United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2021

Financial Report

Directors' Statement

for the financial year ended 31 December 2021

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 2021.

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 2021, 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)*
Michael Lien Jown Leam
Alvin Yeo Khirn Hai
Wee Ee Lim
Steven Phan Swee Kim
Chia Tai Tee
Tracey Woon Kim Hong *(appointed on 1 September 2021)*
Dinh Ba Thanh *(appointed on 1 December 2021)*
Teo Lay Lim *(appointed on 1 January 2022)*

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 31.12.2021	At 1.1.2021 or date of appointment	At 31.12.2021	At 1.1.2021 or date of appointment
The Bank				
Ordinary shares				
Wee Ee Cheong	**3,081,455**	3,081,455	**173,701,487**	173,701,487
Alvin Yeo Khirn Hai	**–**	–	**6,334**	6,241
Alexander Charles Hungate [1]	**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	**–**	–

(1) Resigned from the Board with effect from 31 December 2021

There was no change in any of the above interests between the end of the financial year and 21 January 2022.

Directors' Statement
for the financial year ended 31 December 2021

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

Alvin Yeo Khirn Hai *(Chairman, effective 1 January 2022)*
Steven Phan Swee Kim
Chia Tai Tee
Tracey Woon Kim Hong *(appointed on 1 September 2021)*

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

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

On behalf of the Board of Directors,

Wong Kan Seng
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
15 February 2022

Independent Auditor's Report

for the financial year ended 31 December 2021

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 131 to 225, which comprise the balance sheets of the Bank and the Group as at 31 December 2021, 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 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the financial performance and changes in equity of the Bank for the year ended on that date.

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 2021

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

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 applies 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 for non-impaired credit exposures involves significant judgements and estimates. Areas we have identified which have greater levels of management judgement are:

- the economic scenarios used and the probability weightages applied to them to measure ECLs on a forward-looking basis, reflecting management's view of potential future economic scenarios, including the continuing impact of the COVID-19 pandemic;
- 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.

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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 the data inputs into the ECL calculation system;
- the validation of models;
- the selection and implementation of economic scenarios and probabilities, with consideration of the COVID-19 pandemic 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; 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.

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

Areas of focus	How our audit addressed the risk factors
b) Impaired credit exposures As at 31 December 2021, the Stage 3 ECL for impaired credit exposures of the Group was $1,556 million, out of which 76% 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.	*b) Impaired credit exposures* 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 and 612A credit grading; and • oversight of the Group Credit Committee. We considered the magnitude of the credit exposures, macroeconomic factors, industry trends and latest developments in relation to the COVID-19 pandemic in our audit sampling to focus on customers that are assessed to be of higher risk. With the increased credit risk resulting from the COVID-19 pandemic, we performed additional procedures as outlined below: • reviewed the Group's loan classification process arising from the implementation of MAS Notice 612A; and • assessed, as part of our credit reviews of selected borrowers, the appropriateness of the Group's consideration over financial projections and other qualitative assumptions applied in determining the credit gradings based on the revised COVID-19 rating guidance. 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.

Independent Auditor's Report

for the financial year ended 31 December 2021

Areas of focus	How our audit addressed the risk factors
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 2021, 4% ($4 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 due to their financial significance to the Group as well as its susceptibility to a higher degree of estimation uncertainty. The determination of certain Level 3 prices is considerably more subjective as it may require the exercise of judgement by management or the use of complex models and assumptions given the lack of availability of market-based data.	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; • independent price verification; and • monitoring of collateral disputes. 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. The results of our assessment of the Group's valuation of illiquid or complex financial instruments were within the range of expected outcomes.
Impairment of goodwill *Refer to Notes 2(i), 3(a)(iii) and 37 to the consolidated financial statements.* As at 31 December 2021, 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 business 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.	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 the continued uncertainty of the future 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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report (Other Sections), which are expected to be made available to us after that date.

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Independent Auditor's Report

for the financial year ended 31 December 2021

- 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

15 February 2022

Income Statements

for the financial year ended 31 December 2021

In $ millions	Note	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Interest income	4	**8,204**	9,623	**5,106**	6,218
Less: Interest expense	5	**1,816**	3,588	**938**	2,286
Net interest income		**6,388**	6,035	**4,168**	3,932
Net fee and commission income	6	**2,412**	1,997	**1,773**	1,412
Dividend income		**40**	50	**262**	316
Rental income		**105**	106	**81**	80
Net trading income	7	**514**	594	**321**	358
Net gain from investment securities	8	**216**	286	**77**	129
Other income	9	**114**	108	**267**	235
Non-interest income		**3,401**	3,141	**2,781**	2,530
Total operating income		**9,789**	9,176	**6,949**	6,462
Less: Staff costs	10	**2,602**	2,501	**1,641**	1,528
Other operating expenses	11	**1,711**	1,683	**1,118**	1,088
Total operating expenses		**4,313**	4,184	**2,759**	2,616
Operating profit before allowance		**5,476**	4,992	**4,190**	3,846
Less: Allowance for credit and other losses	12	**657**	1,554	**121**	899
Operating profit after allowance		**4,819**	3,438	**4,069**	2,947
Share of profit of associates and joint ventures		**118**	98	**–**	–
Profit before tax		**4,937**	3,536	**4,069**	2,947
Less: Tax	13	**850**	606	**615**	424
Profit for the financial year		**4,087**	2,930	**3,454**	2,523
Attributable to:					
Equity holders of the Bank		**4,075**	2,915	**3,454**	2,523
Non-controlling interests		**12**	15	**–**	–
		4,087	2,930	**3,454**	2,523
Earnings per share ($)	14				
Basic		**2.39**	1.69		
Diluted		**2.38**	1.68		

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 2021

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Profit for the financial year	**4,087**	2,930	**3,454**	2,523
Other comprehensive income that will not be reclassified to income statement				
Net gain/(loss) on equity instruments at fair value through other comprehensive income	**101**	1	**54**	(16)
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**3**	(4)	**3**	(4)
Remeasurement of defined benefit obligation	**5**	(1)	**#**	#
Related tax on items at fair value through other comprehensive income	**(9)**	#	**(7)**	2
	100	(4)	**50**	(18)
Other comprehensive income that may be subsequently reclassified to income statement				
Currency translation adjustments	**(170)**	(22)	**(8)**	15
Debt instruments at fair value through other comprehensive income				
Change in fair value	**(535)**	384	**(346)**	295
Transfer to income statement on disposal	**(53)**	(109)	**(47)**	(98)
Change in allowance for expected credit losses	**8**	7	**8**	10
Related tax	**53**	(22)	**9**	(5)
	(697)	238	**(384)**	217
Change in share of other comprehensive income of associates and joint ventures	**10**	(6)	**–**	–
Other comprehensive income for the financial year, net of tax	**(587)**	228	**(334)**	199
Total comprehensive income for the financial year, net of tax	**3,500**	3,158	**3,120**	2,722
Attributable to:				
Equity holders of the Bank	**3,485**	3,143	**3,120**	2,722
Non-controlling interests	**15**	15	**–**	–
	3,500	3,158	**3,120**	2,722

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 2021

		The Group		The Bank	
In $ millions	Note	2021	2020	2021	2020
Equity					
Share capital and other capital	15	**7,391**	7,420	**7,391**	7,420
Retained earnings	16	**26,439**	24,109	**19,232**	17,510
Other reserves	17	**8,803**	9,372	**9,460**	9,786
Equity attributable to equity holders of the Bank		**42,633**	40,901	**36,083**	34,716
Non-controlling interests	33c	**228**	230	**–**	–
Total equity		**42,861**	41,131	**36,083**	34,716
Liabilities					
Deposits and balances of:					
Banks		**15,561**	15,977	**13,169**	14,257
Customers	20	**352,633**	324,598	**277,193**	251,111
Subsidiaries		**–**	–	**16,070**	14,216
Bills and drafts payable		**977**	792	**799**	613
Derivative financial liabilities	40	**5,172**	11,519	**4,161**	8,741
Other liabilities	21	**7,069**	7,379	**5,547**	5,954
Tax payable		**563**	374	**444**	278
Deferred tax liabilities	22	**431**	436	**269**	263
Debts issued	23	**34,056**	29,608	**32,781**	28,086
Total liabilities		**416,462**	390,683	**350,433**	323,519
Total equity and liabilities		**459,323**	431,814	**386,516**	358,235
Assets					
Cash, balances and placements with central banks	24	**36,558**	36,798	**28,356**	31,452
Singapore government treasury bills and securities		**7,426**	8,103	**7,424**	8,103
Other government treasury bills and securities	25	**14,898**	13,890	**5,147**	3,796
Trading securities	26	**5,788**	4,215	**4,990**	3,523
Placements and balances with banks	27	**38,916**	40,284	**28,176**	30,409
Loans to customers	28	**306,713**	277,201	**243,608**	216,629
Placements with and advances to subsidiaries		**–**	–	**23,948**	21,023
Derivative financial assets	40	**5,362**	11,368	**4,251**	8,719
Investment securities	30	**29,068**	25,217	**24,556**	18,158
Other assets	31	**4,683**	5,033	**2,963**	3,428
Deferred tax assets	22	**510**	429	**126**	109
Investment in associates and joint ventures	32	**1,245**	1,210	**309**	325
Investment in subsidiaries	33	**–**	–	**6,291**	6,199
Investment properties	35	**829**	964	**902**	979
Fixed assets	36	**3,182**	2,959	**2,287**	2,201
Intangible assets	37	**4,145**	4,143	**3,182**	3,182
Total assets		**459,323**	431,814	**386,516**	358,235

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 2021

	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
2021						
Balance at 1 January	7,420	24,109	9,372	40,901	230	41,131
Profit for the financial year	–	4,075	–	4,075	12	4,087
Other comprehensive income for the financial year	–	12	(602)	(590)	3	(587)
Total comprehensive income for the financial year	–	4,087	(602)	3,485	15	3,500
Transfers	–	(24)	24	–	–	–
Change in non-controlling interests	–	–	–	–	(9)	(9)
Dividends	–	(1,733)	–	(1,733)	(8)	(1,741)
Shares re-purchased – held in treasury	(130)	–	–	(130)	–	(130)
Shares issued under scrip dividend scheme	52	–	–	52	–	52
Share-based compensation	–	–	59	59	–	59
Shares issued under share-based compensation plan	48	–	(48)	–	–	–
Perpetual capital securities issued	749	–	–	749	–	749
Redemption of perpetual capital securities	(748)	–	(2)	(750)	–	(750)
Balance at 31 December	7,391	26,439	8,803	42,633	228	42,861
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
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		The Bank: Share capital and other capital	Retained earnings	Other reserves	Total equity
2021					
Balance at 1 January		7,420	17,510	9,786	34,716
Profit for the financial year		–	3,454	–	3,454
Other comprehensive income for the financial year		–	#	(334)	(334)
Total comprehensive income for the financial year		–	3,454	(334)	3,120
Transfers		–	1	(1)	–
Dividends		–	(1,733)	–	(1,733)
Shares re-purchased – held in treasury		(130)	–	–	(130)
Shares issued under scrip dividend scheme		52	–	–	52
Share-based compensation		–	–	59	59
Shares issued under share-based compensation plan		48	–	(48)	–
Perpetual capital securities issued		749	–	–	749
Redemption of perpetual capital securities		(748)	–	(2)	(750)
Balance at 31 December		7,391	19,232	9,460	36,083
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
	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 2021

