Commitments comprise mainly agreements to provide credit facilities to customers. Such credit facilities (cancellable and non-cancellable) can either be made for a fixed period, or have no specific maturity.

	GROUP		BANK	
	2020	2019	2020	2019
	$ million	$ million	$ million	$ million
43.1 Credit Commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**134,540**	131,993	**57,600**	56,894
Term to maturity of more than one year	**25,594**	21,806	**36,319**	32,430
	160,134	153,799	**93,919**	89,324
43.2 Other Commitments				
Capital commitment authorised and contracted	**227**	199	**235**	240
Forward deposits and assets purchase	**3,670**	2,295	**2,614**	5,774
	3,897	2,494	**2,849**	6,014
43.3 Total Commitments	**164,031**	156,293	**96,768**	95,338
43.4 Credit Commitments Analysed by Industry				
Agriculture, mining and quarrying	**1,503**	1,260	**700**	477
Manufacturing	**8,890**	9,435	**3,641**	4,212
Building and construction	**17,065**	15,685	**13,195**	11,331
General commerce	**22,782**	23,394	**17,946**	18,868
Transport, storage and communication	**3,378**	4,099	**2,858**	3,142
Financial institutions, investment and holding companies	**48,386**	42,605	**35,544**	33,077
Professionals and individuals	**49,685**	49,544	**14,072**	13,014
Others	**8,445**	7,777	**5,963**	5,203
	160,134	153,799	**93,919**	89,324
43.5 Credit Commitments Analysed by Geography				
Singapore	**121,097**	113,241	**79,891**	74,392
Malaysia	**8,446**	7,848	**756**	126
Indonesia	**5,082**	5,025	**–**	–
Greater China	**19,140**	21,924	**6,876**	9,026
Other Asia Pacific	**2,915**	2,197	**2,920**	2,199
Rest of the World	**3,454**	3,564	**3,476**	3,581
	160,134	153,799	**93,919**	89,324

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

44. 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
2020				
FVOCI investments	**53**	**–**	**#**	**53**
FVTPL investments	**–**	**112**	**#**	**112**
Other assets	**–**	**4**	**–**	**4**
Total assets	**53**	**116**	**#**	**169**
Other liabilities	**–**	**–**	**–**	**–**
Total liabilities	**–**	**–**	**–**	**–**
Other commitments				
Loan and capital commitments authorised and contracted [1]	**21**	**–**	**–**	**21**
Income earned from sponsored structured entities [2]	**#**	**47**	**36**	**83**
Assets of structured entities	**445**	**5,253**	**3,208**	**8,906**
2019				
FVOCI investments	57	–	#	57
FVTPL investments	–	85	–	85
Other assets	–	7	–	7
Total assets	57	92	#	149
Other liabilities	–	–	#	#
Total liabilities	–	–	#	#
Other commitments				
Loan and capital commitments authorised and contracted [1]	23	–	–	23
Income earned from sponsored structured entities [2]	1	48	36	85
Assets of structured entities	445	5,069	2,593	8,107

(1) *These were also included in the Group's capital commitments authorised and contracted in Note 43.*
(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.*

The amount of assets transferred to sponsored entities during 2020 and 2019 were not significant.

45. Financial Assets Transferred

45.1 Assets Pledged

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Government treasury bills and securities				
– Singapore	**102**	–	**102**	–
– Others	**277**	92	**8**	17
Placements with and loans to banks	**9**	51	**–**	44
Loans to customers	**2,462**	303	**2,089**	–
Debt securities	**1,051**	720	**95**	61
	3,901	1,166	**2,294**	122
Obligations to repurchase assets pledged	**1,220**	759	**85**	95

(a) The amounts received from repurchase transactions are recognised as collaterised borrowings, "obligations to repurchase assets pledged", measured at amortised cost and included in deposits of banks and non-bank customers and other liabilities on the balance sheet. The above assets pledged as collateral for repurchase transactions are not derecognised but are presented separately on the balance sheet.

(b) The amounts paid in reverse repurchase transactions are recognised as collaterised lendings, measured at amortised cost and included in loans to banks and non-bank customers as appropriate. The financial assets accepted as collateral for reverse repurchase transactions are not recognised as assets on the balance sheet. 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 $4.26 billion (2019: $2.35 billion), of which $0.06 billion (2019: $0.03 billion) have been sold or re-pledged. The Group is obliged to return equivalent assets.

(c) Transactions are conducted under terms and conditions that are usual and customary to standard securities lending (equivalent to repurchase transactions) and securities borrowing (equivalent to reverse repurchase transactions).

45.2 Assets Assigned as Security for Covered Bonds Issued (Note 21.5)

Pursuant to the Bank's Global Covered Bond Programme, selected pools of Singapore housing loans originated by the Bank have been assigned to a bankruptcy-remote structured entity, Red Sail Pte. Ltd. (Note 33.4). These housing loans continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2020, the carrying amounts of the covered bonds in issue was $3.7 billion (2019: $3.5 billion), while the carrying amounts of assets assigned was $7.3 billion (2019: $6.9 billion). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

46. Assets Held for Sale

Assets held for sale comprise properties which the Group is disposing of, 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 financial year ending 31 December 2020.

47. Minimum Lease Payment Receivable

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	GROUP		BANK	
	2020 $ million	2019 $ million	2020 $ million	2019 $ million
Within 1 year	**43**	43	**16**	16
After 1 year but within 5 years	**50**	67	**5**	9
Over 5 years	**–**	2	**–**	–
	93	112	**21**	25

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

48. 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.

48.1 Material Related Party Transactions

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

	GROUP		BANK		
$ million	Associates	Life insurance fund	Subsidiaries	Associates	Life insurance fund
(a) Loans, placements and other receivables					
At 1 January 2020	75	410	18,073	74	104
Net change	(34)	259	(827)	(34)	94
At 31 December 2020	**41**	**669**	**17,246**	**40**	**198**
(b) Deposits, borrowings and other payables					
At 1 January 2020	347	994	21,435	138	432
Net change	59	(193)	4,358	62	137
At 31 December 2020	**406**	**801**	**25,793**	**200**	**569**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2020	–	6	19,657	–	6
Net change	–	5	(2,728)	–	5
At 31 December 2020	**–**	**11**	**16,929**	**–**	**11**
(d) Income statement transactions					
Year ended 31 December 2020					
Interest income	**#**	**15**	**173**	**#**	**#**
Interest expense	**5**	**5**	**253**	**2**	**1**
Rental income	**–**	**2**	**23**	**–**	**#**
Fee and commission and other income	**21**	**233**	**60**	**–**	**171**
Rental and other expenses	**17**	**19**	**365**	**17**	**#**
Year ended 31 December 2019					
Interest income	1	10	363	#	#
Interest expense	6	18	472	2	3
Rental income	–	2	27	–	#
Fee and commission and other income	–	225	57	–	167
Rental and other expenses	25	37	359	25	#

(1) *Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.*

During the financial year, the Group had banking transactions with director-related and key management-related entities and personnel of the Group. These transactions were not material.

48. Related Party Transactions (continued)

48.2 Key Management Personnel Compensation

	BANK	
	2020 $ million	2019 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**51**	44
Share-based benefits	**18**	16
	69	60

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2020 included in the above table are subject to the approval of the Remuneration Committee.

49. Capital Management

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, the Group targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. The Group actively manages its capital composition with an optimal mix of capital instruments in order to keep its overall cost of capital low.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 14 and 21 of the financial statements, and the approaches adopted by the Group for the computation of risk-weighted assets can be found in the "Pillar 3 Disclosures" chapter.

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2020.

$ million	2020	2019
Tier 1 Capital		
Ordinary shares	**17,833**	17,261
Disclosed reserves/others	**23,021**	21,452
Regulatory adjustments	**(7,648)**	(6,913)
Common Equity Tier 1 Capital	**33,206**	31,800
Additional Tier 1 capital	**1,230**	1,531
Regulatory adjustments	**–**	–
Tier 1 Capital	**34,436**	33,331
Tier 2 capital	**4,530**	2,661
Regulatory adjustments	**–**	–
Total Eligible Capital	**38,966**	35,992
Credit	**191,525**	183,439
Market	**10,955**	14,751
Operational	**15,665**	15,166
Risk Weighted Assets	**218,145**	213,356
Capital Adequacy Ratios		
Common Equity Tier 1	**15.2%**	14.9%
Tier 1	**15.8%**	15.6%
Total	**17.9%**	16.8%

50. New Accounting Standards and Interpretations

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

SFRS(I)	Title	Effective for financial year beginning on or after
Various	*Annual Improvements to SFRS(I)s 2018-2020*	1 January 2022
SFRS(I) 3 (Amendments)	*Reference to the Conceptual Framework*	1 January 2022
SFRS(I) 1-16 (Amendments)	*Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
SFRS(I) 1-37 (Amendments)	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
SFRS(I) 17	*Insurance Contracts*	1 January 2023
SFRS(I) 1-1 (Amendments)	*Classification of Liabilities as Current or Non-current*	1 January 2023
SFRS(I) 1-10 (Amendments) SFRS(I) 1-28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
SFRS(I) 9, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16 (Amendments)	*Interest Rate Benchmark Reform – Phase 2*	1 January 2021

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 a significant impact on the Group's financial statements, except as described below.

50.1 SFRS(I) 17 *Insurance Contracts*

SFRS(I) 17 was issued in March 2018 as replacement for SFRS(I) 4 *Insurance Contracts*. The Accounting Standards Council Singapore (ASC) has issued Amendments to SFRS(I) 17 on 27 November 2020 to defer the effective date to annual reporting periods beginning on or after 1 January 2023.

It is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SFRS(I) 17 requires a general model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The general model is supplemented by:

- a simplified approach (the premium allocation approach) mainly for short duration contracts; and
- a modification of the general measurement model (the variable fee approach) for contracts with direct participation features.

SFRS(I) 17 is effective for annual periods beginning on or after 1 January 2023, with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. GEH Group plans to adopt SFRS(I) 17 on the required effective date and a Project Steering Committee was formed to oversee the implementation of the standard. GEH Group expects that SFRS(I) 17 will result in an important change to the accounting policies for insurance contract liabilities of GEH Group and is likely to have a significant impact on profit and total equity together with GEH Group's financial statements' presentation and disclosures.

50. New Accounting Standards and Interpretations (continued)

50.2 SFRS(I) 9, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16 (Amendments) *Interest Rate Benchmark Reform – Phase 2*

The amendments to SFRS(I) 9, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 were issued in November 2020 and are effective for annual periods beginning on or after 1 January 2021. The amendments addresses issues that might affect the Group as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

(i) Change in Basis for Determining Cash Flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. As a result, no immediate gain or loss is recognised. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

(ii) Hedge Accounting

The amendments provide exceptions to the hedge accounting requirements that will assist the Group to maintain its existing hedging relationships post transition to the alternative benchmark rate. The Group will continue to record any ongoing hedge ineffectiveness in profit or loss.

(iii) Disclosure

The amendments will require the Group to disclose additional information about the Group's exposure to risks arising from interest rate benchmark reform and related risk management activities.

These amendments will impact the Group's financial instruments referencing interest rate benchmarks that are impacted by the interest rate benchmark reform. The Group is assessing the potential impact of these amendments on its financial statements as financial instrument contracts transition to alternative benchmark rates.

51. Subsequent Event

The recent market developments in Myanmar that unfolded in 2021 have increased the risks and uncertainties of doing business in the country. The Group's exposures to Myanmar are insignificant. Nevertheless, the Group is closely monitoring the situation and assessing its possible impact. The Group is not aware and does not expect that there is material impact on the financial statements arising from these developments.

Independent Auditor's Report

To The Members Of Oversea-Chinese Banking Corporation Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of Oversea-Chinese Banking Corporation Limited ("the Bank") and its subsidiaries ("the Group") and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the financial performance and changes in equity of the Bank for the year ended on that date.

What We Have Audited

The financial statements of the Bank and the Group comprise:

- the income statements of the Group and of the Bank for the year ended 31 December 2021;
- the statements of comprehensive income of the Group and of the Bank for the year then ended;
- the balance sheets of the Group and of the Bank as at 31 December 2021;
- the statement of changes in equity of the Group for the year then ended;
- the statement of changes in equity of the Bank for the year then ended;
- the consolidated cash flow statement of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment of loans to customers *(Refer to Notes 2.25, 26, 28 and 30 to the financial statements)* The Group's allowances on non-impaired loans and impaired loans are S$1,900 million and S$1,535 million respectively as at 31 December 2021. These allowances are determined by the Group based on the Expected Credit Losses ("ECL") framework under SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9"). *ECL on non-credit-impaired loans to customers* In respect of the ECL on non-credit-impaired loans to customers, the Group utilises models which are reliant on internal and external data as well as a number of estimates. We considered this a key audit matter due to the inherent estimation uncertainty in this area which involves significant judgement and assumptions that relate to, amongst others: • determining whether a significant increase in credit risk ("SICR") has occurred; • estimating forward-looking macroeconomic scenarios; and • identifying and determining post model adjustments to the ECL models. Further, the prolonged COVID-19 pandemic has increased the uncertainty of these estimates and degree of judgement required to be exercised in estimating the ECL. *ECL on credit-impaired loans to customers* As at 31 December 2021, 58% (S$892 million) of the Group's ECL on credit-impaired loans to customers relates to the Global Wholesale Banking ("GWB") loan portfolio. We focused on this area because of the highly subjective judgements and assumptions applied by management in determining the necessity for, and estimating the amount of, the ECL allowances against credit-impaired loans to customers. Significant judgements were also required for the credit grading of borrowers in accordance with MAS Notices 612 and 612A.	*ECL on non-credit-impaired loans to customers* We assessed the design and evaluated the operating effectiveness of key controls over the ECL on non-credit-impaired loans to customers. These controls include: • review and approval of forward-looking information used in the ECL models; • use of reliable and accurate critical data elements in the ECL models; • review and approval of the ECL results, including post model adjustments applied; • independent validation of the ECL models and review of model validation results by management; and • general IT controls over the ECL system as well as IT application controls over the completeness and accuracy of data flows from source systems to the ECL systems. We determined that we could rely on these controls for the purposes of our audit. For a sample of the Group's ECL models, we examined the model methodologies and assessed the reasonableness of key judgements and assumptions made by management in the model and parameters used. We also reviewed the results of independent model validation conducted by the Group's model validation function as part of our assessment of the ECL models. We also assessed the reasonableness of criteria used to determine a SICR and accuracy and timeliness of allocation of exposures into Stage 1 and Stage 2 based on quantitative and qualitative criteria. Through the course of our work, we challenged the rationale and calculation basis of post model adjustments. Overall, we assessed the methodologies and key assumptions made by the Group to estimate the ECL on non-credit-impaired loans to customers to be reasonable. *ECL on credit-impaired loans to customers* We assessed the design effectiveness and tested the operating effectiveness of key controls over credit grading, credit monitoring and management's determination of the ECL allowances for loans to customers. These controls include: • oversight and review of credit risk by the Credit Risk Management Committee; • credit portfolio review and monitoring; • collateral monitoring and valuation; • monitoring of loan covenants and breaches; and • classification of loans to customers in accordance with MAS Notices 612 and 612A. We determined that we could rely on these controls for the purposes of our audit.

Independent Auditor's Report

To The Members Of Oversea-Chinese Banking Corporation Limited

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment of loans to customers (continued) *ECL on credit-impaired loans to customers* (continued) For GWB's credit-impaired loan portfolio, significant management judgement and estimation include: • identifying credit-impaired exposures; • assessing the future performance of the borrowers and recoverable cash flows; and • determining collateral values and timing of realisation. Current significant events (e.g. economic and geopolitical developments, and the COVID-19 pandemic) added complexity to the estimation of the ECL allowances. The outcome and corresponding impact of these events are uncertain.	*ECL on credit-impaired loans to customers* (continued) We selected a sample of credit exposures in the GWB loan portfolio and performed credit file reviews to assess the appropriateness of credit grading in accordance with the requirements of MAS Notices 612 and 612A. In that process, we have also considered management's assessment on the impact of current significant events in the identification of credit-impaired exposures. Where there was objective evidence of impairment, we assessed whether the ECL allowances were recognised on a timely basis and evaluated the amount of such impairment. Our work includes: • considering the background facts and the latest circumstances in relation to the borrower; • examining and challenging management's key assumptions applied on expected future cash flows of the borrower, including amounts and timing of recoveries; • comparing the realisable value of collateral against externally derived evidence including independent valuation reports, where available; and • testing the calculation of impairment. For a sample of non-credit-impaired loans to customers which had not been classified by management as credit-impaired, we challenged management's key assumptions on whether their classification was appropriate, based on our understanding of the customers, business environment and other external evidence where available. Based on the procedures performed, we have assessed that the ECL allowances for credit-impaired loans to customers were within an acceptable range of estimates.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation of financial instruments measured at fair value – Levels 2 and 3 *(Refer to Notes 2.25 and 41.3 to the financial statements)* As at 31 December 2021, the Group had financial assets of S$51 billion and financial liabilities of S$9 billion measured at fair value which were classified as Level 2. These represent 29% of the financial assets and 89% of the financial liabilities measured at fair value respectively. We considered valuation of Level 2 financial instruments to be a key audit matter due to their financial significance to the Group as well as the judgement required in relation to the application of the appropriate models, assumptions and inputs. The Group also had financial assets of S$5 billion and financial liabilities of S$640 million measured at fair value which were classified as Level 3. These represent 3% of the financial assets and 6% of the financial liabilities measured at fair value respectively.	We assessed the design and tested the operating effectiveness of key controls over the Group's financial instruments valuation processes, including the controls over: • management's testing and approval of valuation models; • the completeness and accuracy of the data feeds and other inputs into valuation models; • follow-up on collateral disputes, which takes into account counterparty valuations, to identify possible indicators of inappropriate valuations by the Group; and • governance mechanisms and monitoring over the valuation processes by the Market Risk Management Committee, including over valuation adjustments. We determined that we could rely on the controls for the purposes of our audit. Together with our valuation specialists, we compared the Group's valuation of Level 2 financial instruments to our own estimates on a sampling basis. This involved sourcing inputs from market data providers or external sources and using our own valuation models, and investigating the root cause for material variances at the instrument level.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation of financial instruments measured at fair value – Levels 2 and 3 (continued) We focused on the valuation of Level 3 financial assets and financial liabilities, as management makes significant judgements and assumptions (using valuation models) when valuing these financial instruments, as they are complex or illiquid and the external evidence supporting the Group's valuations are limited due to the lack of a liquid market.	For a sample of Level 3 financial instruments, with the assistance of our valuation specialists, we assessed the reasonableness of the methodologies used and the key assumptions made. For all financial instruments at Levels 2 and 3, we also performed: • procedures on collateral disputes, which takes into account counterparty valuations, to identify possible indicators of inappropriate valuations by the Group; and • assessed the adequacy of the Group's financial statements disclosures in the context of the relevant accounting standards. Overall, the valuation of Levels 2 and 3 financial instruments measured at fair value was within a reasonable range of outcomes.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment of goodwill *(Refer to Notes 2.25 and 36 to the financial statements)* The Group has a significant amount of goodwill arising from its business acquisitions. As at 31 December 2021, the carrying amount of goodwill on the Group's balance sheet amounted to S$4,467 million. In performing the impairment assessment of the carrying amount of goodwill, significant judgement is made by management in estimating the recoverable amounts of the relevant cash generating units ("CGUs"). For the Banking CGUs, this involves the estimation of discounted cash flows, where the significant assumptions used in the assessment include: • forecasts of future cash flows; • inputs to determine the risk-adjusted discount rates; and • perpetual growth rates. For the Insurance CGU, the Group applies the appraisal value technique, which comprises the embedded value of in-force business and the estimated value of projected distributable profits from new businesses. The key assumptions used in this assessment include: • investment returns based on long term strategic asset mix and expected future returns; and • risk-adjusted discount rates. Given the level of complexity and extent of judgement involved, we considered this to be a key audit matter.	We assessed the appropriateness of management's identification of the Group's CGUs and methodology used in the estimation of recoverable amounts. We also evaluated the key assumptions used and applied sensitivity analysis to the key assumptions to determine whether any possible change in these key assumptions would result in an impairment. *Banking CGUs* Together with our valuation specialists, we evaluated: • management's cash flow projections by comparing previous forecasts to actual results; • the methodology and external data sources used in deriving the discount rates and growth rates; and • the growth rate assumptions against the Group's historical performance and available external industry and economic indicators. *Insurance CGU* Together with our actuarial specialists, we evaluated: • the methodologies in estimating the appraisal value; and • the key assumptions including the investment returns and the risk-adjusted discount rates used in deriving the appraisal value. We found the key assumptions and estimates made by management to be reasonable based on our audit procedures performed.

Independent Auditor's Report

To The Members Of Oversea-Chinese Banking Corporation Limited

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation of insurance contract liabilities *(Refer to Notes 2.25, 22 and 38.4 to the financial statements)* The Group's insurance operations are conducted through Great Eastern Holdings Limited and its subsidiaries ("GEH"). Management's valuation of life insurance contract liabilities uses complex actuarial methods and models. The valuation process involves significant judgement about the assumptions of uncertain future events, including: mortality, morbidity, expense, lapse, surrender and interest rates. In addition to historical experience, management judgement is involved in the application of these assumptions. Changes in these assumptions used could result in a material impact to the valuation of the life insurance contract liabilities and the related movements in the consolidated profit or loss statement of the Group.	We performed the following audit procedures to address this matter: • we understood the actuarial valuation process, including model changes and assumptions setting; • we tested the design and operating effectiveness of controls over the accuracy and completeness of the data used; • we understood the valuation methodologies used, identified changes in methodologies from previous valuation and assessed the reasonableness and impact for material changes identified. We carried out these procedures by applying our industry knowledge and experience and assessed whether the methodologies and changes to those methodologies are consistent with recognised actuarial practices and expectations derived from market experience; • we performed an independent review of model inputs on a sample basis to assess that the methodologies and key assumptions have been applied appropriately; and • we assessed the reasonableness of the key assumptions used by management including: mortality, morbidity, expense, lapse, surrender and interest rates, by comparing against GEH's historical experiences and market observable data, where applicable. Based on the work performed and the evidence obtained, we found the methodologies and key assumptions used by management to be reasonable.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report

To The Members Of Oversea-Chinese Banking Corporation Limited

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lian Wee Cheow.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 22 February 2022

Income Statements

For the financial year ended 31 December 2021

		GROUP		BANK	
		2021	2020	2021	2020
	Note	$ million	$ million	$ million	$ million
Interest income		**7,425**	9,143	**3,919**	5,070
Interest expense		**(1,570)**	(3,177)	**(708)**	(1,821)
Net interest income	3	**5,855**	5,966	**3,211**	3,249
Profit from life insurance [(1)]	4	**1,137**	698	**–**	–
Premium income from general insurance		**197**	201	**–**	–
Fees and commissions (net)	5	**2,245**	2,003	**969**	815
Dividends	6	**113**	78	**1,049**	1,468
Net trading income	7	**763**	863	**249**	305
Other income	8	**286**	330	**143**	158
Non-interest income		**4,741**	4,173	**2,410**	2,746
Total income		**10,596**	10,139	**5,621**	5,995
Staff costs		**(3,028)**	(2,748)	**(1,093)**	(969)
Other operating expenses		**(1,736)**	(1,691)	**(1,131)**	(1,018)
Total operating expenses	9	**(4,764)**	(4,439)	**(2,224)**	(1,987)
Operating profit before allowances and amortisation		**5,832**	5,700	**3,397**	4,008
Amortisation of intangible assets	36	**(103)**	(104)	**–**	–
Allowances for loans and other assets	10	**(873)**	(2,043)	**(442)**	(1,493)
Operating profit after allowances and amortisation		**4,856**	3,553	**2,955**	2,515
Share of results of associates, net of tax		**824**	612	**–**	–
Profit before income tax		**5,680**	4,165	**2,955**	2,515
Income tax expense	11	**(648)**	(437)	**(229)**	(169)
Profit for the year		**5,032**	3,728	**2,726**	2,346
Attributable to:					
Equity holders of the Bank		**4,858**	3,586		
Non-controlling interests		**174**	142		
		5,032	3,728		
Earnings per share ($)	12				
Basic		**1.07**	0.80		
Diluted		**1.07**	0.80		

(1) *Comprised premium and investment income of $19,506 million (2020: $20,890 million) and insurance claims, commission and other expenses of $18,285 million (2020: $20,203 million) for the Group. Refer to Note 4.*

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

Statements of Comprehensive Income

For the financial year ended 31 December 2021

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Profit for the year	**5,032**	3,728	**2,726**	2,346
Other comprehensive income:				
Items that may be reclassified subsequently to income statement:				
Financial assets, at FVOCI [1]				
Fair value (losses)/gains for the year	**(694)**	877	**(326)**	292
Reclassification of (gains)/losses to income statement				
– on disposal	**(131)**	(506)	**(34)**	(73)
– on impairment	**3**	5	**4**	1
Tax on net movements	**98**	(37)	**11**	(5)
Cash flow hedges	**(#)**	#	**(7)**	1
Currency translation on foreign operations	**110**	42	**(34)**	50
Other comprehensive income of associates	**339**	129	**–**	–
Items that will not be reclassified subsequently to income statement:				
Currency translation on foreign operations	**(1)**	(12)	**–**	–
Equity instruments, at FVOCI [1], net change in fair value	**134**	116	**44**	(25)
Defined benefit plans remeasurements	**(1)**	#	**–**	(#)
Own credit	**1**	1	**1**	1
Total other comprehensive income, net of tax	**(142)**	615	**(341)**	242
Total comprehensive income for the year, net of tax	**4,890**	4,343	**2,385**	2,588
Total comprehensive income attributable to:				
Equity holders of the Bank	**4,735**	4,200		
Non-controlling interests	**155**	143		
	4,890	4,343		

(1) *Fair value through other comprehensive income.*
(2) *# represents amounts less than $0.5 million.*

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

Balance Sheets

As at 31 December 2021

		GROUP		BANK	
	Note	2021 $ million	2020 $ million	2021 $ million	2020 $ million
EQUITY					
Attributable to equity holders of the Bank					
Share capital	13	**18,040**	17,833	**18,040**	17,833
Other equity instruments	14	**1,198**	1,198	**1,198**	1,198
Capital reserves	15	**782**	1,229	**559**	994
Fair value reserves		**848**	1,358	**(25)**	300
Revenue reserves	16	**31,795**	28,004	**15,825**	14,560
		52,663	49,622	**35,597**	34,885
Non-controlling interests		**1,675**	1,554	**–**	–
Total equity		**54,338**	51,176	**35,597**	34,885
LIABILITIES					
Deposits of non-bank customers	17	**342,395**	314,907	**221,213**	197,745
Deposits and balances of banks	17	**8,239**	9,586	**6,708**	7,408
Due to subsidiaries		**–**	–	**28,250**	25,793
Due to associates		**431**	406	**230**	200
Trading portfolio liabilities		**393**	339	**393**	339
Derivative payables	18	**9,070**	15,516	**7,656**	13,768
Other liabilities	19	**7,163**	8,093	**1,906**	1,886
Current tax payables		**905**	745	**458**	366
Deferred tax liabilities	20	**2,832**	1,818	**154**	223
Debt issued	21	**20,115**	24,355	**19,657**	23,397
		391,543	375,765	**286,625**	271,125
Life insurance fund liabilities	22	**96,306**	94,454	**–**	–
Total liabilities		**487,849**	470,219	**286,625**	271,125
Total equity and liabilities		**542,187**	521,395	**322,222**	306,010
ASSETS					
Cash and placements with central banks	23	**27,919**	26,525	**22,863**	20,969
Singapore government treasury bills and securities	24	**11,112**	10,628	**10,106**	9,294
Other government treasury bills and securities	24	**26,159**	22,663	**9,710**	9,411
Placements with and loans to banks	25	**25,462**	32,816	**17,516**	24,083
Loans to customers	26	**286,281**	263,538	**189,401**	170,651
Debt and equity securities	29	**34,015**	33,143	**20,031**	17,844
Assets held for sale	47	**11**	2	**1**	–
Derivative receivables	18	**9,267**	15,223	**7,812**	13,518
Other assets	31	**6,334**	5,806	**2,339**	3,135
Deferred tax assets	20	**280**	133	**88**	41
Associates	32	**6,170**	4,633	**2,262**	1,749
Subsidiaries	33	**–**	–	**37,018**	32,272
Property, plant and equipment	34	**3,506**	3,567	**735**	698
Investment property	35	**801**	813	**473**	478
Goodwill and other intangible assets	36	**4,774**	4,837	**1,867**	1,867
		442,091	424,327	**322,222**	306,010
Life insurance fund investment securities and other assets	22	**100,096**	97,068	**–**	–
Total assets		**542,187**	521,395	**322,222**	306,010

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

Statement of Changes in Equity – Group

For the financial year ended 31 December 2021

In $ million	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Bank						
Balance at 1 January 2021	**19,031**	**1,229**	**1,358**	**28,004**	**49,622**	**1,554**	**51,176**
Total comprehensive income for the year							
Profit for the year	–	–	–	4,858	4,858	174	5,032
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value losses for the year	–	–	(664)	–	(664)	(30)	(694)
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(122)	–	(122)	(9)	(131)
– on impairment	–	–	3	–	3	(#)	3
Tax on net movements	–	–	91	–	91	7	98
Cash flow hedges	–	–	–	(#)	(#)	–	(#)
Currency translation on foreign operations	–	–	–	110	110	–	110
Other comprehensive income of associates	–	–	127	212	339	–	339
Items that will not be reclassified subsequently to income statement:							
Currency translation on foreign operations	–	–	–	–	–	(1)	(1)
Equity instruments, at FVOCI, net change in fair value	–	–	55	65	120	14	134
Defined benefit plans remeasurements	–	–	–	(1)	(1)	(#)	(1)
Own credit	–	–	–	1	1	–	1
Total other comprehensive income, net of tax	–	–	(510)	387	(123)	(19)	(142)
Total comprehensive income for the year	–	–	(510)	5,245	4,735	155	4,890
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	13	(436)	–	423	–	–	–
Buy-back of shares for holding as treasury shares	(406)	–	–	–	(406)	–	(406)
Dividends and distributions	–	–	–	(1,886)	(1,886)	(34)	(1,920)
Shares issued in lieu of ordinary dividends	376	–	–	–	376	–	376
DSP reserve from dividends on unvested shares	–	–	–	10	10	–	10
Share-based payments for staff costs	–	9	–	–	9	–	9
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares issued under Share Option Scheme	1	–	–	–	1	–	1
Shares transferred to DSP Trust	83	(93)	–	–	(10)	–	(10)
Shares vested under DSP Scheme	–	73	–	–	73	–	73
Treasury shares transferred/sold	139	–	–	–	139	–	139
Total contributions by and distributions to owners	207	(447)	–	(1,453)	(1,693)	(34)	(1,727)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	(1)	(1)	(#)	(1)
Total changes in interests in subsidiaries	–	–	–	(1)	(1)	(#)	(1)
Balance at 31 December 2021	**19,238**	**782**	**848**	**31,795**	**52,663**	**1,675**	**54,338**
Included in the balances:							
Share of reserves of associates	–	–	174	3,115	3,289	–	3,289

(1) *Included regulatory loss allowance reserve of $874 million at 1 January 2021 and $444 million at 31 December 2021.*
(2) *# represents amounts less than $0.5 million.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 13 to 16.

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

In $ million	Attributable to equity holders of the Bank: Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	18,758	1,253	919	26,232	47,162	1,441	48,603
Total comprehensive income for the year							
Profit for the year	–	–	–	3,586	3,586	142	3,728
Other comprehensive income							
Items that may be reclassified subsequently to income statement:							
Financial assets, at FVOCI							
Fair value gains for the year	–	–	819	–	819	58	877
Reclassification of (gains)/losses to income statement							
– on disposal	–	–	(461)	–	(461)	(45)	(506)
– on impairment	–	–	5	–	5	#	5
Tax on net movements	–	–	(34)	–	(34)	(3)	(37)
Cash flow hedges	–	–	–	#	#	–	#
Currency translation on foreign operations	–	–	–	42	42	–	42
Other comprehensive income of associates	–	–	(44)	173	129	–	129
Items that will not be reclassified subsequently to income statement:							
Currency translation on foreign operations	–	–	–	–	–	(12)	(12)
Equity instruments, at FVOCI, net change in fair value	–	–	154	(41)	113	3	116
Defined benefit plans remeasurements	–	–	–	#	#	#	#
Own credit	–	–	–	1	1	–	1
Total other comprehensive income, net of tax	–	–	439	175	614	1	615
Total comprehensive income for the year	–	–	439	3,761	4,200	143	4,343
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Transfers	3	2	–	(5)	–	–	–
Buy-back of shares for holding as treasury shares	(63)	–	–	–	(63)	–	(63)
Dividends and distributions [2]	–	–	–	(1,993)	(1,993)	(34)	(2,027)
Shares issued in lieu of ordinary dividends [2]	526	–	–	–	526	–	526
DSP reserve from dividends on unvested shares	–	–	–	10	10	–	10
Perpetual capital securities issued	200	–	–	–	200	–	200
Perpetual capital securities redeemed	(499)	–	–	(1)	(500)	–	(500)
Share-based payments for staff costs	–	11	–	–	11	–	11
Shares issued to non-executive directors	1	–	–	–	1	–	1
Shares transferred to DSP Trust	–	(10)	–	–	(10)	–	(10)
Shares vested under DSP Scheme	–	62	–	–	62	–	62
Treasury shares transferred/sold	105	(89)	–	–	16	–	16
Total contributions by and distributions to owners	273	(24)	–	(1,989)	(1,740)	(34)	(1,774)
Changes in interests in subsidiaries that do not result in loss of control	–	–	–	(#)	(#)	4	4
Total changes in interests in subsidiaries	–	–	–	(#)	(#)	4	4
Balance at 31 December 2020	19,031	1,229	1,358	28,004	49,622	1,554	51,176
Included in the balances:							
Share of reserves of associates	–	–	47	2,217	2,264	–	2,264

(1) *Included regulatory loss allowance reserve of $876 million at 1 January 2020 and $874 million at 31 December 2020.*
(2) *Comparatives have been reclassified to conform to current year's presentation.*
(3) *# represents amounts less than $0.5 million.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 13 to 16.

