Directors' Statement

for the financial year ended 31 December 2020

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 2020.

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 2020, 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
Chia Tai Tee *(appointed on 1 October 2020)*

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 31.12.2020	At 1.1.2020 or date of appointment	At 31.12.2020	At 1.1.2020 or date of appointment
The Bank				
Ordinary shares				
Wee Ee Cheong	**3,081,455**	3,081,455	**173,701,487**	173,701,487
James Koh Cher Siang	**3,900**	3,900	**–**	–
Alvin Yeo Khirn Hai	**–**	–	**6,241**	6,119
Alexander Charles Hungate	**9,000**	9,000	**–**	–
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**	$1,000,000	**–**	–

There was no change in any of the above interests between the end of the financial year and 21 January 2021.

Directors' Statement
for the financial year ended 31 December 2020

Audit Committee
The Audit Committee comprises five members, all of whom are independent directors. The members of the Audit Committee are:

Ong Yew Huat *(Chairman)*
James Koh Cher Siang
Alvin Yeo Khirn Hai
Steven Phan Swee Kim *(appointed on 5 August 2020)*
Chia Tai Tee *(appointed on 1 October 2020)*

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

Singapore
24 February 2021

Independent Auditor's Report

for the financial year ended 31 December 2020

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 125 to 218, which comprise the balance sheets of the Bank and the Group as at 31 December 2020, 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 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the financial performance and changes in equity of the Bank for the year ended on that date.

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.

Independent Auditor's Report

for the financial year ended 31 December 2020

Areas of focus	How our audit addressed the risk factors
Expected credit losses *Refer to Notes 2(d)(vi), 3(a)(i), 3(b), 12, 21(b), 25, 27(b), 28(d), 30(b) and 31 to the consolidated financial statements.* The Group follows SFRS(I) 9 Financial Instruments requirements to calculate the expected credit loss (ECL) for its credit exposures. The credit exposures are categorised into non-impaired credit exposures and impaired credit exposures. a) *Non-impaired credit exposures* The ECL calculation on non-impaired credit exposures involves significant judgements and estimates. Areas where we have identified with greater levels of management judgement are: • the economic scenarios used and the probability weightage applied to them to measure ECLs on a forward-looking basis, reflecting management's view of potential future economic environment, specifically the COVID-19 pandemic economic impact; • the significant increase in credit risk (SICR) criteria; • the model assumptions; and • the adjustments to the model-driven ECL results to address model limitations or emerging trends.	a) *Non-impaired credit exposures* We assessed the design and evaluated the operating effectiveness of the key controls over the Group's ECL on non-impaired credit exposures computation processes with a focus on: • the completeness and accuracy of data inputs into the ECL calculation system; • the validation of models; • the selection and implementation of economic scenarios and probabilities, with the consideration of the COVID-19 impact; • the staging of credit exposures based on the Group's SICR criteria; and • the governance over post model adjustments. We involved our internal modelling specialists to assist us in performing the following procedures on a sampling basis: • 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; • checked the reasonableness of the PD, LGD and EAD used in the computations to derive the ECL amount; and • reviewed the Group's assessment of its SICR criteria. We also reviewed the Group's approach for the selection of economic scenario to assess the reasonableness of the economic scenarios and corresponding weightages applied by the Group, as well as inspected the Group's SFRS(I) 9 Working Group decisions to assess the appropriateness of management's rationale over the post model adjustments and performed a recalculation, where applicable.

<table>
<tr><th>Areas of focus</th><th>How our audit addressed the risk factors</th></tr>
<tr><td>
b) <u>Impaired credit exposures</u>
As at 31 December 2020, the Stage 3 ECL for impaired credit exposures of the Group was $1,692 million, out of which 79% pertained to the Group Wholesale Banking (GWB) portfolio.
We focused on the Stage 3 ECL for the GWB portfolio as the identification and estimation of impairment within this portfolio can be inherently subjective and requires significant judgements.
</td><td>
b) <u>Impaired credit exposures</u>
We assessed the design and evaluated the operating effectiveness of the key controls over the Stage 3 ECL estimation process for the GWB portfolio. These controls included:

collateral valuation and monitoring;
identification of impairment indicators;
MAS Notice 612 credit grading; and
oversight of Group Credit Committee.

We considered the magnitude of the credit exposures, macroeconomic factors, industry trends and latest developments in relation to COVID-19 pandemic in our audit sampling to focus on customers that are assessed to be of higher risk. With the increase in credit risk resulting from the COVID-19 pandemic, we performed additional procedures as outlined below:

reviewed the COVID-19 rating guidance for the approval of government backed loans, special relief loans and debt moratoriums by the front office; and
assessed, as part of our credit reviews of selected borrowers, the appropriateness of the Group's consideration of government measures, reliefs and other qualitative assumptions to determine the credit gradings.

For our selected sample of impaired loans, we performed the following procedures:

assessed management's forecast of recoverable cash flows, including the basis for the amounts and timing of recoveries. Where possible, we compared key assumptions to external evidence, e.g. independent valuation reports of the collaterals;
considered and corroborated the borrowers' latest developments through adverse news search and/or publicly available information;
checked that underlying data was accurate by agreeing to source documents such as loan agreements; and
tested the calculations.

Overall, the results of our evaluation of the Group's ECL were within a reasonable range of expectations.
</td></tr>
</table>

Independent Auditor's Report

for the financial year ended 31 December 2020

<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 2(d)(ii), 3(a)(ii) and 19(b) to the consolidated financial statements.

At 31 December 2020, 6% ($5 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, long dated equity derivatives, callable interest rate swaps and unquoted debt securities.

The valuation of Level 3 financial instruments was a key area of focus of our audit as the determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data. The valuation techniques used could involve the exercise of judgement and the use of assumptions and estimates.</td><td>We assessed the design and evaluated the operating effectiveness of the key controls over the Group's Level 3 financial instruments valuation processes. These controls included:
model validation and approval;
observability, completeness and accuracy of pricing inputs; and
independent price verification.
In addition, with the assistance of our internal valuation 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 2(i), 3(a)(iii) and 37 to the consolidated financial statements.

As at 31 December 2020, the Group's balance sheet included goodwill of $4 billion. The goodwill is allocated to the respective cash-generating units (CGUs) defined by the Group's operating segments.

This was a key area of focus for our audit because the goodwill 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>We focused on CGUs with a low headroom or significantly reduced headroom. Our work included the following:
reviewed the appropriateness of the CGU segmentation;
evaluated the forecasting process by reviewing historical achievement of projections;
assessed the reasonableness of key assumptions used in the forecasts, including management's consideration of the impact of the COVID-19 pandemic and continued uncertainty of the macroeconomic environment;
compared the long-term growth rates and discount rates used by management to our ranges, which were determined using external market data and calculations performed by our internal valuation specialists; and
performed sensitivity analyses to determine the impact of a reasonably possible change in the key assumptions to the VIU calculations to identify any CGU with a risk of impairment.
Based on the results of our audit procedures, the assumptions used by management in its goodwill impairment tests 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.

Independent Auditor's Report

for the financial year ended 31 December 2020

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Wilson Woo Siew Wah.

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore

24 February 2021

Income Statements

for the financial year ended 31 December 2020

In $ millions	Note	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Interest income	4	9,623	12,557	6,218	8,829
Less: Interest expense	5	3,588	5,994	2,286	4,293
Net interest income		6,035	6,563	3,932	4,536
Net fee and commission income	6	1,997	2,032	1,412	1,392
Dividend income		50	51	316	289
Rental income		106	110	80	95
Net trading income	7	594	874	358	622
Net gain from investment securities	8	286	242	129	143
Other income	9	108	158	235	193
Non-interest income		3,141	3,467	2,530	2,734
Total operating income		9,176	10,030	6,462	7,270
Less: Staff costs	10	2,501	2,716	1,528	1,644
Other operating expenses	11	1,683	1,756	1,088	1,135
Total operating expenses		4,184	4,472	2,616	2,779
Operating profit before allowance		4,992	5,558	3,846	4,491
Less: Allowance for credit and other losses	12	1,554	435	899	174
Operating profit after allowance		3,438	5,123	2,947	4,317
Share of profit of associates and joint ventures		98	51	–	–
Profit before tax		3,536	5,174	2,947	4,317
Less: Tax	13	606	812	424	587
Profit for the financial year		2,930	4,362	2,523	3,730
Attributable to:					
Equity holders of the Bank		2,915	4,343	2,523	3,730
Non-controlling interests		15	19	–	–
		2,930	4,362	2,523	3,730
Earnings per share ($)	14				
Basic		1.69	2.55		
Diluted		1.68	2.54		

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 2020

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Profit for the financial year	2,930	4,362	2,523	3,730
Other comprehensive income that will not be reclassified to income statement				
Net gain/(loss) on equity instruments at fair value through other comprehensive income	1	(845)	(16)	(870)
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	(4)	(62)	(4)	(62)
Remeasurement of defined benefit obligation	(1)	#	#	#
Related tax on items at fair value through other comprehensive income	#	(14)	2	(11)
	(4)	(921)	(18)	(943)
Other comprehensive income that may be subsequently reclassified to income statement				
Currency translation adjustments	(22)	146	15	(11)
Debt instruments at fair value through other comprehensive income				
Change in fair value	384	446	295	338
Transfer to income statement on disposal	(109)	(117)	(98)	(104)
Changes in allowance for expected credit losses	7	(52)	10	(55)
Related tax	(22)	38	(5)	61
	238	461	217	229
Change in share of other comprehensive income of associates and joint ventures	(6)	9	–	–
Other comprehensive income for the financial year, net of tax	228	(451)	199	(714)
Total comprehensive income for the financial year, net of tax	3,158	3,911	2,722	3,016
Attributable to:				
Equity holders of the Bank	3,143	3,885	2,722	3,016
Non-controlling interests	15	26	–	–
	3,158	3,911	2,722	3,016

Amount less than $500,000

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

Balance Sheets

as at 31 December 2020

In $ millions	Note	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Equity					
Share capital and other capital	15	**7,420**	7,325	**7,420**	7,325
Retained earnings	16	**24,109**	23,404	**17,510**	17,197
Other reserves	17	**9,372**	8,907	**9,786**	9,351
Equity attributable to equity holders of the Bank		**40,901**	39,636	**34,716**	33,873
Non-controlling interests	33c	**230**	228	**–**	–
Total equity		**41,131**	39,864	**34,716**	33,873
Liabilities					
Deposits and balances of:					
Banks		**15,977**	15,302	**14,257**	13,404
Customers	20	**324,598**	310,726	**251,111**	241,462
Subsidiaries		**–**	–	**14,216**	13,419
Bills and drafts payable		**792**	646	**613**	465
Derivative financial liabilities	39	**11,519**	6,695	**8,741**	5,695
Other liabilities	21	**7,379**	5,179	**5,954**	3,667
Tax payable		**374**	489	**278**	410
Deferred tax liabilities	22	**436**	299	**263**	202
Debts issued	23	**29,608**	25,209	**28,086**	23,557
Total liabilities		**390,683**	364,545	**323,519**	302,281
Total equity and liabilities		**431,814**	404,409	**358,235**	336,154
Assets					
Cash, balances and placements with central banks	24	**36,798**	25,864	**31,452**	22,319
Singapore government treasury bills and securities		**8,103**	6,199	**8,103**	6,199
Other government treasury bills and securities	25	**13,890**	15,166	**3,796**	5,120
Trading securities	26	**4,215**	2,789	**3,523**	2,506
Placements and balances with banks	27	**40,284**	52,840	**30,409**	42,456
Loans to customers	28	**277,201**	265,458	**216,629**	205,229
Placements with and advances to subsidiaries		**–**	–	**21,023**	17,971
Derivative financial assets	39	**11,368**	6,408	**8,719**	5,394
Investment securities	30	**25,217**	15,454	**18,158**	12,723
Other assets	31	**5,033**	4,906	**3,428**	3,528
Deferred tax assets	22	**429**	300	**109**	96
Investment in associates and joint ventures	32	**1,210**	1,182	**325**	350
Investment in subsidiaries	33	**–**	–	**6,199**	6,005
Investment properties	35	**964**	936	**979**	970
Fixed assets	36	**2,959**	2,759	**2,201**	2,106
Intangible assets	37	**4,143**	4,148	**3,182**	3,182
Total assets		**431,814**	404,409	**358,235**	336,154

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 2020

	The Group					
	Attributable to equity holders of the Bank					
In $ millions	Share capital and other capital	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
2020						
Balance at 1 January	7,325	23,404	8,907	39,636	228	39,864
Profit for the financial year	–	2,915	–	2,915	15	2,930
Other comprehensive income for the financial year	–	(5)	233	228	#	228
Total comprehensive income for the financial year	–	2,910	233	3,143	15	3,158
Transfers	–	(223)	223	–	–	–
Change in non-controlling interests	–	1	–	1	(6)	(5)
Dividends	–	(1,983)	–	(1,983)	(7)	(1,990)
Shares re-purchased – held in treasury	(20)	–	–	(20)	–	(20)
Shares issued under scrip dividend scheme	66	–	–	66	–	66
Share-based compensation	–	–	58	58	–	58
Shares issued under share-based compensation plan	49	–	(49)	–	–	–
Balance at 31 December	7,420	24,109	9,372	40,901	230	41,131
2019						
Balance at 1 January	7,014	21,716	8,893	37,623	190	37,813
Profit for the financial year	–	4,343	–	4,343	19	4,362
Other comprehensive income for the financial year	–	(382)	(76)	(458)	7	(451)
Total comprehensive income for the financial year	–	3,961	(76)	3,885	26	3,911
Transfers	–	(100)	100	–	–	–
Change in non-controlling interests	–	–	–	–	19	19
Dividends	–	(2,173)	–	(2,173)	(7)	(2,180)
Share-based compensation	–	–	52	52	–	52
Reclassification of share-based compensation reserves on expiry	–	#	#	–	–	–
Shares issued under share-based compensation plan	61	–	(61)	–	–	–
Perpetual capital securities issued	749	–	–	749	–	749
Redemption of perpetual capital securities	(499)	–	(1)	(500)	–	(500)
Balance at 31 December	7,325	23,404	8,907	39,636	228	39,864
Note	15	16	17			