In $ millions	2021	2020
Cash flows from operating activities		
Profit for the financial year	4,087	2,930
Adjustments for:		
Allowance for credit and other losses	657	1,554
Share of profit of associates and joint ventures	(118)	(98)
Tax	850	606
Depreciation of assets	489	454
Net gain on disposal of assets	(193)	(718)
Share-based compensation	59	58
Operating profit before working capital changes	5,831	4,786
Change in working capital		
Deposits and balances of banks	(236)	495
Deposits and balances of customers	29,752	13,955
Bills and drafts payable	196	149
Other liabilities	(7,130)	6,634
Restricted balances with central banks	(155)	278
Government treasury bills and securities	(410)	(398)
Trading securities	(1,493)	(988)
Placements and balances with banks	1,257	12,539
Loans to customers	(31,573)	(13,154)
Investment securities	(4,615)	(9,148)
Other assets	6,442	(4,818)
Cash (used in)/generated from operations	(2,134)	10,330
Income tax paid	(675)	(707)
Net cash (used in)/provided by operating activities	(2,809)	9,623
Cash flows from investing activities		
Capital injection into associates and joint ventures	(3)	(4)
Distribution from associates and joint ventures	76	47
Purchase of properties and other fixed assets	(550)	(563)
Disposal of properties and other fixed assets	37	9
Net cash used in investing activities	(440)	(511)
Cash flows from financing activities		
Perpetual capital securities issued	749	–
Redemption of perpetual capital securities	(750)	–
Issuance of debts issued (Note 23)	29,648	31,433
Redemption of debts issued (Note 23)	(24,699)	(27,318)
Shares re-purchased – held in treasury	(130)	(20)
Change in non-controlling interests	(9)	(6)
Dividends paid on ordinary shares	(1,607)	(1,837)
Distribution for perpetual capital securities	(85)	(92)
Dividends paid to non-controlling interests	(8)	(7)
Lease payments	(87)	(92)
Net cash provided by financing activities	3,022	2,061
Currency translation adjustments	(165)	3
Net (decrease)/increase in cash and cash equivalents	(392)	11,176
Cash and cash equivalents at beginning of the financial year	31,364	20,188
Cash and cash equivalents at end of the financial year (Note 24)	30,972	31,364

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 2021

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 during the financial year:

- 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
- Amendments to SFRS(I) 16: COVID-19-Related Rent Concessions beyond 30 June 2021

The Phase 2 amendments to SFRS(I) 9 include practical expedients relating to interest rate benchmark reform where the respective qualifying criteria are met:

a. Contract modification

Implementing interest rate benchmark reform requires changes in the basis for determining the contractual cash flows of some financial assets and financial liabilities. The amendments permit that when qualifying criteria are met the effective interest rate of the financial instrument is updated based on the new alternative benchmark rate without adjusting its carrying amount. Hence no immediate gain or loss is 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

Hedge accounting relationships are permitted not to be discontinued when the qualifying criteria in (a) above are met, and the original hedging instrument is not derecognised. In addition, an alternative benchmark rate can be designated as a non-contractually specified hedged risk component if the entity reasonably expects that the alternative benchmark rate will be separately identifiable within 24 months from the date that alternative benchmark rate is first designated. This applies rate-by-rate.

c. 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. For such leases, the carrying amount of the lease liability is remeasured by discounting the revised lease payments (based on the alternative benchmark rate) using a discount rate that is updated to the alternative benchmark rate. The change is recorded through a corresponding adjustment to the carrying amount of the related right-of-use asset, with no immediate gain or loss recognised in the income statement.

Notes to the Financial Statements
for the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

(b) Changes in Accounting Policies (continued)

(i) Changes During the Financial Year (continued)

The adoption of the Phase 2 amendments did not have any significant impact on the Group's financial statements on 1 January 2021. Further information and disclosures of the Group's financial instruments and hedge accounting relationships impacted by the interest rate benchmark reform are provided in Note 45(d) to the financial statements.

Amendments to SFRS(I) 16 adopted during the financial year 2020 provided a practical expedient for lessees to not assess qualifying COVID-19-related rent concessions for lease modification. The amendment was intended to apply until 30 June 2021, however due to the extended duration of the COVID-19 pandemic, the period of application of the practical expedient was extended to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021, however the Group early adopted this amendment with effect from 1 January 2021. The adoption of the SFRS(I) 16 amendments did not have any significant impact on the Group's financial statements on 1 January 2021.

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

(ii) Changes Subsequent to the Financial Year

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

Effective for the financial year beginning on or after 1 January 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
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies
- Amendments to SFRS(I) 1-8: Definition of Accounting Estimates
- Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

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

2. Summary of Significant Accounting Policies (continued)

(c) Interests in Other Entities

(i) Subsidiaries

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

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

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.

Notes to the Financial Statements
for the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

(c) Interests in Other Entities (continued)

(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.

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 FVPL. 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.

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(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 FVPL.

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 the 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 the income statement. Gains or losses recognised in the fair value reserve are not reclassified to the income statement upon derecognition, but are transferred to retained earnings.

All other financial instruments are measured at AC using the effective interest method, 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, except for interest expense on structured liabilities at FVPL which is included with other fair value changes in trading income. 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.

Notes to the Financial Statements
for the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(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.

(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.

The Group determines ECL using macro-economic probability-weighted scenarios which are derived from internal economic risk models. Scenarios to be used and probability-weighting assigned is determined by the Group's SFRS(I) 9 Working Group and, where judged to be appropriate, use of a management overlay.

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.

2. Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(vi) Impairment (continued)

Monetary Authority of Singapore (MAS) Notice 612A, effective from 16 March 2021, sets out credit grading treatment for credit facilities which were granted support measures by Singapore banks in response to the COVID-19 pandemic. MAS Notice 612A clarifies that credit facilities are not required to be classified as non-performing just because a borrower is granted extended credit support measures. Instead the ability of the borrower to repay should be assessed considering the impact of the support provided by the bank.

Minimum Regulatory Loss Allowance

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

(e) Financial Derivatives

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

Notes to the Financial Statements
for the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

(f) Hedge Accounting (continued)

(ii) Cash Flow Hedge (continued)

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.

(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.

2. Summary of Significant Accounting Policies (continued)

(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 in the income statement 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.

(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 business 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.

Notes to the Financial Statements
for the financial year ended 31 December 2021

2. Summary of Significant Accounting Policies (continued)

(j) Foreign Currencies (continued)

(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.

(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.

2. Summary of Significant Accounting Policies (continued)

(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.

(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.

Notes to the Financial Statements

for the financial year ended 31 December 2021

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 and its ongoing effects on the regional economies have continued to impact the Group's operations and customers. While most economies showed signs of recovery in 2021, the speed of recovery of each has been hampered by sporadic movement restrictions intended to curb the spread of the virus. In response to the continued challenges faced, relief packages were extended to certain targeted customer groups.

Loans under relief by country of booking at 31 December:

	The Group	
In $ billions	**2021**	2020
Singapore	1	16
Malaysia	8	4
Thailand	2	2
Indonesia	1	1
Rest of ASEAN/Asia Pacific	1	2
Total	13	25

3. Critical Accounting Estimates and Judgements (continued)

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

(i) Effects on estimates and judgements (continued)

The uncertainties introduced by the COVID-19 pandemic to the preparation of financial statements remained in 2021, 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 $0.7 billion (2020: $1.6 billion) in the income statement, bringing the carrying amount of the total credit allowance to $4.5 billion (2020: $4.6 billion).

The Group remains committed to supporting customers through this pandemic. However, the extent and duration of the disruption to the Group's customers continues to be uncertain, especially with new virus variants emerging towards the end of 2021. Hence, the holistic set of processes, controls and governance put in place in 2020 continued into 2021. These included:

- 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 were more vulnerable and to assist customers with financing options where required;
- Credit Risk Management providing application guidance, taking into consideration effects of modifications from relief programs;
- internal stress tests being conducted on financials, capital and liquidity position;
- financial prudence being exercised in determining ECL, for both model assumptions and overlay; and
- continuous reporting and monitoring of credit quality to senior management.

(ii) ECL on non-impaired assets

ECL for non-impaired assets (Note 2(d)(vi)), is influenced by forward-looking information such as macroeconomic variables outlook. 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, and major country representatives to factor in country-specific feedback.

The determination of ECL for non-impaired exposures in 2021 included a scenario of prolonged effects on the pandemic to our customers. Scenario weightage was also prudently applied, considering the different speeds of recovery in the regional countries.

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 prudence to be applied in model assumptions and 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.

Notes to the Financial Statements

for the financial year ended 31 December 2021

3. Critical Accounting Estimates and Judgements (continued)

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

(ii) ECL on non-impaired assets (continued)

Due to these significant uncertainties, overlays were held at the reporting date to address risks not fully reflected in the modelled ECL, including effects of relief given, because models are based off historical data. The more significant overlays relate to the following:

- vulnerable exposures identified mainly through the Restructuring Taskforce review;
- portfolio assessment of all other customers that are under relief programs for both individuals and corporates;
- other inherent model limitations.

Judgments and assumptions applied in determining overlays were reviewed and 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 greater uncertainties to the credit review process which required greater levels of judgement to forecast 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 in 2021 and more individuals were vaccinated, it remains difficult to predict with high levels of certainty when the pandemic will ebb and consequently, the actual financial impacts of this pandemic known. Due to the considerable degree of judgment involved in estimating ECL, actual outcomes may differ significantly from ECL recognised. However, the Group believes that with robust governance, process and controls, sensible forward-looking assumptions applied, coupled with prudent overlays, ECL recorded is considered reasonable.

4. Interest Income

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
Loans to customers	**6,917**	7,963	**4,352**	5,088
Placements and balances with banks	**467**	829	**341**	699
Government treasury bills and securities	**414**	430	**131**	129
Trading and investment securities	**406**	401	**282**	302
	8,204	9,623	**5,106**	6,218
Of which, interest income on:				
Financial assets measured at amortised cost	**7,369**	8,706	**4,722**	5,701
Financial assets measured at FVPL	**185**	173	**116**	123
Financial assets measured at FVOCI	**650**	744	**268**	394

5. Interest Expense

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Deposits of customers	**1,566**	3,174	**763**	1,938
Deposits and balances of banks and debts issued	**247**	410	**173**	346
Lease payables	**3**	4	**2**	2
	1,816	3,588	**938**	2,286
Of which, interest expense on:				
Financial liabilities measured at amortised cost	**1,812**	3,560	**938**	2,261
Financial liabilities measured at FVPL [1]	**4**	28	**#**	25

Amount less than $500,000

(1) Effective from 1 January 2021, the Group has elected to present interest expense on structured liabilities at FVPL together with other fair value changes in trading income.

6. Net Fee and Commission Income

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Credit card [1]	**447**	386	**335**	277
Fund management	**325**	275	**19**	12
Wealth management	**823**	710	**684**	580
Loan-related [2]	**698**	506	**598**	418
Service charges	**139**	142	**123**	122
Trade-related [3]	**310**	281	**203**	186
Others	**19**	13	**21**	16
	2,761	2,313	**1,983**	1,611
Fee and commission expenses	**(349)**	(316)	**(210)**	(199)
Net fee and commission income	**2,412**	1,997	**1,773**	1,412
Of which, fee and commission from:				
Financial assets not measured at FVPL	**550**	385	**490**	321
Provision of trust and other fiduciary services	**13**	13	**12**	11

(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

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Net gain/(loss) from:				
Foreign exchange	**409**	238	**275**	195
Interest rate and others	**98**	442	**39**	249
Financial liabilities designated at FVPL	**7**	(86)	**7**	(86)
	514	594	**321**	358

Notes to the Financial Statements

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8. Net Gain from Investment Securities

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
FVOCI	**88**	190	**48**	111
Amortised cost	**3**	2	**10**	10
FVPL – mandatory	**125**	94	**19**	8
	216	286	**77**	129

9. Other Income

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
Net gain/(loss) from:				
Disposal of investment properties	**17**	9	**17**	43
Disposal of fixed assets	**2**	#	**#**	#
Disposal/Liquidation of subsidiaries, associates or joint ventures	**(3)**	(3)	**13**	1
Intra-group service recovery income	**–**	–	**183**	145
Others	**98**	102	**54**	46
	114	108	**267**	235

\# *Amount less than $500,000*

10. Staff Costs

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
Salaries, bonuses and allowances [(1)]	**2,062**	1,940	**1,286**	1,160
Employer's contribution to defined contribution plans	**176**	169	**110**	109
Share-based compensation	**61**	58	**48**	45
Others	**303**	334	**197**	214
	2,602	2,501	**1,641**	1,528
Of which:				
The Bank's directors' remuneration	**11**	10	**11**	10
Depreciation of right-of-use assets	**1**	1	**#**	1

\# *Amount less than $500,000*

(1) Includes government staff-related grant relief for COVID-19 received of $16 million (2020: $134 million) for the Group and $14 million (2020: $124 million) for the Bank.

