

BANK OF SINGAPORE LIMITED

(Incorporated in Singapore. Registration Number: 197700866R)

ANNUAL REPORT

For the financial year ended 31 December 2021

BANK OF SINGAPORE LIMITED
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BANK OF SINGAPORE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

The directors present their statement to the member together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

- (a) the financial statements as set out on pages 8 to 88 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2021 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 1967 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:

Lai Teck Poh, Chairman
Bahren Bin Haji Sha'ari, Chief Executive Officer
Choo Nyen Fui
DCruz Noel Gerald, alternate director to Choo Nyen Fui
Kenneth Mark Lai Chin Kui
Quah Wee Ghee
Wong Pik Kuen Helen (Appointed on 15 April 2021)

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 2021

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 31.12.2021	At 1.1.2021 / Date of appointment	At 31.12.2021	At 1.1.2021/ Date of appointment
Oversea-Chinese Banking Corporation Limited				
Ordinary shares				
Lai Teck Poh	1,037,412	1,023,767	-	-
Bahren Bin Haji Sha'ari	50,994	4,685	620	620
Choo Nyen Fui	508,133	444,976	-	-
DCruz Noel Gerald	390,348	387,765	-	-
Kenneth Mark Lai Chin Kui	42,266	804	-	-
Quah Wee Ghee	50,072	55,354	654	645
Wong Pik Kuen Helen	135,779	135,779	-	-
Options/rights/awards in respect of ordinary shares				
Bahren Bin Haji Sha'ari	654,548 ⁽²⁾	1,141,906 ⁽³⁾	-	-
Choo Nyen Fui	281,059 ⁽⁴⁾	290,853 ⁽⁵⁾	-	-
DCruz Noel Gerald	274,419 ⁽⁶⁾	280,119 ⁽⁷⁾	-	-
Kenneth Mark Lai Chin Kui	327,515 ⁽⁸⁾	336,351 ⁽⁹⁾	-	-
Wong Pik Kuen Helen	342,061 ⁽¹⁰⁾	188,718 ⁽¹⁰⁾	-	-

(1) Ordinary shares held by spouse.

(2) Comprises: (i) options to acquire 305,087 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 349,461 unvested shares granted under the OCBC Deferred Share Plan.

(3) Comprises: (i) options to acquire 806,921 ordinary shares granted under the OCBC Share Option Scheme 2001; and (iii) 334,985 unvested shares granted under the OCBC Deferred Share Plan.

(4) Comprises: (i) options to acquire 126,881 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 154,178 unvested shares granted under the OCBC Deferred Share Plan.

(5) Comprises: (i) options to acquire 126,881 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 3,180 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 160,792 unvested shares granted under the OCBC Deferred Share Plan.

BANK OF SINGAPORE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Directors' interests in shares or debentures (continued)

- (6) Comprises: (i) options to acquire 208,335 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 7,116 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 58,968 unvested shares granted under the OCBC Deferred Share Plan.
- (7) 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.
- (8) Comprises: (i) options to acquire 87,029 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 7,116 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 233,370 unvested shares granted under the OCBC Deferred Share Plan.
- (9) 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.
- (10) Unvested shares granted under the OCBC Deferred Share Plan.

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.

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.

BANK OF SINGAPORE LIMITED

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

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,



WONG PIK KUEN HELEN
Director

Singapore
28 January 2022



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 1967 ("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 2021 and of the financial performance, changes in equity and cash flows of the Bank for the financial year ended on that date.

What we have audited

The financial statements of the Bank comprise:

- the statement of comprehensive income for the financial year ended 31 December 2021;
- the balance sheet as at 31 December 2021;
- the statement of changes in equity for the financial year then ended;
- the statement of cash flows for the financial 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 all the sections of the annual report 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 FRSs, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

28 January 2022

BANK OF SINGAPORE LIMITED**STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 December 2021*

	Note	2021 US\$'000	2020 US\$'000
Interest income		294,192	443,732
Interest expense		(22,007)	(137,098)
Net interest income	4	272,185	306,634
Fee and commission income		582,692	548,364
Fee and commission expense		(116,564)	(97,043)
Net fee and commission income	5	466,128	451,321
Net trading income	6	224,932	202,230
Other income		3,625	6,238
		228,557	208,468
Total income before operating expenses		966,870	966,423
Staff costs	7	(432,998)	(394,518)
Depreciation of property, plant and equipment	10	(36,656)	(40,014)
Amortisation of intangible assets	12	(5,898)	(5,898)
Amortisation of membership rights	13	(64)	(75)
Other operating expenses	8	(120,351)	(127,984)
Total operating expenses		(595,967)	(568,489)
Operating profit before allowances		370,903	397,934
Loss allowances on financial instruments	19	(3,549)	(8,576)
Profit before income tax		367,354	389,358
Income tax expense	9	(51,410)	(51,280)
Profit for the year		315,944	338,078

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 2021

	2021 US\$'000	2020 US\$'000
Profit for the year	315,944	338,078
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Defined benefit plan remeasurements	690	(219)
Net gain/(loss) on debt investments at FVOCI, net of tax	73	(3,000)
	763	(3,219)
Total comprehensive income for the year	316,707	334,859

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

BANK OF SINGAPORE LIMITED

BALANCE SHEET

As at 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Assets			
Cash and balances with central banks	16	118,783	128,598
Balances and placements with and loans to banks	17	654,632	1,672,238
Loans and advances to non-bank customers	18	21,756,123	20,892,295
Amount due from holding company	20	9,831,903	12,141,856
Amount due from related companies	20	4,774	3,991
Derivative financial instruments	30	678,717	716,830
Other investments	21	757,965	425,768
Other assets	22	1,371,142	433,370
Subsidiaries	14	28,094	20,637
Property, plant and equipment	10	127,363	136,809
Intangible assets	12	28,998	34,896
Membership rights	13	211	427
Goodwill	11	167,764	167,764
Total assets		35,526,469	36,775,479
Liabilities			
Deposits of non-bank customers		29,505,856	30,216,021
Deposits and balances of banks		2,910	5,560
Amount due to holding company	20	1,768,552	2,180,416
Amount due to related companies	20	23,847	20,282
Derivative financial instruments	30	647,015	794,705
Other liabilities	25	1,499,169	1,651,048
Current tax payable		48,274	59,330
Deferred tax liabilities	24	5,614	7,908
Total liabilities		33,501,237	34,935,270
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	(642)	(1,405)
Accumulated profits		829,497	645,237
Total equity		2,025,232	1,840,209
Total equity and liabilities		35,526,469	36,775,479

