

BANK OF SINGAPORE LIMITED

(Incorporated in Singapore. Registration Number: 197700866R)

ANNUAL REPORT

For the financial year ended 31 December 2020

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BANK OF SINGAPORE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

The directors present their statement to the member together with the audited financial statements for the financial year ended 31 December 2020.

In our opinion:

- (a) the financial statements as set out on pages 8 to 87 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2020 and the financial performance and changes in equity and cash flows of the Bank for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

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

Directors

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

Ching Wei Hong, Chairman
Bahren Bin Haji Sha'ari, Chief Executive Officer
Choo Nyen Fui
DCruz Noel Gerald, alternate director to Choo Nyen Fui (appointed on 26 June 2020)
Kenneth Mark Lai Chin Kui (appointed on 9 November 2020)
Lai Teck Poh (appointed on 1 January 2020)
Quah Wee Ghee
Samuel N. Tsien

Arrangements to enable directors to acquire shares and debentures

Neither at the end of, nor at any time during the financial year, was the Bank a party to any arrangement whose 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 in, or debentures of, the Bank or any other body corporate, other than as disclosed in this statement.

BANK OF SINGAPORE LIMITED**DIRECTORS' STATEMENT***For the financial year ended 31 December 2020***Directors' interests in shares or debentures**

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

	Direct interest		Deemed interest ⁽¹⁾	
	At 31.12.2020	At 1.1.2020 / Date of appointment	At 31.12.2020	At 1.1.2020/ Date of appointment
Oversea-Chinese Banking Corporation Limited				
Ordinary shares				
Ching Wei Hong	385,000	379,058	-	-
Bahren Bin Haji Sha'ari	4,685	41,020	620	620
Choo Nyen Fui	444,976	393,100	-	-
DCruz Noel Gerald	387,765	380,027	-	-
Kenneth Mark Lai Chin Kui	804	804	-	-
Lai Teck Poh	1,023,767	997,339	-	-
Quah Wee Ghee	55,354	48,249	645	632
Samuel N. Tsien	2,025,154	1,758,786	-	-
Options/rights/awards in respect of ordinary shares				
Ching Wei Hong	1,342,287 ⁽²⁾	1,267,784 ⁽³⁾	-	-
Bahren Bin Haji Sha'ari	1,141,906 ⁽⁴⁾	1,058,759 ⁽⁵⁾	-	-
Choo Nyen Fui	294,861 ⁽⁶⁾	258,819 ⁽⁷⁾	-	-
DCruz Noel Gerald	280,119 ⁽⁸⁾	278,150 ⁽⁹⁾	-	-
Kenneth Mark Lai Chin Kui	336,351 ⁽¹⁰⁾	336,351 ⁽¹⁰⁾	-	-
Samuel N. Tsien	5,515,683 ⁽¹¹⁾	5,725,276 ⁽¹²⁾	-	-
3.8% non-cumulative, non- convertible perpetual capital securities				
Ching Wei Hong	Nil ⁽¹³⁾	S\$250,000	-	-

(1) Ordinary shares held by spouse.

(2) Comprises: (i) options to acquire 1,026,279 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 7,188 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 308,820 unvested shares granted under the OCBC Deferred Share Plan.

(3) Comprises: (i) options to acquire 1,026,279 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 6,283 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 235,222 unvested shares granted under the OCBC Deferred Share Plan.

BANK OF SINGAPORE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

Directors' interests in shares or debentures (continued)

- (4) Comprises: (i) options to acquire 806,921 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 334,985 unvested shares granted under the OCBC Deferred Share Plan.
- (5) Comprises: (i) options to acquire 806,921 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 251,838 unvested shares granted under the OCBC Deferred Share Plan.
- (6) Comprises: (i) options to acquire 126,881 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 7,188 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 160,792 unvested shares granted under the OCBC Deferred Share Plan.
- (7) Comprises: (i) options to acquire 126,881 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 6,283 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 125,655 unvested shares granted under the OCBC Deferred Share Plan.
- (8) Comprises: (i) options to acquire 219,658 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 7,188 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 53,273 unvested shares granted under the OCBC Deferred Share Plan.
- (9) Comprises: (i) options to acquire 219,658 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 6,283 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 52,209 unvested shares granted under the OCBC Deferred Share Plan.
- (10) Comprises: (i) options to acquire 138,927 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 4,008 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 193,416 unvested shares granted under the OCBC Deferred Share Plan.
- (11) Comprises: (i) options to acquire 4,596,480 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 7,188 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 912,015 unvested shares granted under the OCBC Deferred Share Plan.
- (12) Comprises: (i) options to acquire 5,034,060 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 6,283 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 684,933 unvested shares granted under the OCBC Deferred Share Plan.
- (13) All outstanding 3.80% Non-Cumulative Non-Convertible perpetual capital securities have been redeemed on 25 August 2020.

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

BANK OF SINGAPORE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

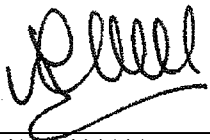
Share options

The Bank did not issue any options on its shares during the financial year, and there were no unissued shares of the Bank under options at the end of the financial year.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to accept re-appointment as auditors of the Bank.

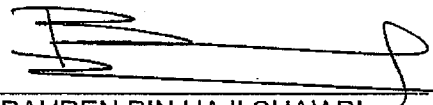
On behalf of the Board of Directors,



CHING WEI HONG
Director

Singapore

29 January 2021



BAHREN BIN HAJI SHA'ARI
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BANK OF SINGAPORE LIMITED

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of Bank of Singapore Limited ('the Bank') are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Bank as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Bank for the year ended on that date.

What we have audited

The financial statements of the Bank comprise:

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

Basis for Opinion

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

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

Independence

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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement and Supplementary Information but does not include the financial statements and our auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BANK OF SINGAPORE LIMITED (continued)

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

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 FRSSs, 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BANK OF SINGAPORE LIMITED (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 Bank 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.

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

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 have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore
29 January 2021

BANK OF SINGAPORE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Interest income		443,732	796,713
Interest expense		(137,098)	(450,101)
Net interest income	4	306,634	346,612
Fee and commission income		548,364	492,398
Fee and commission expense		(97,043)	(64,747)
Net fee and commission income	5	451,321	427,651
Net trading income	6	202,230	178,669
Other income		6,238	4,237
		208,468	182,906
Total income before operating expenses		966,423	957,169
Staff costs	7	(394,518)	(419,822)
Depreciation of property, plant and equipment	10	(40,014)	(34,583)
Amortisation of intangible assets	12	(5,898)	(5,898)
Amortisation of membership rights	13	(75)	(84)
Other operating expenses	8	(127,984)	(135,355)
Total operating expenses		(568,489)	(595,742)
Operating profit before allowances		397,934	361,427
Loss allowances on financial instruments	19	(8,576)	1,076
Profit before income tax		389,358	362,503
Income tax expense	9	(51,280)	(44,430)
Profit for the year		338,078	318,073

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

BANK OF SINGAPORE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	2020 US\$'000	2019 US\$'000
Profit for the year	338,078	318,073
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Defined benefit plan remeasurements	(219)	(490)
Net (loss)/ gain on debt investments at FVOCI, net of tax	(3,000)	2,213
	<u>(3,219)</u>	<u>1,723</u>
Total comprehensive income for the year	<u>334,859</u>	<u>319,796</u>

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

BANK OF SINGAPORE LIMITED**BALANCE SHEET***As at 31 December 2020*

	Note	2020 US\$'000	2019 US\$'000
Assets			
Cash and balances with central banks	16	128,598	122,589
Balances and placements with and loans to banks	17	1,672,238	1,058,831
Loans and advances to non-bank customers	18	20,892,295	22,532,891
Amount due from holding company	20	12,141,856	9,820,503
Amount due from related companies	20	3,991	4,155
Derivative financial instruments	30	716,830	375,934
Other investments	21	425,768	788,321
Other assets	22	433,370	164,268
Subsidiaries	14	20,637	19,038
Property, plant and equipment	10	136,809	135,448
Intangible assets	12	34,896	40,794
Membership rights	13	427	509
Goodwill	11	167,764	167,764
Total assets		36,775,479	35,231,045
Liabilities			
Deposits of non-bank customers		30,216,021	29,266,281
Deposits and balances of banks		5,560	118,792
Amount due to holding company	20	2,180,416	2,306,048
Amount due to related companies	20	20,282	21,348
Derivative financial instruments	30	794,705	354,373
Other liabilities	25	1,651,048	1,043,427
Current tax payable		59,330	46,701
Deferred tax liabilities	24	7,908	9,066
Total liabilities		34,935,270	33,166,036
Equity attributable to equity holder of the Bank			
Share capital	23	996,377	996,377
Other equity instruments	23	200,000	200,000
Other reserves	23	(1,405)	3,249
Accumulated profits		645,237	865,383
Total equity		1,840,209	2,065,009
Total equity and liabilities		36,775,479	35,231,045

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

BANK OF SINGAPORE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Share capital and other equity instruments US\$'000	Other reserves US\$'000	Accumulated profits US\$'000	Total equity US\$'000
At 1 January 2020	1,196,377	3,249	865,383	2,065,009
Total comprehensive income for the year				
Profit for the year	-	-	338,078	338,078
Other comprehensive income				
Net gain on FVOCI financial assets	-	(3,000)	-	(3,000)
Defined benefit plan	-	(219)	-	(219)
Total other comprehensive income	-	(3,219)	-	(3,219)
Total comprehensive income for the year	-	(3,219)	338,078	334,859
Transfer to/(from) Regulatory Loss Allowance Reserve	-	(1,435)	1,435	-
Transactions with owners, recorded directly in equity				
Distributions to holder of perpetual capital securities	-	-	(9,659)	(9,659)
Dividend to equity holder	-	-	(550,000)	(550,000)
Total transactions with owners	-	-	(559,659)	(559,659)
At 31 December 2020	1,196,377	(1,405)	645,237	1,840,209
At 1 January 2019	1,196,377	546	747,920	1,944,843
Total comprehensive income for the year				
Profit for the year	-	-	318,073	318,073
Other comprehensive income				
Net gain on FVOCI financial assets	-	2,213	-	2,213
Defined benefit plan	-	(490)	-	(490)
Total other comprehensive income	-	1,723	-	1,723
Total comprehensive income for the year	-	1,723	318,073	319,796
Transfer to/(from) Regulatory Loss Allowance Reserve	-	980	(980)	-
Transactions with owners, recorded directly in equity				
Distributions to holder of perpetual capital securities	-	-	(9,630)	(9,630)
Dividend to equity holder	-	-	(190,000)	(190,000)
Total transactions with owners	-	-	(199,630)	(199,630)
At 31 December 2019	1,196,377	3,249	865,383	2,065,009