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

Statement of Changes in Equity – Bank

For the financial year ended 31 December 2021

In $ million	Share capital and other equity	Capital reserves [1]	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2021	**19,031**	**994**	**300**	**14,560**	**34,885**
Profit for the year	**–**	**–**	**–**	**2,726**	**2,726**
Other comprehensive income	**–**	**–**	**(325)**	**(16)**	**(341)**
Total comprehensive income for the year [2]	**–**	**–**	**(325)**	**2,710**	**2,385**
Transfers	**13**	**(444)**	**–**	**431**	**–**
Buy-back of shares for holding as treasury shares	**(406)**	**–**	**–**	**–**	**(406)**
Dividends and distributions	**–**	**–**	**–**	**(1,886)**	**(1,886)**
Shares issued in lieu of ordinary dividends	**376**	**–**	**–**	**–**	**376**
DSP reserve from dividends on unvested shares	**–**	**–**	**–**	**10**	**10**
Share-based payments for staff costs	**–**	**9**	**–**	**–**	**9**
Shares issued to non-executive directors	**1**	**–**	**–**	**–**	**1**
Shares issued under Share Option Scheme	**1**	**–**	**–**	**–**	**1**
Shares transferred to DSP Trust	**83**	**–**	**–**	**–**	**83**
Treasury shares transferred/sold	**139**	**–**	**–**	**–**	**139**
Balance at 31 December 2021	**19,238**	**559**	**(25)**	**15,825**	**35,597**
Balance at 1 January 2020	18,758	986	114	14,142	34,000
Profit for the year	–	–	–	2,346	2,346
Other comprehensive income	–	–	186	56	242
Total comprehensive income for the year [2]	–	–	186	2,402	2,588
Transfers	3	(3)	–	–	–
Buy-back of shares for holding as treasury shares	(63)	–	–	–	(63)
Dividends and distributions [3]	–	–	–	(1,993)	(1,993)
Shares issued in lieu of ordinary dividends [3]	526	–	–	–	526
DSP reserve from dividends on unvested shares	–	–	–	10	10
Perpetual capital securities issued	200	–	–	–	200
Perpetual capital securities redeemed	(499)	–	–	(1)	(500)
Share-based payments for staff costs	–	11	–	–	11
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	105	–	–	–	105
Balance at 31 December 2020	19,031	994	300	14,560	34,885

(1) *Included regulatory loss allowance reserve of $874 million at 1 January 2021 (1 January 2020: $874 million) and $444 million at 31 December 2021 (31 December 2020: $874 million).*
(2) *Refer to Statements of Comprehensive Income for detailed breakdown.*
(3) *Comparatives have been reclassified to conform to current year's presentation.*

An analysis of the movements in each component within 'Share capital', 'Other equity instruments', 'Capital reserves' and 'Revenue reserves' is presented in Notes 13 to 16.

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2021

In $ million	2021	2020
Cash flows from operating activities		
Profit before income tax	**5,680**	4,165
Adjustments for non-cash items:		
Allowances for loans and other assets	**873**	2,043
Amortisation of intangible assets	**103**	104
Change in hedging transactions, fair value through profit or loss securities and debt issued	**104**	26
Depreciation of property and equipment and interest expense on lease liabilities	**416**	424
Net gain on disposal of government, debt and equity securities	**(92)**	(208)
Net gain on disposal of property and equipment	**(107)**	(44)
Net gain on disposal of interest in a subsidiary	**–**	(9)
Share-based costs	**73**	76
Share of results of associates, net of tax	**(824)**	(612)
Items relating to life insurance fund		
Surplus before income tax	**1,221**	687
Surplus transferred from life insurance fund	**(1,137)**	(698)
Operating profit before change in operating assets and liabilities	**6,310**	5,954
Change in operating assets and liabilities:		
Deposits of non-bank customers	**27,510**	12,115
Deposits and balances of banks	**(1,347)**	1,336
Derivative payables and other liabilities	**(6,908)**	9,161
Trading portfolio liabilities	**55**	247
Restricted balances with central banks	**(764)**	695
Government securities and treasury bills	**1,614**	(4,039)
Fair value through profit or loss securities	**(7,059)**	(698)
Placements with and loans to banks	**7,354**	3,048
Loans to customers	**(23,685)**	(3,101)
Derivative receivables and other assets	**4,087**	(9,919)
Net change in other assets and liabilities of life insurance fund	**8,029**	1,660
Cash provided by operating activities	**15,196**	16,459
Income tax paid [1]	**(913)**	(822)
Net cash provided by operating activities	**14,283**	15,637
Cash flows from investing activities		
Dividends from associates	**138**	201
Investment in associates	**(514)**	(418)
Purchases of debt and equity securities	**(12,475)**	(14,882)
Purchases of life insurance fund investment securities	**(41,636)**	(37,978)
Purchases of property and equipment	**(443)**	(384)
Proceeds from disposal of debt and equity securities	**12,642**	12,133
Proceeds from disposal of interest in a subsidiary	**–**	32
Proceeds from disposal of life insurance fund investment securities	**34,345**	36,871
Proceeds from disposal of property and equipment	**152**	86
Net cash used in investing activities	**(7,791)**	(4,339)
Cash flows from financing activities		
Changes in non-controlling interests	**(1)**	4
Buy-back of shares for holding as treasury shares	**(406)**	(63)
Dividends and distributions paid	**(1,544)**	(1,501)
Net redemption of other debt issued (Note 21.6)	**(3,840)**	(6,961)
Net proceeds from perpetual capital securities issued	**–**	200
Repayments of lease liabilities	**(91)**	(93)
Proceeds from subordinated debt issued (Note 21.6)	**–**	1,365
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	**140**	16
Redemption of perpetual capital securities issued	**–**	(500)
Redemption of subordinated debt issued (Note 21.6)	**(400)**	–
Net cash used in financing activities	**(6,142)**	(7,533)
Net change in cash and cash equivalents	**350**	3,765
Net currency translation adjustments	**282**	253
Cash and cash equivalents at 1 January	**22,078**	18,060
Cash and cash equivalents at 31 December (Note 23)	**22,710**	22,078

(1) *In 2021, the Group paid income tax of $913 million (2020: $822 million), of which $280 million (2020: $230 million) was paid in Singapore and $633 million (2020: $592 million) in other jurisdictions.*

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

Notes to the Financial Statements

For the financial year ended 31 December 2021

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 22 February 2022.

1. General

Oversea-Chinese Banking Corporation Limited (the Bank) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. 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. The Group is principally engaged in the business of banking, life insurance, 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 (International) (SFRS(I)) as required by the Singapore Companies Act 1967 (the Act).

The financial statements are presented in Singapore Dollar, rounded to the nearest million unless otherwise stated. # represents amounts less than $0.5 million. 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 SFRS(I) 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 2.25.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2021:

SFRS(I)	Title
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16 (Amendments)	*Interest Rate Benchmark Reform – Phase 2*
SFRS(I) 16 (Amendments)	*COVID-19-Related Rent Concessions beyond 30 June 2021*

The initial application of the above standards (including their consequential amendments) and interpretations did not have any material impact on the Group's financial statements, except for the amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 (Amendments) *Interest Rate Benchmark Reform – Phase 2*.

Adoption of SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16 (Amendments)
Interest Rate Benchmark Reform – Phase 2

The Group adopted the amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 on 1 January 2021. The amendments addresses issues that might affect the Group as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an existing interest rate benchmark with an alternative benchmark.

(i) Change in Basis for Determining Cash Flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability which is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. As a result, no immediate gain or loss is recognised. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

(ii) Hedge Accounting

The amendments provide exceptions to the hedge accounting requirements that will assist the Group to maintain its existing hedging relationships post transition to the alternative benchmark rate. The Group will continue to record any ongoing hedge ineffectiveness in profit or loss.

(iii) Disclosure

The amendments will require the Group to disclose additional information about the Group's exposure to risks arising from interest rate benchmark reform and related risk management activities.

These amendments will impact the Group's financial statements when financial instruments referencing interest rate benchmarks that are impacted by the interest rate benchmark reform are modified. Refer to Note 2.5.3 and Note 2.7 for significant accounting policies with respect to the modifications. Refer to Note 40 for additional disclosures arising from the Phase 2 amendments.

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.

2. Summary of Significant Accounting Policies (continued)

2.2 Basis of Consolidation (continued)

2.2.1 Subsidiaries (continued)

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

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

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

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

The excess of the fair value of consideration transferred, the recognised 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 net assets acquired is recognised as goodwill at the date of acquisition. When the excess is negative, a bargain purchase gain is recognised immediately in the income statements.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are reclassified. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognised directly in equity.

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 is considered to be the sponsor of 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

Associates are entities over which the Group 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 entities.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. If the investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Group may elect to measure that investment at fair value through profit or loss in accordance with SFRS(I) 9 *Financial Instruments.* The Group will make this election separately for each associate, at initial recognition of the associate.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

2.2 Basis of Consolidation (continued)

2.2.3 Associates and Joint Ventures (continued)

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.

The investment in an associate or joint venture is derecognised when the Group ceases to have significant influence or joint control, respectively, over the investee. Amounts previously recognised in other comprehensive income (OCI) in respect of the investee are transferred to the income statement. Any retained interest in the entity is re-measured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control ceases, and its corresponding fair value, is recognised in the income statement.

2.2.4 Life Insurance Companies

Certain subsidiaries of the Group engaged in life insurance business are structured into one or more long-term life insurance funds, and shareholders' funds. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life insurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed to the shareholders and the policyholders according to a predetermined formula or retained within the life insurance funds. The amount allocated to shareholders is reported as "Profit from life insurance" in the Group's 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 reporting 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 fair value through other comprehensive income (FVOCI) financial assets are recognised in OCI and presented in the fair value reserve within equity.

2.3.2 Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on the acquisition of a foreign operation, are translated to Singapore Dollar at exchange rates prevailing at the reporting 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.

Differences arising from the translation of a foreign operation are recognised in OCI and presented in the currency translation reserve within equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the currency translation reserve is included in the income statement on disposal of the operation.

2.4 Cash and Cash Equivalents

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

2.5 Financial Instruments

2.5.1 Recognition

The Group initially recognises derivative financial instruments (forwards, futures, swaps and options) on the trade date. It initially recognises non-derivative financial instruments (loans and advances, deposits and debts issued, and regular way purchases and sales of financial assets) on the settlement date. Regular-way purchases and sales are those with delivery of assets within the time period established by regulation or market convention.

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 ownership of the asset. Financial liabilities are de-recognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

2. Summary of Significant Accounting Policies (continued)

2.5 Financial Instruments (continued)

2.5.3 Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be accounted based on the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

Interest Rate Benchmark Reform ("IBOR Reform") (Policy Applied from 1 January 2021)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

2.5.4 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.

2.5.5 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

Classification and Measurement of Financial Assets

A non-derivative financial asset is initially recognised at fair value and is subsequently measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not subsequently measured at fair value through profit or loss.

(a) Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy of how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated or managed on a fair value basis are measured at FVTPL because they are neither within the business model to hold the assets to collect contractual cash flows, nor within the business model to hold the assets both to collect contractual cash flows and to sell.

Notes to the Financial Statements
For the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

2.6 Non-Derivative Financial Assets (continued)

(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

2.6.1 Debt Instruments Measured at Amortised Cost

A debt financial instrument is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:
- it is held within a business model whose objective is to hold the asset until maturity to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as amortised cost are subject to the expected credit loss requirements in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

2.6.2 Debt Instruments Measured at FVOCI

A debt financial instrument is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as FVOCI are subject to the expected credit loss requirements in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

At the reporting date, the Group recognises unrealised fair value gains and losses on revaluing these assets in OCI and presents the cumulative gains and losses in fair value reserve within equity, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. At maturity or upon disposal, the cumulative gain or loss previously recognised in OCI is reclassified from fair value reserve to the income statement.

2.6.3 Debt Instruments Measured at FVTPL

Debt instruments that do not meet the requirements to be measured at amortised cost or at FVOCI are measured at FVTPL. At the reporting date, the Group recognises realised and unrealised gains and losses as trading income in the income statement. Interest earned while holding the assets are included in interest income.

2.6.4 Designation at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset at FVTPL notwithstanding that it would otherwise meet the requirements to be measured at amortised cost or at FVOCI, if doing so, it eliminates or significantly reduces an accounting mismatch that would otherwise arise. Upon designation, financial assets are measured at fair value on each reporting date until maturity or derecognition. Realised and unrealised fair value changes are recognised in the income statement.

2.6.5 Equity Instruments

Equity instruments held for trading are classified as FVTPL. Equity instruments that are not held for trading may be classified as FVOCI based on an irrevocable election on initial recognition on an investment-by-investment basis.

At the reporting date, realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVTPL are recognised in the income statement. Realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVOCI are recognised in OCI and are never reclassified to the income statement.

Dividend earned whilst holding the equity instruments classified as FVTPL is recognised as dividend income in the income statement. Dividend from equity instruments classified as FVOCI is recognised as dividend income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

2.6.6 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period when the Group changes its business model for managing its financial assets.

2.7 Derivative Financial Instruments

All derivative financial instruments are recognised initially and subsequently measured at fair value on the balance sheet as an asset or liability depending on whether it is a receivable or a payable, respectively. The resulting gain or loss is recognised immediately in profit or loss unless it qualifies for recognition in other comprehensive income under cash flow or net investment hedge accounting.

Fair values reflect the exit price of the instrument and include adjustments to take into account the credit risk of the Group and the counterparty where appropriate. An embedded derivative is not separated from the host contract that is a financial asset. However, it is separated from the host contract that is a financial liability or a non-financial item for grouping with other stand-alone financial derivatives.

2. Summary of Significant Accounting Policies (continued)

2.7 Derivative Financial Instruments (continued)

The Group 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 fair value, cash flow or net investment hedge accounting when the transactions meet the specified criteria for hedge accounting.

Before applying any hedge accounting, the Group determines whether an economic relationship exists between the hedged item and the hedging instrument by considering qualitative characteristics or quantitative analysis of these items. In its qualitative assessment, the Group considers whether the critical terms of its hedged item and the hedging instrument are closely aligned and evaluates whether the fair values of the hedged item and the hedging instrument respond in an offsetting manner to similar risks. Where economic hedge relationships meet the hedge accounting criteria, the Group establishes its hedge ratio by aligning the principal amount of the hedging instrument to the extent of its hedged item.

In a fair value hedging relationship, the Group mainly uses interest rate swaps and cross currency swaps to hedge its exposure to changes in the fair value of fixed rate instruments and its foreign currency risk exposure. 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 amount 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.

In a cash flow hedging relationship, the Group mainly uses interest rate swaps to hedge the variability in the cash flows of variable rate asset or liability resulting from changes in interest rates. For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is recognised in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the cash flow hedge reserve remain in equity until the hedged cash flows is recognised in the income statement. When the hedged cash flows are no longer expected to occur, the cumulative gain or loss in the hedge reserve is immediately transferred to the income statement.

"Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of a benchmark hedging instrument that is a perfect match. The amount of ineffectiveness is recognised immediately in profit or loss. The sources of ineffectiveness for both fair value hedges and cash flow hedges include imperfect economic relationship or mis-matching of key terms between the hedging instrument and the hedged item as well as the effect of credit risk existing in the hedging instrument.

The hedged risk in the Group's net investment hedges is the foreign currency exposure that arises from a net investment in subsidiaries and foreign operations that have a different functional currency from that of the Bank. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Bank's functional currency. The Group uses a mixture of derivative financial instruments and liabilities to manage its foreign currency exposure in its net investment hedges. For hedges of net investments in foreign operations which are accounted for 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 immediately. Gains and losses accumulated in equity are transferred to income statement on disposal of the foreign operations. The main source of ineffectiveness for the Group's net investment hedge is the use of a hedging instrument denominated in a proxy currency that is not perfectly correlated to the actual currency to which the Group is exposed.

<u>Specific Policies for Hedges Affected by the IBOR Reform</u>

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of the interest rate benchmark reform. The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

From 1 January 2021, when the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform (as defined in Note 2.5.3). For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- updating the description of the hedging instrument; or
- updating the description of how the entity will assess hedge effectiveness.

2. Summary of Significant Accounting Policies (continued)

2.7 Derivative Financial Instruments (continued)

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

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 reporting 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	–	8 years or remaining lease term, whichever is shorter
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 insurance 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 insurance fund is stated at fair value at the reporting 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 insurance business. The fair value of the investment property is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying amount resulting from revaluation are recognised in the income statement of the life insurance fund.

2.10 Goodwill and Other 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.

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 estimated useful lives range from 6 to 20 years. The useful life of an intangible asset is reviewed at least at each financial year end.

2. Summary of Significant Accounting Policies (continued)

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, the assets are generally measured at the lower of their carrying amount and fair value less cost to sell.

2.12 Impairment of Assets

(I) Financial Assets

Impairment allowances for financial assets are assessed using a forward-looking expected credit loss (ECL) model in accordance with the requirements of SFRS(I) 9.

2.12.1 Scope

Under SFRS(I) 9, the ECL model is applied to debt financial assets measured at amortised cost or FVOCI and most off-balance sheet loan commitments and financial guarantees.

2.12.2 Expected Credit Loss Impairment Model

Under SFRS(I) 9, credit loss allowances are measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – On initial recognition and at a subsequent reporting date, where there is no significant increase in credit risk, the expected credit loss will be that resulting from default events that are possible over the next 12 months.
- Stage 2 – Where there is a significant increase in credit risk since the initial recognition, the expected credit loss will be that resulting from default events that are possible over the expected life of the asset.
- Stage 3 – When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, the credit loss allowance will be the full lifetime expected credit loss.

2.12.3 Measurement

ECLs are a probability-weighted estimate of credit losses. They are measured based on the cash shortfalls as elaborated below:

(a) Financial assets that are not credit-impaired (Stage 1 and Stage 2) at the reporting date: The present value of all cash shortfalls (i.e. the cash flows due to the entity in accordance with the contract less the cash flows that the Group expects to receive);

(b) Financial assets that are credit-impaired (Stage 3) at the reporting date: The gross carrying amount less the present value of cash flows that the Group expects to receive;

(c) Undrawn loan commitments: The contractual cash flows that are due to the Group if the commitment is drawn down less the cash flows that the Group expects to receive; and

(d) Financial guarantee contracts: The expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used in the measurement of ECL are:

- Probability of default (PD) – This is an estimate of the likelihood of default over a time period such as one year or the exposure's expected life time.
- Loss given default (LGD) - This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure at default (EAD) - This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as well as expected drawdowns on committed facilities.

For Stage 1 exposures, ECL is calculated by multiplying the 12-month PD by LGD and EAD. For Stage 2 and Stage 3 exposures, ECL is calculated by multiplying lifetime PD by LGD and EAD.

Loans to customers that are collectively assessed are grouped on the basis of shared credit risk characteristics such as loan type, industry, geographical location of the borrower, collateral type and other relevant factors.

All key inputs (PD, LGD and EAD) used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on three macroeconomic scenarios (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

The three macroeconomic scenarios represent a most likely "Base" outcome, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macroeconomic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to reflect current economic situations.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for the lifetime period, reverting to long-run averages generally after 3 to 5 year periods. Depending on their usage in the models, macroeconomic variables are projected at a country or more granular level which differ by portfolio. The primary macroeconomic variables adopted are Gross Domestic Product, Unemployment rate, Property Price Index and Interest rate.

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout Group's expected credit loss calculations.

Notes to the Financial Statements
For the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

2.12 Impairment of Assets (continued)

(I) Financial Assets (continued)

2.12.3 Measurement (continued)

The Group considers a financial asset to be in default by assessing both quantitative and qualitative criteria such as days past due and the terms of financial covenants. A default occurs when the borrower or bond issuer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or when the financial asset is more than 90 days past due.

A financial asset is considered to be no longer in default when there is an established trend of credit improvement, supported by an assessment of the borrower's repayment capability, cash flows and financial position.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Financial assets are written off against their related impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

2.12.4 Movement Between Stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial recognition.

The Group considers both qualitative and quantitative parameters in the assessment of whether this is a significant increase in credit risk. These include the following:

(a) The Group has established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
(b) The Group conducts qualitative assessment to ascertain if there has been significant increase in credit risk.
(c) The Group uses days past due as a further indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under SFRS(I) 9 will be based on objective evidence of impairment.

The assessments for a significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. A modification of the terms of a financial asset that does not result in derecognition will result in the financial asset being transferred out of Stage 3 if the indicators of it being identified as credit-impaired is no longer met and that the evidence for its transfer out of Stage 3 solely relates to events such as up-to-date and timely payment occurring in the subsequent periods.

If a modified financial asset results in derecognition, the new financial asset will be recognised under Stage 1, unless it is assessed to be credit-impaired at the time of the modification.

2.12.5 Regulatory Requirement

Under MAS 612 requirement, the Group is required to maintain a minimum regulatory loss allowance (MRLA) of 1% of the gross carrying amount of selected credit exposures, net of collateral. Where the accounting loss allowance of selected non-credit-impaired exposures computed under SFRS(I) 9 is less than the MRLA, the Group shall maintain the difference in a non-distributable regulatory loss allowance reserve (RLAR) account through the appropriation of revenue reserves. Where the aggregated accounting loss allowance and RLAR exceeds the MRLA, the Group may transfer the excess amount in the RLAR to revenue reserves.

(II) Other Assets

2.12.6 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.

Impairment loss on goodwill cannot be reversed in subsequent periods.

2.12.7 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 reporting date or whenever there is any indication that the carrying amount of an asset may not be recoverable. If such an indication exists, the carrying amount 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).

2. Summary of Significant Accounting Policies (continued)

2.12 Impairment of Assets (continued)

(II) Other Assets (continued)

2.12.7 Investments in Subsidiaries and Associates Property, Plant and Equipment Investment Property Intangible Assets (continued)

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 amount that would have been determined (net of amortisation or depreciation) if no impairment loss had 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. A loss allowance is measured at an amount equal to lifetime expected credit losses, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets has been met. The Group's insurance receivables include outstanding premium, policy loan and reinsurance receivables. Policy loans are loans and advances made to policyholders, and are collateralised by the underlying policies.

2.14 Financial Liabilities

A non-derivative financial liability is initially recognised at fair value less transaction costs and is subsequently measured at amortised cost using the effective interest method except where it is designated as FVTPL.

For financial liabilities designated at fair value, gains and losses arising from changes in fair value are recognised in the net trading income line in the income statement except for changes in fair value attributable to the Group's own credit risk where it is presented directly within other comprehensive income. Amounts recorded in OCI related to this credit risk are not subject to recycling in profit or loss, but are transferred to unappropriated profit when realised. Financial liabilities are held at fair value through profit or loss 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 otherwise need to be separately recorded.

2.15 Provisions and Other Liabilities

2.15.1 Provisions

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 agent's agreement. The deferred/retirement benefit accumulated at the reporting date includes accrued interest.

2.15.2 Policy Benefits

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life insurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life insurance 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 (the insurer), mainly the insurance subsidiaries of GEH, has accepted significant insurance risk from 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 expired.

For the purpose of SFRS(I) 4 *Insurance Contracts*, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value or discounted maturity value as the proxy for realisable value of the insurance contract. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at inception of the insurance contract. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the reporting date.

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Certain subsidiaries within the Group, primarily GEH 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 insurance contract liabilities, comprising
- Participating Fund contract liabilities;
- Non-participating Fund contract liabilities; and
- Investment-linked Fund contract liabilities.

(b) Non-life insurance contract liabilities

(c) Reinsurance contracts

Life Insurance 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 subsidiaries.

The valuation of insurance contract liabilities is determined according to the Insurance Regulations:

(a) Singapore Insurance Act 1966, 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.

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

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

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

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

Risk Transfer

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 other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

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

The Group issues investment linked contracts as an insurance contract 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 an 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 in accordance with the terms and conditions of the insurance contracts.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Life Insurance Contract Liabilities (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) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation; (ii) Guaranteed cash flows discounted using the interest rate outlined below; and (iii) Total assets less all liabilities except insurance contract liabilities of the Participant fund.	Gross premium valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation, i.e. Total Benefit Reserves; and (ii) Guaranteed cash flows discounted using Malaysia Government Securities zero coupon spot yields (as outlined below). For Asset Share Participating Products, the Total Benefit Reserves will be further adjusted in accordance to the value of Policy Asset.
Discount rate [1]	For policies denominated in SGD/USD: (i) Singapore Government Securities/ US Treasury yields for cash flows up to 20 years and 30 years respectively; (ii) Ultimate forward rate of 3.8% applicable for cash flows beyond 60 years; (iii) Extrapolated yields in between; and (iv) Adjustments for matching adjustment and illiquidity premium according to MAS Notice 133, if any.	Malaysia Government Securities yields determined based on the following: (i) For cash flows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cash flows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity.
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders [1]	Participating Fund: – Best estimates for Gross Premium Valuation method (i); – Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method (ii). Non-Participating and Non-Unit reserves of Investment-linked Fund: Best estimates plus provision for adverse deviation (PAD).	Participating Fund: – Best estimates for Gross Premium Valuation method (i); – Best estimates plus provision for risk of adverse deviation (PRAD) for Gross Premium Valuation method (ii). Non-Participating and Non-Unit reserves of Investment-linked Fund: Best estimates plus provision for risk of adverse deviation (PRAD).

(1) *Refer to Note 2.25 on Critical accounting estimates and judgements.*

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Life Insurance Contract Liabilities (continued)

Subsequent Measurement of Life Insurance Contract Liabilities

Adjustments to liabilities at each reporting date are recorded in the income statements. Profits originating from the release in margins for adverse deviations 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.

Derecognition of Life Insurance Contract Liabilities

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

Benefits and Claims

Insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the period, as well as policyholder dividends accrued in anticipation of dividend declarations. Accident and health claims incurred include all losses occurring during the period, whether reported or not, related handling costs, a reduction for recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims, and are included in operating expenses.

Insurance Contracts and Investment Contracts with Discretionary Participating Features (DPF)

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 investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from the results of the annual actuarial valuation parameters which are set out in the insurance regulations of the respective jurisdiction in which the insurance subsidiaries operate. The results of the annual actuarial valuation also determine the liabilities relating to all the policyholders' benefits of the participating fund. 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. Any surplus that is not allocated is recognised as unallocated surplus. The unallocated surplus forms part of the life insurance contract liabilities. The annual declaration of the quantum of policyholder 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.

Liability Adequacy Test

Each insurance subsidiary within the Group is required by 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 amount of the liability. Any deficiency is charged to the income statement.

Non-Life Insurance Contract Liabilities

The Group caters to the protection needs of individuals and business owners through a wide range of general insurance products including but not limited to fire, motor, marine and aviation, workmen's compensation, personal accident, health, and other property and casualty lines.

Non-life insurance contract liabilities include claim liabilities and premium liabilities.

Claim Liabilities

Claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. 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 reporting date. The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a provision for adverse deviation. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

2. Summary of Significant Accounting Policies (continued)

2.16 Insurance Contracts (continued)

Non-Life Insurance Contract Liabilities (continued)

Claim Liabilities (continued)

The valuation of non-life insurance claim liabilities at the reporting date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. The provision for adverse deviation is set at 75% level of sufficiency for Singapore, Malaysia and Indonesia. The valuation methods used include the Paid and Incurred Loss Development methods (also known as the Link Ratio methods), the Paid and Incurred Bornhuetter-Ferguson methods and the Expected Loss Ratio method. For Singapore and Malaysia, the claim liabilities are not discounted for the time value of money. However, for Indonesia, the claim liabilities are discounted for the time value of money as per pre-acquisition practice. No provision for equalisation or catastrophe reserves is recognised.

Premium Liabilities

Premium liabilities are the provision of unearned premiums representing 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 coverage period of the contracts and is recognised as premium income.

In determining the unearned premium reserve at the reporting date, the method that most accurately reflects the actual unearned premium is used. For Singapore, the 1/24th method for all classes of business is used, and for Malaysia and Indonesia, the 25% method is used for marine and aviation cargo, and transit business, and the 1/365th method is used for all other classes of business.

Further provisions are made if expected future cash flows of unexpired insurance contracts with a provision for adverse deviation exceed the unearned premiums of these contracts.

Reinsurance Contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent amounts receivable in respect of ceded insurance liabilities. These amounts are estimated in a manner consistent with the reinsured insurance contract liabilities, the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets arising from ceding of an in-force book and gross onerous contracts are recognised in the same period when the gross liabilities are accrued.

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 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 Share Capital and Dividend

Ordinary shares, non-cumulative non-convertible preference shares and perpetual capital securities are classified as equity on the balance sheet.

Incremental costs directly attributable to the issue of new capital securities are shown in equity as a deduction from the proceeds.

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.

2.18 Leases

2.18.1 As Lessee

At the inception of a contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-Use Assets

The Group recognises a right-of-use (ROU) asset and lease liability at the date which the underlying asset is available for use. ROU assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the ROU assets.

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

2.18 Leases (continued)

2.18.1 As Lessee (continued)

Right-of-Use Assets (continued)

These ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

ROU assets are presented within "Property, plant and equipment".

Lease Liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease liability is subsequently measured at amortised cost using the effective interest method. Lease liability shall be remeasured when there is modification in the scope or the consideration of the lease that was not part of the original term.

Short-Term Leases and Low-Value Assets

The Group has elected to not recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.18.2 As Lessor

Rental income on tenanted areas of the buildings owned by the Group is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2.19 Recognition of Income and Expense

2.19.1 Interest Income and Expense

Interest income or expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.19.2 Premiums and Commissions from Insurance Business

Life Insurance Business

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. 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. Commission is recognised as an expense when incurred.

Non-Life Insurance Business

Premiums from the non-life insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the reporting date are adjusted through the movement in premium liabilities. 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 non-life 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 reporting date are adjusted through the movement in unexpired risk reserve.

2.19.3 Fees and Commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Group has satisfied its performance obligations in providing the services to the customer. Transaction based 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.

2.19.4 Dividends

Dividends from equity securities, subsidiaries and associates are recognised when the right to receive payment is established.

2.19.5 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 reporting date.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the reporting 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 OCI in the period in which they arise.

2. Summary of Significant Accounting Policies (continued)

2.19 Recognition of Income and Expense (continued)

2.19.5 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 reporting 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.

2.20 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 on temporary differences between the carrying amounts of assets and liabilities 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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2.23 Segment Reporting

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Wholesale Banking, Global Treasury and Markets and Insurance. 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.

Notes to the Financial Statements
For the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

2.24 Government Grants
Government grants related to assets are initially recognised by deducting the grant in arriving at the carrying amount of the asset if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. The grant is recognised in profit or loss over the life of a depreciable asset through reduced depreciation expense.

Grants that compensate the Group for expenses incurred are recognised in profit or loss by deducting the grant from the related expense.

Grants that are not related to assets or expenses incurred are recognised in profit or loss as other income.

2.25 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.

2.25.1 Impairment of Financial Assets
In determining whether the credit risk of the Group's financial exposures has increased significantly since initial recognition, the Group considers quantitative and qualitative information such as the Group's historical credit assessment experience and available forward-looking information. Expected credit losses (ECL) estimates are based on probability-weighted forward-looking economic scenarios. The parameters used in ECL measurement (probability of default, loss given default and exposure at default) incorporates forward-looking information. The determination of the forward-looking economic scenarios and incorporation of forward-looking information into ECL measurement requires management to exercise judgement based on its assessment of current macroeconomic conditions.

Allowances for Non-Credit-Impaired Loans to Customers

As of 31 December 2021, the forward-looking scenarios used in the ECL model have been updated from those as of 31 December 2020. They reflect the latest available macroeconomic view which shows a gradual recovery. However, additional post-model adjustments have been made during the year to reflect the risks arising from certain segments of the portfolio that continue to be affected by the current COVID-19 situation as well as the continued macroeconomic uncertainty. These post-model adjustments were reviewed and approved in accordance with the Group's ECL framework.

A key element in determining ECL is the assessment of whether a significant increase in credit risk (SICR) has occurred and hence whether a lifetime, rather than 12-month, ECL is required. In 2021, the Group continued to offer various loan reliefs, such as payment holidays and moratoriums, to customers as part of a broader set of COVID-19 support measures. Such loan reliefs, payment holidays and moratoriums have the effect of delaying customer defaults even though customers who took up such relief packages may be of higher risk. Therefore, where appropriate, post-model adjustments were made to reflect higher risk of default of such customers.

While the latest macroeconomic forecasts have shown signs of recovery for the overall economy, they cannot adequately reflect the continued weaknesses of certain industries and segments due to either travel restrictions or geopolitical events. Therefore, post-model adjustments were also made to more accurately reflect the credit risk for such sectors that are not captured by the macroeconomic forecasts.

As indicated in Note 2.12.3, Stages 1 and 2 ECL are modelled based on a central baseline forecast with its upper and lower bound to represent forecasting ranges. However, the central forecast with its upper/lower range may not factor in significant emerging risks and macroeconomic events that are expected but uncertain in terms of impact and timing. Such events have the potential to trigger a recession but are not adequately captured in existing forecasts. Therefore, the Group added an additional scenario in the computation of ECL. As such events are global in nature, these are modelled as a top-down post-model adjustment.

The Group's allowances for financial assets are disclosed in Note 30.

Allowances for Credit-Impaired Loans to Customers

In respect of credit-impaired exposures, management judgement and estimation are applied in, amongst others, identifying impaired exposures, estimating the related recoverable cash flows and where applicable, determining collateral values and timing of realisation. Judgements and assumptions in respect of these matters have been updated to reflect the potential impact of COVID-19.

The Group's allowances for credit-impaired loans to customers are disclosed in Note 28.

2.25.2 Fair Value Estimation
Fair value is derived from quoted market prices or valuation techniques which maximise the use of relevant observable inputs and minimise the use of unobservable inputs. 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 or loss" is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit or 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. Summary of Significant Accounting Policies (continued)

2.25 Critical Accounting Estimates and Judgements (continued)

2.25.3 Liabilities of Insurance Business

The estimation of the ultimate liabilities arising from claims made under life and non-life 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, morbidity, disabilities, lapses, voluntary terminations, investment returns, administration expenses and discount rates. The Group relies on standard industry and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance contract liabilities.