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 2021

	Share capital and other equity instruments US\$'000	Other reserves US\$'000	Accumulated profits US\$'000	Total equity US\$'000
At 1 January 2021	1,196,377	(1,405)	645,237	1,840,209
Total comprehensive income for the year				
Profit for the year	-	-	315,944	315,944
Other comprehensive income				
Net gain on FVOCI financial assets	-	73	-	73
Defined benefit plan	-	690	-	690
Total other comprehensive income	-	763	-	763
Total comprehensive income for the year	-	763	315,944	316,707
Transfer to/(from) Regulatory Loss Allowance Reserve	-	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-
Distributions to holder of perpetual capital securities	-	-	(9,684)	(9,684)
Dividend to equity holder	-	-	(122,000)	(122,000)
Total transactions with owners	-	-	(131,684)	(131,684)
At 31 December 2021	1,196,377	(642)	829,497	2,025,232
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

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 2021

	Note	2021 US\$'000	2020 US\$'000
Cash flows from operating activities			
Profit for the year		315,944	338,078
Adjustments for non-cash items:			
Depreciation of property, plant and equipment owned	10	21,401	25,321
Depreciation of right-of-use assets	10	15,255	14,693
Amortisation of intangible assets	12	5,898	5,898
Amortisation of membership rights	13	64	75
Impairment of/(Write-back on) loss allowances	19	3,549	8,576
(Gain)/Loss on disposal of property, plant and equipment		-	(45)
(Gain)/Loss on disposal of club memberships		(1,242)	-
Interest paid on lease liabilities		1,497	1,817
Income tax expense	9	51,410	51,280
		413,776	445,693
Decrease/(Increase) in operating assets:			
Cash and balance with central banks		9,815	(6,009)
Balances and placements with and loans to banks		1,029,857	(467,658)
Loans and advances to non-bank customers		(867,377)	1,632,020
Amount due from holding company		2,313,973	(2,323,228)
Amounts due from related companies		(783)	164
Other investments		(332,124)	359,553
Other assets		(937,772)	(269,102)
Derivative financial instruments		38,113	(340,896)
		1,253,702	(1,415,156)
Increase/(Decrease) in operating liabilities:			
Amount due to holding company		(411,864)	(125,632)
Amounts due to related companies		3,565	(1,066)
Derivative financial instruments		(147,690)	440,332
Deposits of non-bank customers		(710,165)	949,740
Deposits and balances of banks		(2,650)	(113,232)
Other liabilities		(140,634)	601,804
		(1,409,438)	1,751,946
Cash from operating activities		258,040	782,483
Income taxes paid		(64,760)	(39,809)
Net cash from operating activities		193,280	742,674
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(23,489)	(22,300)
Investment in subsidiary	14	(7,457)	(1,599)
Proceeds from disposal of property, plant and equipment		114	143
Proceeds from disposal of club memberships		1,394	-
Net cash used in investing activities		(29,438)	(23,756)
Cash flows from financing activity			
Dividends paid	23	(122,000)	(550,000)
Distributions to holders of perpetual capital securities	23	(9,684)	(9,659)
Payments of lease expenses		(15,887)	(15,385)
Net cash used in financing activity		(147,571)	(575,044)
Net increase in cash and cash equivalents		16,271	143,874
Cash and cash equivalents at 1 January		329,100	185,226
Cash and cash equivalents at 31 December		345,371	329,100
Cash and cash equivalents comprise the following:			
Cash on hand	16	-	6
Balances and placements with and loans to banks	17	337,162	324,905
Amount due from holding company	20	8,209	4,189
		345,371	329,100

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 2021

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 2021 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 2021

On 1 January 2021, 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 2021

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2021 (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, except as follows:

Interest Rate Benchmark Reform – Phase 2

The Bank has adopted the amendments to FRS 109, FRS 107 and FRS 116 Interest Rate Benchmark Reform – Phase 2 effective 1 January 2021. In accordance with the transition provisions, the amendments shall be applied retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

Financial instruments measured at amortised cost

Phase 2 of the amendments requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by IBOR reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities (see below).

These expedients are only applicable to changes that are required by IBOR reform, which is the case if, and only if, the change is necessary as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change.

Effect of IBOR reform

Following the global financial crisis, the reform and replacement inter-bank offered rates ("IBOR") has become a priority for global regulators. The Bank's risk exposure that is directly affected by the IBOR reform predominantly comprises its variable rate borrowings and interest rate swaps that are linked to the Singapore Swap Offer Rate ("SOR") or the USD, EUR and GBP LIBOR

SOR will cease publication after 30 June 2023, and it is expected to be replaced by the Singapore Overnight Rate Average ("SORA"). The Bank has a variable rate SGD borrowing and swaps which references to SOR and matures after 30 June 2023. The Group's communication with its swap and debt counterparties is ongoing, but specific changes required by IBOR reform have not yet been agreed. The expected transition from SOR to SORA had no effect on the amounts reported for the current and prior financial years.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2021 (continued)

Effect of IBOR reform (continued)

USD, EUR and GBP LIBOR lose its representativeness after 31 December 2021. The Bank has amended all its LIBOR linked borrowing and interest rate swaps to new reference rates and the Bank has applied the Phase 2 amendments for amortised cost measurement. The transition had no material effect on the amounts reported for the current and prior financial year.

The following table contains details of all the financial instruments that the Bank holds at 31 December 2021 which are referenced to SOR and LIBOR and have not yet transitioned to new benchmark rates:

Exposures impacted by the IBOR reform

The following table shows the total amount of non-derivative financial assets, non derivative financial liabilities and derivative financial instruments that have yet to transition to an alternative benchmark rate as at 31 December 2021.

US\$'000	SOR	USD LIBOR	EUR LIBOR	GBP LIBOR	Total
Gross carrying amount					
Loans and advances to non-bank customers	–	–	1,362	119,355	120,717
Non-derivative financial asset	–	–	1,362	119,355	120,717
Notional amount					
Derivative financial instruments	18,661	923,508	–	458,465	1,400,634
Bond	–	99	–	–	99

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.2 Revenue (continued)

(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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

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.

(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).