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

BANK OF SINGAPORE LIMITED

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Cash flows from operating activities			
Profit for the year		338,078	318,073
Adjustments for non-cash items:			
Depreciation of property, plant and equipment owned	10	25,321	20,177
Depreciation of right-of-use assets	10	14,693	14,406
Amortisation of intangible assets	12	5,898	5,898
Amortisation of membership rights	13	75	84
Gain from liquidation of a subsidiary		-	(3,597)
Impairment of/(Write-back on) loss allowances	19	8,576	(1,076)
(Gain)/Loss on disposal of property, plant and equipment		(45)	16
Interest paid on lease liabilities		1,817	1,498
Income tax expense	9	51,280	44,430
		445,693	399,909
Decrease/(Increase) in operating assets:			
Cash and balance with central banks		(6,009)	3,003
Balances and placements with and loans to banks		(467,658)	(61,931)
Loans and advances to non-bank customers		1,632,020	3,979
Amount due from holding company		(2,323,228)	(1,853,453)
Amounts due from related companies		164	(221)
Other investments		359,553	(156,897)
Other assets		(269,102)	22,147
Derivative financial instruments		(340,896)	479,570
		(1,415,156)	(1,563,803)
Increase/(Decrease) in operating liabilities:			
Amount due to holding company		(125,632)	(1,200,481)
Amounts due to related companies		(1,066)	(7,324)
Derivative financial instruments		440,332	(499,354)
Deposits of non-bank customers		949,740	3,000,517
Deposits and balances of banks		(113,232)	40,792
Other liabilities		601,804	121,912
		1,751,946	1,456,062
Cash from operating activities		782,483	292,168
Income taxes paid		(39,809)	(44,011)
Net cash from operating activities		742,674	248,157
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(22,300)	(34,952)
Proceeds from liquidation of a subsidiary	14	-	10,597
Acquisition of a subsidiary	14	-	(8,515)
Investment in subsidiary	14	(1,599)	(707)
Proceeds from disposal of property, plant and equipment		143	4,552
Net cash used in investing activities		(23,756)	(29,025)
Cash flows from financing activity			
Dividends paid	23	(550,000)	(190,000)
Distributions to holders of perpetual capital securities	23	(9,659)	(9,630)
Payments of lease expenses		(15,385)	(15,904)
Net cash used in financing activity		(575,044)	(215,534)
Net increase in cash and cash equivalents		143,874	3,598
Cash and cash equivalents at 1 January		185,226	181,628
Cash and cash equivalents at 31 December		329,100	185,226
Cash and cash equivalents comprise the following:			
Cash on hand	16	6	6
Balances and placements with and loans to banks	17	324,905	179,156
Amount due from holding company	20	4,189	6,064
		329,100	185,226

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

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

1. General information

Bank of Singapore Limited (the "Bank") is incorporated in Singapore. The address of the Bank's registered office is 63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514.

The financial statements of the Bank as at and for the year ended 31 December 2020 comprise the Bank's Singapore operations, its representative offices and its overseas branches.

The principal activities of the Bank are those of a full bank with an Asian Currency Unit granted by the Monetary Authority of Singapore. The Bank's branch in Hong Kong holds a banking licence granted by the Hong Kong Monetary Authority and the branch in Dubai holds a license to operate granted by the Dubai Financial Services Authority.

The ultimate and immediate holding company of the Bank is Oversea-Chinese Banking Corporation Limited ("OCBC"), a company that is incorporated and domiciled in Singapore.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Bank's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Bank adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Bank's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2020 (continued)

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Bank's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue

(a) Interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

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

(b) Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fee and commission income are recognised when the related services are performed by the Bank at a point in time. Portfolio and other management fees, custodian and trust fees are recognised on a systematic basis over the life of the applicable service contracts as the services are provided over time. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Fee and commission expense are expensed as and when the services are received.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.3 Group accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are stated at cost less accumulated impairment losses. The acquisition method of accounting is used to account for business combinations entered into by the Bank. On disposal of such investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

These financial statements are the separate financial statements of Bank of Singapore Limited. The Bank is exempted from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of OCBC, which produces consolidated financial statements available for public use that comply with SFRS(I) or IFRS. The registered office of OCBC, where those consolidated financial statements can be obtained, is at 63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514.

(b) Acquisitions

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Bank. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date, but does not include amounts related to the settlement of pre-existing relationships, which are generally recognised in profit or loss.

If the contingent consideration arrangement meets the definition of a financial instrument and is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration arrangements are remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Bank recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(b) Acquisitions (continued)

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost can be reliably measured. Other subsequent expenditure is recognised in the profit or loss during the financial year in which the expenditure is incurred.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets. The effects of any revision are recognised in profit or loss when the changes arise.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative years are as follows:

Leasehold improvements	5 years
Furniture, fittings and computers	3 to 10 years
Motor vehicles	4 years

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.5 Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately on the balance sheet and carried at cost less accumulated impairment losses.

2.6 Intangible assets

Customer relationships and core deposits

Customer relationships and core deposits acquired by the Bank, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of 10 years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.7 Membership rights

Membership rights, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful life of membership rights of 15 years.

2.8 Impairment of non-financial assets

(a) Goodwill

Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

For the purpose of impairment testing, goodwill is allocated to the Bank as one cash generating unit ("CGU").

An impairment loss is recognised in the statement of comprehensive income when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The CGU's recoverable amount is the higher of its fair value less cost to sell and its value in use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is recognised as an expense and cannot be reversed in subsequent periods.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

- (b) Investments in subsidiaries, property, plant and equipment, right-of-use-assets, intangible assets and membership rights

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

A reversal of impairment loss for an asset other than goodwill, is recognised in profit or loss.

2.9 Financial assets

- (a) Classification and measurement

The Bank classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Bank's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification and measurement (continued)

At initial recognition

The Bank initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

At subsequent measurement

Financial assets at amortised cost

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt investments at FVOCI

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in statement of comprehensive income. This election is made on an investment-by-investment basis.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification and measurement (continued)

Financial assets at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

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

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification and measurement (continued)

Business model assessment (continued)

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

Assessment whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification and measurement (continued)

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Reclassification

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

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(b) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income ("OCI") is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

(c) Modification of financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(c) Modification of financial assets (continued)

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see Note 2.9 (d) for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

(d) Impairment

Under FRS 109, the expected loss model is applied to financial assets classified as amortised cost or debt investments at FVOCI, except for equity investments at FVOCI, and certain off-balance sheet loan commitments and financial guarantees which were previously provided for under *FRS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Expected credit loss ("ECL") impairment model

Under FRS 109, credit loss allowances are measured on each reporting date according to a three-stage expected credit loss impairment model:

Stage 1 – On initial recognition, expected credit loss will be that resulting from default events that are possible over the next 12 months ("12-month ECL").

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(d) Impairment (continued)

Stage 2 – Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that which results from all possible default events over the expected life of the asset ("Lifetime ECL").

Stage 3 – When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, a loss allowance will be the full lifetime expected credit loss.

Default definition

An obligor is recognised to be in default when evidenced by either of the following:

- when the obligor is unlikely to rectify any margin excess immediately when the net asset value of collateral portfolio is in negative position; or
- when the obligor is unlikely to repay in full its credit obligations, without recourse by the Bank to actions, such as realising the collateral; or
- days past due for more than 90 days

Write off

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

Measurement of ECL

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

- *financial assets* that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets* that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(d) Impairment (continued)

Measurement of ECL

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

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

Movements between stages

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

In accordance with FRS 109, financial assets are classified in Stage 2 where there is a significant increase in credit risk since initial recognition, where loss allowance will be measured using lifetime ECL.

The Bank considers both qualitative and quantitative parameters in the assessment of significant increase in credit risk. These include the following:

- The Bank has established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition;
- The Bank conducts qualitative assessment to ascertain if there has been significant increase in credit risk; and
- The Bank uses 30 days past due as a further indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under FRS 109 will be based on objective evidence of impairment.

The assessments for significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(d) Impairment (continued)

Regulatory framework

Under the revised MAS 612 Credit Files, Grading and Provisioning ("MAS 612") requirement, the Bank is required to maintain a minimum regulatory loss allowance ("MRLA") of 1% of the gross carrying amount of selected credit exposures, net of collaterals. Where the accounting loss allowance computed under FRS 109 is less than the MRLA, the Bank shall maintain the difference in a non-distributable regulatory loss allowance reserve ("RLAR") account through the appropriation of Revenue Reserves to meet the minimum 1% amount. Where the aggregated accounting loss allowance and RLAR exceeds the MRLA, the Bank may transfer the excess amount in the RLAR to Accumulated Profits.

2.10 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value.

Fair value changes on derivative instruments are recognised in profit or loss when the changes arise.

2.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under FRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

2.12 Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. These financial guarantees are given to other parties such as other banks and financial institutions, on behalf of customers to secure loans, overdrafts and other banking facilities.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.12 Financial guarantees (continued)

Financial guarantees are initially recognised in the financial statements at fair value plus transaction costs on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the premium received on initial recognition, less the cumulative amount of income recognised in accordance with the principles of FRS 115, and the amount of expected loss determined in accordance with the ECL model under FRS 109.

2.13 Financial liabilities

Financial liabilities, other than financial guarantees and loan commitments, are initially recognised at fair value, net of transaction costs incurred and subsequently carried at amortised cost, using the effective interest rate method.

Derecognition

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or have expired.

Modification of financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.14 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and or what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
 - the Bank has the right to operate the asset; or
 - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

Right-of-use assets

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of property in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made. Any initial direct costs that would not have been incurred if the lease had not been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.14 Leases (continued)

Right-of-use assets (continued)

Right-of-use assets are presented within "Property, plant and equipment" in the balance sheet.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the remeasurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease liabilities are presented within "Other liabilities" in the balance sheet.

Short-term and low-value leases

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment and office premises that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.15 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recover from the tax authorities, using the tax rates and tax laws enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Bank is able to control the timing of the reversal of the timing difference and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

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

Current and deferred taxes are recognised as income or expense in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

2.16 Provisions

Provisions for other liabilities and legal claims are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.17 Employee compensation

Compensation package for staff consists of base salaries, allowances, defined contribution plans such as the Central Provident Fund, defined benefit plans, commissions, cash bonuses, and share-based compensation plans. These are recognised in the profit or loss when incurred, unless the cost qualifies to be capitalised as an asset and share-based compensation is recognised over the vesting period of the grant, with corresponding amount due to the holding company. Employee leave entitlements are estimated according to the terms of employment contract and accrued on balance sheet date.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity such as the Central Provident Fund on a mandatory, contractual or voluntary basis and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the currency in which the benefits are expected to be paid. Credit rating of at least AA is defined where obligor's capacity to meet its financial commitments on the obligation is very strong.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.17 Employee compensation (continued)

Defined benefit plans (continued)

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Bank. An economic benefit is available to the Bank if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Bank recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Bank in connection with the settlement.

Share-based compensation plans

Share-based compensation plans include the holding company's Employee Share Purchase Plan ("ESPP"). Equity instruments granted are recognised as an expense in the profit or loss based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, with corresponding entries to the amounts due to the holding company.

At each balance sheet date, the Bank revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the amounts due to the holding company over the remaining vesting period.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.18 Currency translation

The financial statements are presented in United States Dollars ("US\$"), which is the Bank's functional currency. All financial information presented in United States Dollars have been rounded to the nearest thousand, unless otherwise stated.

Transactions in foreign currencies are translated to the functional currency of the Bank at the spot exchange rates prevailing on the transaction dates. Monetary items denominated in foreign currencies are translated to the functional currency at the spot exchange rates prevailing at the balance sheet date. Exchange differences arising on settlement and translation of such items are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate on the date the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

2.19 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash on hand, balances and placements with, and loans to, banks, and amounts due from holding company and related companies with a maturity of 3 months or less, repayable on demand, money at call and on short notice which are subject to an insignificant risk of change in value.