11. Other Operating Expenses

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Revenue-related	561	577	294	297
Occupancy-related [1]	314	321	195	197
IT-related	638	582	520	468
Others	198	203	109	126
	1,711	1,683	1,118	1,088
Of which:				
Directors' fees	5	4	4	3
Depreciation of fixed assets and investment properties	405	363	301	263
Depreciation of right-of-use assets	83	90	54	60
Auditors' remuneration paid/payable to:				
Auditors of the Bank	3	3	3	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	60	55	40	40
Fee expenses arising from financial liabilities not at FVPL	70	66	18	26

Amount less than $500,000

(1) Includes COVID-19-related rent concessions and property tax rebate received of $1 million (2020: $12 million) for the Group and $1 million (2020: $11 million) for the Bank.

12. Allowance for Credit and Other Losses

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Stage 1 and 2 ECL allowance/(write-back)	95	916	(28)	608
Stage 3 ECL allowance/(write-back) for:				
Loans (Note 28(d))	534	679	129	320
Others	26	(5)	(1)	(6)
Allowance/(Write-back) for other losses	2	(36)	21	(23)
	657	1,554	121	899

Notes to the Financial Statements
for the financial year ended 31 December 2021

13. Tax

The tax charge to the income statements comprises the following:

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
On profit for the financial year				
Current tax	889	647	626	425
Deferred tax	(52)	(43)	(9)	11
	837	604	617	436
(Over)/Under-provision of prior years				
Current tax	(8)	(7)	(3)	(11)
Deferred tax	5	(11)	1	(1)
Effect of change in tax rate	–	5	–	–
Share of tax of associates and joint ventures	16	15	–	–
	850	606	615	424

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 2021	The Group 2020	The Bank 2021	The Bank 2020
Operating profit after allowance	4,819	3,438	4,069	2,947
Prima facie tax calculated at tax rate of 17% (2020: 17%)	819	584	692	501
Effects of:				
Income taxed at concessionary rates	(106)	(66)	(106)	(66)
Different tax rates in other countries	118	99	74	64
Income not subject to tax	(40)	(66)	(66)	(102)
Expenses not deductible for tax	52	44	30	38
Others	(6)	9	(7)	1
Tax expense on profit for the financial year	837	604	617	436

14. Earnings Per Share

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

In $ millions	The Group 2021	2020
Profit attributable to equity holders of the Bank	4,075	2,915
Distribution on perpetual capital securities	(72)	(91)
Adjusted profit	4,003	2,824
Weighted average number of ordinary shares ('000)		
In issue	1,674,312	1,669,799
Adjustment for potential ordinary shares under share-based compensation plan	7,074	7,187
Diluted	1,681,386	1,676,986
EPS ($)		
Basic	2.39	1.69
Diluted	2.38	1.68

15. Share Capital and Other Capital

(a)

	2021		2020	
	Number of shares '000	Amount $ million	Number of shares '000	Amount $ million
Ordinary shares				
Balance at 1 January	1,683,916	5,299	1,680,541	5,233
Shares issued under scrip dividend scheme	2,007	52	3,375	66
Balance at 31 December	1,685,923	5,351	1,683,916	5,299
Treasury shares				
Balance at 1 January	(11,101)	(255)	(12,207)	(284)
Shares re-purchased – held in treasury	(4,900)	(130)	(993)	(20)
Shares issued under share-based compensation plan	2,068	48	2,099	49
Balance at 31 December	(13,933)	(337)	(11,101)	(255)
Ordinary share capital	1,671,990	5,014	1,672,815	5,044
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016		–		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
2.25% non-cumulative non-convertible perpetual capital securities issued on 15 January 2021		150		–
2.55% non-cumulative non-convertible perpetual capital securities issued on 22 June 2021		599		–
Share capital and other capital of the Bank and the Group		7,391		7,420

Notes to the Financial Statements
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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 2,068,000 (2020: 2,099,000) 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.

15. Share Capital and Other Capital (continued)

(g) The 2.25% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 15 January 2021. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 15 January 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 2.25% per annum, subject to a reset on 15 January 2026 (and every five years thereafter) to a rate equal to the prevailing five-year Singapore Overnight Rate Average Overnight Indexed Swap (SORA OIS) plus the initial margin of 1.81%. Distributions are payable semi-annually on 15 January and 15 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.

(h) The 2.55% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 22 June 2021. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 22 June 2028 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 2.55% per annum, subject to a reset on 22 June 2028 (and every seven years thereafter) to a rate equal to the prevailing seven-year SORA OIS plus the initial margin of 1.551%. Distributions are payable semi-annually on 22 June and 22 December 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 2021	The Group 2020	The Bank 2021	The Bank 2020
Balance at 1 January	**24,109**	23,404	**17,510**	17,197
Profit for the financial year attributable to equity holders of the Bank	**4,075**	2,915	**3,454**	2,523
Net gain/(loss) on equity instruments at FVOCI	**7**	(4)	**–**	(1)
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	**#**	#	**#**	#
Remeasurement of defined benefit obligation	**5**	(1)	**#**	#
Transfer (to)/from other reserves	**(24)**	(223)	**1**	(226)
Change in non-controlling interests	**–**	1	**–**	–
Dividends				
Ordinary shares				
Final dividend of 39 cents (2020: 55 cents) and special dividend of nil (2020: 20 cents) tax-exempt per share paid in respect of prior financial year	**(653)**	(1,252)	**(653)**	(1,252)
Interim dividend of 60 cents (2020: 39 cents) tax-exempt per share paid in respect of the financial year	**(1,006)**	(651)	**(1,006)**	(651)
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	**(13)**	(26)	**(13)**	(26)
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017	**(29)**	(30)	**(29)**	(30)
3.58% non-cumulative non-convertible perpetual capital securities issued on 17 July 2019	**(23)**	(24)	**(23)**	(24)
2.25% non-cumulative non-convertible perpetual capital securities issued on 15 January 2021	**(2)**	–	**(2)**	–
2.55% non-cumulative non-convertible perpetual capital securities issued on 22 June 2021	**(7)**	–	**(7)**	–
	(1,733)	(1,983)	**(1,733)**	(1,983)
Balance at 31 December	**26,439**	24,109	**19,232**	17,510

 # Amount less than $500,000

(b) The retained earnings are distributable reserves except for an amount of $659 million (2020: $619 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 2021, the directors have proposed a final tax-exempt dividend of 60 cents per ordinary share amounting to a total dividend of $1,003 million. The proposed dividend will be accounted for in Year 2022 financial statements upon approval of the equity holders of the Bank.

17. Other Reserves

(a)

In $ millions	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
	The Group								
2021									
Balance at 1 January	982	(1,338)	88	3,058	710	6,213	75	(416)	9,372
Other comprehensive income for the financial year	(449)	(162)	–	–	–	–	9	–	(602)
Transfers	–	–	–	(1)	25	–	–	–	24
Share-based compensation	–	–	59	–	–	–	–	#	59
Shares issued under share-based compensation plan	–	–	(54)	–	–	–	–	6	(48)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	(2)	(2)
Balance at 31 December	533	(1,500)	93	3,057	735	6,213	84	(412)	8,803
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

\# *Amount less than $500,000*

Notes to the Financial Statements
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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
2021								
Balance at 1 January	763	(89)	88	3,058	328	5,720	(82)	9,786
Other comprehensive income for the financial year	(328)	(6)	–	–	–	–	–	(334)
Transfers	–	–	–	(1)	–	–	–	(1)
Share-based compensation	–	–	59	–	–	–	#	59
Shares issued under share-based compensation plan	–	–	(54)	–	–	–	6	(48)
Redemption of perpetual capital securities	–	–	–	–	–	–	(2)	(2)
Balance at 31 December	435	(95)	93	3,057	328	5,720	(78)	9,460
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

\# *Amount less than $500,000*

(b) Fair value reserve contains cumulative fair value changes of FVOCI financial assets and changes attributable to own credit risk. The cumulative amount attributable to own credit risk is an unrealised gain of $1 million (2020: unrealised loss of $1 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.

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

17. Other Reserves (continued)

(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
2021						
Cash, balances and placements with central banks	3,078	–	–	5,316	28,164	36,558
Singapore government treasury bills and securities	334	–	–	6,738	354	7,426
Other government treasury bills and securities	1,424	–	–	13,317	157	14,898
Trading securities	5,788	–	–	–	–	5,788
Placements and balances with banks	12,215	–	–	5,655	21,046	38,916
Loans to customers	3,772	–	–	80	302,861	306,713
Derivative financial assets	5,362	–	–	–	–	5,362
Investment securities						
Debt	–	45	–	18,627	6,946	25,618
Equity	–	1,174	–	2,276	–	3,450
Other assets	1,912	–	–	2	2,644	4,558
Total financial assets	33,885	1,219	–	52,011	362,172	449,287
Non-financial assets						10,036
Total assets						459,323
Deposits and balances of banks and customers	1,206	–	877	–	366,111	368,194
Bills and drafts payable	–	–	–	–	977	977
Derivative financial liabilities	5,172	–	–	–	–	5,172
Other liabilities	2,443	–	268	1	3,099	5,811
Debts issued	–	–	1,229	–	32,827	34,056
Total financial liabilities	8,821	–	2,374	1	403,014	414,210
Non-financial liabilities						2,252
Total liabilities						416,462

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for the financial year ended 31 December 2021

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

(a) (continued)

	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

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

(a) (continued)

In $ millions	HFT	FVPL – mandatory	FVPL – designated	FVOCI	AC	Total
	The Bank					
2021						
Cash, balances and placements with central banks	3,078	–	–	3,896	21,382	28,356
Singapore government treasury bills and securities	334	–	–	6,736	354	7,424
Other government treasury bills and securities	765	–	–	4,371	11	5,147
Trading securities	4,990	–	–	–	–	4,990
Placements and balances with banks	11,010	–	–	3,530	13,636	28,176
Loans to customers	3,640	–	–	–	239,968	243,608
Placements with and advances to subsidiaries	1,423	–	–	–	22,525	23,948
Derivative financial assets	4,251	–	–	–	–	4,251
Investment securities						
Debt	–	35	–	15,481	6,721	22,237
Equity	–	436	–	1,883	–	2,319
Other assets	1,205	–	–	–	1,693	2,898
Total financial assets	30,696	471	–	35,897	306,290	373,354
Non-financial assets						13,162
Total assets						386,516
Deposits and balances of banks, customers and subsidiaries	1,168	–	877	–	304,387	306,432
Bills and drafts payable	–	–	–	–	799	799
Derivative financial liabilities	4,161	–	–	–	–	4,161
Other liabilities	2,335	–	195	1	1,816	4,347
Debts issued	–	–	1,229	–	31,552	32,781
Total financial liabilities	7,664	–	2,301	1	338,554	348,520
Non-financial liabilities						1,913
Total liabilities						350,433

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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

(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 FVPL, the amounts payable at maturity are as follows:

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Financial liabilities				
Deposits and balances of banks and customers	878	972	878	972
Debts issued	1,345	947	1,345	947
Other liabilities	273	–	195	–
	2,496	1,919	2,418	1,919

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 FVPL and FVOCI. 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, fair values are estimated using the discounted cash flow method;
- For loans and deposits of customers, fair values are estimated using the discounted cash flow method;
- For non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes; and
- For subordinated notes issued, fair values are determined based on quoted market prices.