Amount less than $500,000

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

In $ millions	Share capital and other capital	Retained earnings	Other reserves	Total equity
	The Bank			
2020				
Balance at 1 January	7,325	17,197	9,351	33,873
Profit for the financial year	–	2,523	–	2,523
Other comprehensive income for the financial year	–	(1)	200	199
Total comprehensive income for the financial year	–	2,522	200	2,722
Transfers	–	(226)	226	–
Dividends	–	(1,983)	–	(1,983)
Shares re-purchased – held in treasury	(20)	–	–	(20)
Shares issued under scrip dividend scheme	66	–	–	66
Share-based compensation	–	–	58	58
Shares issued under share-based compensation plan	49	–	(49)	–
Balance at 31 December	7,420	17,510	9,786	34,716
2019				
Balance at 1 January	7,014	16,118	9,597	32,729
Profit for the financial year	–	3,730	–	3,730
Other comprehensive income for the financial year	–	(383)	(331)	(714)
Total comprehensive income for the financial year	–	3,347	(331)	3,016
Transfers	–	(95)	95	–
Dividends	–	(2,173)	–	(2,173)
Share-based compensation	–	–	52	52
Reclassification of share-based compensation reserves on expiry	–	#	#	–
Shares issued under share-based compensation plan	61	–	(61)	–
Perpetual capital securities issued	749	–	–	749
Redemption of perpetual capital securities	(499)	–	(1)	(500)
Balance at 31 December	7,325	17,197	9,351	33,873
Note	15	16	17	

Amount less than $500,000

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 2020

In $ millions	2020	2019
Cash flows from operating activities		
Profit for the financial year	2,930	4,362
Adjustments for:		
Allowance for credit and other losses	1,554	435
Share of profit of associates and joint ventures	(98)	(51)
Tax	606	812
Depreciation of assets	454	399
Net gain on disposal of assets	(718)	(304)
Share-based compensation	58	52
Operating profit before working capital changes	4,786	5,705
Change in working capital		
Deposits and balances of banks	495	1,560
Deposits and balances of customers	13,955	16,324
Bills and drafts payable	149	1
Other liabilities	6,634	673
Restricted balances with central banks	278	(53)
Government treasury bills and securities	(398)	(2,201)
Trading securities	(988)	(828)
Placements and balances with banks	12,539	(2,085)
Loans to customers	(13,154)	(6,412)
Investment securities	(9,148)	(2,459)
Other assets	(4,818)	(1,089)
Cash generated from operations	10,330	9,136
Income tax paid	(707)	(803)
Net cash provided by operating activities	9,623	8,333
Cash flows from investing activities		
Capital injection into associates and joint ventures	(4)	(30)
Distribution from associates and joint ventures	47	66
Purchase of properties and other fixed assets	(563)	(573)
Disposal of properties and other fixed assets	9	36
Net cash used in investing activities	(511)	(501)
Cash flows from financing activities		
Perpetual capital securities issued	–	749
Redemption of perpetual capital securities	–	(500)
Issuance of debts issued (Note 23)	31,433	35,933
Redemption of debts issued (Note 23)	(27,318)	(41,538)
Shares re-purchased – held in treasury	(20)	–
Change in non-controlling interests	(6)	19
Dividends paid on ordinary shares	(1,837)	(2,085)
Distribution for perpetual capital securities	(92)	(88)
Dividends paid to non-controlling interests	(7)	(7)
Lease payments	(92)	(81)
Net cash provided by/(used in) financing activities	2,061	(7,598)
Currency translation adjustments	3	337
Net increase in cash and cash equivalents	11,176	571
Cash and cash equivalents at beginning of the financial year	20,188	19,617
Cash and cash equivalents at end of the financial year (Note 24)	31,364	20,188

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 2020

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 33 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 million 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:

- Conceptual Framework for Financial Reporting
- Amendments to SFRS(I) 3: Definition of a Business
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform
- Amendments to SFRS(I) 16: COVID-19-Related Rent Concessions
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material

The amendments to SFRS(I) 9 provide temporary exceptions to specific hedge accounting requirements, to allow hedge accounting not to be discontinued as a result of uncertainties created by interest rate benchmark reform. The Group applied the amendments retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by the interest rate benchmark reform. The Group will continue to apply the applicable exceptions until the uncertainties arising from the interest rate benchmark reform are no longer present, or when the impacted hedging relationships are discontinued. The adoption of these SFRS(I) 9 amendments did not have any significant impact on the Group for the year ended 31 December 2020.

The Group early adopted the amendments to SFRS(I) 16 which provide a practical expedient for lessees to not assess qualifying COVID-19-related rent concessions for lease modification. The adoption of these amendments did not have any impact on the Group's opening balance sheet as at 1 January 2020.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2020

2. Summary of Significant Accounting Policies (continued)

(b) Changes in Accounting Policies (continued)

(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 2021:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2

Effective for the financial year beginning on or after 1 January 2022:

- Amendments to SFRS(I) 3: Reference to the Conceptual Framework
- Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract

Effective for the financial year beginning on or after 1 January 2023:

- Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current

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

The second phase of amendments to SFRS(I) 9 related to interest rate benchmark reform provides the following practical expedients where the respective qualifying criteria are met:

a. Contract modification

Implementing interest rate benchmark reform will require changes in the basis for determining the contractual cash flows of a financial asset or a financial liability. The Phase 2 amendments permit that if certain qualifying criteria are met the effective interest rate of the financial instrument is updated to be based on the new alternative benchmark rate without adjusting the carrying amount of the financial instrument. Hence no immediate gain or loss will be recognised in the income statement. The qualifying criteria are that i) the change is necessary as a direct consequence of interest rate benchmark reform, and ii) the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change.

b. Hedge accounting

The Phase 2 amendments also permit hedge accounting of affected hedge accounting relationships not to be discontinued when the qualifying criteria in respect of the interest rate benchmark reform in (a) above are met, and the original hedging instrument is not derecognised.

c. Designation of non-contractually specified risk components

An alternative benchmark rate will be permitted to be designated as a non-contractually specified hedged risk component if the entity reasonably expects the alternative benchmark rate to be separately identifiable within 24 months of the date that the particular alternative benchmark rate is first designated. This assessment and relief is applicable on a rate-by-rate basis.

2. Summary of Significant Accounting Policies (continued)

(b) Changes in Accounting Policies (continued)

(ii) Changes Subsequent to the Financial Year (continued)

d. Accounting for modifications to lease contracts

Interest rate benchmark reform may result in a change in the basis for determining future lease payments where such lease payments are determined by reference to an interest rate benchmark. The carrying amount of lease liabilities are remeasured by discounting the revised lease payments (based on the alternative benchmark rate) using the discount rate that is updated to the alternative benchmark rate. The change in lease liabilities is recorded through a corresponding adjustment to the carrying amount of right-of-use assets, and with no immediate gain or loss recognised in the income statement.

The Group is in the process of assessing and quantifying the impact of the Phase 2 amendments.

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

(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 2(i).

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

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

(ii) Associates and Joint Ventures

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

Notes to the Financial Statements

for the financial year ended 31 December 2020

2. Summary of Significant Accounting Policies (continued)

(c) Interests in Other Entities (continued)

(ii) Associates and Joint Ventures (continued)

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 of the joint operations accordingly.

(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.

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(i) Classification (continued)

Non-Trading Debt Assets (continued)
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.

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 an accounting mismatch, in which case such fair value changes are taken to income statement. Any such gains or losses on own credit risk 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.

Notes to the Financial Statements
for the financial year ended 31 December 2020

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(ii) Measurement (continued)

Subsequent Measurement (continued)
All other financial instruments are measured at AC using the effective interest method, and for financial assets, 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 scores 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 when 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.

Notes to the Financial Statements

for the financial year ended 31 December 2020

2. Summary of Significant Accounting Policies (continued)

(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 2(f).

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.

(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 transferred to 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.

2. Summary of Significant Accounting Policies (continued)

(f) Hedge Accounting (continued)

(iv) Economic Relationship and Hedge Ineffectiveness

For the purpose of the prospective effectiveness assessment, the economic relationship between the hedging instrument and hedged item may be assessed qualitatively, by comparing that critical terms match or closely match, or by quantitative methods. The hedge ratio is determined by aligning the principal amount of the hedging instrument with that of the hedged item.

The hedge ineffectiveness of a hedging relationship is derived by comparing the fair value change of the hedging instrument with the fair value change of the hedged item. The sources of hedge ineffectiveness include differences in the timing of cash flows of the hedging instrument and the hedged item, and the change in fair value due to the credit risk of the hedging instrument.

(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.

(h) Leases as a Lessee

As a lessee, at the commencement date of a lease contract a right-of-use asset (representing the right to use the underlying leased asset) and a lease liability (representing the obligation to make lease payment) is recognised for all leases unless they are short-term or of low value. Leases payments of short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term.

Right-of-use assets are stated at cost less accumulated depreciation and impairment allowance, and adjusted for any remeasurement of lease liabilities.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amount of lease liabilities is remeasured for modifications to the lease contract or changes in expected lease obligations.

Notes to the Financial Statements

for the financial year ended 31 December 2020

2. Summary of Significant Accounting Policies (continued)

(i) 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 44(a). 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.

(j) 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 is 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.

2. Summary of Significant Accounting Policies (continued)

(k) Tax

(i) Current Tax

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

(ii) Deferred Tax

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

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

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

(iii) Offsetting

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

(l) 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.

(m) 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 2(d)(vi) under SFRS(I) 9.

(n) Undrawn Credit Facilities

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

(o) Contingent Liabilities

Contingent liabilities are (a) possible obligations arising from past events, whose existence will be confirmed only by uncertain future events or (b) present obligations arising from past events where no provision is recognised either because an outflow of economic benefits is not probable or the amount required to fulfil the obligation cannot be reliably measured.

Notes to the Financial Statements
for the financial year ended 31 December 2020

2. Summary of Significant Accounting Policies (continued)

(p) 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 the Group has satisfied its performance obligation in providing the promised products and services to the customer. 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.

(q) 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.

(r) Government Grants
Government grants are recognised when the Group has complied with the specified conditions and there is reasonable assurance that the grants will be received.

Government grants relating to assets are deducted against the carrying amount of the assets and those relating to expenses are deducted against the related expenses.

(s) 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.

(t) 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.

3. 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 are the Group's critical accounting estimates that involve judgement:

(a) Accounting Estimates and Judgements

(i) Allowance for Impairment of Financial Assets

Allowance for impairment of financial assets is determined in accordance with Note 2(d)(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 2(d)(ii) and 19(a). 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 2(i) and 37(b). 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 2(k). 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.

(b) Coronavirus (COVID-19) Pandemic

(i) Effects on Estimates and Judgements

The COVID-19 pandemic has had a pervasive effect across the world, impacting lives to livelihoods. In such an unprecedented crisis, governments responded swiftly to provide support and relief to keep people safe and maintain socioeconomic stability. A broad range of relief programs were introduced by governments across the region. These included direct funding support for people and businesses, benchmark rate cuts to help reduce debt burden and temporary relief from loan servicing. In response to the challenges faced, the Group also offered customers relief packages over and above the government-related programs.

Loans under relief by country of booking at 31 December 2020:

In $ billions	The Group
Singapore	16
Malaysia	4
Thailand	2
Indonesia	1
Rest of ASEAN/Asia Pacific	2
Total	25

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for the financial year ended 31 December 2020

3. Critical Accounting Estimates and Judgements (continued)

(b) Coronavirus (COVID-19) Pandemic (continued)

(i) Effects on Estimates and Judgements (continued)

The COVID-19 pandemic also introduced more uncertainty to the preparation of financial statements, in particular on accounting estimates where more judgement and assumptions need to be made. While various items in the financial statements were affected, the Group assessed that the most significant impact related to expected credit losses (ECL), where the Group recognised $1.6 billion in the income statement, increasing the carrying amount of total credit allowance to $4.6 billion.

The various relief programs offered to customers coupled with the enduring effects of COVID-19 on people and businesses, resulted in modifications to the typical indicators of significant increase in credit risk (Note 2(d)(vi)). Recognising these complexities, regulators and accounting bodies issued guidance to ensure that banks continued to supply financing to the real economy while maintaining prudential risk management that is aligned to the accounting requirements.

The Group remained committed to supporting customers through this pandemic. However, the Group is also cognisant of the fact that, not all customers will emerge out of this crisis the same. Hence, a holistic set of processes and controls was put in place, with senior management oversight, to ensure that the judgements and assumptions applied during this uncertain period were fair and reasonable. These comprised:

- business units having more regular updates with customers to understand their needs and developments;
- a Restructuring Taskforce, led by industry specialists, to perform independent reviews of customers that are more vulnerable and to assist customers with financing options where required;
- Credit Risk Management providing detailed application guidelines and training on the credit assessment process, taking into consideration modifications arising from various government relief programs and consider long-term customers’ business viability;
- internal stress tests being conducted on financials, capital and liquidity to ensure that the Group has the ability to absorb additional credit losses with an executable response plan, in the event that the COVID-19 situation turns worse;
- financial prudence being exercised in determining ECL, for both modelled outcomes and overlay; and
- continuous reporting and monitoring of credit quality to senior management on all the above such that the Group is able to take decisive actions to respond nimbly to changes.