2.20 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity and it is redeemable only at the Bank's option, and any dividends are discretionary.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.21 Dividends to Bank's shareholder

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

2.22 Fair value estimation

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price, and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.22 Fair value estimation (continued)

Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The preparation of financial statements requires the Bank to make certain estimates and to form judgements about the application of its accounting policies. The most significant areas where estimates and judgements have been made are set out below.

2.23 Prior year comparatives

Certain prior year comparatives have been reclassified to be consistent with current year presentation.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of goodwill

The Bank performs an annual impairment review and whenever events or circumstances that indicates more likely than not that an impairment may have occurred by comparing the carrying amount of its goodwill against the recoverable amounts of the CGU to which the goodwill have been allocated.

As disclosed in note 5, the bank uses valuation techniques such as value in use to determine the recoverable amount. Value in use of the CGU is calculated based on the present value of estimated future cash flows expected to arise from the CGU's continuing operations using the discounted cash flow method. Management exercises its judgement in estimating the future cash flows, growth rates and discount rates used in determining the recoverable amounts of the CGU.

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

3. Critical accounting estimates, assumptions and judgements (continued)*Impairment of financial assets*

A forward looking expected credit loss impairment model is applied to financial assets classified at amortised cost or FVOCI. The Bank exercises judgement in determining the key assumptions in the expected credit loss impairment model including the incorporation of forward looking information and determination of significant increase in credit risk of financial assets since initial recognition based on criteria described in Note 2.9. In addition, in determination of whether a financial asset is credit impaired, the Bank also exercises judgement in assessing the existence of objective evidence of impairment.

4. Net interest income

Interest income comprises interest arising from placements with, and loans to, banks, holding company and related companies and loans and advances to non-bank customers. Interest income on these financial assets that are classified as amortised cost or FVOCI are calculated using the effective interest method.

Interest expense comprises interest incurred on deposits and borrowings from banks, the holding company, related corporations and non-bank customers.

	2020 US\$'000	2019 US\$'000
The breakdown of interest income is as follows:		
- Holding company	113,317	190,117
- Related corporations	415	-
- Others	330,000	606,596
	<u>443,732</u>	<u>796,713</u>
The breakdown of interest expense is as follows:		
- Holding company	557	7,716
- Related corporations	213	372
- Others*	136,328	442,013
	<u>137,098</u>	<u>450,101</u>
Net interest income	<u>306,634</u>	<u>346,612</u>

* Included in 'Others' is interest cost arising from the lease liabilities undertaken by the Bank.

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***5. Net fee and commission income**

	2020 US\$'000	2019 US\$'000
Portfolio and other management fees	128,434	126,520
Custodian and trust fees	54,552	56,650
Brokerage fees	291,905	231,486
Other fees received	73,473	77,742
Fee and commission income	<u>548,364</u>	<u>492,398</u>
Brokerage fees paid	16,726	6,028
Other fees paid	80,317	58,719
Fee and commission expense	<u>97,043</u>	<u>64,747</u>
Net fee and commission income	<u>451,321</u>	<u>427,651</u>

6. Net trading income

	2020 US\$'000	2019 US\$'000
Foreign exchange	147,400	152,372
Other interest rate instruments	90	1,533
Others	54,740	24,764
	<u>202,230</u>	<u>178,669</u>

7. Staff costs

	Note	2020 US\$'000	2019 US\$'000
Wages, salaries and bonuses		356,202	356,395
Contributions to defined contribution plans		15,418	18,902
Contributions to equity compensation plan	26	811	910
Defined benefit plan	27	359	286
Others		21,728	43,329
		<u>394,518</u>	<u>419,822</u>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***8. Other operating expenses**

	2020 US\$'000	2019 US\$'000
Recharge of expenses by holding company ⁽¹⁾	50,606	37,163
Advertising and marketing	2,766	6,057
Other taxes and duties	6,214	2,710
Communication and information technology	28,689	33,515
Lease expenses relating to short-term leases	4,333	6,932
Travel and hotel expenses	546	14,001
Professional fees	13,610	13,986
Maintenance and hire of property, plant and equipment	2,008	1,475
Auditors' remuneration	554	673
Directors' fees	55	26
Lease expenses relating to leases of low value assets, excluding short-term leases of low value assets	145	197
Others	18,458	18,620
	<u>127,984</u>	<u>135,355</u>

⁽¹⁾ Included in the recharge of expenses by holding company is an amount of US\$6,349,000 (2019: US\$6,653,000) relating to rental of premises.

9. Income tax expense

	2020 US\$'000	2019 US\$'000
Current tax expense		
Current year	52,046	46,289
Adjustment for prior year	392	-
	<u>52,438</u>	<u>46,289</u>
Deferred tax expense		
Origination and reversal of temporary differences	(1,158)	(1,859)
Adjustment for prior year	-	-
	<u>(1,158)</u>	<u>(1,859)</u>
Total income tax expense	<u>51,280</u>	<u>44,430</u>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***9. Income tax expense (continued)**

	2020 US\$'000	2019 US\$'000
Reconciliation of effective tax rate		
Profit for the year	338,078	318,073
Total income tax expense	51,280	44,430
Profit before income tax	<u>389,358</u>	<u>362,503</u>
Tax calculated using Singapore tax rate of 17% (2019: 17%)	66,191	61,626
Effect of concessionary tax rate at 13.5% (2019: 12%)*	(13,019)	(16,575)
Effect of different tax rate in overseas branch	(903)	(807)
Under/Overprovision in prior year	392	-
Non-deductible expenses	1,744	2,653
Others	(3,125)	(2,467)
	<u>51,280</u>	<u>44,430</u>

* The Bank's profits derived from certain Financial Sector Incentive activities are subject to income tax at a concessionary tax rate of 13.5% (2019: 12%) under Section 43Q of the Income Tax Act.

10. Property, plant and equipment

	2020 US\$'000	2019 US\$'000
Property, plant and equipment	73,923	77,033
Right-of-use assets	62,886	58,415
	<u>136,809</u>	<u>135,448</u>

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. Property, plant and equipment (continued)

Property, plant and equipment

	<u>Leasehold improvements</u> US\$'000	<u>Furniture, fittings and computers</u> US\$'000	<u>Motor vehicles</u> US\$'000	<u>Total</u> US\$'000
Cost				
At 1 January 2020	46,768	149,930	790	197,488
Additions	850	21,116	334	22,300
Disposals	(16,950)	(4,539)	(435)	(21,924)
At 31 December 2020	30,668	166,507	689	197,864
Accumulated depreciation				
At 1 January 2020	33,169	86,822	464	120,455
Depreciation charge for the year	5,345	19,804	172	25,321
Disposals	(16,950)	(4,531)	(354)	(21,835)
At 31 December 2020	21,564	102,095	282	123,941
Carrying amounts				
At 31 December 2020	9,104	64,412	407	73,923

	<u>Leasehold improvements</u> US\$'000	<u>Furniture, fittings and computers</u> US\$'000	<u>Motor vehicles</u> US\$'000	<u>Total</u> US\$'000
Cost				
At 1 January 2019	43,552	126,309	841	170,702
Additions	3,216	31,620	116	34,952
Disposals	-	(7,999)	(167)	(8,166)
At 31 December 2019	46,768	149,930	790	197,488
Accumulated depreciation				
At 1 January 2019	29,374	74,098	404	103,876
Depreciation charge for the year	3,795	16,169	213	20,177
Disposals	-	(3,445)	(153)	(3,598)
At 31 December 2019	33,169	86,822	464	120,455
Carrying amounts				
At 31 December 2019	13,599	63,108	326	77,033

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. Property, plant and equipment (continued)

Right-of-use assets

	Property US\$'000	Others US\$'000	Total US\$'000
Cost			
At 1 January 2020	72,760	61	72,821
Additions	19,167	-	19,167
Termination of lease	-	(61)	(61)
	<u>91,927</u>	<u>-</u>	<u>91,927</u>
Accumulated depreciation			
At 1 January 2020	14,374	32	14,406
Depreciation charge for the year	14,667	26	14,693
Termination of lease	-	(58)	(58)
	<u>29,041</u>	<u>-</u>	<u>29,041</u>
Carrying amounts			
Balance as at 31 December 2020	<u>62,886</u>	<u>-</u>	<u>62,886</u>
Cost			
At 1 January 2019	-	-	-
Adjustment on initial application of FRS 116	60,747	61	60,808
Additions	12,013	-	12,013
	<u>72,760</u>	<u>61</u>	<u>72,821</u>
Accumulated depreciation			
Depreciation charge for the year	14,374	32	14,406
	<u>14,374</u>	<u>32</u>	<u>14,406</u>
Carrying amounts			
Balance as at 31 December 2019	<u>58,386</u>	<u>29</u>	<u>58,415</u>

11. Goodwill

	2020 US\$'000	2019 US\$'000
Goodwill	<u>167,764</u>	<u>167,764</u>
At 31 December	<u>167,764</u>	<u>167,764</u>

Impairment test for goodwill

For impairment testing, goodwill is allocated to the Bank which is identified as one cash generating unit. The recoverable amount is determined based on value-in-use calculations which applies a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment. Cash flows beyond the fifth year are extrapolated using the terminal growth rates (weighted average growth rate to extrapolate cash flows beyond the projected years).

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***11. Goodwill (continued)**

The terminal growth rate used does not exceed management's expectation of the long term average growth rate of the industry and countries which the Bank operates. The discount rate and terminal growth rate used is tabulated below:

	2020	2019
Discount rate	11.8%	10.2%
Terminal growth rate	2.0%	2.0%

12. Intangible assets

	Customer relationships and core deposits US\$'000
Cost	
At 1 January 2020	58,979
Additions	-
Disposals	-
At 31 December 2020	<u>58,979</u>
Accumulated amortisation	
At 1 January 2020	18,185
Amortisation charge for the year	5,898
Disposals	-
At 31 December 2020	<u>24,083</u>
Carrying amounts	
At 31 December 2020	<u>34,896</u>
Cost	
At 1 January 2019	58,979
Additions	-
At 31 December 2019	<u>58,979</u>
Accumulated amortisation	
At 1 January 2019	12,287
Amortisation charge for the year	5,898
At 31 December 2019	<u>18,185</u>
Carrying amounts	
At 31 December 2019	<u>40,794</u>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***13. Membership rights**

	US\$'000
Cost	
At 1 January 2020	1,536
Disposal	(56)
At 31 December 2020	<u>1,480</u>
Accumulated amortisation	
At 1 January 2020	1,027
Amortisation charge for the year	75
Disposal	(49)
At 31 December 2020	<u>1,053</u>
Carrying amounts	
At 31 December 2020	<u>427</u>
Cost	
At 1 January 2019	1,585
Disposal	(49)
At 31 December 2019	<u>1,536</u>
Accumulated amortisation	
At 1 January 2019	992
Amortisation charge for the year	84
Disposal	(49)
At 31 December 2019	<u>1,027</u>
Carrying amounts	
At 31 December 2019	<u>509</u>

14. Subsidiaries

	2020 US\$'000	2019 US\$'000
Equity investment at cost		
Beginning of financial year	19,038	16,816
Additions	1,599	9,222
Disposal	-	(7,000)
End of financial year	<u>20,637</u>	<u>19,038</u>

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. Subsidiaries (continued)

Details of the subsidiaries are as follows:

<u>Name of subsidiaries</u>	<u>Country of incorporation/Principal place of business</u>	<u>Effective equity held by the Bank</u>	
		<u>2020</u>	<u>2019</u>
		<u>%</u>	<u>%</u>
BOS Trustee Limited	Singapore	100	100
Bank of Singapore Nominees Pte Ltd	Singapore	100	100
BOS Nominees (Hong Kong) Limited	Hong Kong	100	100
BOS Wealth Management Limited	United Kingdom	100	100
BOS Wealth Management Europe, S.A	Luxembourg	100	100
Bank of Singapore Investment Consulting & Management Company Limited (China)	People's Republic of China	100	100
BOS Wealth Management Malaysia Berhad	Malaysia	100	100

The principal activities of BOS Trustee Limited are those of trustees, executors, administrators, receivers, attorneys and agents.

