

# **BANK OF SINGAPORE LIMITED**

*(Incorporated in Singapore. Registration Number: 197700866R)*

## **ANNUAL REPORT**

*For the financial year ended 31 December 2022*

**BANK OF SINGAPORE LIMITED**  
*(Incorporated in Singapore. Registration Number: 197700866R)*

**ANNUAL REPORT**  
*For the financial year ended 31 December 2022*

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## **BANK OF SINGAPORE LIMITED**

### **DIRECTORS' STATEMENT**

*For the financial year ended 31 December 2022*

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The directors present this statement to the member of the Bank together with the audited financial statements for the financial year ended 31 December 2022.

In the opinion of the directors,

- (a) the financial statements set out on pages 8 to 91 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2022, the financial performance, 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 and Financial Reporting Standards in Singapore; 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  
Choo Nyen Fui, Chief Executive Officer  
Kenneth Mark Lai Chin Kui  
Na Wu Beng (Appointed on 1 July 2022)  
Wong Pik Kuen Helen

#### **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 2022

### 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 <sup>(1)</sup>	
	At 31.12.2022	At 1.1.2022 / Date of appointment	At 31.12.2022	At 1.1.2022/ Date of appointment
<b>Oversea-Chinese Banking Corporation Limited</b>				
<b>Ordinary shares</b>				
Lai Teck Poh	1,037,412	1,037,412	-	-
Bahren Bin Haji Sha'ari <sup>(2)</sup>	428	50,994	620	620
Choo Nyen Fui	581,048	508,133	-	-
DCruz Noel Gerald <sup>(3)</sup>	415,456	390,348	-	-
Kenneth Mark Lai Chin Kui	100,934	42,266	-	-
Na Wu Beng <sup>(4)</sup>	155,689	355,689	-	-
Quah Wee Ghee <sup>(2)</sup>	50,072	50,072	654	654
Wong Pik Kuen Helen	262,431	135,779	-	-
<b>Options/rights/awards in respect of ordinary shares</b>				
Bahren Bin Haji Sha'ari <sup>(2)</sup>	611,303 <sup>(6)</sup>	654,548 <sup>(5)</sup>	-	-
Choo Nyen Fui	261,136 <sup>(8)</sup>	281,059 <sup>(7)</sup>	-	-
DCruz Noel Gerald	246,465 <sup>(10)</sup>	274,419 <sup>(9)</sup>	-	-
Kenneth Mark Lai Chin Kui	350,036 <sup>(12)</sup>	327,515 <sup>(11)</sup>	-	-
Na Wu Beng	785,446 <sup>(14)</sup>	782,325 <sup>(13)</sup>	-	-
Wong Pik Kuen Helen	434,713 <sup>(15)</sup>	342,061 <sup>(15)</sup>	-	-

(1) Ordinary shares held by spouse.

(2) Mr Bahren Bin Haji Sha'ari and Mr Quah Wee Ghee resigned from the Board of Directors on 31 December 2022.

(3) Mr DCruz Noel Gerald ceased to act as alternate Director to Vincent Choo on 1 January 2023.

(4) Mr Na Wu Beng appointed to the Board of Directors on 1 July 2022.

(5) 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.

(6) Comprises: (i) options to acquire 305,087 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 306,216 unvested shares granted under the OCBC Deferred Share Plan.

## **BANK OF SINGAPORE LIMITED**

### **DIRECTORS' STATEMENT**

*For the financial year ended 31 December 2022*

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- (7) 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.
- (8) Comprises: (i) options to acquire 126,881 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 134,255 unvested shares granted under the OCBC Deferred Share Plan.
- (9) 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.
- (10) Comprises: (i) options to acquire 187,740 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 58,725 unvested shares granted under the OCBC Deferred Share Plan.
- (11) 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.
- (12) Comprises: (i) options to acquire 87,029 ordinary shares granted under the OCBC Share Option Scheme 2001; (ii) rights to acquire 6,090 ordinary shares granted under the OCBC Employee Share Purchase Plan; and (iii) 256,917 unvested shares granted under the OCBC Deferred Share Plan.
- (13) Comprises: (i) options to acquire 647,706 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 134,619 unvested shares granted under the OCBC Deferred Share Plan.
- (14) Comprises: (i) options to acquire 647,706 ordinary shares granted under the OCBC Share Option Scheme 2001; and (ii) 137,740 unvested shares granted under the OCBC Deferred Share Plan.
- (15) 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 2022*

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**Auditor**

The auditor, PricewaterhouseCoopers LLP, has indicated its willingness to accept re-appointment as the auditor of the Bank.

On behalf of the Board of Directors,



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Wong Pik Kuen Helen  
Director



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Choo Nyen Fui  
Director

Singapore  
1 February 2023

# 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 2022 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 2022;
- the balance sheet as at 31 December 2022;
- 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 the Directors' Statement and MAS Notice 608 Supplementary Information included on page 91 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, 1 February 2023

**BANK OF SINGAPORE LIMITED****STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 December 2022*

	Note	2022 US\$'000	2021 US\$'000
Interest income		735,500	294,192
Interest expense		(328,920)	(22,007)
<b>Net interest income</b>	4	<b>406,580</b>	<b>272,185</b>
Net fee and commission income	5	325,127	466,128
Net trading income	6	205,480	224,932
Other income		2,339	3,625
<b>Non-interest income</b>		<b>532,946</b>	<b>694,685</b>
<b>Total income before operating expenses</b>		<b>939,526</b>	<b>966,870</b>
Staff costs	7	(405,540)	(432,998)
Depreciation of property, plant and equipment	10	(37,241)	(36,656)
Other operating expenses	8	(164,037)	(120,415)
<b>Total operating expenses</b>		<b>(606,818)</b>	<b>(590,069)</b>
<b>Operating profit before allowances</b>		<b>332,708</b>	<b>376,801</b>
Amortisation of intangible assets	12	(5,898)	(5,898)
Loss allowances	18	(49,556)	(3,549)
<b>Profit before income tax</b>		<b>277,254</b>	<b>367,354</b>
Income tax expense	9	(40,272)	(51,410)
<b>Profit for the year</b>		<b>236,982</b>	<b>315,944</b>

*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 2022*

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	2022 US\$'000	2021 US\$'000
Profit for the year	236,982	315,944
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss:</b>		
Net (loss)/gain on debt investments at FVOCI, net of tax	(2,787)	73
<b>Items that will not be reclassified to profit or loss:</b>		
Defined benefit plan remeasurements	263	690
Net gain on equity investments at FVOCI, net of tax	5,000	-
	<u>2,476</u>	<u>763</u>
<b>Total comprehensive income for the year</b>	<u>239,458</u>	<u>316,707</u>

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

**BANK OF SINGAPORE LIMITED****BALANCE SHEET***As at 31 December 2022*

	Note	2022 US\$'000	2021 US\$'000
<b>Assets</b>			
Cash and balances with central banks	15	155,965	118,783
Balances and placements with and loans to banks	16	301,597	654,632
Loans and advances to non-bank customers	17	18,209,253	21,756,123
Amount due from holding company	19	17,147,069	9,831,903
Amount due from related companies	19	7,297	4,774
Derivative financial instruments	29	698,881	678,717
Other investments	20	770,795	757,965
Other assets	21	1,381,529	1,371,353
Subsidiaries	13	27,614	28,094
Property, plant and equipment	10	116,629	127,363
Intangible assets	12	23,100	28,998
Goodwill	11	167,764	167,764
<b>Total assets</b>		<b>39,007,493</b>	<b>35,526,469</b>
<b>Liabilities</b>			
Deposits of non-bank customers		32,925,483	29,505,856
Deposits and balances of banks		29,247	2,910
Amount due to holding company	19	1,816,736	1,768,552
Amount due to related companies	19	26,205	23,847
Derivative financial instruments	29	680,490	647,015
Other liabilities	24	1,507,071	1,499,169
Current tax payable		44,972	48,274
Deferred tax liabilities, net	23	6,205	5,614
<b>Total liabilities</b>		<b>37,036,409</b>	<b>33,501,237</b>
<b>Equity attributable to equity holder of the Bank</b>			
Share capital	22	996,377	996,377
Other equity instruments	22	200,000	200,000
Other reserves	22	4,834	(642)
Accumulated profits		769,873	829,497
<b>Total equity</b>		<b>1,971,084</b>	<b>2,025,232</b>
<b>Total equity and liabilities</b>		<b>39,007,493</b>	<b>35,526,469</b>