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19. Fair Values of Financial Instruments (continued)

(b) The Group classifies 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					
	2021			2020		
In $ millions	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Cash, balances and placements with central banks	3,576	4,818	–	2,081	3,532	–
Singapore government treasury bills and securities	7,072	–	–	8,103	–	–
Other government treasury bills and securities	12,845	1,896	–	11,650	2,227	–
Trading securities	1,581	4,006	201	1,921	1,318	976
Placements and balances with banks	–	17,870	–	–	15,892	–
Loans to customers	–	3,852	–	–	4,212	–
Derivative financial assets	250	5,017	95	207	11,041	120
Investment securities						
Debt	1,247	16,243	1,182	3,751	12,015	2,221
Equity	1,370	–	2,080	871	–	1,911
Other assets	1,556	358	–	1,623	230	–
	29,497	54,060	3,558	30,207	50,467	5,228
Total financial assets carried at fair value			87,115			85,902
Deposits and balances of banks and customers	–	2,083	–	–	2,128	–
Derivative financial liabilities	205	4,916	51	196	11,133	190
Other liabilities	458	2,254	–	50	3,421	–
Debts issued	–	1,229	–	–	917	–
	663	10,482	51	246	17,599	190
Total financial liabilities carried at fair value			11,196			18,035

19. Fair Values of Financial Instruments (continued)

(b) (continued)

	The Bank					
	2021			2020		
In $ millions	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Cash, balances and placements with central banks	2,156	4,818	–	1,703	3,532	–
Singapore government treasury bills and securities	7,070	–	–	8,103	–	–
Other government treasury bills and securities	4,673	463	–	3,165	618	–
Trading securities	1,576	3,261	153	1,921	1,084	518
Placements and balances with banks	–	14,540	–	–	13,919	–
Loans to customers	–	3,640	–	–	4,121	–
Placements with and advances to subsidiaries	–	1,423	–	–	668	–
Derivative financial assets	133	4,020	98	73	8,526	120
Investment securities						
Debt	113	14,746	657	279	10,458	1,289
Equity	1,137	–	1,182	703	–	1,145
Other assets	1,183	22	–	1,201	24	–
	18,041	46,933	2,090	17,148	42,950	3,072
Total financial assets carried at fair value			67,064			63,170
Deposits and balances of banks, customers and subsidiaries	–	2,045	–	–	2,053	–
Derivative financial liabilities	150	3,960	51	112	8,439	190
Other liabilities	458	2,073	–	50	3,322	–
Debts issued	–	1,229	–	–	917	–
	608	9,307	51	162	14,731	190
Total financial liabilities carried at fair value			9,966			15,083

Notes to the Financial Statements

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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
2021								
Assets								
Trading securities	976	#	–	201	(976)	#	201	#
Derivative financial assets	120	(25)	–	–	–	–	95	(25)
Investment securities – debt	2,221	(7)	#	660	(1,534)	(158)[(1)]	1,182	(7)
Investment securities – equity	1,911	105	11	151	(70)	(28)	2,080	105
Liabilities								
Derivative financial liabilities	190	(139)	–	–	–	–	51	(139)
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

\# *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.

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
2021								
Assets								
Trading securities	518	#	–	153	(518)	#	153	#
Derivative financial assets	120	(22)	–	–	–	–	98	(22)
Investment securities – debt	1,289	(7)	1	385	(732)	(279)[1]	657	(7)
Investment securities – equity	1,145	31	(18)	52	(28)	–	1,182	31
Liabilities								
Derivative financial liabilities	190	(139)	–	–	–	–	51	(139)
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

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 2021, 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:

	The Group				
In $ millions	2021	2020	Classification	Valuation technique	Unobservable inputs
Assets					
Trading securities – debt	201	976	FVPL	Discounted Cash Flow	Credit Spreads
Derivative financial assets	95	120	FVPL	Option Pricing Model	Volatilities and Correlations
Investment securities – debt	1,182	2,221	FVOCI/FVPL	Discounted Cash Flow and Option Pricing Model	Credit Spreads and Volatilities
Investment securities – equity	2,080	1,911	FVOCI/FVPL	Multiples, Net Asset Value and Recent Transaction Price	Net Asset Value, Earnings and Financial Ratio Multiples
Liabilities					
Derivative financial liabilities	51	190	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

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Fixed deposits	137,079	134,034	102,676	96,007
Savings deposits	99,703	91,620	75,429	69,826
Current accounts	98,624	81,963	82,448	68,772
Others	17,227	16,981	16,640	16,506
	352,633	324,598	277,193	251,111

21. Other Liabilities

(a)

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Accrued interest payable	320	494	193	328
Accrued operating expenses	1,106	1,014	689	678
ECL allowance (Note 21(b))	293	265	162	158
Lease liabilities (Note 21(c))	178	190	122	129
Sundry creditors	4,005	4,901	3,292	4,372
Others	1,167	515	1,089	289
	7,069	7,379	5,547	5,954

(b) *Movements in ECL allowance for other liabilities*

In $ millions	The Group Stage 1	Stage 2	Stage 3	Total
2021				
Balance at 1 January	200	57	8	265
Transfers between Stages	12	(12)	#	–
Remeasurement [(1)]	(6)	19	3	16
Changes in models [(2)]	(41)	20	–	(21)
Net charge/(write-back) to income statement	40	(6)	1	35
Currency translation adjustments	(2)	#	#	(2)
Balance at 31 December	203	78	12	293
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

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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21. Other Liabilities (continued)

(b) *Movements in ECL allowance for other liabilities (continued)*

	The Bank			
In $ millions	Stage 1	Stage 2	Stage 3	Total
2021				
Balance at 1 January	118	36	4	158
Transfers between Stages	7	(7)	#	–
Remeasurement (1)	(3)	11	#	8
Changes in models (2)	(16)	(5)	–	(21)
Net charge/(write-back) to income statement	27	(7)	(3)	17
Balance at 31 December	133	28	1	162
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)
Reclassification	37	22	–	59
Balance at 31 December	118	36	4	158

\# 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	2021	2020	2021	2020
Maturity for lease liabilities				
Within 1 year	61	60	48	44
Over 1 to 5 years	102	111	68	76
Over 5 years	15	19	6	9
	178	190	122	129

22. Deferred Tax

(a) Deferred tax comprises the following:

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Deferred tax liabilities on:				
Unrealised gain on FVOCI financial assets	**26**	62	**9**	11
Accelerated tax depreciation	**227**	217	**219**	209
Unrealised gain on financial instruments at FVPL	**130**	108	**–**	–
Fair value of depreciable assets acquired in business combination	**21**	22	**21**	22
Others	**57**	54	**54**	55
	461	463	**303**	297
Amount offset against deferred tax assets	**(30)**	(27)	**(34)**	(34)
	431	436	**269**	263
Deferred tax assets on:				
Allowance for impairment	**261**	218	**103**	84
Unrealised loss on financial instruments at FVPL	**115**	102	**–**	–
Others	**164**	136	**57**	59
	540	456	**160**	143
Amount offset against deferred tax liabilities	**(30)**	(27)	**(34)**	(34)
	510	429	**126**	109
Net deferred tax assets/(liabilities)	**79**	(7)	**(143)**	(154)

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

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Balance at 1 January	**(7)**	1	**(154)**	(106)
Effect of change in tax rate	**–**	(5)	**–**	–
Currency translation adjustments	**(2)**	#	**1**	1
Credit/(Charge) to income statement	**47**	54	**8**	(11)
Credit/(Charge) to equity	**41**	(57)	**2**	(38)
Balance at 31 December	**79**	(7)	**(143)**	(154)

Amount less than $500,000

The Group has not recognised deferred tax assets in respect of tax losses of $27 million (2020: $26 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 $11 million (2020: $10 million) which will expire between the years 2022 and 2030 (2020: 2021 and 2030).

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23. Debts Issued

(a)

In $ millions		Issuance/ Maturity date	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Subordinated notes	**Note (b)**					
USD700 million 3.50% subordinated notes callable in 2021	(i)	16 Mar 2016/ 16 Sep 2026	–	933	–	933
HKD700 million 3.19% subordinated notes callable in 2023	(ii)	26 Aug 2016/ 26 Aug 2028	122	122	122	122
USD600 million 2.88% subordinated notes callable in 2022	(iii)	8 Sep 2016/ 8 Mar 2027	813	808	813	808
SGD750 million 3.50% subordinated notes callable in 2024	(iv)	27 Feb 2017/ 27 Feb 2029	770	797	770	797
USD600 million 3.75% subordinated notes callable in 2024	(v)	15 Apr 2019/ 15 Apr 2029	833	837	833	837
USD600 million 1.75% subordinated notes callable in 2026	(vi)	16 Sep 2020/ 16 Mar 2031	795	789	795	789
USD750 million 2.00% subordinated notes callable in 2026	(vii)	14 Apr 2021/ 14 Oct 2031	987	–	987	–
RM600 million 4.80% subordinated notes callable in 2023	(viii)	25 Jul 2018/ 25 Jul 2028	199	206	–	–
RM750 million 3.00% subordinated notes callable in 2025	(ix)	3 Aug 2020/ 2 Aug 2030	243	247	–	–
THB6 billion 3.56% subordinated notes callable in 2022	(x)	20 Sep 2017/ 20 Sep 2027	244	265	–	–
IDR433 billion 11.35% subordinated notes	(xi)	28 May 2014/ 28 May 2021	–	41	–	–
IDR100 billion 9.40% subordinated notes	(xii)	25 Nov 2016/ 25 Nov 2023	9	9	–	–
IDR500 billion 9.25% subordinated notes	(xiii)	17 Oct 2017/ 17 Oct 2024	47	47	–	–
IDR100 billion 9.85% subordinated notes	(xiv)	5 Jul 2019/ 5 Jul 2026	9	9	–	–
IDR650 billion 9.25% subordinated notes	(xv)	13 Nov 2019/ 13 Nov 2026	61	61	–	–
CNY1 billion 4.80% subordinated notes	(xvi)	15 Nov 2019/ 19 Nov 2029	201	192	–	–
Total subordinated notes			5,333	5,363	4,320	4,286

23. Debts Issued (continued)

(a) (continued)

In $ millions	Note (c)	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Other debts					
Interest rate-linked notes	(i)	**1,008**	762	**1,008**	762
Equity-linked notes	(ii)	**219**	156	**219**	156
Floating rate notes	(iii)	**3,766**	3,359	**3,725**	3,359
Fixed rate notes	(iv)	**2,250**	1,781	**2,033**	1,336
Commercial papers	(v)	**13,618**	11,938	**13,618**	11,938
Covered bonds	(vi)	**7,855**	6,244	**7,855**	6,244
Others	(vii)	**7**	5	**3**	5
Total other debts		**28,723**	24,245	**28,461**	23,800
Total debts issued		**34,056**	29,608	**32,781**	28,086
Of which, fair value hedge loss/(gain):					
Subordinated notes		**17**	139	**17**	130
Other debts		**(46)**	69	**(46)**	69

(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 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%.

(ii) 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%.

(iii) 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%.

(iv) 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)*

(v) 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%.

(vi) 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%.

(vii) Issued by the Bank with interest payable semi-annually at a fixed rate of 2.00% per annum up to but excluding 14 October 2026. From and including 14 October 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 1.23%.

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

(ix) Issued by United Overseas Bank (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.

(x) 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.