The principal activities of Bank of Singapore Nominees Pte Ltd ("BOSN") and BOS Nominees (Hong Kong) Limited are those of a nominee and trustee company.

The principal activities of BOS Wealth Management Limited, BOS Wealth Management Europe, S.A and BOS Investment Consulting & Management Company Limited are the provision of investment advisory services.

The principal activities of Bank of Singapore Investment Consulting & Management Company Limited (China) are the provision of investment advisory services. The entity was incorporated on 26 March 2019, with a cost of investment amounting to US\$707,000.

In November 2019, the bank completed the acquisition of Pacific Mutual Fund Berhad for a consideration of RM35,600,000 (approximately US\$8,515,000). The principal activities of Pacific Mutual Fund Berhad are the establishment and management of unit trust funds as well as the management of private investment mandates.

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***15. Unconsolidated entities**

The table below describes the types of structured entities that the Bank and its subsidiaries do not consolidate but in which they hold an interest.

Type of structured entity	Nature and purpose	Interest held by the Group	Total assets US\$
Feeder funds	To consolidate monies from investors for purposes of investment in Master Funds in order to achieve capital appreciation. These funds are financed through the issue of units to investors.	US\$104 in General Shares	104

The Bank acts as the investment manager of the unconsolidated structured entities and earns a management fee based on a fixed percentage of the aggregate value of the capital commitment made by shareholders. It does not participate in the profits of the Funds. Capital commitments to be invested in the Master Funds are entirely contributed by investors. The Bank does not provide any funding nor does it make investment in neither the Feeder Fund nor Master Fund and has no contractual obligation to do so.

The management fee earned for the year was approximately US\$14,090,000 (2019: US\$8,697,000).

As at 31 December 2020, the details of the unconsolidated entities are as follows:

Name of Unconsolidated Structured Entities	Country of incorporation
BOS (China) Investment Limited	British Virgin Islands
BOS Global Secondary Private Equity Investment Limited	British Virgin Islands
BOS Private Equity Fund Investment SPC	Cayman Islands
BOS International Fund	Luxembourg

16. Cash and balances with central banks

	2020 US\$'000	2019 US\$'000
Cash on hand	6	6
Balances with Monetary Authority of Singapore ("MAS")	121,498	115,355
Balances with Hong Kong Monetary Authority ("HKMA")	7,094	7,228
	128,598	122,589

Balances with MAS include the mandatory minimum cash balance in compliance with MAS Notice 758 which is not available for use in the Bank's day-to-day operations.

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***17. Balances and placements with and loans to banks**

	Note	2020 US\$'000	2019 US\$'000
Gross balances and placements with and loans to banks		1,672,278	1,058,875
Less: Impairment loss allowances	19	(40)	(44)
		<u>1,672,238</u>	<u>1,058,831</u>

Included in balances and placements with and loans to banks are margin receivables from third party brokers of approximately US\$271,809,000 (2019: US\$168,325,000) and an amount of approximately US\$1,400,468,000 (2019: US\$890,550,000) which is repayable on demand or money at call, of which US\$324,905,000 (2019: US\$179,156,000) are cash balances which has been included in cash and cash equivalents in the cash flow statement.

The balances and placements with and loans to banks includes a non-impaired loss allowance of US\$40,000 (2019: US\$44,000).

18. Loans and advances to non-bank customers

	Note	2020 US\$'000	2019 US\$'000
Gross loans and advances to customers		20,911,287	22,542,715
Less: Impairment loss allowances			
- credit-impaired loans		(8,426)	(1,579)
- non credit-impaired loans		(10,566)	(8,245)
	19	<u>(18,992)</u>	<u>(9,824)</u>
		<u>20,892,295</u>	<u>22,532,891</u>

19. Impairment loss allowances of financial instruments

The impairment loss allowance balance by class of financial instruments are set out as follows:

	Note	2020 US\$'000	2019 US\$'000
Balances and placements with and loans to banks	17	40	44
Loans and advances to non-bank customers	18	18,992	9,824
Total impairment loss allowances balance		<u>19,032</u>	<u>9,868</u>

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

19. Impairment loss allowances of financial instruments (continued)

Movements of impairment loss allowances are set out as follows:

	<u>Stage 1</u> US\$'000	<u>Stage 2</u> US\$'000	<u>Stage 3</u> US\$'000	<u>Total</u> US\$'000
At 1 January 2020	5,760	2,529	1,579	9,868
Remeasurement	(4,104)	(18)	6,283	2,161
Transfer to Stage 1	2,112	(2,112)	-	-
Transfer to Stage 2	(71)	71	-	-
Transfer to Stage 3	24	-	(24)	-
New financial assets originated or purchased	72,665	391	-	73,056
Financial assets that have been derecognised	(66,181)	(821)	-	(67,002)
Foreign exchange and other movements	361	-	-	361
Recognised in profit or loss	4,806	(2,489)	6,259	8,576
Interest recognition on impaired loans	-	-	588	588
At 31 December 2020	10,566	40	8,426	19,032

	<u>Stage 1</u> US\$'000	<u>Stage 2</u> US\$'000	<u>Stage 3</u> US\$'000	<u>Total</u> US\$'000
At 1 January 2019	7,555	2,465	730	10,750
Remeasurement	(1,513)	(133)	682	(964)
Transfer to Stage 1	4,189	(4,189)	-	-
Transfer to Stage 2	(4,433)	4,433	-	-
New financial assets originated or purchased	15,276	6,645	-	21,921
Financial assets that have been derecognised	(15,325)	(6,709)	-	(22,034)
Foreign exchange and other movements	11	17	(27)	1
Recognised in profit or loss	(1,795)	64	655	(1,076)
Interest recognition on impaired loans	-	-	194	194
At 31 December 2019	5,760	2,529	1,579	9,868

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***19. Impairment loss allowances of financial instruments (continued)**

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

Balances and placements with and loans to banks

	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Total US\$'000
Pass	1,671,637	641	-	1,672,278
Less: Allowances	(36)	(4)	-	(40)
At 31 December 2020	1,671,601	637	-	1,672,238
Pass	1,058,875	-	-	1,058,875
Less: Allowances	(44)	-	-	(44)
At 31 December 2019	1,058,831	-	-	1,058,831

Loans and advances to non-bank customers

	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000	Total US\$'000
Pass	20,854,012	-	-	20,854,012
Special mention	-	33,294	-	33,294
Substandard	-	-	1,750	1,750
Doubtful	-	-	22,231	22,231
Less: Allowance	(10,530)	(36)	(8,426)	(18,992)
At 31 December 2020	20,843,482	33,258	15,555	20,892,295
Pass	21,886,667	608,049	-	22,494,716
Special mention	-	29,462	-	29,462
Substandard	-	-	17,658	17,658
Doubtful	-	-	879	879
Less: Allowance	(5,716)	(2,529)	(1,579)	(9,824)
At 31 December 2019	21,880,951	634,982	16,958	22,532,891

20. Amounts due from/(to) holding company and related companies

The amounts due from/(to) holding company and related corporations comprise current account balances and placements with and borrowings from these entities, including interest receivables or payables. The amounts due from holding company include balances totalling approximately US\$4,189,000 (2019: US\$6,064,000), which are repayable on demand or money at call, and which have been included in cash and cash equivalents in the cash flow statement.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

21. Other investments

	2020 US\$'000	2019 US\$'000
FVTPL financial assets:		
- Quoted debt securities	95	89
- Unquoted fund investment	275	1,143
FVOCI financial assets:		
Other government securities	425,398	787,089
	425,768	788,321

Other government securities relate to United States treasury bills held by the Hong Kong Branch. The credit quality of the treasury bills are of investment grade, indicating good capacity to meet financial commitments with low credit risks by the obligor.

22. Other assets

	2020 US\$'000	2019 US\$'000
Interest receivable	19,083	27,377
Sundry debtors	92,572	99,619
Others	321,715	37,272
	433,370	164,268

23. Share capital, other equity instruments and reserves

Share capital

	2020		2019	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully-paid:				
Ordinary shares	977,268	996,377	977,268	996,377

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regards to the Bank's residual assets. The ordinary shares have no par value. On 31 January 2020, the Bank declared a final dividend of US\$50 million for year ended 31 December 2019, which was paid on 28 May 2020. On 8 May 2020, the Bank declared an interim dividend of US\$500 million for the financial year ended 31 December 2020, which was paid on 28 May 2020.

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***23. Share capital, other equity instruments and reserves (continued)****Other equity instruments**

	2020 US\$'000	2019 US\$'000
USD 200 million 4.75% non-cumulative perpetual capital securities ("Capital Securities")	200,000	200,000

The Capital Securities issued by the Bank on 11 December 2015 are non-cumulative perpetual capital securities. They qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore ("MAS") Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore ("MAS Notice 637"). The Capital Securities can be written down in whole or in part if the Bank is determined by MAS to be non-viable.

The Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank, at any time, for taxation reasons or if the Capital Securities would not qualify as Additional Tier 1 capital or would not qualify as eligible capital in the calculation of the capital adequacy ratio.

The Capital Securities bear a fixed distribution rate of 4.75% per annum from the issue date. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in June and December, unless cancelled by the Bank at its option. The Capital Securities constitute unsecured and subordinated obligations, ranking pari passu among themselves.

During the financial year ended 31 December 2020, the Bank made a distribution of US\$9.6 million to its equity holders (2019: US\$9.6 million).

Other reserves

	2020 US\$'000	2019 US\$'000
Fair value reserve	(1,405)	1,814
Regulatory loss allowance reserve	-	1,435
Total	(1,405)	3,249

The fair value reserve is the cumulative net change in the fair value of FVOCI financial assets until the investments are derecognised or impaired and the revaluation attributable to actuarial remeasurements arising from the Bank's defined benefit plan.

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***24. Deferred tax liabilities**

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

	Note	2020 US\$'000	2019 US\$'000
At 1 January		9,066	10,925
Charged to profit or loss	9	(1,158)	(1,859)
At 31 December		<u>7,908</u>	<u>9,066</u>
Deferred tax liabilities			
Property, plant and equipment		6,608	4,204
Intangible assets		4,911	5,741
Others		(3,611)	(879)
		<u>7,908</u>	<u>9,066</u>

25. Other liabilities

	Note	2020 US\$'000	2019 US\$'000
Accrued operating expenses		128,682	136,428
Interest payable		12,015	45,917
Defined benefit plan	27	2,345	1,767
Lease liabilities		65,535	59,772
Others		1,442,471	799,543
		<u>1,651,048</u>	<u>1,043,427</u>

Included in others is an amount of approximately US\$1,078,259,000 (2019: US\$729,464,000) which are related to precious metals placed by customers.