*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 2022

	Share capital and other equity instruments US\$'000	Other reserves US\$'000	Accumulated profits US\$'000	Total equity US\$'000
<b>At 1 January 2022</b>	1,196,377	(642)	829,497	2,025,232
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	236,982	236,982
<b>Other comprehensive income</b>				
Net gain on FVOCI financial assets	-	(2,787)	5,000	2,213
Defined benefit plan	-	263	-	263
<b>Total other comprehensive income</b>	-	(2,524)	5,000	2,476
<b>Total comprehensive income for the year</b>	-	(2,524)	241,982	239,458
Transfer to/(from) Regulatory Loss Allowance Reserve	-	8,000	(8,000)	-
<b>Transactions with owners, recorded directly in equity</b>				
Distributions to holder of perpetual capital securities	-	-	(9,606)	(9,606)
Dividend to equity holder	-	-	(284,000)	(284,000)
<b>Total transactions with owners</b>	-	-	(293,606)	(293,606)
<b>At 31 December 2022</b>	1,196,377	4,834	769,873	1,971,084
<b>At 1 January 2021</b>	1,196,377	(1,405)	645,237	1,840,209
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	315,944	315,944
<b>Other comprehensive income</b>				
Net gain on FVOCI financial assets	-	73	-	73
Defined benefit plan	-	690	-	690
<b>Total other comprehensive income</b>	-	763	-	763
<b>Total comprehensive income for the year</b>	-	763	315,944	316,707
Transfer to/(from) Regulatory Loss Allowance Reserve	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>				
Distributions to holder of perpetual capital securities	-	-	(9,684)	(9,684)
Dividend to equity holder	-	-	(122,000)	(122,000)
<b>Total transactions with owners</b>	-	-	(131,684)	(131,684)
<b>At 31 December 2021</b>	1,196,377	(642)	829,497	2,025,232

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 2022

	Note	2022 US\$'000	2021 US\$'000
<b>Cash flows from operating activities</b>			
Profit for the year		236,982	315,944
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	10	37,241	36,656
Amortisation of intangible assets	12	5,898	5,898
Impairment of loss allowances	18	49,556	3,549
Gain on disposal of club memberships		-	(1,242)
Interest on lease liabilities		1,143	1,497
Income tax expense	9	40,272	51,410
		<u>371,092</u>	<u>413,712</u>
(Increase)/decrease in operating assets:			
Cash and balance with central banks		(37,182)	9,815
Balances and placements with and loans to banks		217,251	1,029,857
Loans and advances to non-bank customers		3,499,481	(867,377)
Amount due from holding company		(7,318,988)	2,313,973
Amounts due from related companies		(4,059)	(783)
Other investments		(10,617)	(332,124)
Other assets		(10,176)	(937,708)
Derivative financial instruments		(20,164)	38,113
		<u>(3,684,454)</u>	<u>1,253,766</u>
Increase/(decrease) in operating liabilities:			
Amount due to holding company		48,184	(411,864)
Amounts due to related companies		2,358	3,565
Derivative financial instruments		33,475	(147,690)
Deposits of non-bank customers		3,419,627	(710,165)
Deposits and balances of banks		26,337	(2,650)
Other liabilities		21,890	(140,634)
		<u>3,551,871</u>	<u>(1,409,438)</u>
Cash from operating activities		238,509	258,040
Income taxes paid		(42,983)	(64,760)
<b>Net cash from operating activities</b>		<u>195,526</u>	<u>193,280</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(25,693)	(23,489)
Investment in subsidiary	13	-	(7,457)
Proceeds from disposal of property, plant and equipment		13	114
Proceeds from disposal of club memberships		-	1,394
<b>Net cash used in investing activities</b>		<u>(25,680)</u>	<u>(29,438)</u>
<b>Cash flows from financing activity</b>			
Dividends paid	23	(284,000)	(122,000)
Distributions to holders of perpetual capital securities	23	(9,606)	(9,684)
Payments of lease expenses		(15,695)	(15,887)
<b>Net cash used in financing activity</b>		<u>(309,301)</u>	<u>(147,571)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(139,455)</u>	<u>16,271</u>
Cash and cash equivalents at 1 January		345,371	329,100
<b>Cash and cash equivalents at 31 December</b>		<u>205,916</u>	<u>345,371</u>
Cash and cash equivalents comprise the following:			
Balances and placements with and loans to banks	16	201,529	337,162
Amount due from holding company	19	4,387	8,209
		<u>205,916</u>	<u>345,371</u>

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 2022*

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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 2022 comprise the Bank's Singapore operations, its representative office 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 Financial Reporting Standards in Singapore ("FRSs") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs 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 estimates and assumptions are significant to the financial statements are disclosed in Note 3.

#### **Interpretations and amendments to published standards effective in 2022**

On 1 January 2022, 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 2022

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#### 2. Significant accounting policies (continued)

##### 2.1 Basis of preparation (continued)

#### **Interpretations and amendments to published standards effective in 2022** (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 2022. 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 2022

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## 2. Significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### **Interpretations and amendments to published standards effective in 2022** (continued)

##### Effect of IBOR reform (continued)

USD, EUR and GBP LIBOR lose its representativeness after 31 December 2022. 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 2022 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 2022.

US\$'000	SOR	USD LIBOR	EUR LIBOR	GBP LIBOR	Total
Notional amount					
Derivative financial instruments	2,985	421,425	-	-	424,410
Bond	-	-	-	-	-

### 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 amortised cost of the financial liability.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

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## 2. Significant accounting policies (continued)

### 2.2 Revenue (continued)

#### (a) Interest income (continued)

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

#### (b) Fee and commission income

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

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

### 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 net disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.3 Group accounting (continued)

###### (a) Subsidiaries (continued)

These financial statements are the separate financial statements of the Bank. 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). The registered office of OCBC, where the consolidated financial statements can be obtained, is as follows: 63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514.

###### (b) Acquisitions

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

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

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

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

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.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

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## 2. Significant accounting policies (continued)

### 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 the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost can be measured reliably. Other subsequent expenditure is recognised in the statement of comprehensive income 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 statement of comprehensive income when the changes arise.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives 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 statement of comprehensive income.

### 2.5 Goodwill

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

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#### 2. Significant accounting policies (continued)

##### 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 statement of comprehensive income when the changes arise.

##### 2.7 Impairment of non-financial assets

###### (a) Goodwill

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

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

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

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

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

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#### 2. Significant accounting policies (continued)

##### 2.7 Impairment of non-financial assets (continued)

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

Investments in subsidiaries, property, plant and equipment, right-of-use assets and intangible assets, are reviewed for impairment whenever there is any objective evidence or indication that the carrying amount of an asset may not be recoverable. If such an indication exists, the carrying amount 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).

The impairment losses are recognised in statement of comprehensive income. 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 statement of comprehensive income.

##### 2.8 Financial assets

- (a) Classification and measurement

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

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

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

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (a) Classification and measurement (continued)

###### At initial recognition

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

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

###### *Financial assets at amortised cost*

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

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

###### *Debt investments at FVOCI*

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

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

###### *Equity investments at FVOCI*

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (a) Classification and measurement (continued)

###### At initial recognition (continued)

###### *Financial assets at FVTPL*

All other financial assets are classified as measured at FVTPL.

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

###### *Business model assessment*

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

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



## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (a) Classification and measurement (continued)

###### *Business model assessment* (continued)

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

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

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

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

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

###### At subsequent measurement

###### *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 statement of comprehensive income. Any gain or loss on derecognition is recognised in statement of comprehensive income.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (a) Classification and measurement (continued)

###### At subsequent 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 statement of comprehensive income. Other net gains and losses are recognised in statement of comprehensive income. 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 statement of comprehensive income 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 statement of comprehensive income.

###### *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 statement of comprehensive income.

###### *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 statement of comprehensive income.

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## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (b) Derecognition (continued)

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

###### (c) Modification of financial assets

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

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

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in statement of comprehensive income 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 2.8 (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.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (c) Modification of financial assets (continued)

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 statement of comprehensive income. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

###### (d) Impairment

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

###### *Expected credit loss ("ECL") impairment model*

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

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

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 ("Lifetime ECL").

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (d) Impairment (continued)

###### *Default definition*

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

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

###### *Write-off*

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

###### *Measurement of ECL*

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

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (d) Impairment (continued)

###### *Measurement of ECL*

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

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

###### *Movements between stages*

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

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

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

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

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

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### (d) Impairment (continued)

###### *Regulatory framework*

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

##### 2.9 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 statement of comprehensive income when the changes arise.