For non-life insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting 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 insurance subsidiaries' 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.

2.25.4 Impairment of Goodwill and Other Intangible Assets

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

In light of current macroeconomic conditions, management reassessed the assumptions applied in estimating the future cash flows, including growth rates and discount rates used in computing the recoverable amount, and determined that no impairment should be recognised during the year.

2.25.5 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 income tax liabilities. 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 balances in the period in which the determination is made.

2.25.6 Insurance Contract Classification

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

Notes to the Financial Statements
For the financial year ended 31 December 2021

3. Net Interest Income

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Interest income				
Loans to customers	**5,786**	6,992	**3,103**	3,791
Placements with and loans to banks	**448**	839	**318**	695
Other interest-earning assets	**1,191**	1,312	**498**	584
	7,425	9,143	**3,919**	5,070
Interest expense				
Deposits of non-bank customers	**(1,300)**	(2,699)	**(468)**	(1,266)
Deposits and balances of banks	**(68)**	(92)	**(66)**	(225)
Other borrowings	**(202)**	(386)	**(174)**	(330)
	(1,570)	(3,177)	**(708)**	(1,821)
Analysed by classification of financial instruments				
Income – Assets at amortised cost	**5,963**	7,471	**3,249**	4,235
Income – Assets at FVOCI	**1,173**	1,310	**455**	566
Income – Assets mandatorily measured at FVTPL	**289**	362	**215**	269
Expense – Liabilities not at fair value through profit or loss	**(1,565)**	(3,169)	**(703)**	(1,814)
Expense – Liabilities mandatorily measured at FVTPL	**(5)**	(8)	**(5)**	(7)
Net interest income	**5,855**	5,966	**3,211**	3,249

Included in interest income were interest of $31 million (2020: $42 million) and $15 million (2020: $30 million) on impaired assets for the Group and Bank respectively.

The Group's and Bank's interest expenses on lease liabilities were not significant for the financial years ended 31 December 2021 and 31 December 2020.

4. Profit from Life Insurance

	GROUP	
	2021 $ million	2020 $ million
Income		
Annual	**8,209**	7,780
Single	**10,380**	7,371
Gross premiums	**18,589**	15,151
Reinsurance	**(602)**	(559)
Premium income (net)	**17,987**	14,592
Investment income (net) [1]	**1,519**	6,298
Total income	**19,506**	20,890
Expenses		
Gross claims, surrenders and annuities	**(11,215)**	(10,170)
Claims, surrenders and annuities recovered from reinsurers	**443**	596
Net claims, surrenders and annuities	**(10,772)**	(9,574)
Net change in life insurance contract liabilities	**(4,196)**	(9,009)
Commission and agency expenses	**(1,401)**	(1,209)
Depreciation – property, plant and equipment (Note 34)	**(71)**	(70)
Other expenses	**(1,845)**	(341)
Total expenses	**(18,285)**	(20,203)
Surplus from operations	**1,221**	687
Share of results of associates	**–**	#
Income tax (expense)/credit	**(84)**	11
Profit from life insurance	**1,137**	698

[1] *Includes income from financial instruments measured at fair value through profit or loss of $1.05 billion (2020: $5.66 billion).*

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

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5. Fees and Commissions (Net)

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Gross fee and commission income				
Brokerage	**141**	140	**2**	1
Credit card	**287**	274	**246**	230
Fund management	**133**	122	**–**	–
Guarantees	**14**	14	**7**	6
Investment banking	**106**	87	**89**	75
Loan-related	**179**	165	**116**	106
Service charges	**79**	84	**60**	58
Trade-related and remittances	**286**	252	**199**	178
Wealth management [1]	**1,310**	1,130	**406**	294
Others	**46**	45	**6**	8
	2,581	2,313	**1,131**	956
Fee and commission expense	**(336)**	(310)	**(162)**	(141)
Fees and commissions (net)	**2,245**	2,003	**969**	815

(1) *Includes trust and custodian fees.*

6. Dividends

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Subsidiaries	**–**	–	**861**	1,321
Associates	**–**	–	**130**	121
FVTPL securities	**75**	44	**57**	25
FVOCI securities	**38**	34	**1**	1
	113	78	**1,049**	1,468

7. Net Trading Income

	GROUP		BANK	
	2021	2020	2021	2020
	$ million	$ million	$ million	$ million
Foreign exchange [1]	**389**	585	**52**	278
Hedging activities [2]				
Hedging instruments	**(145)**	133	**(232)**	183
Hedged items	**145**	(133)	**231**	(182)
Net (loss)/gain from fair value hedge ineffectiveness	**(#)**	#	**(1)**	1
Net gain/(loss) from interest rate and other derivative financial instruments [3]	**341**	(41)	**202**	(20)
Net gain from non-derivative financial instruments [4]	**45**	318	**8**	46
Others	**(12)**	1	**(12)**	#
	763	863	**249**	305

(1) *"Foreign exchange" include gains and losses from spot and forward contracts and translation of foreign currency denominated 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) *"Non-derivative financial instruments" include trading gains and losses from fair value financial instruments which are either designated at initial recognition or mandatorily measured at FVTPL.*

8. Other Income

	GROUP		BANK	
	2021	2020	2021	2020
	$ million	$ million	$ million	$ million
Disposal of investment securities	**92**	208	**34**	73
Disposal of a subsidiary	**–**	9	**–**	–
Disposal of plant and equipment	**(1)**	(1)	**(1)**	(#)
Disposal of properties	**108**	45	**29**	8
Rental and property-related income	**66**	63	**33**	39
Others	**21**	6	**48**	38
	286	330	**143**	158

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9. Staff Costs and Other Operating Expenses

		GROUP		BANK	
		2021 $ million	2020 $ million	2021 $ million	2020 $ million
9.1	**Staff costs** [1]				
	Salaries and other costs	**2,723**	2,457	**974**	849
	Share-based expenses	**72**	75	**26**	26
	Contribution to defined contribution plans	**223**	199	**85**	79
		3,018	2,731	**1,085**	954
	Directors' emoluments:				
	Remuneration of Bank's directors	**4**	11	**4**	11
	Fees of Bank's directors [2]	**6**	6	**4**	4
		10	17	**8**	15
	Total staff costs	**3,028**	2,748	**1,093**	969
9.2	**Other operating expenses**				
	Property and equipment: [3]				
	Depreciation	**412**	419	**190**	184
	Maintenance and rental [4]	**152**	150	**97**	97
	Others [5]	**304**	293	**178**	143
		868	862	**465**	424
	Auditors' remuneration:				
	Payable to auditor of the Bank	**6**	6	**3**	2
	Payable to associated firms of auditor of the Bank	**4**	3	**#**	#
	Payable to other auditors	**#**	#	**#**	#
		10	9	**3**	2
	Other fees:				
	Payable to auditor of the Bank [6]	**2**	2	**#**	1
	Payable to associated firms of auditor of the Bank	**1**	1	**1**	1
		3	3	**1**	2
	Hub processing charges	**–**	–	**287**	251
	General insurance claims	**98**	101	**–**	–
	Others [7]	**757**	716	**375**	339
		855	817	**662**	590
	Total other operating expenses	**1,736**	1,691	**1,131**	1,018
9.3	**Staff costs and other operating expenses**	**4,764**	4,439	**2,224**	1,987

(1) Grants provided by governments to provide wage support to employers due to the COVID-19 pandemic are recognised as a reduction in staff costs.

(2) Includes remuneration shares amounting to $1 million (2020: $1 million) issued to directors.

(3) Direct operating expenses on investment property that generated rental income for the Group and the Bank amounted to $18 million and $6 million (2020: $13 million and $3 million) respectively. Direct operating expenses on investment property that did not generate rental income for the Group and the Bank amounted to $3 million and $2 million (2020: $1 million and $# million) respectively.

(4) Includes expenses relating to short-term leases of $11 million and $5 million for the Group and the Bank (2020: $14 million and $5 million) respectively, and low-value assets of $5 million and $1 million (2020: $5 million and $1 million) for the Group and the Bank respectively.

(5) Property tax rebates received from government are recognised as a reduction in property and equipment expense.

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

(7) Included in other expenses were printing, stationery, communication, advertisement and promotion expenses and legal and professional fees.

10. Allowances for Loans and Other Assets

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Allowances:				
Impaired loans (Note 28)	**852**	1,149	**354**	877
Impaired other assets	**3**	30	**3**	11
Non-impaired loans	**15**	860	**81**	604
Non-impaired other assets	**3**	4	**4**	1
Allowances for loans and other assets	**873**	2,043	**442**	1,493

11. Income Tax Expense

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Current tax expense	**883**	687	**386**	250
Deferred tax credit (Note 20)	**(173)**	(46)	**(106)**	(37)
	710	641	**280**	213
Over provision in prior years	**(62)**	(204)	**(51)**	(44)
Charge to income statements	**648**	437	**229**	169

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

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Operating profit after allowances and amortisation	**4,856**	3,553	**2,955**	2,515
Prima facie tax calculated at tax rate of 17%	**826**	604	**502**	428
Effect of:				
Different tax rates in other countries	**103**	100	**22**	26
Income not subject to tax	**(35)**	(45)	**(176)**	(261)
Income taxed at concessionary rates	**(94)**	(25)	**(80)**	(13)
Singapore life insurance funds	**(89)**	(21)	**–**	–
Non-deductible expenses and losses	**(19)**	37	**(8)**	14
Others	**18**	(9)	**20**	19
	710	641	**280**	213
The deferred tax credit comprised:				
Accelerated tax depreciation	**7**	5	**7**	2
Depreciable assets acquired in business combinations	**(11)**	(10)	**(2)**	(1)
Tax losses	**1**	(1)	**–**	(1)
Unrealised losses on financial assets	**(18)**	(2)	**(7)**	(11)
Allowances for assets	**(146)**	(64)	**(101)**	(18)
Other temporary differences	**(6)**	26	**(3)**	(8)
	(173)	(46)	**(106)**	(37)

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12. Earnings Per Share

	GROUP	
	2021 $ million	2020 $ million
Profit attributable to equity holders of the Bank	**4,858**	3,586
Perpetual capital securities distributions declared in respect of the period	**(46)**	(53)
Profit attributable to ordinary equity holders of the Bank after other equity distributions	**4,812**	3,533
Weighted average number of ordinary shares (million)		
For basic earnings per share	**4,489**	4,420
Adjustment for assumed conversion of share options and acquisition rights	**5**	1
For diluted earnings per share	**4,494**	4,421
Earnings per share ($)		
Basic	**1.07**	0.80
Diluted	**1.07**	0.80

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends and perpetual capital securities distributions 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.

13. Share Capital

13.1 Share Capital

GROUP AND BANK	2021 Shares (million)	2020 Shares (million)
Ordinary shares		
At 1 January	**4,476**	4,409
Shares issued in lieu of ordinary dividends	**32**	67
Shares issued to non-executive directors	**#**	#
Deferred Share Plan	**7**	–
Share Option Scheme	**#**	–
At 31 December	**4,515**	4,476
Treasury shares		
At 1 January	**(2)**	(8)
Share buyback	**(34)**	(7)
Share Option Scheme	**7**	2
Share Purchase Plan	**6**	#
Treasury shares transferred to DSP Trust	**–**	11
At 31 December	**(23)**	(2)

GROUP AND BANK	2021 $ million	2020 $ million
Issued share capital, at 31 December	**18,040**	17,833

(1) *# represents less than 500,000 shares.*

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.

The issued ordinary shares have no par value and qualify as Common Equity Tier 1 capital for the Group.

All issued shares were fully paid.

Subsidiaries and associates of the Group did not hold shares in the capital of the Bank as at 31 December 2021 and 31 December 2020.

13.2 Share Option Scheme

Executives of the Group ranked Manager and above and non-executive directors of the Group are eligible to participate in the OCBC Share Option Scheme 2001 (2001 Scheme). The Bank has ceased granting share options under the 2001 Scheme effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by the recipients. Options granted to Group executives are exercisable for up to 10 years, while options granted to non-executive Directors are exercisable for up to five years.

For the financial years ended 31 December 2021 and 31 December 2020, there was no options granted under the 2001 Scheme.

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13. Share Capital (continued)
13.2 Share Option Scheme (continued)
Movements in the number of shares under options and the average acquisition prices are as follows:

	2021		2020	
	Number of shares under options ('000)	Average price	Number of shares under options ('000)	Average price
At 1 January	**32,914**	**$10.239**	35,154	$10.183
Exercised	**(7,364)**	**$9.367**	(1,786)	$8.800
Forfeited/lapsed	**(439)**	**$12.753**	(454)	$11.621
At 31 December	**25,111**	**$10.450**	32,914	$10.239
Exercisable options at 31 December	**25,111**	**$10.450**	30,789	$10.025
Average share price underlying the options exercised		**$11.841**		$9.936

At 31 December 2021, the weighted average remaining contractual life of outstanding share options was 4.2 years (2020: 4.9 years). The aggregate number of shares under outstanding options held by an executive director of the Bank was nil (2020: 4,596,480).

13.3 Employee Share Purchase Plan
The OCBC Employee Share Purchase Plan (ESP Plan) was implemented for all employees of the participating companies in the Group, including executive Directors.

The ESP Plan is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll and/or from Central Provident Fund. The employees have the option to convert the contributions to ordinary shares after one year or to withdraw the contributions at any time. As a further incentive to employees to enrol in the ESP Plan, the Bank pays interest on the amounts saved at a preferential interest rate. The duration of the offering period is 24 months.

In July 2021, the Bank launched its sixteenth offering of ESP Plan for Group employees, which commenced on 1 September 2021 and will expire on 31 August 2023. Under the offering, the Bank granted rights to acquire 8,469,427 (2020: 12,688,439) ordinary shares in the Bank, including rights granted to an executive director of the Bank to acquire nil (2020: 4,008) ordinary shares in the Bank. The fair value of rights, determined using the binomial valuation model, was $10.8 million (2020: $13.7 million). Significant inputs to the valuation model are set out below:

	2021	2020
Acquisition price ($)	**11.58**	8.98
Share price ($)	**12.42**	9.24
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	**17.11**	24.62
Risk-free rate based on 2-year swap rate (%)	**0.35**	0.31
Expected dividend yield (%)	**4.00**	5.19

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:

	2021		2020	
	Number of acquisition rights ('000)	Average price	Number of acquisition rights ('000)	Average price
At 1 January	**18,090**	**$9.761**	14,325	$11.439
Exercised and conversion upon expiry	**(6,467)**	**$10.982**	(11)	$11.552
Forfeited	**(2,242)**	**$10.039**	(8,912)	$11.344
Subscription	**8,469**	**$11.580**	12,688	$8.980
At 31 December	**17,850**	**$10.147**	18,090	$9.761
Average share price underlying acquisition rights exercised/converted		**$12.041**		$9.571

At 31 December 2021, the weighted average remaining contractual life of outstanding acquisition rights was 1.0 years (2020: 1.2 years). There was nil (2020: 7,188) rights held by an executive director of the Bank.

13.4 Deferred Share Plan

The OCBC Deferred Share Plan (DSP) aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives with the sustained business performance of the Bank. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee, are eligible to participate in the DSP.

Half (50%) of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the DSP. Prior to the vesting date, the executives will not be accorded voting rights for the shares.

The Bank adopted the OCBC Deferred Share Plan 2021 (DSP 2021) on 29 April 2021 to replace the DSP, which was terminated on the same day. The termination of the DSP does not affect the awards which have been granted, whether such awards have been released (whether fully or partially) or not. By implementing the DSP 2021, which permits new ordinary shares to be issued, the Bank has greater flexibility in its methods for delivery of ordinary shares, as this can be effected through an issue of new ordinary shares, in addition to the transfer of existing ordinary shares (including treasury shares).

During the year, 7,188,161 (2020: 5,595,172) deferred shares were released to employees under the DSP, of which nil (2020: 225,961) deferred shares were released to an executive director of the Bank who held office as at the end of the financial year. At 31 December 2021, an executive director of the Bank had deemed interest in nil (2020: 912,015) deferred shares.

Total awards of 7,763,260 (2020: 11,016,332) ordinary shares, which included nil (2020: 409,894) ordinary shares to an executive director of the Bank, were granted and accepted by eligible executives under the DSP 2021 for the financial year ended 31 December 2021. The fair value of the shares at grant date was $94.2 million (2020: $95.1 million).

The accounting treatment of share-based compensation plan is set out in Note 2.19.5.

Notes to the Financial Statements
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14. Other Equity Instruments

		GROUP AND BANK	
	Note	2021 $ million	2020 $ million
SGD1,000 million 4.0% non-cumulative non-convertible perpetual capital securities (4.0% Capital Securities)	(a)	**998**	998
SGD200 million 3.0% non-cumulative non-convertible perpetual capital securities (3.0% Capital Securities)	(b)	**200**	200
		1,198	1,198

(a) The 4.0% Capital Securities issued by the Bank on 24 August 2018 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 4.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank: (i) on 24 August 2023 (the First Reset Date) or any distribution payment date falling after the First Reset Date; (ii) upon the occurrence of a tax event; or (iii) if the 4.0% Capital Securities would no longer qualify as eligible capital. The terms of the 4.0% Capital Securities may also be varied, subject to MAS approval, so that the 4.0% Capital Securities remain as Additional Tier 1 capital of the Bank. If the Bank is determined by the MAS to be non-viable, the 4.0% Capital Securities will be written off in whole or in part.

The 4.0% Capital Securities pay distributions to holders semi-annually in arrear in February and August at a fixed rate of 4.0% per annum from the issue date to the First Reset Date. If the 4.0% Capital Securities are not redeemed on the First Reset Date, the distribution rate will be reset on the First Reset Date and each date falling every five years thereafter to a fixed rate per annum equal to the aggregate of the then-prevailing five-year SGD Swap Offer Rate and the initial spread of 1.811%. Distributions may be cancelled by the Bank at its sole discretion, subject to the provisions of the 4.0% Capital Securities. The Bank is also not obliged to pay distributions to holders under certain circumstances. Any distributions which are not paid, in accordance with the terms and conditions of the 4.0% Capital Securities, are non-cumulative and will not compound.

(b) The 3.0% Capital Securities issued by the Bank on 30 September 2020 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 3.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on or after 30 September 2030 (First Reset Date), and each date falling every 10 years after the First Reset Date. The terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2030, the 3.0% Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The 3.0% Capital Securities bear a fixed distribution rate of 3.0% per annum from the issue date to the First Reset Date and will be reset every 10 years thereafter to a fixed rate equal to the then-prevailing 10-year SGD Swap Offer Rate plus 2.19%. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in March and September, unless cancelled by the Bank at its option. The 3.0% Capital Securities constitute unsecured and subordinated obligations, ranking senior only to shareholders of the Bank.

15. Capital Reserves

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
At 1 January	**1,229**	1,253	**994**	986
Share-based payments for staff costs	**9**	11	**9**	11
Shares transferred to DSP Trust	**(93)**	(99)	**–**	–
Shares vested under DSP Scheme	**73**	62	**–**	–
Transfer from unappropriated profit (Note 16.1)	**(423)**	5	**(431)**	–
Transfer to share capital	**(13)**	(3)	**(13)**	(3)
At 31 December	**782**	1,229	**559**	994

Capital reserves include regulatory loss allowance reserve and statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations. Capital reserves also include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

16. Revenue Reserves

		GROUP		BANK	
	Note	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Unappropriated profit	16.1	**30,785**	27,321	**14,535**	13,235
General reserves	16.2	**1,349**	1,345	**1,400**	1,396
Cash flow hedge reserves	16.3	**(1)**	(#)	**(7)**	#
Currency translation reserves	16.4	**(336)**	(658)	**(101)**	(67)
Own credit reserves		**(2)**	(4)	**(2)**	(4)
At 31 December		**31,795**	28,004	**15,825**	14,560

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16. Revenue Reserves (continued)

16.1 Unappropriated Profit

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Profit attributable to equity holders of the Bank	**4,858**	3,586	**2,726**	2,346
Add:				
Unappropriated profit at 1 January	**27,321**	25,775	**13,235**	12,879
Total amount available for appropriation	**32,179**	29,361	**15,961**	15,225
Appropriated as follows:				
Ordinary dividends:				
Final tax-exempt dividend of 15.9 cents paid for the previous financial year (2020: tax-exempt dividend of 28 cents)	**(712)**	(1,233)	**(712)**	(1,233)
Interim tax-exempt dividend of 25 cents paid for the current financial year (2020: tax-exempt dividend of 15.9 cents)	**(1,128)**	(701)	**(1,128)**	(701)
Distributions for other equity instruments:				
3.8% perpetual capital securities	**–**	(19)	**–**	(19)
4.0% perpetual capital securities	**(40)**	(40)	**(40)**	(40)
3.0% perpetual capital securities	**(6)**	–	**(6)**	–
Transfer (to)/from:				
Capital reserves (Note 15)	**423**	(5)	**431**	–
Fair value reserves	**64**	(41)	**23**	4
General reserves (Note 16.2)	**6**	–	**6**	–
Others	**(1)**	(1)	**–**	(1)
	(1,394)	(2,040)	**(1,426)**	(1,990)
At 31 December	**30,785**	27,321	**14,535**	13,235

At the annual general meeting to be held, a final tax-exempt dividend of 28 cents per ordinary share in respect of the financial year ended 31 December 2021, totalling $1,258 million, will be proposed. The dividends will be accounted for as a distribution in the 2022 financial statements.

16. Revenue Reserves (continued)

16.2 General Reserves

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
At 1 January	**1,345**	1,335	**1,396**	1,386
DSP reserve from dividends on unvested shares	**10**	10	**10**	10
Transfer to unappropriated profit (Note 16.1)	**(6)**	–	**(6)**	–
At 31 December	**1,349**	1,345	**1,400**	1,396

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.

16.3 Cash Flow Hedge Reserves

The cash flow hedge reserves comprise the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow. The cash flow hedges principally consist of interest rate contracts that are used to hedge against the variability in cash flows of certain floating rate liabilities.

16.4 Currency Translation Reserves

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
At 1 January	**(658)**	(873)	**(67)**	(117)
Movements for the year	**389**	90	**(33)**	45
Effective portion of hedge	**(67)**	125	**(1)**	5
At 31 December	**(336)**	(658)	**(101)**	(67)

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

Refer to Note 38.3 Currency risk – Structural foreign exchange risk for management of structural foreign exchange risk.

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

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Deposits of non-bank customers				
Current accounts	**138,077**	118,751	**72,297**	58,217
Savings deposits	**78,566**	71,097	**64,711**	57,309
Term deposits	**86,046**	90,786	**49,008**	51,998
Structured deposits	**5,292**	4,505	**2,605**	1,448
Certificates of deposit issued	**25,566**	22,229	**25,060**	22,121
Other deposits	**8,848**	7,539	**7,532**	6,652
	342,395	314,907	**221,213**	197,745
Deposits and balances of banks	**8,239**	9,586	**6,708**	7,408
	350,634	324,493	**227,921**	205,153

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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 reporting date are analysed below.

	2021			2020		
GROUP ($ million)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives (FED)						
Forwards	**46,848**	**344**	**339**	62,902	570	616
Swaps	**433,075**	**3,359**	**3,071**	358,713	5,689	5,900
OTC options	**72,241**	**241**	**240**	61,700	338	297
Exchange traded futures	**27**	**#**	**–**	7	#	–
	552,191	**3,944**	**3,650**	483,322	6,597	6,813
Interest rate derivatives (IRD)						
Forwards	**–**	**–**	**–**	527	2	2
Swaps	**450,397**	**4,231**	**4,342**	475,498	7,971	8,020
OTC options	**4,243**	**24**	**28**	3,715	29	42
Exchange traded futures	**8,625**	**1**	**2**	5,232	1	1
	463,265	**4,256**	**4,372**	484,972	8,003	8,065
Equity derivatives						
Swaps	**5,685**	**443**	**470**	3,906	216	204
OTC options	**10,945**	**543**	**498**	7,291	223	243
Exchange traded options	**–**	**–**	**–**	19	#	–
Exchange traded futures	**286**	**#**	**#**	551	1	4
	16,916	**986**	**968**	11,767	440	451
Credit derivatives						
Swaps – protection buyer	**1,552**	**3**	**20**	3,969	11	60
Swaps – protection seller	**1,171**	**19**	**3**	2,745	56	11
	2,723	**22**	**23**	6,714	67	71
Other derivatives						
Precious metals	**800**	**7**	**8**	1,366	25	25
OTC options	**8,399**	**50**	**47**	7,984	89	89
Futures	**–**	**–**	**–**	1	#	–
Commodity swaps	**20**	**2**	**2**	26	2	2
	9,219	**59**	**57**	9,377	116	116
Total	**1,044,314**	**9,267**	**9,070**	996,152	15,223	15,516
Included items designated for hedges:						
Fair value/cash flow hedge – FED	**2,415**	**32**	**77**	1,539	–	112
Fair value/cash flow hedge – IRD	**10,215**	**90**	**87**	12,293	150	217
Hedge of net investments – FED	**3,642**	**49**	**180**	3,345	161	20
	16,272	**171**	**344**	17,177	311	349

For the fair value hedges, the carrying amount at 31 December 2021 relating to the assets and liabilities designated as hedged items were $6,550 million and $6,169 million (2020: $7,152 million and $7,450 million) respectively. The hedged items were mainly fixed rate debt securities held (financial assets) and debt securities issued (financial liabilities).

For the cash flow hedges, the carrying amount at 31 December 2021 relating to the assets and liabilities designated as hedged items were $2,379 million and $2,186 million (2020: $2,151 million and $2,151 million) respectively. The hedged items were mainly bonds, variable rate loans (financial assets) and deposits (financial liabilities).

18. Derivative Financial Instruments (continued)

	2021			2020		
BANK ($ million)	Principal notional amount	Derivative receivables	Derivative payables	Principal notional amount	Derivative receivables	Derivative payables
Foreign exchange derivatives (FED)						
Forwards	**27,759**	**176**	**163**	35,367	350	450
Swaps	**377,160**	**2,772**	**2,583**	330,179	5,016	5,196
OTC options	**50,077**	**163**	**162**	4,973	47	45
Exchange traded futures	**27**	**#**	**–**	7	#	–
	455,023	**3,111**	**2,908**	370,526	5,413	5,691
Interest rate derivatives (IRD)						
Swaps	**330,104**	**3,878**	**3,954**	394,770	7,766	7,714
OTC options	**3,597**	**25**	**28**	3,703	29	42
Exchange traded futures	**8,247**	**#**	**1**	4,930	1	1
	341,948	**3,903**	**3,983**	403,403	7,796	7,757
Equity derivatives						
Swaps	**5,233**	**406**	**434**	3,528	208	194
OTC options	**8,250**	**345**	**282**	1,894	45	65
Exchange traded options	**–**	**–**	**–**	19	#	–
Exchange traded futures	**265**	**#**	**#**	298	–	#
	13,748	**751**	**716**	5,739	253	259
Credit derivatives						
Swaps – protection buyer	**1,440**	**#**	**20**	3,819	–	60
Swaps – protection seller	**1,060**	**19**	**–**	2,593	56	–
	2,500	**19**	**20**	6,412	56	60
Other derivatives						
Precious metals	**121**	**1**	**2**	93	#	1
OTC options	**6,686**	**27**	**27**	–	–	–
Futures	**–**	**–**	**–**	1	#	–
	6,807	**28**	**29**	94	#	1
Total	**820,026**	**7,812**	**7,656**	786,174	13,518	13,768
Included items designated for hedges:						
Fair value/cash flow hedge – FED	**4,873**	**68**	**229**	4,506	159	119
Fair value hedge – IRD	**5,529**	**78**	**45**	7,922	148	112
Hedge of net investments – FED	**770**	**2**	**19**	294	2	4
	11,172	**148**	**293**	12,722	309	235

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19. Other Liabilities

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Bills payable	**490**	400	**337**	274
Interest payable	**328**	472	**193**	264
Lease liabilities	**228**	278	**49**	62
Precious metal liabilities [1]	**1,363**	23	**23**	23
Sundry creditors	**3,138**	5,472	**659**	654
Others [1]	**1,616**	1,448	**645**	609
	7,163	8,093	**1,906**	1,886

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

At 31 December 2021, reinsurance liabilities included in "Others" amounted to $108 million (2020: $66 million) for the Group.

20. Deferred Tax

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
At 1 January	**1,685**	1,806	**182**	217
Currency translation and others	**2**	2	**1**	(1)
Net credit to income statements (Note 11)	**(173)**	(46)	**(106)**	(37)
Under/(over) provision in prior years	**2**	(#)	**1**	(#)
Net (credit)/charge to equity	**(87)**	70	**(12)**	3
Net change in life insurance fund tax	**1,123**	(147)	**–**	–
At 31 December	**2,552**	1,685	**66**	182

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.

20. Deferred Tax (continued)

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	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Deferred tax liabilities				
Accelerated tax depreciation	**114**	101	**73**	67
Unrealised gains on investments	**216**	317	**#**	9
Depreciable assets acquired in business combination	**121**	138	**36**	38
Provision for policy liabilities	**2,244**	1,110	**–**	–
Regulatory loss allowance reserve	**62**	125	**62**	125
Others	**197**	182	**2**	2
	2,954	1,973	**173**	241
Amount offset against deferred tax assets	**(122)**	(155)	**(19)**	(18)
	2,832	1,818	**154**	223
Deferred tax assets				
Allowances for impairment of assets	**(254)**	(169)	**(64)**	(26)
Tax losses	**(8)**	(9)	**(6)**	(6)
Others	**(140)**	(110)	**(37)**	(27)
	(402)	(288)	**(107)**	(59)
Amount offset against deferred tax liabilities	**122**	155	**19**	18
	(280)	(133)	**(88)**	(41)
Net deferred tax liabilities/(assets)	**2,552**	1,685	**66**	182

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 2021, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to $68 million (2020: $72 million) for the Group, nil (2020: $9 million) for the Bank. These tax losses have no expiry date except for an amount of $57 million (2020: $61 million) which will expire between the years 2022 and 2029 (2020: years 2021 and 2028).

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21. Debt Issued

		GROUP		BANK	
	Note	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Unsecured					
Subordinated debt	21.1	**2,730**	3,145	**2,730**	2,745
Fixed and floating rate notes	21.2	**2,771**	3,551	**2,313**	2,993
Commercial paper	21.3	**8,668**	12,057	**8,668**	12,057
Structured notes	21.4	**2,425**	1,869	**2,425**	1,869
		16,594	20,622	**16,136**	19,664
Secured					
Covered bonds	21.5	**3,521**	3,733	**3,521**	3,733
Total debt issued		**20,115**	24,355	**19,657**	23,397

21.1 Subordinated Debt

				GROUP	
	Note	Issue date	Maturity date	2021 $ million	2020 $ million
Issued by the Bank:					
USD1 billion 4.25% notes	(a)	19 Jun 2014	19 Jun 2024	**1,402**	1,426
USD1 billion 1.832% notes	(b)	10 Sep 2020	10 Sep 2030	**1,328**	1,319
				2,730	2,745
Issued by The Great Eastern Life Assurance Company Limited (GEL):					
SGD400 million 4.60% notes	(c)	19 Jan 2011	19 Jan 2026	**–**	400
Total subordinated debt				**2,730**	3,145

(a) 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 amount. The subordinated notes qualify as Tier 2 capital for the Group.

(b) The subordinated notes are redeemable in whole at the option of the Bank on 10 September 2025. 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 10 March and 10 September each year at 1.832% per annum up to 10 September 2025, and thereafter at a fixed rate per annum equal to the then prevailing 5-year U.S. Treasury Rate plus 1.58% 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 amount. The subordinated notes qualify as Tier 2 capital for the Group.

(c) 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.

The subordinated notes were fully redeemed by GEL on 19 January 2021.

21. Debt Issued (continued)

21.2 Fixed and Floating Rate Notes

				GROUP	
	Note	Issue date	Maturity date	2021 $ million	2020 $ million
Issued by the Bank:					
AUD600 million floating rate notes	(a)	23 Apr 2018	23 Apr 2021	**–**	610
AUD500 million floating rate notes	(a)	6 Sep 2018	6 Sep 2021	**–**	509
AUD700 million floating rate notes	(b)	23 May 2019 – 15 Jan 2020	23 May 2022	**686**	712
AUD500 million floating rate notes	(c)	5 Dec 2019	5 Dec 2022	**490**	509
AUD200 million floating rate notes	(d)	4 Sep 2020	4 Sep 2023	**196**	204
AUD460 million floating rate notes	(e)	18 Mar 2021 – 25 Mar 2021	18 Mar 2024	**451**	–
AUD500 million floating rate notes	(f)	12 Aug 2021	12 Aug 2024	**490**	–
USD340 million floating rate notes	(a)	17 May 2018	17 May 2021	**–**	449
				2,313	2,993
Issued by PT Bank OCBC NISP Tbk:					
IDR535 billion 6.90% fixed rate bonds	(a)	11 Apr 2018	10 Apr 2021	**–**	47
IDR342 billion 7.75% fixed rate bonds	(a)	6 Jul 2018	6 Jul 2021	**–**	32
				–	79
Issued by Pac Lease Berhad:					
MYR80 million 3.80% fixed rate notes	(a)	23 Sep 2019	23 Mar 2021	**–**	26
MYR50 million 3.80% fixed rate notes	(a)	26 Sep 2019	26 Mar 2021	**–**	16
MYR50 million 3.45% fixed rate notes	(g)	6 Mar 2020	7 Mar 2022	**16**	16
MYR50 million 3.00% fixed rate notes	(g)	22 Dec 2020	22 Jun 2022	**16**	16
MYR50 million 3.20% fixed rate notes	(g)	30 Jul 2021	13 Aug 2023	**16**	–
MYR80 million 3.48% fixed rate notes	(g)	17 Dec 2021	18 Jun 2024	**26**	–
MYR30 million 3.28% fixed rate notes	(g)	13 Aug 2021	14 Feb 2024	**10**	–
				84	74
Issued by OCBC Wing Hang Bank (China) Limited:					
CNY2 billion 4.06% fixed rate bonds	(a)	28 Nov 2018	28 Nov 2021	**–**	405
CNY730 million 3.50% fixed rate bonds	(h)	24 May 2021	24 May 2024	**157**	–
CNY1.02 billion 3.32% fixed rate bonds	(h)	22 Nov 2021	22 Nov 2024	**217**	–
				374	405
Total fixed and floating rate notes				**2,771**	3,551

(a) The notes and bonds were fully redeemed on their respective maturity dates.