Each lease payment is allocated between the liability and interest cost. Interest cost incurred is charged to the profit or loss over the lease term, which amounted to US\$1,817,000 (2019: US\$1,498,000) for the financial period ended 31 December 2020, as disclosed in Note 25.

The right-of-use assets are depreciated over the lease term on a straight-line basis, as disclosed in Note 2.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

25. Other liabilities (continued)

Reconciliation of liabilities arising from financing activities

	1 January 2020	Principal and interest payments	Non-cash changes				31 December 2020
			Addition	Disposal	Interest expense	Foreign exchange movement	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Lease liabilities	59,772	(15,385)	19,222	-	1,817	109	65,535

	1 January 2019	Principal and interest payments	Non-cash changes					31 December 2019
			Adoption of FRS 116	Addition	Disposal	Interest expense	Foreign exchange movement	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Lease liabilities	-	(14,143)	60,808	11,292	(263)	1,498	580	59,772

26. Employee benefits

Share-based compensation plans

In June 2020, the OCBC Bank (the "Group") launched its fifteenth offering of ESP Plan for Group employees, which commenced on 1 July 2020 and expires on 30 June 2022. Under the offering, the Bank granted rights to acquire 1,742,141 (2019: 1,370,712) ordinary shares in OCBC Bank. The fair value of rights, determined using the binomial valuation model was \$1.49 million (2019: \$0.85 million)

	2020	2019
Acquisition price (US\$)	6.79	8.41
Share price (US\$)	6.99	8.01
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	24.62	13.05
Risk-free rate based on 2-year swap rate (%)	0.31	1.28
Expected dividend yield (%)	5.19	2.69

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***26. Employee benefits (continued)**

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

	2020		2019	
	Number of acquisition rights	Average price ⁽¹⁾	Number of acquisition rights	Average price ⁽¹⁾
At 1 January	2,215,211		2,198,218	
Subscriptions	1,834,995		1,370,712	
Forfeited/Lapsed	(1,427,883)		(455,895)	
Exercised	-		(897,824)	
At 31 December	2,622,323		2,215,211	
Share price		US\$7.38		US\$8.50

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

At 31 December 2020, the weighted average remaining contractual life of outstanding acquisition rights was 1.16 years (2019: 1.01 years).

The related share-based payment expense for the year amounted to US\$811,000 (2019: US\$910,000).

27. Defined benefit plan

These are plans applicable to staff located in the Manila Representative Office. The Bank makes contribution to a non-contributory defined benefit plan that provides retirement benefits for employees upon retirement. Previously, the contribution was made by the former holding company, without recharge to the Bank. The plan entitles a retired employee to receive a lump sum payment based on 150% of plan salary per year of credited service. Annual contributions are paid to the fund at a rate necessary to adequately finance the accrued liabilities of the plan calculated.

	Note	2020 US\$'000	2019 US\$'000
Fair value of plan assets	(i)	(1,744)	(1,941)
Present value of obligations	(ii)	4,089	3,708
Total defined benefit liabilities		2,345	1,767

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Defined benefit plan (continued)***(i) Fair value of plan assets*

Plan assets comprise the following:

	2020 US\$'000	2019 US\$'000
Equity securities	507	522
Fixed income	1,238	1,246
Others	(1)	173
	<u>1,744</u>	<u>1,941</u>

Movement in fair value of plan assets are set out as follows:

	2020 US\$'000	2019 US\$'000
Fair value of plan assets assumed	1,941	1,583
Benefits paid by the plan	(137)	(88)
Actual return on plan assets	88	103
Return on plan assets less than discount rate	(148)	-
Contributions paid into the plan	-	343
Fair value of plan assets at 31 December	<u>1,744</u>	<u>1,941</u>

(ii) Movement in the present value of the defined benefit obligations

Movement in the present value of the defined benefit obligations is set out as follows:

	2020 US\$'000	2019 US\$'000
Defined benefit obligations at 1 January	3,708	2,918
Benefits paid by the plan	(137)	(88)
Current service costs and interest	447	389
Remeasurements: experience adjustments	71	489
Defined benefit obligations at 31 December	<u>4,089</u>	<u>3,708</u>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***27. Defined benefit plan (continued)***(ii) Movement in the present value of the defined benefit obligations (continued)***Expenses recognised in profit and loss**

	Note	2020 US\$'000	2019 US\$'000
Current service costs		288	211
Interest on obligation		159	178
Return on plan assets		(88)	(103)
Total defined benefit plan expenses	7	359	286
Actual return on plan assets		-	18

Actuarial assumptions

Principal actuarial assumptions at the reporting date:

	2020	2019
Discount rate at 31 December	3.50%	4.75%
Expected return on plan assets at 1 January	5.25%	6.25%
Future salary increases	4.00%	5.00%

Actuarial valuations are made based on information of current members of the plan as follows:

	2020	2019
Average annual plan salary	US\$61,084	US\$48,104
Average age	38.10	37.97
Average credited service	8.62	8.40
Average future working life years	15.57	15.47

As of the year end, the Bank is expected to pay US\$345,000 (2019: US\$357,000) in contributions to its defined benefit plan.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28. Contingent liabilities

In the normal course of its banking business, the Bank issues guarantees and standby letters of credit. Guarantees are contracts that require the Bank to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, while standby letters of credit commit the Bank to make payments to third parties on production of documents.

	2020 US\$'000	2019 US\$'000
Direct credit substitutes:		
- Guarantees	27,198	22,861
- Standby letters of credit	263,009	342,864
	<u>290,207</u>	<u>365,725</u>

29. Commitments

	2020 US\$'000	2019 US\$'000
Undrawn credit lines and other commitments to extend credit	46,840,893	44,639,724
Forward loan	1,617,747	464,737
	<u>48,458,640</u>	<u>45,104,461</u>

Undrawn credit lines and other commitments to extend credit relate to loan, overdraft, leverage loan and guarantee facilities. Drawdown of these credit lines and commitments are subject to provision of adequate collaterals acceptable to the Bank.

As at 31 December 2020, the Bank's contractual commitments amounted to US\$22,479,000 (2019: US\$9,029,000).

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

30. Derivative financial instruments

The table below sets out the notional principal amounts, and the positive and negative fair values of the Bank's outstanding derivative financial instruments at balance sheet date. Positive and negative fair values represent the mark-to-market values of the derivative contracts.

	Notional principal amount US\$'000	Positive fair value US\$'000	Negative fair value US\$'000
2020			
Foreign exchange derivatives:			
Spot and forward foreign exchange	19,011,987	241,892	319,941
Currency options	42,155,860	188,165	188,165
	61,167,847	430,057	508,106
Equity derivatives:			
Options	4,083,146	135,045	135,045
Interest rate derivatives:			
Swaps	2,698,614	65,828	65,828
Options	54,176	105	105
	2,752,790	65,933	65,933
Commodity derivatives:			
Precious metals – bought	853,696	15,046	13,958
Precious metals – sold	97,930	3,763	4,677
Commodity options	6,040,391	66,986	66,986
	6,992,017	85,795	85,621
	74,995,800	716,830	794,705
2019			
Foreign exchange derivatives:			
Spot and forward foreign exchange	17,993,649	134,102	112,687
Currency options	40,306,349	93,775	93,775
	58,299,998	227,877	206,462
Equity derivatives:			
Options	2,597,052	52,293	52,293
Interest rate derivatives:			
Swaps	3,508,624	40,462	40,462
Options	250,316	1,878	1,878
	3,758,940	42,340	42,340
Commodity derivatives:			
Precious metals – bought	320,915	8,507	967
Precious metals – sold	328,186	1,141	8,535
Commodity options	3,560,566	43,776	43,776
	4,209,667	53,424	53,278
	68,865,657	375,934	354,373

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***30. Derivative financial instruments**

The above foreign exchange, equity and interest rate derivatives include financial instruments entered into with the holding company:

	Notional principal amount US\$'000	Positive fair value US\$'000	Negative fair value US\$'000
2020			
Foreign exchange derivatives	8,436,437	82,526	180,030
Interest rate derivatives	1,371,807	812	65,083
	9,808,244	83,338	245,113
2019			
Foreign exchange derivatives	7,240,165	47,254	28,046
Interest rate derivatives	1,848,109	407	41,713
	9,088,274	47,661	69,759

31. Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Significant related party transactions have been disclosed throughout the financial statements, except for the key management personnel compensation which is as follows:

	2020 US\$'000	2019 US\$'000
Key management personnel compensation:		
- Short-term employee benefits	11,808	12,573
- Post-employment benefits	108	126
- Other long-term benefits	5,438	4,033
	17,354	16,732

Remuneration paid to key management personnel includes salary, bonus, defined contribution plans, defined benefit plans, share-based payments and other benefits-in-kind. Key management personnel comprise members of the Management Committee and directors of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management

Exposure to credit, liquidity, market and operational risks arise in the normal course of the Bank's business. Market risk includes interest rate risk and foreign exchange risk. The Bank has written risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control the hedging of transactions in a timely and accurate manner.

The Bank is in principle not involved in clean lending. All loans are fully secured. Hence, collateral management next to assessment of borrower quality is essential.

Credit extensions to our private banking and wealth management clients are subject to a comprehensive credit assessment, setting of limits, as well as continuous risk monitoring. Joint approvals from the business and risk units also ensure objectivity in credit extensions. Loan advance rates are dependent on the quality, liquidity, and diversification of the collateral portfolio. Credit exposures that are secured by marketable securities are subject to daily valuation and independent price verification.

The Bank uses analytical tools to ensure that the value of securities collateral nearly always remain higher than the outstanding loan. Stress testing and independent validation of the model used have been done.

Certain risk measures have been defined to reflect the risk appetite of the Bank. The Board has approved certain limits which reflect the overall approved risk appetite for the Bank. Risk management monitors to ensure that the risk exposures are controlled and kept within the approved limits set by the Bank.

(i) Market risk

Market risk is the risk that movements in market prices, such as interest rates, foreign exchange rates and equity prices will adversely affect the value of its holdings of financial instruments, which are valued at current market prices (mark-to-market basis) and those valued at amortised cost plus any accrued interest. The Bank's market risk arises from customer-related businesses. In principle, the Bank does not have proprietary trading book.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(ii) Foreign currency risk

Foreign exchange exposure comprises those which arise from foreign exchange dealing within treasury and currency exposures originated from the private banking business. The exposure, resulting from P&L not denominated in the bank's functional currency is managed within the limits approved by its holding company. There are limits on foreign exchange net open position ("FX NOP") on per currency basis as well as on total currencies combined basis, which is calculated by aggregating the absolute sum of the net long currency positions or sum of the net short currency positions, whichever is greater. The following are the FX NOP on total currencies combined:

	Year-end 2020 US\$'000	Average utilisation US\$'000	Year-end 2019 US\$'000	Average utilisation US\$'000
FX NOP	2,163	1,744	1,555	1,670

The table below summarises the Bank's financial instruments at carrying amounts, categorised by currency. The off-balance sheet gap represents the difference between the contract/underlying principal amounts of derivatives, which are principally used to reduce the Bank's exposure to currency movements.