(ii) ECL on Non-Impaired Assets

ECL for non-impaired assets (Note 2(d)(vi)), is influenced by forward-looking information. Due to the COVID-19-related uncertainties, forecasting macroeconomic variables for scenarios used similarly became more challenging. Forward-looking information was discussed and agreed at the ECL Working Group (ECLWG), comprising representatives from Finance, Credit Risk and Portfolio Analytics, with inputs from Economic Research on macroeconomic variables, and major country representatives to factor in country-specific feedback. The effects of COVID-19 on ECL was discussed throughout the year and presented at the ECLWG, where there was robust challenge on judgements and assumptions used. The scenarios and the corresponding forecasts used were considered reasonable and supportable by the ECLWG based on the information available at the relevant point in time.

3. Critical Accounting Estimates and Judgements (continued)

(b) Coronavirus (COVID-19) Pandemic (continued)

(ii) ECL on Non-Impaired Assets (continued)

The Group recognises that models developed based on historical experience have limitations, especially due to the unprecedented nature of this pandemic. Hence, the ECLWG guided for appropriate levels of overlays to be made to compensate for model limitations. In this regard, the results from the governance processes on COVID-19 (Note 3(b)(i)) were discussed at the ECLWG and overlays held at the reporting date were aligned to guidance from regulatory and accounting bodies. The more significant overlays relate to the following:

- vulnerable exposures identified through the Restructuring Taskforce review;
- portfolio assessment of relief impacts on retail default rates; and
- model limitations.

Judgments and assumptions applied in determining overlays were approved by the ECLWG.

(iii) ECL on Impaired Assets

ECL on impaired assets was determined in the same manner as in previous years (Note 2(d)(vi)). COVID-19 introduced uncertainties to the credit review process which, despite additional guidance provided by regulators, required greater level of judgment to determine customers' long-term business viability, with relief being made available and forecast of debt recovery from operating cash flows and/or collateral.

Hence, overlays recognised (Note 3(b)(ii)) were to ensure that adequate allowance is recognised for potential difference between assumptions during the credit assessment process at a point in time and the eventual outcome in the future.

While there have been positive developments to curb the pandemic spread, at this point it remains difficult to predict with high levels of certainty when the pandemic will ebb, and consequently the actual financial impacts. Due to the considerable degree of judgment involved in estimating ECL, actual outcomes may differ significantly from the modelled ECL because COVID-19-related uncertainties are mostly beyond the control of the Group. However, the Group believes that with robust governance, process and controls, sensible forward-looking information used, coupled with overlays to compensate for judgement and assumption inaccuracies, ECL recorded is adequate.

4. Interest Income

	The Group		The Bank	
In $ millions	**2020**	2019	**2020**	2019
Loans to customers	**7,963**	10,108	**5,088**	6,925
Placements and balances with banks	**829**	1,562	**699**	1,357
Government treasury bills and securities	**430**	498	**129**	217
Trading and investment securities	**401**	389	**302**	330
	9,623	12,557	**6,218**	8,829
Of which, interest income on:				
Financial assets measured at amortised cost	**8,706**	11,772	**5,701**	8,370
Financial assets measured at fair value through profit or loss	**173**	64	**123**	6
Financial assets measured at fair value through other comprehensive income	**744**	721	**394**	453

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5. Interest Expense

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Deposits of customers	3,174	4,992	1,938	3,413
Deposits and balances of banks and debts issued	410	998	346	877
Lease payables	4	4	2	3
	3,588	5,994	2,286	4,293
Of which, interest expense on:				
Financial liabilities measured at amortised cost	3,560	5,942	2,261	4,255
Financial liabilities measured at fair value through profit or loss	28	52	25	38

6. Net Fee and Commission Income

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Credit card (1)	386	488	277	350
Fund management	275	236	12	11
Wealth management	710	641	580	495
Loan-related (2)	506	558	418	444
Service charges	142	155	122	131
Trade-related (3)	281	297	186	192
Others	13	37	16	26
	2,313	2,412	1,611	1,649
Fee and commission expenses	(316)	(380)	(199)	(257)
Net fee and commission income	1,997	2,032	1,412	1,392
Of which, fee and commission from:				
Financial assets not measured at fair value through profit or loss	385	449	321	367
Provision of trust and other fiduciary services	13	10	11	9

(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.

7. Net Trading Income

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Net gain/(loss) from:				
Foreign exchange	238	594	195	456
Interest rate and others	442	460	249	346
Financial liabilities designated at fair value through profit or loss	(86)	(180)	(86)	(180)
	594	874	358	622

8. Net Gain from Investment Securities

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Fair value through other comprehensive income	190	152	111	106
Amortised cost	2	–	10	3
Fair value through profit or loss – mandatory	94	90	8	34
	286	242	129	143

9. Other Income

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Net gain/(loss) from:				
Disposal of investment properties	9	23	43	23
Disposal of fixed assets	#	3	#	1
Disposal/Liquidation of subsidiaries, associates or joint ventures	(3)	(3)	1	1
Others	102	135	191	168
	108	158	235	193

Amount less than $500,000

10. Staff Costs

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Salaries, bonuses and allowances (1)	1,940	2,131	1,160	1,283
Employer's contribution to defined contribution plans	169	185	109	109
Share-based compensation	58	52	45	41
Others	334	348	214	211
	2,501	2,716	1,528	1,644
Of which:				
The Bank's directors' remuneration	10	11	10	11
Depreciation of right-of-use assets	1	1	1	1

(1) Includes government staff-related grant relief for COVID-19 received of $134 million (2019: nil) for the Group and $124 million (2019: nil) for the Bank.

Notes to the Financial Statements

for the financial year ended 31 December 2020

11. Other Operating Expenses

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Revenue-related	**577**	688	**297**	339
Occupancy-related [1]	**321**	334	**197**	212
IT-related	**582**	504	**468**	443
Others	**203**	230	**126**	141
	1,683	1,756	**1,088**	1,135
Of which:				
Directors' fees	**4**	4	**3**	2
Depreciation of fixed assets and investment properties	**363**	311	**263**	216
Depreciation of right-of-use assets	**90**	87	**60**	63
Auditors' remuneration paid/payable to:				
Auditors of the Bank	**3**	3	**2**	2
Affiliates of auditors of the Bank	**3**	3	**1**	1
Other auditors	**#**	#	**#**	#
Non-audit fees paid/payable to:				
Auditors of the Bank	**1**	1	**1**	1
Affiliates of auditors of the Bank	**1**	1	**#**	1
Other auditors	**#**	#	**#**	#
Expenses on investment properties	**55**	59	**40**	39
Fee expenses arising from financial liabilities not at fair value through profit or loss	**66**	64	**26**	21

\# *Amount less than $500,000*

(1) Includes COVID-19-related rent concessions and property tax rebate received of $12 million (2019: nil) for the Group and $11 million (2019: nil) for the Bank.

12. Allowance for Credit and Other Losses

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Stage 1 and 2 ECL allowance/(write-back)	**916**	(19)	**608**	(86)
Stage 3 ECL allowance/(write-back) for:				
Loans (Note 28(d))	**679**	469	**320**	237
Others	**(5)**	3	**(6)**	(1)
(Write-back)/Allowance for other losses	**(36)**	(18)	**(23)**	24
	1,554	435	**899**	174

13. Tax

The tax charge to the income statements comprises the following:

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
On profit for the financial year				
Current tax	647	832	425	596
Deferred tax	(43)	18	11	24
	604	850	436	620
(Over)/Under-provision of prior years				
Current tax	(7)	(44)	(11)	(33)
Deferred tax	(11)	3	(1)	#
Effect of change in tax rate	5	–	–	–
Share of tax of associates and joint ventures	15	3	–	–
	606	812	424	587

 # Amount less than $500,000

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:

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Operating profit after allowance	3,438	5,123	2,947	4,317
Prima facie tax calculated at tax rate of 17% (2019: 17%)	584	871	501	734
Effects of:				
Income taxed at concessionary rates	(66)	(123)	(66)	(123)
Different tax rates in other countries	99	120	64	64
Income not subject to tax	(66)	(40)	(102)	(68)
Expenses not deductible for tax	44	25	38	13
Others	9	(3)	1	#
Tax expense on profit for the financial year	604	850	436	620

 # Amount less than $500,000

Notes to the Financial Statements
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14. Earnings Per Share

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

In $ millions	The Group 2020	2019
Profit attributable to equity holders of the Bank	**2,915**	4,343
Distribution on perpetual capital securities	**(91)**	(97)
Adjusted profit	**2,824**	4,246
Weighted average number of ordinary shares ('000)		
In issue	**1,669,799**	1,667,405
Adjustment for potential ordinary shares under share-based compensation plan	**7,187**	5,976
Diluted	**1,676,986**	1,673,381
EPS ($)		
Basic	**1.69**	2.55
Diluted	**1.68**	2.54

15. Share Capital and Other Capital

(a)

	2020 Number of shares '000	2020 Amount $ million	2019 Number of shares '000	2019 Amount $ million
Ordinary shares				
Balance at 1 January	**1,680,541**	**5,233**	1,680,541	5,233
Shares issued under scrip dividend scheme	**3,375**	**66**	–	–
Balance at 31 December	**1,683,916**	**5,299**	1,680,541	5,233
Treasury shares				
Balance at 1 January	**(12,207)**	**(284)**	(14,834)	(345)
Shares re-purchased – held in treasury	**(993)**	**(20)**	–	–
Shares issued under share-based compensation plan	**2,099**	**49**	2,627	61
Balance at 31 December	**(11,101)**	**(255)**	(12,207)	(284)
Ordinary share capital	**1,672,815**	**5,044**	1,668,334	4,949
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016		**748**		748
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017		**879**		879
3.58% non-cumulative non-convertible perpetual capital securities issued on 17 July 2019		**749**		749
Share capital and other capital of the Bank and the Group		**7,420**		7,325

15. Share Capital and Other Capital (continued)

(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 2,099,000 (2019: 2,627,000) treasury shares to participants of the share-based compensation plan.

(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 Swap Offer Rate (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.

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16. Retained Earnings

(a)

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Balance at 1 January	**23,404**	21,716	**17,197**	16,118
Profit for the financial year attributable to equity holders of the Bank	**2,915**	4,343	**2,523**	3,730
Net losses on equity instruments at fair value through other comprehensive income	**(4)**	(382)	**(1)**	(383)
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**#**	#	**#**	#
Remeasurement of defined benefit obligation	**(1)**	#	**#**	#
Transfer to other reserves	**(223)**	(100)	**(226)**	(95)
Reclassification of share-based compensation reserves on expiry	**–**	#	**–**	#
Change in non-controlling interests	**1**	–	**–**	–
Dividends				
Ordinary shares				
Final dividend of 55 cents (2019: 50 cents) and special dividend of 20 cents (2019: 20 cents) tax-exempt per share paid in respect of prior financial year	**(1,252)**	(1,167)	**(1,252)**	(1,167)
Interim dividend of 39 cents (2019: 55 cents) tax-exempt per share paid in respect of the financial year	**(651)**	(918)	**(651)**	(918)
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	**–**	(24)	**–**	(24)
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	**(26)**	(30)	**(26)**	(30)
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017	**(30)**	(34)	**(30)**	(34)
3.58% non-cumulative non-convertible perpetual capital securities issued on 17 July 2019	**(24)**	–	**(24)**	–
	(1,983)	(2,173)	**(1,983)**	(2,173)
Balance at 31 December	**24,109**	23,404	**17,510**	17,197

Amount less than $500,000

(b) The retained earnings are distributable reserves except for an amount of $619 million (2019: $549 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 2020, the directors have proposed a final tax-exempt dividend of 39 cents per ordinary share amounting to a total dividend of $652 million. The proposed dividend will be accounted for in Year 2021 financial statements upon approval of the equity holders of the Bank.

17. Other Reserves

(a)

In $ millions	The Group Fair value reserve	Foreign currency translation reserve	Share-based compensation reserve	Merger reserve	Statutory reserves	General reserve	Share of reserves of associates and joint ventures	Others	Total
2020									
Balance at 1 January	719	(1,316)	79	3,060	486	6,216	83	(420)	8,907
Other comprehensive income for the financial year	263	(22)	–	–	–	–	(8)	–	233
Transfers	–	–	–	(2)	224	(3)	–	4	223
Share-based compensation	–	–	58	–	–	–	–	–	58
Shares issued under share-based compensation plan	–	–	(49)	–	–	–	–	#	(49)
Balance at 31 December	982	(1,338)	88	3,058	710	6,213	75	(416)	9,372
2019									
Balance at 1 January	947	(1,463)	74	3,065	378	6,216	78	(402)	8,893
Other comprehensive income for the financial year	(228)	147	–	–	–	–	5	–	(76)
Transfers	–	–	–	(5)	108	–	–	(3)	100
Share-based compensation	–	–	52	–	–	–	–	–	52
Reclassification of share-based compensation reserves on expiry	–	–	#	–	–	–	–	–	#
Shares issued under share-based compensation plan	–	–	(47)	–	–	–	–	(14)	(61)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	(1)	(1)
Balance at 31 December	719	(1,316)	79	3,060	486	6,216	83	(420)	8,907

Amount less than $500,000

Notes to the Financial Statements

for the financial year ended 31 December 2020

17. Other Reserves (continued)

(a) (continued)

	The Bank							
In $ millions	Fair value reserve	Foreign currency translation reserve	Share-based compensation reserve	Merger reserve	Statutory reserves	General reserve	Others	Total
2020								
Balance at 1 January	577	(103)	79	3,060	100	5,720	(82)	9,351
Other comprehensive income for the financial year	186	14	–	–	–	–	–	200
Transfers	–	–	–	(2)	228	–	–	226
Share-based compensation	–	–	58	–	–	–	–	58
Shares issued under share-based compensation plan	–	–	(49)	–	–	–	#	(49)
Balance at 31 December	763	(89)	88	3,058	328	5,720	(82)	9,786
2019								
Balance at 1 January	898	(93)	74	3,065	–	5,720	(67)	9,597
Other comprehensive income for the financial year	(321)	(10)	–	–	–	–	–	(331)
Transfers	–	–	–	(5)	100	–	–	95
Share-based compensation	–	–	52	–	–	–	–	52
Reclassification of share-based compensation reserves on expiry	–	–	#	–	–	–	–	#
Shares issued under share-based compensation plan	–	–	(47)	–	–	–	(14)	(61)
Redemption of perpetual capital securities	–	–	–	–	–	–	(1)	(1)
Balance at 31 December	577	(103)	79	3,060	100	5,720	(82)	9,351

Amount less than $500,000

(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 loss of $1 million (2019: unrealised gain of $3 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 plan.