(b) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.575% to 0.62% per annum.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.63% per annum.

(d) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.48% per annum.

(e) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.34% to 0.35% per annum.

(f) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.26% per annum.

(g) Interest is payable semi-annually.

(h) Interest is payable annually.

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21. Debt Issued (continued)
21.3 Commercial Paper

	GROUP	
	2021 $ million	2020 $ million
Issued by the Bank	**8,668**	12,057

The Bank issued the commercial paper under its USD10 billion ECP programme and USD25 billion USCP programme. The notes outstanding as at 31 December 2021 (2020: 31 December 2020) were issued between 14 April 2021 (2020: 6 February 2020) and 10 November 2021 (2020: 16 December 2020), and mature between 3 January 2022 (2020: 4 January 2021) and 23 September 2022 (2020: 8 October 2021). The commercial papers are zero-coupon papers, or floating rate papers pegged to monthly or quarterly market rates.

21.4 Structured Notes

			GROUP	
	Issue date	Maturity date	2021 $ million	2020 $ million
Issued by the Bank:				
Credit linked notes	1 Oct 2012 – 28 Dec 2021	3 Jan 2022 – 17 Dec 2026	**986**	867
Fixed rate notes	9 Oct 2012 – 27 Dec 2012	9 Oct 2037 – 28 Dec 2037	**108**	106
Bond linked notes	12 Oct 2016 – 24 Jun 2021	20 Sep 2022 – 24 May 2027	**109**	221
Index linked notes	5 Sep 2018 – 15 Mar 2019	22 Feb 2022	**2**	14
Fund linked notes	16 Jul 2018 – 28 Oct 2021	20 Jan 2022 – 4 May 2026	**49**	50
Participation notes	14 Jun 2019 – 29 Dec 2021	28 Feb 2022 – 7 Jul 2028	**1,171**	611
			2,425	1,869

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and were measured at amortised cost, except for $983 million (2020: $785 million) included under credit linked notes and $109 million (2020: $221 million) included under bond linked notes as at 31 December 2021 which were measured at fair value through profit or loss.

In accordance with SFRS(I) 9, 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 or loss, and were included as part of the Group's derivatives in the financial statements.

21. Debt Issued (continued)

21.5 Covered Bonds

			GROUP	
	Issue date	Maturity date	2021 $ million	2020 $ million
Issued by the Bank:				
EUR1 billion 0.25% fixed rate bonds	21 Mar 2017 – 5 Oct 2017	21 Mar 2022 – 5 Oct 2022	**1,531**	1,631
EUR500 million 0.375% fixed rate bonds	1 Mar 2018	1 Mar 2023	**767**	820
EUR500 million 0.625% fixed rate bonds	18 Apr 2018	18 Apr 2025	**767**	833
GBP250 million floating rate bonds	14 Mar 2018	14 Mar 2023	**456**	449
			3,521	3,733

The covered bonds were issued by the Bank under its USD10 billion Global Covered Bond Programme. The Covered Bond Guarantor, Red Sail Pte. Ltd., guarantees the payments of interest and principal. The guarantee is secured by a portfolio of Singapore housing loans transferred from OCBC Bank to Red Sail Pte. Ltd. (Note 46.2). Interest for the EUR and GBP covered bonds is payable annually and quarterly, respectively, and in arrear.

21.6 Reconciliation of Movements of Liabilities to Cash Flow Arising from Financing Activities

GROUP ($ million)	Subordinated debt	Fixed and floating rate notes	Commercial paper	Structured notes	Covered bonds	Total
At 1 January 2020	1,797	4,502	17,872	1,742	3,475	29,388
Cash flows	1,365	(1,206)	(5,905)	150	–	(5,596)
Non-cash changes						
Currency translation	(71)	254	24	(22)	(39)	146
Others	54	1	66	(1)	297	417
At 31 December 2020/ 1 January 2021	**3,145**	**3,551**	**12,057**	**1,869**	**3,733**	**24,355**
Cash flows	**(400)**	**(754)**	**(3,643)**	**557**	**–**	**(4,240)**
Non-cash changes						
Currency translation	**59**	**(26)**	**242**	**(3)**	**61**	**333**
Others	**(74)**	**(#)**	**12**	**2**	**(273)**	**(333)**
At 31 December 2021	**2,730**	**2,771**	**8,668**	**2,425**	**3,521**	**20,115**

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22. Life Insurance Fund Liabilities and Assets

	GROUP	
	2021 $ million	2020 $ million
Life insurance fund liabilities		
Movements in life insurance fund		
At 1 January	**83,469**	75,204
Currency translation	**(427)**	41
Net change in life insurance contract liabilities	**4,204**	8,224
At 31 December	**87,246**	83,469
Policy benefits	**5,487**	5,067
Others	**3,573**	5,918
	96,306	94,454
Life insurance fund investment securities and other assets		
Deposits with banks and financial institutions	**5,973**	7,074
Loans	**591**	890
Securities	**86,806**	80,462
Investment property	**1,884**	1,767
Others [(1)]	**4,842**	6,875
	100,096	97,068
Life insurance fund balances included under the following balance sheet items:		
Liabilities		
Current tax	**188**	67
Deferred tax	**2,467**	1,369
Other liabilities	**76**	88
Assets		
Cash and placements with central banks	**#**	#
Placements with and loans to banks	**2,228**	1,509
Property, plant and equipment and intangible assets	**681**	702
The following contracts were entered into under the life insurance fund:		
Capital commitment authorised and contracted	**149**	171
Derivative financial instruments (principal notional amount)	**36,740**	35,345
Derivative receivables	**356**	747
Derivative payables	**109**	264
Minimum lease payment receivable	**75**	57

(1) *Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.*

23. Cash and Placements with Central Banks

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Cash on hand	**633**	629	**330**	346
Non-restricted balances with central banks	**1,810**	2,360	**1,780**	2,346
Money market placements and reverse repos with central banks	**20,267**	19,089	**16,988**	14,820
Cash and cash equivalents	**22,710**	22,078	**19,098**	17,512
Restricted balances with central banks – mandatory reserve deposits	**5,211**	4,448	**3,767**	3,458
Gross cash and placements with central banks	**27,921**	26,526	**22,865**	20,970
Allowances for non-impaired placements with central banks	**(2)**	(1)	**(2)**	(1)
Net cash and placements with central banks	**27,919**	26,525	**22,863**	20,969

24. Government Treasury Bills and Securities

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Singapore government treasury bills and securities	**11,112**	10,628	**10,106**	9,294
Other government treasury bills and securities	**26,159**	22,663	**9,710**	9,411
Total government treasury bills and securities	**37,271**	33,291	**19,816**	18,705

25. Placements with and Loans to Banks

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Certificates of deposit held	**7,867**	13,100	**5,877**	10,120
Placements with and loans to banks	**14,440**	17,406	**10,845**	13,160
Market bills purchased	**732**	803	**732**	803
Reverse repos	**201**	1	**67**	1
Balances with banks	**23,240**	31,310	**17,521**	24,084
Bank balances of life insurance fund	**2,228**	1,509	**–**	–
Placements with and loans to banks	**25,468**	32,819	**17,521**	24,084
Allowances for non-impaired placements with and loans to banks	**(6)**	(3)	**(5)**	(1)
Net placements with and loans to banks	**25,462**	32,816	**17,516**	24,083

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26. Loans to Customers

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Gross loans	**289,716**	267,240	**191,370**	173,216
Allowances				
Impaired loans (Note 28)	**(1,535)**	(1,812)	**(722)**	(1,393)
Non-impaired loans (Note 30)	**(1,900)**	(1,890)	**(1,247)**	(1,172)
Net loans	**286,281**	263,538	**189,401**	170,651

26.1 Analysed by Product

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Overdrafts	**5,028**	3,933	**390**	512
Short-term and revolving loans	**66,748**	62,780	**32,703**	26,346
Syndicated and term loans	**119,632**	107,778	**94,273**	87,827
Housing and commercial property loans	**68,849**	67,093	**44,661**	42,189
Car, credit card and share margin loans	**4,614**	4,626	**3,174**	3,058
Bills receivable	**7,351**	5,232	**5,923**	3,856
Others	**17,494**	15,798	**10,246**	9,428
	289,716	267,240	**191,370**	173,216

26.2 Analysed by Industry

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Agriculture, mining and quarrying	**8,094**	8,483	**5,330**	5,630
Manufacturing	**15,642**	15,814	**8,383**	8,408
Building and construction	**81,375**	71,994	**66,198**	57,667
Housing loans	**61,733**	59,842	**42,812**	40,427
General commerce	**30,159**	28,834	**23,032**	20,850
Transport, storage and communication	**13,423**	14,340	**10,913**	11,919
Financial institutions, investment and holding companies	**25,365**	22,821	**6,854**	5,267
Professionals and individuals	**36,854**	30,659	**14,635**	11,837
Others	**17,071**	14,453	**13,213**	11,211
	289,716	267,240	**191,370**	173,216

27. Non-Performing Assets

Non-performing assets (NPAs) comprise non-performing loans, debt securities and contingents that are classified as Substandard, Doubtful and Loss in accordance with MAS Notices 612 and 612A.

$ million	Substandard	Doubtful	Loss	Gross loans, securities and contingents	Allowances for impaired assets	Net loans, securities and contingents
GROUP						
2021						
Classified loans	**2,351**	**1,331**	**533**	**4,215**	**(1,482)**	**2,733**
Classified debt securities	**4**	**–**	**2**	**6**	**(2)**	**4**
Classified contingents	**43**	**74**	**#**	**117**	**(53)**	**64**
Total classified assets	**2,398**	**1,405**	**535**	**4,338**	**(1,537)**	**2,801**
2020						
Classified loans	2,152	1,442	323	3,917	(1,807)	2,110
Classified debt securities	5	2	–	7	(3)	4
Classified contingents	14	67	#	81	(5)	76
Total classified assets	2,171	1,511	323	4,005	(1,815)	2,190
BANK						
2021						
Classified loans	**494**	**917**	**99**	**1,510**	**(679)**	**831**
Classified debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Classified contingents	**11**	**50**	**–**	**61**	**(43)**	**18**
Total classified assets	**505**	**967**	**99**	**1,571**	**(722)**	**849**
2020						
Classified loans	1,523	922	141	2,586	(1,388)	1,198
Classified debt securities	–	–	–	–	–	–
Classified contingents	#	54	–	54	(5)	49
Total classified assets	1,523	976	141	2,640	(1,393)	1,247

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27. Non-Performing Assets (continued)

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
27.1 Analysed by Period Overdue				
Over 180 days	**927**	1,857	**386**	1,348
Over 90 days to 180 days	**145**	286	**48**	225
30 days to 90 days	**179**	170	**55**	98
Less than 30 days	**1,018**	473	**189**	97
No overdue	**2,069**	1,219	**893**	872
	4,338	4,005	**1,571**	2,640
27.2 Analysed by Collateral Type				
Property	**2,031**	900	**269**	246
Fixed deposit	**16**	9	**#**	1
Stock and shares	**50**	147	**34**	129
Motor vehicles	**17**	5	**#**	#
Secured – Others	**421**	1,365	**345**	1,296
Unsecured – Corporate and other guarantees	**497**	708	**484**	685
Unsecured – Clean	**1,306**	871	**439**	283
	4,338	4,005	**1,571**	2,640
27.3 Analysed by Industry				
Agriculture, mining and quarrying	**96**	345	**41**	272
Manufacturing	**852**	570	**91**	84
Building and construction	**368**	211	**75**	35
Housing loans	**1,002**	420	**253**	193
General commerce	**637**	614	**148**	383
Transport, storage and communication	**501**	1,636	**448**	1,593
Financial institutions, investment and holding companies	**93**	33	**–**	–
Professionals and individuals	**179**	133	**43**	51
Others	**610**	43	**472**	29
	4,338	4,005	**1,571**	2,640

27. Non-Performing Assets (continued)

27.4 Restructured/Renegotiated Loans

Non-performing restructured loans by loan classification and the related allowances are shown below. The restructured loans as a percentage of total non-performing loans were 31.0% (2020: 45.2%) and 24.8% (2020: 51.6%) for the Group and the Bank respectively.

	2021		2020	
	Amount $ million	Allowance $ million	Amount $ million	Allowance $ million
GROUP				
Substandard	**816**	**295**	1,148	846
Doubtful	**407**	**238**	589	359
Loss	**85**	**37**	34	19
	1,308	**570**	1,771	1,224
BANK				
Substandard	**156**	**29**	939	721
Doubtful	**218**	**200**	390	318
Loss	**1**	**#**	5	4
	375	**229**	1,334	1,043

28. Allowances for Impaired Loans to Customers

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
At 1 January	**1,812**	1,395	**1,393**	1,035
Currency translation	**44**	(44)	**26**	(40)
Net write-offs [1]	**(1,153)**	(663)	**(1,042)**	(466)
Net allowances (Note 10)	**852**	1,149	**354**	877
Interest recognition on impaired loans	**(31)**	(42)	**(15)**	(30)
Transfers	**11**	17	**6**	17
At 31 December (Note 26)	**1,535**	1,812	**722**	1,393

(1) *Comprise bad debts written off for the Group and the Bank of $1,267 million and $1,107 million (2020: $735 million and $501 million) respectively, and bad debts recovered for the Group and Bank of $85 million and $66 million (2020: $60 million and $41 million) respectively.*

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28. Allowances for Impaired Loans to Customers (continued)
Analysed by Industry

	Cumulative allowances for impaired loans		Net allowances for impaired loans charged/(write-back) to income statements	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
GROUP				
Agriculture, mining and quarrying	**67**	72	**(7)**	52
Manufacturing	**283**	177	**138**	103
Building and construction	**136**	65	**116**	50
Housing loans	**155**	47	**110**	24
General commerce	**226**	249	**198**	465
Transport, storage and communication	**283**	1,110	**(4)**	392
Financial institutions, investment and holding companies	**31**	12	**1**	7
Professionals and individuals	**70**	70	**40**	51
Others	**284**	10	**260**	5
	1,535	1,812	**852**	1,149
BANK				
Agriculture, mining and quarrying	**32**	68	**(21)**	46
Manufacturing	**35**	38	**24**	12
Building and construction	**44**	20	**35**	16
Housing loans	**5**	3	**1**	–
General commerce	**82**	133	**87**	382
Transport, storage and communication	**252**	1,086	**(13)**	388
Financial institutions, investment and holding companies	**–**	–	**(#)**	(#)
Professionals and individuals	**33**	39	**4**	25
Others	**239**	6	**237**	8
	722	1,393	**354**	877

29. Debt and Equity Securities

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Debt securities	**28,045**	27,934	**16,763**	15,648
Equity securities	**2,568**	2,756	**1,065**	983
Investment funds	**3,402**	2,454	**2,203**	1,214
Total securities	**34,015**	33,144	**20,031**	17,845
Allowances for non-impaired debt securities	**(#)**	(1)	**(#)**	(1)
	34,015	33,143	**20,031**	17,844

Debt Securities Analysis:

29.1 By Credit Ratings

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Investment grade (AAA to BBB)	**18,983**	18,308	**12,718**	11,697
Non-investment grade (BB to C)	**66**	109	**66**	109
Non-rated	**8,996**	9,517	**3,979**	3,842
	28,045	27,934	**16,763**	15,648

29.2 By Credit Quality

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Pass	**28,038**	27,916	**16,763**	15,640
Special mention	**1**	11	**–**	8
Substandard	**4**	5	**–**	–
Doubtful	**–**	2	**–**	–
Loss	**2**	–	**–**	–
	28,045	27,934	**16,763**	15,648

Debt and Equity Securities Analysis:

29.3 By Industry

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Agriculture, mining and quarrying	**538**	545	**284**	326
Manufacturing	**2,073**	1,536	**1,627**	948
Building and construction	**2,234**	2,380	**1,421**	1,539
General commerce	**733**	555	**395**	358
Transport, storage and communication	**2,421**	1,991	**1,447**	1,288
Financial institutions, investment and holding companies	**21,484**	21,426	**12,231**	10,748
Others	**4,532**	4,711	**2,626**	2,638
	34,015	33,144	**20,031**	17,845

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30. Allowances for Financial Assets

The following tables show reconciliations from the opening to the closing balance of expected credit loss (ECL).

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
At 1 January 2020	470	578	1,397	2,445
Transfer to Stage 1	497	(475)	(22)	–
Transfer to Stage 2	(181)	200	(19)	–
Transfer to Stage 3	(4)	(97)	101	–
Remeasurement [(1)]	1	783	1,065	1,849
New financial assets originated or purchased	609	257	–	866
Financial assets that have been derecognised	(429)	(312)	–	(741)
Changes in models [(2)]	7	7	–	14
Write-offs	–	–	(663)	(663)
Foreign exchange and other movements	(3)	(1)	(44)	(48)
At 31 December 2020/1 January 2021	**967**	**940**	**1,815**	**3,722**
Transfer to Stage 1	**563**	**(546)**	**(17)**	**–**
Transfer to Stage 2	**(219)**	**267**	**(48)**	**–**
Transfer to Stage 3	**(3)**	**(206)**	**209**	**–**
Remeasurement [(1)]	**(554)**	**592**	**687**	**725**
New financial assets originated or purchased	**535**	**398**	**–**	**933**
Financial assets that have been derecognised	**(387)**	**(436)**	**–**	**(823)**
Changes in models [(2)]	**(10)**	**18**	**–**	**8**
Write-offs	**–**	**–**	**(1,153)**	**(1,153)**
Foreign exchange and other movements	**2**	**2**	**44**	**48**
At 31 December 2021	**894**	**1,029**	**1,537**	**3,460**
BANK				
At 1 January 2020	224	348	1,035	1,607
Transfer to Stage 1	386	(371)	(15)	–
Transfer to Stage 2	(106)	118	(12)	–
Transfer to Stage 3	(2)	(37)	39	–
Remeasurement [(1)]	77	443	853	1,373
New financial assets originated or purchased	358	192	–	550
Financial assets that have been derecognised	(216)	(231)	–	(447)
Write-offs	–	–	(466)	(466)
Foreign exchange and other movements	(4)	(2)	(41)	(47)
At 31 December 2020/1 January 2021	**717**	**460**	**1,393**	**2,570**
Transfer to Stage 1	**371**	**(358)**	**(13)**	**–**
Transfer to Stage 2	**(87)**	**100**	**(13)**	**–**
Transfer to Stage 3	**(2)**	**(104)**	**106**	**–**
Remeasurement [(1)]	**(400)**	**429**	**265**	**294**
New financial assets originated or purchased	**318**	**302**	**–**	**620**
Financial assets that have been derecognised	**(218)**	**(279)**	**–**	**(497)**
Changes in models [(2)]	**3**	**2**	**–**	**5**
Write-offs	**–**	**–**	**(1,042)**	**(1,042)**
Foreign exchange and other movements	**3**	**3**	**26**	**32**
At 31 December 2021	**705**	**555**	**722**	**1,982**

(1) *Remeasurement includes the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.*

(2) *Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.*

30. Allowances for Financial Assets (continued)

Analysed by Main Class of Financial Instruments

Loans to customers at amortised cost [1]

$ million	Stage 1	Stage 2	Stage 3	Total
GROUP				
At 1 January 2020	455	575	1,395	2,425
Transfer to Stage 1	493	(471)	(22)	–
Transfer to Stage 2	(180)	199	(19)	–
Transfer to Stage 3	(4)	(97)	101	–
Remeasurement [2]	13	777	1,064	1,854
New financial assets originated or purchased	590	257	–	847
Financial assets that have been derecognised	(414)	(310)	–	(724)
Changes in models [3]	4	7	–	11
Write-offs	–	–	(663)	(663)
Foreign exchange and other movements	(3)	(1)	(44)	(48)
At 31 December 2020/1 January 2021	**954**	**936**	**1,812**	**3,702**
Transfer to Stage 1	**562**	**(545)**	**(17)**	**–**
Transfer to Stage 2	**(216)**	**264**	**(48)**	**–**
Transfer to Stage 3	**(3)**	**(204)**	**207**	**–**
Remeasurement [2]	**(553)**	**579**	**690**	**716**
New financial assets originated or purchased	**516**	**397**	**–**	**913**
Financial assets that have been derecognised	**(373)**	**(429)**	**–**	**(802)**
Changes in models [3]	**(8)**	**18**	**#**	**10**
Write-offs	**–**	**–**	**(1,153)**	**(1,153)**
Foreign exchange and other movements	**2**	**3**	**44**	**49**
At 31 December 2021	**881**	**1,019**	**1,535**	**3,435**
BANK				
At 1 January 2020	215	347	1,035	1,597
Transfer to Stage 1	385	(370)	(15)	–
Transfer to Stage 2	(105)	117	(12)	–
Transfer to Stage 3	(2)	(37)	39	–
Remeasurement [2]	88	442	853	1,383
New financial assets originated or purchased	342	192	–	534
Financial assets that have been derecognised	(206)	(230)	–	(436)
Write-offs	–	–	(466)	(466)
Foreign exchange and other movements	(4)	(2)	(41)	(47)
At 31 December 2020/1 January 2021	**713**	**459**	**1,393**	**2,565**
Transfer to Stage 1	**370**	**(357)**	**(13)**	**–**
Transfer to Stage 2	**(84)**	**97**	**(13)**	**–**
Transfer to Stage 3	**(2)**	**(104)**	**106**	**–**
Remeasurement [2]	**(400)**	**426**	**265**	**291**
New financial assets originated or purchased	**302**	**301**	**–**	**603**
Financial assets that have been derecognised	**(208)**	**(277)**	**–**	**(485)**
Changes in models [3]	**3**	**2**	**–**	**5**
Write-offs	**–**	**–**	**(1,042)**	**(1,042)**
Foreign exchange and other movements	**2**	**4**	**26**	**32**
At 31 December 2021	**696**	**551**	**722**	**1,969**

(1) *Includes ECL on contingent liabilities and other credit commitments.*

(2) *Remeasurement includes the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.*

(3) *Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.*

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30. Allowances for Financial Assets (continued)

The following tables set out information about the credit quality of financial assets.

	2021				2020			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
GROUP								
Cash and placements with central banks (Note 23)								
Pass	**27,232**	**56**	**–**	**27,288**	25,862	35	–	25,897
Loss allowances	**(#)**	**(2)**	**–**	**(2)**	(#)	(1)	–	(1)
Carrying amount	**27,232**	**54**	**–**	**27,286**	25,862	34	–	25,896
Government treasury bills and securities – Amortised cost (Note 39)								
Pass/Carrying amount	**334**	**13**	**–**	**347**	378	–	–	378
Government treasury bills and securities – FVOCI [(1)] (Note 39)								
Pass	**32,909**	**83**	**–**	**32,992**	28,395	–	–	28,395
Loss allowances	**(#)**	**–**	**–**	**(#)**	(#)	–	–	(#)
Placements with and loans to banks – Amortised cost (Note 39)								
Pass	**17,454**	**139**	**–**	**17,593**	19,716	3	–	19,719
Special mention	**–**	**8**	**–**	**8**	–	–	–	–
	17,454	**147**	**–**	**17,601**	19,716	3	–	19,719
Loss allowances	**(6)**	**(#)**	**–**	**(6)**	(3)	(#)	–	(3)
Carrying amount	**17,448**	**147**	**–**	**17,595**	19,713	3	–	19,716
Placements with and loans to banks – FVOCI [(1)] (Note 39)								
Pass	**5,573**	**1,536**	**–**	**7,109**	11,869	–	–	11,869
Loss allowances	**(2)**	**(#)**	**–**	**(2)**	(#)	–	–	(#)
Loans to customers – Amortised cost (Note 39)								
Pass	**252,523**	**26,685**	**–**	**279,208**	237,043	21,817	–	258,860
Special mention	**–**	**6,244**	**–**	**6,244**	–	4,374	–	4,374
Substandard	**–**	**–**	**2,351**	**2,351**	–	–	2,152	2,152
Doubtful	**–**	**–**	**1,331**	**1,331**	–	–	1,442	1,442
Loss	**–**	**–**	**533**	**533**	–	–	323	323
	252,523	**32,929**	**4,215**	**289,667**	237,043	26,191	3,917	267,151
Loss allowances	**(776)**	**(779)**	**(1,482)**	**(3,037)**	(765)	(679)	(1,807)	(3,251)
Carrying amount	**251,747**	**32,150**	**2,733**	**286,630**	236,278	25,512	2,110	263,900
Loans to customers – FVOCI [(1)] (Note 39)								
Pass	**2**	**–**	**–**	**2**	–	–	–	–
Loss allowances	**(#)**	**–**	**–**	**(#)**	–	–	–	–
Debt securities – Amortised cost (Note 39)								
Pass	**331**	**–**	**–**	**331**	388	–	–	388
Loss allowances	**(#)**	**–**	**–**	**(#)**	(1)	–	–	(1)
Carrying amount	**331**	**–**	**–**	**331**	387	–	–	387
Debt securities – FVOCI [(1)] (Note 39)								
Pass	**22,478**	**1,124**	**–**	**23,602**	23,302	243	–	23,545
Special mention	**–**	**–**	**–**	**–**	–	3	–	3
Substandard	**–**	**–**	**4**	**4**	–	–	5	5
Doubtful	**–**	**–**	**2**	**2**	–	–	2	2
	22,478	**1,124**	**6**	**23,608**	23,302	246	7	23,555
Loss allowances	**(6)**	**(7)**	**(2)**	**(15)**	(9)	(3)	(3)	(15)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loan commitments and contingent liabilities								
Pass	**118,370**	**12,922**	**–**	**131,292**	108,344	9,671	–	118,015
Special mention	**–**	**654**	**–**	**654**	–	830	–	830
Substandard	**–**	**–**	**641**	**641**	–	–	272	272
Doubtful	**–**	**–**	**487**	**487**	–	–	302	302
Loss	**–**	**–**	**188**	**188**	–	–	227	227
	118,370	**13,576**	**1,316**	**133,262**	108,344	10,501	801	119,646
Allowances for contingent liabilities and credit commitments (Note 39)	**(105)**	**(240)**	**(53)**	**(398)**	(189)	(257)	(5)	(451)

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

30. Allowances for Financial Assets (continued)

	2021				2020			
$ million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
BANK								
Cash and placements with central banks (Note 23)								
Pass	**22,478**	**57**	**–**	**22,535**	20,589	35	–	20,624
Loss allowances	**(#)**	**(2)**	**–**	**(2)**	(#)	(1)	–	(1)
Carrying amount	**22,478**	**55**	**–**	**22,533**	20,589	34	–	20,623
Government treasury bills and securities – Amortised cost (Note 39)								
Pass/Carrying amount	**334**	**13**	**–**	**347**	378	–	–	378
Government treasury bills and securities – FVOCI (1) (Note 39)								
Pass	**16,585**	**83**	**–**	**16,668**	15,011	–	–	15,011
Loss allowances	**(#)**	**(#)**	**–**	**(#)**	(#)	–	–	(#)
Placements with and loans to banks – Amortised cost (Note 39)								
Pass	**10,232**	**1,412**	**–**	**11,644**	13,962	2	–	13,964
Loss allowances	**(5)**	**(#)**	**–**	**(5)**	(1)	(#)	–	(1)
Carrying amount	**10,227**	**1,412**	**–**	**11,639**	13,961	2	–	13,963
Placements with and loans to banks – FVOCI (1) (Note 39)								
Pass	**3,845**	**1,274**	**–**	**5,119**	8,889	–	–	8,889
Loss allowances	**(#)**	**(#)**	**–**	**(#)**	(#)	–	–	(#)
Loans to customers – Amortised cost (Note 39)								
Pass	**167,580**	**20,139**	**–**	**187,719**	156,100	12,496	–	168,596
Special mention	**–**	**2,094**	**–**	**2,094**	–	1,950	–	1,950
Substandard	**–**	**–**	**494**	**494**	–	–	1,523	1,523
Doubtful	**–**	**–**	**917**	**917**	–	–	922	922
Loss	**–**	**–**	**99**	**99**	–	–	141	141
	167,580	**22,233**	**1,510**	**191,323**	156,100	14,446	2,586	173,132
Loss allowances	**(638)**	**(392)**	**(679)**	**(1,709)**	(592)	(299)	(1,388)	(2,279)
Carrying amount	**166,942**	**21,841**	**831**	**189,614**	155,508	14,147	1,198	170,853
Debt securities – Amortised cost (Note 39)								
Pass	**331**	**–**	**–**	**331**	388	–	–	388
Loss allowances	**(#)**	**–**	**–**	**(#)**	(1)	–	–	(1)
Carrying amount	**331**	**–**	**–**	**331**	387	–	–	387
Debt securities – FVOCI (1) (Note 39)								
Pass	**12,495**	**568**	**–**	**13,063**	12,018	63	–	12,081
Loss allowances	**(2)**	**(3)**	**–**	**(5)**	(2)	–	–	(2)

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loan commitments and contingent liabilities								
Pass	**86,416**	**9,510**	**–**	**95,926**	82,012	7,722	–	89,734
Special mention	**–**	**480**	**–**	**480**	–	623	–	623
Substandard	**–**	**–**	**581**	**581**	–	–	241	241
Doubtful	**–**	**–**	**441**	**441**	–	–	277	277
Loss	**–**	**–**	**177**	**177**	–	–	158	158
	86,416	**9,990**	**1,199**	**97,605**	82,012	8,345	676	91,033
Allowances for contingent liabilities and credit commitments (Note 39)	**(59)**	**(158)**	**(43)**	**(260)**	(121)	(160)	(5)	(286)

(1) *In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).*

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31. Other Assets

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Interest receivable	**889**	970	**481**	509
Sundry debtors (net)	**922**	1,156	**87**	98
Deposits and prepayments	**1,911**	2,541	**1,391**	2,146
Others	**2,612**	1,139	**380**	382
	6,334	5,806	**2,339**	3,135

At 31 December 2021, reinsurance assets included in "Others" amounted to $467 million (2020: $298 million) for the Group.

32. Associates

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Quoted equity security, at cost	**2,601**	2,087	**2,157**	1,643
Unquoted equity securities, at cost	**145**	144	**65**	65
	2,746	2,231	**2,222**	1,708
Share of post-acquisition reserves	**3,289**	2,264	**–**	–
Unquoted equity security, at fair value	**95**	97	**–**	–
Net carrying amount	**6,130**	4,592	**2,222**	1,708
Amounts due from associates (unsecured)	**40**	41	**40**	41
Allowances for non-impaired amounts due from associates	**(#)**	(#)	**(#)**	(#)
	40	41	**40**	41
Investments in and amounts due from associates	**6,170**	4,633	**2,262**	1,749

32. Associates (continued)

32.1 List of Principal Associates

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] 2021	2020
Quoted				
Bank of Ningbo Co., Ltd. [1]	People's Republic of China	A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking.	**20**	20
Unquoted				
Maxwealth Fund Management Company Limited [1]	People's Republic of China	A privately held asset manager that manufactures and distributes mutual funds in Greater China.	**29**	29
Network for Electronic Transfers (Singapore) Pte Ltd [2]	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 KPMG LLP.*
(3) *Rounded to the nearest percentage.*

As at 31 December 2021, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo was $10.74 billion (2020: $8.60 billion). The carrying amount of the Group's interests was $5.70 billion (2020: $4.20 billion).

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

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32. Associates (continued)

32.2 Financial Information of Material Associate

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

	Bank of Ningbo Co., Ltd.	
$ million	2021	2020
Selected income statement information		
Revenue	**11,007**	8,210
Net profit from continuing operations	**4,087**	3,023
Other comprehensive income	**630**	(227)
Total comprehensive income	**4,717**	2,796
Selected balance sheet information		
Current assets	**308,858**	237,879
Non-current assets	**118,265**	91,589
Current liabilities	**(335,881)**	(254,161)
Non-current liabilities	**(59,457)**	(51,205)
Net assets	**31,785**	24,102
Non-controlling interests	**(122)**	(104)
Preference shares	**(3,144)**	(3,000)
Net assets attributable to ordinary shareholders	**28,519**	20,998
Reconciliation of associate's total ordinary shareholders' equity to the carrying amount in the Group's financial statements		
Group's interests in net assets of investee at beginning of the year	**4,199**	3,301
Group's share of:		
– net profit from continuing operations	**783**	571
– other comprehensive income	**336**	123
– total comprehensive income	**1,119**	694
Dividends	**(128)**	(118)
Subscription of shares	**514**	322
Carrying amount of interest in investee at end of the year	**5,704**	4,199
Dividends received during the year	**128**	118

32. Associates (continued)

32.2 Financial Information of Material Associate (continued)

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

$ million	2021	2020
At 31 December:		
Aggregate carrying amount of individually immaterial associates	**331**	296
For the year ended:		
Aggregate amounts of the Group's share of:		
Net profit from continuing operations	**40**	40
Other comprehensive income	**3**	6
Total comprehensive income	**43**	46
Dividends received during the year	**1**	2

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

$ million	2021	2020
At 31 December:		
Share of contingent liabilities incurred jointly with other investors of associates	**13,029**	8,670

33. Subsidiaries

	BANK	
	2021 $ million	2020 $ million
Investments in subsidiaries, at cost		
Quoted securities	**1,970**	1,970
Unquoted securities	**13,149**	13,085
Allowance for impairment	**(31)**	(29)
Net carrying amount	**15,088**	15,026
Amount due from subsidiaries		
Term to maturity of one year or less	**8,842**	8,773
Term to maturity of more than one year	**13,088**	8,473
	21,930	17,246
Of which:		
Unsecured	**21,354**	16,652
Secured	**576**	594
	21,930	17,246
Investments in and amount due from subsidiaries	**37,018**	32,272

At 31 December 2021, the fair values (Level 1 of the fair value hierarchy) of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $8.38 billion (2020: $8.32 billion) and $1.23 billion (2020: $1.50 billion) respectively.