	USD US\$'000	SGD US\$'000	MYR US\$'000	HKD US\$'000	Others US\$'000	Total US\$'000
2020						
Financial assets						
Cash and balances with central banks	1	121,499	-	7,094	4	128,598
Balances and placements with and loans to banks	1,439,863	1,220	36,927	26,470	167,758	1,672,238
Loans and advances to non-bank customers	9,774,340	1,681,200	136	1,345,329	8,091,290	20,892,295
Amount due from holding company	8,400,775	1,867,261	-	219,167	1,654,653	12,141,856
Amount due from related companies	2,826	1,034	-	-	131	3,991
Other investments	425,768	-	-	-	-	425,768
Other assets	226,503	43,620	318	100,624	62,305	433,370
Derivative financial instruments	495,837	1,664	-	53,591	165,738	716,830
Total	20,765,913	3,717,498	37,381	1,752,275	10,141,879	36,414,946
Financial liabilities						
Amount due to holding company	48,748	113,273	-	48,378	1,970,017	2,180,416
Amount due to related companies	10,629	8,418	-	1	1,234	20,282
Derivative financial instruments	573,712	1,664	-	53,591	165,738	794,705
Deposits of non-bank customers	19,930,311	3,546,033	36,890	1,472,379	5,230,408	30,216,021
Deposits and balances of banks	1,701	-	-	3,623	236	5,560
Other liabilities	1,309,090	109,730	317	161,467	70,444	1,651,048
Total	21,874,191	3,779,118	37,207	1,739,439	7,438,077	34,868,032
On-balance sheet net position	(1,108,278)	(61,620)	174	12,836	2,703,802	1,546,914
Net currency gap	(1,108,278)	(61,620)	174	12,836	2,703,802	1,546,914

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(ii) Foreign currency risk (continued)

	USD US\$'000	SGD US\$'000	MYR US\$'000	HKD US\$'000	Others US\$'000	Total US\$'000
2019						
Financial assets						
Cash and balances with central banks	1	115,356	-	-	7,232	122,589
Balances and placements with and loans to banks	920,786	1,020	26,077	9,450	101,498	1,058,831
Loans and advances to non-bank customers	10,545,852	2,174,518	-	1,595,221	8,217,300	22,532,891
Amount due from holding company	6,848,374	1,116,821	-	-	1,855,308	9,820,503
Amount due from related companies	2,807	1,267	-	-	81	4,155
Other investments	788,321	-	-	-	-	788,321
Other assets	95,473	37,912	49	15,504	14,330	164,268
Derivative financial instruments	279,664	1,742	-	17,149	77,379	375,934
Total	19,482,278	3,448,636	26,126	1,637,324	10,273,128	34,867,492
Financial liabilities						
Amount due to holding company	37,248	93,944	-	29,653	2,145,203	2,306,048
Amount due to related companies	10,692	9,089	-	-	1,567	21,348
Derivative financial instruments	258,104	1,742	-	-	94,527	354,373
Deposits of non-bank customers	18,499,664	3,302,651	25,767	1,567,462	5,870,737	29,266,281
Deposits and balances of banks	77,783	2,523	-	7,032	31,454	118,792
Other liabilities	848,051	121,423	50	65,066	8,837	1,043,427
Total	19,731,542	3,531,372	25,817	1,669,213	8,152,325	33,110,269
On-balance sheet net position	(249,264)	(82,736)	309	(31,889)	2,120,803	1,757,223
Net currency gap	(249,264)	(82,736)	309	(31,889)	2,120,803	1,757,223

(iii) Interest rate risk

As interest rates and yield curves change over time, the Bank may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. These mismatches are actively managed by the Bank under limits approved by the holding company. In managing the structural interest rate risk, the primary objective is to limit the extent to which net interest income could be impacted by an adverse movement in interest rates.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iii) Interest rate risk (continued)

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

2020	Within 1 week US\$'000	1 week to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Non-interest sensitive US\$'000	Total US\$'000
Financial assets								
Cash and balances with central banks	-	-	-	-	-	-	128,598	128,598
Balances and placements with and loans to banks	324,903	-	-	-	-	-	1,347,335	1,672,238
Loans and advances to non-bank customers	6,916,637	11,403,565	1,646,945	813,064	15,067	94,321	2,696	20,892,295
Amount due from holding company	1,919,685	5,182,378	3,099,493	1,569,012	12,346	200,000	158,942	12,141,856
Amount due from related companies	131	-	-	-	-	-	3,860	3,991
Other investments	-	75,000	90,000	160,000	100,000	83	685	425,768
Other assets	-	-	-	-	-	-	433,370	433,370
Derivative financial instruments	-	-	-	-	-	-	716,830	716,830
Total	9,161,356	16,660,943	4,836,438	2,542,076	127,413	294,404	2,792,316	36,414,946
Financial liabilities								
Amount due to holding company	291,480	557,288	581,999	693,145	15,067	40,562	875	2,180,416
Amount due to related companies	8,298	-	8,318	-	-	-	3,666	20,282
Derivative financial instruments	-	-	-	-	-	-	794,705	794,705
Deposits of non-bank customers	564,067	26,760,266	1,235,187	1,644,155	12,346	-	-	30,216,021
Deposits and balances of banks	-	-	-	-	-	-	5,560	5,560
Other liabilities	-	-	-	-	-	-	1,651,048	1,651,048
Total	863,845	27,317,554	1,825,504	2,337,300	27,413	40,562	2,455,854	34,868,032
On-balance sheet interest sensitivity gap	8,297,511	(10,656,611)	3,010,934	204,776	100,000	253,842	336,462	1,546,914

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iii) Interest rate risk (continued)

2019	Within 1 week US\$'000	1 week to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Non-interest sensitive US\$'000	Total US\$'000
Financial assets								
Cash and balances with central banks	-	-	-	-	-	-	122,589	122,589
Balances and placements with and loans to banks	179,906	-	-	-	-	-	878,925	1,058,831
Loans and advances to non-bank customers	7,470,057	12,217,900	1,831,935	952,235	18,896	2,726	39,142	22,532,891
Amount due from holding company	3,045,101	1,219,812	3,355,812	2,116,324	29,824	-	53,630	9,820,503
Amount due from related companies	-	-	-	-	-	-	4,155	4,155
Other investments	-	108,476	-	508,000	166,112	-	5,733	788,321
Other assets	-	-	-	-	-	-	164,268	164,268
Derivative financial instruments	-	-	-	-	-	-	375,934	375,934
Total	10,695,064	13,546,188	5,187,747	3,576,559	214,832	2,726	1,644,376	34,867,492
Financial liabilities								
Amount due to holding company	273,622	660,115	674,943	672,487	18,515	2,755	3,611	2,306,048
Amount due to related companies	9,182	-	8,173	-	-	-	3,993	21,348
Derivative financial instruments	-	-	-	-	-	-	354,373	354,373
Deposits of non-bank customers	2,003,576	21,263,937	3,542,769	2,421,727	30,674	-	3,598	29,266,281
Deposits and balances of banks	117,723	-	-	-	-	-	1,069	118,792
Other liabilities	-	-	-	-	-	-	1,043,427	1,043,427
Total	2,404,103	21,924,052	4,225,885	3,094,214	49,189	2,755	1,410,071	33,110,269
On-balance sheet interest sensitivity gap	8,290,961	8,377,864	961,862	482,345	165,643	29	234,305	1,757,223

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020*

32. Financial risk management (continued)**(iii) Interest rate risk (continued)**

The Bank monitors its banking book's interest rates exposure by running a daily interest rates sensitivity report, which is based on 1 basis point movement in interest rates under three yield-curve scenarios. The following are the exposures of all currencies combined:

	Year-end 2020 US\$'000	Average utilisation US\$'000	Year-end 2019 US\$'000	Average utilisation US\$'000
Interest rate sensitivity	65	83	57	86

(iv) Credit risk

Credit risk is managing the potential risk of financial loss resulting from the failure of a customer or counterparty to settle their financial and contractual obligations to the Bank as and when they fall due.

Credit risk is constantly assessed, measured and managed in accordance with the Bank's Credit Risk Management policies. Limits are established for each customer that has a credit facility from the Bank. The Bank typically takes collateral to secure amounts due under credit facilities granted to its customers. Collateralisation is also assessed specifically at a customer level.

Borrowing customers are classified as Pass, Special Mention, Substandard, Doubtful and Loss, in accordance with MAS 612. The Bank has an established process for early identification of possible changes in the creditworthiness of customers and takes corrective action as appropriate. As part of the corrective action, the Bank may restructure facilities, renegotiate loan terms, or as final resort, repossess collateral. Once facilities have been restructured or renegotiated, accounts are reviewed regularly by management to ensure that all criteria are met and that future payments are likely to occur. These loans continue to be subjected to close monitoring for identification of objective evidence of impairment and if considered to be credit-impaired, assess the loss allowances required.

Maximum exposure to credit risk without taking into account any collateral and other credit enhancements

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

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iv) Credit risk (continued)

	2020 US\$'000	2019 US\$'000
Credit risk exposure of on-balance sheet assets:		
Cash and balances with central banks	128,598	122,589
Balances and placements with and loans to banks	1,672,238	1,058,831
Loans and advances to non-bank customers	20,892,295	22,532,891
Amount due from holding company	12,141,856	9,820,503
Amount due from related corporation	3,991	4,155
Other investments	425,768	788,321
Other assets	433,370	164,268
Derivative financial instruments	716,830	375,934
	36,414,946	34,867,492
Credit risk exposure of off-balance sheet items:		
Contingent liabilities	290,207	365,725
Commitments	48,458,640	45,104,461
	48,748,847	45,470,186
Total credit risk exposure	85,163,793	80,337,678

Risk concentrations of the maximum exposure to credit risk

The Bank's credit risk exposure, before taking into account any collateral held or other credit enhancement can be analysed by the following geographical regions:

	Asia US\$'000	Pacific Rim US\$'000	Europe US\$'000	North America US\$'000	Middle East US\$'000	Others US\$'000	Total US\$'000
2020							
Cash and balances with central bank	128,596	-	-	-	2	-	128,598
Balances and placements with and loans to bank	129,606	4,457	1,385,892	133,344	15,670	3,269	1,672,238
Loans and advances to non-bank customers	10,352,644	61,578	824,851	6,665	1,714,648	7,931,909	20,892,295
Amount due from holding company	12,141,856	-	-	-	-	-	12,141,856
Amount due from related corporation	3,991	-	-	-	-	-	3,991
Other investments	-	-	95	425,673	-	-	425,768
Other assets	235,776	1,240	98,169	11,648	14,666	71,871	433,370
Derivative financial instruments	340,648	693	125,177	-	36,620	213,692	716,830
Contingent liabilities	69,430	-	28,136	-	5,000	187,641	290,207
Commitment	25,290,489	156,477	1,059,257	3,825	4,378,893	17,569,699	48,458,640
Total	48,693,036	224,445	3,521,577	581,155	6,165,499	25,978,081	85,163,793

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iv) Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk (continued)

	Asia US\$'000	Pacific Rim US\$'000	Europe US\$'000	North America US\$'000	Middle East US\$'000	Others US\$'000	Total US\$'000
2019							
Cash and balances with central bank	122,587	-	-	-	2	-	122,589
Balances and placements with and loans to bank	79,804	889	914,396	46,641	15,258	1,843	1,058,831
Loans and advances to non-bank customers	10,765,890	50,927	663,991	6,460	1,961,627	9,083,996	22,532,891
Amount due from holding company	9,820,503	-	-	-	-	-	9,820,503
Amount due from related corporation	4,155	-	-	-	-	-	4,155
Other investments	-	-	89	787,976	-	256	788,321
Other assets	150,236	100	731	4,364	7,798	1,039	164,268
Derivative financial instruments	239,333	647	66,158	34	45,563	24,199	375,934
Contingent liabilities	76,078	-	27,083	-	7,000	255,564	365,725
Commitment	24,918,102	81,903	963,952	12,851	3,680,521	15,447,132	45,104,461
Total	46,176,688	134,466	2,636,400	858,326	5,717,769	24,814,029	80,337,678

"Others" include Africa and British Virgin Islands.