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

(f) Statutory reserves include regulatory loss allowance reserve and reserve maintained in accordance with the provisions of applicable laws and regulations.

17. Other Reserves (continued)

(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.

18. Classification of Financial Assets and Financial Liabilities

(a)

	The Group					
In $ millions	HFT	FVPL - mandatory	FVPL - designated	FVOCI	AC	Total
2020						
Cash, balances and placements with central banks	3,004	–	–	2,609	31,185	36,798
Singapore government treasury bills and securities	71	–	–	8,032	–	8,103
Other government treasury bills and securities	1,562	–	4	12,311	13	13,890
Trading securities	4,215	–	–	–	–	4,215
Placements and balances with banks	11,435	–	–	4,457	24,392	40,284
Loans to customers	4,212	–	–	–	272,989	277,201
Derivative financial assets	11,368	–	–	–	–	11,368
Investment securities						
Debt	–	41	–	17,946	4,448	22,435
Equity	–	901	–	1,881	–	2,782
Other assets	1,850	–	–	3	3,034	4,887
Total financial assets	37,717	942	4	47,239	336,061	421,963
Non-financial assets						9,851
Total assets						431,814
Deposits and balances of banks and customers	1,135	–	993	–	338,447	340,575
Bills and drafts payable	–	–	–	–	792	792
Derivative financial liabilities	11,519	–	–	–	–	11,519
Other liabilities	3,471	–	–	#	2,767	6,238
Debts issued	–	–	917	–	28,691	29,608
Total financial liabilities	16,125	–	1,910	#	370,697	388,732
Non-financial liabilities						1,951
Total liabilities						390,683

Amount less than $500,000

Notes to the Financial Statements

for the financial year ended 31 December 2020

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

(a) (continued)

In $ millions	HFT	FVPL - mandatory	FVPL - designated	FVOCI	AC	Total
	The Group					
2019						
Cash, balances and placements with central banks	3,131	–	–	2,230	20,503	25,864
Singapore government treasury bills and securities	476	–	–	5,723	–	6,199
Other government treasury bills and securities	888	–	4	14,261	13	15,166
Trading securities	2,789	–	–	–	–	2,789
Placements and balances with banks	14,119	–	–	8,395	30,326	52,840
Loans to customers	3,452	–	–	–	262,006	265,458
Derivative financial assets	6,408	–	–	–	–	6,408
Investment securities						
Debt	–	–	–	9,988	2,671	12,659
Equity	–	896	–	1,899	–	2,795
Other assets	2,017	–	–	2	2,726	4,745
Total financial assets	33,280	896	4	42,498	318,245	394,923
Non-financial assets						9,486
Total assets						404,409
Deposits and balances of banks and customers	1,382	–	1,305	–	323,341	326,028
Bills and drafts payable	–	–	–	–	646	646
Derivative financial liabilities	6,695	–	–	–	–	6,695
Other liabilities	1,010	–	–	#	3,502	4,512
Debts issued	–	–	1,474	–	23,735	25,209
Total financial liabilities	9,087	–	2,779	#	351,224	363,090
Non-financial liabilities						1,455
Total liabilities						364,545

Amount less than $500,000

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

(a) (continued)

In $ millions	HFT	FVPL - mandatory	FVPL - designated	FVOCI	AC	Total
	The Bank					
2020						
Cash, balances and placements with central banks	3,004	–	–	2,231	26,217	31,452
Singapore government treasury bills and securities	71	–	–	8,032	–	8,103
Other government treasury bills and securities	836	–	–	2,947	13	3,796
Trading securities	3,523	–	–	–	–	3,523
Placements and balances with banks	10,845	–	–	3,074	16,490	30,409
Loans to customers	4,121	–	–	–	212,508	216,629
Placements with and advances to subsidiaries	668	–	–	–	20,355	21,023
Derivative financial assets	8,719	–	–	–	–	8,719
Investment securities						
Debt	–	41	–	11,985	4,284	16,310
Equity	–	313	–	1,535	–	1,848
Other assets	1,224	–	–	1	2,130	3,355
Total financial assets	33,011	354	–	29,805	281,997	345,167
Non-financial assets						13,068
Total assets						358,235
Deposits and balances of banks, customers and subsidiaries	1,060	–	993	–	277,531	279,584
Bills and drafts payable	–	–	–	–	613	613
Derivative financial liabilities	8,741	–	–	–	–	8,741
Other liabilities	3,372	–	–	–	1,514	4,886
Debts issued	–	–	917	–	27,169	28,086
Total financial liabilities	13,173	–	1,910	–	306,827	321,910
Non-financial liabilities						1,609
Total liabilities						323,519

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

(a) (continued)

In $ millions	The Bank HFT	FVPL - mandatory	FVPL - designated	FVOCI	AC	Total
2019						
Cash, balances and placements with central banks	2,771	–	–	2,040	17,508	22,319
Singapore government treasury bills and securities	476	–	–	5,723	–	6,199
Other government treasury bills and securities	301	–	–	4,807	12	5,120
Trading securities	2,506	–	–	–	–	2,506
Placements and balances with banks	13,134	–	–	5,957	23,365	42,456
Loans to customers	3,317	–	–	–	201,912	205,229
Placements with and advances to subsidiaries	655	–	–	–	17,316	17,971
Derivative financial assets	5,394	–	–	–	–	5,394
Investment securities						
Debt	–	–	–	8,309	2,420	10,729
Equity	–	403	–	1,591	–	1,994
Other assets	1,523	–	–	#	1,928	3,451
Total financial assets	30,077	403	–	28,427	264,461	323,368
Non-financial assets						12,786
Total assets						336,154
Deposits and balances of banks, customers and subsidiaries	1,140	–	1,305	–	265,840	268,285
Bills and drafts payable	–	–	–	–	465	465
Derivative financial liabilities	5,695	–	–	–	–	5,695
Other liabilities	905	–	–	#	2,186	3,091
Debts issued	–	–	1,474	–	22,083	23,557
Total financial liabilities	7,740	–	2,779	#	290,574	301,093
Non-financial liabilities						1,188
Total liabilities						302,281

\# *Amount less than $500,000*

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 41.

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

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

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Financial liabilities				
Deposits and balances of banks, customers and subsidiaries	**972**	1,312	**972**	1,312
Debts issued	**947**	1,497	**947**	1,497
	1,919	2,809	**1,919**	2,809

19. 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. These policies apply to all assets and liabilities classified as fair value through profit and loss and fair value through other comprehensive income. 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 expected to approximate the carrying amounts and 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;
- 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.

Notes to the Financial Statements

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19. 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					
	2020			2019		
In $ millions	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Cash, balances and placements with central banks	2,081	3,532	–	2,252	3,109	–
Singapore government treasury bills and securities	8,103	–	–	6,199	–	–
Other government treasury bills and securities	11,650	2,227	–	13,828	1,325	–
Trading securities	2,938	301	976	1,764	49	976
Placements and balances with banks	–	15,892	–	–	22,514	–
Loans to customers	–	4,212	–	–	3,452	–
Derivative financial assets	207	11,041	120	91	6,211	106
Investment securities						
Debt	12,053	3,713	2,221	5,783	1,408	2,797
Equity	871	–	1,911	879	–	1,916
Other assets	1,623	230	–	1,774	245	–
	39,526	41,148	5,228	32,570	38,313	5,795
Total financial assets carried at fair value			85,902			76,678
Deposits and balances of banks and customers	–	2,128	–	–	2,687	–
Derivative financial liabilities	196	11,133	190	97	6,413	185
Other liabilities	50	3,421	–	133	877	–
Debts issued	–	917	–	–	1,474	–
	246	17,599	190	230	11,451	185
Total financial liabilities carried at fair value			18,035			11,866

19. Fair Values of Financial Instruments (continued)

(b) (continued)

In $ millions	The Bank 2020 Level 1	2020 Level 2	2020 Level 3	2019 Level 1	2019 Level 2	2019 Level 3
Cash, balances and placements with central banks	1,703	3,532	–	1,700	3,111	–
Singapore government treasury bills and securities	8,103	–	–	6,199	–	–
Other government treasury bills and securities	3,165	618	–	4,865	243	–
Trading securities	2,936	69	518	1,765	22	719
Placements and balances with banks	–	13,919	–	–	19,091	–
Loans to customers	–	4,121	–	–	3,317	–
Placements with and advances to subsidiaries	–	668	–	–	655	–
Derivative financial assets	73	8,526	120	39	5,249	106
Investment securities						
Debt	7,896	2,841	1,289	5,237	838	2,234
Equity	703	–	1,145	751	–	1,243
Other assets	1,201	24	–	1,497	26	–
	25,780	34,318	3,072	22,053	32,552	4,302
Total financial assets carried at fair value			63,170			58,907
Deposits and balances of banks, customers and subsidiaries	–	2,053	–	–	2,445	–
Derivative financial liabilities	112	8,439	190	122	5,389	184
Other liabilities	50	3,322	–	133	772	–
Debts issued	–	917	–	–	1,474	–
	162	14,731	190	255	10,080	184
Total financial liabilities carried at fair value			15,083			10,519

Notes to the Financial Statements

for the financial year ended 31 December 2020

19. 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						
In $ millions	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
2020								
Assets								
Trading securities	976	3	–	673	(676)	#	976	3
Derivative financial assets	106	14	–	–	–	–	120	14
Investment securities – debt	2,797	(22)	(2)	1,772	(2,231)	(93)[1]	2,221	–
Investment securities – equity	1,916	33	60	192	(300)	10	1,911	30
Liabilities								
Derivative financial liabilities	185	5	–	–	–	–	190	5
2019								
Assets								
Trading securities	870	33	–	689	(615)	(1)	976	33
Derivative financial assets	232	(126)	–	–	–	–	106	(126)
Investment securities – debt	1,237	#	47	2,087	(971)	397[2]	2,797	–
Investment securities – equity	2,672	2	(965)	580	(374)	1	1,916	2
Liabilities								
Derivative financial liabilities	307	(122)	–	–	–	–	185	(122)

Amount less than $500,000

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

19. Fair Values of Financial Instruments (continued)

(c) (continued)

	The Bank							
		Fair value gains or losses						
In $ millions	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
2020								
Assets								
Trading securities	719	3	–	216	(420)	#	518	3
Derivative financial assets	106	14	–	–	–	–	120	14
Investment securities – debt	2,234	–	(2)	1,175	(2,101)	(17)[1]	1,289	–
Investment securities – equity	1,243	3	33	58	(192)	–	1,145	1
Liabilities								
Derivative financial liabilities	184	6	–	–	–	–	190	6
2019								
Assets								
Trading securities	817	33	–	432	(562)	(1)	719	33
Derivative financial assets	223	(117)	–	–	–	–	106	(117)
Investment securities – debt	1,235	#	55	2,002	(971)	(87)[1]	2,234	–
Investment securities – equity	2,035	(17)	(996)	390	(170)	1	1,243	(17)
Liabilities								
Derivative financial liabilities	297	(113)	–	–	–	–	184	(113)

\# *Amount less than $500,000*

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

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19. Fair Values of Financial Instruments (continued)

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

At 31 December 2020, 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:

In $ millions	The Group 2020	The Group 2019	Classification	Valuation technique	Unobservable inputs
Assets					
Trading securities – debt	**976**	976	FVPL	Discounted Cash Flow	Credit Spreads
Derivative financial assets	**120**	106	FVPL	Option Pricing Model	Volatilities and Correlations
Investment securities – debt	**2,221**	2,797	FVOCI/FVPL	Discounted Cash Flow and Option Pricing Model	Credit Spreads and Volatilities
Investment securities – equity	**1,911**	1,916	FVOCI/FVPL	Multiples, Net Asset Value and Recent Transaction Price	Net Asset Value, Earnings and Financial Ratio Multiples
Liabilities					
Derivative financial liabilities	**190**	185	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 inputs). 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 inputs is assessed to be insignificant.

20. Deposits and Balances of Customers

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Fixed deposits	**134,034**	155,768	**96,007**	115,317
Savings deposits	**91,620**	78,410	**69,826**	61,501
Current accounts	**81,963**	62,779	**68,772**	52,197
Others	**16,981**	13,769	**16,506**	12,447
	324,598	310,726	**251,111**	241,462

21. Other Liabilities

(a)

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Accrued interest payable	**494**	974	**328**	742
Accrued operating expenses	**1,014**	1,123	**678**	687
ECL allowance (Note 21(b))	**265**	214	**158**	130
Lease liabilities	**190**	166	**129**	109
Sundry creditors	**4,901**	1,954	**4,372**	1,373
Others	**515**	748	**289**	626
	7,379	5,179	**5,954**	3,667

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

In $ millions	The Group Stage 1	Stage 2	Stage 3	Total
2020				
Balance at 1 January	**167**	**26**	**21**	**214**
Transfers between Stages	**6**	**(6)**	**–**	**–**
Remeasurement [(1)]	**(6)**	**18**	**–**	**12**
Changes in models [(2)]	**38**	**8**	**–**	**46**
Write-back to income statement	**(45)**	**(16)**	**(13)**	**(74)**
Currency translation adjustments	**(1)**	**#**	**(#)**	**(1)**
Reclassification	**41**	**27**	**–**	**68**
Balance at 31 December	**200**	**57**	**8**	**265**
2019				
Balance at 1 January	197	48	36	281
Transfers between Stages	3	(3)	2	2
Write-back to income statement	(17)	(13)	(17)	(47)
Currency translation adjustments	2	#	#	2
Reclassification	(18)	(6)	–	(24)
Balance at 31 December	167	26	21	214

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21. Other Liabilities (continued)

(b) *Movement of ECL allowance for other liabilities (continued)*

	The Bank			
In $ millions	Stage 1	Stage 2	Stage 3	Total
2020				
Balance at 1 January	103	16	11	130
Transfers between Stages	4	(4)	–	–
Remeasurement [(1)]	(4)	7	–	3
Changes in models [(2)]	24	5	–	29
Write-back to income statement	(46)	(10)	(7)	(63)
Currency translation adjustments	#	#	#	#
Reclassification	37	22	–	59
Balance at 31 December	118	36	4	158
2019				
Balance at 1 January	115	36	25	176
Transfers between Stages	4	#	#	4
Write-back to income statement	(16)	(20)	(14)	(50)
Currency translation adjustments	#	#	#	#
Balance at 31 December	103	16	11	130

\# *Amount less than $500,000*

(1) Remeasurement relates to the changes in ECL following a transfer between stages.
(2) Changes in models include the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables.

