Directors' Statement
for the financial year ended 31 December 2019

The directors are pleased to present their statement to the members together with the audited financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2019.

In the opinion of the directors,

(a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2019, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and

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

Directors
The directors of the Bank in office are:

Wong Kan Seng *(Chairman)*
Wee Ee Cheong *(Deputy Chairman and Chief Executive Officer)*
James Koh Cher Siang
Ong Yew Huat
Lim Hwee Hua
Alexander Charles Hungate
Michael Lien Jown Leam
Alvin Yeo Khirn Hai
Wee Ee Lim
Steven Phan Swee Kim *(appointed on 1 July 2019)*

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

Directors' Interests in Shares or Debentures
The following directors, who held office at the end of the financial year, had interests in shares and debentures of the Bank or its related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2019	At 1.1.2019 or date of appointment	**At 31.12.2019**	At 1.1.2019 or date of appointment
The Bank				
Ordinary shares				
Wee Ee Cheong	**3,081,455**	3,056,455	**173,701,487**	173,701,487
James Koh Cher Siang	**3,900**	3,900	**–**	–
Alvin Yeo Khirn Hai	**–**	–	**6,119**	6,119
Alexander Charles Hungate	**9,000**	3,000	**–**	–
Wee Ee Lim	**1,831,903**	1,831,903	**173,280,943**	173,280,943
3.58% perpetual capital securities				
Wong Kan Seng	**$1,000,000**	–	**–**	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2020.

Audit Committee

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

Ong Yew Huat *(Chairman, with effect from 15 July 2019)*
James Koh Cher Siang
Alvin Yeo Khirn Hai

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

Auditor

The Audit Committee has nominated Ernst & Young LLP for reappointment as auditor of the Bank and Ernst & Young LLP has expressed its willingness to be reappointed.

On behalf of the Board of Directors,

Wong Kan Seng
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
20 February 2020

Independent Auditor's Report

for the financial year ended 31 December 2019

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group), set out on pages 195 to 280, which comprise the balance sheets of the Bank and the Group as at 31 December 2019, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and the Group and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank, are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and 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 of the financial performance and changes in equity of the Bank for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><th>Areas of focus</th><th>How our audit addressed the risk factors</th></tr>
<tr><td>

Expected credit loss on non-impaired credit exposures

Refer to Notes 2d(vi), 2s(i), 11, 20(b), 26(b), 27(d) and 29(b) to the consolidated financial statements.

The Group's expected credit loss (ECL) calculation involves significant judgements and estimates. Areas we have identified with greater levels of management judgement are:

- the selection of economic scenarios and corresponding probability weightages applied;
- the significant increase in credit risk (SICR) determination criteria;
- the model assumptions; and
- the adjustments to the model-driven ECL results to address model limitations or emerging trends.

</td><td>

We assessed the design and tested the operating effectiveness of the key manual or automated controls over the Group's ECL computation processes with a focus on:

- the validation of models;
- the selection and implementation of economic scenarios and probabilities;
- the staging of credit exposures based on the Group's SICR criteria; and
- the governance over post model adjustments.

We involved our internal specialists to assist us in performing the following procedures for a sample of portfolios:

- independently reviewed the model validation results;
- assessed the reasonableness of the probabilities of default (PD), loss given default (LGD) and exposure at default (EAD) models by performing sensitivity analyses, benchmarking or back-testing and checking the accuracy of the PD, LGD and EAD used in the computations to derive the ECL amount for a sample of exposures; and
- reviewed the Bank's assessment of SICR.

We also reviewed the Group's approach for determining the base and stress economic scenario to assess the reasonableness of the economic scenarios and corresponding probabilities applied by the Group, and we inspected the Group's SFRS(I) 9 Work Group's decisions in assessing the appropriateness of management's rationale for the post-model adjustments and performed a recalculation, where applicable.

The results of our assessment of the Group's ECL on non-impaired credit exposures were within a reasonable range of expectations.

</td></tr>
<tr><td>

Stage 3 expected credit loss for credit impaired loans to customers

Refer to Notes 2d(vi), 2s(i), 11 and 27(d) to the consolidated financial statements.

Stage 3 expected credit loss (ECL) for loans to customers is considered to be a matter of significance as it requires the application of judgement and use of subjective assumptions by management.

For Group Wholesale Banking's loan portfolio, management is required to monitor borrowers' repayment abilities individually based on their knowledge for any allowance for impairment.

</td><td>

We assessed the design and operating effectiveness of the key controls over the Stage 3 ECL estimation process by performing the following:

- obtained an understanding of the Group's Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans;
- reviewed the Group Credit Committee meeting minutes;
- considered the magnitude of the credit exposures, macroeconomic factors and industry trends in our audit sampling, and focused our audit coverage over customers that are assessed to be of higher risk; and
- assessed, for a sample of impaired loans:
    - management's forecast and inputs of recoverable cash flows, valuation of collaterals, estimates of recoverable amounts on default and other sources of repayment, and where possible, compared these key assumptions to external evidence such as valuation reports.
    - whether impairment events had occurred and whether impairments had been identified in a timely manner.

Overall, the results of our evaluation of the Group's Stage 3 ECL for loans to customers were within a reasonable range of expectations.

</td></tr>
</table>

<table>
<tr><th>Areas of focus</th><th>How our audit addressed the risk factors</th></tr>
<tr><td>Valuation of illiquid or complex financial instruments

Refer to Notes 2d(ii), 2s(ii) and 18(b) to the consolidated financial statements.

As at 31 December 2019, 7% ($6 billion) of the Group's total financial instruments that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised unquoted equity investments and funds, unquoted debt securities, long dated equity derivatives, and callable interest rate swaps.

The valuation of Level 3 financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing certain instruments and the significance of the judgements and estimates made by management.

The determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data.</td><td>We assessed the design and tested the operating effectiveness of the key controls over the Group's Level 3 financial instruments valuation processes. This included the controls over model validation, pricing inputs and price verification. The results of our tests allowed us to rely on these controls for our audit.

With the assistance of our internal specialists, we assessed the reasonableness of the valuation methodologies, assumptions and inputs used by management for a sample of financial instruments with significant unobservable inputs.

The results of our assessment of the Group's valuation of illiquid or complex financial instruments were within the range of expected outcomes.</td></tr>
<tr><td>Impairment of goodwill

Refer to Notes 2h, 2s(iii) and 36 to the consolidated financial statements.

As at 31 December 2019, the Group's balance sheet included goodwill of $4 billion arising from the Group's acquisition of Overseas Union Bank (OUB), United Overseas Bank (Thai) Public Company Limited (UOBT) and PT Bank UOB Indonesia (UOBI) in prior years. The goodwill is allocated to the respective cash-generating units (CGUs) defined by the Group's operating segments.

We focused on this area because the impairment test relies on the calculation of the value-in-use (VIU) of each CGU, which involves significant management judgement and assumptions about the future cash flows of the CGUs and the discount rates applied.</td><td>Our audit procedures focused on the following key assumptions used in the goodwill impairment tests:

• cash flow projections;

• growth rates; and

• discount rates.

We assessed the reasonableness of the cash flow projections by reviewing historical achievement of the projections and the basis supporting the growth projections and considered the reasons for significant deviations.

We assessed the methodologies and assumptions used to compute the VIU of each CGU with the support of our internal specialists. Key market-related assumptions such as the long-term growth rates and discount rates were benchmarked against external industry and economic data.

We also performed sensitivity analyses to determine the impact of a reasonably possible change in the key assumptions to the VIU calculations to identify any CGUs with a risk of impairment.

Based on our audit procedures, the results of the goodwill impairment tests performed by management were within a reasonable range of expectations.</td></tr>
</table>

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 (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 the directors 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.

Independent Auditor's Report
for the financial year ended 31 December 2019

- 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 Christine Lee.

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore

20 February 2020

Income Statements

for the financial year ended 31 December 2019

		The Group		The Bank	
		2019	2018	2019	2018
	Note	$'000	$'000	$'000	$'000
Interest income	3	12,556,828	11,140,963	8,828,720	7,622,840
Less: Interest expense	4	5,994,467	4,920,998	4,293,147	3,379,746
Net interest income		6,562,361	6,219,965	4,535,573	4,243,094
Net fee and commission income	5	2,032,142	1,966,692	1,391,539	1,361,748
Dividend income		50,592	27,327	289,461	252,309
Rental income		110,135	118,918	95,315	100,174
Net trading income	6	874,493	682,758	621,682	501,888
Net gain/(loss) from investment securities	7	241,566	(35,488)	143,188	(46,932)
Other income	8	158,475	136,152	192,918	159,240
Non-interest income		3,467,403	2,896,359	2,734,103	2,328,427
Total operating income		10,029,764	9,116,324	7,269,676	6,571,521
Less: Staff costs	9	2,715,505	2,447,043	1,643,817	1,462,204
Other operating expenses	10	1,756,693	1,556,272	1,135,178	1,018,418
Total operating expenses		4,472,198	4,003,315	2,778,995	2,480,622
Operating profit before allowance		5,557,566	5,113,009	4,490,681	4,090,899
Less: Allowance for credit and other losses	11	434,745	392,671	173,789	159,564
Operating profit after allowance		5,122,821	4,720,338	4,316,892	3,931,335
Share of profit of associates and joint ventures		51,402	105,881	–	–
Profit before tax		5,174,223	4,826,219	4,316,892	3,931,335
Less: Tax	12	812,538	805,325	587,122	568,427
Profit for the financial year		4,361,685	4,020,894	3,729,770	3,362,908
Attributable to:					
Equity holders of the Bank		4,343,346	4,008,001	3,729,770	3,362,908
Non-controlling interests		18,339	12,893	–	–
		4,361,685	4,020,894	3,729,770	3,362,908
Earnings per share ($)	13				
Basic		2.55	2.34		
Diluted		2.54	2.33		

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

Statements of Comprehensive Income

for the financial year ended 31 December 2019

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Profit for the financial year	**4,361,685**	4,020,894	**3,729,770**	3,362,908
Other comprehensive income that will not be reclassified to income statement				
Net losses on equity instruments at fair value through other comprehensive income	**(845,199)**	(308,380)	**(870,370)**	(298,823)
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**(61,946)**	13,223	**(61,946)**	13,222
Remeasurement of defined benefit obligation	**349**	7,957	**29**	(74)
Related tax on items at fair value through other comprehensive income	**(13,696)**	9,156	**(11,145)**	6,840
	(920,492)	(278,044)	**(943,432)**	(278,835)
Other comprehensive income that may be subsequently reclassified to income statement				
Currency translation adjustments	**145,043**	(69,238)	**(10,283)**	(10,609)
Debt instruments at fair value through other comprehensive income				
Change in fair value	**445,709**	(192,383)	**338,129**	(178,177)
Transfer to income statement on disposal	**(116,828)**	39,991	**(104,019)**	41,762
Changes in allowance for expected credit losses	**(51,765)**	4,391	**(54,925)**	9,068
Related tax	**38,440**	2,996	**60,769**	2,208
	460,599	(214,243)	**229,671**	(135,748)
Change in share of other comprehensive income of associates and joint ventures	**8,703**	(7,590)	**–**	–
Other comprehensive income for the financial year, net of tax	**(451,190)**	(499,877)	**(713,761)**	(414,583)
Total comprehensive income for the financial year, net of tax	**3,910,495**	3,521,017	**3,016,009**	2,948,325
Attributable to:				
Equity holders of the Bank	**3,885,230**	3,511,104	**3,016,009**	2,948,325
Non-controlling interests	**25,265**	9,913	**–**	–
	3,910,495	3,521,017	**3,016,009**	2,948,325

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

Balance Sheets
as at 31 December 2019

		The Group		The Bank	
		2019	2018	2019	2018
	Note	$'000	$'000	$'000	$'000
Equity					
Share capital and other capital	14	7,325,262	7,014,072	7,325,262	7,014,072
Retained earnings	15	23,404,523	21,716,025	17,197,325	16,117,580
Other reserves	16	8,906,725	8,892,999	9,350,793	9,597,535
Equity attributable to equity holders of the Bank		39,636,510	37,623,096	33,873,380	32,729,187
Non-controlling interests	32c	227,415	189,696	–	–
Total equity		39,863,925	37,812,792	33,873,380	32,729,187
Liabilities					
Deposits and balances of:					
Banks		15,301,333	13,800,639	13,404,212	12,070,866
Customers	19	310,726,074	293,185,822	241,462,427	227,258,692
Subsidiaries		–	–	13,418,713	13,562,166
Bills and drafts payable		645,520	637,675	464,526	359,074
Derivative financial liabilities	38	6,695,435	5,839,999	5,695,187	4,487,314
Other liabilities	20	5,178,800	5,416,881	3,666,549	3,104,691
Tax payable		488,927	514,023	409,788	435,122
Deferred tax liabilities	21	299,185	278,913	201,679	206,342
Debts issued	22	25,209,381	30,605,611	23,557,413	28,905,041
Total liabilities		364,544,655	350,279,563	302,280,494	290,389,308
Total equity and liabilities		404,408,580	388,092,355	336,153,874	323,118,495
Assets					
Cash, balances and placements with central banks	23	25,864,406	25,252,497	22,319,392	20,782,510
Singapore Government treasury bills and securities		6,198,736	5,614,577	6,198,736	5,609,110
Other government treasury bills and securities	24	15,165,628	13,200,867	5,120,085	5,668,411
Trading securities	25	2,788,997	1,928,520	2,506,040	1,794,810
Placements and balances with banks	26	52,839,952	50,799,513	42,456,080	39,812,157
Loans to customers	27	265,457,911	258,627,271	205,228,870	201,788,882
Placements with and advances to subsidiaries		–	–	17,971,517	16,362,702
Derivative financial assets	38	6,407,875	5,730,057	5,393,618	4,343,866
Investment securities	29	15,453,691	13,553,103	12,722,508	11,668,369
Other assets	30	4,906,136	4,516,306	3,528,370	2,870,042
Deferred tax assets	21	299,542	283,688	95,764	87,392
Investment in associates and joint ventures	31	1,182,491	1,169,608	349,988	363,105
Investment in subsidiaries	32	–	–	6,004,823	6,014,213
Investment properties	34	935,698	1,012,332	969,984	1,078,735
Fixed assets	35	2,759,717	2,265,624	2,106,280	1,692,372
Intangible assets	36	4,147,800	4,138,392	3,181,819	3,181,819
Total assets		404,408,580	388,092,355	336,153,874	323,118,495

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

Statements of Changes in Equity

for the financial year ended 31 December 2019

	The Group					
	Attributable to equity holders of the Bank					
	Share capital and other capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2019						
Balance at 1 January	7,014,072	21,716,025	8,892,999	37,623,096	189,696	37,812,792
Profit for the financial year	–	4,343,346	–	4,343,346	18,339	4,361,685
Other comprehensive income for the financial year	–	(382,308)	(75,808)	(458,116)	6,926	(451,190)
Total comprehensive income for the financial year	–	3,961,038	(75,808)	3,885,230	25,265	3,910,495
Transfers	–	(99,819)	99,819	–	–	–
Change in non-controlling interests	–	–	–	–	19,475	19,475
Dividends	–	(2,172,835)	–	(2,172,835)	(7,021)	(2,179,856)
Share-based compensation	–	–	52,399	52,399	–	52,399
Reclassification of share-based compensation reserves on expiry	–	114	(114)	–	–	–
Shares issued under share-based compensation plans	61,122	–	(61,122)	–	–	–
Perpetual capital securities issued	748,620	–	–	748,620	–	748,620
Redemption of perpetual capital securities	(498,552)	–	(1,448)	(500,000)	–	(500,000)
Balance at 31 December	7,325,262	23,404,523	8,906,725	39,636,510	227,415	39,863,925
2018						
Balance at 1 January	7,765,643	19,766,145	9,377,726	36,909,514	185,977	37,095,491
Profit for the financial year	–	4,008,001	–	4,008,001	12,893	4,020,894
Other comprehensive income for the financial year	–	7,962	(504,859)	(496,897)	(2,980)	(499,877)
Total comprehensive income for the financial year	–	4,015,963	(504,859)	3,511,104	9,913	3,521,017
Transfers	–	(23,956)	23,956	–	–	–
Change in non-controlling interests	–	779	–	779	2,487	3,266
Dividends	–	(2,043,033)	–	(2,043,033)	(8,681)	(2,051,714)
Shares re-purchased – held in treasury	(212,438)	–	–	(212,438)	–	(212,438)
Shares issued under scrip dividend scheme	267,153	–	–	267,153	–	267,153
Share-based compensation	–	–	40,017	40,017	–	40,017
Reclassification of share-based compensation reserves on expiry	–	127	(127)	–	–	–
Shares issued under share-based compensation plans	41,155	–	(41,155)	–	–	–
Redemption of perpetual capital securities	(847,441)	–	(2,559)	(850,000)	–	(850,000)
Balance at 31 December	7,014,072	21,716,025	8,892,999	37,623,096	189,696	37,812,792
Note	14	15	16			

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

	The Bank			
	Share capital and other capital $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
2019				
Balance at 1 January	7,014,072	16,117,580	9,597,535	32,729,187
Profit for the financial year	–	3,729,770	–	3,729,770
Other comprehensive income for the financial year	–	(382,763)	(330,998)	(713,761)
Total comprehensive income for the financial year	–	3,347,007	(330,998)	3,016,009
Transfers	–	(94,541)	94,541	–
Dividends	–	(2,172,835)	–	(2,172,835)
Share-based compensation	–	–	52,399	52,399
Reclassification of share-based compensation reserves on expiry	–	114	(114)	–
Shares issued under share-based compensation plans	61,122	–	(61,122)	–
Perpetual capital securities issued	748,620	–	–	748,620
Redemption of perpetual capital securities	(498,552)	–	(1,448)	(500,000)
Balance at 31 December	7,325,262	17,197,325	9,350,793	33,873,380
2018				
Balance at 1 January	7,765,643	14,796,965	10,016,555	32,579,163
Profit for the financial year	–	3,362,908	–	3,362,908
Other comprehensive income for the financial year	–	278	(414,861)	(414,583)
Total comprehensive income for the financial year	–	3,363,186	(414,861)	2,948,325
Transfers	–	335	(335)	–
Dividends	–	(2,043,033)	–	(2,043,033)
Shares re-purchased – held in treasury	(212,438)	–	–	(212,438)
Shares issued under scrip dividend scheme	267,153	–	–	267,153
Share-based compensation	–	–	40,017	40,017
Reclassification of share-based compensation reserves on expiry	–	127	(127)	–
Shares issued under share-based compensation plans	41,155	–	(41,155)	–
Redemption of perpetual capital securities	(847,441)	–	(2,559)	(850,000)
Balance at 31 December	7,014,072	16,117,580	9,597,535	32,729,187
Note	14	15	16	

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2019

	2019 $'000	2018 $'000
Cash flows from operating activities		
Profit for the financial year	4,361,685	4,020,894
Adjustments for:		
Allowance for credit and other losses	434,745	392,671
Share of profit of associates and joint ventures	(51,402)	(105,881)
Tax	812,538	805,325
Depreciation of assets	398,656	272,852
Net (gain)/loss on disposal of assets	(304,416)	13,759
Share-based compensation	52,472	39,875
Operating profit before working capital changes	5,704,278	5,439,495
Change in working capital		
Deposits and balances of banks	1,559,733	2,457,200
Deposits and balances of customers	16,324,436	21,168,219
Bills and drafts payable	871	(68,088)
Other liabilities	672,718	337,445
Restricted balances with central banks	(53,226)	(18,501)
Government treasury bills and securities	(2,200,717)	(2,930,225)
Trading securities	(827,565)	(168,363)
Placements and balances with banks	(2,085,288)	1,280,078
Loans to customers	(6,411,848)	(27,031,970)
Investment securities	(2,458,532)	(2,851,919)
Other assets	(1,088,858)	(511,616)
Cash generated from/(used in) operations	9,136,002	(2,898,245)
Income tax paid	(803,331)	(808,887)
Net cash provided by/(used in) operating activities	8,332,671	(3,707,132)
Cash flows from investing activities		
Capital injection into associates and joint ventures	(29,982)	(46,976)
Disposal of associates and joint ventures	–	110,473
Distribution from associates and joint ventures	65,630	51,348
Purchase of properties and other fixed assets	(572,965)	(516,466)
Disposal of properties and other fixed assets	36,016	35,399
Change in non-controlling interests	1,193	4,218
Net cash used in investing activities	(500,108)	(362,004)
Cash flows from financing activities		
Perpetual capital securities issued	748,620	–
Redemption of perpetual capital securities	(500,000)	(850,000)
Issuance of debts issued (Note 22)	35,933,092	40,410,836
Redemption of debts issued (Note 22)	(41,538,228)	(34,904,484)
Shares re-purchased – held in treasury	–	(212,438)
Change in non-controlling interests	18,281	(1,731)
Dividends paid on ordinary shares	(2,084,794)	(1,646,509)
Distribution for perpetual capital securities	(88,041)	(129,371)
Dividends paid to non-controlling interests	(7,021)	(8,681)
Lease payments	(81,116)	–
Net cash (used in)/provided by financing activities	(7,599,207)	2,657,622
Currency translation adjustments	337,453	31,324
Net increase/(decrease) in cash and cash equivalents	570,809	(1,380,190)
Cash and cash equivalents at beginning of the financial year	19,617,113	20,997,303
Cash and cash equivalents at end of the financial year (Note 23)	20,187,922	19,617,113

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

Notes to the Financial Statements
for the financial year ended 31 December 2019

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

1. Corporate Information

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

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its major subsidiaries are set out in Note 32 to the financial statements.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Bank and its subsidiaries (collectively, the Group) have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)s) as required by the Singapore Companies Act, and International Financial Reporting Standards (IFRS).