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

(a) Classification and measurement (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification and measurement (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification and measurement (continued)

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).

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification and measurement (continued)

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.

(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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(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").

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(d) Impairment (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(d) Impairment (continued)

Movements between stages (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.13 Financial liabilities (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.14 Leases (continued)

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 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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.14 Leases (continued)

Lease liabilities (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.15 Income taxes (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.17 Employee compensation (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.17 Employee compensation (continued)

Defined benefit plans (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.22 Fair value estimation (continued)

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.

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.

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.

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. Net interest income (continued)

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

	2021 US\$'000	2020 US\$'000
The breakdown of interest income is as follows:		
- Holding company	35,035	113,317
- Related corporations	342	415
- Others	258,815	330,000
	<u>294,192</u>	<u>443,732</u>
The breakdown of interest expense is as follows:		
- Holding company	2,221	557
- Related corporations	68	213
- Others*	19,718	136,328
	<u>22,007</u>	<u>137,098</u>
Net interest income	<u>272,185</u>	<u>306,634</u>

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

5. Net fee and commission income

	2021 US\$'000	2020 US\$'000
Portfolio and other management fees	150,420	128,434
Custodian and trust fees	61,061	54,552
Brokerage fees	288,815	291,905
Other fees received	82,396	73,473
Fee and commission income	<u>582,692</u>	<u>548,364</u>
Brokerage fees paid	16,782	16,726
Other fees paid	99,782	80,317
Fee and commission expense	<u>116,564</u>	<u>97,043</u>
Net fee and commission income	<u>466,128</u>	<u>451,321</u>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***6. Net trading income**

	2021 US\$'000	2020 US\$'000
Foreign exchange	134,476	147,400
Equity	90,261	54,925
Others	195	(95)
	<u>224,932</u>	<u>202,230</u>

7. Staff costs

	Note	2021 US\$'000	2020 US\$'000
Wages, salaries and bonuses		393,412	356,202
Contributions to defined contribution plans		17,393	15,418
Contributions to equity compensation plan	26	933	811
Defined benefit plan	27	320	359
Others		20,940	21,728
		<u>432,998</u>	<u>394,518</u>

8. Other operating expenses

	2021 US\$'000	2020 US\$'000
Recharge of expenses by holding company ⁽¹⁾	56,082	50,606
Advertising and marketing	3,724	2,766
Other taxes and duties	6,681	6,214
Communication and information technology	22,485	28,689
Lease expenses relating to short-term leases	3,557	4,333
Travel and hotel expenses	1,214	546
Professional fees	16,376	13,610
Maintenance and hire of property, plant and equipment	1,865	2,008
Auditors' remuneration	496	554
Directors' fees	65	55
Lease expenses relating to leases of low value assets, excluding short-term leases of low value assets	121	145
Others	7,685	18,458
	<u>120,351</u>	<u>127,984</u>

⁽¹⁾ Included in the recharge of expenses by holding company is an amount of US\$6,863,000 (2020: US\$6,349,000) relating to rental of premises.

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***9. Income tax expense**

	2021 US\$'000	2020 US\$'000
Current tax expense		
Current year	53,934	52,046
Adjustment for prior year	(229)	392
	<u>53,705</u>	<u>52,438</u>
Deferred tax expense		
Origination and reversal of temporary differences	(2,295)	(1,158)
	<u>(2,295)</u>	<u>(1,158)</u>
Total income tax expense	<u>51,410</u>	<u>51,280</u>
	2021 US\$'000	2020 US\$'000
Reconciliation of effective tax rate		
Profit for the year	315,944	338,078
Total income tax expense	51,410	51,280
Profit before income tax	<u>367,354</u>	<u>389,358</u>
Tax calculated using Singapore tax rate of 17% (2020: 17%)	62,450	66,191
Effect of concessionary tax rate at 13.5% (2020: 13.5%)*	(9,770)	(13,019)
Effect of different tax rate in overseas branch	(970)	(903)
Under/Overprovision in prior year	(229)	392
Non-deductible expenses	2,417	1,744
Others	(2,488)	(3,125)
	<u>51,410</u>	<u>51,280</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% (2020: 13.5%) under Section 43Q of the Income Tax Act.

10. Property, plant and equipment

	2021 US\$'000	2020 US\$'000
Property, plant and equipment	75,897	73,923
Right-of-use assets	51,466	62,886
	<u>127,363</u>	<u>136,809</u>

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 2021	30,668	166,507	689	197,864
Additions	1,759	21,698	32	23,489
Disposals	(793)	(869)	(150)	(1,812)
At 31 December 2021	<u>31,634</u>	<u>187,336</u>	<u>571</u>	<u>219,541</u>
Accumulated depreciation				
At 1 January 2021	21,564	102,095	282	123,941
Depreciation charge for the year	3,913	17,345	143	21,401
Disposals	(793)	(770)	(135)	(1,698)
At 31 December 2021	<u>24,684</u>	<u>118,670</u>	<u>290</u>	<u>143,644</u>
Carrying amounts				
At 31 December 2021	<u>6,950</u>	<u>68,666</u>	<u>281</u>	<u>75,897</u>

	<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	<u>30,668</u>	<u>166,507</u>	<u>689</u>	<u>197,864</u>
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	<u>21,564</u>	<u>102,095</u>	<u>282</u>	<u>123,941</u>
Carrying amounts				
At 31 December 2020	<u>9,104</u>	<u>64,412</u>	<u>407</u>	<u>73,923</u>

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

10. Property, plant and equipment (continued)

Right-of-use assets

	<u>Property</u> US\$'000	<u>Others</u> US\$'000	<u>Total</u> US\$'000
Cost			
At 1 January 2021	91,927	-	91,927
Additions	3,766	69	3,835
	<u>95,693</u>	<u>69</u>	<u>95,762</u>
Accumulated depreciation			
At 1 January 2021	29,041	-	29,041
Depreciation charge for the year	15,223	32	15,255
	<u>44,264</u>	<u>32</u>	<u>44,296</u>
Carrying amounts			
Balance as at 31 December 2021	<u>51,429</u>	<u>37</u>	<u>51,466</u>
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>

11. Goodwill

	2021 US\$'000	2020 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 2021***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:

	2021	2020
Discount rate	9.5%	11.8%
Terminal growth rate	2.0%	2.0%

12. Intangible assets

	Customer relationships and core deposits US\$'000
Cost	
At 1 January 2021	58,979
Additions	-
Disposals	-
At 31 December 2021	<u>58,979</u>
Accumulated amortisation	
At 1 January 2021	24,083
Amortisation charge for the year	5,898
Disposals	-
At 31 December 2021	<u>29,981</u>
Carrying amounts	
At 31 December 2021	<u>28,998</u>
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>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***13. Membership rights**

	US\$'000
Cost	
At 1 January 2021	1,480
Disposal	(723)
At 31 December 2021	<u>757</u>
Accumulated amortisation	
At 1 January 2021	1,053
Amortisation charge for the year	64
Disposal	(571)
At 31 December 2021	<u>546</u>
Carrying amounts	
At 31 December 2021	<u>211</u>
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>

14. Subsidiaries

	2021 US\$'000	2020 US\$'000
Equity investment at cost		
Beginning of financial year	20,637	19,038
Additions	7,457	1,599
Disposal	-	-
End of financial year	<u>28,094</u>	<u>20,637</u>

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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>2021</u> %	<u>2020</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 2020, with a cost of investment amounting to US\$707,000.

In February 2021, the bank further injected capital of RM30,000,000 (approximately US\$7,457,000) into BOS Wealth Management Malaysia Berhad. The principal activities of BOS Wealth Management Malaysia 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 2021

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\$6,597,000 (2020: US\$14,090,000).

As at 31 December 2021, 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

	2021 US\$'000	2020 US\$'000
Cash on hand	-	6
Balances with Monetary Authority of Singapore ("MAS")	114,894	121,498
Balances with Hong Kong Monetary Authority ("HKMA")	3,889	7,094
	<u>118,783</u>	<u>128,598</u>

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 2021***17. Balances and placements with and loans to banks**

	Note	2021 US\$'000	2020 US\$'000
Gross balances and placements with and loans to banks		654,657	1,672,278
Less: Impairment loss allowances	19	(25)	(40)
		<u>654,632</u>	<u>1,672,238</u>

Included in balances and placements with and loans to banks are margin receivables from third party brokers of approximately US\$299,513,000 (2020: US\$271,809,000) and an amount of approximately US\$355,144,000 (2020: US\$1,400,468,000) which is repayable on demand or money at call, of which US\$337,162,000 (2020: US\$324,905,000) 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\$25,000 (2020: US\$40,000).

18. Loans and advances to non-bank customers

	Note	2021 US\$'000	2020 US\$'000
Gross loans and advances to customers		21,777,835	20,911,287
Less: Impairment loss allowances			
- credit-impaired loans		(6,915)	(8,426)
- non credit-impaired loans		(14,797)	(10,566)
	19	<u>(21,712)</u>	<u>(18,992)</u>
		<u>21,756,123</u>	<u>20,892,295</u>

19. Impairment loss allowances of financial instruments

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

	Note	2021 US\$'000	2020 US\$'000
Balances and placements with and loans to banks	17	25	40
Loans and advances to non-bank customers	18	21,712	18,992
Total impairment loss allowances balance		<u>21,737</u>	<u>19,032</u>

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 2021	10,566	40	8,426	19,032
Remeasurement	1,636	(4)	(187)	1,445
Transfer to Stage 1	15	(15)	-	-
Transfer to Stage 2	(2)	2	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated or purchased	59,918	180	-	60,098
Financial assets that have been derecognised	(57,181)	(201)	(382)	(57,764)
Foreign exchange and other movements	(132)	-	(98)	(230)
Recognised in profit or loss	4,254	(38)	(667)	3,549
Write-offs	-	-	(1,176)	(1,176)
Interest recognition on impaired loans	-	-	332	332
At 31 December 2021	14,820	2	6,915	21,737

	<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

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

	<u>Stage 1</u> US\$'000	<u>Stage 2</u> US\$'000	<u>Stage 3</u> US\$'000	<u>Total</u> US\$'000
Pass	654,471	186	-	654,657
Less: Allowances	(24)	(1)	-	(25)
At 31 December 2021	<u>654,447</u>	<u>185</u>	<u>-</u>	<u>654,632</u>
Pass	1,671,637	641	-	1,672,278
Less: Allowances	(36)	(4)	-	(40)
At 31 December 2020	<u>1,671,601</u>	<u>637</u>	<u>-</u>	<u>1,672,238</u>

Loans and advances to non-bank customers

	<u>Stage 1</u> US\$'000	<u>Stage 2</u> US\$'000	<u>Stage 3</u> US\$'000	<u>Total</u> US\$'000
Pass	21,747,843	-	-	21,747,843
Special mention	-	9,348	-	9,348
Substandard	-	-	-	-
Doubtful	-	-	20,644	20,644
Less: Allowance	(14,796)	(1)	(6,915)	(21,712)
At 31 December 2021	<u>21,733,047</u>	<u>9,347</u>	<u>13,729</u>	<u>21,756,123</u>
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	<u>20,843,482</u>	<u>33,258</u>	<u>15,555</u>	<u>20,892,295</u>

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\$8,059,000 (2020: US\$4,189,000), which are repayable on demand or money at call, and which have been included in cash and cash equivalents in the cash flow statement.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. Other investments

	2021 US\$'000	2020 US\$'000
FVTPL financial assets:		
- Quoted debt securities	99	95
- Unquoted fund investment	127	275
FVOCI financial assets:		
Other government securities	757,739	425,398
	<u>757,965</u>	<u>425,768</u>

Other government securities relate to United States treasury bills held. 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

	2021 US\$'000	2020 US\$'000
Interest receivable	19,964	19,083
Sundry debtors	96,375	92,572
Others*	1,254,803	321,715
	<u>1,371,142</u>	<u>433,370</u>

(*) Included in the Others is an amount equivalent to US\$985,547,000 (2020: nil) relating to physical precious metals held by the Bank.

23. Share capital, other equity instruments and reserves

Share capital

	2021		2020	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully-paid:				
Ordinary shares	<u>977,268</u>	<u>996,377</u>	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 21 October 2021, the Bank declared an interim dividend of US\$122 million (2020:US\$500 million for the financial year ended 31 December 2021, which was paid on 23 November 2021).