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33. Subsidiaries (continued)

33.1 List of Principal Subsidiaries

Principal subsidiaries of the Group are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Proportion of ownership interests and voting rights held by the Group (%)		Proportion of ownership interests and voting rights held by non-controlling interests (%)	
		2021 [1]	2020 [1]	2021 [1]	2020 [1]
Banking					
Banco OCBC Weng Hang, S.A.	Macau SAR	**100**	100	**–**	–
Bank of Singapore Limited	Singapore	**100**	100	**–**	–
OCBC Al-Amin Bank Berhad	Malaysia	**100**	100	**–**	–
OCBC Bank (Malaysia) Berhad	Malaysia	**100**	100	**–**	–
OCBC Wing Hang Bank (China) Limited	People's Republic of China	**100**	100	**–**	–
OCBC Wing Hang Bank Limited	Hong Kong SAR	**100**	100	**–**	–
PT Bank OCBC NISP Tbk	Indonesia	**85**	85	**15**	15
Insurance					
Great Eastern General Insurance Limited	Singapore	**88**	88	**12**	12
Great Eastern General Insurance (Malaysia) Berhad	Malaysia	**88**	88	**12**	12
Great Eastern Life Assurance (Malaysia) Berhad	Malaysia	**88**	88	**12**	12
The Great Eastern Life Assurance Company Limited	Singapore	**88**	88	**12**	12
Asset management and investment holding					
Lion Global Investors Limited	Singapore	**92**	92	**8**	8
Great Eastern Holdings Limited	Singapore	**88**	88	**12**	12
Stockbroking					
OCBC Securities Private Limited	Singapore	**100**	100	**–**	–

(1) *Rounded to the nearest percentage.*

The principal subsidiaries listed above are audited by PricewaterhouseCoopers LLP Singapore and its associated firms.

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.

33. Subsidiaries (continued)

33.2 Non-Controlling Interests in Subsidiaries

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material NCI.

	PT Bank OCBC NISP Tbk		Great Eastern Holdings Limited	
$ million	2021	2020	2021	2020
Net assets attributable to NCI	**440**	402	**1,215**	1,120
Total comprehensive income attributable to NCI	**38**	18	**115**	123
Dividends paid to NCI during the year	**–**	–	**34**	34
Summarised financial information				
Total assets	**19,883**	18,886	**110,390**	106,928
Total liabilities	**(16,935)**	(16,196)	**(100,254)**	(97,453)
Total net assets	**2,948**	2,690	**10,136**	9,475
Revenue	**909**	882	**19,964**	21,478
Profit	**253**	169	**1,133**	988
Other comprehensive income	**(12)**	31	**(160)**	74
Total comprehensive income	**241**	200	**973**	1,062
Cash flows provided by operating activities	**2,347**	498	**4,274**	1,532
Cash flows (used in)/provided by investing activities	**(2,043)**	(1,594)	**(4,081)**	2,204
Cash flows (used in)/provided by financing activities	**(83)**	154	**(725)**	(302)
Effect of currency translation reserve adjustment	**7**	11	**–**	–
Net changes in cash and cash equivalents	**228**	(931)	**(532)**	3,434

33.3 Consolidated Structured Entities

The Bank has established a USD10 billion Global Covered Bond Programme (the Programme). Under the Programme, the Bank may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor, Red Sail Pte. Ltd. (the CBG). The Covered Bonds issued under the Programme will predominantly be backed by a portfolio of Singapore housing loans transferred from the Bank to the CBG. Integral to the Programme structure, the Bank provides funding and hedging facilities to the CBG.

Notes to the Financial Statements
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34. Property, Plant and Equipment

	2021				2020			
GROUP ($ million)	Property-related	Computer-related [(1)]	Others	Total	Property-related	Computer-related [(1)]	Others	Total
Cost								
At 1 January	**3,764**	**2,739**	**656**	**7,159**	3,753	2,494	640	6,887
Currency translation	**32**	**(1)**	**1**	**32**	(11)	(5)	(1)	(17)
Additions/modifications	**89**	**335**	**52**	**476**	109	309	38	456
Disposals/terminations and other transfers	**(115)**	**(34)**	**(39)**	**(188)**	(82)	(59)	(21)	(162)
Net transfer to:								
Assets held for sale	**(10)**	**–**	**(#)**	**(10)**	(#)	–	(#)	(#)
Investment property (Note 35)	**(21)**	**–**	**(#)**	**(21)**	(5)	–	–	(5)
At 31 December	**3,739**	**3,039**	**670**	**7,448**	3,764	2,739	656	7,159
Accumulated depreciation								
At 1 January	**(1,031)**	**(1,993)**	**(505)**	**(3,529)**	(899)	(1,805)	(491)	(3,195)
Currency translation	**(11)**	**2**	**(#)**	**(9)**	(#)	3	1	4
Disposals/terminations and other transfers	**45**	**32**	**36**	**113**	43	59	28	130
Depreciation charge	**(141)**	**(213)**	**(36)**	**(390)**	(153)	(210)	(36)	(399)
Depreciation charge to profit from life insurance (Note 4)	**(24)**	**(39)**	**(8)**	**(71)**	(23)	(40)	(7)	(70)
Net transfer to:								
Assets held for sale	**2**	**–**	**#**	**2**	#	–	#	#
Investment property (Note 35)	**5**	**–**	**–**	**5**	1	–	–	1
At 31 December	**(1,155)**	**(2,211)**	**(513)**	**(3,879)**	(1,031)	(1,993)	(505)	(3,529)
Accumulated impairment losses								
At 1 January	**(62)**	**(#)**	**(1)**	**(63)**	(63)	(#)	(1)	(64)
Currency translation	**#**	**–**	**#**	**#**	(#)	–	–	(#)
Disposals and other transfers	**–**	**–**	**–**	**–**	1	–	–	1
Write-back to income statement	**–**	**–**	**–**	**–**	–	–	#	#
At 31 December	**(62)**	**(#)**	**(1)**	**(63)**	(62)	(#)	(1)	(63)
Net carrying amount, at 31 December [(2)]	**2,522**	**828**	**156**	**3,506**	2,671	746	150	3,567
Freehold property	**409**				435			
Leasehold property	**1,885**				1,959			
Net carrying amount	**2,294**				2,394			

(1) *Includes computer software of $618 million (2020: $452 million). The cost and accumulated depreciation are $2,079 million (2020: $1,575 million) and $1,461 million (2020: $1,123 million) respectively.*

(2) *Includes ROU assets comprising property-related of $228 million (2020: $277 million), computer-related of $1 million (2020: $4 million) and others of $2 million (2020: $2 million).*

34. Property, Plant and Equipment (continued)

BANK ($ million)	2021 Property-related	2021 Computer-related [1]	2021 Others	2021 Total	2020 Property-related	2020 Computer-related [1]	2020 Others	2020 Total
Cost								
At 1 January	**425**	**1,447**	**188**	**2,060**	417	1,332	191	1,940
Currency translation	**#**	**(#)**	**(#)**	**(#)**	#	#	#	#
Additions	**21**	**174**	**30**	**225**	26	155	13	194
Disposals/terminations and other transfers	**(19)**	**(14)**	**(21)**	**(54)**	(13)	(40)	(16)	(69)
Net transfer to investment property (Note 35)	**(5)**	**–**	**–**	**(5)**	(5)	–	–	(5)
At 31 December	**422**	**1,607**	**197**	**2,226**	425	1,447	188	2,060
Accumulated depreciation								
At 1 January	**(148)**	**(1,062)**	**(151)**	**(1,361)**	(124)	(976)	(155)	(1,255)
Currency translation	**#**	**#**	**#**	**#**	(#)	(#)	(#)	(#)
Disposals/terminations and other transfers	**18**	**12**	**21**	**51**	12	40	15	67
Depreciation charge	**(37)**	**(133)**	**(12)**	**(182)**	(38)	(126)	(11)	(175)
Net transfer to investment property (Note 35)	**2**	**–**	**–**	**2**	2	–	–	2
At 31 December	**(165)**	**(1,183)**	**(142)**	**(1,490)**	(148)	(1,062)	(151)	(1,361)
Accumulated impairment losses								
At 1 January	**(1)**	**–**	**–**	**(1)**	(1)	–	–	(1)
Disposals and other transfers	**–**	**–**	**–**	**–**	#	–	–	#
At 31 December	**(1)**	**–**	**–**	**(1)**	(1)	–	–	(1)
Net carrying amount, at 31 December [2]	**256**	**424**	**55**	**735**	276	385	37	698
Freehold property	**42**				43			
Leasehold property	**167**				176			
Net carrying amount	**209**				219			

(1) *Includes computer software of $368 million (2020: $328 million). The cost and accumulated depreciation are $1,261 million (2020: $1,126 million) and $893 million (2020: $798 million) respectively.*

(2) *Includes ROU assets comprising property-related of $47 million (2020: $57 million), computer-related of $1 million (2020: $3 million) and others of $# million (2020: $# million).*

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35. Investment Property

	GROUP		BANK	
$ million	2021	2020	2021	2020
Cost				
At 1 January	**1,049**	1,056	**602**	593
Currency translation	**4**	2	**–**	–
Additions	**7**	4	**7**	4
Disposals and other transfers	**(23)**	(15)	**(9)**	(#)
Net transfer from/(to):				
Property, plant and equipment (Note 34)	**21**	5	**5**	5
Assets held for sale	**(5)**	(3)	**(3)**	–
At 31 December	**1,053**	1,049	**602**	602
Accumulated depreciation				
At 1 January	**(235)**	(216)	**(123)**	(112)
Currency translation	**(1)**	(#)	**–**	–
Disposals and other transfers	**10**	1	**4**	–
Depreciation charge	**(22)**	(20)	**(8)**	(9)
Net transfer (from)/to:				
Property, plant and equipment (Note 34)	**(5)**	(1)	**(2)**	(2)
Assets held for sale	**2**	1	**1**	–
At 31 December	**(251)**	(235)	**(128)**	(123)
Accumulated impairment losses				
At 1 January	**(1)**	(1)	**(1)**	(1)
Write-back to income statement	**#**	–	**#**	–
Net transfer from property, plant and equipment	**–**	(#)	**–**	(#)
At 31 December	**(1)**	(1)	**(1)**	(1)
Net carrying amount				
Freehold property	**525**	547	**159**	162
Leasehold property	**276**	266	**314**	316
At 31 December	**801**	813	**473**	478
Fair value hierarchy				
Level 2	**875**	1,023	**242**	327
Level 3	**1,933**	1,811	**1,103**	1,041
Market value	**2,808**	2,834	**1,345**	1,368

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

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

36. Goodwill and Other Intangible Assets

	GROUP		BANK	
$ million	2021	2020	2021	2020
Goodwill				
At 1 January	**4,431**	4,468	**1,867**	1,867
Currency translation	**36**	(37)	**–**	–
At 31 December	**4,467**	4,431	**1,867**	1,867
Intangible assets				
At 1 January	**406**	512		
Amortisation charged to income statement:				
– Core deposit relationships [1]	**(41)**	(42)		
– Customer relationships [2]	**(15)**	(15)		
– Distribution platform	**(#)**	(#)		
– Life insurance business [3]	**(47)**	(47)		
Currency translation	**4**	(2)		
At 31 December	**307**	406		
Total goodwill and other intangible assets	**4,774**	4,837	**1,867**	1,867
Analysed as follows:				
Goodwill from acquisition of subsidiaries/business	**4,467**	4,431	**1,867**	1,867
Intangible assets, at cost	**1,571**	1,560	**–**	–
Accumulated amortisation for intangible assets	**(1,264)**	(1,154)	**–**	–
	4,774	4,837	**1,867**	1,867

(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 2021, these have a remaining useful life of 2.5 years (2020: 3.5 years).*

(2) *Customer relationships, arising from the acquisition of Bank of Singapore Limited and Barclays WIM, are determined to have an estimated useful life of 10 years. At 31 December 2021, these have a remaining useful life of up to 5 years (2020: 6 years).*

(3) *The value of in-force insurance business of the Group is amortised over a useful life of 20 years. At 31 December 2021, the intangible asset has a remaining useful life of 3 years (2020: 4 years).*

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36. Goodwill and Other Intangible Assets (continued)

Impairment Tests for Goodwill

For impairment testing, goodwill is allocated to the Group's CGU identified mainly to business segments as follows:

$ million **Cash Generating Units**	Basis of determining recoverable value	Carrying amount 2021	2020
Goodwill attributed to Banking CGU			
Global Consumer Financial Services		**844**	844
Global Corporate Banking		**570**	570
Global Treasury		**524**	524
	Value-in-use	**1,938**	1,938
Great Eastern Holdings Limited	Appraisal value	**427**	427
Bank of Singapore Limited	Value-in-use	**814**	796
Lion Global Investors Limited	Value-in-use	**30**	30
OCBC Wing Hang Bank Limited	Value-in-use	**1,073**	1,056
PT Bank OCBC NISP Tbk	Value-in-use	**175**	174
Others	Value-in-use	**10**	10
		4,467	4,431

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 cash flow projections are discounted at a pre-tax discount rate that includes 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Discount rate	**8.6%**	10.0%	**9.5%**	11.8%	**9.6%**	10.5%	**16.5%**	16.0%
Terminal growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**2.6%**	2.6%	**4.0%**	4.0%

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 insurance 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 6.00% (2020: 6.00%) and 7.75% (2020: 7.75%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life insurance 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.

A reasonably possible change in key assumptions will not cause the carrying amount to materially exceed the recoverable amount.

37. Segment Information

37.1 Business Segments

$ million	Global Consumer/ Private Banking	Global Wholesale Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2021						
Net interest income	1,654	2,753	973	98	377	5,855
Non-interest income	2,031	931	237	1,496	46	4,741
Total income	3,685	3,684	1,210	1,594	423	10,596
Operating profit before allowances and amortisation	1,192	2,285	877	1,270	208	5,832
Amortisation of intangible assets	(15)	–	–	(47)	(41)	(103)
Allowances for loans and other assets	(56)	(579)	(4)	1	(235)	(873)
Operating profit after allowances and amortisation	1,121	1,706	873	1,224	(68)	4,856
Share of results of associates, net of tax	–	–	–	–	824	824
Profit before income tax	1,121	1,706	873	1,224	756	5,680
Other information:						
Capital expenditure	72	14	1	105	292	484
Depreciation	85	11	2	8	306	412
At 31 December 2021						
Segment assets	131,082	184,395	99,082	110,950	35,726	561,235
Unallocated assets						280
Elimination						(19,328)
Total assets						542,187
Segment liabilities	167,412	151,651	59,905	97,356	27,116	503,440
Unallocated liabilities						3,737
Elimination						(19,328)
Total liabilities						487,849
Other information:						
Gross non-bank loans	109,953	177,673	1,274	3	813	289,716
NPAs	1,184	3,143	–	4	7	4,338

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37. Segment Information (continued)
37.1 Business Segments (continued)

$ million	Global Consumer/ Private Banking	Global Wholesale Banking	Global Treasury and Markets	Insurance	Others	Group
Year ended 31 December 2020						
Net interest income	1,912	2,690	899	106	359	5,966
Non-interest income	1,837	812	316	1,169	39	4,173
Total income	3,749	3,502	1,215	1,275	398	10,139
Operating profit before allowances and amortisation	1,401	2,131	905	968	295	5,700
Amortisation of intangible assets	(15)	–	–	(47)	(42)	(104)
Allowances for loans and other assets	(181)	(1,489)	(1)	(2)	(370)	(2,043)
Operating profit after allowances and amortisation	1,205	642	904	919	(117)	3,553
Share of results of associates, net of tax	–	–	–	–	612	612
Profit before income tax	1,205	642	904	919	495	4,165
Other information:						
Capital expenditure	58	21	2	103	250	434
Depreciation	97	11	2	8	301	419
At 31 December 2020						
Segment assets	127,746	169,710	105,718	107,526	34,794	545,494
Unallocated assets						133
Elimination						(24,232)
Total assets						521,395
Segment liabilities	162,999	138,170	62,908	95,731	32,080	491,888
Unallocated liabilities						2,563
Elimination						(24,232)
Total liabilities						470,219
Other information:						
Gross non-bank loans	103,356	162,327	759	3	795	267,240
NPAs	574	3,417	–	5	9	4,005

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

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 Wholesale Banking
Global Wholesale Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The business provides a full range of financing solutions including long-term project financing, short-term credit, working capital and trade financing, as well as customised and structured equity-linked financing. It also provides customers with a broad range of products and services such as cash management and custodian services, capital market solutions, corporate finance services and advisory banking, and treasury products.

37. Segment Information (continued)

37.1 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 Wholesale Banking, is reflected in the respective business segments.

Insurance

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

Others

Others comprise mainly 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 reclassified to allow comparability. There are no material items of income or expense between the business segments.

37.2 Geographical Segments

$ million	Total income	Profit before income tax	Income tax expenses	Capital expenditure	Total assets	Total liabilities
2021						
Singapore	**5,955**	**3,039**	**271**	**332**	**317,491**	**311,738**
Malaysia	**1,619**	**860**	**173**	**73**	**66,997**	**55,450**
Indonesia	**940**	**325**	**72**	**43**	**20,954**	**17,650**
Greater China	**1,453**	**1,243**	**75**	**29**	**88,031**	**60,128**
Other Asia Pacific	**262**	**102**	**29**	**5**	**18,631**	**10,644**
Rest of the World	**367**	**111**	**28**	**2**	**30,083**	**32,239**
	10,596	**5,680**	**648**	**484**	**542,187**	**487,849**
2020						
Singapore	5,459	1,505	12	278	307,328	298,782
Malaysia	1,616	850	165	73	67,005	55,796
Indonesia	913	225	59	36	19,845	16,690
Greater China	1,603	1,285	118	34	85,326	60,820
Other Asia Pacific	242	123	32	7	18,558	10,394
Rest of the World	306	177	51	6	23,333	27,737
	10,139	4,165	437	434	521,395	470,219

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.

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38. Risk Management

38.1 Overview

The Group's risk management framework encompasses good governance, sound policies, robust lines of defence, right expertise and continuous investment in human resources, technology and digital capabilities. The framework is underpinned by a strong corporate culture that demands accountability, ownership and high ethical standards to ensure that the risks being taken are:

- consistent with the Group's corporate strategy and within established risk appetite;
- adequately compensated and meet the Group's risk-return expectations;
- well-understood, evaluated qualitatively and supported by robust quantitative analyses and stress testing;
- managed holistically by evaluating risk interactions across the different risk types;
- efficiently and comprehensively captured, aggregated and reported;
- reviewed by an independent risk function with adequate resources, authority and expertise; and
- accompanied by contingency plans to ensure resilience against potential crises or unexpected events.

The Board of Directors (Board) has the ultimate responsibility for the effective management of risk and establishes the corporate strategy and approves the risk appetite within which senior management should execute the strategy.

The Board Risk Management Committee (BRMC) is the designated board committee overseeing risk management matters. It ensures that the Group's overall risk management philosophy and principles are aligned with the corporate strategy and within the approved risk appetite. It also ensures that the necessary overall risk management organisation is in place and effective. Based on the approved risk appetite, BRMC approves various quantitative guidance and qualitative expectations for cascading to major business units and risk functions to guide risk-taking. Risk drivers, risk profiles across major lines of business and risk types, the risk management framework and major risk policies as well as compliance matters are regularly reviewed by senior management, risk committees and the BRMC. These matters are reviewed and discussed in greater detail at the dedicated risk committees for major risk types.

The Bank has an independent risk management function, Group Risk Management Division (GRM), headed by the Group Chief Risk Officer (CRO), who reports to the BRMC and Group Chief Executive Officer (CEO). GRM has the functional responsibility for providing independent risk control and managing credit, market, liquidity and operational risks. It provides regular risk reports and updates on developments in material risk drivers, potential vulnerabilities, and the recommended mitigating actions to the senior management, risk committees, BRMC and the Board. Risk management staff work closely with the business and other support units to ensure that risks are understood and managed.

GRM currently also oversees the New Product Approval Process to ensure risks are adequately addressed as well as the data management framework to ensure comprehensive, accurate and timely representation of information to support management decisions. As part of our ongoing effort to enhance trust in data and its responsible use, we will continue to strengthen our data and model governance and technological capabilities, keeping pace with the evolving need for Fairness, Ethics, Accountability and Transparency (FEAT) in the use of Artificial Intelligence (AI) and Data Analytics.

The table below shows the value-at-risk (VaR) by risk type for the Group's trading portfolio.

	2021				2020			
$ million	End of the period	Average	Minimum	Maximum	End of the period	Average	Minimum	Maximum
Interest rate VaR	**4.11**	**4.38**	**2.15**	**12.30**	5.69	7.99	2.96	15.20
Foreign exchange VaR	**0.63**	**1.74**	**0.59**	**5.75**	3.77	2.67	1.00	6.74
Equity VaR	**1.21**	**2.05**	**0.55**	**6.36**	4.88	2.88	0.42	10.49
Credit spread VaR	**2.01**	**2.67**	**1.42**	**7.02**	6.01	5.29	1.24	10.75
Diversification effect [(1)]	**(4.93)**	**(5.53)**	**NM** [(2)]	**NM** [(2)]	(7.18)	(8.66)	NM [(2)]	NM [(2)]
Aggregate VaR	**3.03**	**5.32**	**2.49**	**18.14**	13.17	10.18	4.12	26.34

(1) *Diversification effect is computed as the difference between Aggregate VaR and the sum of asset class VaRs.*
(2) *Not meaningful as the minimum and maximum VaRs may have occurred on different days for different asset classes.*

38. Risk Management (continued)

38.2 Credit Risk

Credit risk is the risk of loss of principal and/or income due to the failure of an obligor or counterparty to meet its financial or contractual obligations or an adverse change in the credit profile of the obligor or counterparty. Credit risk arises from the Group's lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from the Group's underwriting, trading and investment banking activities.

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.

	Carrying amount		Average	
$ million	2021	2020	2021	2020
Credit risk exposure of on-balance sheet assets:				
Loans to customers	**286,281**	263,538	**272,302**	264,153
Placements with and loans to banks	**25,462**	32,816	**26,742**	33,497
Government treasury bills and securities	**37,271**	33,291	**34,669**	30,866
Debt securities	**28,045**	27,934	**28,290**	27,074
Amounts due from associates	**40**	41	**38**	27
Derivative receivables	**9,267**	15,223	**15,269**	15,470
Other assets, comprising interest receivables and sundry debtors	**1,811**	2,126	**2,881**	2,944
	388,177	374,969	**380,191**	374,031
Credit risk exposure of off-balance sheet items:				
Contingent liabilities	**16,651**	13,292	**14,937**	13,101
Credit commitments	**171,062**	160,134	**164,594**	160,213
	187,713	173,426	**179,531**	173,314
Total maximum credit risk exposure	**575,890**	548,395	**559,722**	547,345

Collateral

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

- Residential property loans — Mortgages over residential properties
- Commercial property loans — Mortgages over commercial properties
- Derivatives — Cash and securities
- Car loans — Charges over the vehicles financed
- Share margin financing — Charges over listed securities including those of Singapore, Malaysia and Hong Kong
- Other loans — Securities and charges over business assets such as premises, inventories, trade receivables, deposits, single premium insurance policies or marketable securities

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38. Risk Management (continued)

38.2 Credit Risk (continued)

Analysed by Geography

$ million	Derivative receivables (Note 18)	Government treasury bills and securities (Note 24)	Balances with banks (Note 25)	Loans to customers (Note 26)	Non-performing assets (Note 27)	Allowances for impaired assets (Note 27)	Debt securities (Note 29)
GROUP							
2021							
Singapore	**1,221**	**11,112**	**802**	**115,620**	**606**	**193**	**2,827**
Malaysia	**306**	**5,428**	**2,565**	**27,611**	**1,516**	**361**	**1,598**
Indonesia	**209**	**6,425**	**404**	**18,918**	**1,216**	**504**	**1,367**
Greater China	**1,614**	**4,373**	**14,027**	**74,120**	**586**	**270**	**14,461**
Other Asia Pacific	**599**	**5,393**	**1,813**	**19,293**	**186**	**44**	**4,909**
Rest of the World	**5,318**	**4,540**	**3,629**	**34,154**	**228**	**165**	**2,883**
	9,267	**37,271**	**23,240**	**289,716**	**4,338**	**1,537**	**28,045**
2020							
Singapore	1,719	10,628	644	109,826	1,725	969	2,863
Malaysia	433	5,148	2,945	27,819	782	205	1,452
Indonesia	311	4,605	553	18,833	651	312	1,318
Greater China	2,129	5,678	20,895	65,216	358	129	15,431
Other Asia Pacific	875	4,906	1,443	18,886	118	45	4,635
Rest of the World	9,756	2,326	4,830	26,660	371	155	2,235
	15,223	33,291	31,310	267,240	4,005	1,815	27,934
BANK							
2021							
Singapore	**1,368**	**10,106**	**304**	**105,801**	**604**	**191**	**1,380**
Malaysia	**98**	**79**	**1,961**	**4,062**	**25**	**18**	**90**
Indonesia	**164**	**274**	**102**	**6,155**	**105**	**82**	**880**
Greater China	**681**	**2,285**	**11,964**	**33,108**	**469**	**234**	**7,901**
Other Asia Pacific	**470**	**5,381**	**1,685**	**16,005**	**173**	**43**	**4,194**
Rest of the World	**5,031**	**1,691**	**1,505**	**26,239**	**195**	**154**	**2,318**
	7,812	**19,816**	**17,521**	**191,370**	**1,571**	**722**	**16,763**
2020							
Singapore	1,869	9,294	34	100,427	1,719	966	1,372
Malaysia	185	53	1,683	4,131	107	41	108
Indonesia	241	526	205	6,642	143	90	672
Greater China	1,203	3,005	18,539	27,373	220	109	7,855
Other Asia Pacific	751	4,895	1,355	15,914	118	44	3,957
Rest of the World	9,269	932	2,268	18,729	333	143	1,684
	13,518	18,705	24,084	173,216	2,640	1,393	15,648

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

38. Risk Management (continued)

38.2 Credit Risk (continued)

Total Loans and Advances – Credit Quality

In addition to the credit grading of facilities under MAS Notices 612 and 612A, loans and advances are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired".

	Bank loans		Non-bank loans	
$ million	2021	2020	2021	2020
Neither past due nor impaired	**23,240**	31,310	**284,855**	261,570
Non-impaired	**–**	–	**1,690**	2,335
Impaired	**–**	–	**1,714**	2,332
Past due loans	**–**	–	**3,404**	4,667
Impaired but not past due	**–**	–	**1,457**	1,003
Gross loans	**23,240**	31,310	**289,716**	267,240
Allowances				
Impaired loans	**–**	–	**(1,535)**	(1,812)
Non-impaired loans	**(6)**	(3)	**(1,900)**	(1,890)
Net loans	**23,234**	31,307	**286,281**	263,538

Past Due Loans

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

	Bank loans		Non-bank loans	
$ million	2021	2020	2021	2020
By industry				
Agriculture, mining and quarrying	**–**	–	**168**	102
Manufacturing	**–**	–	**767**	808
Building and construction	**–**	–	**330**	444
General commerce	**–**	–	**669**	907
Transport, storage and communication	**–**	–	**313**	1,163
Financial institutions, investment and holding companies	**–**	–	**56**	149
Professionals and individuals (include housing loans)	**–**	–	**963**	953
Others	**–**	–	**138**	141
	–	–	**3,404**	4,667
By geography				
Singapore	**–**	–	**625**	1,383
Malaysia	**–**	–	**576**	672
Indonesia	**–**	–	**1,829**	2,043
Greater China	**–**	–	**280**	346
Rest of the World	**–**	–	**94**	223
	–	–	**3,404**	4,667

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38. Risk Management (continued)
38.2 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. The Group's non-bank loans which are past due but not impaired are as follows:

$ million	2021	2020
Past due		
Less than 30 days	**1,188**	1,697
30 to 90 days	**224**	311
Over 90 days	**278**	327
Past due but not impaired	**1,690**	2,335

Collateral and Other Credit Enhancements Obtained

Assets amounting to $116 million (2020: $18 million) were obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

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

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. The Group's main cross-border transfer risk exposures during the financial year were in Hong Kong SAR, People's Republic of China and Malaysia.

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management

Market risk is the risk of losing income and/or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatilities, or correlation of such factors. Market risks arise mainly from the Group's trading, client servicing and balance sheet management activities. It includes interest rate risk in the banking book (IRRBB) which is the risk to earnings and capital arising from exposure to adverse changes in the interest rate environment.

The Group's market risk management framework covers the identification, assessment, measurement, monitoring and control of risks. Group-level market risk policies and procedures are established to provide common guidelines and standards for managing market risks. The Group's market risk management strategy and limits – established within the Group's risk appetite and in line with the Group's business strategies – are regularly reviewed, taking into account prevailing macroeconomic and market conditions.

Asset liability management is the strategic management of the Group's balance sheet structure and liquidity requirements. It covers liquidity sourcing and diversification as well as interest rate and structural foreign exchange management.

The Group's asset liability management framework focuses on managing the exposures arising from the balance sheet. The Group monitors its liquidity risk, IRRBB and structural foreign exchange risk profiles against approved risk limits under both business-as-usual and stressed scenarios. These are based on the standards established in the Group's framework, policies and procedures which are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions and practices.

Interest Rate Risk

The primary goal of the management of IRRBB is to ensure that interest rate risk exposures are maintained within defined risk tolerances and are consistent with the Group's risk appetite. The material sources of IRRBB are repricing risk, yield curve risk, basis risk and optionality risk.

A range of techniques are used to measure IRRBB from both the earnings and economic value perspectives. One method involves the assessment of the impact of various interest rate scenarios on the Group's net interest income and economic value of equity (EVE) of the banking book. Other measures include interest rate sensitivity metrics such as PV01 and repricing gap profile analysis. Behavioural models are used to assess interest rate risks in relation to loan prepayment, time deposit early redemption and the profile of non-maturity deposits. These measurements are used to adjust IRRBB management and hedging strategies, policies and positions.

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 business. The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $669 million (2020: $805 million), or approximately +11.4% (2020: +13.5%) of reported net interest income. The corresponding impact from a 100 bp decrease in interest rates is an estimated reduction of $669 million (2020: $805 million) in net interest income, or approximately -11.4% (2020: -13.5%) of reported net interest income.

The 1% rate shock impact on net interest income is based on 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. The projections also assume a constant balance sheet size and position.

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For the financial year ended 31 December 2021

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management (continued)

Currency Risk

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

$ million	SGD	USD	MYR	HKD	Others	Total
2021						
Cash and placements with central banks	**15,799**	**5,132**	**1,420**	**773**	**4,795**	**27,919**
Placements with and loans to banks	**472**	**15,090**	**529**	**570**	**6,573**	**23,234**
Loans to customers	**101,047**	**72,414**	**19,537**	**34,595**	**58,688**	**286,281**
Securities [(1)]	**14,841**	**20,839**	**6,911**	**2,441**	**26,254**	**71,286**
Derivative receivables	**2,828**	**3,965**	**164**	**625**	**1,685**	**9,267**
Other assets	**1,383**	**3,600**	**416**	**325**	**610**	**6,334**
Amounts due from associates	**–**	**–**	**–**	**#**	**40**	**40**
Financial assets	**136,370**	**121,040**	**28,977**	**39,329**	**98,645**	**424,361**
Deposits of non-bank customers	**133,157**	**109,842**	**22,603**	**23,381**	**53,412**	**342,395**
Deposits and balances of banks	**733**	**4,358**	**252**	**389**	**2,507**	**8,239**
Trading portfolio liabilities	**392**	**–**	**–**	**#**	**1**	**393**
Derivative payables	**2,499**	**4,167**	**169**	**614**	**1,621**	**9,070**
Other liabilities [(2)]	**2,790**	**2,506**	**688**	**625**	**908**	**7,517**
Debt issued	**1**	**13,038**	**84**	**–**	**6,992**	**20,115**
Financial liabilities	**139,572**	**133,911**	**23,796**	**25,009**	**65,441**	**387,729**
Net financial assets/(liabilities) exposure [(3)]	**(3,202)**	**(12,871)**	**5,181**	**14,320**	**33,204**	
2020						
Cash and placements with central banks	16,946	2,735	893	367	5,584	26,525
Placements with and loans to banks	666	22,430	1,209	135	6,867	31,307
Loans to customers	95,319	61,017	19,994	32,593	54,615	263,538
Securities [(1)]	14,164	18,303	6,398	2,521	25,048	66,434
Derivative receivables	5,705	5,440	222	1,126	2,730	15,223
Other assets	1,748	2,380	261	549	868	5,806
Amounts due from associates	–	–	–	#	41	41
Financial assets	134,548	112,305	28,977	37,291	95,753	408,874
Deposits of non-bank customers	123,217	95,226	23,096	23,463	49,905	314,907
Deposits and balances of banks	675	4,268	234	1,065	3,344	9,586
Trading portfolio liabilities	296	42	–	–	1	339
Derivative payables	5,340	5,816	266	1,041	3,053	15,516
Other liabilities [(2)]	4,050	2,217	559	642	944	8,412
Debt issued	411	15,781	74	–	8,089	24,355
Financial liabilities	133,989	123,350	24,229	26,211	65,336	373,115
Net financial assets/(liabilities) exposure [(3)]	559	(11,045)	4,748	11,080	30,417	

(1) *Securities comprise government, debt and equity securities.*
(2) *Other liabilities include amounts due to associates.*
(3) *Net exposure without taking into account the effect of offsetting derivative exposures.*

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management (continued)

Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from the Group's non-SGD investment in overseas branches, subsidiaries and associates, strategic investments, as well as property assets. The Group manages structural foreign exchange risk through hedging instruments including the use of derivatives and matched funding for foreign currency investments. The table below shows the Group's structural foreign currency exposure at reporting date.

	2021			2020		
$ million	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure	Structural currency exposure	Structural currency exposure – hedged	Net structural currency exposure
Hong Kong Dollar	**7,234**	**–**	**7,234**	7,217	–	7,217
Chinese Renminbi	**8,182**	**–**	**8,182**	6,495	–	6,495
US Dollar	**4,024**	**3,185**	**839**	3,584	3,115	469
Others	**7,968**	**117**	**7,851**	7,836	50	7,786
Total	**27,408**	**3,302**	**24,106**	25,132	3,165	21,967

Net Investment Hedges

The amounts relating to items designated as hedging instruments were as follows.