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

(b) Changes in Accounting Policies

(i) Changes during the Financial Year

The Group adopted the following financial reporting standards and interpretations during the financial year:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures
- Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement

The Group adopted SFRS(I) 16 on the modified retrospective basis. SFRS(I) 16 introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) for all leases unless they are short term or of low value. Lessor accounting remains substantially unchanged and a lessor continues to account for its leases as operating leases or finance leases accordingly. Adoption of the Standard did not have a significant impact on the Group's financial statements.

The adoption of the other changes above did not have a significant impact on the Group's financial statements on transition date.

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

(ii) Changes Subsequent to the Financial Year

The following SFRS(I)s that are in issue will apply to the Group for the financial years as indicated:

Effective for the financial year beginning on or after 1 January 2020:

- Conceptual Framework for Financial Reporting
- Amendments to SFRS(I) 3: Definition of a Business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform

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

- Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Application of the SFRS(I)s listed above is not expected to have a significant impact on the Group's financial statements.

2. Summary of Significant Accounting Policies (continued)

(c) Interests in Other Entities

(i) *Subsidiaries*

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

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

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

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

(ii) *Associates and Joint Ventures*

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

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

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

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

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

(iii) *Joint Operations*

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

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

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments

(i) Classification

Financial assets and financial liabilities are classified as follows:

Held for Trading

Financial instruments within a held for trading (HFT) business model are classified and measured at fair value through profit or loss (FVPL). Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Non-Trading Debt Assets

Non-trading debt assets with contractual cash flows that represent solely payments of principal and interest are classified and measured as follows:

- at amortised cost (AC) if they are held within a business model whose objective is to collect contractual cash flows from the assets;
- at fair value through other comprehensive income (FVOCI) if the objective of the business model is both for collection of contractual cash flows and for sale; or
- at fair value through profit or loss (FVPL – designated) if so designated to eliminate or reduce accounting inconsistency.

All other non-trading debt assets are mandatorily classified and measured at fair value through profit or loss (FVPL – mandatory).

Non-Trading Equity Instruments

Non-trading equity instruments are classified and measured at FVPL unless elected at inception to be classified and measured at FVOCI.

Non-Trading Financial Liabilities

Non-trading financial liabilities are classified and measured at AC. They may be classified as FVPL – designated at initial recognition if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

For financial liabilities with embedded derivatives, if the economic characteristics and risks of the embedded derivative is not closely related to the host, the embedded derivative is bifurcated and accounted for separately unless the entire instrument is measured at fair value through profit or loss. If the embedded derivative is closely related to the host, the financial liability is accounted for in its entirety based on the host's classification.

(ii) Measurement

Initial Measurement

Financial instruments are recognised initially at their fair value which is generally the transaction price, reduced by loss allowance for financial assets at amortised cost. 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)

(d) Financial Instruments (continued)

(ii) Measurement (continued)

Subsequent Measurement

Held for trading financial instruments and those FVPL – designated and FVPL – mandatory are remeasured at fair value with fair value changes recognised in the income statement; as an exception fair value changes attributable to own credit risk of financial liabilities that are FVPL – designated are taken into other comprehensive income unless this would create accounting mismatch, in which case such fair value changes are taken to income statement. Any such gains or losses recognised in other comprehensive income are not reclassified to the income statement upon derecognition, but are transferred to retained earnings.

Financial instruments classified as FVOCI are remeasured at fair value with fair value changes taken to the fair value reserve. For debt assets, the fair value change in the fair value reserve is taken to the income statement upon disposal or impairment of the assets. For equity instruments elected to be classified as FVOCI, only dividend income is recognised in income statement. Gains or losses recognised in the fair value reserve are not reclassified to the income statement upon derecognition, but are transferred to retained earnings.

All other financial instruments are measured at AC using the effective interest method less allowance for impairment. Any gain or loss on derecognition is recognised in the income statement.

Interest and dividend income on all non-derivative financial instruments at FVPL are recognised separately from fair value changes. The effective interest rate applied to performing financial assets is on their gross carrying amount. For non-performing financial assets the effective interest rate is applied to the net carrying amount.

Fair Value Determination

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

(iii) Recognition and Derecognition

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

Financial instruments are derecognised when the contractual rights to cash flows and risks and rewards associated with the instruments are substantially transferred, cancelled or expired.

(iv) Offsetting

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

(v) Modification

A financial instrument may be exchanged for another, or the terms of its contractual cash flows may be modified. Where the terms are substantially different, the existing instrument is derecognised and the new one recognised. In all other cases, the existing instrument continues to be recognised and its carrying amount is adjusted to reflect the present value of the cash flows of the modified instrument, discounted at the original effective interest rate.

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(vi) Impairment

Loans, debt assets, undrawn loan commitments and financial guarantees that are not measured at FVPL are subject to credit loss provisioning which is made on an expected loss basis, point-in-time, forward-looking and probability-weighted. Where there is no significant increase in credit risk since initial recognition, expected credit loss (ECL) representing possible default for the next 12 months is required (Stage 1). Lifetime ECL is required for non-credit-impaired financial assets with significant increase in credit risk since initial recognition (Stage 2) and credit-impaired financial assets (Stage 3).

The Group considers a range of qualitative and quantitative parameters to assess whether a significant increase in credit risk since initial recognition has occurred. Parameters such as changes in credit risk ratings, delinquency, special mention, behavioural score cards and non-investment grade status are considered where available and relevant. Exposures are considered credit-impaired if they are past due for 90 days or more or exhibit weaknesses which are likely to jeopardise repayments on existing terms. The definition of default is consistent with that used for risk management purposes.

Exposures with significant increase in credit risk are transferred from Stage 1 to Stage 2. Exposures are transferred back to Stage 1 when they no longer meet the criteria for a significant increase in credit risk. Exposures that are credit-impaired are classified as Stage 3 and could be upgraded to Stage 1 or Stage 2 if supported by repayment capability, cash flows and financial position of the borrower and it is unlikely that the exposure will be classified again as credit-impaired in the future.

Although the Group leverages its Basel credit risk models and systems, modifications are required to ensure that outcomes are in line with SFRS(I) 9 ECL requirements. Such modifications include transforming regulatory probabilities of default (PD), loss given default (LGD) and exposure at default (EAD), considering forward-looking information, discount rate and discounting period. Macro-economic variables considered include interest rates, property price indices, unemployment rates, consumer price indices, gross domestic products and equity price indices.

ECL is computed by discounting the product of PD, LGD and EAD to the reporting date at the original effective interest rate or an approximation thereof. The ECL is adjusted with a management overlay where considered appropriate.

Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively while exposures in Stage 3 are individually assessed. Those collectively assessed are grouped based on similar credit risks and assessed on a portfolio basis. ECL is recognised in the income statement.

Financial assets are written off when the prospect of recovery is considered poor or when all avenues of recovery have been exhausted.

Minimum Regulatory Loss Allowance

Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning requires Singapore-incorporated Domestic Systemically Important Banks to maintain a Minimum Regulatory Loss Allowance (MRLA) equivalent to 1% of the gross carrying amount of the selected credit exposures net of collaterals. Where the loss allowance provided for under SFRS(I) 9 for the selected credit exposures falls below the MRLA, an additional loss allowance is required to be maintained in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of retained earnings.

(e) Financial Derivatives

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

Financial derivatives embedded in non-financial host contracts are bifurcated and accounted for separately if their economic characteristics and risks are not closely related to those of the host contracts and the combined contracts are not carried at FVPL.

2. Summary of Significant Accounting Policies (continued)

(f) Hedge Accounting

The Group applies the requirements of SFRS(I) 9 for hedge accounting.

(i) *Fair Value Hedge*

A fair value hedge is a hedge of changes in the fair value of an asset, liability or a firm commitment.

For a fair value hedge of an equity instrument designated at fair value through other comprehensive income, fair value changes of the hedging instrument are recognised in other comprehensive income and presented in retained earnings when the hedge is terminated.

For other fair value hedges, fair value changes of the hedging instrument are recognised in the income statement. Fair value changes of the hedged item attributable to the hedged risk are taken to the income statement with a corresponding adjustment made to the carrying amount of the hedged item. The adjustment is amortised over the expected life of the hedged item when the hedge is terminated and taken to income statement upon disposal of the hedged item.

(ii) *Cash Flow Hedge*

A cash flow hedge is a hedge of the variability in the cash flows of an asset, liability or highly probable forecast transaction.

Fair value changes of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and taken to the hedge reserve under equity while those relating to the ineffective portion are recognised in the income statement. If the hedge transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedge reserve is transferred and included in the initial carrying amount of the hedged item.

For other cash flow hedges, the amount in the hedge reserve is transferred to the income statement at the same time the cash flow of the hedged item is recognised in the income statement or immediately when the forecasted hedged item is no longer expected to occur.

(iii) *Hedge of Net Investment in a Foreign Operation*

A hedge of a net investment in a foreign operation is a hedge of foreign exchange rate fluctuation on the net assets of a foreign operation.

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

(g) Investment Properties and Fixed Assets

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

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

(h) Intangible Assets

Goodwill

Goodwill in a business combination represents the excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Where (b) exceeds (a) and the measurement of all amounts has been reviewed, the gain is recognised in the income statement. Goodwill is measured at cost less accumulated impairment allowance, if any.

Goodwill is reviewed for impairment annually or more frequently if the circumstances indicate that its carrying amount may be impaired. At the date of acquisition, goodwill is allocated to the cash-generating units (CGU) expected to benefit from the synergies of the business combination. The Group's CGU correspond with the operating segments reported in Note 43a. Where the recoverable amount, being the higher of fair value less cost to sell and value in use, of a CGU is below its carrying amount, the impairment allowance is recognised in the income statement and subsequent reversal is not allowed.

(i) Foreign Currencies

(i) Foreign Currency Transactions

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

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

(ii) Foreign Operations

Income and expenses of foreign operations are translated into Singapore Dollars at the exchange rate prevailing at each respective month-end which approximates the exchange rate at the transaction date. Foreign operations' assets and liabilities are translated at the exchange rate as at the balance sheet date. All resultant exchange differences are recognised in the foreign currency translation reserve, and subsequently to the consolidated income statement upon disposal of the foreign operations. In the case of a partial disposal without loss of control of a subsidiary, the proportionate share of the accumulated exchange differences are not recognised in the income statement but re-attributed to the non-controlling interests. For partial disposal of an associate or joint venture, the proportionate share of the accumulated exchange differences is reclassified to income statement.

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

(j) Tax

(i) Current Tax

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

2. Summary of Significant Accounting Policies (continued)

(j) Tax (continued)

(ii) Deferred Tax

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

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

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

(iii) Offsetting

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

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources to settle the obligation is probable and can be reliably estimated. Provisions are recognised at the best estimate of the amount required to settle the obligation. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(l) Financial Guarantees

Financial guarantees are recognised initially at their fair value which is generally the fees received. The fees are recognised on a straight-line basis over the contractual terms. Subsequent to initial recognition, the financial guarantees are measured at the higher of: (a) their carrying amount, being the amount initially recognised less the cumulative amount amortised to profit or loss, and (b) the loss allowance determined in accordance with Note 2d(vi) under SFRS(I) 9.

(m) Undrawn Credit Facilities

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

(n) Contingent Liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events or present obligations arising from past events. Contingent liabilities are not recognised either because an outflow of economic benefits is not probable or the amount required to fulfil the obligation cannot be reliably measured.

(o) Revenue Recognition

Interest income is recognised using the effective interest method.

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

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

Rental income is recognised on a time proportion basis.

2. Summary of Significant Accounting Policies (continued)

(p) Employee Compensation/Benefits

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

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

(q) Dividend Payment

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

(r) Treasury Shares

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

(s) Critical Accounting Estimates and Judgements

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

(i) Allowance for Impairment of Financial Assets

Allowance for impairment of financial assets is determined in accordance with Note 2d(vi). This requires management's experience and significant judgement. The process involves assessing various factors such as economic indicators, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral.

(ii) Fair Valuation of Financial Instruments

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

(iii) Goodwill

Goodwill is reviewed for impairment in accordance with Notes 2h and 36b. The process requires management's assessment of key factors such as future economic growth, business forecasts and discount rates.

(iv) Income Taxes

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

3. Interest Income

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Loans to customers	10,107,793	8,843,599	6,924,799	5,842,868
Placements and balances with banks	1,561,666	1,531,911	1,356,953	1,249,414
Government treasury bills and securities	498,115	406,386	216,968	209,044
Trading and investment securities	389,254	359,067	330,000	321,514
	12,556,828	11,140,963	8,828,720	7,622,840
Of which, interest income on:				
Impaired financial assets	28,018	17,797	20,879	12,008
Financial assets measured at amortised cost	11,772,041	10,701,453	8,369,834	7,242,980
Financial assets measured at fair value through profit or loss	63,397	94,835	5,966	51,555
Financial assets measured at fair value through other comprehensive income	721,390	344,675	452,920	328,305

4. Interest Expense

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deposits of customers	4,992,220	4,082,519	3,412,952	2,628,773
Deposits and balances of banks and debts issued	998,133	838,479	877,562	750,973
Lease payables	4,114	–	2,633	–
	5,994,467	4,920,998	4,293,147	3,379,746
Of which, interest expense on:				
Financial liabilities measured at amortised cost	5,942,451	4,888,432	4,255,196	3,347,848
Financial liabilities measured at fair value through profit or loss	52,016	32,566	37,951	31,898

5. Net Fee and Commission Income

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Credit card [(1)]	487,771	439,821	350,469	315,325
Fund management	236,125	260,881	10,695	10,044
Wealth management	640,712	543,467	494,931	451,830
Loan-related [(2)]	558,344	545,162	444,350	440,946
Service charges	155,604	153,559	131,203	128,749
Trade-related [(3)]	296,635	296,412	191,598	193,582
Others	37,238	63,274	25,492	27,891
	2,412,429	2,302,576	1,648,738	1,568,367
Fee and commission expenses	(380,287)	(335,884)	(257,199)	(206,619)
Net fee and commission income	2,032,142	1,966,692	1,391,539	1,361,748
Of which, fee and commission from:				
Financial assets not measured at fair value through profit or loss	449,011	432,212	366,862	362,361
Provision of trust and other fiduciary services	10,040	10,990	8,843	9,822

(1) Credit card fees are net of interchange fees paid.
(2) Loan-related fees include fees earned from corporate finance activities.
(3) Trade-related fees include trade, remittance and guarantees related fees.