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***23. Share capital, other equity instruments and reserves (continued)****Other equity instruments**

	2021 US\$'000	2020 US\$'000
USD 200 million 4.75% non-cumulative perpetual capital securities ("Capital Securities")	<u>200,000</u>	<u>200,000</u>

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 2021, the Bank made a distribution of US\$9.6 million to its equity holders (2020: US\$9.6 million).

Other reserves

	2021 US\$'000	2020 US\$'000
Fair value reserve	(642)	(1,405)
Regulatory loss allowance reserve	-	-
Total	<u>(642)</u>	<u>(1,405)</u>

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.

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For the financial year ended 31 December 2021

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	2021 US\$'000	2020 US\$'000
At 1 January		7,908	9,066
Charged to profit or loss	9	(2,294)	(1,158)
At 31 December		<u>5,614</u>	<u>7,908</u>
Deferred tax liabilities			
Property, plant and equipment		5,303	6,608
Intangible assets		4,081	4,911
Others		(3,770)	(3,611)
		<u>5,614</u>	<u>7,908</u>

25. Other liabilities

	Note	2021 US\$'000	2020 US\$'000
Accrued operating expenses		138,359	128,682
Interest payable		3,412	12,015
Defined benefit plan	27	1,975	2,345
Lease liabilities		54,373	65,535
Others		1,301,050	1,442,471
		<u>1,499,169</u>	<u>1,651,048</u>

Included in others is an amount of approximately US\$991,993,000 (2020: US\$1,078,259,000) 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\$1,497,000 (2020: US\$1,817,000) for the financial period ended 31 December 2021, 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 2021

25. Other liabilities (continued)

Reconciliation of liabilities arising from financing activities

	1 January 2021	Principal and interest payments	Non-cash changes				31 December 2021
			Addition	Disposal	Interest expense	Foreign exchange movement	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Lease liabilities	65,535	(15,887)	3,987	-	1,497	(759)	54,373

	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

26. Employee benefits

Share-based compensation plans

In July 2021, the OCBC Bank (the "Group") launched its sixteenth offering of ESP Plan for Group employees, which commenced on 1 September 2021 and will expire on 31 August 2023. Under the offering, the Bank granted rights to acquire 1,224,275 (2020: 1,742,141) ordinary shares in OCBC Bank, The fair value of rights, determined using the binomial valuation model was \$1.16 million (2020: \$1.49 million)

	2021	2020
Acquisition price (US\$)	8.58	6.79
Share price (US\$)	9.20	6.99
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	17.11	24.62
Risk-free rate based on 2-year swap rate (%)	0.35	0.31
Expected dividend yield (%)	4.00	5.19

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***26. Employee benefits (continued)**

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

	2021		2020	
	Number of acquisition rights	Average price ⁽¹⁾	Number of acquisition rights	Average price ⁽¹⁾
At 1 January	2,622,323		2,215,211	
Subscriptions	1,224,275		1,834,995	
Forfeited/Lapsed	(318,912)		(1,427,883)	
Exercised	(975,305)		-	
At 31 December	<u>2,552,381</u>		<u>2,622,323</u>	
Share price		US\$7.54		US\$7.38

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

At 31 December 2021, the weighted average remaining contractual life of outstanding acquisition rights was 1.03 years (2020: 1.16 years).

The related share-based payment expense for the year amounted to US\$933,000 (2020: US\$811,000).

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	2021 US\$'000	2020 US\$'000
Fair value of plan assets	(i)	(1,785)	(1,744)
Present value of obligations	(ii)	3,760	4,089
Total defined benefit liabilities		<u>1,975</u>	<u>2,345</u>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***27. Defined benefit plan (continued)***(i) Fair value of plan assets*

Plan assets comprise the following:

	2021 US\$'000	2020 US\$'000
Equity securities	448	507
Fixed income	1,107	1,238
Others	230	(1)
	<u>1,785</u>	<u>1,744</u>

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

	2021 US\$'000	2020 US\$'000
Fair value of plan assets assumed	1,744	1,941
Benefits paid by the plan	(128)	(137)
Actual return on plan assets	53	88
Return on plan assets less than discount rate	116	(148)
Contributions paid into the plan	-	-
Fair value of plan assets at 31 December	<u>1,785</u>	<u>1,744</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:

	2021 US\$'000	2020 US\$'000
Defined benefit obligations at 1 January	4,089	3,708
Benefits paid by the plan	(128)	(137)
Current service costs and interest	373	447
Remeasurements: experience adjustments	(193)	71
Remeasurements: Actuarial loss from changes in assumption	(381)	-
Defined benefit obligations at 31 December	<u>3,760</u>	<u>4,089</u>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***27. Defined benefit plan (continued)***(ii) Movement in the present value of the defined benefit obligations (continued)***Expenses recognised in profit and loss**

	Note	2021 US\$'000	2020 US\$'000
Current service costs		251	288
Interest on obligation		122	159
Return on plan assets		(53)	(88)
Total defined benefit plan expenses	7	<u>320</u>	<u>359</u>
Actual return on plan assets		<u>181</u>	-

Actuarial assumptions

Principal actuarial assumptions at the reporting date:

	2021	2020
Discount rate at 31 December	4.75%	3.50%
Expected return on plan assets at 1 January	5.00%	5.25%
Future salary increases	4.00%	4.00%

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

	2021	2020
Average annual plan salary	US\$63,526	US\$61,084
Average age	39.69	38.10
Average credited service	8.93	8.62
Average future working life years	14.81	15.57

As of the year end, the Bank is expected to pay US\$1,917,000 (2020: US\$345,000) in contributions to its defined benefit plan.

BANK OF SINGAPORE LIMITED

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For the financial year ended 31 December 2021

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.

	2021 US\$'000	2020 US\$'000
Direct credit substitutes:		
- Guarantees	38,021	27,198
- Standby letters of credit	238,410	263,009
	<u>276,431</u>	<u>290,207</u>

29. Commitments

	2021 US\$'000	2020 US\$'000
Undrawn credit lines and other commitments to extend credit	46,883,166	48,281,857
Forward loan	205,838	176,783
	<u>47,089,004</u>	<u>48,458,640</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 2021, the Bank's contractual commitments amounted to US\$10,327,000 (2020: US\$22,479,000).