Credit risk exposures by counterparty type are presented in the table below:

	Gross maximum exposure 2020 US\$'000	Net maximum exposure 2020 US\$'000	Gross maximum exposure 2019 US\$'000	Net maximum exposure 2019 US\$'000
Individuals and corporates	69,678,749	-	67,566,621	-
Banks/financial institutions	15,059,646	15,059,646	11,979,625	11,979,625
Governments	425,398	425,398	791,432	791,432
	85,163,793	15,485,044	80,337,678	12,771,057

The gross maximum exposure is before the effect of mitigation through the use of master netting and collateral agreements. The exposures to individuals and corporates are generally secured through the use of collateral agreements and result in no net exposure to credit risk. Net maximum exposure to individuals and corporates represent clean loans for which the Bank does not take any collateral and other credit enhancements to mitigate its credit risk less any allowances for loans.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iv) Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- Cash (deposits or current accounts)
- Debt securities
- Structured notes/Mutual funds
- Equities
- Mortgages over properties
- Charges over insurance policies
- Banker's guarantees/Standby letters of credit

Credit quality per class of financial assets by geographical regions

MAS Notice 612 requires the Bank to categorise credit facilities into respective credit grades as follows:

	Pass US\$'000	Special mention US\$'000	Sub-standard US\$'000	Doubtful US\$'000	Total US\$'000
2020					
Asia	10,351,552	9,177	1,750	754	10,363,233
Pacific Rim	61,578	-	-	-	61,578
Europe	824,851	-	-	711	825,562
North America	6,665	-	-	-	6,665
Middle East	1,713,278	-	-	1,373	1,714,651
Others	7,896,088	24,117	-	19,393	7,939,598
Gross loans and advances to customers	20,854,012	33,294	1,750	22,231	20,911,287
Impairment loss allowances					18,992
Net loans and advances to customers					20,892,295
Balances and placements with and loans to banks	1,672,238	-	-	-	1,672,238
Contingent liabilities	290,207	-	-	-	290,207
Commitments	48,289,692	19,979	3,250	145,719	48,458,640
Total					71,313,380

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iv) Credit risk (continued)

Credit quality per class of financial assets by geographical regions (continued)

2019					
Asia	10,775,714	-	-	-	10,775,714
Pacific Rim	50,927	-	-	-	50,927
Europe	663,319	-	-	672	663,991
North America	6,460	-	-	-	6,460
Middle East	1,961,627	-	-	-	1,961,627
Others	9,036,669	29,462	17,658	207	9,083,996
Gross loans and advances to customers	22,494,716	29,462	17,658	879	22,542,715
Impairment loss allowances					9,824
Net loans and advances to customers					22,532,891
Balances and placements with and loans to banks	1,058,831	-	-	-	1,058,831
Contingent liabilities	365,725	-	-	-	365,725
Commitments	45,062,784	19,335	22,342	-	45,104,461
Total					69,061,908

Loans and advances to non-bank customers by industry:

	2020 US\$'000	2019 US\$'000
Analysed by industry		
Manufacturing	45,107	62,032
Building and construction	211,932	80,340
General commerce	171,023	47,906
Transport, storage and communication	23,630	29,140
Business service	94,382	199,569
Financial institutions, investment and holding companies	9,902,228	11,081,828
Professionals and individuals	10,453,351	11,020,196
Others	9,634	21,704
	20,911,287	22,542,715

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iv) Credit risk (continued)

Amount arising from Expected Credit Losses: inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical credit assessment and including forward-looking information.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risks of a particular exposure is deemed to have increased significantly since initial recognition if they meet the following criteria:

- Special mention
- 30 days past due; or
-
- Obligors who exhibits potential weaknesses, which may adversely affect the repayment by the obligor at a future date, in meeting financial obligations.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Incorporation of forward looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iv) Credit risk (continued)

Amount arising from Expected Credit Losses: inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

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

PD represents the likelihood of a borrower defaulting on its financial obligation at the time of default, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation. They are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors.

LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and varies by type and seniority of claims, availability of collateral, geographical location and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is its gross carrying amount.

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

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(iv) Credit risk (continued)

Amount arising from Expected Credit Losses: inputs, assumptions and techniques used for estimating impairment (continued)

Credit impaired financial assets:

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

There are no other significant credit losses recognised except as disclosed in Note 13.

(v) Liquidity risk

Liquidity risk is the risk that the Bank is unable to service its cash flow obligations. Throughout the year, the Bank, in conjunction with the Group, manages liquidity risk within the approved limits by a combination of positive cash flow management, the maintenance of portfolios of high quality liquid assets and diversification of its funding base through its holding company.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(v) Liquidity risk (continued)

Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities at balance sheet date analysed according to contractual maturity. The amounts up to 12 months are considered to be current, and those over 1 year are considered to be non-current.

2020	Within 1 week US\$'000	1 week to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Total US\$'000
Financial assets							
Cash and balances with central banks	7,100	-	-	-	-	121,498	128,598
Balances and placements with and loans to banks	1,672,238	-	-	-	-	-	1,672,238
Loans and advances to non-bank customers	8,138,325	10,184,574	1,631,057	799,469	44,549	94,321	20,892,295
Amount due from holding company	2,065,517	5,188,207	2,885,624	1,779,182	23,326	200,000	12,141,856
Amount due from related companies	3,991	-	-	-	-	-	3,991
Other investments	-	74,859	89,707	160,538	100,294	370	425,768
Other assets	292,293	92,569	5,083	4,311	30,744	8,370	433,370
Derivative financial instruments	716,830	-	-	-	-	-	716,830
Total	12,896,294	15,540,209	4,611,471	2,743,500	198,913	424,559	36,414,946
Financial liabilities							
Amount due to holding company	293,554	556,606	574,961	696,205	18,563	40,527	2,180,416
Amount due to related companies	11,881	-	8,401	-	-	-	20,282
Derivative financial instruments	794,705	-	-	-	-	-	794,705
Deposits of non-bank customers	25,727,293	1,597,040	1,197,069	1,588,956	105,663	-	30,216,021
Deposits and balances of banks	5,560	-	-	-	-	-	5,560
Other liabilities	1,428,856	24,387	117,272	19,461	28,964	32,108	1,651,048
Total	28,261,849	2,178,033	1,897,703	2,304,622	153,190	72,635	34,868,032
Net liquidity gap	(15,365,555)	13,362,176	2,713,768	438,878	45,723	351,924	
Contingent liabilities							
Guarantees	27,198	-	-	-	-	-	27,198
Standby letters of credit	263,009	-	-	-	-	-	263,009
Total	290,207	-	-	-	-	-	290,207
Other commitments	48,458,640	-	-	-	-	-	48,458,640

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(v) Liquidity risk (continued)

Maturity analysis of financial assets and liabilities (continued)

2019	Within 1 week US\$'000	1 week to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Total US\$'000
Financial assets							
Cash and balances with central banks	122,589	-	-	-	-	-	122,589
Balances and placements with and loans to banks	1,058,831	-	-	-	-	-	1,058,831
Loans and advances to non-bank customers	6,886,966	8,736,018	5,892,063	913,275	45,425	59,154	22,532,891
Amount due from holding company	2,674,550	1,464,890	3,509,779	2,097,506	73,778	-	9,820,503
Amount due from related companies	4,155	-	-	-	-	-	4,155
Other investments	-	109,966	104,866	406,188	166,068	1,233	788,321
Other assets	25,094	88,215	8,336	6,534	24,631	11,458	184,268
Derivative financial instruments	57,679	33,580	72,666	160,826	35,623	15,580	375,934
Total	10,829,854	10,432,669	9,587,710	3,584,329	345,525	87,405	34,887,492
Financial liabilities							
Amount due to holding company	272,557	564,379	774,735	662,043	29,495	2,839	2,306,048
Amount due to related companies	13,063	-	8,285	-	-	-	21,348
Derivative financial instruments	54,412	33,541	57,105	160,143	35,622	13,550	354,373
Deposits of non-bank customers	18,987,276	3,662,436	4,097,763	2,371,330	147,476	-	29,266,281
Deposits and balances of banks	118,792	-	-	-	-	-	118,792
Other liabilities	847,190	27,703	120,891	17,802	15,121	14,920	1,043,427
Total	20,293,290	4,288,059	5,058,779	3,211,118	227,714	31,309	33,110,269
Net liquidity gap	(9,463,436)	6,144,610	4,528,931	373,211	117,811	56,096	
Contingent liabilities							
Guarantees	22,861	-	-	-	-	-	22,861
Standby letters of credit	342,864	-	-	-	-	-	342,864
Total	365,725	-	-	-	-	-	365,725
Other commitments	45,104,461	-	-	-	-	-	45,104,461

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(v) Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at balance sheet date based on contractual undiscounted repayment obligations.

2020	Within 1 week US\$'000	1 week to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Total US\$'000
Non-derivative financial liabilities							
Amount due to holding company	293,554	556,606	574,961	696,205	18,563	40,527	2,180,416
Amount due to related corporations	11,881	-	8,401	-	-	-	20,282
Deposits of non-bank customers	25,727,293	1,597,040	1,197,069	1,588,956	105,663	-	30,216,021
Deposits and balances of banks	5,560	-	-	-	-	-	5,560
Other liabilities	1,428,856	24,387	117,272	19,461	28,964	32,108	1,651,048
Derivative financial instruments:							
- Contractual amounts payable	549,592	-	-	-	-	-	549,592
	28,016,736	2,178,033	1,897,703	2,304,622	153,190	72,635	34,622,919
Guarantees							
Standby letters of credit	27,198	-	-	-	-	-	27,198
	263,009	-	-	-	-	-	263,009
	290,207	-	-	-	-	-	290,207

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(v) Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

2019

Non-derivative financial liabilities

Amount due to holding company
Amount due to related corporations
Deposits of non-bank customers
Deposits and balances of banks
Other liabilities

	Within 1 week US\$'000	1 week to 1 month US\$'000	1 to 3 months US\$'000	3 to 12 months US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Total US\$'000
	272,557	564,379	774,735	662,043	29,495	2,839	2,306,048
	13,063	-	8,285	-	-	-	21,348
	18,987,276	3,662,436	4,097,763	2,371,330	147,476	-	29,266,281
	118,792	-	-	-	-	-	118,792
	847,971	35,810	137,242	37,430	16,913	14,920	1,090,286
	284,556	-	-	-	-	-	284,556
	20,524,215	4,262,625	5,018,025	3,070,803	193,884	17,759	33,087,311
	22,861	-	-	-	-	-	22,861
	342,864	-	-	-	-	-	342,864
	365,725	-	-	-	-	-	365,725

Derivative financial instruments:

- Contractual amounts payable

Guarantees
Standby letters of credit

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***32. Financial risk management (continued)***(vi) Fair value measurements*

The following table is a summary of financial instruments for which carrying amounts do not approximate fair value.