6. Net Trading Income

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Net gain/(loss) from:				
Foreign exchange	593,844	648,299	455,839	505,894
Interest rate and others	460,833	(14,355)	345,861	(56,595)
Financial liabilities designated at fair value through profit or loss	(180,184)	48,814	(180,018)	52,589
	874,493	682,758	621,682	501,888

7. Net Gain/(Loss) from Investment Securities

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fair value through other comprehensive income	151,742	(32,272)	105,766	(40,405)
Amortised cost	–	(341)	3,600	2,479
Fair value through profit or loss – mandatory	89,824	(2,875)	33,822	(9,006)
	241,566	(35,488)	143,188	(46,932)

8. Other Income

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Net gain/(loss) from:				
Disposal of investment properties	23,304	14,046	23,304	14,046
Disposal of fixed assets	2,860	8,902	1,201	8,165
Disposal/Liquidation of subsidiaries, associates or joint ventures	(2,759)	(3,260)	831	(438)
Others	135,070	116,464	167,582	137,467
	158,475	136,152	192,918	159,240

9. Staff Costs

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Salaries, bonuses and allowances	2,131,251	1,929,699	1,282,952	1,141,058
Employer's contribution to defined contribution plans	184,496	173,675	108,603	100,867
Share-based compensation	52,472	39,875	40,855	30,865
Others	347,286	303,794	211,407	189,414
	2,715,505	2,447,043	1,643,817	1,462,204
Of which:				
The Bank's directors' remuneration	10,752	10,563	10,752	10,563
Depreciation of right-of-use assets	1,119	–	724	–

10. Other Operating Expenses

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue-related	688,119	592,393	339,108	299,721
Occupancy-related	334,276	321,473	211,661	200,382
IT-related	504,215	414,422	443,584	373,670
Others	230,083	227,984	140,825	144,645
	1,756,693	1,556,272	1,135,178	1,018,418
Of which:				
Advisory/Directors' fees	4,082	5,140	2,495	3,655
Depreciation of fixed assets and investment properties	310,608	272,852	216,174	181,665
Depreciation of right-of-use assets	86,929	–	62,649	–
Rental expenses	–	134,994	–	87,081
Short-term lease rental expense	10,882	–	2,449	–
Low value assets rental expense	552	–	154	–
Variable lease payments not included in the measurement of lease liabilities	6,915	–	6,904	–
Auditors' remuneration paid/payable to:				
Auditors of the Bank	3,105	3,312	2,434	2,536
Affiliates of auditors of the Bank	2,793	2,584	805	815
Other auditors	196	212	49	31
Non-audit fees paid/payable to:				
Auditors of the Bank	904	678	631	618
Affiliates of auditors of the Bank	851	746	502	475
Other auditors	427	257	362	174
Expenses on investment properties	58,611	58,148	38,917	41,226
Fee expenses arising from financial liabilities not at fair value through profit or loss	64,391	54,792	20,821	19,262

11. Allowance for Credit and Other Losses

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Stage 1 and 2 ECL (write-back)/allowance	(18,938)	19,240	(85,792)	(13,549)
Stage 3 ECL allowance/(write-back) for:				
Loans (Note 27d)	468,593	376,058	236,825	98,977
Others	2,692	(5,205)	(1,525)	(16,664)
(Write-back)/Allowance for other losses	(17,602)	2,578	24,281	90,800
	434,745	392,671	173,789	159,564

12. Tax

The tax charge to the income statements comprises the following:

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
On profit for the financial year				
Current tax	831,620	824,486	595,843	582,456
Deferred tax	18,560	20,086	23,675	28,285
	850,180	844,572	619,518	610,741
(Over)/Under-provision of prior years				
Current tax	(44,285)	(38,206)	(32,581)	(30,542)
Deferred tax	2,866	(9,954)	185	(10,147)
Effect of change in tax rate	–	(1,638)	–	(1,625)
Share of tax of associates and joint ventures	3,777	10,551	–	–
	812,538	805,325	587,122	568,427

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

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Operating profit after allowance	5,122,821	4,720,338	4,316,892	3,931,335
Prima facie tax calculated at tax rate of 17% (2018: 17%)	870,880	802,457	733,872	668,327
Effects of:				
Income taxed at concessionary rates	(123,182)	(84,326)	(122,964)	(84,521)
Different tax rates in other countries	120,081	119,770	63,743	58,423
Income not subject to tax	(39,688)	(31,140)	(67,785)	(57,394)
Expenses not deductible for tax	24,686	36,412	13,000	24,784
Others	(2,597)	1,399	(348)	1,122
Tax expense on profit for the financial year	850,180	844,572	619,518	610,741

13. Earnings Per Share

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

	The Group	
	2019	2018
Profit attributable to equity holders of the Bank ($'000)	4,343,346	4,008,001
Distribution on perpetual capital securities ($'000)	(97,390)	(111,058)
Adjusted profit ($'000)	4,245,956	3,896,943
Weighted average number of ordinary shares ('000)		
In issue	1,667,405	1,665,161
Adjustment for potential ordinary shares under share-based compensation plans	5,976	6,191
Diluted	1,673,381	1,671,352
EPS ($)		
Basic	2.55	2.34
Diluted	2.54	2.33

14. Share Capital and Other Capital

(a)

	2019		2018	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Ordinary shares				
Balance at 1 January	**1,680,541**	**5,232,720**	1,671,534	4,965,567
Shares issued under scrip dividend scheme	**–**	**–**	9,007	267,153
Balance at 31 December	**1,680,541**	**5,232,720**	1,680,541	5,232,720
Treasury shares				
Balance at 1 January	**(14,834)**	**(345,179)**	(8,879)	(173,896)
Shares re-purchased – held in treasury	**–**	**–**	(7,902)	(212,438)
Shares issued under share-based compensation plans	**2,627**	**61,122**	1,947	41,155
Balance at 31 December	**(12,207)**	**(284,057)**	(14,834)	(345,179)
Ordinary share capital	**1,668,334**	**4,948,663**	1,665,707	4,887,541
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	**–**	**–**	–	498,552
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	**–**	**748,491**	–	748,491
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017	**–**	**879,488**	–	879,488
3.58% non-cumulative non-convertible perpetual capital securities issued on 17 July 2019	**–**	**748,620**	–	–
Share capital and other capital of the Bank and the Group		**7,325,262**		7,014,072

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

(c) During the financial year, the Bank issued 2,627,000 (2018: 1,947,000) treasury shares to participants of the share-based compensation plans.

14. Share Capital and Other Capital (continued)

(d) The 4.00% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 18 May 2016. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 18 May 2021 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. As a Basel III capital instrument, the principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4.00% per annum, subject to a reset on 18 May 2021 (and every five years thereafter) to a rate equal to the prevailing five-year Singapore Dollar SOR plus the initial margin of 2.035%. Distributions are payable semi-annually on 18 May and 18 November of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

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

(e) The 3.875% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 19 October 2017. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 19 October 2023 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. As a Basel III capital instrument, the principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 3.875% per annum, subject to a reset on 19 October 2023 (and every five years thereafter) to a rate equal to the prevailing five-year United States Dollar Swap Rate plus the initial spread of 1.794%. Distributions are payable semi-annually on 19 April and 19 October of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

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

(f) The 3.58% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 17 July 2019. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 17 July 2026 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. As a Basel III capital instrument, the principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 3.58% per annum, subject to a reset on 17 July 2026 (and every seven years thereafter) to a rate equal to the prevailing seven-year Singapore Dollar SOR plus the initial margin of 1.795%. Distributions are payable semi-annually on 17 January and 17 July of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

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

15. Retained Earnings

(a)

	The Group		The Bank	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**21,716,025**	19,766,145	**16,117,580**	14,796,965
Profit for the financial year attributable to equity holders of the Bank	**4,343,346**	4,008,001	**3,729,770**	3,362,908
Net (losses)/gains on equity instruments at fair value through other comprehensive income	**(382,600)**	60	**(382,736)**	407
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**(57)**	(55)	**(56)**	(55)
Remeasurement of defined benefit obligation	**349**	7,957	**29**	(74)
Transfer (to)/from other reserves	**(99,819)**	(23,956)	**(94,541)**	335
Reclassification of share-based compensation reserves on expiry	**114**	127	**114**	127
Change in non-controlling interests	**–**	779	**–**	–
Dividends				
Ordinary shares				
Final dividend of 50 cents (2018: 45 cents) and special dividend of 20 cents (2018: 20 cents) tax-exempt per share paid in respect of prior financial year	**(1,167,279)**	(1,079,563)	**(1,167,279)**	(1,079,563)
Interim dividend of 55 cents (2018: 50 cents) tax-exempt per share paid in respect of the financial year	**(917,515)**	(834,099)	**(917,515)**	(834,099)
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	**–**	(41,650)	**–**	(41,650)
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	**(23,750)**	(23,750)	**(23,750)**	(23,750)
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	**(30,000)**	(30,000)	**(30,000)**	(30,000)
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017	**(34,291)**	(33,971)	**(34,291)**	(33,971)
	(2,172,835)	(2,043,033)	**(2,172,835)**	(2,043,033)
Balance at 31 December	**23,404,523**	21,716,025	**17,197,325**	16,117,580

(b) The retained earnings are distributable reserves except for an amount of $549 million (2018: $535 million), being the Group's share of revenue reserves of associates and joint ventures which is distributable only upon realisation by way of dividend from or disposal of investment in the associates and joint ventures.

(c) In respect of the financial year ended 31 December 2019, the directors have proposed a final tax-exempt dividend of 55 cents and a special tax-exempt dividend of 20 cents per ordinary share amounting to a total dividend of $1,251 million. The proposed dividend will be accounted for in Year 2020 financial statements upon approval of the equity holders of the Bank.

16. Other Reserves

(a)

	The Group								
	Fair value reserve $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Share of reserves of associates and joint ventures $'000	Others $'000	Total $'000
2019									
Balance at 1 January	946,853	(1,463,022)	74,149	3,064,438	378,429	6,216,161	78,248	(402,257)	8,892,999
Other comprehensive income for the financial year	(228,378)	147,310	–	–	–	–	5,260	–	(75,808)
Transfers	–	–	–	(4,950)	107,627	–	–	(2,858)	99,819
Share-based compensation	–	–	52,399	–	–	–	–	–	52,399
Reclassification of share-based compensation reserves on expiry	–	–	(114)	–	–	–	–	–	(114)
Shares issued under share-based compensation plans	–	–	(47,046)	–	–	–	–	(14,076)	(61,122)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	(1,448)	(1,448)
Balance at 31 December	718,475	(1,315,712)	79,388	3,059,488	486,056	6,216,161	83,508	(420,639)	8,906,725
2018									
Balance at 1 January	1,376,569	(1,391,004)	71,825	3,065,676	341,292	6,216,161	81,373	(384,166)	9,377,726
Other comprehensive income for the financial year	(429,716)	(72,018)	–	–	–	–	(3,125)	–	(504,859)
Transfers	–	–	–	(1,238)	37,137	–	–	(11,943)	23,956
Share-based compensation	–	–	40,017	–	–	–	–	–	40,017
Reclassification of share-based compensation reserves on expiry	–	–	(127)	–	–	–	–	–	(127)
Shares issued under share-based compensation plans	–	–	(37,566)	–	–	–	–	(3,589)	(41,155)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	(2,559)	(2,559)
Balance at 31 December	946,853	(1,463,022)	74,149	3,064,438	378,429	6,216,161	78,248	(402,257)	8,892,999

16. Other Reserves (continued)

(a) (continued)

	The Bank							
	Fair value reserve $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Others $'000	Total $'000
2019								
Balance at 1 January	898,085	(93,112)	74,149	3,064,438	903	5,720,021	(66,949)	9,597,535
Other comprehensive income for the financial year	(320,850)	(10,148)	–	–	–	–	–	(330,998)
Transfers	–	–	–	(4,950)	99,491	–	–	94,541
Share-based compensation	–	–	52,399	–	–	–	–	52,399
Reclassification of share-based compensation reserves on expiry	–	–	(114)	–	–	–	–	(114)
Shares issued under share-based compensation plans	–	–	(47,046)	–	–	–	(14,076)	(61,122)
Redemption of perpetual capital securities	–	–	–	–	–	–	(1,448)	(1,448)
Balance at 31 December	577,235	(103,260)	79,388	3,059,488	100,394	5,720,021	(82,473)	9,350,793
2018								
Balance at 1 January	1,302,987	(83,153)	71,825	3,065,676	–	5,720,021	(60,801)	10,016,555
Other comprehensive income for the financial year	(404,902)	(9,959)	–	–	–	–	–	(414,861)
Transfers	–	–	–	(1,238)	903	–	–	(335)
Share-based compensation	–	–	40,017	–	–	–	–	40,017
Reclassification of share-based compensation reserves on expiry	–	–	(127)	–	–	–	–	(127)
Shares issued under share-based compensation plans	–	–	(37,566)	–	–	–	(3,589)	(41,155)
Redemption of perpetual capital securities	–	–	–	–	–	–	(2,559)	(2,559)
Balance at 31 December	898,085	(93,112)	74,149	3,064,438	903	5,720,021	(66,949)	9,597,535

(b) Fair value reserve contains cumulative fair value changes of fair value through other comprehensive income financial assets and changes attributable to own credit risk. The cumulative amount attributable to own credit risk is an unrealised gain of $3 million (2018: $65 million). Realised gains or losses attributable to changes in own credit risk is insignificant.

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

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

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

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

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

(h) Share of reserves of associates and joint ventures comprises the Group's share of associates' and joint ventures' reserves, other than retained earnings. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates and joint ventures.

(i) Other reserves are maintained for capital related transactions such as transactions associated with non-controlling interests, business combination and bonus share issuance by subsidiaries.

17. Classification of Financial Assets and Financial Liabilities

(a)

	The Group					
	HFT	FVPL – mandatory	FVPL – designated	FVOCI	AC	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2019						
Cash, balances and placements with central banks	3,131,283	–	–	2,230,128	20,502,995	25,864,406
Singapore Government treasury bills and securities	475,978	–	–	5,722,758	–	6,198,736
Other government treasury bills and securities	887,957	–	4,360	14,260,914	12,397	15,165,628
Trading securities	2,788,997	–	–	–	–	2,788,997
Placements and balances with banks	14,119,066	–	–	8,395,276	30,325,610	52,839,952
Loans to customers	3,451,485	–	–	–	262,006,426	265,457,911
Derivative financial assets	6,407,875	–	–	–	–	6,407,875
Investment securities						
Debt	–	–	–	9,987,754	2,670,748	12,658,502
Equity	–	896,465	–	1,898,724	–	2,795,189
Other assets	2,017,122	–	–	2,275	2,726,041	4,745,438
Total financial assets	33,279,763	896,465	4,360	42,497,829	318,244,217	394,922,634
Non-financial assets						9,485,946
Total assets						404,408,580
Deposits and balances of banks and customers	1,381,518	–	1,304,607	–	323,341,282	326,027,407
Bills and drafts payable	–	–	–	–	645,520	645,520
Derivative financial liabilities	6,695,435	–	–	–	–	6,695,435
Other liabilities	1,010,120	–	–	369	3,501,818	4,512,307
Debts issued	–	–	1,474,598	–	23,734,783	25,209,381
Total financial liabilities	9,087,073	–	2,779,205	369	351,223,403	363,090,050
Non-financial liabilities						1,454,605
Total liabilities						364,544,655

17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Group					
	HFT $'000	FVPL – mandatory $'000	FVPL – designated $'000	FVOCI $'000	AC $'000	Total $'000
2018						
Cash, balances and placements with central banks	3,344,181	–	–	1,080,630	20,827,686	25,252,497
Singapore Government treasury bills and securities	271,877	–	–	5,342,700	–	5,614,577
Other government treasury bills and securities	704,691	–	4,341	12,469,637	22,198	13,200,867
Trading securities	1,928,520	–	–	–	–	1,928,520
Placements and balances with banks	11,567,045	–	–	6,050,347	33,182,121	50,799,513
Loans to customers	3,933,353	–	–	–	254,693,918	258,627,271
Derivative financial assets	5,730,057	–	–	–	–	5,730,057
Investment securities						
Debt	–	1,937	–	9,296,383	843,638	10,141,958
Equity	–	1,062,075	–	2,349,070	–	3,411,145
Other assets	1,763,305	–	–	3,257	2,669,655	4,436,217
Total financial assets	29,243,029	1,064,012	4,341	36,592,024	312,239,216	379,142,622
Non-financial assets						8,949,733
Total assets						388,092,355
Deposits and balances of banks and customers	1,099,886	–	1,774,689	–	304,111,886	306,986,461
Bills and drafts payable	–	–	–	–	637,675	637,675
Derivative financial liabilities	5,839,999	–	–	–	–	5,839,999
Other liabilities	847,790	–	–	–	4,313,566	5,161,356
Debts issued	–	–	1,548,703	–	29,056,908	30,605,611
Total financial liabilities	7,787,675	–	3,323,392	–	338,120,035	349,231,102
Non-financial liabilities						1,048,461
Total liabilities						350,279,563

17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Bank					
	HFT $'000	FVPL – mandatory $'000	FVPL – designated $'000	FVOCI $'000	AC $'000	Total $'000
2019						
Cash, balances and placements with central banks	2,771,470	–	–	2,040,094	17,507,828	22,319,392
Singapore Government treasury bills and securities	475,978	–	–	5,722,758	–	6,198,736
Other government treasury bills and securities	300,837	–	–	4,806,851	12,397	5,120,085
Trading securities	2,506,040	–	–	–	–	2,506,040
Placements and balances with banks	13,134,240	–	–	5,956,825	23,365,015	42,456,080
Loans to customers	3,317,467	–	–	–	201,911,403	205,228,870
Placements with and advances to subsidiaries	654,932	–	–	–	17,316,585	17,971,517
Derivative financial assets	5,393,618	–	–	–	–	5,393,618
Investment securities						
Debt	–	–	–	8,309,082	2,420,086	10,729,168
Equity	–	402,634	–	1,590,706	–	1,993,340
Other assets	1,522,591	–	–	493	1,927,953	3,451,037
Total financial assets	30,077,173	402,634	–	28,426,809	264,461,267	323,367,883
Non-financial assets						12,785,991
Total assets						336,153,874
Deposits and balances of banks, customers and subsidiaries	1,140,402	–	1,304,607	–	265,840,343	268,285,352
Bills and drafts payable	–	–	–	–	464,526	464,526
Derivative financial liabilities	5,695,187	–	–	–	–	5,695,187
Other liabilities	904,376	–	–	359	2,185,459	3,090,194
Debts issued	–	–	1,474,598	–	22,082,815	23,557,413
Total financial liabilities	7,739,965	–	2,779,205	359	290,573,143	301,092,672
Non-financial liabilities						1,187,822
Total liabilities						302,280,494

17. Classification of Financial Assets and Financial Liabilities (continued)

(a) (continued)

	The Bank					
	HFT $'000	FVPL – mandatory $'000	FVPL – designated $'000	FVOCI $'000	AC $'000	Total $'000
2018						
Cash, balances and placements with central banks	3,025,434	–	–	877,052	16,880,024	20,782,510
Singapore Government treasury bills and securities	271,876	–	–	5,337,234	–	5,609,110
Other government treasury bills and securities	486,935	–	–	5,159,278	22,198	5,668,411
Trading securities	1,794,810	–	–	–	–	1,794,810
Placements and balances with banks	11,161,701	–	–	3,896,146	24,754,310	39,812,157
Loans to customers	3,909,826	–	–	–	197,879,056	201,788,882
Placements with and advances to subsidiaries	679,514	–	–	–	15,683,188	16,362,702
Derivative financial assets	4,343,866	–	–	–	–	4,343,866
Investment securities						
Debt	–	–	–	8,239,077	765,622	9,004,699
Equity	–	562,720	–	2,100,950	–	2,663,670
Other assets	1,439,171	–	–	1,423	1,386,313	2,826,907
Total financial assets	27,113,133	562,720	–	25,611,160	257,370,711	310,657,724
Non-financial assets						12,460,771
Total assets						323,118,495
Deposits and balances of banks, customers and subsidiaries	1,022,515	–	1,774,689	–	250,094,520	252,891,724
Bills and drafts payable	–	–	–	–	359,074	359,074
Derivative financial liabilities	4,487,314	–	–	–	–	4,487,314
Other liabilities	683,366	–	–	–	2,279,008	2,962,374
Debts issued	–	–	1,548,703	–	27,356,338	28,905,041
Total financial liabilities	6,193,195	–	3,323,392	–	280,088,940	289,605,527
Non-financial liabilities						783,781
Total liabilities						290,389,308

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 40.

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

	The Group		The Bank	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Financial liabilities				
Deposits and balances of banks, customers and subsidiaries	**1,312,475**	1,826,013	**1,312,475**	1,826,013
Debts issued	**1,496,581**	1,760,211	**1,496,581**	1,760,211
	2,809,056	3,586,224	**2,809,056**	3,586,224

18. Fair Values of Financial Instruments

(a) The valuation process adopted by the Group is governed by the valuation, market data, and valuation adjustment policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation processes incorporating the market rates, the methodologies and models, including the analysis of the valuation are regularly reviewed by Group Risk Management. Processes and controls are also subject to periodic reviews by internal auditors.