##### 2.10 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 FRSs, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

##### 2.11 Financial guarantees

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

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## 2. Significant accounting policies (continued)

### 2.11 Financial guarantees (continued)

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

### 2.12 Financial liabilities

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

#### *Derecognition*

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

#### *Modification of financial liabilities*

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

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



## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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## 2. Significant accounting policies (continued)

### 2.13 Leases

#### As lessee

At inception of a contract, the Bank assesses if the contract contains a lease. A contract 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. Reassessment is only required when the terms and conditions of the contract are changed.

#### *Right-of-use assets*

The Bank recognises a right-of-use asset and a lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentives received. 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.

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

#### *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Bank shall use its incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that were not part of the original terms.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.13 Leases (continued)

###### *Lease liabilities (continued)*

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 that have lease terms of 12 months or less and leases of low-value leases. Lease payments relating to these leases are expensed to statement of comprehensive income on a straight-line basis over the lease term.

##### 2.14 Income taxes

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

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

Deferred tax is not recognised for the following temporary differences:

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

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

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.14 Income taxes (continued)

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.

##### 2.15 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.

##### 2.16 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 statement of comprehensive income when incurred, unless the cost qualifies to be capitalised as an asset and share-based compensation is recognised over the vesting period of the grant, with corresponding amount due to the holding company. Employee leave entitlements are estimated according to the terms of employment contract and accrued on balance sheet date.

###### *Defined contribution plan*

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 statement of comprehensive income in the periods during which services are rendered by employees.

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).

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

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#### 2. Significant accounting policies (continued)

##### 2.16 Employee compensation (continued)

###### *Defined benefit plan (continued)*

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 statement of comprehensive income.

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 statement of comprehensive income 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.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.16 Employee compensation (continued)

###### *Share-based compensation plans (continued)*

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 statement of comprehensive income, with a corresponding adjustment to the amounts due to the holding company over the remaining vesting period.

##### 2.17 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 statement of comprehensive income.

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 statement of comprehensive income.

##### 2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of balances and placements with and loans to banks and amounts due from holding company 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.

##### 2.19 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.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 2. Significant accounting policies (continued)

##### 2.19 Share capital (continued)

###### *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.

##### 2.20 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.

##### 2.21 Fair value estimation

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in statement of comprehensive income 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.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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## 2. Significant accounting policies (continued)

### 2.21 Fair value estimation (continued)

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 at the balance sheet date 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.

### 2.22 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 has been allocated.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

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#### 3. Critical accounting estimates, assumptions and judgements (continued)

##### *Impairment of goodwill (continued)*

As disclosed in note 11, 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 2.8. 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.



## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 4. Net interest income

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

Interest expense comprises interest incurred on deposits of non-bank customers, deposits and balances of banks, amount due to holding company, related companies and non-bank customers.

	2022 US\$'000	2021 US\$'000
The breakdown of interest income is as follows:		
- Holding company	260,413	35,035
- Related corporations	-	342
- Non-bank customers	475,087	258,815
	<u>735,500</u>	<u>294,192</u>
The breakdown of interest expense is as follows:		
- Holding company	16,033	2,221
- Related corporations	238	68
- Non-bank customers*	312,649	19,718
	<u>328,920</u>	<u>22,007</u>
Net interest income	<u>406,580</u>	<u>272,185</u>

\* Included in 'Non-bank customers' is interest cost arising from the lease liabilities undertaken by the Bank.

#### 5. Net fee and commission income

	2022 US\$'000	2021 US\$'000
Portfolio and other management fees	127,347	150,420
Custodian and trust fees	51,900	61,061
Brokerage fees	165,381	288,815
Other fees received	73,892	82,396
Fee and commission income	<u>418,520</u>	<u>582,692</u>
Brokerage fees paid	7,087	16,782
Other fees paid	86,306	99,782
Fee and commission expense	<u>93,393</u>	<u>116,564</u>
Net fee and commission income	<u>325,127</u>	<u>466,128</u>

**BANK OF SINGAPORE LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022***6. Net trading income**

	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
Foreign exchange	<b>164,394</b>	134,476
Equity	<b>40,589</b>	90,261
Others	<b>497</b>	195
	<b>205,480</b>	224,932

**7. Staff costs**

	Note	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
Wages, salaries and bonuses		<b>365,006</b>	393,412
Contributions to defined contribution plans		<b>16,198</b>	17,393
Contributions to share-based compensation plans	25	<b>843</b>	933
Defined benefit plan	26	<b>235</b>	320
Others		<b>23,258</b>	20,940
		<b>405,540</b>	432,998

**8. Other operating expenses**

	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
Recharge of expenses by holding company <sup>(1)</sup>	<b>96,758</b>	56,082
Advertising and marketing	<b>4,265</b>	3,724
Other taxes and duties	<b>6,921</b>	6,681
Communication and information technology	<b>22,733</b>	22,485
Lease expenses relating to short-term leases	<b>3,384</b>	3,557
Travel and hotel expenses	<b>4,373</b>	1,214
Professional fees	<b>14,776</b>	16,376
Maintenance and hire of property, plant and equipment	<b>1,815</b>	1,865
Directors' fees	<b>94</b>	65
Lease expenses relating to leases of low value assets, excluding short-term leases of low value assets	<b>109</b>	121
Others	<b>8,809</b>	8,245
	<b>164,037</b>	120,415

<sup>(1)</sup> Included in the recharge of expenses by holding company is an amount of US\$6,761 thousand (2021: US\$6,863 thousand) relating to rental of premises.

**BANK OF SINGAPORE LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022***9. Income tax expense**

	2022 US\$'000	2021 US\$'000
Current tax expense		
Current year	39,681	53,934
Overprovision for prior year	-	(230)
	<u>39,681</u>	<u>53,704</u>
Deferred tax expense		
Origination and reversal of temporary differences	591	(2,294)
	<u>40,272</u>	<u>51,410</u>

The tax on profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2022 US\$'000	2021 US\$'000
Profit before income tax	277,254	367,354
Tax calculated using Singapore tax rate of 17%	47,133	62,450
Effect of concessionary tax rate at 13.5%*	(6,810)	(9,770)
Effect of different tax rate in overseas branch	(664)	(970)
Overprovision in prior year	-	(229)
Non-deductible expenses	3,137	2,417
Others	(2,524)	(2,488)
	<u>40,272</u>	<u>51,410</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% under Section 43Q of the Income Tax Act.

**10. Property, plant and equipment**

	2022 US\$'000	2021 US\$'000
Property, plant and equipment	79,414	75,897
Right-of-use assets	37,215	51,466
	<u>116,629</u>	<u>127,363</u>

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

**10. Property, plant and equipment (continued)**

*Property, plant and equipment*

	Leasehold improvements US\$'000	Furniture, fittings and computers US\$'000	Motor vehicles US\$'000	Total US\$'000
<b>Cost</b>				
At 1 January 2022	31,634	187,336	571	219,541
Additions	3,660	21,929	104	25,693
Disposals	(677)	(45,104)	(89)	(45,870)
At 31 December 2022	34,617	164,161	586	199,364
<b>Accumulated depreciation</b>				
At 1 January 2022	24,684	118,670	290	143,644
Depreciation charge for the year	3,889	18,140	134	22,163
Disposals	(677)	(45,104)	(76)	(45,857)
At 31 December 2022	27,896	91,706	348	119,950
<b>Carrying amounts</b>				
At 31 December 2022	6,721	72,455	238	79,414

	Leasehold improvements US\$'000	Furniture, fittings and computers US\$'000	Motor vehicles US\$'000	Total US\$'000
<b>Cost</b>				
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	31,634	187,336	571	219,541
<b>Accumulated depreciation</b>				
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	24,684	118,670	290	143,644
<b>Carrying amounts</b>				
At 31 December 2021	6,950	68,666	281	75,897

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

**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
<b>Cost</b>			
At 1 January 2022	95,693	69	95,762
Additions	1,127	-	1,127
Termination of lease	(18,051)	-	(18,051)
	<u>78,769</u>	<u>69</u>	<u>78,838</u>
<b>Accumulated depreciation</b>			
At 1 January 2022	44,264	32	44,296
Depreciation charge for the year	15,044	34	15,078
Termination of lease	(17,751)	-	(17,751)
	<u>41,557</u>	<u>66</u>	<u>41,623</u>
<b>Carrying amounts</b>			
Balance as at 31 December 2022	<u>37,212</u>	<u>3</u>	<u>37,215</u>
<b>Cost</b>			
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>
<b>Accumulated depreciation</b>			
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>
<b>Carrying amounts</b>			
Balance as at 31 December 2021	<u>51,429</u>	<u>37</u>	<u>51,466</u>