BANK OF SINGAPORE LIMITED

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For the financial year ended 31 December 2021

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
2021			
Foreign exchange derivatives:			
Spot and forward foreign exchange	22,452,653	224,827	193,177
Currency options	47,497,076	142,413	142,413
	69,949,729	367,240	335,590
Equity derivatives:			
Options	5,420,126	229,719	229,719
Interest rate derivatives:			
Swaps	2,353,860	38,575	38,575
Options	48,975	253	253
	2,402,835	38,828	38,828
Commodity derivatives:			
Precious metals – bought	280,615	5,120	572
Precious metals – sold	276,129	575	5,071
Commodity options	6,229,101	37,235	37,235
	6,785,845	42,930	42,878
	84,558,535	678,717	647,015
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

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***30. Derivative financial instruments (continued)**

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
2021			
Foreign exchange derivatives	24,798,067	105,479	92,186
Equity derivatives	1,825,448	2,082	90,706
Interest rate derivatives	1,200,430	7,941	30,862
Commodity derivatives	2,516,753	10,073	13,782
	30,340,698	125,575	227,536
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

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:

	2021 US\$'000	2020 US\$'000
Key management personnel compensation:		
- Short-term employee benefits	10,640	11,808
- Post-employment benefits	150	108
- Other long-term benefits	4,470	5,438
	15,260	17,354

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.

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 2021

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 2021 US\$'000	Average utilisation US\$'000	Year-end 2020 US\$'000	Average utilisation US\$'000
FX NOP	1,301	1,263	2,163	1,744

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
2021						
Financial assets						
Cash and balances with central banks	-	114,893	-	3,890	-	118,783
Balances and placements with and loans to banks	351,548	2,453	25,399	119,037	156,195	654,632
Loans and advances to non-bank customers	11,039,793	1,862,265	95	2,214,825	6,639,145	21,756,123
Amount due from holding company	7,910,594	887,249	-	1,931	1,032,129	9,831,903
Amount due from related companies	2,019	2,605	-	-	150	4,774
Other investments	757,965	-	-	-	-	757,965
Other assets	1,230,127	44,273	1,260	56,287	39,195	1,371,142
Derivative financial instruments	491,860	1,617	-	75,458	109,782	678,717
Total	21,783,906	2,915,355	26,754	2,471,428	7,976,596	35,174,039
Financial liabilities						
Amount due to holding company	28,907	240,542	-	231,312	1,267,791	1,768,552
Amount due to related companies	13,823	8,230	-	1	1,793	23,847
Derivative financial instruments	460,159	1,616	-	75,458	109,782	647,015
Deposits of non-bank customers	19,096,149	3,257,992	25,364	1,467,163	5,659,188	29,505,856
Deposits and balances of banks	2,491	-	-	419	-	2,910
Other liabilities	1,224,614	114,429	1,259	107,353	51,514	1,499,169
Total	20,826,143	3,622,809	26,623	1,881,706	7,090,068	33,447,349
On-balance sheet net position	957,763	(707,454)	131	589,722	886,528	1,726,690
Net currency gap	957,763	(707,454)	131	589,722	886,528	1,726,690

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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
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

(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 2021

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.

	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
2021								
Financial assets								
Cash and balances with central banks	-	-	-	-	-	-	118,783	118,783
Balances and placements with and loans to banks	332,204	-	-	-	-	-	322,428	654,632
Loans and advances to non-bank customers	8,230,396	10,163,561	2,214,601	1,093,112	41,658	12,795	-	21,756,123
Amount due from holding company	2,141,347	3,692,455	3,037,549	637,468	-	200,000	123,084	9,831,903
Amount due from related companies	150	-	-	-	-	-	4,624	4,774
Other investments	-	-	100,865	507,000	150,000	100	-	757,965
Other assets	-	-	-	-	-	-	1,371,142	1,371,142
Derivative financial instruments	-	-	-	-	-	-	678,717	678,717
Total	10,704,097	13,856,016	5,353,015	2,237,580	191,658	212,895	2,618,778	35,174,039
Financial liabilities								
Amount due to holding company	148,145	301,355	608,158	656,049	40,817	14,028	-	1,768,552
Amount due to related companies	9,938	-	-	8,151	-	-	5,758	23,847
Derivative financial instruments	-	-	-	-	-	-	647,015	647,015
Deposits of non-bank customers	1,177,882	26,488,332	1,105,555	731,491	1,410	-	1,186	29,505,856
Deposits and balances of banks	2,890	-	-	-	-	-	20	2,910
Other liabilities	-	-	-	-	-	-	1,499,169	1,499,169
Total	1,338,855	26,789,687	1,713,713	1,395,691	42,227	14,028	2,153,148	33,447,349
On-balance sheet interest sensitivity gap	9,365,242	(12,933,671)	3,639,302	841,889	149,431	198,867	465,630	1,726,690
	9,365,242	(12,933,671)	3,639,302	841,889	149,431	198,867	465,630	1,726,690

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32. Financial risk management (continued)

(iii) *Interest rate risk (continued)*

	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
2020								
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 2021

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 measure the maximum interest rate sensitivity under three yield-curve scenarios shock. The following are the exposures of all currencies combined:

	Year-end 2021 US\$'000	Average utilisation US\$'000	Year-end 2020 US\$'000	Average utilisation US\$'000
Interest rate sensitivity	104	97	65	83

(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 2021

32. Financial risk management (continued)

(iv) Credit risk (continued)

	2021	2020
	US\$'000	US\$'000
Credit risk exposure of on-balance sheet assets:		
Cash and balances with central banks	118,783	128,598
Balances and placements with and loans to banks	654,632	1,672,238
Loans and advances to non-bank customers	21,756,123	20,892,295
Amount due from holding company	9,831,903	12,141,856
Amount due from related corporation	4,774	3,991
Other investments	757,965	425,768
Other assets	1,371,142	433,370
Derivative financial instruments	678,717	716,830
	35,174,039	36,414,946
Credit risk exposure of off-balance sheet items:		
Contingent liabilities	276,431	290,207
Commitments	47,089,004	48,458,640
	47,365,435	48,748,847
Total credit risk exposure	82,539,474	85,163,793

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:

	<u>Asia</u>	<u>Pacific Rim</u>	<u>Europe</u>	<u>North America</u>	<u>Middle East</u>	<u>Others</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2021							
Cash and balances with central bank	118,783	-	-	-	-	-	118,783
Balances and placements with and loans to bank	173,959	2,241	294,406	144,994	35,505	3,527	654,632
Loans and advances to non-bank customers	11,046,481	39,609	982,270	8,410	1,728,187	7,951,166	21,756,123
Amount due from holding company	9,831,903	-	-	-	-	-	9,831,903
Amount due from related corporation	4,774	-	-	-	-	-	4,774
Other investments	-	-	99	757,866	-	-	757,965
Other assets	228,883	34	1,079,035	191	15,121	47,878	1,371,142
Derivative financial instruments	422,906	294	88,050	-	30,745	136,722	678,717
Contingent liabilities	54,898	-	26,972	-	5,000	189,561	276,431
Commitment	35,925,169	245,008	1,308,159	178,902	7,578,620	1,853,146	47,089,004
Total	57,807,756	287,186	3,778,991	1,090,363	9,393,178	10,182,000	82,539,474

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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
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

“Others” include Africa and British Virgin Islands.