The valuation inputs are independently verified by checking against information from market sources. These are applicable to products or instruments with liquid markets or those traded on an exchange. Where market prices are not liquid, additional techniques will be used such as historical estimation or available proxies as additional reasonableness checks. Where products or instruments are complex, the Group utilises approved valuation models. All valuation models are independently validated by Group Risk Management.

Fair value for instruments classified as Level 2 use inputs such as yield curves, volatilities and market prices which are observable and of high reliability.

When unobservable inputs are used in the valuation models for Level 3 financial assets or liabilities, apart from utilising market proxies, other valuation techniques such as cash flow, profit and loss or net asset value in financial statements are used as a reasonableness check.

The valuation process is supplemented by valuation adjustments for valuation uncertainties. Valuation adjustment methodologies and adjustments are approved by the Group Asset and Liability Committee (ALCO).

The valuation adjustments or reserves set aside include bid/offer rate adjustments, illiquidity adjustments and other adjustments such as Day 1 profit reserves, where applicable. Adjustments are also considered for use of proxies, models or estimated parameters.

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

- For cash, balances, placements and deposits of central banks, banks and subsidiaries, deposits of customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts;
- For loans and deposits of customers, non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes or using the discounted cash flow method; and
- For subordinated notes issued, fair values are determined based on quoted market prices.

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

	The Group		The Bank	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
2019				
Debts issued	23,734,783	23,838,137	22,082,815	22,175,046
2018				
Debts issued	29,056,908	29,245,715	27,356,338	27,545,033

18. Fair Values of Financial Instruments (continued)

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

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

	The Group					
	2019			2018		
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash, balances and placements with central banks	2,252,251	3,109,160	–	1,565,728	2,859,083	–
Singapore Government treasury bills and securities	6,198,736	–	–	5,614,577	–	–
Other government treasury bills and securities	13,828,219	1,325,012	–	11,868,425	1,310,244	–
Trading securities	1,764,682	48,571	975,744	949,712	108,921	869,887
Placements and balances with banks	–	22,514,342	–	–	17,617,392	–
Loans to customers	–	3,451,485	–	–	3,933,353	–
Derivative financial assets	90,752	6,210,737	106,386	43,931	5,453,668	232,458
Investment securities						
Debt	5,782,606	1,407,841	2,797,307	6,691,940	1,369,232	1,237,148
Equity	879,035	–	1,916,154	738,876	–	2,672,269
Other assets	1,773,880	245,517	–	1,549,386	217,176	–
	32,570,161	38,312,665	5,795,591	29,022,575	32,869,069	5,011,762
Total financial assets carried at fair value			76,678,417			66,903,406
Deposits and balances of banks and customers	–	2,686,125	–	–	2,874,575	–
Derivative financial liabilities	97,538	6,413,192	184,705	66,946	5,466,814	306,239
Other liabilities	132,870	877,619	–	149,542	698,248	–
Debts issued	–	1,474,598	–	–	1,548,703	–
	230,408	11,451,534	184,705	216,488	10,588,340	306,239
Total financial liabilities carried at fair value			11,866,647			11,111,067

18. Fair Values of Financial Instruments (continued)

(b) (continued)

	The Bank					
	2019			2018		
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash, balances and placements with central banks	1,700,849	3,110,715	–	1,197,621	2,704,865	–
Singapore Government treasury bills and securities	6,198,736	–	–	5,609,110	–	–
Other government treasury bills and securities	4,864,824	242,864	–	5,228,170	418,043	–
Trading securities	1,764,684	22,040	719,316	868,612	108,921	817,277
Placements and balances with banks	–	19,091,065	–	–	15,057,847	–
Loans to customers	–	3,317,467	–	–	3,909,826	–
Placements with and advances to subsidiaries	–	654,932	–	–	679,514	–
Derivative financial assets	38,519	5,249,395	105,704	45,681	4,075,108	223,077
Investment securities						
Debt	5,237,331	837,793	2,233,958	5,675,901	1,328,289	1,234,887
Equity	750,799	–	1,242,541	629,478	–	2,034,192
Other assets	1,497,277	25,807	–	1,422,526	18,068	–
	22,053,019	32,552,078	4,301,519	20,677,099	28,300,481	4,309,433
Total financial assets carried at fair value			58,906,616			53,287,013
Deposits and balances of banks, customers and subsidiaries	–	2,445,009	–	–	2,797,204	–
Derivative financial liabilities	122,698	5,388,619	183,870	101,432	4,089,232	296,650
Other liabilities	132,854	771,881	–	149,576	533,790	–
Debts issued	–	1,474,598	–	–	1,548,703	–
	255,552	10,080,107	183,870	251,008	8,968,929	296,650
Total financial liabilities carried at fair value			10,519,529			9,516,587

18. Fair Values of Financial Instruments (continued)

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

	The Group							
		Fair value gains or losses						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in/(out) $'000	Balance at 31 December $'000	Unrealised gains or losses included in income statement $'000
2019								
Assets								
Trading securities	869,887	33,387	–	688,710	(615,337)	(903)	975,744	33,387
Derivative financial assets	232,458	(126,072)	–	–	–	–	106,386	(126,072)
Investment securities – debt	1,237,148	(149)	47,017	2,086,500	(970,577)	397,368[1]	2,797,307	–
Investment securities – equity	2,672,269	1,904	(965,153)	580,636	(374,462)	960	1,916,154	1,904
Liabilities								
Derivative financial liabilities	306,239	(121,534)	–	–	–	–	184,705	(121,534)
2018								
Assets								
Trading securities	613,182	(57,009)	–	688,532	(375,796)	978	869,887	(17,237)
Derivative financial assets	94,595	137,863	–	–	–	–	232,458	137,863
Investment securities – debt	441,508	(50,868)	794	1,153,656	(302,457)	(5,485)[2]	1,237,148	(1,246)
Investment securities – equity	2,296,774	24,047	(148,830)	504,992	(4,714)	–	2,672,269	24,047
Liabilities								
Derivative financial liabilities	149,706	156,533	–	–	–	–	306,239	156,533

(1) Investment securities – debt were transferred in to Level 3 during the year due to a decreased contribution of observable input to their valuation.
(2) Investment securities – debt were transferred out from Level 3 during the year due to an increased contribution of observable input to their valuation.

18. Fair Values of Financial Instruments (continued)

(c) (continued)

	The Bank							
		Fair value gains or losses						
	Balance at 1 January	Income statement	Other comprehensive income	Purchases	Settlements	Transfer in/(out)	Balance at 31 December	Unrealised gains or losses included in income statement
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019								
Assets								
Trading securities	817,277	33,313	–	432,379	(562,750)	(903)	719,316	33,313
Derivative financial assets	223,077	(117,373)	–	–	–	–	105,704	(117,373)
Investment securities – debt	1,234,887	91	54,513	2,001,623	(970,486)	(86,670)[1]	2,233,958	–
Investment securities – equity	2,034,192	(16,582)	(995,764)	390,176	(170,441)	960	1,242,541	(16,582)
Liabilities								
Derivative financial liabilities	296,650	(112,780)	–	–	–	–	183,870	(112,780)
2018								
Assets								
Trading securities	466,182	(16,866)	–	635,945	(268,962)	978	817,277	(17,259)
Derivative financial assets	91,592	131,485	–	–	–	–	223,077	131,485
Investment securities – debt	432,123	(50,715)	780	1,153,656	(300,957)	–	1,234,887	(1,246)
Investment securities – equity	2,040,898	(4,948)	(144,089)	147,240	(4,909)	–	2,034,192	(4,948)
Liabilities								
Derivative financial liabilities	144,829	151,821	–	–	–	–	296,650	151,821

(1) Investment securities – debt were transferred out from Level 3 during the year due to an increased contribution of observable input to their valuation.

18. Fair Values of Financial Instruments (continued)

(d) *Effect of changes in significant unobservable inputs*

At 31 December 2019, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted equity investments and funds, unquoted debt securities, long dated equity derivatives and callable interest rate swaps, summarised as follows:

	2019 $'000	2018 $'000	Classification	Valuation technique	Unobservable inputs
Assets					
Trading securities – debt	975,744	869,887	FVPL	Discounted Cash Flow	Credit Spreads
Derivative financial assets	106,386	232,458	FVPL	Option Pricing Model	Volatilities and Correlations
Investment securities – debt	2,797,307	1,237,148	FVOCI	Discounted Cash Flow	Credit Spreads
Investment securities – equity	1,916,154	2,672,269	FVOCI/FVPL	Multiples, Net Asset Value and Recent Transaction Price	Net Asset Value, Earnings and Financial Ratio Multiples
Liabilities					
Derivative financial liabilities	184,705	306,239	FVPL	Option Pricing Model	Volatilities and Correlations

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

The effect on fair value arising from reasonably possible changes to the significant unobservable input is assessed to be insignificant.

19. Deposits and Balances of Customers

	The Group		The Bank	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Fixed deposits	155,767,584	150,070,867	115,316,946	111,462,443
Savings deposits	78,410,533	71,601,457	61,501,173	56,975,841
Current accounts	62,778,543	58,857,769	52,196,772	49,368,454
Others	13,769,414	12,655,729	12,447,536	9,451,954
	310,726,074	293,185,822	241,462,427	227,258,692

20. Other Liabilities

(a)

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Accrued interest payable	974,070	893,087	741,689	627,226
Accrued operating expenses	1,122,945	1,034,420	686,623	623,786
ECL allowance (Note 20b)	214,383	281,333	129,556	175,501
Lease liabilities	165,554	–	109,410	–
Sundry creditors	1,954,237	2,567,246	1,373,261	1,135,704
Others	747,611	640,795	626,010	542,474
	5,178,800	5,416,881	3,666,549	3,104,691

(b) *Movement of ECL allowance in other liabilities*

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
2019				
Balance at 1 January	197,168	48,484	35,681	281,333
Transfers between Stages	3,083	(2,703)	2,052	2,432
Write-back to income statement	(17,170)	(13,162)	(17,475)	(47,807)
Currency translation adjustments	1,945	332	335	2,612
Reclassification	(18,215)	(5,972)	–	(24,187)
Balance at 31 December	166,811	26,979	20,593	214,383
2018				
Balance at 1 January	163,220	33,837	106,533	303,590
Transfers between Stages	(6,195)	24,668	4,170	22,643
Net charge/(write-back) to income statement	38,777	(9,891)	(75,916)	(47,030)
Currency translation adjustments	1,366	(130)	894	2,130
Balance at 31 December	197,168	48,484	35,681	281,333

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
2019				
Balance at 1 January	115,173	35,963	24,365	175,501
Transfers between Stages	4,219	101	104	4,424
Write-back to income statement	(16,149)	(20,395)	(13,372)	(49,916)
Currency translation adjustments	(311)	(13)	(129)	(453)
Balance at 31 December	102,932	15,656	10,968	129,556
2018				
Balance at 1 January	107,616	41,715	93,054	242,385
Transfers between Stages	1,085	8,894	19,708	29,687
Net charge/(write-back) to income statement	6,447	(14,618)	(89,104)	(97,275)
Currency translation adjustments	25	(28)	707	704
Balance at 31 December	115,173	35,963	24,365	175,501

20. Other Liabilities (continued)

(c) *Contractual maturity for lease liabilities*

	The Group	The Bank
	2019	2019
	$'000	$'000
Maturity for lease liabilities		
Within 1 year	67,553	48,596
Over 1 to 5 years	93,809	57,767
Over 5 years	4,192	3,047
	165,554	109,410

21. Deferred Tax

(a) Deferred tax comprises the following:

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax liabilities on:				
Unrealised gain on FVOCI financial assets	44,450	78,425	7,227	59,269
Accelerated tax depreciation	198,037	163,325	189,222	154,514
Unrealised gain on financial instruments FVPL	62,949	50,111	–	–
Fair value of depreciable assets acquired in business combination	24,314	25,558	24,314	25,558
Others	20,409	4,056	19,280	3,581
	350,159	321,475	240,043	242,922
Amount offset against deferred tax assets	(50,974)	(42,562)	(38,364)	(36,580)
	299,185	278,913	201,679	206,342
Deferred tax assets on:				
Allowance for impairment	154,781	139,939	71,169	73,392
Tax losses	149	149	–	–
Unrealised loss on financial instruments FVPL	58,807	53,739	–	–
Others	136,779	132,423	62,959	50,580
	350,516	326,250	134,128	123,972
Amount offset against deferred tax liabilities	(50,974)	(42,562)	(38,364)	(36,580)
	299,542	283,688	95,764	87,392
Net deferred tax assets/(liabilities)	357	4,775	(105,915)	(118,950)

21. Deferred Tax (continued)

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

	The Group		The Bank	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at 1 January	4,775	6,107	(118,950)	(109,809)
Effect of change in tax rate	–	1,638	–	1,625
Currency translation adjustments	2,534	(2,955)	(1,168)	(1,758)
Charge to income statement	(21,426)	(10,132)	(23,860)	(18,138)
Credit to equity	14,474	10,117	38,063	9,130
Balance at 31 December	357	4,775	(105,915)	(118,950)

The Group has not recognised deferred tax assets in respect of tax losses of $28 million (2018: $21 million) which can be carried forward to offset against future taxable income, subject to meeting certain statutory requirements of the relevant tax authorities. These tax losses have no expiry date except for an amount of $8 million (2018: $0.2 million) which will expire between the years 2020 and 2029 (2018: 2019 and 2021).

22. Debts Issued

(a)

			The Group		The Bank	
		Issuance/ Maturity date	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Subordinated notes	Note (b)					
USD800 million 3.75% subordinated notes callable in 2019		19 Mar 2014/ 19 Sep 2024	–	1,082,413	–	1,082,413
SGD500 million 3.50% subordinated notes callable in 2020	(i)	22 May 2014/ 22 May 2026	500,599	499,666	500,599	499,666
USD700 million 3.50% subordinated notes callable in 2021	(ii)	16 Mar 2016/ 16 Sep 2026	939,384	926,064	939,384	926,064
HKD700 million 3.19% subordinated notes callable in 2023	(iii)	26 Aug 2016/ 26 Aug 2028	117,673	115,952	117,673	115,952
USD600 million 2.88% subordinated notes callable in 2022	(iv)	8 Sep 2016/ 8 Mar 2027	810,995	798,958	810,995	798,958
SGD750 million 3.50% subordinated notes callable in 2024	(v)	27 Feb 2017/ 27 Feb 2029	774,134	762,796	774,134	762,796
USD600 million 3.75% subordinated notes callable in 2024	(vi)	15 Apr 2019/ 15 Apr 2029	825,896	–	825,896	–
RM1 billion 4.65% subordinated notes callable in 2020	(vii)	8 May 2015/ 8 May 2025	329,370	329,916	–	–

22. Debts Issued (continued)

(a) (continued)

		Issuance/ Maturity date	The Group 2019 $'000	The Group 2018 $'000	The Bank 2019 $'000	The Bank 2018 $'000
Subordinated notes (continued)	**Note (b)**					
RM600 million 4.80% subordinated notes callable in 2023	(viii)	25 Jul 2018/ 25 Jul 2028	**200,749**	197,744	**–**	–
THB6 billion 3.56% subordinated notes callable in 2022	(ix)	20 Sep 2017/ 20 Sep 2027	**270,699**	251,817	**–**	–
IDR433 billion 11.35% subordinated notes	(x)	28 May 2014/ 28 May 2021	**41,887**	40,569	**–**	–
IDR100 billion 9.40% subordinated notes	(xi)	25 Nov 2016/ 25 Nov 2023	**9,583**	9,273	**–**	–
IDR500 billion 9.25% subordinated notes	(xii)	17 Oct 2017/ 17 Oct 2024	**48,428**	46,995	**–**	–
IDR100 billion 9.85% subordinated notes	(xiii)	05 Jul 2019/ 05 Jul 2026	**9,489**	–	**–**	–
IDR650 billion 9.25% subordinated notes	(xiv)	13 Nov 2019/ 13 Nov 2026	**62,886**	–	**–**	–
CNY1 billion 4.80% subordinated notes	(xv)	15 Nov 2019/ 19 Nov 2029	**179,708**	–	**–**	–
Total subordinated notes			**5,121,480**	5,062,163	**3,968,681**	4,185,849
Other debts	**Note (c)**					
Interest rate-linked notes	(i)		**1,074,084**	1,453,989	**1,074,084**	1,453,989
Equity-linked notes	(ii)		**396,746**	125,757	**396,746**	125,757
Floating rate notes	(iii)		**2,340,681**	3,130,689	**2,340,681**	3,130,689
Fixed rate notes	(iv)		**2,512,167**	2,454,782	**2,012,998**	1,630,526
Commercial papers	(v)		**8,728,675**	13,974,080	**8,728,675**	13,974,080
Covered bonds	(vi)		**5,009,012**	4,401,382	**5,009,012**	4,401,382
Others	(vii)		**26,536**	2,769	**26,536**	2,769
Total other debts			**20,087,901**	25,543,448	**19,588,732**	24,719,192
Total debts issued			**25,209,381**	30,605,611	**23,557,413**	28,905,041
Of which, fair value hedge loss/(gain)						
Subordinated notes			**50,943**	(42,551)	**46,925**	(43,238)
Other debts			**55,069**	7,170	**55,069**	7,170

22. Debts Issued (continued)

(b) *Subordinated notes*

Subordinated notes are redeemable at par at the option of the issuers, in whole but not in part, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the relevant regulators and other redemption conditions. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the issuer was determined by the regulators to be non-viable.

(i) Issued by the Bank with interest payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 22 May 2020. From and including 22 May 2020, the interest rate shall be reset to a fixed rate equal to the prevailing six-year Singapore Dollar SOR on 22 May 2020 plus 1.607%.

(ii) Issued by the Bank with interest payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 16 September 2021. From and including 16 September 2021, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Dollar Mid Swap Rate on 16 September 2021 plus 2.236%.

(iii) Issued by the Bank with interest payable quarterly at a fixed rate of 3.19% per annum up to but excluding 26 August 2023. From and including 26 August 2023, the interest rate shall be reset to a fixed rate equal to the prevailing five-year Hong Kong Dollar Swap Rate plus 1.95%.

(iv) Issued by the Bank with interest payable semi-annually at a fixed rate of 2.88% per annum up to but excluding 8 March 2022. From and including 8 March 2022, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Dollar Mid Swap Rate plus 1.654%.

(v) Issued by the Bank with interest payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 27 February 2024. From and including 27 February 2024, the interest rate shall be reset to a fixed rate equal to the prevailing five-year Singapore Dollar SOR plus 1.08%.

(vi) Issued by the Bank with interest payable semi-annually at a fixed rate of 3.75% per annum up to but excluding 15 April 2024. From and including 15 April 2024, the interest rate shall be reset to a fixed rate equal to the prevailing five-year United States Treasury Rate plus the Initial Spread of 1.50%.