(c) *Contractual maturity for lease liabilities*

	The Group		The Bank	
In $ millions	**2020**	2019	**2020**	2019
Maturity for lease liabilities				
Within 1 year	60	68	44	48
Over 1 to 5 years	111	94	76	58
Over 5 years	19	4	9	3
	190	166	129	109

22. Deferred Tax

(a) Deferred tax comprises the following:

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Deferred tax liabilities on:				
Unrealised gain on FVOCI financial assets	62	45	11	7
Accelerated tax depreciation	217	198	209	189
Unrealised gain on financial instruments at FVPL	108	63	–	–
Fair value of depreciable assets acquired in business combination	22	24	22	24
Others	54	20	55	20
	463	350	297	240
Amount offset against deferred tax assets	(27)	(51)	(34)	(38)
	436	299	263	202
Deferred tax assets on:				
Allowance for impairment	218	155	84	71
Unrealised loss on financial instruments at FVPL	102	59	–	–
Others	136	137	59	63
	456	351	143	134
Amount offset against deferred tax liabilities	(27)	(51)	(34)	(38)
	429	300	109	96
Net deferred tax (liabilities)/assets	(7)	1	(154)	(106)

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

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Balance at 1 January	1	5	(106)	(119)
Effect of change in tax rate	(5)	–	–	–
Currency translation adjustments	#	3	1	(1)
Credit/(Charge) to income statement	54	(21)	(11)	(24)
(Charge)/Credit to equity	(57)	14	(38)	38
Balance at 31 December	(7)	1	(154)	(106)

 # Amount less than $500,000

The Group has not recognised deferred tax assets in respect of tax losses of $26 million (2019: $28 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 $10 million (2019: $8 million) which will expire between the years 2021 and 2030 (2019: 2020 and 2029).

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23. Debts Issued

(a)

In $ millions		Issuance/ Maturity date	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Subordinated notes	**Note (b)**					
SGD500 million 3.50% subordinated notes callable in 2020	(i)	22 May 2014/ 22 May 2026	–	500	–	500
USD700 million 3.50% subordinated notes callable in 2021	(ii)	16 Mar 2016/ 16 Sep 2026	933	939	933	939
HKD700 million 3.19% subordinated notes callable in 2023	(iii)	26 Aug 2016/ 26 Aug 2028	122	118	122	118
USD600 million 2.88% subordinated notes callable in 2022	(iv)	8 Sep 2016/ 8 Mar 2027	808	811	808	811
SGD750 million 3.50% subordinated notes callable in 2024	(v)	27 Feb 2017/ 27 Feb 2029	797	774	797	774
USD600 million 3.75% subordinated notes callable in 2024	(vi)	15 Apr 2019/ 15 Apr 2029	837	826	837	826
USD600 million 1.75% subordinated notes callable in 2026	(vii)	16 Sep 2020/ 16 Mar 2031	789	–	789	–
RM1 billion 4.65% subordinated notes callable in 2020	(viii)	8 May 2015/ 8 May 2025	–	329	–	–
RM600 million 4.80% subordinated notes callable in 2023	(ix)	25 Jul 2018/ 25 Jul 2028	206	201	–	–
RM750 million 3.00% subordinated notes callable in 2025	(x)	3 Aug 2020/ 2 Aug 2030	247	–	–	–
THB6 billion 3.56% subordinated notes callable in 2022	(xi)	20 Sep 2017/ 20 Sep 2027	265	271	–	–
IDR433 billion 11.35% subordinated notes	(xii)	28 May 2014/ 28 May 2021	41	42	–	–
IDR100 billion 9.40% subordinated notes	(xiii)	25 Nov 2016/ 25 Nov 2023	9	10	–	–
IDR500 billion 9.25% subordinated notes	(xiv)	17 Oct 2017/ 17 Oct 2024	47	48	–	–
IDR100 billion 9.85% subordinated notes	(xv)	5 Jul 2019/ 5 Jul 2026	9	9	–	–
IDR650 billion 9.25% subordinated notes	(xvi)	13 Nov 2019/ 13 Nov 2026	61	63	–	–

23. Debts Issued (continued)

(a) (continued)

In $ millions		Issuance/ Maturity date	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Subordinated notes (continued)	**Note (b)**					
CNY1 billion 4.80% subordinated notes	(xvii)	15 Nov 2019/ 19 Nov 2029	**192**	180	**–**	–
Total subordinated notes			**5,363**	5,121	**4,286**	3,968
Other debts	**Note (c)**					
Interest rate-linked notes	(i)		**762**	1,074	**762**	1,074
Equity-linked notes	(ii)		**156**	397	**156**	397
Floating rate notes	(iii)		**3,359**	2,341	**3,359**	2,341
Fixed rate notes	(iv)		**1,781**	2,512	**1,336**	2,013
Commercial papers	(v)		**11,938**	8,729	**11,938**	8,729
Covered bonds	(vi)		**6,244**	5,009	**6,244**	5,009
Others	(vii)		**5**	26	**5**	26
Total other debts			**24,245**	20,088	**23,800**	19,589
Total debts issued			**29,608**	25,209	**28,086**	23,557
Of which, fair value hedge loss						
Subordinated notes			**139**	51	**130**	47
Other debts			**69**	55	**69**	55

(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%.

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23. Debts Issued (continued)

(b) *Subordinated notes (continued)*

(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 the Bank with interest payable semi-annually at a fixed rate of 1.75% per annum up to but excluding 16 March 2026. From and including 16 March 2026, 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 1.52%.

(viii) 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.

(ix) 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.

(x) Issued by United Overseas Bank (Malaysia) Bhd with interest payable semi-annually at 3.00% per annum. The notes are redeemable on 1 August 2025 or at any interest payment date thereafter.

(xi) 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.

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

(xiii) Issued by PT Bank UOB Indonesia with interest payable quarterly at a fixed rate of 9.40% 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 PT Bank UOB Indonesia with interest payable quarterly at a fixed rate of 9.85% per annum.

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

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

(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 27 October 2050. 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 8 January 2021 to 2 December 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 6 April 2021 to 27 October 2025. Interest is payable quarterly at a floating rate.

(iv) The fixed rate notes comprise mainly notes issued by the Bank with maturities ranging from 15 March 2021 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	7.40% to 9.60% per annum
THB	2.16% per annum

23. Debts Issued (continued)

(c) *Other debts (continued)*

(v) The commercial papers were issued by the Bank between 5 August 2020 and 11 December 2020 and mature between 3 February 2021 and 23 November 2021. Interest rates of the papers ranged from 0.18% to 0.31% per annum (2019: 1.85% to 2.16% per annum).

(vi) As at 31 December 2020, 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.

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 London Inter-Bank Offered Rate (LIBOR) plus 0.24% 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.

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.

EUR1 billion fixed rate covered bonds issued by the Bank on 1 December 2020 at 101.553 with maturity on 1 December 2027. Interest is payable annually at a fixed rate of 0.01% per annum.

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

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

	The Group				
		Cash flows		Non-cash changes	
In $ millions	Balance at 1 January	Issuance	Redemption	Foreign exchange movement/Others	Balance at 31 December
2020					
Debt issued	**25,209**	**31,433**	**(27,318)**	**284**	**29,608**
2019					
Debt issued	30,605	35,933	(41,538)	209	25,209

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24. Cash, Balances and Placements with Central Banks

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Cash on hand	814	953	563	574
Non-restricted balances with central banks	30,550	19,235	26,678	17,667
Cash and cash equivalents	31,364	20,188	27,241	18,241
Restricted balances with central banks	5,437	5,684	4,213	4,079
ECL allowance	(3)	(8)	(2)	(1)
	36,798	25,864	31,452	22,319

25. Other Government Treasury Bills and Securities

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Other government treasury bills and securities [1]	13,890	15,166	3,796	5,120
ECL allowance	#	#	#	#
	13,890	15,166	3,796	5,120

Amount less than $500,000

(1) Includes ECL allowance on other government treasury bills and securities at FVOCI of $5 million (2019: $16 million) for the Group and $1 million (2019: $6 million) for the Bank.

26. Trading Securities

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Quoted securities				
Debt	981	1,369	974	1,369
Equity	1,922	384	1,922	384
Unquoted securities				
Debt	1,312	1,036	627	753
	4,215	2,789	3,523	2,506

27. Placements and Balances with Banks

(a)

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Placements and balances with banks [1]	40,320	52,868	30,420	42,470
ECL allowance (Note 27(b))	(36)	(28)	(11)	(14)
	40,284	52,840	30,409	42,456

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

27. Placements and Balances with Banks (continued)

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

	The Group		
In $ millions	Stage 1	Stage 2	Total
2020			
Balance at 1 January	22	6	28
Transfers between Stages	#	#	–
Remeasurement (1)	–	1	1
Changes in models (2)	1	1	2
Net charge to income statement	3	1	4
Currency translation adjustments	(1)	#	(1)
Reclassification	1	1	2
Balance at 31 December	26	10	36
2019			
Balance at 1 January	54	13	67
Transfers between Stages	#	2	2
Write-back to income statement	(5)	(#)	(5)
Currency translation adjustments	#	#	#
Reclassification	(27)	(9)	(36)
Balance at 31 December	22	6	28

	The Bank		
In $ millions	Stage 1	Stage 2	Total
2020			
Balance at 1 January	12	2	14
Transfers between Stages	#	#	–
Remeasurement (1)	–	1	1
Changes in models (2)	#	#	#
Write-back to income statement	(3)	(1)	(4)
Currency translation adjustments	#	#	#
Balance at 31 December	9	2	11
2019			
Balance at 1 January	37	9	46
Transfers between Stages	#	2	2
Net charge/(write-back) to income statement	#	(1)	(1)
Currency translation adjustments	#	#	#
Reclassification	(25)	(8)	(33)
Balance at 31 December	12	2	14

\# *Amount less than $500,000*

(1) Remeasurement relates to the changes in ECL following a transfer between stages.
(2) Changes in models include the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables.

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28. Loans to Customers

(a)

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Gross loans to customers	**281,387**	268,676	**219,037**	207,075
ECL allowance (Note 28(d))	**(4,186)**	(3,218)	**(2,408)**	(1,846)
Loans to customers	**277,201**	265,458	**216,629**	205,229
Comprising:				
Trade bills	**4,031**	3,917	**1,941**	1,660
Advances to customers	**273,170**	261,541	**214,688**	203,569
	277,201	265,458	**216,629**	205,229

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

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Transport, storage and communication	**11,411**	11,036	**9,464**	9,362
Building and construction	**71,702**	66,992	**63,895**	59,826
Manufacturing	**20,194**	19,380	**12,483**	11,544
Financial institutions, investment and holding companies	**31,259**	26,098	**28,475**	23,176
General commerce	**34,488**	32,713	**25,055**	23,440
Professionals and private individuals	**27,637**	29,458	**17,842**	19,368
Housing loans	**68,562**	68,586	**48,869**	48,924
Others	**16,134**	14,413	**12,954**	11,435
	281,387	268,676	**219,037**	207,075

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

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Singapore Dollar	**129,503**	125,447	**129,395**	125,283
US Dollar	**49,336**	47,562	**45,214**	42,845
Malaysian Ringgit	**26,849**	26,167	**–**	#
Thai Baht	**18,666**	18,299	**#**	–
Indonesian Rupiah	**5,581**	5,681	**–**	–
Others	**51,452**	45,520	**44,428**	38,947
	281,387	268,676	**219,037**	207,075

Amount less than $500,000

28. Loans to Customers (continued)

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

In $ millions	The Group Stage 1	Stage 2	Stage 3	Total
2020				
Balance at 1 January	1,231	490	1,497	3,218
New loans originated or purchased	140	–	–	140
Loans derecognised or repaid	(59)	(35)	(427)	(521)
Transfers to Stage 1	41	(35)	(6)	–
Transfers to Stage 2	(28)	37	(9)	–
Transfers to Stage 3	(7)	(28)	35	–
Charge for existing loans	5	454	946	1,405
Remeasurement [(1)]	(36)	179	271	414
Changes in models [(2)]	142	64	–	206
Bad debts recovery	–	–	(131)	(131)
Net charge to income statement	198	636	679	1,513
Unwind of discounts	–	–	(49)	(49)
Net write-off	–	–	(494)	(494)
Currency translation adjustments	14	2	(18)	(2)
Reclassification	(33)	(17)	50	–
Balance at 31 December	1,410	1,111	1,665	4,186
2019				
Balance at 1 January	1,085	486	1,508	3,079
New loans originated or purchased	126	–	–	126
Loans derecognised or repaid	(74)	(57)	(172)	(303)
Transfers to Stage 1	15	(53)	(10)	(48)
Transfers to Stage 2	(20)	104	(3)	81
Transfers to Stage 3	(4)	(26)	249	219
Charge for existing loans	15	8	534	557
Bad debts recovery	–	–	(129)	(129)
Net charge/(write-back) to income statement	58	(24)	469	503
Unwind of discounts	–	–	35	35
Net write-off	–	–	(504)	(504)
Currency translation adjustments	14	3	(11)	6
Reclassification	74	25	–	99
Balance at 31 December	1,231	490	1,497	3,218

(1) Remeasurement relates to the changes in ECL following a transfer between stages.
(2) Changes in models include the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables.