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

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

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

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

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

(xvi) 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 27 September 2036 to 5 February 2051. 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 6 January 2022 to 5 January 2023. 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 24 January 2022 to 27 August 2026. Interest is payable quarterly at a floating rate.

23. Debts Issued (continued)

(c) *Other debts (continued)*

(iv) The fixed rate notes comprise mainly notes issued by the Bank with maturities ranging from 14 March 2022 to 2 June 2026. 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	1.21% to 3.20% per annum
IDR	5.65% to 8.25% per annum
HKD	0.64% to 0.71% per annum
THB	0.97% to 2.16% per annum

(v) The commercial papers were issued by the Bank between 5 May 2021 and 3 December 2021 and mature between 12 January 2022 and 21 June 2022. Interest rates of the papers ranged from 0.11% to 0.28% per annum (2020: 0.18% to 0.31% per annum).

(vi) As at 31 December 2021, there were eight covered bonds outstanding comprising:

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 compounded daily Sterling Overnight Index Average (SONIA) plus 0.3242% 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.

EUR750 million fixed rate covered bonds issued by the Bank on 25 May 2021 at 99.809 with maturity on 25 May 2029. Interest is payable annually at a fixed rate of 0.1% per annum.

GBP850 million floating rate covered bonds issued by the Bank on 21 September 2021 at 103.52 with maturity on 21 September 2026. Interest is payable quarterly at a compounded daily SONIA plus 1.0% per annum.

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

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23. Debts Issued (continued)

(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
2021					
Debts issued	**29,608**	**29,648**	**(24,699)**	**(501)**	**34,056**
2020					
Debts issued	25,209	31,433	(27,318)	284	29,608

24. Cash, Balances and Placements with Central Banks

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Cash on hand	**794**	814	**553**	563
Non-restricted balances with central banks	**30,178**	30,550	**23,416**	26,678
Cash and cash equivalents	**30,972**	31,364	**23,969**	27,241
Restricted balances with central banks	**5,590**	5,437	**4,388**	4,213
ECL allowance	**(4)**	(3)	**(1)**	(2)
	36,558	36,798	**28,356**	31,452

25. Other Government Treasury Bills and Securities

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Other government treasury bills and securities [1]	**14,898**	13,890	**5,147**	3,796

(1) Includes ECL allowance on other government treasury bills and securities at FVOCI of $6 million (2020: $5 million) for the Group and $1 million (2020: $1 million) for the Bank.

26. Trading Securities

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Quoted securities				
Debt	**2,078**	981	**1,805**	974
Equity	**1,338**	1,922	**1,338**	1,922
Unquoted securities				
Debt	**2,372**	1,312	**1,847**	627
	5,788	4,215	**4,990**	3,523

27. Placements and Balances with Banks

(a)

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Placements and balances with banks	**38,944**	40,320	**28,188**	30,420
ECL allowance (Note 27(b))	**(28)**	(36)	**(12)**	(11)
	38,916	40,284	**28,176**	30,409

(b) *Movements in ECL allowance for placements and balances with banks*

In $ millions	The Group Stage 1	Stage 2	Total
2021			
Balance at 1 January	**26**	**10**	**36**
Changes in models [2]	**(2)**	**#**	**(2)**
Write-back to income statement	**#**	**(6)**	**(6)**
Currency translation adjustments	**1**	**(1)**	**#**
Balance at 31 December	**25**	**3**	**28**
2020			
Balance at 1 January	22	6	28
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

In $ millions	The Bank Stage 1	Stage 2	Total
2021			
Balance at 1 January	**9**	**2**	**11**
Net charge/(write-back) to income statement	**3**	**(2)**	**1**
Balance at 31 December	**12**	**#**	**12**
2020			
Balance at 1 January	12	2	14
Remeasurement [1]	–	1	1
Write-back to income statement	(3)	(1)	(4)
Balance at 31 December	9	2	11

\# *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)

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
Gross loans to customers	**310,800**	281,387	**245,859**	219,037
ECL allowance (Note 28(d))	**(4,087)**	(4,186)	**(2,251)**	(2,408)
Loans to customers	**306,713**	277,201	**243,608**	216,629
Comprising:				
Trade bills	**4,599**	4,031	**2,259**	1,941
Advances to customers	**302,114**	273,170	**241,349**	214,688
	306,713	277,201	**243,608**	216,629

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

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
Transport, storage and communication	**13,270**	11,411	**11,286**	9,464
Building and construction	**83,443**	71,702	**75,498**	63,895
Manufacturing	**22,570**	20,194	**13,600**	12,483
Financial institutions, investment and holding companies	**40,731**	31,259	**38,190**	28,475
General commerce	**36,779**	34,488	**26,131**	25,055
Professionals and private individuals	**26,651**	27,637	**18,543**	17,842
Housing loans	**71,211**	68,562	**50,707**	48,869
Others	**16,145**	16,134	**11,904**	12,954
	310,800	281,387	**245,859**	219,037

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

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
Singapore Dollar	**137,685**	129,503	**137,592**	129,395
US Dollar	**62,800**	49,336	**57,201**	45,214
Malaysian Ringgit	**27,022**	26,849	**–**	–
Thai Baht	**18,956**	18,666	**#**	#
Indonesian Rupiah	**5,419**	5,581	**–**	–
Others	**58,918**	51,452	**51,066**	44,428
	310,800	281,387	**245,859**	219,037

\# *Amount less than $500,000*

28. Loans to Customers (continued)

(d) *Movements in ECL allowance for loans to customers*

	The Group			
In $ millions	Stage 1	Stage 2	Stage 3	Total
2021				
Balance at 1 January	1,410	1,111	1,665	4,186
New loans originated or purchased	231	–	–	231
Loans derecognised or repaid	(85)	(115)	(346)	(546)
Transfers to Stage 1	106	(100)	(6)	–
Transfers to Stage 2	(33)	44	(11)	–
Transfers to Stage 3	(7)	(49)	56	–
Remeasurement [1]	(70)	139	244	313
Changes in models [2]	(125)	23	–	(102)
Charge for existing loans	4	101	745	850
Bad debts recovery	–	–	(148)	(148)
Net charge to income statement	21	43	534	598
Unwind of discounts	–	–	(62)	(62)
Net write-off	–	–	(604)	(604)
Currency translation adjustments	(15)	(8)	(8)	(31)
Balance at 31 December	1,416	1,146	1,525	4,087
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	–
Remeasurement [1]	(36)	179	271	414
Changes in models [2]	142	64	–	206
Charge for existing loans	5	454	946	1,405
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

(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) *Movements in ECL allowance for loans to customers (continued)*

	The Bank			
In $ millions	Stage 1	Stage 2	Stage 3	Total
2021				
Balance at 1 January	775	515	1,118	2,408
New loans originated or purchased	170	–	–	170
Loans derecognised or repaid	(54)	(66)	(146)	(266)
Transfers to Stage 1	49	(48)	(1)	–
Transfers to Stage 2	(10)	11	(1)	–
Transfers to Stage 3	(2)	(11)	13	–
Remeasurements [(1)]	(33)	65	78	110
Changes in models [(2)]	(45)	(51)	–	(96)
(Write-back)/Charge for existing loans	(2)	41	243	282
Bad debts recovery	–	–	(57)	(57)
Net charge/(write-back) to income statement	73	(59)	129	143
Unwind of discounts	–	–	(40)	(40)
Net write-off	–	–	(275)	(275)
Currency translation adjustments	1	1	13	15
Balance at 31 December	849	457	945	2,251
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	–
Remeasurements [(1)]	(12)	76	144	208
Changes in models [(2)]	85	35	–	120
Charge for existing loans	130	250	513	893
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

(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:

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Singapore government and central bank treasury bills and securities	811	2,087	811	2,087
Other government treasury bills and securities	638	476	175	41
Placements and balances with banks – negotiable certificates of deposit	18	87	18	87
Investment securities	3,103	2,243	3,103	2,243
	4,570	4,893	4,107	4,458

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:

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Assets received for reverse repo transactions, at fair value	15,843	15,907	11,456	12,386
Of which, sold or re-pledged	424	336	424	336

(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:

	2021		2020	
In $ millions	Reverse repo	Repo	Reverse repo	Repo
The Group				
Carrying amount on the balance sheet subject to netting agreements [1]	16,636	4,112	16,298	4,473
Amount nettable [2]	(1,066)	(1,066)	(629)	(629)
Financial collateral	(15,559)	(3,045)	(15,668)	(3,842)
Net amounts	11	1	1	2
The Bank				
Carrying amount on the balance sheet subject to netting agreements [1]	10,837	3,677	12,034	4,047
Amount nettable [2]	(1,066)	(1,066)	(629)	(629)
Financial collateral	(9,763)	(2,609)	(11,404)	(3,416)
Net amounts	8	2	1	2

(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 2021, there were eight (2020: seven) covered bonds outstanding comprising five EUR fixed rate covered bonds, one USD fixed rate covered bond and two GBP floating rate covered bonds, with assigned residential mortgages of approximately $12,989 million (2020: $10,856 million).

30. Investment Securities

(a)

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Quoted securities				
Debt [1]	11,814	11,289	9,920	7,038
Equity	1,386	883	1,138	702
Unquoted securities				
Debt [2]	13,825	11,164	12,337	9,289
Equity	2,064	1,899	1,181	1,145
ECL allowance (Note 30(b))	(21)	(18)	(20)	(16)
	29,068	25,217	24,556	18,158

(1) Includes ECL allowance on quoted debt securities at FVOCI of $16 million (2020: $9 million) for the Group and $15 million (2020: $7 million) for the Bank.
(2) Includes ECL allowance on unquoted debt securities at FVOCI of $29 million (2020: $31 million) for the Group and $14 million (2020: $14 million) for the Bank.

30. Investment Securities (continued)

(b) *Movements in ECL allowance for investment securities*

In $ millions	The Group Stage 1	Stage 2	Stage 3	Total
2021				
Balance at 1 January	12	6	–	18
Transfers between Stages	2	(2)	–	–
Remeasurement [(1)]	(1)	–	–	(1)
Changes in models [(2)]	(3)	#	–	(3)
Net charge to income statement	7	#	–	7
Balance at 31 December	17	4	–	21
2020				
Balance at 1 January	5	1	27	33
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

In $ millions	The Bank Stage 1	Stage 2	Stage 3	Total
2021				
Balance at 1 January	10	6	–	16
Transfers between Stages	2	(2)	–	–
Remeasurement [(1)]	(1)	–	–	(1)
Changes in models [(2)]	(2)	#	–	(2)
Net charge to income statement	7	#	–	7
Balance at 31 December	16	4	–	20
2020				
Balance at 1 January	3	1	27	31
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

\# *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*

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
Transport, storage and communication	**2,099**	1,563	**1,637**	1,169
Building and construction	**1,424**	1,282	**1,359**	1,235
Manufacturing	**1,642**	1,169	**1,631**	1,151
Financial institutions, investment and holding companies	**14,173**	12,851	**11,039**	7,327
General commerce	**1,396**	1,048	**1,226**	905
Others	**8,334**	7,304	**7,664**	6,371
	29,068	25,217	**24,556**	18,158

(d) *Equity investments designated at FVOCI*

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

In 2021, the related dividend income was $25 million (2020: $41 million) at the Group and $21 million (2020: $24 million) at the Bank.

During the year, equity investments of $132 million (2020: $93 million) at the Group and $nil (2020: $42 million) at the Bank were realised. Related net loss recognised within equity was $8 million (2020: $1 million) at the Group and $nil (2020: $1 million) at the Bank.