(vii) Issued by United Overseas Bank (Malaysia) Bhd with interest payable semi-annually at 4.65% per annum. The notes are redeemable on 8 May 2020 or at any interest payment date thereafter.

(viii) Issued by United Overseas Bank (Malaysia) Bhd with interest payable semi-annually at 4.80% per annum. The notes are redeemable on 25 July 2023 or at any interest payment date thereafter.

(ix) Issued by United Overseas Bank (Thai) Public Company Limited with interest payable semi-annually at a fixed rate of 3.56% per annum. The notes are redeemable after 20 September 2022.

(x) Issued by PT Bank UOB Indonesia with interest payable quarterly at a fixed rate of 11.35% per annum.

(xi) Issued by PT Bank UOB Indonesia with interest payable quarterly at a fixed rate of 9.40% per annum.

(xii) Issued by PT Bank UOB Indonesia with interest payable quarterly at a fixed rate of 9.25% per annum.

(xiii) Issued by PT Bank UOB Indonesia with interest payable quarterly at a fixed rate of 9.85% per annum.

(xiv) Issued by PT Bank UOB Indonesia with interest payable quarterly at a fixed rate of 9.25% per annum.

(xv) Issued by United Overseas Bank (China) Limited with interest payable annually at a fixed rate of 4.80% per annum.

22. Debts Issued (continued)

(c) *Other debts*

(i) The interest rate-linked notes, with embedded interest rate derivatives, were issued at par with maturities ranging from 19 July 2031 to 29 November 2047. The periodic payouts and redemptions of the notes are linked to the interest rate indices.

(ii) The equity-linked notes, with embedded equity derivatives, were issued at par with maturities ranging from 7 January 2020 to 17 June 2021. The periodic payments and payouts of the notes at maturity are linked to the closing value of certain underlying equities or equity indices.

(iii) The floating rate notes comprise mainly notes issued at par with maturities ranging from 23 July 2020 to 25 July 2022. Interest is payable quarterly at a floating rate.

(iv) The fixed rate notes comprise mainly notes issued by the Bank with maturities ranging from 19 January 2020 to 23 May 2023. Interest is payable semi-annually and annually at a fixed rate as follows:

Currency notes	Interest rate
CNY	3.49% to 4.93% per annum
USD	2.50% to 3.20% per annum
IDR	6.15% to 9.6% per annum
THB	2.16% per annum

(v) The commercial papers were issued by the Bank between 16 September 2019 and 12 December 2019 and mature between 7 January 2020 and 25 March 2020. Interest rates of the papers ranged from 1.85% to 2.16% per annum (2018: 2.79% to 2.91% per annum).

(vi) As at 31 December 2019, there were seven covered bonds outstanding comprising:

EUR500 million fixed rate covered bonds issued by the Bank on 9 March 2016 at 99.653 with maturity on 9 March 2021. Interest is payable annually at a fixed rate of 0.25% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 2 March 2017 at 99.498 with maturity on 2 March 2022. Interest is payable annually at a fixed rate of 0.125% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 16 January 2018 at 99.412 with maturity on 16 January 2025. Interest is payable annually at a fixed rate of 0.5% per annum.

EUR500 million fixed rate covered bonds issued by the Bank on 11 September 2018 at 99.52 with maturity on 11 September 2023. Interest is payable annually at a fixed rate of 0.25% per annum.

GBP350 million floating rate covered bonds issued by the Bank on 28 February 2018 at par value with maturity on 28 February 2023. Interest is payable quarterly at a 3-month Sterling Libor plus 0.24% per annum.

USD500 million fixed rate covered bonds issued by the Bank on 2 March 2017 at 99.734 with maturity on 2 March 2020. Interest is payable semi-annually at a fixed rate of 2.125% per annum.

USD500 million fixed rate covered bonds issued by the Bank on 5 September 2019 at 99.694 with maturity date on 5 September 2022. Interest is payable semi-annually at a fixed rate of 1.625% per annum.

(vii) Others comprise credit-linked notes, currency-linked notes and total return swap-linked notes issued by the Bank.

22. Debts Issued (continued)

(d) *Changes in liabilities arising from financing activities*

	The Group				
	Balance at 1 January	Cash flows: Issuance	Cash flows: Redemption	Non-cash changes: Foreign exchange movement/Others	Balance at 31 December
	$'000	$'000	$'000	$'000	$'000
2019					
Total liabilities from financing activities					
Debt issued	30,605,611	35,933,092	(41,538,228)	208,906	25,209,381
2018					
Total liabilities from financing activities					
Debt issued	25,178,401	40,410,836	(34,904,484)	(79,142)	30,605,611

23. Cash, Balances and Placements with Central Banks

	The Group		The Bank	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash on hand	**952,481**	866,872	**574,631**	583,997
Non-restricted balances with central banks	**19,235,441**	18,750,241	**17,666,821**	16,263,420
Cash and cash equivalent	**20,187,922**	19,617,113	**18,241,452**	16,847,417
Restricted balances with central banks	**5,683,920**	5,648,500	**4,079,155**	3,942,137
ECL allowance	**(7,436)**	(13,116)	**(1,215)**	(7,044)
	25,864,406	25,252,497	**22,319,392**	20,782,510

24. Other Government Treasury Bills and Securities

	The Group		The Bank	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Other government treasury bills and securities [(1)]	**15,165,677**	13,200,979	**5,120,133**	5,668,523
ECL allowance	**(49)**	(112)	**(48)**	(112)
	15,165,628	13,200,867	**5,120,085**	5,668,411

(1) Includes ECL allowance on other government treasury bills and securities at FVOCI of $16 million (2018: $17 million) for the Group and $6 million (2018: $7 million) for the Bank at 31 December 2019.

25. Trading Securities

	The Group		The Bank	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Quoted securities				
Debt	**1,369,185**	1,103,653	**1,369,185**	1,022,553
Equity	**384,308**	253,165	**384,308**	253,165
Unquoted securities				
Debt	**1,035,504**	571,702	**752,547**	519,092
	2,788,997	1,928,520	**2,506,040**	1,794,810

26. Placements and Balances with Banks

(a)

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Placements and balances with banks [1]	52,867,662	50,866,221	42,470,512	39,858,524
ECL allowance (Note 26b)	(27,710)	(66,708)	(14,432)	(46,367)
	52,839,952	50,799,513	42,456,080	39,812,157

(1) Includes ECL allowance on placements and balances with banks at FVOCI of $2 million (2018: $2 million) for the Group and $1 million (2018: $1 million) for the Bank at 31 December 2019.

(b) *Movement of ECL allowance for placements and balances with banks*

	The Group		
	Stage 1	Stage 2	Total
	$'000	$'000	$'000
2019			
Balance at 1 January	54,346	12,362	66,708
Transfers between Stages	(216)	2,039	1,823
Write-back to income statement	(4,868)	(232)	(5,100)
Currency translation adjustments	(198)	155	(43)
Reclassification	(26,869)	(8,809)	(35,678)
Balance at 31 December	22,195	5,515	27,710
2018			
Balance at 1 January	62,028	21,376	83,404
Transfers between Stages	985	585	1,570
Write-back to income statement	(8,153)	(9,547)	(17,700)
Currency translation adjustments	(514)	(52)	(566)
Balance at 31 December	54,346	12,362	66,708

	The Bank		
	Stage 1	Stage 2	Total
	$'000	$'000	$'000
2019			
Balance at 1 January	37,096	9,271	46,367
Transfers between Stages	(216)	2,039	1,823
Net charge/(write-back) to income statement	44	(751)	(707)
Currency translation adjustments	(474)	122	(352)
Reclassification	(24,625)	(8,074)	(32,699)
Balance at 31 December	11,825	2,607	14,432
2018			
Balance at 1 January	37,557	19,191	56,748
Transfers between Stages	835	751	1,586
Write-back to income statement	(1,280)	(10,630)	(11,910)
Currency translation adjustments	(16)	(41)	(57)
Balance at 31 December	37,096	9,271	46,367

27. Loans to Customers

(a)

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Gross loans to customers	268,676,356	261,706,522	207,074,738	203,620,887
Stage 1 and 2 ECL (Note 27d)	(1,720,927)	(1,570,896)	(757,064)	(707,998)
Stage 3 ECL (Note 27d)	(1,497,518)	(1,508,355)	(1,088,804)	(1,124,007)
Loans to customers	265,457,911	258,627,271	205,228,870	201,788,882
Comprising:				
Trade bills	3,916,924	4,145,811	1,659,463	1,957,733
Advances to customers	261,540,987	254,481,460	203,569,407	199,831,149
	265,457,911	258,627,271	205,228,870	201,788,882

(b) *Gross loans to customers analysed by industry*

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Transport, storage and communication	11,036,339	10,185,518	9,362,467	8,600,268
Building and construction	66,991,555	63,139,036	59,825,514	56,753,824
Manufacturing	19,380,366	21,111,522	11,543,994	13,563,049
Financial institutions, investment and holding companies	26,097,981	23,199,404	23,175,554	19,600,068
General commerce	32,713,068	32,927,720	23,440,047	24,393,223
Professionals and private individuals	29,458,089	29,287,904	19,368,305	19,724,220
Housing loans	68,586,194	68,386,580	48,924,321	50,172,313
Others	14,412,764	13,468,838	11,434,536	10,813,922
	268,676,356	261,706,522	207,074,738	203,620,887

(c) *Gross loans to customers analysed by currency*

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore Dollar	125,447,298	123,347,008	125,283,171	123,190,951
US Dollar	47,562,268	50,673,517	42,844,711	45,261,320
Malaysian Ringgit	26,166,853	25,327,965	50	–
Thai Baht	18,298,459	15,599,873	–	–
Indonesian Rupiah	5,681,076	5,287,539	–	–
Others	45,520,402	41,470,620	38,946,806	35,168,616
	268,676,356	261,706,522	207,074,738	203,620,887

27. Loans to Customers (continued)

(d) *Movement of ECL allowance for loans to customers*

	The Group			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
2019				
Balance at 1 January	1,084,623	486,273	1,508,355	3,079,251
New loans originated or purchased	126,188	–	–	126,188
Loans derecognised or repaid	(74,268)	(56,771)	(171,674)	(302,713)
Transfers to Stage 1	15,468	(53,138)	(10,507)	(48,177)
Transfers to Stage 2	(19,674)	103,915	(3,364)	80,877
Transfers to Stage 3	(4,689)	(25,805)	249,250	218,756
Charge for existing loans	14,792	8,368	534,073	557,233
Bad debts recovery	–	–	(129,185)	(129,185)
Net charge/(write-back) to income statement	57,817	(23,431)	468,593	502,979
Unwind of discounts	–	–	34,746	34,746
Net write-off	–	–	(503,965)	(503,965)
Currency translation adjustments	14,123	2,243	(10,211)	6,155
Reclassification	74,766	24,513	–	99,279
Balance at 31 December	1,231,329	489,598	1,497,518	3,218,445
2018				
Balance at 1 January	1,048,832	519,278	1,855,026	3,423,136
New loans originated or purchased	127,269	–	–	127,269
Loans derecognised or repaid	(71,817)	(60,624)	(145,827)	(278,268)
Transfers to Stage 1	14,958	(56,745)	(3,020)	(44,807)
Transfers to Stage 2	(19,025)	110,969	(24,738)	67,206
Transfers to Stage 3	(4,534)	(27,557)	367,925	335,834
Charge/(Write-back) for existing loans	(8,345)	4,143	322,995	318,793
Bad debts recovery	–	–	(141,277)	(141,277)
Net charge/(write-back) to income statement	38,506	(29,814)	376,058	384,750
Unwind of discounts	–	–	10,740	10,740
Net write-off	–	–	(758,440)	(758,440)
Currency translation adjustments	(2,715)	(3,191)	24,971	19,065
Balance at 31 December	1,084,623	486,273	1,508,355	3,079,251

Certain comparative figures in the reconciliation have been restated to conform with the current year's methodology.

27. Loans to Customers (continued)

(d) *Movement of ECL allowance for loans to customers (continued)*

	The Bank			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
2019				
Balance at 1 January	457,407	250,591	1,124,007	1,832,005
New loans originated or purchased	72,915	–	–	72,915
Loans derecognised or repaid	(49,905)	(40,900)	(61,967)	(152,772)
Transfers to Stage 1	5,044	(23,937)	(2,168)	(21,061)
Transfers to Stage 2	(7,527)	47,692	(276)	39,889
Transfers to Stage 3	(997)	(12,137)	134,052	120,918
Charge/(Write-back) for existing loans	834	(37,771)	195,469	158,532
Bad debts recovery	–	–	(28,285)	(28,285)
Net charge/(write-back) to income statement	20,364	(67,053)	236,825	190,136
Unwind of discounts	–	–	17,934	17,934
Net write-off	–	–	(267,928)	(267,928)
Currency translation adjustments	208	(753)	(22,034)	(22,579)
Reclassification	72,523	23,777	–	96,300
Balance at 31 December	550,502	206,562	1,088,804	1,845,868
2018				
Balance at 1 January	460,203	257,355	1,493,696	2,211,254
New loans originated or purchased	75,662	–	–	75,662
Loans derecognised or repaid	(50,210)	(42,004)	(114,416)	(206,630)
Transfers to Stage 1	5,075	(24,583)	(1,794)	(21,302)
Transfers to Stage 2	(7,573)	48,980	(8,452)	32,955
Transfers to Stage 3	(1,003)	(12,465)	186,617	173,149
Charge/(Write-back) for existing loans	(23,783)	23,493	84,675	84,385
Bad debts recovery	–	–	(47,653)	(47,653)
Net charge/(write-back) to income statement	(1,832)	(6,579)	98,977	90,566
Unwind of discounts	–	–	(7,680)	(7,680)
Net write-off	–	–	(480,355)	(480,355)
Currency translation adjustments	(964)	(185)	19,369	18,220
Balance at 31 December	457,407	250,591	1,124,007	1,832,005

Certain comparative figures in the reconciliation have been restated to conform with the current year's methodology.

28. Financial Assets Transferred

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

(a) *Assets pledged or transferred*

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

	The Group		The Bank	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore Government and central bank treasury bills and securities	**650,271**	137,835	**650,271**	137,835
Other government treasury bills and securities	**450,128**	1,020,793	**135,635**	961,358
Placements and balances with banks – negotiable certificates of deposit	**49,063**	458,317	**49,063**	458,317
Investment securities	**1,002,484**	927,312	**1,002,484**	927,312
	2,151,946	2,544,257	**1,837,453**	2,484,822

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

(b) *Collateral received*

Assets the Group received as collateral for reverse repurchase agreements (reverse repo) are summarised below:

	The Group		The Bank	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Assets received for reverse repo transactions, at fair value	**18,411,065**	17,458,431	**14,596,221**	13,155,784
Of which, sold or repledged	**602,206**	589,139	**602,206**	589,139

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

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

28. Financial Assets Transferred (continued)

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

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

	2019		2018	
	Reverse repo	**Repo**	Reverse repo	Repo
	$'000	**$'000**	$'000	$'000
The Group				
Carrying amount on the balance sheet subject to netting agreements [1]	**17,614,020**	**2,378,464**	17,175,471	2,999,858
Amount nettable [2]	**(390,869)**	**(390,869)**	(364,705)	(364,705)
Financial collateral	**(17,217,884)**	**(1,986,273)**	(16,808,367)	(2,625,140)
Net amounts	**5,267**	**1,322**	2,399	10,013
The Bank				
Carrying amount on the balance sheet subject to netting agreement [1]	**13,882,858**	**2,081,995**	12,829,860	2,946,366
Amount nettable [2]	**(390,869)**	**(390,869)**	(364,705)	(364,705)
Financial collateral	**(13,486,975)**	**(1,689,804)**	(12,462,809)	(2,571,648)
Net amounts	**5,014**	**1,322**	2,346	10,013

(1) The carrying amount of reverse repo is presented under "Cash, balances and placements with central banks", "Placements and balances with banks", and "Loans to customers" while repo is under "Deposits and balances of banks and customers" on the balance sheet.
(2) Amount that could be netted under the netting agreements.

(d) *Covered bonds*

Pursuant to the Bank's USD8 billion Global Covered Bond Programme, selected pools of residential mortgages that were originated by the Bank have been assigned to a bankruptcy-remote structured entity, Glacier Eighty Pte Ltd. These residential mortgages 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, there were seven (2018: six) covered bonds outstanding comprising four EUR fixed rate covered bonds, two USD fixed rate covered bonds and one GBP floating rate covered bond, with assigned residential mortgages of approximately $9,923 million (2018: $8,574 million).

29. Investment Securities

(a)

	The Group		The Bank	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Quoted securities				
Debt [1]	**6,352,555**	7,553,296	**5,615,758**	7,226,049
Equity	**879,035**	738,876	**750,799**	629,479
Unquoted securities				
Debt [2]	**6,339,021**	2,618,700	**5,144,005**	1,808,687
Equity	**1,916,154**	2,672,269	**1,242,541**	2,034,192
ECL allowance	**(33,074)**	(30,038)	**(30,595)**	(30,038)
	15,453,691	13,553,103	**12,722,508**	11,668,369

(1) Includes ECL allowance on quoted debt securities at FVOCI of $54 million (2018: $106 million) for the Group and the Bank.
(2) Includes ECL allowance on unquoted debt securities at FVOCI of $16 million (2018: $17 million) for the Group and $1 million (2018: $2 million) for the Bank.

29. Investment Securities (continued)

(b) *Movement of ECL allowance for investment securities*

	The Group			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
2019				
Balance at 1 January	758	2,217	27,063	30,038
Transfers between Stages	113	(1,515)	–	(1,402)
Net charge/(write-back) to income statement	4,678	104	(331)	4,451
Currency translation adjustments	(8)	(5)	–	(13)
Balance at 31 December	5,541	801	26,732	33,074
2018				
Balance at 1 January	327	2,873	26,539	29,739
Transfers between Stages	(254)	1,444	–	1,190
Net charge/(write-back) to income statement	684	(2,088)	–	(1,404)
Currency translation adjustments	1	(12)	524	513
Balance at 31 December	758	2,217	27,063	30,038

	The Bank			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
2019				
Balance at 1 January	758	2,217	27,063	30,038
Transfers between Stages	113	(1,515)	–	(1,402)
Net charge/(write-back) to income statement	2,199	104	(331)	1,972
Currency translation adjustments	(8)	(5)	–	(13)
Balance at 31 December	3,062	801	26,732	30,595
2018				
Balance at 1 January	327	2,873	26,539	29,739
Transfers between Stages	(254)	1,444	–	1,190
Net charge/(write-back) to income statement	684	(2,088)	–	(1,404)
Currency translation adjustments	1	(12)	524	513
Balance at 31 December	758	2,217	27,063	30,038

(c) *Investment securities analysed by industry*

	The Group		The Bank	
	2019 $'000	2018 $'000	**2019** $'000	2018 $'000
Transport, storage and communication	1,179,664	1,450,095	773,454	1,340,715
Building and construction	1,018,077	513,563	970,380	476,758
Manufacturing	1,122,445	2,058,378	1,096,118	2,027,703
Financial institutions, investment and holding companies	7,469,906	4,654,301	5,657,810	3,057,358
General commerce	817,274	1,235,781	709,875	1,152,950
Others	3,846,325	3,640,985	3,514,871	3,612,885
	15,453,691	13,553,103	12,722,508	11,668,369

29. Investment Securities (continued)

(d) *Equity investments designated at FVOCI*

Equity investments designated at FVOCI comprise ordinary shares, mainly held for yield enhancement or strategic purposes.