**11. Goodwill**

	<b>2022</b> <b>US\$'000</b>	<b>2021</b> <b>US\$'000</b>
At 31 December	<u><b>167,764</b></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 2022***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:

	<b>2022</b>	2021
Discount rate	<b>8.3%</b>	9.5%
Terminal growth rate	<b>2.0%</b>	2.0%

**12. Intangible assets**

	Customer relationships and core deposits US\$'000
<b>Cost</b>	
At 1 January 2022 / 31 December 2022	<u>58,979</u>
<b>Accumulated amortisation</b>	
At 1 January 2022	29,981
Amortisation charge for the year	5,898
At 31 December 2022	<u>35,879</u>
<b>Carrying amounts</b>	
At 31 December 2022	<u>23,100</u>
<b>Cost</b>	
At 1 January 2021 / 31 December 2021	<u>58,979</u>
<b>Accumulated amortisation</b>	
At 1 January 2021	24,083
Amortisation charge for the year	5,898
At 31 December 2021	<u>29,981</u>
<b>Carrying amounts</b>	
At 31 December 2021	<u>28,998</u>

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 13. Subsidiaries

	2022 US\$'000	2021 US\$'000
Equity investment at cost		
Beginning of financial year	28,094	20,637
Acquisition	-	7,457
Less: Impairment of subsidiary	(480)	-
End of financial year	<u>27,614</u>	<u>28,094</u>

Name of subsidiaries	Country of incorporation/Principal place of business	Effective equity held by the Bank	
		2022 %	2021 %
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
BOS 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. is the provision of investment advisory services.

The principal activities of BOS Investment Consulting & Management Company Limited (China) are the provision of investment advisory services. The entity was incorporated on 26 March 2021, with a cost of investment amounting to US\$707,000. At the Meeting of Member of Bank of Singapore Investment Consulting & Management Company Limited (China) held on 8 July 2022, a special resolution for members' voluntary winding up of the Company is passed.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 14. 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\$2 in General Shares	2

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 Funds nor Master Funds and has no contractual obligation to do so.

The management fee earned for the year was approximately US\$2,780 thousand (2021: US\$6,597 thousand).

As at 31 December 2022, 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 International Fund	Luxembourg

#### 15. Cash and balances with central banks

	2022 US\$'000	2021 US\$'000
Balances with Monetary Authority of Singapore ("MAS")	149,511	114,894
Balances with Hong Kong Monetary Authority ("HKMA")	6,454	3,889
	<u>155,965</u>	<u>118,783</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 2022

#### 16. Balances and placements with and loans to banks

	Note	2022 US\$'000	2021 US\$'000
Gross balances and placements with and loans to banks		301,773	654,657
Less: Impairment loss allowances	18	(176)	(25)
		<u>301,597</u>	<u>654,632</u>

Included in balances and placements with and loans to banks are margin receivables from third party brokers of approximately US\$100,244 thousand (2021: US\$299,513 thousand) and an amount of approximately US\$201,529 thousand (2021: US\$355,144 thousand) which is repayable on demand or money at call, of which US\$201,529 thousand (2021: US\$337,162 thousand) 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 include a non-impaired loss allowance of US\$176 thousand (2021: US\$25 thousand).

#### 17. Loans and advances to non-bank customers

	Note	2022 US\$'000	2021 US\$'000
Gross loans and advances to customers		18,280,297	21,777,835
Less: Impairment loss allowances			
- credit-impaired loans		(58,356)	(6,915)
- non credit-impaired loans		(12,688)	(14,797)
	18	<u>(71,044)</u>	<u>(21,712)</u>
		<u>18,209,253</u>	<u>21,756,123</u>

#### 18. Loss allowances

The loss allowances balance set out as follows:

	Note	2022 US\$'000	2021 US\$'000
Balances and placements with and loans to banks	16	176	25
Loans and advances to non-bank customers	17	71,044	21,712
Subsidiaries	13	480	-
Amount due from related companies		1,536	-
Total impairment loss allowances balance		<u>73,236</u>	<u>21,737</u>

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

**18. Loss allowances (continued)**

Movements of 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
<b>At 1 January 2022</b>	14,820	2	6,915	21,737
Remeasurement	(468)	27	1,753	1,312
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(32)	32	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated or purchased	99,730	154	99,279	199,163
Financial assets that have been derecognised	(100,960)	(155)	(51,005)	(152,120)
Foreign exchange and other movements	(281)	1	(535)	(815)
Subsidiaries	-	-	480	480
Amount due from related corporations	-	-	1,536	1,536
Recognised in profit or loss	(2,011)	53	51,514	49,556
Interest recognition on impaired loans	-	-	1,943	1,943
<b>At 31 December 2022</b>	<b>12,809</b>	<b>55</b>	<b>60,372</b>	<b>73,236</b>
	<u>Stage 1</u> US\$'000	<u>Stage 2</u> US\$'000	<u>Stage 3</u> US\$'000	<u>Total</u> US\$'000
<b>At 1 January 2021</b>	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
<b>At 31 December 2021</b>	<b>14,820</b>	<b>2</b>	<b>6,915</b>	<b>21,737</b>

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 18. Loss allowances (continued)

The following tables set out information about the credit quality.

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	295,330	6,443	-	301,773
Less: Allowances	(172)	(4)	-	(176)
<b>At 31 December 2022</b>	<b>295,158</b>	<b>6,439</b>	<b>-</b>	<b>301,597</b>
Pass	654,471	186	-	654,657
Less: Allowances	(24)	(1)	-	(25)
<b>At 31 December 2021</b>	<b>654,447</b>	<b>185</b>	<b>-</b>	<b>654,632</b>

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	18,129,039	-	-	18,129,039
Special mention	-	75,184	-	75,184
Substandard	-	-	11,491	11,491
Doubtful	-	-	64,583	64,583
Less: Allowance	(12,637)	(51)	(58,356)	(71,044)
<b>At 31 December 2022</b>	<b>18,116,402</b>	<b>75,133</b>	<b>17,718</b>	<b>18,209,253</b>
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)
<b>At 31 December 2021</b>	<b>21,733,047</b>	<b>9,347</b>	<b>13,729</b>	<b>21,756,123</b>

Subsidiaries

	<u>Stage 1</u> US\$'000	<u>Stage 2</u> US\$'000	<u>Stage 3</u> US\$'000	<u>Total</u> US\$'000
Pass	27,387	-	707	28,094
Less: Allowances	-	-	(480)	(480)
<b>At 31 December 2022</b>	<b>27,387</b>	<b>-</b>	<b>227</b>	<b>27,614</b>
Pass	28,094	-	-	28,094
Less: Allowances	-	-	-	-
<b>At 31 December 2021</b>	<b>28,094</b>	<b>-</b>	<b>-</b>	<b>28,094</b>

**BANK OF SINGAPORE LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022***18. Loss allowances (continued)**

Amount due from related companies

	<u>Stage 1</u> US\$'000	<u>Stage 2</u> US\$'000	<u>Stage 3</u> US\$'000	<u>Total</u> US\$'000
Pass	7,297	-	1,536	8,833
Less: Allowances	-	-	(1,536)	(1,536)
<b>At 31 December 2022</b>	<b>7,297</b>	<b>-</b>	<b>-</b>	<b>7,297</b>
Pass	4,774	-	-	4,774
Less: Allowances	-	-	-	-
<b>At 31 December 2021</b>	<b>4,774</b>	<b>-</b>	<b>-</b>	<b>4,774</b>

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

The amounts due from/(to) holding company and related companies comprise current account balances and placements with and borrowings from these entities, including interest receivables or payables. The amounts due from holding company include balances totalling approximately US\$4,387 thousand (2021: US\$8,209 thousand), which are repayable on demand or money at call, and which have been included in cash and cash equivalents in the cash flow statement.