31. Other Assets

	The Group		The Bank	
In $ millions	**2021**	2020	**2021**	2020
Sundry debtors	**1,703**	2,076	**862**	1,438
Interest receivable	**1,061**	1,020	**608**	603
Foreclosed properties	**101**	108	**–**	–
Allowance for impairment	**(86)**	(94)	**#**	(16)
ECL allowance	**(12)**	(11)	**(2)**	(3)
Others	**1,916**	1,934	**1,495**	1,406
	4,683	5,033	**2,963**	3,428

Amount less than $500,000

32. Investment in Associates and Joint Ventures

(a)

In $ millions	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Material associate:				
UOB-Kay Hian Holdings Limited	**639**	617	**67**	67
Other associates/joint ventures	**624**	611	**382**	396
	1,263	1,228	**449**	463
Allowance for impairment (Note 34)	**(18)**	(18)	**(140)**	(138)
	1,245	1,210	**309**	325
Fair value of quoted investments at 31 December	**498**	442	**498**	442

Name of associate	Principal activities	Country of incorporation	Effective equity interest of the Group 2021 %	Effective equity interest of the Group 2020 %
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	**36**	37

(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 2021	The Group 2020
Profit for the financial year	**45**	28
Other comprehensive income	**9**	(7)
Total comprehensive income	**54**	21

(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	2021	2020
Statement of comprehensive income		
Operating income	**509**	577
Profit for the financial year	**154**	148
Other comprehensive income	**(2)**	2
Total comprehensive income	**152**	150

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32. Investment in Associates and Joint Ventures (continued)

(c) (continued)

In $ millions	2021	2020
Balance sheet		
Current assets	9,213	6,487
Non-current assets	572	111
Total assets	9,785	6,598
Current liabilities	7,733	4,941
Non-current liabilities	293	11
Total liabilities	8,026	4,952
Net assets	1,759	1,646
Group's ownership interest	36%	37%
Group's share of net assets	639	617
Other adjustments	–	–
Carrying amount of the investment	639	617

Dividends of $30 million (2020: $13 million) were received from UOB-Kay Hian Holdings Limited.

33. Investment in Subsidiaries

(a)

	The Bank	
In $ millions	2021	2020
Quoted investments	45	45
Unquoted investments	6,486	6,380
	6,531	6,425
Allowance for impairment (Note 34)	(240)	(226)
	6,291	6,199
Fair value of quoted investments at 31 December	241	240

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 2021 %	Effective equity interest of the Group 2020 %
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
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
United Private Equity Investments (Cayman) Limited (2)	Cayman Islands	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	Dividends paid to NCI $ million
2021				
Singapore	**42**	**10**	**185**	**5**
2020				
Singapore	42	10	177	6

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

In $ millions	2021	2020
Statement of comprehensive income		
Operating income	**48**	50
Profit before tax	**30**	30
Less: Tax	**5**	6
Profit for the financial year	**25**	24
Other comprehensive income	**(2)**	(3)
Total comprehensive income	**23**	21
Balance sheet		
Total assets	**646**	632
Total liabilities	**200**	208
Net assets	**446**	424
Other information		
Net cash flows from operations	**10**	6
Acquisition of property, plant and equipment	**6**	54

(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 has interests in certain investment funds where the Group is the fund manager and the investors have no or limited removal rights over the fund manager. These funds are primarily financed by the investors. The table below summarises the Group's involvement in the funds.

In $ millions	The Group 2021	The Group 2020
Total assets of structured entities [1]	23,236	21,843
Maximum exposure to loss – Investment in funds	406	268
Fee income	210	175
Net gain from investment securities	73	41

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

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

	The Group	
	Investment in associates and joint ventures	
In $ millions	2021	2020
Balance at 1 January and 31 December	18	18

	The Bank			
	Investment in associates and joint ventures		Investment in subsidiaries	
In $ millions	2021	2020	2021	2020
Balance at 1 January	138	138	226	220
Net charge to income statement	2	–	14	6
Balance at 31 December	140	138	240	226

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35. Investment Properties

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Balance at 1 January	964	936	979	970
Currency translation adjustments	6	8	#	1
Additions	52	49	#	2
Disposals	(9)	(1)	(9)	(18)
Depreciation charge	(20)	(20)	(14)	(15)
Write-back of/(Allowance for) impairment	1	(1)	–	–
Transfers	(165)	(7)	(54)	39
Balance at 31 December	829	964	902	979
Represented by:				
Cost	1,173	1,303	1,161	1,239
Accumulated depreciation	(344)	(338)	(259)	(260)
Allowance for impairment	–	(1)	–	–
Net carrying amount	829	964	902	979
Freehold property	451	583	565	641
Leasehold property	378	381	337	338
	829	964	902	979
Fair value hierarchy				
Level 2	240	247	240	247
Level 3	2,772	2,972	2,193	2,303
	3,012	3,219	2,433	2,550

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	2021 Owner-occupied properties	2021 Others	2021 Right-of-use assets	2021 Total	2020 Owner-occupied properties	2020 Others	2020 Right-of-use assets	2020 Total
The Group								
Balance at 1 January	1,079	1,687	193	2,959	1,048	1,541	170	2,759
Currency translation adjustments	(11)	(10)	#	(21)	5	(3)	#	2
Additions	42	456	67	565	47	467	136	650
Disposals	(8)	(9)	#	(17)	(2)	(1)	(22)	(25)
Depreciation charge	(25)	(360)	(84)	(469)	(26)	(317)	(91)	(434)
Transfers	165	–	–	165	7	–	–	7
Balance at 31 December	1,242	1,764	176	3,182	1,079	1,687	193	2,959
Represented by:								
Cost	1,688	3,998	343	6,029	1,490	3,620	360	5,470
Accumulated depreciation	(443)	(2,234)	(167)	(2,844)	(409)	(1,933)	(167)	(2,509)
Allowance for impairment	(3)	–	–	(3)	(2)	–	–	(2)
Net carrying amount	1,242	1,764	176	3,182	1,079	1,687	193	2,959
Freehold property	999				818			
Leasehold property	243				261			
	1,242				1,079			
Fair value hierarchy								
Level 2	544				546			
Level 3	3,668				3,367			
	4,212				3,913			

Amount less than $500,000

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36. Fixed Assets (continued)

In $ millions	2021 Owner-occupied properties	2021 Others	2021 Right-of-use assets	2021 Total	2020 Owner-occupied properties	2020 Others	2020 Right-of-use assets	2020 Total
The Bank								
Balance at 1 January	790	1,283	128	2,201	836	1,158	112	2,106
Currency translation adjustments	(1)	#	1	–	#	#	#	#
Additions	4	334	43	381	6	360	77	443
Disposals	–	(8)	#	(8)	–	#	#	#
Depreciation charge	(14)	(273)	(54)	(341)	(13)	(235)	(61)	(309)
Transfers	54	–	–	54	(39)	–	–	(39)
Balance at 31 December	833	1,336	118	2,287	790	1,283	128	2,201
Represented by:								
Cost	1,089	2,919	228	4,236	1,022	2,617	251	3,890
Accumulated depreciation	(256)	(1,583)	(110)	(1,949)	(232)	(1,334)	(123)	(1,689)
Net carrying amount	833	1,336	118	2,287	790	1,283	128	2,201
Freehold property	692				635			
Leasehold property	141				155			
	833				790			
Fair value hierarchy								
Level 2	265				257			
Level 3	2,251				2,121			
	2,516				2,378			

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 2021	The Group 2020	The Bank 2021	The Bank 2020
Balance at 1 January	**4,143**	4,148	**3,182**	3,182
Currency translation adjustments	**(4)**	(5)	**–**	–
Addition	**6**	–	**–**	–
Balance at 31 December	**4,145**	4,143	**3,182**	3,182
Represented by:				
Cost	**4,145**	4,143	**3,182**	3,182
Net carrying amount	**4,145**	4,143	**3,182**	3,182

(b) Goodwill was allocated on the date of acquisition to the reportable business segments expected to benefit from the synergies of business combination. The recoverable amount of the business 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 2021	Discount rate 2020	Growth rate 2021	Growth rate 2020
Singapore	**6.99**	6.54	**3.01**	2.73
Thailand	**8.14**	8.97	**2.27**	2.12
Indonesia	**9.29**	9.76	**4.32**	4.68

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

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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.

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Direct credit substitutes	3,688	3,023	2,641	2,087
Transaction-related contingencies	14,671	14,238	10,238	10,034
Trade-related contingencies	12,721	9,623	10,147	7,766
Others	223	236	3	3
	31,303	27,120	23,029	19,890

39. Commitments

(a)

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Undrawn credit facilities	169,994	153,460	131,999	118,161
Spot/Forward contracts	1,506	3,887	1,529	3,720
Trade commitments	3,022	2,014	1,864	1,282
Capital commitments	310	384	211	155
Lease commitments	19	21	1	5
Others	418	641	313	586
	175,269	160,407	135,917	123,909

(b) *Minimum lease receivable*

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.

	The Group		The Bank	
In $ millions	2021	2020	2021	2020
Within 1 year	83	88	61	66
Over 1 to 5 years	109	134	53	76
Over 5 years	37	47	#	#
	229	269	114	142

Amount less than $500,000

40. 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.

	2021			2020		
In $ millions	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
The Group						
Foreign exchange contracts						
Forwards	59,980	410	450	56,787	961	1,089
Swaps	256,326	1,461	1,125	240,002	3,332	4,036
Futures	–	–	–	1	–	#
Options purchased	5,537	68	–	7,422	183	–
Options written	8,191	–	63	7,482	–	138
Interest rate contracts						
Swaps	380,183	2,832	2,839	472,615	6,491	5,728
Futures	1,205	1	2	307	#	#
Options purchased	2,229	7	–	1,449	6	–
Options written	4,219	–	9	2,655	–	3
Equity-related contracts						
Swaps	854	4	11	1,164	11	43
Futures	–	–	–	2	#	–
Options purchased	1,797	82	–	2,474	65	–
Options written	1,549	–	105	1,967	–	81
Credit-related contracts						
Swaps	772	4	5	796	#	44
Others						
Forwards	1,892	19	14	911	18	27
Swaps	11,238	224	362	4,997	90	134
Futures	7,345	248	187	5,442	207	195
Options purchased	68	2	–	103	4	–
Options written	115	–	#	139	–	1
	743,500	5,362	5,172	806,715	11,368	11,519

Amount less than $500,000

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40. Financial Derivatives (continued)

(a) (continued)

In $ millions	2021 Notional amount	2021 Positive fair value	2021 Negative fair value	2020 Notional amount	2020 Positive fair value	2020 Negative fair value
The Bank						
Foreign exchange contracts						
Forwards	54,121	357	419	54,031	900	1,058
Swaps	187,108	995	653	154,522	1,482	1,926
Futures	–	–	–	1	–	#
Options purchased	3,963	49	–	3,960	86	–
Options written	6,000	–	42	4,397	–	84
Interest rate contracts						
Swaps	327,168	2,411	2,447	423,653	6,027	5,312
Futures	1,056	1	1	303	#	#
Options purchased	2,184	6	–	1,406	5	–
Options written	4,173	–	9	2,611	–	2
Equity-related contracts						
Swaps	854	4	11	1,164	11	43
Futures	–	–	–	2	#	–
Options purchased	1,805	85	–	2,459	65	–
Options written	1,544	–	105	1,952	–	81
Credit-related contracts						
Swaps	759	4	5	796	#	44
Others						
Forwards	1,783	19	14	319	8	7
Swaps	9,637	208	361	3,864	76	123
Futures	3,224	112	94	1,563	58	60
Options purchased	98	#	–	86	1	–
Options written	113	–	#	134	–	1
	605,590	4,251	4,161	657,223	8,719	8,741

 # Amount less than $500,000

40. 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.