In 2019, the related dividend income was $43 million (2018: $22 million) at the Group and $35 million (2018: $19 million) at the Bank.

During the year, $402 million (2018: $41 million) at the Group and $383 million (2018: $8 million) at the Bank of the equity investments were realised. Related net loss recognised within equity were $383 million (2018: gain of $1 million) at the Group and $383 million (2018: gain of $0.5 million) at the Bank.

30. Other Assets

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest receivable	**1,107,512**	1,095,853	**775,486**	772,167
Sundry debtors	**1,582,687**	1,614,190	**949,108**	540,455
Foreclosed properties	**109,571**	94,599	**–**	–
Others	**2,215,506**	1,865,889	**1,805,682**	1,563,740
ECL allowance	**(22,162)**	(23,725)	**(1,899)**	(6,160)
Allowance for impairment	**(86,978)**	(130,500)	**(7)**	(160)
	4,906,136	4,516,306	**3,528,370**	2,870,042

31. Investment in Associates and Joint Ventures

(a)

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Material associates:				
UOB-Kay Hian Holdings Limited	**577,865**	565,525	**66,889**	66,889
Other associates/joint ventures	**622,795**	622,263	**421,037**	434,154
	1,200,660	1,187,788	**487,926**	501,043
Allowance for impairment (Note 33)	**(18,169)**	(18,180)	**(137,938)**	(137,938)
	1,182,491	1,169,608	**349,988**	363,105
Fair value of quoted investments at 31 December	**379,166**	366,631	**379,166**	366,631

			Effective equity interest of the Group	
Name of associate	Principal activities	Country of incorporation	2019 %	2018 %
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	**38**	39

31. Investment in Associates and Joint Ventures (continued)

(b) Aggregate information about the Group's investments in associates and joint ventures that were not individually material is as follows:

	The Group	
	2019 $'000	2018 $'000
Profit for the financial year	31,016	62,394
Other comprehensive income	(8,955)	(5,326)
Total comprehensive income	22,061	57,068

(c) The summarised financial information in respect of UOB-Kay Hian Holdings Limited, based on its financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements is as follows:

	2019 $'000	2018 $'000
Statement of comprehensive income		
Operating income	382,718	367,398
Profit for the financial year	43,613	84,012
Other comprehensive income	37,317	5,657
Total comprehensive income	80,930	89,669
Balance sheet		
Current assets	4,928,990	3,277,254
Non-current assets	120,876	426,604
Total assets	5,049,866	3,703,858
Current liabilities	3,524,867	2,247,691
Non-current liabilities	9,745	1,196
Total liabilities	3,534,612	2,248,887
Net assets	1,515,254	1,454,971
Proportion of the Group's ownership	38%	39%
Group's share of net assets	577,865	565,533
Other adjustments	–	(8)
Carrying amount of the investment	577,865	565,525

Dividends of $15 million (2018: $15 million) were received from UOB-Kay Hian Holdings Limited.

32. Investment in Subsidiaries

(a)

	The Bank	
	2019 $'000	2018 $'000
Quoted investments	45,024	45,024
Unquoted investments	6,179,991	6,189,549
	6,225,015	6,234,573
Allowance for impairment (Note 33)	(220,192)	(220,360)
	6,004,823	6,014,213
Fair value of quoted investments at 31 December	246,739	237,455

32. Investment in Subsidiaries (continued)

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

Name of subsidiary	Country of incorporation	Effective equity interest of the Group 2019 %	2018 %
Commercial Banking			
United Overseas Bank (Malaysia) Bhd	Malaysia	**100**	100
United Overseas Bank (Thai) Public Company Limited	Thailand	**99.7**	99.7
PT Bank UOB Indonesia	Indonesia	**99**	99
United Overseas Bank (China) Limited	China	**100**	100
United Overseas Bank (Vietnam) Limited	Vietnam	**100**	100
Financial Services			
United Overseas Insurance Limited	Singapore	**58**	58
UOB Bullion and Futures Limited	Singapore	**100**	100
Funding Vehicle			
UOB Australia Limited	Australia	**100**	100
Asset Management/Investment Management			
UOB Asset Management Ltd	Singapore	**100**	100
UOB Asset Management (Malaysia) Berhad	Malaysia	**70**	70
UOB Asset Management (Thailand) Co., Ltd.	Thailand	**100**	100
UOB Alternative Investment Management Pte Ltd	Singapore	**100**	100
UOB Capital Management Pte Ltd	Singapore	**100**	100
UOB Global Capital LLC (1)	United States	**70**	70
UOB Holdings (USA) Inc. (2)	United States	**100**	100
UOB Venture Management (Shanghai) Co., Ltd (1)	China	**100**	100
UOB Venture Management Private Limited	Singapore	**100**	100
Property Investment Holding			
Industrial & Commercial Property (S) Pte Ltd	Singapore	**100**	100
PT UOB Property	Indonesia	**100**	100
UOB Property Investments China Pte Ltd	Singapore	**100**	100
UOB Property Investments Pte. Ltd.	Singapore	**100**	100
UOB Realty (USA) Ltd Partnership (2)	United States	**100**	100
Others			
UOB International Investment Private Limited	Singapore	**100**	100
UOB Travel Planners Pte Ltd	Singapore	**100**	100

Notes:
Except as indicated, all subsidiaries incorporated in Singapore are audited by Ernst & Young LLP, Singapore and those incorporated overseas are audited by member firms of Ernst & Young Global Limited.
(1) Audited by other auditors.
(2) Not required to be audited.

32. Investment in Subsidiaries (continued)

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

The Group has a subsidiary with NCI that is material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividend paid to NCI $'000
2019					
United Overseas Insurance Limited	Singapore	**42**	**16,707**	**174,016**	**5,598**
2018					
United Overseas Insurance Limited	Singapore	42	9,973	157,504	6,998

(d) *Summarised financial information [1] about United Overseas Insurance Limited*

Summarised statement of comprehensive income

	2019 $'000	2018 $'000
Operating income	**63,772**	42,072
Profit before tax	**46,039**	25,924
Tax	**5,889**	1,957
Profit for the financial year	**40,150**	23,967
Other comprehensive income	**12,841**	(5,578)
Total comprehensive income	**52,991**	18,389

Summarised balance sheet

	2019 $'000	2018 $'000
Total assets	**637,561**	609,978
Total liabilities	**219,370**	231,468
Net assets	**418,191**	378,510

Other information

	2019 $'000	2018 $'000
Net cash flows from operations	**873**	7,556
Acquisition of property, plant and equipment	**715**	50

(1) Including consolidation adjustments but before intercompany eliminations.

(e) *Consolidated structured entities*
The Group has established a USD8 billion Global Covered Bond Programme to augment its funding programmes. 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 (the CBG), Glacier Eighty Pte Ltd. The Covered Bonds issued under the Programme will be backed by a portfolio of Singapore residential mortgages transferred by the Bank to the CBG when certain conditions are met.

32. Investment in Subsidiaries (continued)

(f) *Interests in unconsolidated structured entities*

The Group had interests in certain investment funds where the Group was the fund manager and the investors had no or limited removal rights over the fund manager. These funds were primarily financed by the investors. The table below summarises the Group's involvement in the funds.

	The Group	
	2019	2018
	$ million	$ million
Total assets of structured entities [1]	20,021	20,291
Maximum exposure to loss – Investment in funds	254	349
Fee income	182	171
Net gain from investment securities	55	65

(1) Based on the latest available financial reports of the structured entities.

33. Movement of Allowance for Impairment on Investment in Associates, Joint Ventures and Subsidiaries

	The Group
	Investment in associates and joint ventures
	$'000
2019	
Balance at 1 January	18,180
Currency translation adjustments	(11)
Balance at 31 December	18,169
2018	
Balance at 1 January	18,178
Currency translation adjustments	2
Balance at 31 December	18,180

	The Bank	
	Investment in associates and joint ventures	Investment in subsidiaries
	$'000	$'000
2019		
Balance at 1 January	137,938	220,360
Currency translation adjustments	–	(1)
Write-back to income statement	–	(167)
Balance at 31 December	137,938	220,192
2018		
Balance at 1 January	136,938	131,381
Currency translation adjustments	–	3
Net charge to income statement	1,000	88,976
Balance at 31 December	137,938	220,360

34. Investment Properties

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at 1 January	1,012,332	1,088,309	1,078,735	1,118,762
Currency translation adjustments	(4,992)	(4,688)	(267)	(929)
Additions	17,279	31,575	629	15,246
Disposals	(6,844)	(4,568)	(6,844)	(4,568)
Depreciation charge	(19,980)	(21,585)	(14,498)	(15,837)
Transfers	(62,097)	(76,711)	(87,771)	(33,939)
Balance at 31 December	935,698	1,012,332	969,984	1,078,735
Represented by:				
Cost	1,250,507	1,336,509	1,217,762	1,338,523
Accumulated depreciation	(314,809)	(324,177)	(247,778)	(259,788)
Net carrying amount	935,698	1,012,332	969,984	1,078,735
Freehold property	370,563	320,493	609,074	689,005
Leasehold property	565,135	691,839	360,910	389,730
	935,698	1,012,332	969,984	1,078,735
Fair value hierarchy				
Level 2	274,357	251,538	277,399	254,657
Level 3	2,921,665	3,018,655	2,362,213	2,456,102
	3,196,022	3,270,193	2,639,612	2,710,759

The valuations of investment properties were performed by external valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches.

Fair values for properties under Level 2 of the fair value hierarchy are determined based on market comparison approach using comparable price transactions as significant observable inputs. Fair values for properties under Level 3 of the fair value hierarchy are determined using a combination of market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

35. Fixed Assets

	2019				2018		
	Owner-occupied properties $'000	Others $'000	Right-of-use assets $'000	Total $'000	Owner-occupied properties $'000	Others $'000	Total $'000
The Group							
Balance at 1 January	973,856	1,291,768	187,929	2,453,553	914,447	1,056,398	1,970,845
Currency translation adjustments	9,182	9,752	72	19,006	(6,498)	(792)	(7,290)
Additions	28,281	527,405	70,877	626,563	12,600	472,291	484,891
Disposals	(596)	(21,000)	(1,303)	(22,899)	(51)	(7,832)	(7,883)
Depreciation charge	(24,295)	(266,333)	(88,048)	(378,676)	(22,970)	(228,297)	(251,267)
Write-back of/(Allowance for) impairment	73	–	–	73	(383)	–	(383)
Transfers	62,097	–	–	62,097	76,711	–	76,711
Balance at 31 December	1,048,598	1,541,592	169,527	2,759,717	973,856	1,291,768	2,265,624
Represented by:							
Cost	1,438,407	3,250,925	256,726	4,946,058	1,313,317	2,825,446	4,138,763
Accumulated depreciation	(387,663)	(1,709,333)	(87,199)	(2,184,195)	(337,238)	(1,533,678)	(1,870,916)
Allowance for impairment	(2,146)	–	–	(2,146)	(2,223)	–	(2,223)
Net carrying amount	1,048,598	1,541,592	169,527	2,759,717	973,856	1,291,768	2,265,624
Freehold property	575,259				505,481		
Leasehold property	473,339				468,375		
	1,048,598				973,856		
Fair value hierarchy							
Level 2	548,266				537,335		
Level 3	3,351,677				2,980,640		
	3,899,943				3,517,975		

35. Fixed Assets (continued)

	2019				2018		
	Owner-occupied properties $'000	Others $'000	Right-of-use assets $'000	Total $'000	Owner-occupied properties $'000	Others $'000	Total $'000
The Bank							
Balance at 1 January	760,467	931,905	135,559	1,827,931	695,967	721,355	1,417,322
Currency translation adjustments	(49)	(118)	73	(94)	(176)	(3,765)	(3,941)
Additions	1,120	430,355	39,751	471,226	42,563	373,208	415,771
Disposals	(361)	(15,144)	–	(15,505)	(31)	(4,860)	(4,891)
Depreciation charge	(12,974)	(188,702)	(63,373)	(265,049)	(11,795)	(154,033)	(165,828)
Transfers	87,771	–	–	87,771	33,939	–	33,939
Balance at 31 December	835,974	1,158,296	112,010	2,106,280	760,467	931,905	1,692,372
Represented by:							
Cost	1,057,942	2,280,398	174,554	3,512,894	947,430	1,897,833	2,845,263
Accumulated depreciation	(221,968)	(1,122,102)	(62,544)	(1,406,614)	(186,963)	(965,928)	(1,152,891)
Net carrying amount	835,974	1,158,296	112,010	2,106,280	760,467	931,905	1,692,372
Freehold property	677,345				620,566		
Leasehold property	158,629				139,901		
	835,974				760,467		
Fair value hierarchy							
Level 2	251,043				239,191		
Level 3	2,266,277				1,944,320		
	2,517,320				2,183,511		

The valuations of owner-occupied properties were performed by external valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches.

Fair values for properties under Level 2 of the fair value hierarchy are determined based on market comparison approach using comparable price transactions as significant observable inputs. Fair values for properties under Level 3 of the fair value hierarchy are determined using a combination of market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

Fixed assets-others comprise mainly computer equipment, software and furniture and fittings.

Right-of-use assets comprise mainly properties, computer equipment and motor vehicles.

36. Intangible Assets

(a) *Goodwill*

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at 1 January	4,138,392	4,141,919	3,181,819	3,181,819
Currency translation adjustments	7,104	(3,527)	–	–
Addition	2,304	–	–	–
Balance at 31 December	4,147,800	4,138,392	3,181,819	3,181,819
Represented by:				
Cost	4,147,800	4,138,392	3,181,819	3,181,819
Accumulated impairment	–	–	–	–
Net carrying amount	4,147,800	4,138,392	3,181,819	3,181,819

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

	Discount rate		Growth rate	
	2019	2018	2019	2018
Singapore	7.43	7.43	1.90	2.96
Thailand	9.76	9.76	3.44	3.32
Indonesia	9.38	9.38	5.42	5.39

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

37. Contingent Liabilities

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

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Direct credit substitutes	3,878,234	4,454,846	3,131,786	3,131,955
Transaction-related contingencies	17,930,796	15,597,637	8,597,788	7,247,084
Trade-related contingencies	10,126,580	10,949,566	8,176,895	8,997,100
Others	427,972	1,282	1,307	1,282
	32,363,582	31,003,331	19,907,776	19,377,421

38. Financial Derivatives

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

In the normal course of business, the Bank and the Group transact in customised derivatives to meet specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes, as well as to manage their assets, liabilities and structural positions. Risks associated with the use of derivatives and policies for managing these risks are set out in Note 44.

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

	2019			2018		
	Notional amount $'000	Positive fair value $'000	Negative fair value $'000	Notional amount $'000	Positive fair value $'000	Negative fair value $'000
The Group						
Foreign exchange contracts						
Forwards	64,979,133	480,525	568,388	52,807,960	399,713	592,106
Swaps	262,823,794	1,631,102	1,692,543	284,319,946	2,412,842	1,963,547
Futures	3,639	50	–	–	–	–
Options purchased	10,585,346	96,855	–	8,523,252	141,650	–
Options written	10,186,754	–	97,642	9,395,487	–	133,909
Interest rate contracts						
Forwards	–	–	–	1,362,750	388	275
Swaps	569,231,298	3,987,778	3,953,357	529,719,885	2,535,446	2,753,963
Futures	1,209,697	366	293	12,744,712	3,462	6,828
Options purchased	1,275,909	3,556	–	1,292,163	2,117	–
Options written	2,200,294	–	2,117	1,161,632	–	1,699
Equity-related contracts						
Swaps	846,013	5,615	34,895	997,881	10,503	86,119
Futures	4,757	–	19	361	7	18
Options purchased	2,092,352	51,861	–	5,095,891	67,948	–
Options written	4,177,506	–	82,661	6,276,840	–	63,791
Credit-related contracts						
Swaps	1,018,662	47	26,981	1,489,848	42,650	6,313
Others						
Forwards	837,482	3,841	5,777	627,909	12,146	9,780
Swaps	4,825,725	51,616	129,616	4,262,351	60,161	161,858
Futures	4,479,585	90,336	97,226	1,973,334	38,922	59,590
Options purchased	296,373	4,327	–	85,331	2,102	–
Options written	318,704	–	3,920	32,151	–	203
	941,393,023	6,407,875	6,695,435	922,169,684	5,730,057	5,839,999

38. Financial Derivatives (continued)

(a) (continued)

	2019			2018		
	Notional amount $'000	Positive fair value $'000	Negative fair value $'000	Notional amount $'000	Positive fair value $'000	Negative fair value $'000
The Bank						
Foreign exchange contracts						
Forwards	62,765,814	431,736	592,284	47,426,901	309,052	503,839
Swaps	196,226,193	1,101,095	1,062,504	181,215,179	1,383,546	958,433
Futures	3,639	50	–	–	–	–
Options purchased	5,590,220	52,717	–	5,808,055	103,889	–
Options written	5,435,064	–	47,297	6,230,666	–	101,452
Interest rate contracts						
Forwards	–	–	–	1,362,750	388	275
Swaps	514,828,511	3,692,427	3,685,128	479,296,929	2,344,275	2,572,082
Futures	1,209,697	366	293	11,475,950	3,462	5,852
Options purchased	1,204,809	2,388	–	1,292,163	2,117	–
Options written	2,129,194	–	1,896	1,127,427	–	1,699
Equity-related contracts						
Swaps	840,361	4,908	34,188	915,100	1,080	76,606
Futures	4,757	–	19	361	7	18
Options purchased	2,079,801	51,885	–	5,090,893	67,990	–
Options written	4,164,620	–	82,323	6,318,052	–	62,152
Credit-related contracts						
Swaps	1,018,662	47	26,981	1,489,848	42,650	6,313
Others						
Forwards	419,016	1,701	1,515	256,805	1,144	1,136
Swaps	4,123,077	26,567	100,654	3,863,756	47,333	142,022
Futures	1,184,478	24,475	56,896	1,533,296	34,831	53,668
Options purchased	288,247	3,256	–	85,331	2,102	–
Options written	312,936	–	3,209	32,508	–	1,767
	803,829,096	5,393,618	5,695,187	754,821,970	4,343,866	4,487,314

38. Financial Derivatives (continued)

(b) *Financial derivatives subject to netting agreements*

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

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

	2019		2018	
	Positive fair value $'000	**Negative fair value $'000**	Positive fair value $'000	Negative fair value $'000
The Group				
Carrying amount on the balance sheet	**6,407,875**	**6,695,435**	5,730,057	5,839,999
Amount not subject to netting agreements	**(1,151,557)**	**(971,928)**	(689,217)	(527,706)
Amount subject to netting agreements	**5,256,318**	**5,723,507**	5,040,840	5,312,293
Amount nettable [(1)]	**(4,545,449)**	**(4,545,449)**	(4,025,518)	(4,025,518)
Financial collateral	**(234,053)**	**(411,846)**	(258,403)	(759,935)
Net amounts	**476,816**	**766,212**	756,919	526,840
The Bank				
Carrying amount on the balance sheet	**5,393,618**	**5,695,187**	4,343,866	4,487,314
Amount not subject to netting agreements	**(1,212,309)**	**(968,018)**	(671,026)	(503,873)
Amount subject to netting agreements	**4,181,309**	**4,727,169**	3,672,840	3,983,441
Amount nettable [(1)]	**(3,758,226)**	**(3,758,226)**	(2,873,801)	(2,873,801)
Financial collateral	**(184,369)**	**(289,448)**	(202,889)	(646,239)
Net amounts	**238,714**	**679,495**	596,150	463,401

(1) Amount that could be netted under the netting agreements.