**20. Other investments**

	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
FVTPL financial assets:		
- Quoted debt securities	<b>84</b>	99
- Unquoted fund investment	<b>119</b>	127
FVOCI financial assets:		
Other government securities	<b>770,592</b>	757,739
	<b>770,795</b>	757,965

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.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 21. Other assets

	2022 US\$'000	2021 US\$'000
Interest receivable	40,322	19,964
Sundry debtors	73,816	96,375
Physical precious metals	958,606	985,547
Others	308,785	269,467
	<u>1,381,529</u>	<u>1,371,353</u>

#### 22. Share capital, other equity instruments and reserves

##### Share capital

	2022		2021	
	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>	<u>977,268</u>	<u>996,377</u>

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 27 May 2022, the Bank declared a final dividend of US\$84,000 thousand (2021:US\$122,000 thousand) for the financial year ended 31 December 2021, which was paid on 3 June 2022.

On 30 May 2022, the Bank declared an interim dividend of US\$200,000 thousand (2021:US\$122,000 thousand) for the financial year ended 31 December 2021, which was paid on 7 June 2022.

##### Other equity instruments

	2022 US\$'000	2021 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.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 22. Share capital, other equity instruments and reserves (continued)

##### Other equity instruments (continued)

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 2022, the Bank made a distribution of US\$9.6 million to its equity holders (2021: US\$9.6 million).

##### Other reserves

	2022 US\$'000	2021 US\$'000
Fair value reserve	(3,166)	(642)
Regulatory loss allowance reserve	8,000	-
<b>Total</b>	<b>4,834</b>	<b>(642)</b>

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 23. Deferred tax liabilities, net

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

	Note	2022 US\$'000	2021 US\$'000
At 1 January		5,614	7,908
Charged to profit or loss	9	591	(2,294)
At 31 December		<u>6,205</u>	<u>5,614</u>
Deferred tax liabilities/(assets)			
Property, plant and equipment		6,590	5,303
Intangible assets		3,251	4,081
Others		(3,636)	(3,770)
		<u>6,205</u>	<u>5,614</u>

#### 24. Other liabilities

	Note	2022 US\$'000	2021 US\$'000
Accrued operating expenses		100,904	138,359
Interest payable		93,115	3,412
Defined benefit plan	26	1,947	1,975
Lease liabilities		40,120	54,373
Others		1,270,985	1,301,050
		<u>1,507,071</u>	<u>1,499,169</u>

Included in others is an amount of approximately US\$938,049 thousand (2021: US\$991,993 thousand) which are related to precious metals placed by customers.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 24. Other liabilities (continued)

Each lease payment is allocated between the liability and interest cost. Interest cost incurred is charged to the statement of comprehensive income over the lease term, which amounted to US\$1,143 thousand (2021: US\$1,497 thousand) for the financial period ended 31 December 2022, as disclosed in Note 24.

The right-of-use assets are depreciated over the lease term on a straight-line basis, as disclosed in Note 2.13.

	1 January 2022	Principal and interest payments	Non-cash changes				31 December 2022
			Addition	Disposal	Interest expense	Foreign exchange movement	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Lease liabilities	54,373	(15,695)	1,127	(17)	1,143	(811)	40,120

	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)	3,835	-	1,497	(597)	54,373

#### 25. Employee benefits

##### Share-based compensation plans

In July 2022, the OCBC Bank (the "Group") launched its sixteenth offering of ESP Plan for Group employees, which commenced on 1 September 2022 and will expire on 31 August 2024. Under the offering, the Bank granted rights to acquire 1,250,251 (2021: 1,224,275) ordinary shares in OCBC Bank. The fair value of rights, determined using the binomial valuation model was \$0.84 million (2021: \$1.16 million)

	<b>2022</b>	2021
Acquisition price (US\$)	<b>9.00</b>	8.58
Share price (US\$)	<b>9.13</b>	9.20
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	<b>12.31</b>	17.11
Risk-free rate based on 2-year swap rate (%)	<b>1.83</b>	0.35
Expected dividend yield (%)	<b>4.05</b>	4.00



## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 25. Employee benefits (continued)

##### Share-based compensation plans (continued)

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

	2022		2021	
	Number of acquisition rights	Average price <sup>(1)</sup>	Number of acquisition rights	Average price <sup>(1)</sup>
At 1 January	2,552,381		2,622,323	
Subscriptions	1,250,251		1,224,275	
Forfeited/lapsed	(338,361)		(318,912)	
Exercised	<u>(1,373,280)</u>		<u>(975,305)</u>	
At 31 December	2,090,991		2,552,381	
Share price		US\$8.84		US\$7.54

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

At 31 December 2022, the weighted average remaining contractual life of outstanding acquisition rights was 1.22 years (2021: 1.03 years).

The related share-based payment expense for the year amounted to US\$843 thousand (2021: US\$933 thousand).

#### 26. 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	2022 US\$'000	2021 US\$'000
Fair value of plan assets	(i)	(1,746)	(1,785)
Present value of obligations	(ii)	<u>3,693</u>	<u>3,760</u>
Total defined benefit liabilities		<u>1,947</u>	<u>1,975</u>

**BANK OF SINGAPORE LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022***26. Defined benefit plan (continued)***(i) Fair value of plan assets*

Plan assets comprise the following:

	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
Equity securities	209	448
Fixed income	979	1,107
Others	558	230
	<u>1,746</u>	<u>1,785</u>

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

	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
Fair value of plan assets assumed	1,785	1,744
Benefits paid by the plan	(9)	(128)
Actual return on plan assets	100	53
Return on plan assets less than discount rate	(130)	116
Fair value of plan assets at 31 December	<u>1,746</u>	<u>1,785</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:

	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
Defined benefit obligations at 1 January	3,760	4,089
Benefits paid by the plan	(9)	(128)
Current service costs and interest	336	373
Remeasurements: experience adjustments	162	(193)
Remeasurements: actuarial loss from changes in assumption	(556)	(381)
Defined benefit obligations at 31 December	<u>3,693</u>	<u>3,760</u>

**BANK OF SINGAPORE LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022***26. Defined benefit plan (continued)***(ii) Movement in the present value of the defined benefit obligations (continued)***Expenses recognised in profit and loss**

	Note	2022 US\$'000	2021 US\$'000
Current service costs		199	251
Interest on obligation		136	122
Return on plan assets		(100)	(53)
Total defined benefit plan expenses	7	<u>235</u>	<u>320</u>
Actual return on plan assets		<u>(30)</u>	181

**Actuarial assumptions**

Principal actuarial assumptions at the balance sheet date:

	2022	2021
Discount rate at 31 December	7.25%	4.75%
Expected return on plan assets at 1 January	6.50%	5.00%
Future salary increases	4.00%	4.00%

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

	2022	2021
Average annual plan salary	US\$60,680	US\$63,526
Average age	40.34	39.69
Average credited service	8.54	8.93
Average future working life years	14.40	14.81

As of the year end, the Bank is expected to pay US\$2,272 thousand (2021: US\$1,917 thousand) in contributions to its defined benefit plan.

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 27. 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.

	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
Direct credit substitutes:		
- Guarantees	<b>29,398</b>	38,021
- Standby letters of credit	<b>394,775</b>	238,410
	<b>424,173</b>	276,431

#### 28. Commitments

	<b>2022</b> <b>US\$'000</b>	2021 US\$'000
Undrawn credit lines and other commitments to extend credit	<b>47,881,699</b>	46,883,166
Forward loan	<b>725,932</b>	205,838
	<b>48,607,631</b>	47,089,004

Undrawn credit lines and other commitments to extend credit relate to loans, overdrafts, leverage loans 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 2022, the Bank's contractual commitments amounted to US\$13,004 thousand (2021: US\$10,327 thousand).

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 29. Derivative financial instruments

The table below sets out the notional principal amounts, 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
<b>2022</b>			
Foreign exchange derivatives:			
Spot and forward foreign exchange	18,429,898	219,840	201,551
Currency options	44,491,830	289,289	289,289
	62,921,728	509,129	490,840
Equity derivatives:			
Options	2,750,082	94,192	94,192
Interest rate derivatives:			
Swaps	1,139,904	33,637	33,637
Options	11,000	189	189
	1,150,904	33,826	33,826
Commodity derivatives:			
Precious metals – bought	272,862	6,392	180
Precious metals – sold	267,283	192	6,302
Commodity options	6,455,589	55,150	55,150
	6,995,734	61,734	61,632
	73,818,448	698,881	680,490
<b>2021</b>			
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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 29. Derivative financial instruments (continued)

The below foreign exchange, equity, interest rate and commodity 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
<b>2022</b>			
Foreign exchange derivatives	31,766,516	179,082	302,018
Equity derivatives	1,365,239	4,456	87,457
Interest rate derivatives	575,452	31,024	2,802
Commodity derivatives	3,234,362	4,613	51,299
	<b>36,941,569</b>	<b>219,175</b>	<b>443,576</b>
<b>2021</b>			
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
	<b>30,340,698</b>	<b>125,575</b>	<b>227,536</b>

#### 30. 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:

	2022 US\$'000	2021 US\$'000
Key management personnel compensation:		
- Short-term employee benefits	12,895	10,640
- Post-employment benefits	242	150
- Other long-term benefits	4,633	4,470
	<b>17,770</b>	<b>15,260</b>

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

**31. Financial risk management**

Exposure to market, credit, liquidity and operational risks arise in the normal course of the Bank's business. Market risk includes foreign currency risk and interest rate 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 2022

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#### 31. Financial risk management (continued)

(i) *Market risk*

(a) *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 2022 US\$'000	Average utilisation US\$'000	Year-end 2021 US\$'000	Average utilisation US\$'000
FX NOP	981	1,165	1,301	1,263

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.