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28. Loans to Customers (continued)

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

	The Bank			
In $ millions	Stage 1	Stage 2	Stage 3	Total
2020				
Balance at 1 January	550	207	1,089	1,846
New loans originated or purchased	93	–	–	93
Loans derecognised or repaid	(38)	(19)	(304)	(361)
Transfers to Stage 1	15	(14)	(1)	–
Transfers to Stage 2	(11)	12	(1)	–
Transfers to Stage 3	(2)	(8)	10	–
Charge for existing loans	130	250	513	893
Remeasurements [(1)]	(12)	76	144	208
Changes in models [(2)]	85	35	–	120
Bad debts recovery	–	–	(41)	(41)
Net charge to income statement	260	332	320	912
Unwind of discounts	–	–	(29)	(29)
Net write-off	–	–	(295)	(295)
Currency translation adjustments	2	(2)	(17)	(17)
Reclassification	(37)	(22)	50	(9)
Balance at 31 December	775	515	1,118	2,408
2019				
Balance at 1 January	457	251	1,124	1,832
New loans originated or purchased	73	–	–	73
Loans derecognised or repaid	(50)	(41)	(62)	(153)
Transfers to Stage 1	5	(24)	(2)	(21)
Transfers to Stage 2	(8)	48	#	40
Transfers to Stage 3	(1)	(12)	134	121
Charge/(Write-back) for existing loans	1	(38)	195	158
Bad debts recovery	–	–	(28)	(28)
Net charge/(write-back) to income statement	20	(67)	237	190
Unwind of discounts	–	–	18	18
Net write-off	–	–	(268)	(268)
Currency translation adjustments	#	(1)	(22)	(23)
Reclassification	73	24	–	97
Balance at 31 December	550	207	1,089	1,846

\# *Amount less than $500,000*

(1) Remeasurement relates to the changes in ECL following a transfer between stages.
(2) Changes in models include the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables.

29. 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	
In $ millions	**2020**	2019	**2020**	2019
Singapore government and central bank treasury bills and securities	**2,087**	650	**2,087**	650
Other government treasury bills and securities	**476**	450	**41**	136
Placements and balances with banks – negotiable certificates of deposit	**87**	49	**87**	49
Investment securities	**2,243**	1,003	**2,243**	1,002
	4,893	2,152	**4,458**	1,837

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	
In $ millions	**2020**	2019	**2020**	2019
Assets received for reverse repo transactions, at fair value	**15,907**	18,411	**12,386**	14,596
Of which, sold or re-pledged	**336**	602	**336**	602

(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.

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29. 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:

In $ millions	2020 Reverse repo	2020 Repo	2019 Reverse repo	2019 Repo
The Group				
Carrying amount on the balance sheet subject to netting agreements (1)	16,298	4,473	17,614	2,378
Amount nettable (2)	(629)	(629)	(391)	(391)
Financial collateral	(15,668)	(3,842)	(17,218)	(1,986)
Net amounts	1	2	5	1
The Bank				
Carrying amount on the balance sheet subject to netting agreements (1)	12,034	4,047	13,883	2,082
Amount nettable (2)	(629)	(629)	(391)	(391)
Financial collateral	(11,404)	(3,416)	(13,487)	(1,690)
Net amounts	1	2	5	1

(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 2020, there were seven (2019: seven) covered bonds outstanding comprising five EUR fixed rate covered bonds, one USD fixed rate covered bond and one GBP floating rate covered bond, with assigned residential mortgages of approximately $10,856 million (2019: $9,923 million).

30. Investment Securities

(a)

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Quoted securities				
Debt (1)	11,289	6,353	7,038	5,616
Equity	883	879	702	751
Unquoted securities				
Debt (2)	11,164	6,339	9,289	5,144
Equity	1,899	1,916	1,145	1,243
ECL allowance (Note 30(b))	(18)	(33)	(16)	(31)
	25,217	15,454	18,158	12,723

(1) Includes ECL allowance on quoted debt securities at FVOCI of $9 million (2019: $54 million) for the Group and $7 million (2019: $54 million) for the Bank.
(2) Includes ECL allowance on unquoted debt securities at FVOCI of $31 million (2019: $16 million) for the Group and $14 million (2019: $1 million) for the Bank.

30. Investment Securities (continued)

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

	The Group			
In $ millions	Stage 1	Stage 2	Stage 3	Total
2020				
Balance at 1 January	5	1	27	33
Transfers between Stages	#	#	–	#
Remeasurement [(1)]	#	–	–	#
Changes in models [(2)]	8	#	–	8
Net (write-back)/charge to income statement	(1)	5	–	4
Net write-off	#	#	(26)	(26)
Currency translation adjustments	#	#	(1)	(1)
Balance at 31 December	12	6	–	18
2019				
Balance at 1 January	1	2	27	30
Transfers between Stages	#	(1)	–	(1)
Net charge/(write-back) to income statement	4	#	#	4
Currency translation adjustments	#	#	–	#
Balance at 31 December	5	1	27	33

	The Bank			
In $ millions	Stage 1	Stage 2	Stage 3	Total
2020				
Balance at 1 January	3	1	27	31
Transfers between Stages	#	#	–	#
Remeasurement [(1)]	#	–	–	#
Changes in models [(2)]	#	#	–	#
Net charge to income statement	7	5	–	12
Net write-off	#	#	(26)	(26)
Currency translation adjustments	#	#	(1)	(1)
Balance at 31 December	10	6	–	16
2019				
Balance at 1 January	1	2	27	30
Transfers between Stages	#	(1)	–	(1)
Net charge/(write-back) to income statement	2	#	#	2
Currency translation adjustments	#	#	–	#
Balance at 31 December	3	1	27	31

\# *Amount less than $500,000*

(1) Remeasurement relates to the changes in ECL following a transfer between stages.
(2) Changes in models include the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables.

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30. Investment Securities (continued)

(c) *Investment securities analysed by industry*

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Transport, storage and communication	**1,563**	1,180	**1,169**	774
Building and construction	**1,282**	1,018	**1,235**	970
Manufacturing	**1,169**	1,123	**1,151**	1,096
Financial institutions, investment and holding companies	**12,851**	7,470	**7,327**	5,658
General commerce	**1,048**	817	**905**	710
Others	**7,304**	3,846	**6,371**	3,515
	25,217	15,454	**18,158**	12,723

(d) *Equity investments designated at FVOCI*

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

In 2020, the related dividend income was $41 million (2019: $43 million) at the Group and $24 million (2019: $35 million) at the Bank.

During the year, equity investments of $93 million (2019: $402 million) at the Group and $42 million (2019: $383 million) at the Bank were realised. Related net loss recognised within equity was $1 million (2019: $383 million) at the Group and $1 million (2019: $383 million) at the Bank.

31. Other Assets

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Sundry debtors	**2,076**	1,583	**1,438**	949
Interest receivable	**1,020**	1,107	**603**	775
Foreclosed properties	**108**	110	**–**	–
Allowance for impairment	**(94)**	(87)	**(16)**	#
ECL allowance	**(11)**	(22)	**(3)**	(2)
Others	**1,934**	2,215	**1,406**	1,806
	5,033	4,906	**3,428**	3,528

\# *Amount less than $500,000*

32. Investment in Associates and Joint Ventures

(a)

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Material associate:				
UOB-Kay Hian Holdings Limited	**617**	578	**67**	67
Other associates/joint ventures	**611**	622	**396**	421
	1,228	1,200	**463**	488
Allowance for impairment (Note 34)	**(18)**	(18)	**(138)**	(138)
	1,210	1,182	**325**	350
Fair value of quoted investments at 31 December	**442**	379	**442**	379

Name of associate	Principal activities	Country of incorporation	Effective equity interest of the Group 2020 %	Effective equity interest of the Group 2019 %
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	**37**	38

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

In $ millions	The Group 2020	The Group 2019
Profit for the financial year	**28**	31
Other comprehensive income	**(7)**	(9)
Total comprehensive income	**21**	22

(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 are as follows:

In $ millions	2020	2019
Statement of comprehensive income		
Operating income	**577**	383
Profit for the financial year	**148**	44
Other comprehensive income	**2**	37
Total comprehensive income	**150**	81

Notes to the Financial Statements

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32. Investment in Associates and Joint Ventures (continued)

(c) (continued)

In $ millions	2020	2019
Balance sheet		
Current assets	6,487	4,929
Non-current assets	111	121
Total assets	6,598	5,050
Current liabilities	4,941	3,525
Non-current liabilities	11	10
Total liabilities	4,952	3,535
Net assets	1,646	1,515
Group's ownership interest	37%	38%
Group's share of net assets	617	578
Other adjustments	–	–
Carrying amount of the investment	617	578

Dividends of $13 million (2019: $15 million) were received from UOB-Kay Hian Holdings Limited.

33. Investment in Subsidiaries

(a)

	The Bank	
In $ millions	2020	2019
Quoted investments	45	45
Unquoted investments	6,380	6,180
	6,425	6,225
Allowance for impairment (Note 34)	(226)	(220)
	6,199	6,005
Fair value of quoted investments at 31 December	240	247

33. 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 2020 %	2019 %
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 (1)	Vietnam	**100**	100
Financial Services			
United Overseas Insurance Limited	Singapore	**58**	58
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 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	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.

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33. Investment in Subsidiaries (continued)

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

Only United Overseas Insurance Limited has NCI that is material to the Group:

Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period $ million	Accumulated NCI at the end of reporting period $ million	Dividend paid to NCI $ million
2020				
Singapore	**42**	**10**	**177**	**6**
2019				
Singapore	42	17	174	6

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

In $ millions	2020	2019
Statement of comprehensive income		
Operating income	**50**	64
Profit before tax	**30**	46
Tax	**6**	6
Profit for the financial year	**24**	40
Other comprehensive income	**(3)**	13
Total comprehensive income	**21**	53
Balance sheet		
Total assets	**632**	637
Total liabilities	**208**	219
Net assets	**424**	418
Other information		
Net cash flows from operations	**6**	1
Acquisition of property, plant and equipment	**54**	1

(1) Including consolidation adjustments but before inter-company 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.

33. 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	
In $ millions	2020	2019
Total assets of structured entities [1]	21,843	20,021
Maximum exposure to loss – Investment in funds	268	254
Fee income	175	182
Net gain from investment securities	41	55

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

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

	The Group	
	Investment in associates and joint ventures	
In $ millions	2020	2019
Balance at 1 January and 31 December	18	18

	The Bank			
	Investment in associates and joint ventures		Investment in subsidiaries	
In $ millions	2020	2019	2020	2019
Balance at 1 January	138	138	220	220
Net charge to income statement	–	–	6	–
Balance at 31 December	138	138	226	220

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35. Investment Properties

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Balance at 1 January	936	1,013	970	1,079
Currency translation adjustments	8	(5)	1	#
Additions	49	17	2	1
Disposals	(1)	(7)	(18)	(7)
Depreciation charge	(20)	(20)	(15)	(15)
Allowance for impairment	(1)	–	–	–
Transfers	(7)	(62)	39	(88)
Balance at 31 December	964	936	979	970
Represented by:				
Cost	1,303	1,251	1,239	1,218
Accumulated depreciation	(338)	(315)	(260)	(248)
Allowance for impairment	(1)	–	–	–
Net carrying amount	964	936	979	970
Freehold property	583	371	641	609
Leasehold property	381	565	338	361
	964	936	979	970
Fair value hierarchy				
Level 2	247	274	247	278
Level 3	2,972	2,922	2,303	2,362
	3,219	3,196	2,550	2,640

Amount less than $500,000

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 a 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.

36. Fixed Assets

In $ millions	2020 Owner-occupied properties	2020 Others	2020 Right-of-use assets	2020 Total	2019 Owner-occupied properties	2019 Others	2019 Right-of-use assets	2019 Total
The Group								
Balance at 1 January	1,048	1,541	170	2,759	974	1,292	188	2,454
Currency translation adjustments	5	(3)	#	2	9	9	#	18
Additions	47	467	136	650	28	528	71	627
Disposals	(2)	(1)	(22)	(25)	(1)	(21)	(1)	(23)
Depreciation charge	(26)	(317)	(91)	(434)	(24)	(267)	(88)	(379)
(Allowance for)/ Write-back of impairment	#	–	–	#	#	–	–	#
Transfers	7	–	–	7	62	–	–	62
Balance at 31 December	1,079	1,687	193	2,959	1,048	1,541	170	2,759
Represented by:								
Cost	1,490	3,620	360	5,470	1,438	3,251	257	4,946
Accumulated depreciation	(409)	(1,933)	(167)	(2,509)	(388)	(1,710)	(87)	(2,185)
Allowance for impairment	(2)	–	–	(2)	(2)	–	–	(2)
Net carrying amount	1,079	1,687	193	2,959	1,048	1,541	170	2,759
Freehold property	818				575			
Leasehold property	261				473			
	1,079				1,048			
Fair value hierarchy								
Level 2	546				548			
Level 3	3,367				3,352			
	3,913				3,900			

Amount less than $500,000

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36. Fixed Assets (continued)

	2020				2019			
In $ millions	Owner-occupied properties	Others	Right-of-use assets	Total	Owner-occupied properties	Others	Right-of-use assets	Total
The Bank								
Balance at 1 January	836	1,158	112	2,106	760	932	136	1,828
Additions	6	360	77	443	1	430	40	471
Disposals	–	#	#	#	#	(16)	–	(16)
Depreciation charge	(13)	(235)	(61)	(309)	(13)	(188)	(64)	(265)
Transfers	(39)	–	–	(39)	88	–	–	88
Balance at 31 December	790	1,283	128	2,201	836	1,158	112	2,106
Represented by:								
Cost	1,022	2,617	251	3,890	1,058	2,280	175	3,513
Accumulated depreciation	(232)	(1,334)	(123)	(1,689)	(222)	(1,122)	(63)	(1,407)
Net carrying amount	790	1,283	128	2,201	836	1,158	112	2,106
Freehold property	635				677			
Leasehold property	155				159			
	790				836			
Fair value hierarchy								
Level 2	257				251			
Level 3	2,121				2,266			
	2,378				2,517			

\# *Amount less than $500,000*

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 a 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.