39. Commitments

(a)

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Undrawn credit facilities	154,580,415	146,008,467	122,937,621	119,286,137
Spot/Forward contracts	2,584,344	1,034,463	2,591,870	1,053,388
Capital commitments	446,134	442,452	153,103	152,962
Operating lease commitments	19,167	224,620	3,009	163,612
Others	3,614,812	3,783,994	2,875,909	3,158,997
	161,244,872	151,493,996	128,561,512	123,815,096

(b) *Operating lease commitments*

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

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Minimum lease payable				
Within 1 year	8,463	99,004	570	71,526
Over 1 to 5 years	10,219	121,853	2,395	89,136
Over 5 years	485	3,763	44	2,950
	19,167	224,620	3,009	163,612

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

	The Group		The Bank	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Minimum lease receivable				
Within 1 year	83,255	87,408	62,887	74,301
Over 1 to 5 years	127,477	122,194	70,218	97,553
Over 5 years	58,776	2,753	–	2,162
	269,508	212,355	133,105	174,016

40. Hedge Accounting

The impact of the hedging instruments and hedged items on the balance sheet as at 31 December is as follows:

	The Group				
	Carrying amount of assets/ (liabilities) $ million	Changes in fair value $ million	Type of risk hedged	Notional amount $ million	Maturity profile of fair value hedge
2019					
Hedging instruments					
Fair value hedge					
Derivatives – Interest rate swaps	(59)	113	Interest rate risk	13,407	Less than 9 years
Customer deposits	(66)	1	Foreign exchange risk	–	Within 1 year
Net investment hedge					
Customer deposits	(3,000)	19	Foreign exchange risk	–	
Hedged items relating to fair value hedges					
Assets					
Loans	424	6			
Debt securities	1,713	25			
Equity securities at FVOCI	66	(1)			
Liabilities					
Customer deposits	(294)	–			
Subordinated debts	(4,431)	(94)			
Other debts securities	(6,018)	(50)			
2018					
Hedging instruments					
Fair value hedge					
Derivatives – Interest rate swaps	54	(33)	Interest rate risk	13,528	Less than 10 years
Customer deposits	(67)	1	Foreign exchange risk	–	Within 1 year
Net investment hedge					
Customer deposits	(3,294)	4	Foreign exchange risk	–	
Hedged items relating to fair value hedges					
Assets					
Loans	429	3			
Debt securities	2,907	30			
Equity securities at FVOCI	67	(1)			
Liabilities					
Customer deposits	(522)	–			
Subordinated debts	(4,257)	19			
Other debts securities	(5,859)	(19)			

40. Hedge Accounting (continued)

	The Bank				
	Carrying amount of assets/ (liabilities) $ million	Changes in fair value $ million	Type of risk hedged	Notional amount $ million	Maturity profile of fair value hedge
2019					
Hedging instruments					
Fair value hedge					
Derivatives – Interest rate swaps	(55)	110	Interest rate risk	12,881	Less than 9 years
Customer deposits	(66)	1	Foreign exchange risk	–	Within 1 year
Net investment hedge					
Customer deposits	(2,982)	19	Foreign exchange risk	–	
Hedged items relating to fair value hedges					
Assets					
Loans	424	6			
Debt securities	1,713	25			
Equity securities at FVOCI	66	(1)			
Liabilities					
Customer deposits	(294)	–			
Subordinated debts	(3,901)	(91)			
Other debts securities	(6,018)	(50)			
2018					
Hedging instruments					
Fair value hedge					
Derivatives – Interest rate swaps	54	(33)	Interest rate risk	13,165	Less than 10 years
Customer deposits	(67)	1	Foreign exchange risk	–	Within 1 year
Net investment hedge					
Customer deposits	(2,616)	4	Foreign exchange risk	–	
Hedged items relating to fair value hedges					
Assets					
Loans	429	3			
Debt securities	2,907	30			
Equity securities at FVOCI	67	(1)			
Liabilities					
Customer deposits	(522)	–			
Subordinated debts	(4,085)	19			
Other debts securities	(5,859)	(19)			

The ineffectiveness arising from these hedges was insignificant.

41. Share-Based Compensation Plans

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

In 2018, following a review of the total compensation model, the Remuneration and Human Capital Committee (RHCC) approved, *inter alia*, a revised variable pay deferral framework for senior employees and Material Risk Takers. Under this, a portion of variable pay will be deferred as shares under the RS Plan. Such deferred RS will vest over a three-year period.

Share Appreciation Rights are rights, which upon exercise, confer the right to receive such number of UOB shares (or by exception, cash) equivalent to the difference between the prevailing market value and the grant value of the underlying UOB shares comprised in the SAR, divided by the prevailing market value of a UOB share. The grant value is determined with reference to the average of the closing prices of UOB shares over the three days preceding the grant date. Upon vesting of SAR, participants have up to six years from the date of grant to exercise their rights. Since 2014, no SAR has been granted. The last SAR granted in 2013 expired on 13 December 2019.

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

As approved by shareholders at the Annual General Meeting on 21 April 2016, the RS Plan shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plan only allows the delivery of UOB ordinary shares held in treasury by the Bank.

Movements and outstanding balances of these plans are as follows:

UOB Restricted Share Plan and UOB Share Appreciation Rights Plan

	The Group Number of Restricted shares	
	2019 **'000**	2018 '000
Balance at 1 January	**6,055**	6,135
Granted	**2,470**	2,091
Forfeited/Cancelled	**(100)**	(475)
Vested	**(2,449)**	(1,696)
Balance at 31 December	**5,976**	6,055

	SAR Exercisable rights			
	2019		2018	
	Number of rights '000	**Weighted average exercise price ($)**	Number of rights '000	Weighted average exercise price ($)
Balance at 1 January	**805**	**20.43**	1,836	20.15
Forfeited/Lapsed	**–**	**–**	–	–
Exercised	**(805)**	**20.43**	(1,031)	19.93
Balance at 31 December	**–**	**–**	805	20.43

At 31 December 2019, there were no outstanding SAR exercisable rights.

41. Share-Based Compensation Plans (continued)

Year granted	Expiry date	Fair value per grant at grant date $	Number of outstanding grants 2019 '000	2018 '000
Restricted shares				
2016	3 May 2018 and 3 May 2019	17.06 and 17.24	–	1,799
2017	11 May 2019 and 11 May 2020	21.50 and 23.00	**1,517**	2,205
2018	24 Apr 2020 and 24 Apr 2021	27.03 and 22.95	**2,009**	2,051
2019	23 Apr 2021 and 23 Apr 2022	24.68	**2,450**	–
			5,976	6,055

Fair values of the RS were estimated at the grant date using the Trinomial valuation methodology. The key assumptions of the RS are as follows:

	Restricted shares		
		2018	
Year granted	2019	1st grant	2nd grant
Exercise price ($)	Not applicable	Not applicable	
Expected volatility (%) (1)	**16.99**	16.40	16.82
Risk-free interest rate (%)	**1.88 – 1.91**	1.88 – 2.02	2.05 – 2.14
Contractual life (years)	**2 and 3**	2 and 3	2 and 3
Expected dividend yield (%)	Management's forecast in line with dividend objective		

(1) Based on the past three years' historical volatility.

42. Related Party Transactions

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

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

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

(a)

	The Group		The Bank	
	2019 $ million	2018 $ million	2019 $ million	2018 $ million
Interest income				
Subsidiaries	–	–	363	316
Associates and joint ventures	8	15	8	15
Interest expense				
Subsidiaries	–	–	258	189
Associates and joint ventures	18	12	16	9
Dividend income				
Subsidiaries	–	–	227	212
Associates and joint ventures	–	–	22	18
Rental income				
Subsidiaries	–	–	–	4
Rental and other expenses				
Subsidiaries	–	–	112	111
Associates and joint ventures	26	17	26	13
Fee and commission and other income				
Subsidiaries	–	–	136	145
Associates and joint ventures	11	7	1	3
Placements, securities, loans and advances				
Subsidiaries	–	–	17,972	16,363
Associates and joint ventures	838	782	838	781
Deposits				
Subsidiaries	–	–	13,419	13,562
Associates and joint ventures	1,267	1,376	1,123	1,244
Off-balance sheet credit facilities (1)				
Subsidiaries	–	–	316	251
Associates and joint ventures	34	2	34	1

(1) Includes guarantees issued by the Group of $4 million (2018: $1 million) and the Bank of $212 million (2018: $221 million).

42. Related Party Transactions (continued)

(b)

	The Group		The Bank	
	2019	2018	2019	2018
	$ million	$ million	$ million	$ million
Compensation of key management personnel				
Short-term employee benefits	20	20	20	20
Long-term employee benefits	2	2	2	2
Share-based payment	15	8	15	8
Others	*	*	*	*
	37	30	37	30

* Less than $500,000.

43. Segment Information

(a) *Operating segments*

Segmental reporting is prepared based on the Group's internal organisational structure. The Banking Group is organised into three major business segments – Group Retail, Group Wholesale Banking and Global Markets. Others segment includes non-banking activities and corporate functions.

Group Retail (GR)

GR segment covers personal and small enterprise customers.

Customers have access to a diverse range of products and services, including deposits, insurance, card, wealth management, investment, loan and trade financing products which are available across the Group's global branch network.

Group Wholesale Banking (GWB)

GWB encompasses corporate and institutional client segments which include medium and large enterprises, local corporations, multi-national corporations, financial institutions, government-linked entities, financial sponsors and property funds.

GWB provides customers with a broad range of products and services, including financing, trade services, cash management, capital markets solutions and advisory and treasury products.

Global Markets (GM)

GM provides a comprehensive suite of treasury products and services across multi-asset classes which includes foreign exchange, interest rate, credit, commodities, equities and structured investment products to help customers manage market risks and volatility. GM also engages in market making activities and management of funding and liquidity.

Income from products and services offered to customers of Group Retail and Group Wholesale Banking are reflected in the respective client segments.

Others

Others segment includes corporate support functions and divisions not attributable to business segments mentioned above and other activities, which comprises property, insurance and investment management.

43. Segment Information (continued)

(a) *Operating segments (continued)*

Selected income statement items	The Group				
	GR $ million	GWB $ million	GM $ million	Others $ million	Total $ million
2019					
Net interest income	2,973	2,977	95	517	6,562
Non-interest income	1,325	1,121	500	521	3,467
Operating income	4,298	4,098	595	1,039	10,030
Operating expenses	(2,097)	(1,031)	(278)	(1,066)	(4,472)
Allowance for credit and other losses	(192)	(285)	(4)	46	(435)
Share of profit of associates and joint ventures	–	5	–	46	51
Profit before tax	2,009	2,787	313	65	5,174
Tax					(813)
Profit for the financial year					4,362
Other information					
Capital expenditure	55	49	22	447	573
Depreciation of assets	60	26	11	301	399
2018					
Net interest income	2,721	2,832	126	541	6,220
Non-interest income	1,231	1,052	340	273	2,896
Operating income	3,952	3,884	466	814	9,116
Operating expenses	(1,919)	(900)	(244)	(940)	(4,003)
Allowance for credit and other losses	(192)	(178)	(2)	(21)	(393)
Share of profit of associates and joint ventures	–	14	–	92	106
Profit before tax	1,841	2,820	220	(55)	4,826
Tax					(805)
Profit for the financial year					4,021
Other information					
Capital expenditure	68	36	22	390	516
Depreciation of assets	24	11	7	231	273

Notes:
1. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
2. Comparative segment information for prior periods has been adjusted for changes in organisational structure and management reporting methodology.

43. Segment Information (continued)

(a) *Operating segments (continued)*

Selected balance sheet items	The Group				
	GR $ million	GWB $ million	GM $ million	Others $ million	Total $ million
2019					
Segment assets	109,044	189,444	64,672	35,919	399,079
Intangible assets – goodwill	1,317	2,088	660	83	4,148
Investment in associates and joint ventures	–	182	–	1,000	1,182
Total assets	110,361	191,714	65,332	37,002	404,409
Segment liabilities	154,253	164,669	31,614	14,009	364,545
Other information					
Gross customer loans	109,017	158,626	1,021	12	268,676
Non-performing assets	1,292	2,980	9	16	4,297
2018					
Segment assets	108,115	184,530	55,657	34,482	382,784
Intangible assets – goodwill	1,315	2,084	659	80	4,138
Investment in associates and joint ventures	–	167	–	1,003	1,170
Total assets	109,430	186,781	56,316	35,565	388,092
Segment liabilities	142,067	157,403	37,361	13,449	350,280
Other information					
Gross customer loans	108,022	153,168	498	19	261,707
Non-performing assets	1,248	2,896	7	15	4,166

Notes:
1. Comparative segment information for prior periods has been adjusted for changes in organisational structure and management reporting methodology.

43. Segment Information (continued)

(b) *Geographical segments*

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

	The Group						
	Singapore $ million	Malaysia $ million	Thailand $ million	Indonesia $ million	Greater China [1] $ million	Others $ million	Total $ million
2019							
Net interest income	3,752	738	762	327	455	528	6,562
Non-interest income	2,004	346	295	158	482	182	3,467
Operating income	5,756	1,084	1,057	485	937	711	10,030
Operating expenses	(2,480)	(435)	(651)	(348)	(401)	(157)	(4,472)
Allowance for credit and other losses	(167)	(80)	(135)	(53)	(9)	9	(435)
Share of profit of associates and joint ventures	52	–	–	–	–	(1)	51
Profit before tax	3,161	569	271	84	527	562	5,174
Total assets before intangible assets	235,477	41,352	25,462	9,840	54,907	33,223	400,261
Intangible assets	3,182	–	729	237	–	–	4,148
Total assets	238,659	41,352	26,191	10,077	54,907	33,223	404,409
2018							
Net interest income	3,552	738	708	318	421	483	6,220
Non-interest income	1,570	330	256	125	443	172	2,896
Operating income	5,122	1,068	964	443	864	655	9,116
Operating expenses	(2,189)	(407)	(571)	(312)	(381)	(143)	(4,003)
Allowance for credit and other losses	(83)	(61)	(111)	(55)	(68)	(15)	(393)
Share of profit of associates and joint ventures	66	–	–	–	29	11	106
Profit before tax	2,916	600	282	76	444	508	4,826
Total assets before intangible assets	228,478	40,620	21,946	9,256	55,021	28,633	383,954
Intangible assets	3,182	–	725	231	–	–	4,138
Total assets	231,660	40,620	22,671	9,487	55,021	28,633	388,092

(1) Comprise Mainland China, Hong Kong SAR and Taiwan.

44. Financial Risk Management

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

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

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

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

(a) Credit risk

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

The Group Credit Committee supports the CEO and BRMC in managing the Group's overall credit risk exposures. It serves as an executive forum for discussions on all credit-related issues including the credit risk management framework, policies, processes, infrastructure, methodologies and system.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, past due amounts and credit limit excesses are tracked and analysed by business and product lines.

Country risk is the risk of loss due to specific events in a country that the Group has exposure to. These events include political and economic events, social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, and currency depreciation or devaluation.

(i) *Credit exposure*

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

	The Group			
	Average (1) 2019 $ million	Average (1) 2018 $ million	**2019 $ million**	2018 $ million
Balances and placements with central banks	**25,339**	25,536	**24,912**	24,386
Singapore Government treasury bills and securities	**5,910**	5,648	**6,199**	5,615
Other government treasury bills and securities	**15,077**	11,971	**15,165**	13,201
Trading debt securities	**2,199**	1,847	**2,405**	1,675
Placements and balances with banks	**51,667**	53,340	**52,840**	50,800
Loans to customers	**268,420**	248,555	**265,458**	258,627
Derivative financial assets	**6,129**	6,628	**6,408**	5,730
Investment debt securities	**11,813**	8,969	**12,658**	10,142
Others	**2,987**	2,755	**2,690**	2,710
	389,541	365,249	**388,735**	372,886
Contingent liabilities	**31,920**	30,529	**32,362**	31,002
Commitments (excluding operating lease and capital commitments)	**156,067**	142,831	**160,780**	150,827
	577,528	538,609	**581,877**	554,715

(1) Average balances are computed based on quarter-end exposure.

44. Financial Risk Management (continued)

(a) Credit risk (continued)

(i) *Credit exposure (continued)*

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

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. Our collaterals are mostly properties while other types of collateral taken by the Group include cash, marketable securities, equipment, inventories and receivables. We have in place policies and processes to monitor collateral concentration.

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

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

Exposures arising from foreign exchange, derivatives and securities financing transactions are typically mitigated through agreements such as the International Swaps and Derivatives Association Master Agreements, the Credit Support Annex and the Global Master Repurchase Agreements. Such agreements help to minimise credit exposure by allowing the Bank to offset what is owed to a counterparty against what is due from that counterparty in the event of a default.

In addition, derivative transactions are cleared through Central Counterparties, where possible, to reduce counterparty credit exposure further through multilateral netting and the daily margining processes.