**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
*For the financial year ended 31 December 2022*

**31. Financial risk management (continued)**

*(i) Market risk (continued)*

*(a) Foreign currency risk (continued)*

	USD US\$'000	SGD US\$'000	MYR US\$'000	HKD US\$'000	Others US\$'000	Total US\$'000
<b>2022</b>						
<b>Financial assets</b>						
Cash and balances with central banks	-	149,511	-	6,454	-	155,965
Balances and placements with and loans to banks	94,811	1,581	26,132	76,458	102,615	301,597
Loans and advances to non-bank customers	8,946,715	1,564,757	9	1,761,276	5,936,496	18,209,253
Amount due from holding company	14,340,135	844,080	-	141,120	1,821,734	17,147,069
Amount due from related companies	6,614	553	-	-	130	7,297
Derivative financial instruments	544,027	1,978	-	19,122	133,754	698,881
Other investments	770,795	-	-	-	-	770,795
Other assets	1,253,034	18,745	220	34,178	38,514	1,344,691
<b>Total</b>	<b>25,956,131</b>	<b>2,581,205</b>	<b>26,361</b>	<b>2,038,608</b>	<b>8,033,243</b>	<b>38,635,548</b>
<b>Financial liabilities</b>						
Deposits of non-bank customers	20,808,126	4,116,572	26,076	1,281,510	6,693,199	32,925,483
Deposits and balances of banks	29,247	-	-	-	-	29,247
Amount due to holding company	119,149	335,871	-	106,878	1,254,838	1,816,736
Amount due to related companies	16,001	8,395	-	1	1,808	26,205
Derivative financial instruments	525,636	1,978	-	19,122	133,754	680,490
Other liabilities	1,276,539	31,360	220	61,509	45,804	1,415,432
<b>Total</b>	<b>22,774,698</b>	<b>4,494,176</b>	<b>26,296</b>	<b>1,469,020</b>	<b>8,129,403</b>	<b>36,893,593</b>
<b>On-balance sheet net position</b>	<b>3,181,433</b>	<b>(1,912,971)</b>	<b>65</b>	<b>569,588</b>	<b>(96,160)</b>	<b>1,741,955</b>
Net currency gap	3,181,433	(1,912,971)	65	569,588	(96,160)	1,741,955

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

**31. Financial risk management (continued)**

*(i) Market risk (continued)*

*(a) Foreign currency risk (continued)*

	USD US\$'000	SGD US\$'000	MYR US\$'000	HKD US\$'000	Others US\$'000	Total US\$'000
<b>2021</b>						
<b>Financial assets</b>						
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
Derivative financial instruments	491,860	1,617	-	75,458	109,782	678,717
Other investments	757,965	-	-	-	-	757,965
Other assets	1,227,594	13,761	1,260	56,202	38,242	1,337,059
<b>Total</b>	<b>21,781,373</b>	<b>2,884,843</b>	<b>26,754</b>	<b>2,471,343</b>	<b>7,975,643</b>	<b>35,139,956</b>
<b>Financial liabilities</b>						
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
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
Other liabilities	1,211,811	28,307	1,259	91,911	40,743	1,374,031
<b>Total</b>	<b>20,813,340</b>	<b>3,536,687</b>	<b>26,623</b>	<b>1,866,264</b>	<b>7,079,297</b>	<b>33,322,211</b>
<b>On-balance sheet net position</b>	<b>868,033</b>	<b>(651,844)</b>	<b>131</b>	<b>605,079</b>	<b>896,346</b>	<b>1,817,745</b>
Net currency gap	868,033	(651,844)	131	605,079	896,346	1,817,745

*(b) 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 2022*

**31. Financial risk management (continued)**

*(i) Market risk (continued)*

*(b) 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
<b>2022</b>								
<b>Financial assets</b>								
Cash and balances with central banks	-	-	-	-	-	-	155,965	155,965
Balances and placements with and loans to banks	201,354	-	-	-	-	-	100,243	301,597
Loans and advances to non-bank customers	5,683,749	9,504,644	2,013,067	944,047	60,546	3,200	-	18,209,253
Amount due from holding company	1,250,327	3,942,391	5,887,783	5,504,009	219,816	-	342,743	17,147,069
Amount due from related companies	130	-	-	-	-	-	7,167	7,297
Derivative financial instruments	-	-	-	-	-	-	698,881	698,881
Other investments	-	155,000	195,000	420,000	83	-	712	770,795
Other assets	-	-	-	-	-	-	1,344,691	1,344,691
<b>Total</b>	<b>7,135,560</b>	<b>13,602,035</b>	<b>8,095,850</b>	<b>6,868,056</b>	<b>280,445</b>	<b>3,200</b>	<b>2,650,402</b>	<b>38,635,548</b>
<b>Financial liabilities</b>								
Deposits of non-bank customers	4,671,612	18,848,524	4,460,748	4,910,726	33,873	-	-	32,925,483
Deposits and balances of banks	28,807	-	-	-	-	-	440	29,247
Amount due to holding company	254,738	357,327	477,667	658,216	58,214	3,200	7,374	1,816,736
Amount due to related companies	5,414	-	-	14,202	-	-	6,589	26,205
Derivative financial instruments	-	-	-	-	-	-	680,490	680,490
Other liabilities	-	-	-	-	-	-	1,415,432	1,415,432
<b>Total</b>	<b>4,960,571</b>	<b>19,205,851</b>	<b>4,938,415</b>	<b>5,583,144</b>	<b>92,087</b>	<b>3,200</b>	<b>2,110,325</b>	<b>36,893,593</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>2,174,989</b>	<b>(5,603,816)</b>	<b>3,157,435</b>	<b>1,284,912</b>	<b>188,358</b>	<b>-</b>	<b>540,077</b>	<b>1,741,955</b>

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**31. Financial risk management (continued)**

*(i) Market risk (continued)*

*(b) Interest rate risk (continued)*

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	Non-interest sensitive US\$'000	Total US\$'000
<b>Financial assets</b>								
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
Derivative financial instruments	-	-	-	-	-	-	678,717	678,717
Other investments	-	-	100,865	507,000	150,000	100	-	757,965
Other assets	-	-	-	-	-	-	1,337,059	1,337,059
<b>Total</b>	<b>10,704,097</b>	<b>13,856,016</b>	<b>5,353,015</b>	<b>2,237,580</b>	<b>191,658</b>	<b>212,895</b>	<b>2,584,695</b>	<b>35,139,956</b>
<b>Financial liabilities</b>								
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
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
Other liabilities	-	-	-	-	-	-	1,374,031	1,374,031
<b>Total</b>	<b>1,338,855</b>	<b>26,789,687</b>	<b>1,713,713</b>	<b>1,395,691</b>	<b>42,227</b>	<b>14,028</b>	<b>2,028,010</b>	<b>33,322,211</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>9,365,242</b>	<b>(12,933,671)</b>	<b>3,639,302</b>	<b>841,889</b>	<b>149,431</b>	<b>198,867</b>	<b>556,685</b>	<b>1,817,745</b>

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 31. Financial risk management (continued)

(i) *Market risk (continued)*

(b) *Interest rate risk (continued)*

The Bank monitors its banking book's interest rates exposure by running a daily interest rates sensitivity report, which measures the maximum interest rate sensitivity under three yield-curve scenarios shock. The following are the exposures of all currencies combined:

	Year-end 2022 US\$'000	Average utilisation US\$'000	Year-end 2021 US\$'000	Average utilisation US\$'000
Interest rate sensitivity	(66)	(9)	11	4

(ii) *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 Notice 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.