37. Intangible Assets

(a) *Goodwill*

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Balance at 1 January	**4,148**	4,139	**3,182**	3,182
Currency translation adjustments	**(5)**	7	**–**	–
Addition	**–**	2	**–**	–
Balance at 31 December	**4,143**	4,148	**3,182**	3,182
Represented by:				
Cost	**4,143**	4,148	**3,182**	3,182
Net carrying amount	**4,143**	4,148	**3,182**	3,182

(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 2020	Discount rate 2019	Growth rate 2020	Growth rate 2019
Singapore	**6.54**	7.43	**2.73**	1.90
Thailand	**8.97**	9.76	**2.12**	3.44
Indonesia	**9.76**	9.38	**4.68**	5.42

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.

38. 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.

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Direct credit substitutes	**3,023**	3,878	**2,087**	3,132
Transaction-related contingencies	**14,238**	17,931	**10,034**	8,598
Trade-related contingencies	**9,623**	10,127	**7,766**	8,177
Others	**236**	428	**3**	1
	27,120	32,364	**19,890**	19,908

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39. 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 45.

(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.

	2020			2019		
In $ millions	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
The Group						
Foreign exchange contracts						
Forwards	56,787	961	1,089	64,979	480	568
Swaps	240,002	3,332	4,036	262,824	1,631	1,692
Futures	1	–	#	4	#	–
Options purchased	7,422	183	–	10,585	97	–
Options written	7,482	–	138	10,187	–	98
Interest rate contracts						
Swaps	472,615	6,491	5,728	569,231	3,988	3,953
Futures	307	#	#	1,210	#	#
Options purchased	1,449	6	–	1,276	4	–
Options written	2,655	–	3	2,200	–	2
Equity-related contracts						
Swaps	1,164	11	43	846	6	35
Futures	2	#	–	5	–	#
Options purchased	2,474	65	–	2,092	52	–
Options written	1,967	–	81	4,177	–	83
Credit-related contracts						
Swaps	796	#	44	1,019	#	27
Others						
Forwards	911	18	27	837	4	6
Swaps	4,997	90	134	4,826	52	130
Futures	5,442	207	195	4,480	90	97
Options purchased	103	4	–	296	4	–
Options written	139	–	1	319	–	4
	806,715	11,368	11,519	941,393	6,408	6,695

Amount less than $500,000

39. Financial Derivatives (continued)

(a) (continued)

In $ millions	2020 Notional amount	2020 Positive fair value	2020 Negative fair value	2019 Notional amount	2019 Positive fair value	2019 Negative fair value
The Bank						
Foreign exchange contracts						
Forwards	54,031	900	1,058	62,766	432	592
Swaps	154,522	1,482	1,926	196,226	1,101	1,063
Futures	1	–	#	4	#	–
Options purchased	3,960	86	–	5,590	53	–
Options written	4,397	–	84	5,435	–	47
Interest rate contracts						
Swaps	423,653	6,027	5,312	514,828	3,692	3,685
Futures	303	#	#	1,210	#	#
Options purchased	1,406	5	–	1,205	2	–
Options written	2,611	–	2	2,129	–	2
Equity-related contracts						
Swaps	1,164	11	43	840	5	34
Futures	2	#	–	5	–	#
Options purchased	2,459	65	–	2,080	52	–
Options written	1,952	–	81	4,165	–	82
Credit-related contracts						
Swaps	796	#	44	1,019	#	27
Others						
Forwards	319	8	7	419	2	2
Swaps	3,864	76	123	4,123	27	101
Futures	1,563	58	60	1,184	25	57
Options purchased	86	1	–	288	3	–
Options written	134	–	1	313	–	3
	657,223	8,719	8,741	803,829	5,394	5,695

\# *Amount less than $500,000*

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39. 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.

	2020		2019	
In $ millions	**Positive fair value**	**Negative fair value**	Positive fair value	Negative fair value
The Group				
Carrying amount on the balance sheet	11,368	11,519	6,408	6,695
Amount not subject to netting agreements	(2,241)	(1,109)	(1,152)	(972)
Amount subject to netting agreements	9,127	10,410	5,256	5,723
Amount nettable [(1)]	(7,976)	(7,976)	(4,545)	(4,545)
Financial collateral	(524)	(1,272)	(234)	(412)
Net amounts	627	1,162	477	766
The Bank				
Carrying amount on the balance sheet	8,719	8,741	5,394	5,695
Amount not subject to netting agreements	(2,384)	(1,092)	(1,212)	(968)
Amount subject to netting agreements	6,335	7,649	4,182	4,727
Amount nettable [(1)]	(5,697)	(5,697)	(3,758)	(3,758)
Financial collateral	(415)	(1,070)	(184)	(290)
Net amounts	223	882	240	679

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

40. Commitments

(a)

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Undrawn credit facilities	**153,460**	154,581	**118,161**	122,938
Spot/Forward contracts	**3,887**	2,584	**3,720**	2,592
Trade commitments	**2,014**	3,333	**1,282**	2,668
Capital commitments	**384**	446	**155**	153
Operating lease commitments	**21**	19	**5**	3
Others	**641**	282	**586**	208
	160,407	161,245	**123,909**	128,562

(b) *Operating lease commitments*

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

In $ millions	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Minimum lease receivable				
Within 1 year	**88**	83	**66**	63
Over 1 to 5 years	**134**	128	**76**	70
Over 5 years	**47**	59	**#**	–
	269	270	**142**	133

 # Amount less than $500,000

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41. Hedge Accounting

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

	The Group				
In $ millions	Carrying amount of assets/ (liabilities)	Changes in fair value	Type of risk hedged	Notional amount	Maturity profile of fair value hedge
2020					
Hedging instruments					
Fair value hedge					
Derivatives – Interest rate swaps	174	116	Interest rate risk	12,434	Less than 10 years
Customer deposits	(24)	(1)	Foreign exchange risk	–	Within 1 year
Net investment hedge					
Customer deposits	(3,483)	8	Foreign exchange risk	–	
Hedged items relating to fair value hedges					
Assets					
Loans	423	#			
Debt securities	2,057	(5)			
Equity securities at FVOCI	24	1			
Liabilities					
Customer deposits	(173)	#			
Subordinated debts	(3,704)	(93)			
Other debts issued	(6,545)	(18)			
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 issued	(6,018)	(50)			

 # Amount less than $500,000

41. Hedge Accounting (continued)

In $ millions	Carrying amount of assets/ (liabilities)	Changes in fair value	Type of risk hedged	Notional amount	Maturity profile of fair value hedge
	The Bank				
2020					
Hedging instruments					
Fair value hedge					
Derivatives – Interest rate swaps	165	111	Interest rate risk	12,237	Less than 10 years
Customer deposits	(24)	(1)	Foreign exchange risk	–	Within 1 year
Net investment hedge					
Customer deposits	(3,464)	8	Foreign exchange risk	–	
Hedged items relating to fair value hedges					
Assets					
Loans	423	#			
Debt securities	2,057	(5)			
Equity securities at FVOCI	24	1			
Liabilities					
Customer deposits	(173)	#			
Subordinated debts	(3,498)	(88)			
Other debts issued	(6,545)	(18)			
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 issued	(6,018)	(50)			

Amount less than $500,000

The ineffectiveness arising from these hedges was insignificant.

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41. Hedge Accounting (continued)

Impact of interest rate benchmark reform on hedge accounting relationships

The global reform of existing benchmark inter-bank offered rates (IBORs) with alternative risk-free benchmark rates has caused uncertainties around the timing and nature of these changes, in particular with respect to the timing and amount of future interest rate benchmark-based cash flows of financial instruments.

A number of the Group's hedge accounting relationships are affected by interest rate benchmark reform. The hedge accounting relationships that are affected are primarily those in which financial instruments that are designated as hedging instruments reference SOR and LIBOR. As permitted by the amendments to SFRS(I) 9, the Group has applied the following reliefs to continue the hedge accounting on affected hedge accounting relationships:

- the Group assumes that the interest rate benchmark on which the hedged cash flows and/or hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform

- for a hedge of a non-contractually specified benchmark component of interest rate risk, the Group has assumed that the risk component is separately identifiable at initial designation at the inception of the hedging relationship

The Group has established a steering committee to oversee the Group's IBOR transition plan. The steering committee comprises members from the risk management, global markets, business units, finance, technology and operations, data management and international management. The transition from IBOR benchmarks to alternative reference rates will require amendments to be made to legal contracts and agreements, update of hedge designations, changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications.

42. Share-Based Compensation Plan

The share-based compensation of the Group consists of the UOB Restricted Share (RS) Plan.

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 minimum three-year period, subject to local regulatory requirements.

Participating employees who leave the Group before the RS is 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 the plan are as follows:

	The Group	
	Number of Restricted shares	
	2020	2019
	'000	'000
Balance at 1 January	**5,976**	6,055
Granted	**3,456**	2,470
Forfeited/Cancelled	**(146)**	(100)
Vested	**(2,099)**	(2,449)
Balance at 31 December	**7,187**	5,976

Year granted	Expiry date	Fair value per grant at grant date $	Number of outstanding grants 2020 '000	2019 '000
2017	11 May 2019 and 11 May 2020	21.50 and 23.00	**–**	1,517
2018	24 Apr 2020 and 24 Apr 2021	27.03 and 22.95	**1,373**	2,009
2019	23 Apr 2021 and 23 Apr 2022	24.68	**2,401**	2,450
2020	15 Apr 2022, 15 Apr 2023 and 15 Apr 2024	18.88 and 18.05	**3,413**	–
			7,187	5,976

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:

Year granted	2020	2019
Expected volatility (%) [1]	**16.85 and 17.18**	16.99
Risk-free interest rate (%)	**0.62 – 0.66 and 0.7**	1.88 – 1.91
Contractual life (years)	**2, 3 and 4**	2 and 3
Expected dividend yield (%)	Management's forecast in line with dividend policy	

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

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43. 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 include the following:

(a)

	The Group		The Bank	
In $ millions	2020	2019	2020	2019
Interest income				
Subsidiaries	–	–	262	363
Associates and joint ventures	10	8	10	8
Interest expense				
Subsidiaries	–	–	225	258
Associates and joint ventures	12	18	9	16
Dividend income				
Subsidiaries	–	–	269	227
Associates and joint ventures	–	–	16	22
Rental income				
Subsidiaries	–	–	3	4
Associates and joint ventures	#	–	#	–
Rental and other expenses				
Subsidiaries	–	–	63	112
Associates and joint ventures	19	26	18	26
Fee and commission and other income				
Subsidiaries	–	–	221	136
Associates and joint ventures	3	11	1	1
Placements, securities, loans and advances				
Subsidiaries	–	–	21,023	17,972
Associates and joint ventures	946	838	946	838
Deposits				
Subsidiaries	–	–	14,216	13,419
Associates and joint ventures	2,740	1,267	2,443	1,123
Off-balance sheet credit facilities (1)				
Subsidiaries	–	–	94	316
Associates and joint ventures	308	34	308	34

Amount less than $500,000

(1) Includes guarantees issued by the Group of $3 million (2019: $4 million) and the Bank of $13 million (2019: $212 million).

43. Related Party Transactions (continued)

(b)

In $ millions	The Bank 2020	2019
Compensation of key management personnel		
Short-term employee benefits	20	20
Long-term employee benefits	2	2
Share-based payment	14	15
	36	37

44. 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.

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44. Segment Information (continued)

(a) *Operating segments (continued)*

Selected income statement items

	The Group				
In $ millions	GR	GWB	GM	Others	Total
2020					
Net interest income	2,772	3,026	422	(185)	6,035
Non-interest income	1,331	1,030	347	433	3,141
Operating income	4,103	4,056	769	248	9,176
Operating expenses	(2,039)	(955)	(270)	(920)	(4,184)
Allowance for credit and other losses	(510)	(771)	(10)	(263)	(1,554)
Share of profit of associates and joint ventures	–	8	–	90	98
Profit before tax	1,554	2,338	489	(845)	3,536
Tax					(606)
Profit for the financial year					2,930
Other information					
Capital expenditure	47	42	9	465	563
Depreciation of assets	65	29	12	348	454
2019					
Net interest income	2,973	2,977	95	518	6,563
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)	(1,032)	(277)	(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	2,786	314	65	5,174
Tax					(812)
Profit for the financial year					4,362
Other information					
Capital expenditure	55	49	22	447	573
Depreciation of assets	58	24	10	307	399

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.