(ii) *Major on-balance sheet credit exposures*

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

	The Group				
	Loans to customers (gross)	Government treasury bills and securities	Placements and balances with banks	Debt securities	Total
	$ million	$ million	$ million	$ million	$ million
Analysed by geography					
2019					
Singapore	**138,666**	**6,199**	**2,222**	**2,134**	**149,221**
Malaysia	**29,554**	**3,846**	**7,117**	**2,619**	**43,136**
Thailand	**19,585**	**4,087**	**1,897**	**53**	**25,622**
Indonesia	**11,466**	**1,145**	**2,025**	**14**	**14,650**
Greater China	**41,423**	**3,480**	**25,792**	**2,882**	**73,577**
Others	**27,982**	**2,607**	**13,787**	**7,361**	**51,737**
Total	**268,676**	**21,364**	**52,840**	**15,063**	**357,943**
2018					
Singapore	137,176	5,614	998	1,519	145,307
Malaysia	29,315	2,683	6,124	1,337	39,459
Thailand	16,813	2,945	2,608	47	22,413
Indonesia	11,289	1,225	2,269	4	14,787
Greater China	40,081	3,113	24,237	2,224	69,655
Others	27,033	3,235	14,564	6,686	51,518
Total	261,707	18,815	50,800	11,817	343,139

44. Financial Risk Management (continued)

(a) Credit risk (continued)

(ii) *Major on-balance sheet credit exposures (continued)*

	The Group				
	Loans to customers (gross) $ million	Government treasury bills and securities $ million	Placements and balances with banks $ million	Debt securities $ million	Total $ million
Analysed by industry					
2019					
Transport, storage and communication	11,036	–	–	789	11,825
Building and construction	66,992	–	–	526	67,518
Manufacturing	19,380	–	–	921	20,301
Financial institutions, investment and holding companies	26,098	–	52,840	6,747	85,685
General commerce	32,713	–	–	717	33,430
Professionals and private individuals	29,458	–	–	–	29,458
Housing loans	68,586	–	–	–	68,586
Government	–	21,364	–	–	21,364
Others	14,413	–	–	5,363	19,776
Total	268,676	21,364	52,840	15,063	357,943
2018					
Transport, storage and communication	10,185	–	–	1,411	11,596
Building and construction	63,139	–	–	197	63,336
Manufacturing	21,112	–	–	2,091	23,203
Financial institutions, investment and holding companies	23,199	–	50,800	3,917	77,916
General commerce	32,928	–	–	1,173	34,101
Professionals and private individuals	29,288	–	–	–	29,288
Housing loans	68,387	–	–	–	68,387
Government	–	18,815	–	–	18,815
Others	13,469	–	–	3,028	16,497
Total	261,707	18,815	50,800	11,817	343,139

44. Financial Risk Management (continued)

(a) Credit risk (continued)

(iii) *Major off-balance sheet credit exposures*

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

	The Group			
	2019		2018	
	Contingent liabilities $ million	Commitments [1] $ million	Contingent liabilities $ million	Commitments [1] $ million
Analysed by geography				
Singapore	16,565	81,671	16,164	78,416
Malaysia	2,759	13,293	2,851	13,588
Thailand	1,892	13,449	1,627	11,753
Indonesia	1,238	5,628	1,095	5,818
Greater China	4,489	28,349	4,008	25,212
Others	5,419	18,390	5,257	16,040
Total	32,362	160,780	31,002	150,827
Analysed by industry				
Transport, storage and communication	1,559	6,364	1,386	5,719
Building and construction	8,270	26,587	7,673	26,989
Manufacturing	3,376	23,714	2,717	20,486
Financial institutions, investment and holding companies	9,006	17,970	8,623	18,371
General commerce	7,703	44,016	8,636	43,308
Professionals and private individuals	172	23,907	166	22,360
Housing loans	–	3,430	–	3,500
Others	2,276	14,792	1,801	10,094
Total	32,362	160,780	31,002	150,827

(1) Excluding operating lease and capital commitments.

44. Financial Risk Management (continued)

(a) Credit risk (continued)

(iv) *Credit quality*

a. Non-trading gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group			
	Stage 1 $ million	Stage 2 $ million	Stage 3 $ million	Total $ million
2019				
Pass	252,650	6,088	–	258,738
Special mention	–	2,351	–	2,351
Substandard	–	–	2,648	2,648
Doubtful	–	–	185	185
Loss	–	–	1,303	1,303
	252,650	8,439	4,136	265,225
2018				
Pass	244,504	7,102	–	251,606
Special mention	–	2,173	–	2,173
Substandard	–	–	2,489	2,489
Doubtful	–	–	207	207
Loss	–	–	1,298	1,298
	244,504	9,275	3,994	257,773

b. Non-trading government treasury bills and securities and debt securities

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

	The Group				
	Singapore Government treasury bills and securities	Other government treasury bills and securities		Debt securities	
	Stage 1 $ million	Stage 1 $ million	Stage 2 $ million	Stage 1 $ million	Stage 2 $ million
2019					
External rating:					
Investment grade (AAA to BBB-)	5,723	13,935	91	8,998	110
Non-investment grade (BB+ to C)	–	81	5	–	–
Unrated	–	170	7	3,499	61
Total	5,723	14,186	103	12,497	171
2018					
External rating:					
Investment grade (AAA to BBB-)	5,343	10,705	455	8,892	272
Non-investment grade (BB+ to C)	–	28	3	–	–
Unrated	–	1,146	172	978	58
Total	5,343	11,879	630	9,870	330

44. Financial Risk Management (continued)

(a) Credit risk (continued)

(iv) *Credit quality (continued)*

c. Non-trading other assets

	The Group		
	Stage 1 $ million	Stage 2 $ million	Total $ million
2019			
Cash, balances and placements with central banks	22,531	210	22,741
Placements and balances with banks	38,508	243	38,751
Other assets	2,636	88	2,724
Total	63,675	541	64,216
2018			
Cash, balances and placements with central banks	21,790	131	21,921
Placements and balances with banks	38,545	687	39,232
Other assets	2,342	329	2,671
Total	62,677	1,147	63,824

d. Loan commitments and contingents, excluding non-financial guarantees

	The Group			
	Stage 1 $ million	Stage 2 $ million	Stage 3 $ million	Total $ million
2019				
Pass	175,223	2,991	–	178,214
Special mention	–	441	–	441
Substandard	–	–	22	22
Doubtful	–	–	4	4
Loss	–	–	17	17
Total	175,223	3,432	43	178,698
2018				
Pass	158,533	2,956	–	161,489
Special mention	–	643	–	643
Substandard	–	–	18	18
Doubtful	–	–	7	7
Loss	–	–	32	32
Total	158,533	3,599	57	162,189

44. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	The Group			
	‹ 30 days $ million	30 – 59 days $ million	60 – 90 days $ million	Total $ million
Analysed by geography [1]				
2019				
Singapore	1,960	134	347	2,441
Malaysia	593	238	126	957
Thailand	701	95	90	886
Indonesia	82	46	35	163
Greater China	329	14	8	351
Others	185	8	12	205
Total	3,850	535	618	5,003
2018				
Singapore	3,373	229	232	3,834
Malaysia	686	224	138	1,048
Thailand	397	95	66	558
Indonesia	77	16	28	121
Greater China	126	1	10	137
Others	96	6	11	113
Total	4,755	571	485	5,811

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

44. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	The Group			
	‹ 30 days $ million	30 – 59 days $ million	60 – 90 days $ million	Total $ million
Analysed by industry				
2019				
Transport, storage and communication	72	10	132	214
Building and construction	478	53	37	568
Manufacturing	457	14	19	490
Financial institutions, investment and holding companies	212	3	–	215
General commerce	771	89	42	902
Professionals and private individuals	724	128	112	964
Housing loans	981	224	272	1,477
Others	155	14	4	173
Total	3,850	535	618	5,003
2018				
Transport, storage and communication	321	8	3	332
Building and construction	1,212	86	31	1,329
Manufacturing	317	33	11	361
Financial institutions, investment and holding companies	294	2	2	298
General commerce	745	161	34	940
Professionals and private individuals	819	105	118	1,042
Housing loans	862	161	282	1,305
Others	185	15	4	204
Total	4,755	571	485	5,811

44. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	The Group					
	Current $ million	< 90 days $ million	90 – 180 days $ million	> 180 days $ million	Total $ million	Stage 3 ECL $ million
Analysed by geography [1]						
2019						
Singapore	578	342	172	1,091	2,183	823
Malaysia	81	59	53	419	612	174
Thailand	107	47	99	297	550	200
Indonesia	58	11	31	363	463	178
Greater China	12	4	28	57	101	24
Others	117	10	1	99	227	99
Non-performing loans	953	473	384	2,326	4,136	1,498
Debt securities, contingent items and others	102	7	2	50	161	128
Total	1,055	480	386	2,376	4,297	1,626
2018						
Singapore	529	334	167	1,055	2,085	818
Malaysia	39	39	89	391	558	161
Thailand	63	96	74	223	456	153
Indonesia	69	32	27	417	545	221
Greater China	19	29	4	68	120	53
Others	68	43	17	102	230	102
Non-performing loans	787	573	378	2,256	3,994	1,508
Debt securities, contingent items and others	98	8	1	65	172	143
Total	885	581	379	2,321	4,166	1,651

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

44. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	The Group					
	Current $ million	< 90 days $ million	90 – 180 days $ million	> 180 days $ million	Total $ million	Stage 3 ECL $ million
Analysed by industry						
2019						
Transport, storage and communication	226	7	1	416	650	354
Building and construction	9	84	56	469	618	149
Manufacturing	231	78	30	373	712	276
Financial institutions, investment and holding companies	4	–	1	34	39	23
General commerce	54	214	71	319	658	262
Professionals and private individuals	80	34	67	128	309	82
Housing loans	59	42	137	538	776	144
Others	290	14	21	49	374	208
Non-performing loans	953	473	384	2,326	4,136	1,498
Debt securities, contingent items and others	102	7	2	50	161	128
Total	1,055	480	386	2,376	4,297	1,626
2018						
Transport, storage and communication	98	55	29	631	813	512
Building and construction	22	118	68	289	497	80
Manufacturing	197	165	10	337	709	291
Financial institutions, investment and holding companies	3	1	16	21	41	23
General commerce	54	106	28	323	511	191
Professionals and private individuals	72	56	65	127	320	77
Housing loans	42	65	145	487	739	123
Others	299	7	17	41	364	211
Non-performing loans	787	573	378	2,256	3,994	1,508
Debt securities, contingent items and others	98	8	1	65	172	143
Total	885	581	379	2,321	4,166	1,651

44. Financial Risk Management (continued)

(a) Credit risk (continued)

(vii) *Security coverage of non-performing assets*

	Collateral/Credit enhancement				Unsecured credit exposure	Total
	Properties $ million	Shares/ Debentures $ million	Fixed deposits $ million	Others $ million	$ million	$ million
The Group						
2019						
Loans to customers	1,990	–	61	385	1,700	4,136
Debts securities	–	–	–	–	93	93
Others (including commitments and contingents)	13	–	5	1	49	68
Of which:						
Credit impaired assets with nil ECL due to collateral/credit enhancement	765	–	5	57	–	827
2018						
Loans to customers	1,889	6	10	451	1,638	3,994
Debts securities	–	–	–	–	93	93
Others (including commitments and contingents)	8	–	3	2	66	79
Of which:						
Credit impaired assets with nil ECL due to collateral/credit enhancement	811	–	6	71	–	888

Collaterals repossessed to settle outstanding loans were immaterial.

44. Financial Risk Management (continued)

(b) Foreign exchange risk and equity risk

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

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

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

At 31 December 2019, banking book foreign currency Expected Shortfall (ES) inclusive of structural foreign currency ES was $10.6 million (2018: $19.7 million [(1)]).

Equity price risk in the banking book arises from equity investments held for long-term strategic reasons. At the end of the reporting period, if these equity prices had been 1% higher/lower with all other variables held constant, the Group's other comprehensive income would have been $38 million (2018: $34 million) higher/lower as a result of an increase/decrease in the fair value of equity investments classified as fair value through other comprehensive income.

(c) Interest rate risk in the banking book

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

The Group's interest rate risk sensitivity is measured as changes in economic value of equity (EVE) or net interest income (NII) based on Basel Interest Rate Risk in the Banking Book requirements. At 100 and 200 basis points parallel interest rate shocks, worst case results were negative $803 million and $1,676 million (2018: negative $779 million and $1,589 million) respectively, driven mainly by the Group's SGD and USD positions.

EVE is the present value of assets less present value of liabilities of the Group. NII is the simulated change in the Group's net interest income. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Interest rate flooring effects are taken into consideration. Loan prepayment and time deposit early withdrawal rates are estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate. The average repricing maturity of core non-maturity deposits is determined through empirical models taking into account asset duration. Risk-free zero coupon curves are used for EVE discounting. Currencies are aggregated by scenarios. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

(1) The 2018 comparative number used daily Value-at-Risk (VaR) which estimates the potential loss over a given period at a 99% confidence interval.

44. Financial Risk Management (continued)

(d) **Liquidity risk**

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

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

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

	The Group							
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million	Over 1 to 3 years $ million	Over 3 years $ million	No specific maturity $ million	Total $ million
2019								
Cash, balances and placements with central banks	9,442	4,016	3,339	71	–	1,510	7,528	25,906
Securities	523	606	2,838	9,108	13,385	12,972	3,571	43,003
Placements and balances with banks	10,930	11,643	12,983	13,603	1,500	2,522	–	53,181
Loans to customers	16,557	27,780	20,306	35,633	64,479	145,499	2,954	313,208
Investment in associates and joint ventures	–	–	–	–	–	–	1,182	1,182
Intangible assets	–	–	–	–	–	–	4,148	4,148
Derivative financial assets	–	–	–	–	–	–	6,408	6,408
Others	525	13	33	178	6	2,891	3,729	7,375
Total assets	37,977	44,058	39,499	58,593	79,370	165,394	29,520	454,411
Deposits and balances of customers	154,129	38,886	51,877	64,102	2,933	942	(4)	312,865
Deposits and balances of banks, and bills and drafts payable	10,199	2,438	2,294	1,050	–	–	(1)	15,980
Debts issued	672	3,358	6,616	1,593	8,800	5,145	50	26,234
Derivative financial liabilities	–	–	–	–	–	–	6,695	6,695
Others	2,173	14	79	244	19	376	2,088	4,993
Total liabilities	167,173	44,696	60,866	66,989	11,752	6,463	8,828	366,767
Equity attributable to:								
Equity holders of the Bank	–	14	–	77	885	7,944	31,085	40,005
Non-controlling interests	–	–	–	–	–	–	227	227
Total equity	–	14	–	77	885	7,944	31,312	40,232
Net on-balance sheet position	(129,196)	(652)	(21,367)	(8,473)	66,733	150,987	(10,620)	
Net off-balance sheet position	(58,689)	(689)	(1,078)	(718)	(65)	(2,165)	(77)	
Net maturity mismatch	(187,885)	(1,341)	(22,445)	(9,191)	66,668	148,822	(10,697)	

44. Financial Risk Management (continued)

(d) Liquidity risk (continued)

(i) (continued)

	The Group							
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million	Over 1 to 3 years $ million	Over 3 years $ million	No specific maturity $ million	Total $ million
2018								
Cash, balances and placements with central banks	6,461	3,982	6,058	2,685	–	2,284	3,839	25,309
Securities	606	1,292	2,245	4,229	10,958	14,691	3,645	37,666
Placements and balances with banks	11,230	11,724	12,820	10,618	2,017	2,802	(10)	51,201
Loans to customers	16,396	29,901	18,512	36,340	60,570	141,764	1,626	305,109
Investment in associates and joint ventures	–	–	–	–	–	–	1,170	1,170
Intangible assets	–	–	–	–	–	–	4,138	4,138
Derivative financial assets	–	–	–	–	–	–	5,730	5,730
Others	993	8	29	183	1	2,056	3,379	6,649
Total assets	35,686	46,907	39,664	54,055	73,546	163,597	23,517	436,972
Deposits and balances of customers	142,953	39,393	46,111	62,393	2,349	2,020	52	295,271
Deposits and balances of banks, and bills and drafts payable	8,895	4,116	1,038	358	36	–	23	14,466
Debts issued	288	2,303	8,657	6,014	7,222	8,667	(335)	32,816
Derivative financial liabilities	–	–	–	–	–	–	5,840	5,840
Others	2,700	13	81	250	3	17	2,253	5,317
Total liabilities	154,836	45,825	55,887	69,015	9,610	10,704	7,833	353,710
Equity attributable to:								
Equity holders of the Bank	–	–	–	588	864	7,718	28,723	37,893
Non-controlling interests	–	–	–	–	–	–	190	190
Total equity	–	–	–	588	864	7,718	28,913	38,083
Net on-balance sheet position	(119,150)	1,082	(16,223)	(15,548)	63,072	145,175	(13,229)	
Net off-balance sheet position	(51,235)	(1,073)	(1,523)	(619)	156	(4,701)	(74)	
Net maturity mismatch	(170,385)	9	(17,746)	(16,167)	63,228	140,474	(13,303)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37 and 39a respectively. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2019 and 2018. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

44. Financial Risk Management (continued)

(e) Expected Shortfall

The Group adopts a daily Expected Shortfall (ES) to estimate market risk within a 97.5% confidence interval over a one-day holding period, using the historical simulation method for its trading book. This entails the estimation of tail loss based on the most recent historical data. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. It assumes that possible future changes in market rates may be implied by observed historical market movements. ES is the average portfolio loss, assuming that the loss is greater than the specified percentile of the loss distribution. With effect from 2 January 2019, the Group has adopted ES as a control for market risk. Previously, the Group used daily Value-at-Risk (VaR) which estimates the potential loss over a given period at a 99% confidence interval. The level of ES is dependent on the exposures, as well as historical market prices and volatilities. The Group runs market risk stress to complement the market risk historical simulation ES.

The table below shows the trading book ES and VaR profile by risk classes for 2019 and 2018 respectively.

	The Group			
	Year end $ million	High $ million	Low $ million	Average $ million
2019				
Interest rate	2.39	7.06	1.98	2.93
Foreign exchange	3.28	7.74	0.92	2.04
Equity	0.38	2.41	0.06	0.35
Commodity	0.37	6.59	0.07	0.67
Total ES[(1)]	7.95	14.46	6.70	8.03
2018				
Interest rate	3.59	6.28	1.74	3.49
Foreign exchange	1.18	4.86	0.81	1.67
Equity	0.25	2.95	0.13	0.60
Commodity	0.36	0.79	0.18	0.34
Specific risk	1.18	2.68	0.85	1.34
Total VaR	7.72	11.41	6.69	8.56

(1) Total ES includes jump-to-default risk component (refers to the risk that a financial instrument where the mark-to-market value directly depends on the credit quality of one or more reference underlying, may experience sudden price changes due to an unexpected default of one of these reference underlying).

45. Capital Management

The Group seeks to maintain an optimal level of capital to support its business growth strategies and investment opportunities, while meeting regulatory requirements and maintaining a strong credit rating. The Group, including the Bank and its overseas banking entities, have complied with all externally-imposed regulatory capital requirements throughout the financial year.

The Group is subject to the Basel III capital adequacy standards, as prescribed in the MAS Notice 637 (MAS 637). The Group's Common Equity Tier 1 capital comprises mainly paid up ordinary share capital and disclosed reserves. Additional Tier 1 capital includes eligible non-cumulative non-convertible perpetual securities while Tier 2 capital comprises subordinated notes and excess of accounting provisions over MAS 637 expected loss. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2019	2018
	$ million	$ million
Share capital	**4,949**	4,888
Disclosed reserves/Others	**32,012**	30,445
Regulatory adjustments	**(4,595)**	(4,583)
Common Equity Tier 1 capital	**32,366**	30,750
Perpetual capital securities/Others	**2,379**	2,129
Additional Tier 1 capital	**2,379**	2,129
Tier 1 capital	**34,745**	32,879
Subordinated notes	**3,969**	4,186
Provisions/Others	**638**	477
Tier 2 capital	**4,607**	4,663
Eligible total capital	**39,352**	37,542
Risk-weighted assets	**226,318**	220,568
Capital adequacy ratios (%)		
Common Equity Tier 1	**14.3**	13.9
Tier 1	**15.4**	14.9
Total	**17.4**	17.0

46. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 20 February 2020.