**BANK OF SINGAPORE LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022***31. Financial risk management (continued)***(ii) Credit risk (continued)***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.

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Credit risk exposure of on-balance sheet assets:		
Cash and balances with central banks	<b>155,965</b>	118,783
Balances and placements with and loans to banks	<b>301,597</b>	654,632
Loans and advances to non-bank customers	<b>18,209,253</b>	21,756,123
Amount due from holding company	<b>17,147,069</b>	9,831,903
Amount due from related companies	<b>7,297</b>	4,774
Derivative financial instruments	<b>698,881</b>	678,717
Other investments	<b>770,795</b>	757,965
Other assets	<b>1,344,691</b>	1,337,059
	<b>38,635,548</b>	35,139,956
Credit risk exposure of off-balance sheet items:		
Contingent liabilities	<b>424,173</b>	276,431
Commitments	<b>48,607,631</b>	47,089,004
	<b>49,031,804</b>	47,365,435
Total credit risk exposure	<b>87,667,352</b>	82,505,391

# BANK OF SINGAPORE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

### 31. Financial risk management (continued)

#### (ii) Credit risk (continued)

#### Risk concentrations of the maximum exposure to credit risk

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

	Asia US\$'000	Pacific Rim US\$'000	Europe US\$'000	North America US\$'000	Middle East US\$'000	Others US\$'000	Total US\$'000
<b>2022</b>							
Cash and balances with central bank	155,965	-	-	-	-	-	155,965
Balances and placements with and loans to bank	121,172	1,960	130,921	18,560	26,988	1,996	301,597
Loans and advances to non-bank customers	8,750,034	64,130	940,547	6,230	1,591,267	6,857,045	18,209,253
Amount due from holding company	17,147,069	-	-	-	-	-	17,147,069
Amount due from related corporation	7,297	-	-	-	-	-	7,297
Derivative financial instruments	448,646	-	43,384	-	43,594	163,257	698,881
Other investments	-	-	84	770,711	-	-	770,795
Other assets	171,355	209	1,069,611	184	8,796	94,536	1,344,691
Contingent liabilities	114,360	-	50,339	-	6,000	253,474	424,173
Commitment	28,076,597	192,312	1,062,932	21,970	4,107,453	15,146,367	48,607,631
<b>Total</b>	<b>54,992,495</b>	<b>258,611</b>	<b>3,297,818</b>	<b>817,655</b>	<b>5,784,098</b>	<b>22,516,675</b>	<b>87,667,352</b>

	Asia US\$'000	Pacific Rim US\$'000	Europe US\$'000	North America US\$'000	Middle East US\$'000	Others US\$'000	Total US\$'000
<b>2021</b>							
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
Derivative financial instruments	422,906	294	88,050	-	30,745	136,722	678,717
Other investments	-	-	99	757,866	-	-	757,965
Other assets	194,800	34	1,079,035	191	15,121	47,878	1,337,059
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
<b>Total</b>	<b>57,773,673</b>	<b>287,186</b>	<b>3,778,991</b>	<b>1,090,363</b>	<b>9,393,178</b>	<b>10,182,000</b>	<b>82,505,391</b>

"Others" include Africa and British Virgin Islands.

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

**31. Financial risk management (continued)**

*(ii) Credit risk (continued)*

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

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

	<b>Gross maximum exposure 2022 US\$'000</b>	<b>Net maximum exposure 2022 US\$'000</b>	<b>Gross maximum exposure 2021 US\$'000</b>	<b>Net maximum exposure 2021 US\$'000</b>
Individuals and corporates	66,705,526	-	69,577,432	-
Banks/financial institutions	20,191,234	20,191,234	12,170,220	12,170,220
Governments	770,592	770,592	757,739	757,739
	<b>87,667,352</b>	<b>20,961,826</b>	<b>82,505,391</b>	<b>12,927,959</b>

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 2022

#### 31. Financial risk management (continued)

##### (ii) Credit risk (continued)

#### Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

#### Credit quality per class of financial assets by geographical regions

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

	Pass US\$'000	Special mention US\$'000	Substandard US\$'000	Doubtful US\$'000	Total US\$'000
<b>2022</b>					
Asia	8,799,805	19,683	1,590	-	8,821,078
Pacific Rim	64,130	-	-	-	64,130
Europe	930,646	-	9,901	-	940,547
North America	6,230	-	-	-	6,230
Middle East	1,570,484	19,324	-	1,459	1,591,267
Others	6,757,744	36,177	-	63,124	6,857,045
<b>Gross loans and advances to customers</b>	<b>18,129,039</b>	<b>75,184</b>	<b>11,491</b>	<b>64,583</b>	<b>18,280,297</b>
<b>Impairment loss allowances</b>					<b>71,044</b>
<b>Net loans and advances to customers</b>					<b>18,209,253</b>
<b>Balances and placements with and loans to banks</b>	301,597	-	-	-	301,597
<b>Contingent liabilities</b>	424,173	-	-	-	424,173
<b>Commitments</b>	48,457,324	33,643	2,208	114,456	48,607,631
<b>Total</b>					<b>67,542,654</b>

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

**31. Financial risk management (continued)**

(ii) *Credit risk (continued)*

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

	Pass US\$'000	Special mention US\$'000	Substandard US\$'000	Doubtful US\$'000	Total US\$'000
<b>2021</b>					
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	7,951,160
<b>Gross loans and advances to customers</b>	<b>21,747,843</b>	<b>9,348</b>	<b>-</b>	<b>20,644</b>	<b>21,777,835</b>
<b>Impairment loss allowances</b>					<b>21,712</b>
<b>Net loans and advances to customers</b>					<b>21,756,123</b>
<b>Balances and placements with and loans to banks</b>	<b>654,632</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>654,632</b>
<b>Contingent liabilities</b>	<b>276,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276,431</b>
<b>Commitments</b>	<b>46,969,196</b>	<b>12,452</b>	<b>-</b>	<b>107,356</b>	<b>47,089,004</b>
<b>Total</b>					<b>69,776,190</b>

**Loans and advances to non-bank customers by industry:**

	<b>2022 US\$'000</b>	<b>2021 US\$'000</b>
Analysed by industry		
Manufacturing	<b>48,870</b>	38,143
Building and construction	<b>219,921</b>	207,383
General commerce	<b>54,487</b>	63,525
Transport, storage and communication	<b>22,341</b>	22,438
Business service	<b>83,701</b>	93,372
Financial institutions, investment and holding companies	<b>8,807,084</b>	9,830,408
Professionals and individuals	<b>9,024,096</b>	11,501,186
Others	<b>19,797</b>	21,380
	<b>18,280,297</b>	<b>21,777,835</b>

**31. Financial risk management (continued)**

*(ii) 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 balance sheet 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.

**31. Financial risk management (continued)**

*(ii) Credit risk (continued)*

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

*Measurement of ECL*

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

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

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

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

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

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

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

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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#### 31. Financial risk management (continued)

##### (ii) Credit risk (continued)

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

##### *Credit impaired financial assets:*

At each balance sheet 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 18.

##### (iii) 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 2022

**31. Financial risk management (continued)**

(iii) *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.

2022	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
<b>Financial assets</b>							
Cash and balances with central banks	6,454	-	-	-	-	149,511	155,965
Balances and placements with and loans to banks	301,597	-	-	-	-	-	301,597
Loans and advances to non-bank customers	9,180,878	6,556,963	1,539,185	688,741	56,537	186,949	18,209,253
Amount due from holding company	1,484,455	3,531,393	6,357,361	5,553,804	220,056	-	17,147,069
Amount due from related companies	7,297	-	-	-	-	-	7,297
Derivative financial instruments	698,881	-	-	-	-	-	698,881
Other investments	1,242,014	154,553	193,588	422,451	-	203	770,795
Other assets	81,447	9,147	9,147	10,156	383	1,544	1,344,691
<b>Total</b>	<b>12,921,576</b>	<b>10,324,356</b>	<b>8,099,281</b>	<b>6,675,152</b>	<b>276,976</b>	<b>338,207</b>	<b>38,635,548</b>
<b>Financial liabilities</b>							
Deposits of non-bank customers	17,736,301	5,591,146	4,688,241	4,880,960	28,835	-	32,925,483
Deposits and balances of banks	29,247	-	-	-	-	-	29,247
Amount due to holding company	255,249	343,987	494,328	661,708	58,237	3,227	1,816,736
Amount due to related companies	1,037	10,889	-	14,279	-	-	26,205
Derivative financial instruments	680,490	-	-	-	-	-	680,490
Other liabilities	1,271,933	25,127	35,723	48,491	27,683	6,475	1,415,432
<b>Total</b>	<b>19,974,257</b>	<b>5,971,149</b>	<b>5,218,292</b>	<b>5,605,438</b>	<b>114,755</b>	<b>9,702</b>	<b>36,893,593</b>
<b>Net liquidity gap</b>	<b>(7,052,681)</b>	<b>4,353,207</b>	<b>2,880,989</b>	<b>1,069,714</b>	<b>162,221</b>	<b>328,505</b>	
<b>Contingent liabilities</b>							
Guarantees	29,398	-	-	-	-	-	29,398
Standby letters of credit	394,775	-	-	-	-	-	394,775
<b>Total</b>	<b>424,173</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>424,173</b>
<b>Commitments</b>	<b>48,607,631</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,607,631</b>