		Carrying amount	
$ million	Nominal amount	Assets	Liabilities
2021			
Foreign exchange derivatives	**3,642**	**49**	**180**
2020			
Foreign exchange derivatives	3,345	161	20

The total change in fair value of the hedging instruments during the year was a loss of $67 million (2020: gain of $125 million) and the change in value of the hedging instruments recognised in OCI was a loss of $67 million (2020: gain of $125 million). There was no gain or loss recognised in other income arising from hedge ineffectiveness in 2021 (2020: nil).

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38. Risk Management (continued)
38.3 Market Risk and Asset Liability Management (continued)
Liquidity Risk

Liquidity risk is the risk arising from the inability to meet financial and cash outflow obligations as they fall due without incurring unacceptable costs or losses through fundraising and asset liquidation.

The objective of liquidity risk management is to ensure that the Group has sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on contractual and behavioural bases. Indicators such as liquidity and deposit concentration ratios are used to establish the optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. Simulations of liquidity exposures under stressed market scenarios are performed and the results are used to adjust liquidity risk management strategies, policies and positions, as well as develop contingency funding plans.

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

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2021								
Cash and placements with central banks	**13,629**	**2,436**	**6,643**	**–**	**–**	**–**	**5,211**	**27,919**
Placements with and loans to banks	**5,773**	**2,918**	**4,102**	**10,381**	**60**	**#**	**–**	**23,234**
Loans to customers	**24,494**	**37,225**	**21,463**	**32,106**	**57,751**	**113,242**	**–**	**286,281**
Securities [(1)]	**64**	**2,303**	**4,421**	**14,242**	**22,993**	**21,293**	**5,970**	**71,286**
Derivative receivables	**8,922**	**6**	**99**	**30**	**120**	**90**	**–**	**9,267**
Other assets [(2)]	**3,336**	**972**	**721**	**542**	**64**	**102**	**877**	**6,614**
Associates	**1**	**–**	**4**	**35**	**–**	**#**	**6,130**	**6,170**
Property, plant and equipment and investment property [(3)]	**1**	**8**	**1**	**1**	**–**	**–**	**3,627**	**3,638**
Goodwill and other intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**4,773**	**4,773**
Total	**56,220**	**45,868**	**37,454**	**57,337**	**80,988**	**134,727**	**26,588**	**439,182**
Total life insurance fund assets								**103,005**
Total assets								**542,187**
Deposits of non-bank customers	**229,550**	**30,704**	**41,873**	**37,392**	**1,907**	**969**	**–**	**342,395**
Deposits and balances of banks	**5,362**	**1,593**	**1,075**	**154**	**–**	**55**	**–**	**8,239**
Trading portfolio liabilities	**–**	**–**	**392**	**–**	**–**	**–**	**1**	**393**
Derivative payables	**8,670**	**1**	**1**	**84**	**145**	**169**	**–**	**9,070**
Other liabilities [(4)]	**3,206**	**1,133**	**826**	**1,865**	**268**	**219**	**1,083**	**8,600**
Debt issued	**782**	**1,511**	**4,488**	**5,805**	**4,759**	**2,770**	**–**	**20,115**
Total	**247,570**	**34,942**	**48,655**	**45,300**	**7,079**	**4,182**	**1,084**	**388,812**
Total life insurance fund liabilities								**99,037**
Total liabilities								**487,849**
Net liquidity gap	**(191,350)**	**10,926**	**(11,201)**	**12,037**	**73,909**	**130,545**		

(1) *Securities comprise government, debt and equity securities.*
(2) *Other assets include deferred tax assets.*
(3) *Property, plant and equipment and investment property include assets held for sale.*
(4) *Other liabilities include amounts due to associates, current tax and deferred tax liabilities.*

38. Risk Management (continued)

38.3 Market Risk and Asset Liability Management (continued)

Liquidity Risk (continued)

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2020								
Cash and placements with central banks	11,968	4,546	5,286	277	–	–	4,448	26,525
Placements with and loans to banks	7,296	1,430	5,503	14,824	2,254	#	–	31,307
Loans to customers	19,291	37,177	16,593	27,836	53,112	109,529	–	263,538
Securities (1)	522	1,450	3,636	14,927	21,403	19,286	5,210	66,434
Derivative receivables	14,603	3	#	#	320	297	–	15,223
Other assets (2)	2,845	1,078	789	356	69	49	753	5,939
Associates	1	–	#	40	–	#	4,592	4,633
Property, plant and equipment and investment property (3)	–	#	2	–	–	–	3,679	3,681
Goodwill and other intangible assets	–	–	–	–	–	–	4,837	4,837
Total	56,526	45,684	31,809	58,260	77,158	129,161	23,519	422,117
Total life insurance fund assets								99,278
Total assets								521,395
Deposits of non-bank customers	202,606	32,526	39,950	37,286	1,748	791	–	314,907
Deposits and balances of banks	6,881	2,103	588	14	–	–	–	9,586
Trading portfolio liabilities	–	–	337	–	–	–	2	339
Derivative payables	15,167	2	1	45	146	155	–	15,516
Other liabilities (4)	4,294	1,242	759	1,717	221	167	1,138	9,538
Debt issued	331	1,028	5,777	8,151	4,994	4,074	–	24,355
Total	229,279	36,901	47,412	47,213	7,109	5,187	1,140	374,241
Total life insurance fund liabilities								95,978
Total liabilities								470,219
Net liquidity gap	(172,753)	8,783	(15,603)	11,047	70,049	123,974		

(1) *Securities comprise government, debt and equity securities.*
(2) *Other assets include deferred tax assets.*
(3) *Property, plant and equipment and investment property include assets held for sale.*
(4) *Other liabilities include amounts due to associates, current tax and deferred tax liabilities.*

As contractual maturities may not necessarily reflect the timing of actual cash flows of assets and liabilities, cash flows for profiling liquidity risk are on contractual and behavioural bases. The cash flows of assets and liabilities may be different from their contractual terms.

Contractual Maturity for Financial Liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities, except for trading portfolio liabilities which is profiled in accordance with the Group's trading strategies. Information on cash outflow of gross loan commitments is set out in Note 44. The behavioural cash flows of these liabilities could vary significantly from what is shown in the table. For example, demand deposits of non-bank customers, such as current and savings deposits (Note 17) may exhibit a longer behavioural maturity beyond the contractual profile. Similarly, loan commitments are not all expected to be drawn down immediately.

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38. Risk Management (continued)
38.3 Market Risk and Asset Liability Management (continued)
Contractual Maturity for Financial Liabilities (continued)

$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2021							
Deposits of non-bank customers [1]	**229,563**	**30,765**	**41,946**	**37,567**	**2,022**	**1,020**	**342,883**
Deposits and balances of banks [1]	**5,364**	**1,594**	**1,076**	**154**	**–**	**55**	**8,243**
Trading portfolio liabilities	**–**	**–**	**393**	**–**	**–**	**–**	**393**
Other liabilities [2]	**3,177**	**1,048**	**749**	**1,039**	**226**	**171**	**6,410**
Debt issued	**783**	**1,512**	**4,508**	**5,910**	**4,910**	**2,966**	**20,589**
Derivatives							
Trading	**8,726**	**–**	**–**	**–**	**–**	**–**	**8,726**
Hedging – Net settled	**#**	**2**	**3**	**17**	**35**	**20**	**77**
Hedging – Gross settled							
Outflow	**5**	**85**	**912**	**1,909**	**1,747**	**916**	**5,574**
Inflow	**(1)**	**(84)**	**(960)**	**(1,829)**	**(1,610)**	**(837)**	**(5,321)**
	247,617	**34,922**	**48,627**	**44,767**	**7,330**	**4,311**	**387,574**
2020							
Deposits of non-bank customers [1]	202,631	32,629	40,082	37,583	1,862	842	315,629
Deposits and balances of banks [1]	6,883	2,104	588	14	–	–	9,589
Trading portfolio liabilities	–	–	339	–	–	–	339
Other liabilities [2]	4,258	1,127	627	908	198	160	7,278
Debt issued	331	1,043	5,796	8,250	5,164	4,065	24,649
Derivatives							
Trading	15,167	–	–	–	–	–	15,167
Hedging – Net settled	#	2	5	57	105	58	227
Hedging – Gross settled							
Outflow	1	100	3	19	2,331	837	3,291
Inflow	–	(97)	(5)	(2)	(2,446)	(812)	(3,362)
	229,271	36,908	47,435	46,829	7,214	5,150	372,807

(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 amounts due to associates.*

38.4 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. As stated in the Enterprise Risk Management (ERM) Framework, GEH Group shall operate within parameters and limits that are calibrated to the risk appetite approved by the GEH Board, and pursue appropriate risk-adjusted returns.

GEH Group Risk Management department spearheads the development and implementation of the ERM Framework for GEH Group.

GEH Board is responsible for overseeing GEH Group's risk management initiatives. GEH Board may delegate this responsibility to the Risk Management Committee (RMC) and Senior Management of GEH Group for the execution of these initiatives. At GEH Group level, detailed risk management and oversight activities are undertaken by the following Group Management committees, all of which are chaired by GEH Group Chief Executive Officer and comprise key Senior Management Executives, namely: Group Management Committee (GMC), Group Asset-Liability Committee (Group ALC), Group Investment Committee (Group IC), Group Product Management and Approval Committee (Group PMAC) and Group Technology Strategy Committee (Group TSC).

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Governance Framework (continued)

GMC is responsible for providing leadership, direction and functional oversight on all matters including sustainability performance of GEH Group. In addition to complying with regulatory requirements, the GMC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMC is supported by the Group IC, Group ALC, Group PMAC, Group TSC, Local Senior Management Team (SMT), Local ALC, Local Product Development Committee (PDC) and Local TSC.

Group IC is responsible for overseeing all investment management activities of GEH Group and ensuring that the interests and rights of policyholders are not compromised.

Group ALC is responsible for balance sheet management. Specifically, Group ALC reviews and formulates frameworks, policies, processes and methodologies 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 ALC.

Group TSC is responsible for assisting GMC in providing the overall strategic direction and approval of all IT related issues and initiatives, including the digitalisation and transformation programs to support GEH Group's strategic growth into the future. Group TSC is supported by local TSC.

Group PMAC is responsible for reviewing, approving and managing new and existing products, ensuring the business operates within the risk appetite in delivering the annual business targets. Local PDC is responsible for reviewing and endorsing new products at the local operating subsidiaries.

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 policy for the investment of the funds rests with the respective Board of Directors (Board) of the insurance subsidiaries. GEH Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital Management

The objectives of GEH's capital management policy are 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 had no significant changes in the policies and processes relating to its capital structure during the year.

Regulatory Capital

GEH Group and its insurance subsidiaries are required to comply with the capital requirements prescribed by the insurance regulations of the jurisdictions in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group and its insurance subsidiaries in Singapore, Malaysia and Indonesia remained well above the regulatory minimum ratios under the Risk-based Capital Frameworks established by the Monetary Authority of Singapore (MAS), Bank Negara Malaysia (BNM) and Otoritas Jasa Keuangan, Indonesia respectively.

GEH Group's approach to capital management aims to maintain an adequate level of capital to meet regulatory requirements, including any additional amounts required by the regulators of GEH Group and its insurance subsidiaries. This involves managing asset, liability decisions and the associated risks in a coordinated way by assessing and monitoring the available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking appropriate actions to adjust the asset liability position of GEH Group and/or its subsidiaries in light of changes in economic conditions and risk characteristics.

The primary sources of capital of GEH Group are shareholders' equity. GEH Group defines available capital as the amount of assets in excess of liabilities measured in accordance with the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate.

Dividend

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

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

The following sections provide details of GEH Group's exposure to insurance and key financial risks, as well as the objectives, policies and processes for managing 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 activity of GEH Group is the provision of insurance products and related financial advisory services. The products cover risks such as mortality, morbidity (health, disability, critical illness, personal accident), property and casualty, investment saving protection and wealth accumulation guarantees.

GEH Group's underwriting strategy is designed to ensure that risks are well diversified across the types 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 into account current health conditions and family medical history, regular review of actual claims experience, as well as detailed claims handling procedures. Underwriting limits are also established to enforce appropriate risk selection criteria. For example, GEH Group has the right to reject renewal of insurance policy, impose deductibles and reject payment of fraudulent claims.

Risks inherent in GEH Group’s activities include but are not limited to the following.

Insurance Risks of Life Insurance Contracts

Insurance risks arise when GEH Group underwrites insurance contracts. While insurance risks may not vary significantly across the geographical locations in which GEH Group currently operates, the types of risks insured, assumptions used in pricing the insurance products and subsequent setting aside of the technical provisions may give rise to potential shortfalls in provision for future claims and expenses when actual claims experience are worse than projections. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

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 GEH Group ALC. Reinsurance is structured according to the type of risk insured. Catastrophe reinsurance is procured to limit catastrophic losses. GEH Group’s exposure to group insurance business is not significant and there is no material concentration risk.

In general, reinsurers must have a minimum credit rating of S&P A- or equivalent to be considered for reinsurance business. GEH Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

GEH Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses and ensures that the policies, guidelines and limits established for managing the risks remain adequate and appropriate.

A substantial portion of GEH Group’s life insurance 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 payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment portfolios perform below expectations, 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 is performed at least once a year to assess the solvency of the life insurance fund under various stress scenarios. The stress scenarios include regulatory prescribed scenarios, as well as scenarios depicting drastic changes in key parameters such as new business volume, market volatilities, expense patterns, mortality/morbidity patterns and lapse rates.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

Table 38.4(A):

The table below sets out the distribution of the various life insurance risk as at the reporting date.

	Gross			Reinsurance			
$ million	With DPF [1]	Without DPF	Total	With DPF	Without DPF	Total	Net total
(a) By class of business							
2021							
Whole life	**41,215**	**11,084**	**52,299**	**11**	**(27)**	**(16)**	**52,283**
Endowment	**21,963**	**9,549**	**31,512**	**#**	**(125)**	**(125)**	**31,387**
Term	**#**	**732**	**732**	**(#)**	**(165)**	**(165)**	**567**
Accident and health	**2**	**548**	**550**	**–**	**(133)**	**(133)**	**417**
Annuity	**26**	**444**	**470**	**–**	**–**	**–**	**470**
Others	**128**	**1,268**	**1,396**	**(1)**	**(33)**	**(34)**	**1,362**
Total	**63,334**	**23,625**	**86,959**	**10**	**(483)**	**(473)**	**86,486**
2020							
Whole life	37,089	10,287	47,376	14	(32)	(18)	47,358
Endowment	22,580	7,768	30,348	(65)	(120)	(185)	30,163
Term	#	807	807	(#)	(125)	(125)	682
Accident and health	2	2,357	2,359	–	(1,860)	(1,860)	499
Annuity	27	497	524	–	–	–	524
Others	131	1,361	1,492	(1)	(20)	(21)	1,471
Total	59,829	23,077	82,906	(52)	(2,157)	(2,209)	80,697
(b) By country							
2021							
Singapore	**47,300**	**16,581**	**63,881**	**17**	**(311)**	**(294)**	**63,587**
Malaysia	**15,676**	**6,366**	**22,042**	**(7)**	**(168)**	**(175)**	**21,867**
Others	**358**	**678**	**1,036**	**(#)**	**(4)**	**(4)**	**1,032**
Total	**63,334**	**23,625**	**86,959**	**10**	**(483)**	**(473)**	**86,486**
2020							
Singapore	43,512	16,745	60,257	(46)	(1,901)	(1,947)	58,310
Malaysia	15,966	5,773	21,739	(7)	(253)	(260)	21,479
Others	351	559	910	1	(3)	(2)	908
Total	59,829	23,077	82,906	(52)	(2,157)	(2,209)	80,697

(1) *DPF is defined as contracts with Discretionary Participating Features.*

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

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

	Change in assumptions
(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

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38. Risk Management (continued)
38.4 Insurance-Related Risk Management (continued)
Insurance Risk (continued)
Insurance Risks of Life Insurance Contracts (continued)
Table 38.4(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
Life Insurance Contracts

	2021			2020		
$ million	Gross impact	Reinsurance ceded	Net impact	Gross impact	Reinsurance ceded	Net impact
Scenario 1	**(754)**	**362**	**(392)**	(622)	282	(340)
Scenario 2	**526**	**(246)**	**280**	434	(196)	238
Scenario 3	**(257)**	**141**	**(116)**	(328)	201	(127)
Scenario 4	**150**	**(45)**	**105**	204	(89)	115
Scenario 5	**92**	**(17)**	**75**	108	(17)	91
Scenario 6	**(130)**	**30**	**(100)**	(147)	26	(121)
Scenario 7	**(48)**	**3**	**(45)**	(44)	6	(38)

Table 38.4(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
Life Insurance Contracts

	2021			2020		
$ million	Gross impact	Reinsurance ceded	Net impact	Gross impact	Reinsurance ceded	Net impact
Scenario 1	**(133)**	**–**	**(133)**	(131)	7	(124)
Scenario 2	**120**	**–**	**120**	117	(7)	110
Scenario 3	**(23)**	**–**	**(23)**	(19)	1	(18)
Scenario 4	**20**	**–**	**20**	17	(1)	16
Scenario 5	**(24)**	**–**	**(24)**	(1)	(#)	(1)
Scenario 6	**58**	**–**	**58**	5	#	5
Scenario 7	**(35)**	**–**	**(35)**	(32)	–	(32)

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

The method used, including the significant assumptions made, for performing the above sensitivity analysis did not change from the previous year.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

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 a reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

Table 38.4(C1):

The table below sets out the distribution of the various categories of the non-life insurance risk as at the reporting date.

	2021			2020		
Non-life insurance contracts $ million	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
(a) By class of business						
Fire	**39**	**(16)**	**23**	32	(14)	18
Motor	**36**	**(2)**	**34**	38	(4)	34
Marine and aviation	**8**	**(4)**	**4**	12	(7)	5
Workmen's compensation	**18**	**(6)**	**12**	22	(7)	15
Personal accident and health	**23**	**(2)**	**21**	23	(2)	21
Miscellaneous	**65**	**(44)**	**21**	62	(39)	23
Total	**189**	**(74)**	**115**	189	(73)	116
(b) By country						
Singapore	**99**	**(47)**	**52**	98	(44)	54
Malaysia	**71**	**(19)**	**52**	74	(23)	51
Indonesia	**19**	**(8)**	**11**	17	(6)	11
Total	**189**	**(74)**	**115**	189	(73)	116

	2021			2020		
Non-life insurance contracts $ million	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
(a) By class of business						
Fire	**128**	**(105)**	**23**	55	(37)	18
Motor	**54**	**(6)**	**48**	52	(7)	45
Marine and aviation	**28**	**(21)**	**7**	34	(25)	9
Workmen's compensation	**34**	**(13)**	**21**	27	(10)	17
Personal accident and health	**25**	**(5)**	**20**	23	(3)	20
Miscellaneous	**222**	**(190)**	**32**	160	(124)	36
Total	**491**	**(340)**	**151**	351	(206)	145
(b) By country						
Singapore	**175**	**(113)**	**62**	191	(137)	54
Malaysia	**289**	**(216)**	**73**	128	(55)	73
Indonesia	**27**	**(11)**	**16**	32	(14)	18
Total	**491**	**(340)**	**151**	351	(206)	145

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38. Risk Management (continued)
38.4 Insurance-Related Risk Management (continued)
Insurance Risk (continued)
Insurance Risk of Non-Life Insurance Contracts (continued)
Table 38.4(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 reporting date, together with cumulative payments to date.

(i) Gross non-life insurance contract liabilities for 2021

$ million	2014	2015	2016	2017	2018	2019	2020	2021	Total
(a) Estimate of cumulative claims									
Accident Year	126	165	177	168	162	233	287	273	
One year later	118	161	177	165	171	234	245	–	
Two years later	115	133	172	199	161	234	–	–	
Three years later	111	139	210	204	256	–	–	–	
Four years later	106	177	208	205	–	–	–	–	
Five years later	140	177	207	–	–	–	–	–	
Six years later	139	173	–	–	–	–	–	–	
Seven years later	138	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**138**	**173**	**207**	**205**	**256**	**234**	**245**	**273**	
(b) Cumulative payments	**136**	**166**	**198**	**182**	**140**	**188**	**178**	**60**	
(c) Non-life gross claim liabilities	**2**	**7**	**9**	**23**	**116**	**46**	**67**	**213**	**483**
Reserve for prior years									**8**
Non-life insurance contract liabilities, gross									**491**

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

Table 38.4(C2): Cumulative Claims Estimates and Cumulative Payments To-Date (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2021

$ million	2014	2015	2016	2017	2018	2019	2020	2021	Total
(a) Estimate of cumulative claims									
Accident Year	80	82	90	92	105	131	118	116	
One year later	76	78	84	91	119	121	100	–	
Two years later	75	74	82	126	116	120	–	–	
Three years later	74	71	106	125	116	–	–	–	
Four years later	71	94	105	124	–	–	–	–	
Five years later	93	94	105	–	–	–	–	–	
Six years later	92	92	–	–	–	–	–	–	
Seven years later	92	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**92**	**92**	**105**	**124**	**116**	**120**	**100**	**116**	
(b) Cumulative payments	**91**	**89**	**100**	**114**	**104**	**103**	**77**	**44**	
(c) Non-life net claim liabilities	**1**	**3**	**5**	**10**	**12**	**17**	**23**	**72**	**143**
Reserve for prior years									**8**
Non-life insurance contract liabilities, net									**151**

Key Assumptions

Non-life insurance contract liabilities are determined based on claims experience, knowledge of existing events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, trends in historical claims, 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 achieving a large and well-diversified portfolio of insurance contracts across various industries and geographical areas. The risks are further mitigated 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. Comprehensive assessment of new and on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to further reduce the risk exposure of GEH Group. In addition, GEH Group further enforces a policy of active management and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact GEH 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 such as hurricanes, earthquakes and flood damages.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

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

$ million	Change in assumptions	Impact on Gross liabilities	Impact on Net liabilities	Impact on Profit before tax	Impact on Equity
2021					
Provision for adverse deviation margin	**+20%**	**11**	**4**	**(4)**	**(3)**
Loss ratio (for latest year)	**+20%**	**67**	**37**	**(37)**	**(29)**
Claims handling expenses	**+20%**	**2**	**2**	**(2)**	**(1)**
2020					
Provision for adverse deviation margin	+20%	8	4	(4)	(3)
Loss ratio (for latest year)	+20%	78	37	(37)	(30)
Claims handling expenses	+20%	2	2	(2)	(1)

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 market values of assets and liabilities are adversely affected by changes in financial markets. Changes in interest rates, foreign exchange rates, equity prices and prices of alternative investment assets can impact present and future earnings of the insurance operations, as well as shareholders' equity.

GEH Group is exposed to market risk through its investment portfolios, as well as in the mismatches between assets and liabilities of the Insurance Funds. In the case of the third-party 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 valuations.

GEH Group ALC, Group IC and local ALCs actively manage market risks through the setting of investment policies and asset allocations, approving portfolio construction, risk measurement methodologies, as well as hedging and alternative risk transfer strategies. Investment limits are monitored at various levels to ensure that all investment activities are conducted within GEH Group's risk appetite and in line with GEH Group's management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by GEH Group in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit risk, alternative investment risk and liquidity risk, is briefly described below.

(a) Interest Rate Risk (Including Asset Liability Mismatch)

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments 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 economic losses when interest rates rise. Given the long duration of policy liabilities and the uncertainties in the cash flows of Insurance Funds, it is not possible to hold assets with duration that perfectly matches the duration of the policy liabilities. This results in interest rate risk and asset liability mismatch risk, and these risks are managed and monitored by GEH Group ALC and the local ALCs. The Insurance Funds will incur economic losses when interest rates drop as the duration of policy liabilities is generally longer than the duration of fixed income assets.

Under Singapore regulations governed by the MAS, the discount rate used for discounting liability cash flows may include a positive adjustment in the form of Matching Adjustment, or Illiquidity Premium, subject to certain conditions being met. As a result, the Singapore non-participating funds could have losses when the magnitude of the adjustment decreases leading to higher discounted liabilities.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(a) Interest Rate Risk (Including Asset Liability Mismatch) (continued)

Under Malaysia regulations governed by BNM, liability cash flows with durations less than 15 years are discounted using the spot yield of Malaysia Government Securities (MGS) with matching durations, while liability cash flows with durations of 15 years or more are discounted using the 15 year MGS spot yield. As a result, the Malaysia non-participating fund could have losses when the MGS spot yield decreases.

Managing Interest Rate Benchmark Reform

i) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBOR) with alternative nearly risk-free rates (referred to as IBOR reform). GEH Group has moderate exposure to IBORs on its financial instruments that will be reformed as part of this market-wide initiative. It was initially expected that most reforms affecting GEH Group will be completed by the end of 2021. However, the transition deadline for USD LIBOR has been extended to end June 2023, hence some instruments referencing this rate may not be transited until this date.

GEH Group anticipates that IBOR reform will have moderate operational, risk management and accounting impacts across all of its business lines. The main risks to which GEH Group is exposed as a result of IBOR reform are operational. For example, the bilateral renegotiation with private debt issuers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

GEH Group established a cross-functional IBOR Working Group to manage its transition to alternative rates. The objectives of the IBOR Working Group include evaluating the extent to which fixed income holdings, derivatives and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

ii) Non-Derivative Financial Assets

GEH Group's IBOR exposures on bonds/ FRNs holdings include SGD Swap Offer Rate (SOR), USD LIBOR, EUR LIBOR and GBP LIBOR primarily at Great Eastern Life Singapore (GELS). GEH Group also has corporate loans holdings indexed to SOR.

The alternative reference for SOR is the Singapore Overnight Rate Average (SORA); for USD LIBOR is the Secured Overnight Financial Rate (SOFR); for EUR LIBOR is the Euro Short-Term Rate (ESTR). Changes to the contractual terms of financial assets indexed to SOR, EUR LIBOR and GBP LIBOR to incorporate new benchmark rates are not yet complete as at 31 December 2021. The transition deadline for USD LIBOR has been extended to end June 2023, hence some instruments referencing this rate may not be transited until this date.

GEH Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. GEH Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an unreformed contract).

The following table shows the total amounts of unreformed non-derivative financial assets as at 31 December 2021. The amounts of trading assets and investment securities are shown at their carrying amounts.

$ million	SOR	USD LIBOR	Other	Total
Gross carrying amount				
Debt securities	**995**	**1,380**	**276**	**2,651**
Corporate loan	**189**	**–**	**–**	**189**

iii) Non-Derivative Financial Liabilities

GEH Group does not have any floating-rate liabilities which would be impacted by the IBOR reform.

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For the financial year ended 31 December 2021

38. Risk Management (continued)
38.4 Insurance-Related Risk Management (continued)
Market and Credit Risk (continued)
(a) Interest Rate Risk (Including Asset Liability Mismatch) (continued)
Managing Interest Rate Benchmark Reform (continued)
iv) Derivatives and Hedge Accounting
GEH Group holds derivatives for risk management and efficient portfolio management purposes, and are not designated in hedging relationships. The instruments used principally include interest rate, cross-currency, and total return swaps, which have floating legs that are indexed to various IBORs. Typically, derivative transactions that reference interest rate benchmarks incorporate standard terms such as the 2006 ISDA Definitions published by ISDA. ISDA has reviewed such definitions in light of IBOR reform and issued an IBOR fallback protocol on 23 October 2020 and a supplement to amend the 2006 ISDA Definitions effective 25 January 2021. This sets out how the amendments to new alternative benchmark rates (e.g. SORA, SOFR) in the 2006 ISDA Definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR. GEH Group has adhered to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement, where the existing derivative counterparties have also adhered to the protocol. All new derivative contracts entered into on or after the effective date of the supplement that reference the 2006 ISDA Definitions will also include the fallback.

The following table shows the total amounts of unreformed derivative instruments as at 31 December 2021. For cross-currency swaps, GEH Group used the notional amount of the receive leg of the swap. GEH Group expects both legs of cross-currency swaps to be reformed simultaneously.

$ million	SOR	USD LIBOR	Total
Notional amount			
Derivatives	**330**	**21**	**351**

(b) Foreign Exchange Risk
The foreign exchange risk inherent in foreign currency fixed income portfolio is typically hedged using currency forwards and swaps wherever practical and cost-effective. Foreign exchange instruments are also used for efficient portfolio management.

The SGD and MYR positions predominately arose from the entities within GEH Group with the same respective functional currencies. GEH Group has no significant concentration of foreign exchange risk.

Limits are set on the total amount of foreign currency (net of liabilities) to cap GEH Group's foreign exchange risk.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(b) Foreign Exchange Risk (continued)

The tables below show the foreign exchange position of GEH Group's financial and insurance-related assets and liabilities by major currencies.

$ million	SGD	MYR	USD	Others	Total
2021					
Financial assets at FVOCI					
Equity securities	**479**	**251**	**259**	**1,213**	**2,202**
Debt securities	**2,020**	**1,077**	**3,645**	**751**	**7,493**
Financial assets at FVTPL					
Equity securities	**1,118**	**7,123**	**1,015**	**4,420**	**13,676**
Debt securities	**18,220**	**15,034**	**13,894**	**5,016**	**52,164**
Other investments	**7,502**	**236**	**6,850**	**2,097**	**16,685**
Financial assets at amortised cost					
Debt securities	**–**	**–**	**242**	**–**	**242**
Derivative financial assets	**333**	**1**	**17**	**19**	**370**
Loans	**323**	**250**	**–**	**19**	**592**
Reinsurers' share of insurance contract liabilities	**343**	**410**	**120**	**14**	**887**
Insurance receivables	**1,030**	**2,267**	**3**	**36**	**3,336**
Other debtors	**364**	**231**	**208**	**43**	**846**
Cash and cash equivalents	**6,429**	**1,630**	**668**	**391**	**9,118**
Financial and insurance-related assets	**38,161**	**28,510**	**26,921**	**14,019**	**107,611**
Other creditors	**1,328**	**397**	**57**	**29**	**1,811**
Insurance payables	**2,172**	**4,433**	**2**	**14**	**6,621**
Derivative financial liabilities	**12**	**1**	**51**	**47**	**111**
Provision for agents' retirement benefits	**#**	**291**	**–**	**–**	**291**
Insurance contract liabilities	**61,296**	**22,402**	**3,267**	**674**	**87,639**
Financial and insurance-related liabilities	**64,808**	**27,524**	**3,377**	**764**	**96,473**
2020					
Financial assets at FVOCI					
Equity securities	392	308	142	1,180	2,022
Debt securities	2,707	1,006	2,449	389	6,551
Financial assets at FVTPL					
Equity securities [(1)]	1,291	7,768	1,402	3,179	13,640
Debt securities	17,952	14,873	11,504	5,793	50,122
Other investments [(1)]	5,943	151	5,728	2,077	13,899
Financial assets at amortised cost					
Debt securities	–	–	159	14	173
Derivative financial assets	468	3	249	44	764
Loans	587	282	2	20	891
Reinsurers' share of insurance contract liabilities	1,946	338	191	13	2,488
Insurance receivables	1,045	2,005	8	15	3,073
Other debtors	424	283	201	76	984
Cash and cash equivalents	7,408	1,387	516	339	9,650
Financial and insurance-related assets	40,163	28,404	22,551	13,139	104,257
Other creditors	1,899	460	181	26	2,566
Insurance payables	1,819	4,010	3	10	5,842
Derivative financial liabilities	30	–	29	214	273
Provision for agents' retirement benefits	–	296	–	–	296
Debt issued	400	–	–	–	400
Insurance contract liabilities	58,145	21,942	2,690	669	83,446
Financial and insurance-related liabilities	62,293	26,708	2,903	919	92,823

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

Notes to the Financial Statements

For the financial year ended 31 December 2021

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(c) Equity Price Risk

Exposure to equity price risk exists in investment assets through direct equity, equity derivatives and fund investments, where GEH Group, through investments, bears all or most of the equity volatility and investment risks. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the performances of 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 total equity holdings.

(d) Credit Spread Risk

Exposure to credit spread risk exists in GEH Group's bond investments. Credit spread is the difference between the quoted yields of a credit and a government bond of the same maturity. Credit spreads widen when the default risk of credit bonds increases. Hence, widening credit spreads will result in mark-to-market losses in GEH Group's bond portfolio.

(e) Alternative Investment Risk

GEH Group is exposed to alternative investment risk through investments in real estate that it owns in Singapore and Malaysia, and through real estate funds, private equities, infrastructure and hedge funds. A monitoring process is established 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 IC.

(f) Commodity Risk

GEH Group does not have any exposure to commodity risk.

(g) Liquidity Risk

Liquidity risk arises when GEH Group is unable to meet its cash flow demands, or if the assets backing the liabilities cannot be sold quickly enough without incurring significant losses. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations via premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by surrender of insurance policies due to negative publicity, deterioration of the economy, adverse news on 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 regularly monitored, and a reasonable amount of liquid assets are maintained 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 mitigated through product design, risk diversification, investment strategies and systematic monitoring. Surrender penalty in insurance contracts also protects GEH Group from losses due to unexpected surrender trends and reduces the sensitivity of surrenders to changes in interest rates.