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

	Gross maximum exposure 2021 US\$'000	Net maximum exposure 2021 US\$'000	Gross maximum exposure 2020 US\$'000	Net maximum exposure 2020 US\$'000
Individuals and corporates	69,611,515	-	69,678,749	-
Banks/financial institutions	12,170,220	12,170,220	15,059,646	15,059,646
Governments	757,739	757,739	425,398	425,398
	82,539,474	12,927,959	85,163,793	15,485,044

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 2021

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 categories 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
2021					
Asia	11,065,935	2,263	-	-	11,068,198
Pacific Rim	39,609	-	-	-	39,609
Europe	982,271	-	-	-	982,271
North America	8,411	-	-	-	8,411
Middle East	1,726,781	-	-	1,405	1,728,186
Others	7,924,836	7,085	-	19,239	8,131,436
Gross loans and advances to customers	21,747,843	9,348	-	20,644	21,777,835
Impairment loss allowances					21,712
Net loans and advances to customers					21,756,123
Balances and placements with and loans to banks	654,631	-	-	-	654,631
Contingent liabilities	276,431	-	-	-	276,431
Commitments	46,969,196	12,452	-	107,356	47,089,004
Total					69,776,189

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32. Financial risk management (continued)

(iv) *Credit risk (continued)*

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

	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

Loans and advances to non-bank customers by industry:

	2021 US\$'000	2020 US\$'000
Analysed by industry		
Manufacturing	38,143	45,107
Building and construction	207,383	211,932
General commerce	63,525	171,023
Transport, storage and communication	22,438	23,630
Business service	93,372	94,382
Financial institutions, investment and holding companies	9,830,408	9,902,228
Professionals and individuals	11,501,186	10,453,351
Others	21,380	9,634
	21,777,835	20,911,287

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.

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.

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 19.

(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 2021

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.

2021	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	3,889	-	-	-	-	114,894	118,783
Balances and placements with and loans to banks	654,632	-	-	-	-	-	654,632
Loans and advances to non-bank customers	10,444,543	8,177,424	2,021,468	958,280	40,250	114,158	21,756,123
Amount due from holding company	2,260,928	3,628,734	3,099,800	642,441	-	200,000	9,831,903
Amount due from related companies	4,774	-	-	-	-	-	4,774
Other investments	-	-	99,789	508,505	149,445	226	757,965
Other assets	1,225,494	98,059	5,933	7,824	27,384	6,448	1,371,142
Derivative financial instruments	678,717	-	-	-	-	-	678,717
Total	15,272,977	11,904,217	5,226,990	2,117,050	217,079	435,726	35,174,039
Financial liabilities							
Amount due to holding company	150,158	283,104	622,575	657,898	40,746	14,071	1,768,552
Amount due to related companies	23,847	-	-	-	-	-	23,847
Derivative financial instruments	647,015	-	-	-	-	-	647,015
Deposits of non-bank customers	26,346,189	1,194,569	1,248,315	716,783	-	-	29,505,856
Deposits and balances of banks	2,910	-	-	-	-	-	2,910
Other liabilities	1,272,765	34,861	163,726	8,473	7,292	12,052	1,499,169
Total	28,442,884	1,512,534	2,034,616	1,383,154	48,038	26,123	33,447,349
Net liquidity gap	(13,169,908)	10,391,683	3,192,374	733,896	169,041	409,603	
Contingent liabilities							
Guarantees	38,021	-	-	-	-	-	38,021
Standby letters of credit	238,410	-	-	-	-	-	238,410
Total	276,431	-	-	-	-	-	276,431
Other commitments	47,089,004	-	-	-	-	-	47,089,004

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32. Financial risk management (continued)

(v) *Liquidity risk* (continued)

Maturity analysis of financial assets and liabilities (continued)

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	188,913	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 2021

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.

2021

Non-derivative financial liabilities

Amount due to holding company	150,158	283,104	622,575	657,898	40,746	14,071	1,768,552
Amount due to related corporations	23,847	-	-	-	-	-	23,847
Deposits of non-bank customers	26,346,189	1,194,569	1,248,315	716,783	-	-	29,505,856
Deposits and balances of banks	2,910	-	-	-	-	-	2,910
Other liabilities	1,272,765	34,861	163,726	8,473	7,292	12,052	1,499,169

Derivative financial instruments:

- Contractual amounts payable	647,015	-	-	-	-	-	647,015
	28,442,884	1,512,534	2,034,616	1,383,154	48,038	26,123	33,447,349

Guarantees

Standby letters of credit	38,021	-	-	-	-	-	38,021
	238,410	-	-	-	-	-	238,410
	276,431	-	-	-	-	-	276,431

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32. Financial risk management (continued)

(v) *Liquidity risk (continued)*

Analysis of financial liabilities by remaining contractual maturities (continued)

2020

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
	549,592	-	-	-	-	-	549,592
	28,016,736	2,178,033	1,897,703	2,304,622	153,190	72,635	34,622,919

Derivative financial instruments:

- Contractual amounts payable

Guarantees	27,198	-	-	-	-	-	27,198
Standby letters of credit	263,009	-	-	-	-	-	263,009
	290,207	-	-	-	-	-	290,207

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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.

	2021		2020	
	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	21,756,123	21,744,110	20,892,295	20,892,965
Amount due from holding company	9,831,903	9,830,077	12,141,856	12,171,070
Financial liabilities				
Amount due to holding company	1,768,552	1,762,358	2,180,416	2,177,800
Deposits of non-bank customers	29,505,856	29,505,653	30,216,021	30,220,031

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 2021

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.