	2021		2020	
In $ millions	**Positive fair value**	**Negative fair value**	Positive fair value	Negative fair value
The Group				
Carrying amount on the balance sheet	5,362	5,172	11,368	11,519
Amount not subject to netting agreements	(683)	(544)	(2,241)	(1,109)
Amount subject to netting agreements	4,679	4,628	9,127	10,410
Amount nettable [(1)]	(3,457)	(3,457)	(7,976)	(7,976)
Financial collateral	(395)	(403)	(524)	(1,272)
Net amounts	827	768	627	1,162
The Bank				
Carrying amount on the balance sheet	4,251	4,161	8,719	8,741
Amount not subject to netting agreements	(822)	(601)	(2,384)	(1,092)
Amount subject to netting agreements	3,429	3,560	6,335	7,649
Amount nettable [(1)]	(2,671)	(2,671)	(5,697)	(5,697)
Financial collateral	(336)	(254)	(415)	(1,070)
Net amounts	422	635	223	882

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

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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					
	Carrying amount		Changes in fair		Notional	Maturity profile of fair value
In $ millions	Assets	Liabilities	value	Type of risk hedged	amount	hedge
2021						
Hedging instruments						
Fair value hedge						
Derivatives – Interest rate swaps	125	121	(200)	Interest rate risk	13,056	Less than 10 years
Customer deposits	–	221	(1)	Foreign exchange risk	–	Within 1 year
Net investment hedge						
Customer deposits	–	4,159	(33)	Foreign exchange risk	–	
Hedged items relating to fair value hedges						
Assets						
Loans to customers	–	–	(8)			
Debt securities	1,352	–	(40)			
Equity securities at FVOCI	221	–	1			
Liabilities						
Customer deposits	–	35	1			
Subordinated debts	–	4,519	118			
Other debts issued	–	7,129	126			
2020						
Hedging instruments						
Fair value hedge						
Derivatives – Interest rate swaps	220	46	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 to customers	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)			

 # Amount less than $500,000

41. Hedge Accounting (continued)

	The Bank					
	Carrying amount		Changes in fair value			
In $ millions	Assets	Liabilities		Type of risk hedged	Notional amount	Maturity profile of fair value hedge
2021						
Hedging instruments						
Fair value hedge						
Derivatives – Interest rate swaps	121	121	(195)	Interest rate risk	12,862	Less than 10 years
Customer deposits	–	221	(1)	Foreign exchange risk	–	Within 1 year
Net investment hedge						
Customer deposits	–	4,150	(33)	Foreign exchange risk	–	
Hedged items relating to fair value hedges						
Assets						
Loans to customers	–	–	(8)			
Debt securities	1,352	–	(40)			
Equity securities at FVOCI	221	–	1			
Liabilities						
Customer deposits	–	35	1			
Subordinated debts	–	4,320	114			
Other debts issued	–	7,129	126			
2020						
Hedging instruments						
Fair value hedge						
Derivatives – Interest rate swaps	211	46	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 to customers	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)			

\# *Amount less than $500,000*

The ineffectiveness arising from these hedges was insignificant.

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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 framework, a portion of variable pay is deferred as shares under the RS Plan. Such deferred RS will vest over a minimum three-year period, subject to local regulatory requirements, and the fair value of the RS were estimated at grant date using the Trinomial valuation methodology. Following the approval from the RHCC in 2020, the fair value of RS awarded from 2021 are computed using market value instead and with it, dividends on unvested awards are accrued to participating employees based on the declared final dividend for financial year ended 31 December 2020 and interim dividend for financial year ended 31 December 2021.

Participating employees who leave the Group before the RS vest 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	
	2021 '000	2020 '000
Balance at 1 January	**7,187**	5,976
Granted	**2,141**	3,456
Dividend on unvested awards	**80**	–
Forfeited/Cancelled	**(266)**	(146)
Vested	**(2,068)**	(2,099)
Balance at 31 December	**7,074**	7,187

Year granted	Expiry date	Fair value per grant at grant date $	Number of outstanding grants 2021 '000	2020 '000
2018	24 Apr 2020 and 24 Apr 2021	27.03 and 22.95	**–**	1,373
2019	23 Apr 2021 and 23 Apr 2022	24.68	**1,628**	2,401
2020	15 Apr 2022, 15 Apr 2023 and 15 Apr 2024	18.88 and 18.05	**3,289**	3,413
2021	15 Mar 2023, 15 Mar 2024 and 15 Mar 2025	25.41	**2,157**	–
			7,074	7,187

In 2021, fair values of the RS are estimated using market value. Prior to 2021, fair values of the RS were estimated at the grant date using the Trinomial valuation methodology. Below are the key assumptions of the RS awarded in 2020.

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

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

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	2021	2020	2021	2020
Interest income				
Subsidiaries	–	–	230	262
Associates and joint ventures	8	10	8	10
Interest expense				
Subsidiaries	–	–	200	225
Associates and joint ventures	8	12	5	9
Dividend income				
Subsidiaries	–	–	181	269
Associates and joint ventures	–	–	51	16
Rental income				
Subsidiaries	–	–	3	3
Associates and joint ventures	#	#	#	#
Rental and other expenses				
Subsidiaries	–	–	43	63
Associates and joint ventures	20	19	18	18
Fee and commission and other income				
Subsidiaries	–	–	235	221
Associates and joint ventures	2	3	#	1
Placements, securities, loans and advances				
Subsidiaries	–	–	23,948	21,023
Associates and joint ventures	579	946	579	946
Deposits				
Subsidiaries	–	–	16,070	14,216
Associates and joint ventures	2,668	2,740	2,365	2,443
Off-balance sheet credit facilities (1)				
Subsidiaries	–	–	154	94
Associates and joint ventures	258	308	258	308

\# *Amount less than $500,000*

(1) Includes guarantees issued by the Group of $3 million (2020: $3 million) and the Bank of $20 million (2020: $13 million).

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43. Related Party Transactions (continued)

(a) (continued)

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

(b)

	The Bank	
In $ millions	2021	2020
Compensation of key management personnel		
Short-term employee benefits	22	20
Long-term employee benefits	2	2
Share-based payment	17	14
	41	36

44. Segment Information

(a) *Business segments*

Business segment reporting is prepared based on the Group's internal organisational structure and the methodologies adopted in the management reporting framework. Business segments' results include all applicable revenue, expenses, internal fund transfer price and cost allocations associated with the activities of the business. Transactions between business segments are operated on an arm's length basis in a manner similar to third party transactions and they are eliminated on consolidation.

The Banking Group is organised into three major business segments – Group Retail, Group Wholesale Banking and Global Markets. Others include 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 loans, 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 results of decisions not attributable to the business segments mentioned above as well as other activities, which comprise property, insurance and investment management.

44. Segment Information (continued)

(a) *Business segments (continued)*

Selected income statement items

	The Group				
In $ millions	GR	GWB	GM	Others	Total
2021					
Net interest income	2,590	3,086	397	315	6,388
Non-interest income	1,524	1,299	247	331	3,401
Operating income	4,114	4,385	644	646	9,789
Operating expenses	(2,087)	(1,036)	(259)	(931)	(4,313)
(Allowance for)/Write-back of credit and other losses	(174)	(367)	11	(127)	(657)
Share of profit of associates and joint ventures	–	25	–	93	118
Profit/(Loss) before tax	1,853	3,007	396	(319)	4,937
Tax					(850)
Profit for the financial year					4,087
Other information					
Capital expenditure	33	33	2	482	550
Depreciation of assets	65	34	13	377	489
2020					
Net interest income	2,772	3,026	425	(188)	6,035
Non-interest income	1,331	1,026	343	441	3,141
Operating income	4,103	4,052	768	253	9,176
Operating expenses	(2,039)	(953)	(265)	(927)	(4,184)
Allowance for credit and other losses	(510)	(771)	(10)	(263)	(1,554)
Share of profit of associates and joint ventures	–	9	–	89	98
Profit/(Loss) before tax	1,554	2,337	493	(848)	3,536
Tax					(606)
Profit for the financial year					2,930
Other information					
Capital expenditure	47	40	9	467	563
Depreciation of assets	65	28	12	349	454

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

Notes to the Financial Statements
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44. Segment Information (continued)

(a) *Business segments (continued)*

Selected balance sheet items

	The Group				
In $ millions	GR	GWB	GM	Others	Total
2021					
Segment assets	110,970	222,812	83,618	36,533	453,933
Intangible assets	1,314	2,083	659	89	4,145
Investment in associates and joint ventures	5	193	–	1,047	1,245
Total assets	112,289	225,088	84,277	37,669	459,323
Segment liabilities	174,019	187,609	36,538	18,296	416,462
Other information					
Gross customer loans	111,083	198,733	962	22	310,800
Non-performing assets	1,470	3,221	26	360	5,077
2020					
Segment assets	107,654	195,035	97,495	26,277	426,461
Intangible assets	1,316	2,086	659	82	4,143
Investment in associates and joint ventures	2	171	–	1,037	1,210
Total assets	108,972	197,292	98,154	27,396	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

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

44. Segment Information (continued)

(b) *Geographical segments*

The following geographical segment performance reporting is prepared based on the location where the transactions or assets are booked. 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
2021							
Net interest income	3,161	837	736	393	932	329	6,388
Non-interest income	2,034	309	256	181	412	209	3,401
Operating income	5,195	1,146	992	574	1,344	538	9,789
Operating expenses	(2,356)	(457)	(585)	(353)	(510)	(52)	(4,313)
Allowance for credit and other losses	(108)	(137)	(136)	(145)	(118)	(13)	(657)
Share of profit of associates and joint ventures	125	#	–	–	2	(9)	118
Profit before tax	2,856	552	271	76	718	464	4,937
Total assets before intangible assets	258,453	43,596	29,220	11,255	91,963	20,691	455,178
Intangible assets	3,182	–	723	234	6	–	4,145
Total assets	261,635	43,596	29,943	11,489	91,969	20,691	459,323
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

Amount less than $500,000

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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 they are due.

The Group Credit Committee (CC) supports the CEO and BRMC in managing the Group's overall credit risk exposures and serves as an executive forum for discussions on all credit-related matters. The CC also reviews and assesses the Group's credit portfolios and credit risk profiles.

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.

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 2021	The Group 2020
Balances and placements with central banks	**35,764**	35,984
Singapore government treasury bills and securities	**7,426**	8,103
Other government treasury bills and securities	**14,898**	13,890
Trading debt securities	**4,450**	2,293
Placements and balances with banks	**38,916**	40,284
Loans to customers	**306,713**	277,201
Derivative financial assets	**5,362**	11,368
Investment debt securities	**25,618**	22,436
Others	**2,764**	3,096
	441,911	414,655
Contingent liabilities	**31,300**	27,117
Commitments (excluding lease and capital commitments)	**174,940**	160,002
	648,151	601,774

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.

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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					
2021					
Singapore	157,543	7,441	976	5,736	171,696
Malaysia	29,836	5,479	2,762	3,072	41,149
Thailand	20,857	1,629	4,251	1,215	27,952
Indonesia	10,162	1,714	2,038	165	14,079
Greater China	48,779	3,942	16,504	6,874	76,099
Others	43,623	2,119	12,385	13,006	71,133
Total	310,800	22,324	38,916	30,068	402,108
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

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					
2021					
Transport, storage and communication	13,270	–	–	2,055	15,325
Building and construction	83,443	–	–	1,056	84,499
Manufacturing	22,570	–	–	1,731	24,301
Financial institutions, investment and holding companies	40,731	–	38,916	13,143	92,790
General commerce	36,779	–	–	1,232	38,011
Professionals and private individuals	26,651	–	–	–	26,651
Housing loans	71,211	–	–	–	71,211
Government	–	22,324	–	–	22,324
Others	16,145	–	–	10,851	26,996
Total	310,800	22,324	38,916	30,068	402,108
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

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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			
	2021		2020	
In $ millions	Contingent liabilities	Commitments [1]	Contingent liabilities	Commitments [1]
Analysed by geography				
Singapore	14,912	84,079	11,719	77,385
Malaysia	2,857	13,761	2,584	13,926
Thailand	1,771	14,033	1,869	14,385
Indonesia	1,648	6,137	1,197	5,790
Greater China	5,579	34,490	5,296	25,892
Others	4,533	22,440	4,452	22,624
Total	31,300	174,940	27,117	160,002
Analysed by industry				
Transport, storage and communication	1,722	7,816	1,591	6,556
Building and construction	9,334	31,071	8,643	27,193
Manufacturing	4,608	24,742	3,535	24,322
Financial institutions, investment and holding companies	2,993	30,238	2,782	18,007
General commerce	9,467	40,040	7,956	38,739
Professionals and private individuals	233	24,429	247	25,049
Housing loans	–	6,136	–	4,117
Others	2,943	10,468	2,363	16,019
Total	31,300	174,940	27,117	160,002

(1) Excluding lease and capital commitments.