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

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(g) Liquidity Risk (continued)

$ million	Less than 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
2021					
Financial assets at FVOCI					
Equity securities	**–**	**–**	**–**	**2,202**	**2,202**
Debt securities	**497**	**2,668**	**6,889**	**–**	**10,054**
Financial assets at FVTPL					
Equity securities	**–**	**–**	**–**	**13,676**	**13,676**
Debt securities	**3,937**	**17,427**	**44,443**	**2,882**	**68,689**
Other investments	**–**	**–**	**–**	**16,685**	**16,685**
Financial assets at amortised cost					
Debt securities	**12**	**47**	**441**	**–**	**500**
Derivative financial assets	**221**	**149**	**–**	**–**	**370**
Loans	**212**	**333**	**125**	**–**	**670**
Reinsurers' share of insurance contract liabilities	**548**	**258**	**81**	**–**	**887**
Insurance receivables	**611**	**348**	**1**	**2,376**	**3,336**
Other debtors	**845**	**1**	**–**	**#**	**846**
Cash and cash equivalents	**9,118**	**–**	**–**	**–**	**9,118**
Financial and insurance-related assets	**16,001**	**21,231**	**51,980**	**37,821**	**127,033**
Other creditors	**1,809**	**2**	**#**	**–**	**1,811**
Insurance payables	**6,614**	**7**	**–**	**–**	**6,621**
Derivative financial liabilities	**74**	**37**	**–**	**–**	**111**
Provision for agents' retirement benefits	**134**	**58**	**99**	**–**	**291**
Insurance contract liabilities	**16,024**	**20,018**	**51,590**	**7**	**87,639**
Financial and insurance-related liabilities	**24,655**	**20,122**	**51,689**	**7**	**96,473**
2020					
Financial assets at FVOCI					
Equity securities	–	–	–	2,022	2,022
Debt securities	280	2,346	5,950	–	8,576
Financial assets at FVTPL					
Equity securities [(1)]	–	–	–	13,640	13,640
Debt securities	3,460	14,738	44,211	1,852	64,261
Other investments [(1)]	–	–	–	13,899	13,899
Financial assets at amortised cost					
Debt securities	9	36	297	–	342
Derivative financial assets	584	80	100	–	764
Loans	201	623	181	–	1,005
Reinsurers' share of insurance contract liabilities	1,933	389	166	–	2,488
Insurance receivables	640	2	20	2,411	3,073
Other debtors	983	1	–	#	984
Cash and cash equivalents	9,650	–	–	–	9,650
Financial and insurance-related assets	17,740	18,215	50,925	33,824	120,704
Other creditors	2,550	7	–	#	2,557
Insurance payables	5,816	7	–	19	5,842
Derivative financial liabilities	190	83	#	–	273
Provision for agents' retirement benefits	127	61	108	–	296
Debt issued	409	–	–	–	409
Insurance contract liabilities	16,833	17,227	49,376	10	83,446
Financial and insurance-related liabilities	25,925	17,385	49,484	29	92,823

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

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For the financial year ended 31 December 2021

38. Risk Management (continued)
38.4 Insurance-Related Risk Management (continued)
Market and Credit Risk (continued)
(g) Liquidity Risk (continued)
The following tables show the current/non-current classification of assets and liabilities:

$ million	Current*	Non-current	Unit-linked	Total
2021				
Cash and cash equivalents	**8,606**	**–**	**512**	**9,118**
Other debtors	**815**	**39**	**50**	**904**
Insurance receivables	**1,822**	**1,498**	**16**	**3,336**
Reinsurers' share of insurance contract liabilities	**538**	**333**	**16**	**887**
Loans	**194**	**398**	**–**	**592**
Derivative financial assets	**212**	**149**	**9**	**370**
Investments	**11,616**	**71,825**	**9,021**	**92,462**
Associates	**–**	**95**	**–**	**95**
Intangible assets	**35**	**160**	**–**	**195**
Property, plant and equipment	**67**	**480**	**–**	**547**
Investment properties	**–**	**1,884**	**–**	**1,884**
Assets	**23,905**	**76,861**	**9,624**	**110,390**
Insurance payables	**6,594**	**7**	**20**	**6,621**
Other creditors	**1,780**	**76**	**69**	**1,925**
Derivative financial liabilities	**70**	**36**	**5**	**111**
Income tax payable	**329**	**–**	**–**	**329**
Provision for agents' retirement benefits	**22**	**264**	**5**	**291**
Deferred tax	**59**	**2,513**	**7**	**2,579**
Insurance contract liabilities	**6,512**	**72,193**	**9,693**	**88,398**
Liabilities	**15,366**	**75,089**	**9,799**	**100,254**
2020				
Cash and cash equivalents	9,262	–	388	9,650
Other debtors	862	28	138	1,028
Insurance receivables	1,609	1,464	–	3,073
Reinsurers' share of insurance contract liabilities	1,926	548	14	2,488
Loans	142	749	–	891
Derivative financial assets	577	179	8	764
Investments	12,929	65,530	7,948	86,407
Associates	–	97	–	97
Intangible assets	–	31	–	31
Property, plant and equipment	68	664	–	732
Investment properties	–	1,767	–	1,767
Assets	27,375	71,057	8,496	106,928
Insurance payables	5,835	7	–	5,842
Other creditors	2,228	90	387	2,705
Derivative financial liabilities	184	81	8	273
Income tax payable	226	–	–	226
Provision for agents' retirement benefits	25	271	–	296
Deferred tax	27	1,444	14	1,485
Debt issued	400	–	–	400
Insurance contract liabilities	8,168	69,231	8,828	86,227
Liabilities	17,093	71,124	9,237	97,454

(1) ** represents expected recovery or settlement within 12 months from the reporting date.*

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk

Credit risk is the risk of loss arising from an obligor 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 downgrading of credit rating or credit default by the borrower or counterparty.

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 establishes internal limits by issuer and counterparty according to their investment credit rating which are actively monitored to manage the credit and concentration risk, and 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 information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is mitigated through counterparty limits that are reviewed and approved on an annual basis.

Credit risk arising from 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 which 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 or market 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%. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines on the collateral eligibility have been established, and all collateral are revalued on a regular basis. GEH management monitors the market values of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair values of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as tabulated below:

		2021		2020	
$ million	Type of collateral	Carrying amount	Fair value	Carrying amount	Fair value
Policy loans	Cash value of policies	**2,356**	**5,115**	2,387	5,024
Secured loans	Properties	**395**	**812**	643	1,217
Secured loans	Others	**#**	**1**	1	1
Derivatives	Cash	**98**	**98**	–	–
		2,849	**6,026**	3,031	6,242

There were no securities lending arrangements as at 31 December 2021 (2020: nil).

As at the reporting date, no investments (2020: nil) were placed as collateral for currency hedging purposes.

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38. Risk Management (continued)
38.4 Insurance-Related Risk Management (continued)
Market and Credit Risk (continued)
(h) Credit Risk (continued)
The following table sets out information about the credit quality of loans and debt securities measured at amortised cost and debt securities measured at FVOCI. The maximum exposure is shown on a gross basis, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

$ million	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
2021				
Loans at amortised cost				
Investment grade* (BBB to AAA)	**479**	**122**	**–**	**601**
Not rated	**2**	**–**	**2**	**4**
	481	**122**	**2**	**605**
Loss allowance	**(1)**	**(10)**	**(2)**	**(13)**
Carrying amount	**480**	**112**	**–**	**592**
Debt securities at amortised cost				
Investment grade* (BBB to AAA)	**244**	**–**	**–**	**244**
Loss allowance	**(2)**	**–**	**–**	**(2)**
Carrying amount	**242**	**–**	**–**	**242**
Debt securities at FVOCI				
Investment grade* (BBB to AAA)	**6,067**	**56**	**–**	**6,123**
Non investment grade* (C to BB)	**–**	**10**	**3**	**13**
Not rated	**1,357**	**–**	**–**	**1,357**
	7,424	**66**	**3**	**7,493**
2020				
Loans at amortised cost				
Investment grade* (BBB to AAA)	662	125	–	787
Non investment grade* (C to BB)	–	–	147	147
Not rated	1	–	2	3
	663	125	149	937
Loss allowance	(1)	(4)	(42)	(47)
Carrying amount	662	121	107	890
Debt securities at amortised cost				
Investment grade* (BBB to AAA)	169	–	–	169
Non investment grade* (C to BB)	5	–	–	5
	174	–	–	174
Loss allowance	(1)	–	–	(1)
Carrying amount	173	–	–	173
Debt securities at FVOCI				
Investment grade* (BBB to AAA)	6,238	34	–	6,272
Non investment grade* (C to BB)	204	6	2	212
Not rated	67	–	–	67
	6,509	40	2	6,551

(1) ** Based on internal ratings grades which are equivalent to grades of external rating agencies.*

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The following table sets out the credit analysis for financial assets that are not subjected to ECL.

$ million	Investment grade* (BBB to AAA)	Non investment grade* (C to BB)	Not rated	Unit-linked	Not subject to credit risk	Total carrying amount
2021						
Financial assets at FVOCI						
Equity securities	**–**	**–**	**–**	**–**	**2,202**	**2,202**
Financial assets at FVTPL						
Equity securities	**–**	**–**	**–**	**3,664**	**10,012**	**13,676**
Debt securities	**43,171**	**2,276**	**5,141**	**1,576**	**–**	**52,164**
Other investments	**–**	**–**	**–**	**3,781**	**12,904**	**16,685**
Derivative financial assets	**350**	**–**	**11**	**9**	**–**	**370**
Reinsurers' share of insurance contract liabilities	**–**	**–**	**870**	**17**	**–**	**887**
Insurance receivables	**620**	**–**	**2,700**	**16**	**–**	**3,336**
Other debtors	**6**	**1**	**792**	**47**	**–**	**846**
Cash and cash equivalents	**8,491**	**–**	**116**	**511**	**–**	**9,118**
	52,638	**2,277**	**9,630**	**9,621**	**25,118**	**99,284**
2020						
Financial assets at FVOCI						
Equity securities	–	–	–	–	2,022	2,022
Financial assets at FVTPL						
Equity securities [(2)]	–	–	–	3,305	10,335	13,640
Debt securities	40,846	2,024	5,645	1,607	–	50,122
Other investments [(2)]	–	–	–	3,404	10,495	13,899
Derivative financial assets	747	–	10	7	–	764
Reinsurers' share of insurance contract liabilities	–	–	2,488	–	–	2,488
Insurance receivables	7	–	3,058	8	–	3,073
Other debtors	5	1	721	257	–	984
Cash and cash equivalents	9,129	–	97	424	–	9,650
	50,734	2,025	12,019	9,012	22,852	96,642

(1) ** Based on internal ratings grades which are equivalent to grades of external rating agencies.*

(2) *Comparatives have been reclassified to conform to current year's presentation.*

Notes to the Financial Statements
For the financial year ended 31 December 2021

38. Risk Management (continued)
38.4 Insurance-Related Risk Management (continued)
Market and Credit Risk (continued)
(h) Credit Risk (continued)
Amounts Arising from ECL
ECL provisioning is the setting of allowance for credit-impaired and non-credit-impaired exposure in accordance to SFRS (I) 9 through forward-looking ECL models.

Measurement of ECL – Explanation of Inputs, Assumptions and Estimation Techniques
The key inputs into the measurement of ECL are the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from statistical models internally developed by GEH Group.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are derived from PD models that incorporate both quantitative and qualitative inputs, which are in turn derived from internal and external compiled data.

LGD is the magnitude of the likely loss incurred during a default. LGD is expressed as a percentage of loss per unit of exposure at the time of default and represents an estimate of the economic loss in the event of the default of the counterparty. Factors in determining LGDs include claim seniority, availability and quality of collateral, legal enforceability processes in the jurisdiction and industry of borrower and prevailing market conditions. They are estimates at a certain date and are derived using statistical models. These statistical models are developed using internally compiled data and incorporate both quantitative and qualitative factors. The model outputs are adjusted to reflect forward-looking information whenever appropriate.

EAD represents the expected exposure in the event of a default. GEH Group derives the EAD based on the current exposure to the counterparty and potential future exposure.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. The ECLs are first determined from the product of these three components, which are then adjusted for forward-looking information. The ECLs are finally discounted to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Significant Increase in Credit Risk
To assess whether there is a significant increase in credit risk, GEH Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. GEH Group considers available reasonable and supportive forward-looking information, which includes the following indicators:
- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an obligor's credit rating along the rating scale represents a change in the credit risk as measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of an obligor is deemed to have increased significantly since initial recognition if, based on GEH Group's quantitative model, the 12M PD is determined to have more than doubled since origination, except when the obligor remains within the investment grade ratings.

Using its expert credit judgement and, where possible, relevant historical experience, GEH Group may determine that an obligor has undergone a significant increase in credit risk based on qualitative factors that are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. GEH Group uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

GEH Group considers an obligor to have relatively lower credit risk if it is of investment grade quality, taking into account both internal and external credit ratings.

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Credit Risk Grades

GEH Group assigns each obligor to a credit risk grade that reflects the PD of the obligor. Credit risk grades are established based on qualitative and quantitative factors that are indicative of default risk. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the default risk increases as credit risk deteriorates. Each exposure is assigned with a credit risk grade at initial recognition, based on available information on the borrower. Obligors are subject to ongoing monitoring and review, and may be assigned with new credit risk grades that better reflects their creditworthiness. The monitoring typically involves the use of information obtained during periodic review, including published financial statements, external rating (where available), as well as qualitative information on an obligor's industry, competitive positioning, management, financial policy and financial flexibility.

Definition of Default

GEH Group considers a financial asset to be in default by assessing the following criteria:

Quantitative Criteria

For insurance receivables, the obligor is said to be in default if it fails to make contractual payments within 6 months after it falls due (i.e. after expiration of the maximum granted credit terms). For bonds and loans, the obligor is said to be in default if it fails to meet its contractual obligation and there are non-payments on another debt obligation of the same issuer to GEH Group.

Qualitative Criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption or breach of material loan covenants not rectified within a given timeframe, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within given timeframe.

The criteria above have been applied to all financial instruments held by GEH Group and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout GEH Group's expected loss calculations.

Incorporating of Forward-Looking Information

GEH Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its ECL measurement. GEH Group has performed historical analysis and identified key economic variables impacting credit risk and ECLs for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the base economic scenario) are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, and based on such information to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on PDs, EADs and LGDs has been determined via regression analyses.

In addition to the base economic scenario, GEH Group uses multiple scenarios to ensure non-linear risks are captured. The number of scenarios and their attributes are reviewed at each reporting date. At 31 December 2021, for all portfolios, GEH Group concluded that two particular scenarios are capable of capturing non-linear risks inherent in all portfolios. The scenario weightings are determined by expert credit judgement, taking into account the range of possible outcomes the chosen scenario is representative of. The assessment of significant increase in credit risk is performed using the 12M PD under each of the scenarios multiplied by the associated scenario weights. This determines whether the whole financial instrument is in Stage 1, 2 or 3, and hence whether 12M or lifetime ECL should be applied. Following this assessment, GEH Group measures ECL as either a probability-weighted 12M ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and the actual outcomes may be significantly different from projected outcomes. GEH Group considers these forecasts being representative of the best estimates of the possible outcomes and has analysed the non-linear risks and asymmetries within the various portfolios of GEH Group to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to GEH Group for the year ended 31 December 2021.

Notes to the Financial Statements
For the financial year ended 31 December 2021

38. Risk Management (continued)
38.4 Insurance-Related Risk Management (continued)
Market and Credit Risk (continued)
(h) Credit Risk (continued)
Loss Allowance
The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

$ million	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans at amortised cost				
At 1 January 2020	0.7	4.6	42.3	47.6
Transfer to 12-month ECL	0.5	(0.5)	–	–
Decrease in losses due to transfer	(0.3)	–	–	(0.3)
Net remeasurement of loss allowance	(0.1)	(0.6)	–	(0.7)
New financial assets purchased	0.1	1.1	–	1.2
Financial assets that have been derecognised	(0.2)	(0.3)	–	(0.5)
Changes in models/risk parameters	0.7	(0.8)	–	(0.1)
At 31 December 2020/1 January 2021	**1.4**	**3.5**	**42.3**	**47.2**
Net remeasurement of loss allowance	**0.3**	**0.8**	**(4.0)**	**(2.9)**
New financial assets purchased	**0.1**	**–**	**–**	**0.1**
Financial assets that have been derecognised	**(0.3)**	**–**	**–**	**(0.3)**
Write-offs	**–**	**–**	**(36.0)**	**(36.0)**
Changes in models/risk parameters	**(0.6)**	**5.2**	**–**	**4.6**
At 31 December 2021	**0.9**	**9.5**	**2.3**	**12.7**
Debt securities at amortised cost				
At 1 January 2020	0.7	–	–	0.7
New financial assets purchased	0.2	–	–	0.2
Changes in models/risk parameters	0.4	–	–	0.4
At 31 December 2020/1 January 2021	**1.3**	**–**	**–**	**1.3**
Net remeasurement of loss allowance	**(0.4)**	**–**	**–**	**(0.4)**
New financial assets purchased	**0.3**	**–**	**–**	**0.3**
Changes in models/risk parameters	**0.5**	**–**	**–**	**0.5**
At 31 December 2021	**1.7**	**–**	**–**	**1.7**
Debt securities at FVOCI				
At 1 January 2020	5.8	1.6	2.8	10.2
Transfer to 12-month ECL	0.1	(0.1)	–	–
(Decrease)/increase in losses due to transfer	(0.2)	0.2	–	–
Net remeasurement of loss allowance	0.2	(0.2)	–	–
New financial assets purchased	5.7	–	–	5.7
Financial assets that have been derecognised	(6.7)	(0.2)	–	(6.9)
Changes in models/risk parameters	5.9	(0.1)	–	5.8
At 31 December 2020/1 January 2021	**10.8**	**1.2**	**2.8**	**14.8**
Transfer to 12-month ECL	**(0.2)**	**0.2**	**–**	**–**
Increase in losses due to transfer	**–**	**1.0**	**–**	**1.0**
Net remeasurement of loss allowance	**(0.4)**	**–**	**–**	**(0.4)**
New financial assets purchased	**2.7**	**–**	**–**	**2.7**
Financial assets that have been derecognised	**(2.5)**	**(0.1)**	**–**	**(2.6)**
Changes in models/risk parameters	**(3.2)**	**2.1**	**–**	**(1.1)**
At 31 December 2021	**7.2**	**4.4**	**2.8**	**14.4**
Increase/(decrease) in provision for impairment of financial assets for the year				
31 December 2021	**(3.7)**	**9.2**	**(4.0)**	**1.5**
31 December 2020	6.3	(1.5)	–	4.8

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Loss Allowance (continued)

The carrying amount of outstanding premiums as at 31 December 2021 is $663.3 million (2020: $563.7 million). The ECL relating to outstanding premiums as at 31 December 2021 was $8.0 million (2020: $8.5 million) for GEH Group. The changes in credit loss recognised in the income statement during the year was $0.5 million (2020: $4.2 million).

The changes in risk parameters may consist of management overlays, including but not limited to, the application of judgement to:

i) key economic variables including GDP growth projections;
ii) scenario weightings;
iii) obligor's credit rating to reflect a deterioration to credit risk;
iv) take into consideration government relief programmes; or
v) events arisen after post-model-run that require adjustment.

Loss allowances are reviewed quarterly, taking into consideration the adequacy of key variables.

(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 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 investment mix to ensure that there is no significant concentration in market and credit risk.

Notes to the Financial Statements
For the financial year ended 31 December 2021

38. Risk Management (continued)
38.4 Insurance-Related Risk Management (continued)
Market and Credit Risk (continued)
(j) Sensitivity Analysis on Financial Risks
The sensitivity analysis below shows the impact on GEH Group's net profit after tax by applying possible shocks to each key variables, with all other variables constant. Co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets. To demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net 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 equity sensitivity represents the impact on net profit after tax and the effect on changes in fair value of financial assets measured at FVOCI.

Market Risk Sensitivity Analysis

	Impact on profit after tax		Impact on equity	
$ million	2021	2020	2021	2020
Change in variables:				
(a) Interest rate [2]				
+50 basis points	**50.8**	105.7	**(192.6)**	(120.1)
–50 basis points	**(117.5)**	(179.8)	**144.7**	63.8
(b) Foreign currency				
5% increase in market value of MYR denominated assets	**0.1**	0.1	**0.1**	0.1
5% decrease in market value of MYR denominated assets	**(0.1)**	(0.1)	**(0.1)**	(0.1)
5% increase in market value of USD denominated assets	**0.7**	(0.1)	**0.7**	(0.1)
5% decrease in market value of USD denominated assets	**(0.7)**	0.1	**(0.7)**	0.1
(c) Equity [2]				
20% increase in market indices				
STI	**51.3**	49.4	**129.9**	113.6
KLCI	**–**	0.1	**34.6**	40.9
20% decrease in market indices				
STI	**(51.3)**	(49.4)	**(129.9)**	(113.6)
KLCI	**–**	(0.1)	**(34.6)**	(40.9)
(d) Credit [2]				
Spread +100 basis points	**(165.2)**	(112.0)	**(487.3)**	(436.8)
Spread –100 basis points	**208.4**	140.4	**583.6**	520.0
(e) Alternative investments [1] [2]				
10% increase in market value of all alternative investments	**72.1**	74.2	**73.9**	76.0
10% decrease in market value of all alternative investments	**(72.1)**	(74.2)	**(73.9)**	(76.0)

(1) *Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.*
(2) *Comparatives have been reclassified to conform to current year's presentation.*

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

38. Risk Management (continued)

38.4 Insurance-Related Risk Management (continued)

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives, as a result of its failure to comply with the following applicable laws, regulations and standards:

- local laws, regulations and rules governing licensed activities undertaken by GEH Group;
- foreign laws, regulations and rules that have extraterritorial jurisdiction over GEH Group's licensed activities;
- codes of practice promoted by industry associations of which GEH Group are members of; and
- any other applicable regulations which do not specifically govern the licensed activities undertaken by GEH Group but can expose the organisation to legal, regulatory or reputational loss.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal control frameworks, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMC reviews operational and compliance issues on a GEH Group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. GEH Group Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to GEH Group Audit Committee.

Technology, Information and Cyber Risks

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, system/hardware failure, capacity deficiency arising from the use of technologies such as electronic hardware/devices, software, online networks and telecommunications systems.

Information risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

GEH Group adopts a risk based approach in managing technology, information and cyber risks relating to cyber-attacks, data loss/leakage, deficiency in change management, emerging technology, inadequate vendor management, inferior system acquisition and development, network security vulnerability, privilege access misuse, system security vulnerability, system unavailability and technology obsolescence. Key risk indicators related to technology, information and cyber risks are reported to GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit for its adequacy and effectiveness.

Notes to the Financial Statements
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39. Financial Assets and Financial Liabilities Classification

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2021						
Cash and placements with central banks	–	–	27,919	–	–	27,919
Singapore government treasury bills and securities	1,230	–	–	9,882	–	11,112
Other government treasury bills and securities	2,692	10	347	23,110	–	26,159
Placements with and loans to banks	758	–	17,595	7,109	–	25,462
Loans to customers	47	–	286,232	2	–	286,281
Debt securities	4,084	22	331	23,608	–	28,045
Equity securities and investment funds	4,596	–	–	1,374	–	5,970
Debt and equity securities	8,680	22	331	24,982	–	34,015
Derivative receivables	9,267	–	–	–	–	9,267
Other assets	–	–	5,270	–	467	5,737
Amounts due from associates	–	–	40	–	–	40
Financial assets	22,674	32	337,734	65,085	467	425,992
Non-financial assets						16,099
						442,091
Life insurance fund financial assets	34,381	46,544	11,262	5,995	–	98,182
Life insurance fund non-financial assets						1,914
Total assets						542,187
Deposits of non-bank customers	–	–	342,395	–	–	342,395
Deposits and balances of banks	–	–	8,239	–	–	8,239
Trading portfolio liabilities	393	–	–	–	–	393
Derivative payables	9,070	–	–	–	–	9,070
Other liabilities [1]	–	–	6,089	–	788	6,877
Debt issued	–	1,092	19,023	–	–	20,115
Financial liabilities	9,463	1,092	375,746	–	788	387,089
Non-financial liabilities						4,454
						391,543
Life insurance fund financial liabilities	109	–	8,595	–	86,966	95,670
Life insurance fund non-financial liabilities						636
Total liabilities						487,849

(1) *Other liabilities include amounts due to associates.*

39. Financial Assets and Financial Liabilities Classification (continued)

	GROUP					
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Insurance contracts	Total
2020						
Cash and placements with central banks	–	–	26,525	–	–	26,525
Singapore government treasury bills and securities	1,139	–	–	9,489	–	10,628
Other government treasury bills and securities	3,365	14	378	18,906	–	22,663
Placements with and loans to banks	1,231	–	19,716	11,869	–	32,816
Loans to customers	89	–	263,449	–	–	263,538
Debt securities	3,972	19	387	23,555	–	27,933
Equity securities and investment funds	3,661	–	–	1,549	–	5,210
Debt and equity securities	7,633	19	387	25,104	–	33,143
Derivative receivables	15,223	–	–	–	–	15,223
Other assets	–	–	4,887	–	298	5,185
Amounts due from associates	–	–	41	–	–	41
Financial assets	28,680	33	315,383	65,368	298	409,762
Non-financial assets						14,565
						424,327
Life insurance fund financial assets	31,830	44,457	14,244	4,749	–	95,280
Life insurance fund non-financial assets						1,788
Total assets						521,395
Deposits of non-bank customers	–	–	314,907	–	–	314,907
Deposits and balances of banks	–	–	9,586	–	–	9,586
Trading portfolio liabilities	339	–	–	–	–	339
Derivative payables	15,516	–	–	–	–	15,516
Other liabilities [1]	–	–	7,205	–	605	7,810
Debt issued	–	1,006	23,349	–	–	24,355
Financial liabilities	15,855	1,006	355,047	–	605	372,513
Non-financial liabilities						3,252
						375,765
Life insurance fund financial liabilities	264	–	8,590	–	82,906	91,760
Life insurance fund non-financial liabilities						2,694
Total liabilities						470,219

(1) *Other liabilities include amounts due to associates.*

Notes to the Financial Statements

For the financial year ended 31 December 2021

39. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Total
2021					
Cash and placements with central banks	–	–	22,863	–	22,863
Singapore government treasury bills and securities	1,130	–	–	8,976	10,106
Other government treasury bills and securities	1,671	–	347	7,692	9,710
Placements with and loans to banks	758	–	11,639	5,119	17,516
Loans to customers	47	–	189,354	–	189,401
Debt securities	3,369	–	331	13,063	16,763
Equity securities and investment funds	3,142	–	–	126	3,268
Debt and equity securities	6,511	–	331	13,189	20,031
Placements with and advances to subsidiaries	–	–	21,930	–	21,930
Derivative receivables	7,812	–	–	–	7,812
Other assets	–	–	2,059	–	2,059
Amounts due from associates	–	–	40	–	40
Financial assets	17,929	–	248,563	34,976	301,468
Non-financial assets					20,754
Total assets					322,222
Deposits of non-bank customers	–	–	221,213	–	221,213
Deposits and balances of banks	–	–	6,708	–	6,708
Deposits and balances of subsidiaries	–	–	28,250	–	28,250
Trading portfolio liabilities	393	–	–	–	393
Derivative payables	7,656	–	–	–	7,656
Other liabilities [1]	–	–	1,769	–	1,769
Debt issued	–	1,092	18,565	–	19,657
Financial liabilities	8,049	1,092	276,505	–	285,646
Non-financial liabilities					979
Total liabilities					286,625

(1) *Other liabilities include amounts due to associates.*

39. Financial Assets and Financial Liabilities Classification (continued)

	BANK				
$ million	Mandatorily measured at FVTPL	Designated as FVTPL	Amortised cost	FVOCI	Total
2020					
Cash and placements with central banks	–	–	20,969	–	20,969
Singapore government treasury bills and securities	1,052	–	–	8,242	9,294
Other government treasury bills and securities	2,264	–	378	6,769	9,411
Placements with and loans to banks	1,231	–	13,963	8,889	24,083
Loans to customers	84	–	170,567	–	170,651
Debt securities	3,179	–	387	12,081	15,647
Equity securities and investment funds	2,066	–	–	131	2,197
Debt and equity securities	5,245	–	387	12,212	17,844
Placements with and advances to subsidiaries	–	–	17,246	–	17,246
Derivative receivables	13,518	–	–	–	13,518
Other assets	–	–	2,886	–	2,886
Amounts due from associates	–	–	41	–	41
Financial assets	23,394	–	226,437	36,112	285,943
Non-financial assets					20,067
Total assets					306,010
Deposits of non-bank customers	–	–	197,745	–	197,745
Deposits and balances of banks	–	–	7,408	–	7,408
Deposits and balances of subsidiaries	–	–	25,793	–	25,793
Trading portfolio liabilities	339	–	–	–	339
Derivative payables	13,768	–	–	–	13,768
Other liabilities [1]	–	–	1,710	–	1,710
Debt issued	–	1,006	22,391	–	23,397
Financial liabilities	14,107	1,006	255,047	–	270,160
Non-financial liabilities					965
Total liabilities					271,125

(1) *Other liabilities include amounts due to associates.*

Notes to the Financial Statements

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40. Interest Rate Benchmark Reform

London Interbank Offered Rate (LIBOR), a key benchmark used in international financial markets is being replaced by Risk Free Rates (RFRs). On 5 March 2021, the Financial Conduct Authority (FCA) confirmed a two-phase discontinuation approach for LIBOR. Specifically, all British pound, Euro, Swiss franc, Japanese yen LIBORs, and the 1-week and 2-month US dollar LIBORs were discontinued after 31 December 2021. All remaining US dollar LIBORs will discontinue after 30 June 2023.

The expected discontinuation of LIBOR directly impacts the viability of the Singapore Dollar Swap Offer Rate (SOR), which relies on US dollar LIBOR in its computation. Singapore Interbank Offered Rate (SIBOR), a key benchmark widely used in retail loans, is similarly disadvantaged by the continued reliance on expert judgement and lack of underlying transactions. The Singapore Overnight Rate Average (SORA) has been identified as the alternative benchmark to SOR and SIBOR. MAS has established an industry-led Steering Committee for SOR and SIBOR Transition to SORA (SC-STS) to oversee the coordination and implementation of the transition efforts.

With a view to ensure a smooth transition from LIBOR to Risk Free Rates (RFR) and from SOR and SIBOR to SORA, the Group established an internal Steering Committee to coordinate the efforts across various business, control, and support functions. Clear timelines and deliverables were established, keeping pace with the industry transition roadmaps and regulatory timelines.

To ensure infrastructure and process readiness, the Group has implemented the necessary system upgrades and modifications. The Group have also assessed the adequacy of provisions relating to the permanent discontinuation of benchmarks in loan documentation, derivatives contracts, debt issuances and other relevant contracts. All contracts impacted by the discontinuation of non-USD LIBORs and the 1-week and 2-month US dollar LIBORs have been remediated or have adequate fallbacks. With regards to SOR and SIBOR transition, the Group expect to achieve full remediation of retail loans and transit a majority of corporate loans and derivatives by end 2022. Appropriate adjustments will be made to reflect the differences between SOR and SORA.

Hedge Accounting

The Group uses interest rate swaps and cross currency swaps to hedge its exposure to changes in fair value of fixed rate debt instruments and its foreign currency exposure in a fair value hedge. The Group also uses interest rate swaps to hedge the variability in the cash flows that is related to a variable rate asset or liability resulting from changes in interest rate. With respect to hedge accounting, the Group's primary exposure is to USD LIBOR due to the extent of fixed rate debt instruments and subordinated debt denominated in USD that are designated in fair value hedge relationships.

The Group has applied the following relief from hedge accounting requirements that were introduced by the amendments made to SFRS(I) 9:

- When considering the 'highly probable' requirement, the Group assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.
- In assessing the economic relationship between the hedged item and the hedging instrument, the Group assume that the interest rate benchmark on which the hedged item and hedging instruments are based is not altered as a result of the interest rate benchmark reform.
- For fair value hedges of interest rate risk on fixed rate debt, the Group only assesses whether the designated benchmark is separately identifiable at hedge inception and not revisited on reporting date.

In applying the amendments, the Group assumes that the uncertainty arising from interest rate benchmark reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group also assumes that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.

As at 31 December 2021, the notional amount of hedging instruments referencing USD LIBOR is $9.43 billion (2020: $10.51 billion).

40. Interest Rate Benchmark Reform (continued)

Exposures Impacted by the IBOR Reform

The following table shows the total amount of non-derivative financial assets, non-derivative financial liabilities and derivative financial instruments that have yet to transition to an alternative benchmark rate as at 31 December 2021.

			GROUP		
$ million	SOR	USD LIBOR	SIBOR	Other LIBOR	Total
Gross carrying amount					
Loans to customers	**17,352**	**24,047**	**15,369**	**7,320**	**64,088**
Non-derivative financial asset	**17,352**	**24,047**	**15,369**	**7,320**	**64,088**
Gross carrying amount					
Deposits of non-bank customers	**–**	**2,621**	**–**	**–**	**2,621**
Deposits and balances of banks	**–**	**768**	**–**	**–**	**768**
Non-derivative financial liability	**–**	**3,389**	**–**	**–**	**3,389**
Notional amount					
Derivative financial instruments	**35,067**	**116,685**	**–**	**8,100**	**159,852**
Debt securities	**–**	**285**	**–**	**117**	**402**

			BANK		
$ million	SOR	USD LIBOR	SIBOR	Other LIBOR	Total
Gross carrying amount					
Loans to customers	**17,352**	**21,356**	**15,369**	**6,587**	**60,664**
Non-derivative financial asset	**17,352**	**21,356**	**15,369**	**6,587**	**60,664**
Gross carrying amount					
Deposits of non-bank customers	**–**	**2,621**	**–**	**–**	**2,621**
Deposits and balances of banks	**–**	**768**	**–**	**–**	**768**
Non-derivative financial liability	**–**	**3,389**	**–**	**–**	**3,389**
Notional amount					
Derivative financial instruments	**35,347**	**117,172**	**–**	**8,003**	**160,522**
Debt securities	**–**	**52**	**–**	**117**	**169**

The "Other LIBOR" balances contain positions that have the last interest fixing in 2021 based on GBP LIBOR, EUR LIBOR or JPY LIBOR. These non-USD LIBOR positions will be fixed using an alternative interest rate benchmark from the first interest fixing in 2022 onwards.

41. Fair Values of Financial Instruments

41.1 Valuation Governance Framework

The Group has an established governance 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 GRM is responsible for the model validation process. Financial models are used to price financial instruments and to calculate value-at-risk (VaR). MRM ensures that the models used are fit for their intended purposes through internal independent validation and periodic review. MRM sources market rates independently for risk measurement and valuation.

The Treasury Financial Control and Advisory – 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 adjustment methodologies, independent price testing, and identifying valuation gaps.

Valuation policies are formulated and reviewed annually by the Valuation Control function, and approved by the Market Risk Management Committee, the CEO and BRMC. Valuation adjustments are applied to account for input parameter uncertainties, known model deficiencies and other factors that may affect valuation. The main valuation adjustments are described below.