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 2021

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 (2020: 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
2021				
Financial assets				
Other investments	757,739	99	127	757,965
Derivative financial instruments	5,475	434,632	238,610	678,717
Total	<u>763,214</u>	<u>434,731</u>	<u>238,737</u>	<u>1,436,681</u>
Financial liabilities				
Derivative financial instruments	5,400	403,005	238,610	647,015
Total	<u>5,400</u>	<u>403,005</u>	<u>238,610</u>	<u>647,015</u>
2020				
Financial assets				
Other investments	425,398	95	275	425,768
Derivative financial instruments	11,459	538,100	167,271	716,830
Total	<u>436,857</u>	<u>538,195</u>	<u>167,546</u>	<u>1,142,598</u>
Financial liabilities				
Derivative financial instruments	11,281	616,153	167,271	794,705
Total	<u>11,281</u>	<u>616,153</u>	<u>167,271</u>	<u>794,705</u>

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***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 and financial liabilities for the financial year then ended:

	Financial assets at FVTPL US\$'000	Total US\$'000
1 Jan 2021	167,546	167,546
Gain recognised in profit and loss, under "Net trading income"	71,191	71,191
31 December 2021	<u>238,737</u>	<u>238,737</u>
Change in unrealised gain for assets held at the end of the financial year included in profit or loss, under "Net trading income"	<u>71,191</u>	<u>71,191</u>
	Financial assets at FVTPL US\$'000	Total US\$'000
1 Jan 2020	138,584	138,584
Purchases	55	55
Gain recognised in profit and loss, under "Net trading income"	28,962	28,962
31 December 2020	<u>167,546</u>	<u>167,546</u>
Change in unrealised gain for assets held at the end of the financial year included in profit or loss, under "Net trading income"	<u>28,962</u>	<u>28,962</u>

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32. Financial risk management (continued)

(vi) *Fair value measurements (continued)*

Movement and assumptions used in Level 3 fair value (continued)

	Financial liabilities at FVTPL US\$'000	Total US\$'000
1 Jan 2021	167,271	167,271
Loss recognised in profit and loss, under "Net trading income"	71,339	71,339
31 December 2021	<u>238,610</u>	<u>238,610</u>
Change in fair value	<u>71,339</u>	<u>71,339</u>
	Financial liabilities at FVTPL US\$'000	Total US\$'000
1 Jan 2020	138,584	138,584
Loss recognised in profit and loss, under "Net trading income"	28,687	28,687
31 December 2020	<u>167,271</u>	<u>167,271</u>
Change in fair value	<u>28,687</u>	<u>28,687</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).
Option Pricing model	Volatility/Correlation	The estimated fair value would increase (decrease) if the volatility 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 2021

32. Financial risk management (continued)

(vii) Financial instruments by category

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

	FVTPL US\$'000	FVOCI-debt instruments US\$'000	Amortised cost US\$'000	Non- Financial assets/ liabilities US\$'000	Total US\$'000
2021					
Financial assets					
Cash and balances with central banks	-	-	118,783	-	118,783
Balances and placements with and loans to banks	-	-	654,632	-	654,632
Loans and advances to non-bank customers	-	-	21,756,123	-	21,756,123
Amount due from holding company	-	-	9,831,903	-	9,831,903
Amount due from related companies	-	-	4,774	-	4,774
Derivative financial instruments	678,717	-	-	-	678,717
Other investments	226	757,739	-	-	757,965
Other assets	-	-	351,306	1,019,836	1,371,142
Total	678,943	757,739	32,717,521	1,019,836	35,174,039

	FVTPL US\$'000	FVOCI-debt instruments US\$'000	Amortised cost US\$'000	Non- Financial assets/ liabilities US\$'000	Total 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

BANK OF SINGAPORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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
2021					
Financial liabilities					
Deposits of non-bank customers	-	-	29,505,856	-	29,505,856
Deposits and balances of banks	-	-	2,910	-	2,910
Amount due to holding company	-	-	1,768,552	-	1,768,552
Amount due to related companies	-	-	23,847	-	23,847
Derivative financial instruments	647,015	-	-	-	647,015
Other liabilities	-	-	383,018	1,116,151	1,499,169
Total	647,015	-	31,684,183	1,116,151	33,447,349

	<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	-	-	458,848	1,192,200	1,651,048
Total	794,705	-	32,881,127	1,192,200	34,868,032

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 2021

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		Net amount
				Financial instruments	Cash collateral placed	
2021						
Financial assets						
Derivative financial instruments	199,457	-	199,457	199,456	1	-
Total	199,457	-	199,457	199,456	1	-
Financial liabilities						
Derivative financial instruments	487,500	-	487,500	199,456	283,797	4,247
Total	487,500	-	487,500	199,456	283,797	4,247
2020						
Financial assets						
Derivative financial instruments	190,151	-	190,151	189,313	-	838
Total	190,151	-	190,151	189,313	-	838
Financial liabilities						
Derivative financial instruments	622,583	-	622,583	189,313	400,966	32,304
Total	622,583	-	622,583	189,313	400,966	32,304

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
2021					
Derivative financial instruments	199,457	Derivative financial instruments	678,717	479,260	30
2020					
Derivative financial instruments	190,151	Derivative financial instruments	716,830	526,679	30

BANK OF SINGAPORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2021***32. Financial risk management (continued)***(viii) Offsetting financial assets and financial liabilities (continued)*

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
2021					
Derivative financial instruments	<u>487,500</u>	Derivative financial instruments	<u>647,015</u>	<u>159,515</u>	30
2020					
Derivative financial instruments	<u>622,583</u>	Derivative financial instruments	<u>794,705</u>	<u>172,122</u>	30

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. 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 28 January 2022.

BANK OF SINGAPORE LIMITED

SUPPLEMENTARY INFORMATION

For the financial year ended 31 December 2021

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.

	2021 US\$ million	2020 US\$ million
Tier 1 capital		
Ordinary shares	996	996
Perpetual securities issued	200	200
Disclosed reserves	829	644
	<u>2,025</u>	<u>1,840</u>
Tier 1 eligible capital	1,709	1,539
Tier 2 capital	1	1
Total eligible capital	<u>1,710</u>	<u>1,540</u>
Risk weighted assets	<u>9,991</u>	<u>10,760</u>
Tier 1 CAR	17.1%	14.3%
Total CAR	<u>17.1%</u>	<u>14.3%</u>

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