45. Financial Risk Management (continued)

(a) Credit risk (continued)

(iv) *Credit quality*

i. 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
2021				
Pass	287,269	11,414	–	298,683
Special mention	–	3,314	–	3,314
Substandard	–	–	3,516	3,516
Doubtful	–	–	404	404
Loss	–	–	1,110	1,110
Total	287,269	14,728	5,030	307,027
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
Total	257,058	15,597	4,520	277,175

ii. 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
2021					
External rating:					
Investment grade (AAA to BBB-)	7,092	12,811	–	18,404	26
Non-investment grade (BB+ to C)	–	22	–	26	–
Unrated	–	647	–	6,995	171
Total	7,092	13,480	–	25,425	197
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

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45. Financial Risk Management (continued)
(a) Credit risk (continued)
(iv) *Credit quality (continued)*
iii. Non-trading other assets

	The Group		
In $ millions	**Stage 1**	**Stage 2**	**Total**
2021			
Cash, balances and placements with central banks	**33,445**	**39**	**33,484**
Placements and balances with banks	**26,542**	**189**	**26,731**
Other assets	**2,491**	**155**	**2,646**
Total	**62,478**	**383**	**62,861**
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

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

	The Group			
In $ millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2021				
Pass	**186,374**	**3,346**	**–**	**189,720**
Special mention	**–**	**487**	**–**	**487**
Substandard	**–**	**–**	**8**	**8**
Doubtful	**–**	**–**	**1**	**1**
Loss	**–**	**–**	**11**	**11**
Total	**186,374**	**3,833**	**20**	**190,227**
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

45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

In $ millions	The Group < 30 days	30 - 59 days	60 - 90 days	Total
Analysed by geography [1]				
2021				
Singapore	1,211	324	66	1,601
Malaysia	79	20	4	103
Thailand	555	108	67	730
Indonesia	42	28	19	89
Greater China	253	23	49	325
Others	476	15	7	498
Total [2]	2,616	518	212	3,346
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 [2]	3,372	798	340	4,510

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

(2) Includes $13 billion (2020: $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.

In $ millions	The Group < 30 days	30 - 59 days	60 - 90 days	Total
Analysed by industry				
2021				
Transport, storage and communication	45	28	1	74
Building and construction	865	20	5	890
Manufacturing	221	38	5	264
Financial institutions, investment and holding companies	319	5	–	324
General commerce	261	82	29	372
Professionals and private individuals	381	96	70	547
Housing loans	460	225	99	784
Others	64	24	3	91
Total	2,616	518	212	3,346

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45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

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

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

	The Group					
In $ millions	Current	‹ 90 days	90 - 180 days	› 180 days	Total	Stage 3 ECL
Analysed by geography [1]						
2021						
Singapore	533	235	98	1,304	2,170	642
Malaysia	305	51	20	453	829	226
Thailand	257	122	75	297	751	237
Indonesia	344	93	40	284	761	214
Greater China	26	1	6	240	273	117
Others	2	49	5	190	246	89
Non-performing loans	1,467	551	244	2,768	5,030	1,525
Debt securities, contingent items and others	38	4	–	5	47	31
Total	1,505	555	244	2,773	5,077	1,556
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

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

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						
2021						
Transport, storage and communication	172	9	15	292	488	160
Building and construction	282	25	5	617	929	233
Manufacturing	432	43	41	364	880	300
Financial institutions, investment and holding companies	20	185	–	27	232	20
General commerce	155	86	42	719	1,002	445
Professionals and private individuals	159	21	40	116	336	82
Housing loans	198	102	93	573	966	213
Others	49	80	8	60	197	72
Non-performing loans	1,467	551	244	2,768	5,030	1,525
Debt securities, contingent items and others	38	4	–	5	47	31
Total	1,505	555	244	2,773	5,077	1,556
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

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45. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	Collateral/Credit enhancement			Unsecured	
In $ millions	Properties	Fixed deposits	Others	credit exposure	Total
The Group					
2021					
Loans to customers	2,816	9	200	2,005	5,030
Debts securities	–	–	–	16	16
Others (including commitments and contingents)	8	3	–	20	31
Of which:					
Credit impaired assets with nil ECL due to collateral/credit enhancement	1,111	3	11	–	1,125
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

Collaterals possessed to settle outstanding loans were immaterial.

45. Financial Risk Management (continued)

(b) Foreign exchange risk and equity risk

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

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

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

At 31 December 2021, banking book foreign currency Expected Shortfall (ES) inclusive of structural foreign currency ES was $17.2 million (2020: $27.5 million).

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 $45.6 million (2020: $38.3 million) higher/lower as a result of an increase/decrease in the fair value of equity investments classified as FVOCI.

(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 $1,051 million and $2,008 million (2020: negative $903 million and $1,779 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.

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45. Financial Risk Management (continued)

(d) Interest rate benchmark reform

The Group has established a Project Steering Committee (PSC) with taskforces and business unit program managers in order to manage, monitor and address the impact of the replacement of various interest rate benchmarks globally. The key risks being managed arise from pricing risk on amending existing contracts; operational risk from updating systems and processes; and conduct risk – ensuring we treat our clients fairly when we update existing contracts.

The PSC is co-chaired by Group Chief Risk Officer (CRO) and Head of Group Global Markets and comprises senior representatives from functions across the Bank including the client facing teams, Finance, Operations and Technology, Data Management Office and Group International Management. The PSC provides regular updates to the Board Risk Management Committee.

Transition of the Group's exposures to non-USD London Interbank Offered Rate (LIBOR) benchmarks, which ceased to be published after 31 December 2021, was completed in 2021. The Group has in place detailed plans, processes and procedures to support the transition of SOR, Singapore Interbank Offered Rate (SIBOR), USD LIBOR and Thai Baht Interest Rate Fixing (THBFIX) in accordance to regulatory timelines. Other benchmarks may also be discontinued in future, and these will be addressed in accordance with the applicable timelines.

The table below shows the Group and Bank's exposure as at 31 December 2021 to significant interest rate benchmarks subject to reform. This includes only those contracts with maturity dates beyond the currently announced regulatory cessation date of the applicable benchmark.

In $ millions	Non-derivative financial assets - carrying value	Derivatives - nominal value
The Group		
USD LIBOR	11,633	78,726
SIBOR	14,561	–
SOR	13,778	25,901
THBFIX	–	1,815
Total	39,972	106,442
The Bank		
USD LIBOR	10,940	77,034
SIBOR	14,561	–
SOR	13,778	25,901
THBFIX	–	171
Total	39,279	103,106

45. Financial Risk Management (continued)

(d) Interest rate benchmark reform (continued)

Impact of interest rate benchmark reform on hedge accounting relationships

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 USD LIBOR. A significant number of these hedge accounting relationships will mature prior to cessation of benchmark rates under the reform. As permitted by the amendments to SFRS(I) 9, 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. Application of this relief permits hedge accounting to continue for the remaining affected hedge accounting relationships.

The table below shows the Group and Bank's exposure in hedging relationship as at 31 December 2021. This includes only those contracts with maturity dates beyond the currently announced regulatory cessation date of the applicable benchmark.

In $ millions	The Group and Bank
Derivatives – nominal value	
Fair value hedge	
USD LIBOR	4,351
SOR	80
Total	4,431

(e) 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.

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.

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for the financial year ended 31 December 2021

45. Financial Risk Management (continued)

(e) Liquidity risk (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
2021								
Cash, balances and placements with central banks	13,362	5,584	7,719	3,930	–	797	5,195	36,587
Securities	561	1,426	3,483	10,971	16,136	23,491	5,599	61,667
Placements and balances with banks	9,510	5,870	9,886	9,811	807	3,121	7	39,012
Loans to customers	14,342	35,354	24,940	48,593	79,791	135,885	2,923	341,828
Investment in associates and joint ventures	–	–	–	–	–	–	1,245	1,245
Intangible assets	–	–	–	–	–	–	4,145	4,145
Derivative financial assets	–	–	–	–	–	–	5,362	5,362
Others	34	12	32	176	6	3,170	4,242	7,672
Total assets	37,809	48,246	46,060	73,481	96,740	166,464	28,718	497,518
Deposits and balances of customers	205,763	32,138	51,808	60,628	2,292	684	(1)	353,312
Deposits and balances of banks, and bills and drafts payable	8,235	2,703	2,521	979	2,085	61	(30)	16,554
Debts issued	245	2,672	7,596	8,106	6,089	10,195	(85)	34,818
Derivative financial liabilities	–	–	–	–	–	–	5,172	5,172
Others	4,450	27	33	246	32	230	2,847	7,865
Total liabilities	218,693	37,540	61,958	69,959	10,498	11,170	7,903	417,721
Equity attributable to:								
Equity holders of the Bank	–	15	–	64	1,003	7,135	34,733	42,950
Non-controlling interests	–	–	–	–	–	–	228	228
Total equity	–	15	–	64	1,003	7,135	34,961	43,178
Net on-balance sheet position	(180,884)	10,691	(15,898)	3,458	85,239	148,159	(14,146)	
Net off-balance sheet position	(76,268)	(511)	(1,160)	(971)	201	(1,841)	–	
Net maturity mismatch	(257,152)	10,180	(17,058)	2,487	85,440	146,318	(14,146)	

45. Financial Risk Management (continued)

(e) Liquidity risk (continued)

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
	The Group							
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)	

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 39(a) respectively. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2021 and 2020. 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.

Notes to the Financial Statements

for the financial year ended 31 December 2021

45. Financial Risk Management (continued)

(f) 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
2021				
Interest rate	3.80	10.09	3.13	4.79
Foreign exchange	3.39	5.33	1.37	2.55
Equity	0.42	1.56	0.05	0.28
Commodity	0.36	5.14	0.13	1.04
Total ES [1]	10.17	17.99	8.37	11.09
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

(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).

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. 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 Notice 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	2021	2020
Common Equity Tier 1 capital (CET1)	**34,935**	33,231
Additional Tier 1 capital	**2,379**	2,379
Tier 1 capital	**37,314**	35,610
Tier 2 capital	**5,761**	5,780
Eligible total capital	**43,075**	41,390
Risk-weighted assets (RWA)	**259,067**	225,441
Capital adequacy ratios (CAR) (%)		
CET1	**13.5**	14.7
Tier 1	**14.4**	15.8
Total	**16.6**	18.4

47. Event After Reporting Date

On 14 January 2022, the Group proposed acquisition of Citigroup Inc.'s consumer banking businesses comprising its unsecured and secured lending portfolios, wealth management and retail deposit businesses (the "Consumer Business") in Indonesia, Malaysia, Thailand and Vietnam. The total cash consideration for this proposed acquisition is calculated based on an aggregate premium equivalent to $915 million plus the net asset value of the Consumer Business as at completion.

Completion of the acquisition in each country will be conditional on obtaining regulatory approvals relevant to each country and in Singapore. It is estimated that completion will take place between mid-2022 and early 2024, depending on the progress and outcome of the regulatory approval process.

48. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 15 February 2022.