	2020		2019	
	Carrying amount US\$'000	Fair value US\$'000	Carrying amount US\$'000	Fair value US\$'000
Financial assets				
Loans and advances to non- bank customers	20,892,295	20,892,965	22,532,891	22,553,638
Amount due from holding company	12,141,856	12,171,070	9,820,503	9,702,397
Financial liabilities				
Amount due to holding company	2,180,416	2,177,800	2,306,048	2,303,110
Deposits of non-bank customers	30,216,021	30,220,031	29,266,281	29,267,329

Where possible, fair values of financial instruments have been estimated using market prices. Where market prices are not available, values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using suitable valuation techniques where practicable to do so. The fair value information presented represents the Bank's best estimate of those values and may be subject to certain assumptions and limitations. Although management has employed its best judgement in the estimation of fair values, there is inevitably a significant element of subjectivity involved in the calculations. The fair values presented in the table set out above are at a specific date and may be significantly different from the amounts which will be actually paid or received on the maturity or settlement date.

The methodologies and assumptions used in estimating fair values for those financial instruments which are not already recorded at fair value in the financial statements depend on the terms and risk characteristics of the various instruments and include the following:

Financial instruments for which the carrying value approximates fair value

These financial instruments include balances with banks, government securities, other investments, derivatives, call deposits by banks and non-bank customers, interest receivable and payable, and short term amounts due from and to holding company and related corporations. The carrying value of these financial instruments is an approximation of the fair value because they are either (i) carried at market value, (ii) short-term in nature or reprice frequently, or (iii) are receivable or payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(vi) Fair value measurements (continued)

Loans to non-bank customers, holding company and related corporations

The fair value is principally estimated by discounting anticipated cash flows. The discount rates applied are based on the current interest rates of similar loans to borrowers with similar credit ratings.

Deposits and balances of non-bank customers, holding company and related companies

Fair value is calculated using discounted cash flow models, based on the deposit type and its related maturity, applying either market rates, where applicable, or current rates offered for deposits of similar remaining maturities.

Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 – inputs that are quoted market prices (unadjusted) in active markets for identical instruments
- Level 2 – inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices or similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using other valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(vi) Fair value measurements (continued)

Fair value hierarchy (continued)

Other valuation techniques include net present value and discounted cash flow models comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

However, where the Bank measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgement in determining appropriate portfolio level adjustments such as bid-ask spread. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factor specific to the portfolio.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(vi) Fair value measurements (continued)

Fair value hierarchy (continued)

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between Levels 1, 2 and 3 during the financial year (2019: no transfers).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
2020				
Financial assets				
Other investments	425,398	95	275	425,768
Derivative financial instruments	11,459	705,371	-	716,830
Total	436,857	705,466	275	1,142,598
Financial liabilities				
Derivative financial instruments	11,281	783,424	-	794,705
Total	11,281	783,424	-	794,705
2019				
Financial assets				
Other investments	787,178	256	887	788,321
Derivative financial instruments	11,269	364,665	-	375,934
Total	798,447	365,921	887	1,165,255
Financial liabilities				
Derivative financial instruments	7,386	346,987	-	354,373
Total	7,386	346,987	-	354,373

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2020***32. Financial risk management (continued)***(vi) Fair value measurements (continued)***Movement and assumptions used in Level 3 fair value**

The following table presents the changes in Level 3 financial assets for the financial year then ended:

	Financial assets at FVTPL US\$'000	Total US\$'000
1 Jan 2020	887	887
Purchases	55	55
31 December 2020	<u>275</u>	<u>275</u>
Change in fair value	<u>(667)</u>	<u>(667)</u>

	Financial assets at FVTPL US\$'000	Total US\$'000
1 Jan 2019	-	-
Purchases	887	887
31 December 2019	<u>887</u>	<u>887</u>
Change in fair value	<u>-</u>	<u>-</u>

The following table shows the Bank's valuation technique used in measuring the financial assets in Level 3 of the fair value hierarchy.

Valuation technique	Significant unobservable input	Inter-relationship between key unobservable inputs
Adjusted net assets method	Net asset value ("NAV") of the financial assets	The estimated fair value would increase (decrease) if the NAV of the financial assets increased (decreased).

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(vii) Financial instruments by category

The carrying amount of the different categories of financial instruments are as follows:

	<u>FVTPL</u> US\$'000	<u>FVOCI-debt</u> <u>instruments</u> US\$'000	<u>Amortised</u> <u>cost</u> US\$'000	<u>Non-</u> <u>Financial</u> <u>assets/</u> <u>liabilities</u> US\$'000	<u>Total</u> US\$'000
2020					
Financial assets					
Cash and balances with central banks	-	-	128,598	-	128,598
Balances and placements with and loans to banks	-	-	1,672,238	-	1,672,238
Loans and advances to non-bank customers	-	-	20,892,295	-	20,892,295
Amount due from holding company	-	-	12,141,856	-	12,141,856
Amount due from related companies	-	-	3,991	-	3,991
Derivative financial instruments	716,830	-	-	-	716,830
Other investments	370	425,398	-	-	425,768
Other assets	-	-	396,142	37,228	433,370
Total	717,200	425,398	35,235,120	37,228	36,414,946
	<u>FVTPL</u> US\$'000	<u>FVOCI-debt</u> <u>instruments</u> US\$'000	<u>Amortised</u> <u>cost</u> US\$'000	<u>Non-</u> <u>Financial</u> <u>assets/</u> <u>liabilities</u> US\$'000	<u>Total</u> US\$'000
2019					
Financial assets					
Cash and balances with central banks	-	-	122,589	-	122,589
Balances and placements with and loans to banks	-	-	1,058,831	-	1,058,831
Loans and advances to non-bank customers	-	-	22,532,891	-	22,532,891
Amount due from holding company	-	-	9,820,503	-	9,820,503
Amount due from related companies	-	-	4,155	-	4,155
Derivative financial instruments	375,934	-	-	-	375,934
Other investments	1,232	787,089	-	-	788,321
Other assets	-	-	125,394	38,874	164,268
Total	377,166	787,089	33,664,363	38,874	34,867,492

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(vii) Financial instruments by category (continued)

	<u>FVTPL</u> US\$'000	<u>FVOCI-debt</u> <u>instruments</u> US\$'000	<u>Amortised</u> <u>cost</u> US\$'000	<u>Non-</u> <u>Financial</u> <u>assets/</u> <u>liabilities</u> US\$'000	<u>Total</u> US\$'000
2020					
Financial liabilities					
Deposits of non-bank customers	-	-	30,216,021	-	30,216,021
Deposits and balances of banks	-	-	5,560	-	5,560
Amount due to holding company	-	-	2,180,416	-	2,180,416
Amount due to related companies	-	-	20,282	-	20,282
Derivative financial instruments	794,705	-	-	-	794,705
Other liabilities	-	-	1,537,107	113,941	1,651,048
Total	794,705	-	33,959,386	113,941	34,868,032

	<u>FVTPL</u> US\$'000	<u>FVOCI-debt</u> <u>instruments</u> US\$'000	<u>Amortised</u> <u>cost</u> US\$'000	<u>Non-</u> <u>Financial</u> <u>assets/</u> <u>liabilities</u> US\$'000	<u>Total</u> US\$'000
2019					
Financial liabilities					
Deposits of non-bank customers	-	-	29,266,281	-	29,266,281
Deposits and balances of banks	-	-	118,792	-	118,792
Amount due to holding company	-	-	2,306,048	-	2,306,048
Amount due to related companies	-	-	21,348	-	21,348
Derivative financial instruments	354,373	-	-	-	354,373
Other liabilities	-	-	919,385	124,042	1,043,427
Total	354,373	-	32,631,854	124,042	33,110,269

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(viii) *Offsetting financial assets and financial liabilities*

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's balance sheet position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

The Bank's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association ("ISDA") Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transaction.

The above ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Bank places and receives collateral in the form of cash margins in respect of derivative transactions.

Such collateral is subject to the standard industry terms of ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(viii) Offsetting financial assets and financial liabilities (continued)

Types of financial assets/liabilities	Gross amounts subject to master netting agreements	Gross amounts offset subject to master netting agreements	Net amounts presented in balance sheet subject to master netting agreements	Related amounts not offset in the statement of financial position	
				Financial instruments	Cash collateral placed
					Net amount
2020					
Financial assets					
Derivative financial instruments	190,151	-	190,151	189,313	-
Total	190,151	-	190,151	189,313	-
Financial liabilities					
Derivative financial instruments	622,583	-	622,583	189,313	400,966
Total	622,583	-	622,583	189,313	400,966
2019					
Financial assets					
Derivative financial instruments	113,643	-	113,643	111,468	-
Total	113,643	-	113,643	111,468	-
Financial liabilities					
Derivative financial instruments	258,143	-	258,143	111,468	105,405
Total	258,143	-	258,143	111,468	105,405

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Financial risk management (continued)

(viii) Offsetting financial assets and financial liabilities (continued)

The tables below reconcile the 'Net amounts of financial assets and financial liabilities', as set out above, to the line items presented in the statement of financial position.

Types of financial assets	Net carrying amounts subject to master netting agreements US\$'000	Line item in statement of financial position	Carrying amount in statement of financial position US\$'000	Financial assets not in scope of offsetting disclosures US\$'000	Note
2020					
Derivative financial instruments	190,151	Derivative financial instruments	716,830	526,679	30
2019					
Derivative financial instruments	113,643	Derivative financial instruments	375,934	262,291	30

Types of financial liabilities	Net amounts US\$'000	Line item in statement of financial position	Carrying amount in statement of financial position US\$'000	Financial assets not in scope of offsetting disclosures US\$'000	Note
2020					
Derivative financial instruments	622,583	Derivative financial instruments	794,705	172,122	30
2019					
Derivative financial instruments	258,143	Derivative financial instruments	354,373	96,230	30

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. New or revised accounting standards and interpretations

There are no mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Bank's accounting periods beginning on or after 1 January 2021 and which the Bank has not early adopted.

34. Subsequent event

The Board of Directors of the bank approved the subscription of 30,000,000 million ordinary shares of RM1 each in BOS Wealth Management Malaysia Berhad at a consideration of RM30,000,000 on 11 January 2021, subject to MAS approval.

35. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Bank of Singapore Limited on 29 January 2021.

BANK OF SINGAPORE LIMITED

SUPPLEMENTARY INFORMATION

For the financial year ended 31 December 2020

Capital

The main objectives of the Bank's capital management are to ensure the Bank complies with externally imposed capital requirements and that the Bank maintains healthy capital ratios in order to support its business and to maximize shareholders' value. The activities are executed on the basis of established policies, guidelines and procedures.

The adequacy of the Bank's capital is monitored using the rules and ratios established by the Monetary Authority of Singapore ("MAS") in supervising the Bank.

During the past year, the Bank had complied with the minimum 8% and 10% for Tier 1 Capital Adequacy Ratio ("CAR") and Total CAR respectively required by MAS Notice 637.

	2020 US\$ million	2019 US\$ million
Tier 1 capital		
Ordinary shares	996	996
Perpetual securities issued	200	200
Disclosed reserves	644	869
	<u>1,840</u>	<u>2,065</u>
Tier 1 eligible capital	1,539	1,716
Tier 2 capital	1	-
Total eligible capital	<u>1,540</u>	<u>1,716</u>
Risk weighted assets	<u>10,760</u>	<u>9,346</u>
Tier 1 CAR	14.3%	18.4%
Total CAR	<u>14.3%</u>	<u>18.4%</u>

The supplementary information above does not form part of the financial statements.