Bid Offer Adjustments
When the position is marked at mid-price, bid offer adjustment is applied to account for close out cost.

Model Adjustments
Model adjustments are applied when there are inherent limitations in the valuation models used by the Bank.

Day 1 Profit or Loss Adjustments
Day 1 profit or loss adjustments are applied when the valuation technique involves the use of significant inputs which are not readily observable. The difference between the fair value at initial recognition and the transaction price is deferred as an adjustment.

The Day 1 profit or loss adjustments are released to the income statement when the significant inputs become observable, when the transaction is derecognised or amortised over the life of the transaction.

Credit Valuation Adjustments
Credit valuation adjustments are applied to account for the expected losses due to counterparty default on derivative positions.

Collateral Valuation Adjustments
Collateral valuation adjustments are applied when a derivative is denominated and discounted using a curve in the same currency but is collateralised in another currency.

Parameter Uncertainty Adjustments
These valuation adjustments mainly include adjustments for illiquid prices or internal methodologies used to derive model inputs.

The Group's internal audit provides independent assurance on the respective divisions' compliance with the policy.

41. Fair Values of Financial Instruments (continued)

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 amounts 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 mainly carried at amortised cost on the balance sheet, net of allowances for impaired and non-impaired loans. The Group deems that the carrying amounts of non-bank loans approximate their fair values as substantially all 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 amounts due to their short tenor. For non-bank customer term deposits, contractual or derived cash flows are discounted at market rates as at reporting date to estimate the fair values, which approximate the carrying amounts.

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2021

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

The following table summarises the Group's assets and liabilities measured at fair values subsequent to initial recognition by level of the fair value hierarchy:

	2021				2020			
$ 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	**2,194**	**5,673**	**–**	**7,867**	3,088	10,012	–	13,100
Debt and equity securities	**24,813**	**7,699**	**1,172**	**33,684**	25,204	6,338	1,214	32,756
Loans to customers	**–**	**2**	**47**	**49**	–	–	89	89
Derivative receivables	**42**	**8,413**	**812**	**9,267**	73	15,048	102	15,223
Government treasury bills and securities	**30,834**	**6,090**	**–**	**36,924**	27,234	5,679	–	32,913
Life insurance fund investment securities and other assets	**60,879**	**23,489**	**2,552**	**86,920**	56,272	22,797	1,967	81,036
Total	**118,762**	**51,366**	**4,583**	**174,711**	111,871	59,874	3,372	175,117
Non-financial assets measured at fair value								
Life insurance fund investment properties	**–**	**–**	**1,884**	**1,884**	–	–	1,767	1,767
Associates	**–**	**–**	**95**	**95**	–	97	–	97
Total	**–**	**–**	**1,979**	**1,979**	–	97	1,767	1,864
Financial liabilities measured at fair value								
Derivative payables	**168**	**8,262**	**640**	**9,070**	117	15,330	69	15,516
Trading portfolio liabilities	**393**	**–**	**–**	**393**	339	–	–	339
Debt issued	**–**	**1,092**	**–**	**1,092**	–	1,006	–	1,006
Life insurance fund financial liabilities	**3**	**106**	**–**	**109**	2	262	–	264
Total	**564**	**9,460**	**640**	**10,664**	458	16,598	69	17,125
BANK								
Financial assets measured at fair value								
Placements with and loans to banks	**1,324**	**4,553**	**–**	**5,877**	2,538	7,582	–	10,120
Debt and equity securities	**13,828**	**5,376**	**496**	**19,700**	13,143	3,871	443	17,457
Loans to customers	**–**	**–**	**47**	**47**	–	–	84	84
Derivative receivables	**15**	**7,161**	**636**	**7,812**	9	13,411	98	13,518
Government treasury bills and securities	**14,693**	**4,776**	**–**	**19,469**	13,903	4,424	–	18,327
Total	**29,860**	**21,866**	**1,179**	**52,905**	29,593	29,288	625	59,506
Financial liabilities measured at fair value								
Derivative payables	**133**	**7,075**	**448**	**7,656**	68	13,645	55	13,768
Trading portfolio liabilities	**393**	**–**	**–**	**393**	339	–	–	339
Debt issued	**–**	**1,092**	**–**	**1,092**	–	1,006	–	1,006
Total	**526**	**8,167**	**448**	**9,141**	407	14,651	55	15,113

During the financial year, the Group transferred financial assets from Level 2 to Level 1 as prices became observable arising from increased market activity. Financial assets were also transferred from Level 1 to Level 2 when quoted prices become unobservable arising from reduced market activity.

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Valuation Techniques and Unobservable Inputs for Level 3 Instruments

GROUP $ million	Fair value at 31 December 2021	Classification	Valuation techniques	Unobservable inputs
Financial assets				
Equity securities	**1,172**	FVTPL/FVOCI	Net asset value/ Multiples/Discounted cash flows	Value of net asset/ Earnings and multiples/ Cash flows and discount rate
Loans to customers	**47**	FVTPL	Discounted cash flows	Cash flows and discount rate
Derivative receivables	**812**	FVTPL	Option pricing model Derivatives pricing	Volatility/Correlation Long dated rate
Life insurance fund investment securities and other assets	**2,552**	FVTPL/FVOCI	Net asset value	Value of net asset
Total	**4,583**			
Financial liabilities				
Derivative payables	**640**	FVTPL	Option pricing model Derivatives pricing	Volatility/Correlation Long dated rate
Total	**640**			

Movements in Level 3 Financial Assets and Liabilities

	2021				
GROUP $ million	Debt and equity securities	Loans to customers	Derivative receivables	Life insurance fund investment securities and other assets	Total
Financial assets measured at fair value					
At 1 January	**1,214**	**89**	**102**	**1,967**	**3,372**
Purchases	**11**	**–**	**42**	**541**	**594**
Settlements/disposals	**(14)**	**(26)**	**(8)**	**(243)**	**(291)**
Transfers in to Level 3	**20** (1)	**–**	**226** (1)	**–**	**246**
Gains/(losses) recognised in					
– profit or loss	**(68)**	**(16)**	**449**	**288**	**653**
– other comprehensive income	**9**	**(#)**	**1**	**(1)**	**9**
At 31 December	**1,172**	**47**	**812**	**2,552**	**4,583**
Unrealised (losses)/gains included in profit or loss for assets held at the end of the year	**(68)**	**(16)**	**738**	**274**	**928**

(1) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*

Notes to the Financial Statements

For the financial year ended 31 December 2021

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

GROUP $ million	2020 Debt and equity securities	Loans to customers	Derivative receivables	Life insurance fund investment securities and other assets	Total
Financial assets measured at fair value					
At 1 January	1,025	180	61	1,764	3,030
Purchases	94	1	10	284	389
Settlements/disposals	(86)	(90)	(#)	(99)	(275)
Transfers in to/(out of) Level 3	23 [(1)]	–	(7) [(2)]	–	16
Gains/(losses) recognised in					
– profit or loss	53	(2)	38	20	109
– other comprehensive income	105	(#)	#	(2)	103
At 31 December	1,214	89	102	1,967	3,372
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	53	(3)	66	51	167

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

	2021 Trading income	Other income	Total	2020 Trading income	Other income	Total
Total gains included in profit or loss for the year ended	**365**	**288**	**653**	89	20	109
Unrealised gains included in profit or loss for assets held at the end of the year	**654**	**274**	**928**	116	51	167

(1) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*

(2) *Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.*

41. Fair Values of Financial Instruments (continued)

41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

BANK $ million	2021 Debt and equity securities	2021 Loans to customers	2021 Derivative receivables	2021 Total	2020 Debt and equity securities	2020 Loans to customers	2020 Derivative receivables	2020 Total
Financial assets measured at fair value								
At 1 January	**443**	**84**	**98**	**625**	442	172	53	667
Purchases	**4**	**–**	**42**	**46**	86	#	8	94
Settlements/disposals	**(9)**	**(21)**	**(7)**	**(37)**	(83)	(86)	(1)	(170)
Transfers in to/(out of) Level 3	**11** [1]	**–**	**–**	**11**	(2) [2]	–	–	(2)
Gains/(losses) recognised in								
– profit or loss	**16**	**(16)**	**503**	**503**	12	(2)	38	48
– other comprehensive income	**31**	**#**	**–**	**31**	(12)	(#)	–	(12)
At 31 December	**496**	**47**	**636**	**1,179**	443	84	98	625
Unrealised gains/(losses) included in profit or loss for assets held at the end of the year	**16**	**(16)**	**557**	**557**	12	(3)	69	78

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

	2021 Trading income	2021 Total	2020 Trading income	2020 Total
Total gains included in profit or loss for the year ended	**503**	**503**	48	48
Unrealised gains included in profit or loss for assets held at the end of the year	**557**	**557**	78	78

(1) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*
(2) *Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.*

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For the financial year ended 31 December 2021

41. Fair Values of Financial Instruments (continued)
41.3 Fair Value Hierarchy (continued)
Movements in Level 3 Financial Assets and Liabilities (continued)

	GROUP				BANK			
	2021		2020		2021		2020	
$ million	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total	Derivative payables	Total
Financial liabilities measured at fair value								
At 1 January	**69**	**69**	43	43	**55**	**55**	33	33
Issues	**144**	**144**	82	82	**144**	**144**	79	79
Settlements/disposals	**(80)**	**(80)**	(16)	(16)	**(80)**	**(80)**	(16)	(16)
Transfers in to/(out of) Level 3	**226** [(1)]	**226**	(7) [(2)]	(7)	**–**	**–**	–	–
Losses/(gains) recognised in								
– profit or loss	**281**	**281**	(33)	(33)	**329**	**329**	(41)	(41)
– other comprehensive income	**(#)**	**(#)**	#	#	**–**	**–**	–	–
At 31 December	**640**	**640**	69	69	**448**	**448**	55	55
Unrealised (losses)/gains included in profit or loss for liabilities held at the end of the year	**(542)**	**(542)**	9	9	**(369)**	**(369)**	19	19

(1) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*
(2) *Relates to transfers from Level 3 to Level 2 due to use of inputs based on market observable data.*

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

	GROUP				BANK			
	2021		2020		2021		2020	
$ 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	**(281)**	**(281)**	33	33	**(329)**	**(329)**	41	41
Unrealised (losses)/gains included in profit or loss for liabilities held at the end of the year	**(542)**	**(542)**	9	9	**(369)**	**(369)**	19	19

Movements in Level 3 Non-Financial Assets

	GROUP				
	2021			2020	
$ million	Life insurance fund investment properties	Associates	Total	Life insurance fund investment properties	Total
Non-financial assets measured at fair value					
At 1 January	**1,767**	**–**	**1,767**	1,786	1,786
Purchases/net transfer from property, plant and equipment	**39**	**–**	**39**	#	#
Transfers in to Level 3	**–**	**97** [(1)]	**97**	–	–
Gains/(losses) recognised in					
– profit or loss	**84**	**(2)**	**82**	(19)	(19)
– other comprehensive income	**(6)**	**–**	**(6)**	#	#
At 31 December	**1,884**	**95**	**1,979**	1,767	1,767

(1) *Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.*

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.

GROUP				Related amounts not offset on balance sheet		
Types of financial assets/liabilities $ million	Carrying amounts on balance sheet (A)	Amounts not subject to netting agreement (B)	Amounts subject to netting agreement (A – B = C + D + E)	Financial instruments (C)	Collateral (D)	Net amounts in scope (E)
2021						
Financial assets						
Derivative receivables	**9,267**	**3,163**	**6,104**	**4,625**	**236**	**1,243**
Reverse repurchase agreements	**3,037** [(1)]	**1,800**	**1,237**	**1,224**	**–**	**13**
Securities borrowings	**7** [(2)]	**6**	**1**	**1**	**–**	**–**
Total	**12,311**	**4,969**	**7,342**	**5,850**	**236**	**1,256**
Financial liabilities						
Derivative payables	**9,070**	**1,731**	**7,339**	**4,625**	**1,283**	**1,431**
Repurchase agreements	**2,056** [(3)]	**997**	**1,059**	**995**	**–**	**64**
Securities lendings	**5** [(4)]	**–**	**5**	**5**	**–**	**–**
Total	**11,131**	**2,728**	**8,403**	**5,625**	**1,283**	**1,495**
2020						
Financial assets						
Derivative receivables	15,223	4,441	10,782	8,437	423	1,922
Reverse repurchase agreements	4,157 [(1)]	2,437	1,720	1,710	–	10
Securities borrowings	2 [(2)]	1	1	1	–	–
Total	19,382	6,879	12,503	10,148	423	1,932
Financial liabilities						
Derivative payables	15,516	3,343	12,173	8,437	1,398	2,338
Repurchase agreements	1,221 [(3)]	1,136	85	85	–	–
Securities lendings	1 [(4)]	1	–	–	–	–
Total	16,738	4,480	12,258	8,522	1,398	2,338

(1) *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 and other assets. These transactions are measured either at fair value or amortised cost.*

(2) *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.*

(3) *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 other liabilities, and are measured at amortised cost.*

(4) *Cash collateral placed under securities lendings are presented under other liabilities, and are measured at amortised cost.*

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42. Offsetting Financial Assets and Financial Liabilities (continued)

BANK

Types of financial assets/liabilities $ million	Carrying amounts on balance sheet (A)	Amounts not subject to netting agreement (B)	Amounts subject to netting agreement (A – B = C + D + E)	Related amounts not offset on balance sheet: Financial instruments (C)	Related amounts not offset on balance sheet: Collateral (D)	Net amounts in scope (E)
2021						
Financial assets						
Derivative receivables	**7,812**	**1,689**	**6,123**	**4,458**	**359**	**1,306**
Reverse repurchase agreements	**2,169** [1]	**932**	**1,237**	**1,224**	**–**	**13**
Securities borrowings	**6** [2]	**6**	**–**	**–**	**–**	**–**
Total	**9,987**	**2,627**	**7,360**	**5,682**	**359**	**1,319**
Financial liabilities						
Derivative payables	**7,656**	**728**	**6,928**	**4,458**	**790**	**1,680**
Repurchase agreements	**1,059** [3]	**–**	**1,059**	**995**	**–**	**64**
Total	**8,715**	**728**	**7,987**	**5,453**	**790**	**1,744**
2020						
Financial assets						
Derivative receivables	13,518	2,820	10,698	8,318	607	1,773
Reverse repurchase agreements	1,808 [1]	90	1,718	1,708	–	10
Securities borrowings	1 [2]	1	–	–	–	–
Total	15,327	2,911	12,416	10,026	607	1,783
Financial liabilities						
Derivative payables	13,768	2,267	11,501	8,318	1,025	2,158
Repurchase agreements	85 [3]	–	85	85	–	–
Total	13,853	2,267	11,586	8,403	1,025	2,158

(1) *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 and other assets. These transactions are measured either at fair value or amortised cost.*

(2) *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.*

(3) *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 other liabilities, 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	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Guarantees and standby letters of credit:				
Term to maturity of one year or less	**6,770**	4,248	**5,592**	3,202
Term to maturity of more than one year	**2,472**	2,437	**1,544**	1,505
	9,242	6,685	**7,136**	4,707
Acceptances and endorsements	**1,016**	845	**442**	337
Documentary credits and other short term trade-related transactions	**6,393**	5,762	**4,721**	4,627
	16,651	13,292	**12,299**	9,671
43.1 Analysed by Industry				
Agriculture, mining and quarrying	**198**	56	**22**	22
Manufacturing	**1,412**	1,216	**353**	228
Building and construction	**2,137**	2,171	**1,066**	1,183
General commerce	**10,287**	7,423	**8,757**	6,388
Transport, storage and communication	**359**	359	**254**	296
Financial institutions, investment and holding companies	**1,116**	657	**880**	506
Professionals and individuals	**113**	283	**40**	43
Others	**1,029**	1,127	**927**	1,005
	16,651	13,292	**12,299**	9,671
43.2 Analysed by Geography				
Singapore	**11,347**	8,913	**11,276**	8,773
Malaysia	**1,125**	1,114	**6**	6
Indonesia	**1,169**	1,003	**–**	–
Greater China	**2,520**	1,835	**520**	445
Other Asia Pacific	**128**	192	**135**	212
Rest of the World	**362**	235	**362**	235
	16,651	13,292	**12,299**	9,671

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

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44. Commitments
Commitments comprise mainly agreements to provide credit facilities to customers. Such credit facilities (cancellable and non-cancellable) can either be made for a fixed period, or have no specific maturity.

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
44.1 Credit Commitments				
Undrawn credit facilities:				
Term to maturity of one year or less	**141,648**	134,540	**70,699**	57,600
Term to maturity of more than one year	**29,414**	25,594	**25,640**	36,319
	171,062	160,134	**96,339**	93,919
44.2 Other Commitments				
Capital commitment authorised and contracted	**220**	227	**234**	235
Forward deposits and assets purchase	**359**	3,670	**1,990**	2,614
	579	3,897	**2,224**	2,849
44.3 Total Commitments	**171,641**	164,031	**98,563**	96,768
44.4 Credit Commitments Analysed by Industry				
Agriculture, mining and quarrying	**1,408**	1,503	**657**	700
Manufacturing	**8,025**	8,890	**2,637**	3,641
Building and construction	**17,338**	17,065	**13,540**	13,195
General commerce	**24,809**	22,782	**19,692**	17,946
Transport, storage and communication	**4,768**	3,378	**4,080**	2,858
Financial institutions, investment and holding companies	**53,570**	48,386	**33,967**	35,544
Professionals and individuals	**54,552**	49,685	**16,409**	14,072
Others	**6,592**	8,445	**5,357**	5,963
	171,062	160,134	**96,339**	93,919
44.5 Credit Commitments Analysed by Geography				
Singapore	**136,454**	121,097	**83,515**	79,891
Malaysia	**8,736**	8,446	**469**	756
Indonesia	**5,379**	5,082	**–**	–
Greater China	**13,709**	19,140	**5,548**	6,876
Other Asia Pacific	**3,071**	2,915	**3,091**	2,920
Rest of the World	**3,713**	3,454	**3,716**	3,476
	171,062	160,134	**96,339**	93,919

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
2021				
FVOCI investments	**83**	**–**	**#**	**83**
FVTPL investments	**1**	**125**	**#**	**126**
Other assets	**–**	**6**	**–**	**6**
Total assets	**84**	**131**	**#**	**215**
Other liabilities	**–**	**–**	**–**	**–**
Total liabilities	**–**	**–**	**–**	**–**
Other commitments				
Loan and capital commitments authorised and contracted [1]	**34**	**–**	**–**	**34**
Income earned from sponsored structured entities [2]	**#**	**55**	**34**	**89**
Assets of structured entities	**669**	**7,186**	**3,019**	**10,874**
2020				
FVOCI investments	53	–	#	53
FVTPL investments	–	112	#	112
Other assets	–	4	–	4
Total assets	53	116	#	169
Other liabilities	–	–	–	–
Total liabilities	–	–	–	–
Other commitments				
Loan and capital commitments authorised and contracted [1]	21	–	–	21
Income earned from sponsored structured entities [2]	#	47	36	83
Assets of structured entities	445	5,253	3,208	8,906

(1) *These were also included in the Group's capital commitments 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.*

The amount of assets transferred to sponsored entities during 2021 and 2020 were not significant.

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46. Financial Assets Transferred

46.1 Assets Pledged

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Government treasury bills and securities				
– Singapore	**183**	102	**183**	102
– Others	**857**	277	**676**	8
Placements with and loans to banks	**–**	9	**–**	–
Loans to customers	**3,132**	2,462	**2,990**	2,089
Debt securities	**1,465**	1,051	**533**	95
	5,637	3,901	**4,382**	2,294
Obligations to repurchase assets pledged	**2,056**	1,220	**1,059**	85

(a) The amounts received from repurchase transactions are recognised as collaterised borrowings, "obligations to repurchase assets pledged", measured at amortised cost and included in deposits of banks and non-bank customers and other liabilities on the balance sheet. The above assets pledged as collateral for repurchase transactions are not derecognised but are presented separately on the balance sheet.

(b) The amounts paid in reverse repurchase transactions are recognised as collaterised lendings, measured at amortised cost and included in loans to banks and non-bank customers as appropriate. The financial assets accepted as collateral for reverse repurchase transactions are not recognised as assets on the balance sheet. 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 $3.05 billion (2020: $4.26 billion), of which $0.06 billion (2020: $0.06 billion) have been sold or re-pledged. The Group is obliged to return equivalent assets.

(c) Transactions are conducted under terms and conditions that are usual and customary to standard securities lending (equivalent to repurchase transactions) and securities borrowing (equivalent to reverse repurchase transactions).

46.2 Assets Assigned as Security for Covered Bonds Issued (Note 21.5)

Pursuant to the Bank's Global Covered Bond Programme, selected pools of Singapore housing loans originated by the Bank have been assigned to a bankruptcy-remote structured entity, Red Sail Pte. Ltd. (Note 33.3). These housing loans continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2021, the carrying amounts of the covered bonds in issue was $3.52 billion (2020: $3.73 billion), while the carrying amounts of assets assigned was $12.08 billion (2020: $7.28 billion). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

47. Assets Held for Sale

Assets held for sale comprise properties which the Group is disposing of, subject to terms that are usual and customary in the completion of the sale. The transactions did not have any material impact on the Group's net earnings and net assets for the financial years ended 31 December 2021 and 31 December 2020.

48. Minimum Lease Payment Receivable

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	GROUP		BANK	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Within 1 year	**48**	43	**16**	16
After 1 year but within 5 years	**53**	50	**3**	5
Over 5 years	**#**	–	**#**	–
	101	93	**19**	21

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

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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 Material Related Party Transactions

Material related party balances at the reporting date and transactions during the financial year were as follows:

	GROUP		BANK		
$ million	Associates	Life insurance fund	Subsidiaries	Associates	Life insurance fund
(a) Loans, placements and other receivables					
At 1 January 2021	41	669	17,246	40	198
Net change	(#)	(69)	4,683	(#)	(189)
At 31 December 2021	**41**	**600**	**21,929**	**40**	**9**
(b) Deposits, borrowings and other payables					
At 1 January 2021	406	801	25,793	200	569
Net change	25	396	2,457	30	(28)
At 31 December 2021	**431**	**1,197**	**28,250**	**230**	**541**
(c) Off-balance sheet credit facilities [1]					
At 1 January 2021	–	11	16,929	–	11
Net change	–	(7)	(4,555)	–	(7)
At 31 December 2021	**–**	**4**	**12,374**	**–**	**4**
(d) Income statement transactions					
Year ended 31 December 2021					
Interest income	**#**	**13**	**90**	**#**	**#**
Interest expense	**1**	**6**	**103**	**1**	**#**
Rental income	**–**	**2**	**19**	**–**	**#**
Fee and commission and other income	**–**	**327**	**67**	**–**	**252**
Rental and other expenses	**19**	**21**	**452**	**18**	**#**
Year ended 31 December 2020					
Interest income	#	15	173	#	#
Interest expense	5	5	253	2	1
Rental income	–	2	23	–	#
Fee and commission and other income	21	233	60	–	171
Rental and other expenses	17	19	365	17	#

(1) *Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.*

During the financial year, the Group had banking transactions with director-related and key management-related entities and personnel of the Group. These transactions were not material.

49. Related Party Transactions (continued)

49.2 Key Management Personnel Compensation

	BANK	
	2021 $ million	2020 $ million
Key management personnel compensation is as follows:		
Short-term employee benefits	**42**	47
Share-based benefits	**13**	16
	55	63

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2021 included in the above table are subject to the approval of the Remuneration Committee.

Comparatives have been updated following the approval of the performance-related payments to key management personnel of the Bank in relation to the performance year 2020 by the Remuneration Committee.

50. Capital Management

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, the Group targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. The Group actively manages its capital composition with an optimal mix of capital instruments in order to keep its overall cost of capital low.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 14 and 21 of the financial statements, and the approaches adopted by the Group for the computation of risk-weighted assets can be found in the "Pillar 3 Disclosures" chapter.

The Group has complied with all externally imposed regulatory capital requirements. The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2021.

$ million	2021	2020
Tier 1 Capital		
Ordinary shares	**18,040**	17,833
Disclosed reserves/others	**25,782**	23,021
Regulatory adjustments	**(8,977)**	(7,648)
Common Equity Tier 1 Capital	**34,845**	33,206
Additional Tier 1 capital	**1,231**	1,230
Regulatory adjustments	**–**	–
Tier 1 Capital	**36,076**	34,436
Tier 2 capital	**3,497**	4,530
Regulatory adjustments	**–**	–
Total Eligible Capital	**39,573**	38,966
Credit	**197,164**	191,525
Market	**11,681**	10,955
Operational	**16,021**	15,665
Risk Weighted Assets	**224,866**	218,145
Capital Adequacy Ratios		
Common Equity Tier 1	**15.5%**	15.2%
Tier 1	**16.0%**	15.8%
Total	**17.6%**	17.9%

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51. New Accounting Standards and Interpretations

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

SFRS(I)	Title	Effective for financial year beginning on or after
Various	*Annual Improvements to SFRS(I)s 2018-2020*	1 January 2022
SFRS(I) 3 (Amendments)	*Reference to the Conceptual Framework*	1 January 2022
SFRS(I) 1-16 (Amendments)	*Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
SFRS(I) 1-37 (Amendments)	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
SFRS(I) 17	*Insurance Contracts*	1 January 2023
Various	*Amendments to SFRS(I) 17*	1 January 2023
Various	*Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies*	1 January 2023
SFRS(I) 1-1 (Amendments)	*Classification of Liabilities as Current or Non-current*	1 January 2023
SFRS(I) 1-8 (Amendments)	*Definition of Accounting Estimates*	1 January 2023
SFRS(I) 1-12 (Amendments), SFRS(I) 1 (Amendments)	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
SFRS(I) 1-10 (Amendments), SFRS(I) 1-28 (Amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Based on the Group's preliminary analysis, the initial application of the above standards (including their consequential amendments) and interpretations are not expected to have a significant impact on the Group's financial statements, except as described below.

SFRS(I) 17 *Insurance Contracts*

SFRS(I) 17 was issued in March 2018 as replacement for SFRS(I) 4 *Insurance Contracts*. The Accounting Standards Council Singapore (ASC) has issued Amendments to SFRS(I) 17 on 27 November 2020 to defer the effective date to annual reporting periods beginning on or after 1 January 2023.

It is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SFRS(I) 17 requires a general model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The general model is supplemented by:

- a simplified approach (the premium allocation approach) mainly for short duration contracts; and
- a modification of the general measurement model (the variable fee approach) for contracts with direct participation features.

SFRS(I) 17 is effective for annual periods beginning on or after 1 January 2023, with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. GEH Group plans to adopt SFRS(I) 17 on the required effective date and a Project Steering Committee was formed to oversee the implementation of the standard. GEH Group expects that SFRS(I) 17 will result in an important change to the accounting policies for insurance contract liabilities of GEH Group and is likely to have a significant impact on profit and total equity together with GEH Group's financial statements' presentation and disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS OF OCBC

The following is the management discussion and analysis of OCBC for the years ended 31 December 2019, 2020 and 2021. The following management discussion and analysis should be read in conjunction with the consolidated financial information of OCBC as set out in Appendix IV to this circular.

BUSINESS REVIEW

OCBC is incorporated and domiciled in Singapore and its shares are listed on the Singapore Stock Exchange. OCBC is principally engaged in the business of banking, life insurance, general insurance, asset management, investment holding, futures and stockbroking.

TOTAL INCOME

Total income consists of net interest income and non-interest income.

Total income increased by 5% from S$10.1 billion for the year ended 31 December 2020 to S$10.6 billion for the year ended 31 December 2021. Net interest income decreased by 2% from S$5.97 billion for the year ended 31 December 2020 to S$5.86 billion for the year ended 31 December 2021, mainly attributable to a 7 basis points fall in net interest margin (NIM), despite a 3% increase in average asset balances. Non-interest income increased 14% to S$4.74 billion for the year ended 31 December 2021 from S$4.17 billion in 31 December 2020 which was mainly attributable to an increase in net fee income and wealth management fees, offset by a decrease in net trading income and net realized gains.

Total income decreased by 7% from S$10.9 billion for the year ended 31 December 2019 to S$10.1 billion for the year ended 31 December 2020. Net interest income decreased by 6% to S$5.97 billion for the year ended 31 December 2020 from S$6.33 billion for the year ended 31 December 2019. This was attributable to a 16 basis points drop in net interest margin (NIM) in a significantly lower interest rate environment and a lower loans-to-deposits ratio driven by strong deposits growth. Non-interest income decreased by 8% to S$4.17 billion for the year ended 31 December 2020 from S$4.54 billion for the year ended 31 December 2019, mainly attributable to a decrease in net fee income and net trading income, offset by an increase in wealth management fees, treasury income and net gains from the sale of investment securities.

OPERATING EXPENSES

Operating expenses increased by 7% to S$4.76 billion for the year ended 31 December 2021 from S$4.44 billion for the year ended 31 December 2020, largely due to higher staff costs linked to headcount growth.

Operating expenses decreased by 4% to S$4.44 billion for the year ended 31 December 2020 from S$4.64 billion for the year ended 31 December 2019, mainly due to lower staff costs and reduced discretionary spending.

ALLOWANCES FOR LOANS AND OTHER ASSETS

Allowances for loans and other assets decreased by 57% to S$873 million for the year ended 31 December 2021, as compared to S$2.04 billion for the year ended 31 December 2020, mainly due to a decrease in allowances for impaired loans.

Allowances for loans and other assets increased by 130% to S$2.04 billion in for the year ended 31 December 2020 from S$890 million for the year ended 31 December 2019, manly due to an increase in allowances for impaired loans and an increase in non-impaired loans.

NET PROFIT AFTER TAX

Net profit after tax increased by 35% to S$4.86 billion for the year ended 31 December 2021 from S$3.59 billion for the year ended 31 December 2020, mainly due to increase in non-interest income and lower allowances, offset by a decrease in net increase income amid a low interest rate environment.

Net profit after tax decreased by 26% to S$3.59 billion for the year ended 31 December 2020 from S$4.87 billion for the year ended 31 December 2019, mainly due to decrease in net interest margin as a result of the sharp drop in market interest rates and higher expected credit loss allowances to buffer against the deterioration in macroeconomic conditions.

LIQUIDITY POSITION, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Total Assets and Total Liabilities

As at 31 December 2019, 31 December 2020 and 31 December 2021, the total assets of OCBC amounted to approximately S$491,691 million, S$521,395 million and S$542,187 million, respectively. As at 31 December 2019, 31 December 2020 and 31 December 2021, the total liabilities of OCBC amounted to approximately S$443,088 million, S$470,219 million and S$487,849 million, respectively.

Loans to Customers

As at 31 December 2021, customer loans increased by 8% to S$290 billion from S$267 billion as at 31 December 2020 mainly due to loan growth across both corporate and consumer segments, with the majority of the increase coming from Singapore, Greater China, and the Group's international network.

As at 31 December 2020, customer loans remained stable at S$267 billion as compared to S$265 billion as at 31 December 2019.

Deposits of Non-Bank Customers

Customer deposits increased 9% from S$315 billion for the year ended 31 December 2020 to S$342 billion for the year ended 31 December 2021. The year-on-year growth in deposits was driven by an increase in current account and savings deposits (CASA).

Customer deposits increased 4% from S$303 billion for the year ended 31 December 2019 to S$315 billion for the year ended 31 December 2020, mainly due to strong current account and savings deposits (CASA) growth.

Debt Issued

As at 31 December 2019, 2020 and 2021, OCBC total debt issued amounted to S$29,388 million, S$24,355 million and S$20,115 million, respectively in which S$3,475 million, S$3,733 million and S$3,521 million, respectively, were secured by covered bonds.

CONTINGENT LIABILITIES

As at 31 December 2019, 2020 and 2021, contingent liabilities amounted to S$13,944 million, S$13,292 million and S$16,651 million, respectively.

EMPLOYMENT AND REMUNERATION POLICIES

For the years ended 31 December 2019, 2020 and 2021, OCBC had a total workforce of 30,492, 30,538 and 30,809 (including permanent and contract staff), respectively. For the years ended 31 December 2019, 2020 and 2021, the staff costs were approximately US$25.0 million, US$21.7 million and US$26.2 million, respectively.

OCBC has a remuneration policy that has an objective to attract, motivate, reward and retain talented and competent staff globally. The board of OCBC ensures that remuneration policies are in line with the strategic objectives and corporate values of OCBC, and do not give rise to conflicts between the objectives of OCBC and the interests of individual directors or key executives.

The OCBC Share Option Scheme 2001 (2001 Scheme), which was implemented in 2001, was extended for a period of 10 years from 2011 to 2021, with the approval of shareholders at an extraordinary general meeting of OCBC which was held on 15 April 2011. Executives of OCBC ranked Manager and above and non-executive directors of OCBC were eligible to participate in this scheme. OCBC will either issue new shares or transfer treasury shares to the participants upon the exercise of their options. The 2001 Scheme expired on 2 August 2021. No further options may be granted by OCBC under the 2001 Scheme following its expiry. However, the expiration of the 2001 Scheme does not affect the options which have been granted and accepted before the expiry of the 2001 Scheme, whether such options have been exercised (whether fully or partially) or not.

FOREIGN EXCHANGE EXPOSURE

OCBC's exposure to structural foreign exchange arises primarily from its net investment in overseas branches, subsidiaries as well as other strategic and property assets. OCBC manages its structural foreign exchange risk through hedging instruments including the use of derivatives and matched funding for foreign currency investments.

GEARING RATIO

As at 31 December 2019, 2020 and 2021, the gearing ratios of OCBC were 90.1%, 90.2% and 90.0%, respectively. The gearing ratio is defined as total liabilities divided by total assets.

COMMITMENTS

As at 31 December 2019, 31 December 2020 and 31 December 2021, total commitments amounted to S$156,293 million, S$164,031 million and S$171,641 million, respectively. Commitments comprise of credit commitments and other commitments.

PROSPECTS

The outlook and prospects of expanding trade, investment and wealth flows in Asia are bright. OCBC is strengthening its capabilities to capitalise on these growth opportunities with comprehensive offerings of financial services and digital initiatives to drive growth. OCBC is well-placed to capture growing Asian wealth flows with its highly-recognised wealth management business across private, premier private client and premier banking, bancassurance, brokerage and asset management.