44. Segment Information (continued)

(a) *Operating segments (continued)*

Selected balance sheet items

	The Group				
In $ millions	GR	GWB	GM	Others	Total
2020					
Segment assets	107,654	195,056	85,093	38,658	426,461
Intangible assets – goodwill	1,316	2,086	659	82	4,143
Investment in associates and joint ventures	2	171	–	1,037	1,210
Total assets	108,972	197,313	85,752	39,777	431,814
Segment liabilities	169,042	163,278	46,755	11,608	390,683
Other information					
Gross customer loans	108,020	172,281	1,052	34	281,387
Non-performing assets	1,297	3,254	11	46	4,608
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

\# *Amount less than $500,000*

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

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44. 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						
In $ millions	Singapore	Malaysia	Thailand	Indonesia	Other Asia Pacific	Rest of the world	Total
2020							
Net interest income	2,998	777	734	365	897	264	6,035
Non-interest income	1,862	338	258	190	335	158	3,141
Operating income	4,860	1,115	992	555	1,232	422	9,176
Operating expenses	(2,267)	(439)	(600)	(344)	(484)	(50)	(4,184)
Allowance for credit and other losses	(692)	(244)	(282)	(150)	(153)	(33)	(1,554)
Share of profit of associates and joint ventures	94	#	–	–	(2)	6	98
Profit before tax	1,995	432	110	61	593	345	3,536
Total assets before intangible assets	248,541	44,121	27,638	10,707	81,348	15,316	427,671
Intangible assets	3,182	–	728	233	–	–	4,143
Total assets	251,723	44,121	28,366	10,940	81,348	15,316	431,814
2019							
Net interest income	3,752	738	762	327	683	301	6,563
Non-interest income	2,004	346	295	158	563	101	3,467
Operating income	5,756	1,084	1,057	485	1,246	402	10,030
Operating expenses	(2,480)	(435)	(651)	(348)	(506)	(52)	(4,472)
Allowance for credit and other losses	(167)	(80)	(135)	(53)	3	(3)	(435)
Share of profit of associates and joint ventures	52	#	–	–	(#)	(1)	51
Profit before tax	3,161	569	271	84	743	346	5,174
Total assets before intangible assets	235,477	41,352	25,462	9,840	72,671	15,459	400,261
Intangible assets	3,182	–	729	237	–	–	4,148
Total assets	238,659	41,352	26,191	10,077	72,671	15,459	404,409

\# *Amount less than $500,000*

45. 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 are 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.

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45. Financial Risk Management (continued)

(a) Credit risk (continued)

(i) *Credit exposure*

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

In $ millions	The Group 2020	The Group 2019
Balances and placements with central banks	**35,984**	24,912
Singapore government treasury bills and securities	**8,103**	6,199
Other government treasury bills and securities	**13,890**	15,165
Trading debt securities	**2,293**	2,405
Placements and balances with banks	**40,284**	52,840
Loans to customers	**277,201**	265,458
Derivative financial assets	**11,368**	6,408
Investment debt securities	**22,436**	12,658
Others	**3,096**	2,690
	414,655	388,735
Contingent liabilities	**27,117**	32,362
Commitments (excluding operating lease and capital commitments)	**160,002**	160,780
	601,774	581,877

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.

45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

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

	The Group				
In $ millions	Loans to customers (gross)	Government treasury bills and securities	Placements and balances with banks	Debt securities	Total
Analysed by geography					
2020					
Singapore	143,333	8,103	1,072	3,241	155,749
Malaysia	29,691	5,922	3,453	3,034	42,100
Thailand	20,625	1,368	2,983	3,546	28,522
Indonesia	10,470	1,978	2,365	28	14,841
Greater China	44,195	3,412	17,579	3,105	68,291
Others	33,073	1,210	12,832	11,775	58,890
Total	281,387	21,993	40,284	24,729	368,393
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	2,608	13,787	7,361	51,738
Total	268,676	21,365	52,840	15,063	357,944

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45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	The Group				
In $ millions	Loans to customers (gross)	Government treasury bills and securities	Placements and balances with banks	Debt securities	Total
Analysed by industry					
2020					
Transport, storage and communication	11,411	–	–	1,221	12,632
Building and construction	71,702	–	–	820	72,522
Manufacturing	20,194	–	–	1,000	21,194
Financial institutions, investment and holding companies	31,259	–	40,284	9,747	81,290
General commerce	34,488	–	–	922	35,410
Professionals and private individuals	27,637	–	–	–	27,637
Housing loans	68,562	–	–	–	68,562
Government	–	21,993	–	–	21,993
Others	16,134	–	–	11,019	27,153
Total	281,387	21,993	40,284	24,729	368,393
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	–	21,365	–	–	21,365
Others	14,413	–	–	5,363	19,776
Total	268,676	21,365	52,840	15,063	357,944

45. 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			
	2020		2019	
In $ millions	Contingent liabilities	Commitments [1]	Contingent liabilities	Commitments [1]
Analysed by geography				
Singapore	11,719	77,385	16,565	81,671
Malaysia	2,584	13,926	2,759	13,293
Thailand	1,869	14,385	1,892	13,449
Indonesia	1,197	5,790	1,238	5,628
Greater China	5,296	25,892	4,489	28,349
Others	4,452	22,624	5,419	18,390
Total	27,117	160,002	32,362	160,780
Analysed by industry				
Transport, storage and communication	1,591	6,556	1,559	6,364
Building and construction	8,643	27,193	8,270	26,587
Manufacturing	3,535	24,322	3,376	23,714
Financial institutions, investment and holding companies	2,782	18,007	9,006	17,970
General commerce	7,956	38,739	7,703	44,016
Professionals and private individuals	247	25,049	172	23,907
Housing loans	–	4,117	–	3,430
Others	2,363	16,019	2,276	14,792
Total	27,117	160,002	32,362	160,780

(1) Excluding operating lease and capital commitments.

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45. 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			
In $ millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2020				
Pass	257,058	12,769	–	269,827
Special mention	–	2,828	–	2,828
Substandard	–	–	2,901	2,901
Doubtful	–	–	260	260
Loss	–	–	1,359	1,359
	257,058	15,597	4,520	277,175
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

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	
In $ millions	**Stage 1**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
2020					
External rating:					
Investment grade (AAA to BBB-)	8,032	11,614	215	15,352	38
Non-investment grade (BB+ to C)	–	126	–	26	–
Unrated	–	374	–	6,941	78
Total	8,032	12,114	215	22,319	116
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

45. Financial Risk Management (continued)

(a) Credit risk (continued)

(iv) *Credit quality (continued)*

c. Non-trading other assets

In $ millions	The Group Stage 1	Stage 2	Total
2020			
Cash, balances and placements with central banks	33,556	240	33,796
Placements and balances with banks	28,713	172	28,885
Other assets	2,854	180	3,034
Total	65,123	592	65,715
2019			
Cash, balances and placements with central banks	22,531	210	22,741
Placements and balances with banks	38,577	174	38,751
Other assets	2,636	88	2,724
Total	63,744	472	64,216

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

In $ millions	The Group Stage 1	Stage 2	Stage 3	Total
2020				
Pass	164,110	4,073	–	168,183
Special mention	–	494	–	494
Substandard	–	–	52	52
Doubtful	–	–	1	1
Loss	–	–	7	7
Total	164,110	4,567	60	168,737
2019				
Pass	169,391	2,901	–	172,292
Special mention	–	441	–	441
Substandard	–	–	22	22
Doubtful	–	–	4	4
Loss	–	–	17	17
Total	169,391	3,342	43	172,776

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45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	The Group			
In $ millions	< 30 days	30 - 59 days	60 - 90 days	Total
Analysed by geography [1]				
2020				
Singapore	1,394	227	98	1,719
Malaysia	540	218	76	834
Thailand	666	258	146	1,070
Indonesia	44	47	14	105
Greater China	145	24	2	171
Others	583	24	4	611
Total	3,372	798	340	4,510
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

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

(2) Includes $25 billion of loan under relief (Note 3(b)(i)) whereby customers granted with temporary relief from debt servicing are not considered overdue during the relief period.

	The Group			
In $ millions	< 30 days	30 - 59 days	60 - 90 days	Total
Analysed by industry				
2020				
Transport, storage and communication	105	5	1	111
Building and construction	544	44	10	598
Manufacturing	236	66	36	338
Financial institutions, investment and holding companies	489	1	–	490
General commerce	656	84	51	791
Professionals and private individuals	585	189	80	854
Housing loans	628	376	144	1,148
Others	129	33	18	180
Total	3,372	798	340	4,510

45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

In $ millions	The Group < 30 days	30 - 59 days	60 - 90 days	Total
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

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

In $ millions	The Group Current	< 90 days	90 - 180 days	> 180 days	Total	Stage 3 ECL
Analysed by geography [1]						
2020						
Singapore	553	167	116	1,346	2,182	841
Malaysia	143	35	48	355	581	171
Thailand	93	131	129	320	673	269
Indonesia	161	20	29	312	522	222
Greater China	19	40	60	209	328	89
Others	45	81	7	101	234	73
Non-performing loans	1,014	474	389	2,643	4,520	1,665
Debt securities, contingent items and others	77	1	–	10	88	27
Total	1,091	475	389	2,653	4,608	1,692
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

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

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45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	The Group					
In $ millions	Current	< 90 days	90 - 180 days	> 180 days	Total	Stage 3 ECL
Analysed by industry						
2020						
Transport, storage and communication	173	25	31	352	581	230
Building and construction	110	28	44	455	637	162
Manufacturing	272	118	27	368	785	277
Financial institutions, investment and holding companies	3	–	–	33	36	22
General commerce	96	198	96	645	1,035	443
Professionals and private individuals	51	36	71	132	290	94
Housing loans	50	55	103	600	808	202
Others	259	14	17	58	348	235
Non-performing loans	1,014	474	389	2,643	4,520	1,665
Debt securities, contingent items and others	77	1	–	10	88	27
Total	1,091	475	389	2,653	4,608	1,692
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

45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

In $ millions	Collateral/Credit enhancement Properties	Fixed deposits	Others	Unsecured credit exposure	Total
The Group					
2020					
Loans to customers	2,325	9	246	1,940	4,520
Debts securities	–	–	–	16	16
Others (including commitments and contingents)	9	3	–	60	72
Of which:					
Credit impaired assets with nil ECL due to collateral/credit enhancement	724	–	34	–	758
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

Collaterals repossessed to settle outstanding loans were immaterial.

(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 2020, banking book foreign currency Expected Shortfall (ES) inclusive of structural foreign currency ES was $27.5 million (2019: $10.6 million).

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45. Financial Risk Management (continued)

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

Equity risk in the banking book arises from equity investments held for long-term strategic reasons. At the end of the reporting period, if the equity prices of these investments had been 1% higher/lower with all other variables held constant, the Group's other comprehensive income would have been $38.3 million (2019: $38 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 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 $903 million and $1,779 million (2019: negative $803 million and $1,676 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. Net interest income 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.

(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.

45. Financial Risk Management (continued)

(d) Liquidity risk (continued)

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

	The Group							
In $ millions	Up to 7 days	Over 7 days to 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 3 years	Over 3 years	No specific maturity	Total
2020								
Cash, balances and placements with central banks	9,606	8,959	10,781	2,141	–	902	4,457	36,846
Securities	289	592	3,440	10,007	18,248	16,881	5,729	55,186
Placements and balances with banks	10,086	7,287	11,871	7,745	1,032	2,394	(8)	40,407
Loans to customers	13,026	31,682	22,951	37,767	72,116	133,458	2,366	313,366
Investment in associates and joint ventures	–	–	–	–	–	–	1,210	1,210
Intangible assets	–	–	–	–	–	–	4,143	4,143
Derivative financial assets	–	–	–	–	–	–	11,368	11,368
Others	680	13	33	173	16	3,070	3,955	7,940
Total assets	33,687	48,533	49,076	57,833	91,412	156,705	33,220	470,466
Deposits and balances of customers	183,286	32,002	42,949	59,641	6,591	1,079	19	325,567
Deposits and balances of banks, and bills and drafts payable	10,048	3,464	2,708	354	203	–	–	16,777
Debts issued	178	21	7,382	9,431	6,803	6,312	191	30,318
Derivative financial liabilities	–	–	–	–	–	–	11,519	11,519
Others	5,311	31	15	213	13	188	1,923	7,694
Total liabilities	198,823	35,518	53,054	69,639	13,610	7,579	13,652	391,875
Equity attributable to:								
Equity holders of the Bank	–	14	–	810	977	7,266	32,109	41,176
Non-controlling interests	–	–	–	–	–	–	230	230
Total equity	–	14	–	810	977	7,266	32,339	41,406
Net on-balance sheet position	(165,136)	13,001	(3,978)	(12,616)	76,825	141,860	(12,771)	
Net off-balance sheet position	(65,488)	(627)	(374)	(456)	579	(1,904)	–	
Net maturity mismatch	(230,624)	12,374	(4,352)	(13,072)	77,404	139,956	(12,771)	

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for the financial year ended 31 December 2020

45. Financial Risk Management (continued)

(d) Liquidity risk (continued)

(i) (continued)

	The Group							
In $ millions	Up to 7 days	Over 7 days to 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 3 years	Over 3 years	No specific maturity	Total
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)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 38 and 40(a) respectively. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2020 and 2019. 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.

45. 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.

The table below shows the trading book ES profile by risk classes.

	The Group			
In $ millions	Year end	High	Low	Average
2020				
Interest rate	6.05	9.81	1.86	6.18
Foreign exchange	4.24	5.45	0.93	2.39
Equity	0.13	14.79	0.12	1.36
Commodity	4.34	5.08	0.07	0.91
Total ES [1]	13.13	25.62	6.17	14.26
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

(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).

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46. 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's capital position is proactively managed over the medium term through the Internal Capital Adequacy Assessment Process which includes setting capital targets, forecasting capital consumption for material risks and determining capital issuance requirements. 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	
In $ millions	**2020**	**2019**
Common Equity Tier 1 capital (CET1)	**33,231**	32,366
Additional Tier 1 capital	**2,379**	2,379
Tier 1 capital	**35,610**	34,745
Tier 2 capital	**5,780**	4,607
Eligible total capital	**41,390**	39,352
Risk-weighted assets (RWA)	**225,441**	226,318
Capital adequacy ratios (CAR) (%)		
CET1	**14.7**	14.3
Tier 1	**15.8**	15.4
Total	**18.4**	17.4

47. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 24 February 2021.