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**31. Financial risk management (continued)**

(iii) *Liquidity risk (continued)*

**Maturity analysis of financial assets and liabilities (continued)**

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
<b>Financial assets</b>							
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	21,766,123
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
Derivative financial instruments	678,717	-	-	-	-	-	678,717
Other investments	1,191,200	98,059	99,789	508,505	149,445	226	757,965
Other assets	5,933	7,824	27,384	6,659	1,337,059	-	1,337,059
<b>Total</b>	<b>15,238,683</b>	<b>11,904,217</b>	<b>5,226,990</b>	<b>2,117,050</b>	<b>217,079</b>	<b>435,937</b>	<b>35,139,956</b>
<b>Financial liabilities</b>							
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
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
Other liabilities	1,147,627	34,861	163,726	8,473	7,292	12,052	1,374,031
<b>Total</b>	<b>28,317,746</b>	<b>1,512,534</b>	<b>2,034,616</b>	<b>1,383,154</b>	<b>48,038</b>	<b>26,123</b>	<b>33,322,211</b>
<b>Net liquidity gap</b>	<b>(13,079,063)</b>	<b>10,391,683</b>	<b>3,192,374</b>	<b>733,896</b>	<b>169,041</b>	<b>409,814</b>	
<b>Contingent liabilities</b>							
Guarantees	38,021	-	-	-	-	-	38,021
Standby letters of credit	238,410	-	-	-	-	-	238,410
<b>Total</b>	<b>276,431</b>	-	-	-	-	-	<b>276,431</b>
<b>Commitments</b>	47,089,004	-	-	-	-	-	47,089,004

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**31. Financial risk management (continued)**

(iii) *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.

	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
<b>2022</b>							
<b>Non-derivative financial liabilities</b>							
Deposits of non-bank customers	17,736,301	5,591,146	4,688,241	4,880,960	28,835	-	32,925,483
Deposits and balances of banks	29,247	-	-	-	-	-	29,247
Amount due to holding company	255,249	343,987	494,328	661,708	58,237	3,227	1,816,736
Amount due to related corporations	1,037	10,889	-	14,279	-	-	26,205
Other liabilities	1,271,933	25,127	35,723	48,491	27,683	6,475	1,415,432
<b>Derivative financial instruments:</b>							
- Contractual amounts payable	680,490	-	-	-	-	-	680,490
	19,974,257	5,971,149	5,218,292	5,605,438	114,755	9,702	36,893,593
Guarantees	29,398	-	-	-	-	-	29,398
Standby letters of credit	394,775	-	-	-	-	-	394,775
	424,173	-	-	-	-	-	424,173



**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

**31. Financial risk management (continued)**

(iii) *Liquidity risk (continued)*

**Analysis of financial liabilities by remaining contractual maturities (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	Total US\$'000
<b>2021</b>							
<b>Non-derivative financial liabilities</b>							
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
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
Other liabilities	1,147,627	34,861	163,726	8,473	7,292	12,052	1,374,031
<b>Derivative financial instruments:</b>							
- Contractual amounts payable	647,015	-	-	-	-	-	647,015
	<b>28,317,746</b>	<b>1,512,534</b>	<b>2,034,616</b>	<b>1,383,154</b>	<b>48,038</b>	<b>26,123</b>	<b>33,322,211</b>
Guarantees	38,021	-	-	-	-	-	38,021
Standby letters of credit	238,410	-	-	-	-	-	238,410
	<b>276,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276,431</b>

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 31. Financial risk management (continued)

##### (iv) Fair value measurements

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

	2022		2021	
	Carrying amount US\$'000	Fair value US\$'000	Carrying amount US\$'000	Fair value US\$'000
<b>Financial assets</b>				
Loans and advances to non-bank customers	18,209,253	18,090,131	21,756,123	21,744,110
Amount due from holding company	17,147,069	17,318,775	9,831,903	9,830,077
<b>Financial liabilities</b>				
Deposits of non-bank customers	32,925,483	32,862,270	29,505,856	29,505,653
Amount due to holding company	1,816,736	1,804,531	1,768,552	1,762,358

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 companies. 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.

**31. Financial risk management (continued)**

*(iv) Fair value measurements (continued)*

**Loans to non-bank customers, holding company and related companies**

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.

**31. Financial risk management (continued)**

*(iv) 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 2022

#### 31. Financial risk management (continued)

##### (iv) 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 (2021: 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 balance sheet.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>2022</b>				
<b>Financial assets</b>				
Derivative financial instruments	12,806	548,626	137,449	698,881
Other investments	770,592	84	119	770,795
Total	783,398	548,710	137,568	1,469,676
<b>Financial liabilities</b>				
Derivative financial instruments	12,705	530,336	137,449	680,490
Total	12,705	530,336	137,449	680,490
<b>2021</b>				
<b>Financial assets</b>				
Derivative financial instruments	5,475	434,632	238,610	678,717
Other investments	757,739	99	127	757,965
Total	763,214	434,731	238,737	1,436,682
<b>Financial liabilities</b>				
Derivative financial instruments	5,400	403,005	238,610	647,015
Total	5,400	403,005	238,610	647,015

**BANK OF SINGAPORE LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022*

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**31. Financial risk management (continued)***(iv) 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 as at the balance sheet date:

	Financial assets at FVTPL US\$'000
1 January 2022	238,737
Loss recognised in profit and loss, under "Net trading income"	(101,169)
31 December 2022	<u>137,568</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>(101,169)</u>
	Financial assets at FVTPL US\$'000
1 January 2021	167,546
Gain recognised in profit and loss, under "Net trading income"	71,191
31 December 2021	<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>

**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

**31. Financial risk management (continued)**

(iv) *Fair value measurements (continued)*

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

	Financial liabilities at FVTPL US\$'000
1 January 2022	238,610
Gain recognised in profit and loss, under "Net trading income"	(101,161)
31 December 2022	<u>137,449</u>
Change in fair value	<u>(101,161)</u>
	Financial liabilities at FVTPL US\$'000
1 January 2021	167,271
Loss recognised in profit and loss, under "Net trading income"	71,339
31 December 2021	<u>238,610</u>
Change in fair value	<u>71,339</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 2022

#### 31. Financial risk management (continued)

##### (v) 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
<b>2022</b>					
<b>Financial assets</b>					
Cash and balances with central banks	-	-	155,965	-	155,965
Balances and placements with and loans to banks	-	-	301,597	-	301,597
Loans and advances to non-bank customers	-	-	18,209,253	-	18,209,253
Amount due from holding company	-	-	17,147,069	-	17,147,069
Amount due from related companies	-	-	7,297	-	7,297
Derivative financial instruments	698,881	-	-	-	698,881
Other investments	203	770,592	-	-	770,795
Other assets	-	-	1,344,691	36,838	1,381,529
<b>Total</b>	<b>699,084</b>	<b>770,592</b>	<b>37,165,872</b>	<b>36,838</b>	<b>38,672,386</b>

	FVTPL US\$'000	FVOCI-debt instruments US\$'000	Amortised cost US\$'000	Non- Financial assets/ liabilities US\$'000	Total US\$'000
<b>2021</b>					
<b>Financial assets</b>					
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	-	-	1,337,059	34,294	1,371,353
<b>Total</b>	<b>678,943</b>	<b>757,739</b>	<b>33,703,274</b>	<b>34,294</b>	<b>35,174,250</b>



**BANK OF SINGAPORE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

**31. Financial risk management (continued)**

(v) *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
<b>2022</b>					
<b>Financial liabilities</b>					
Deposits of non-bank customers	-	-	32,925,483	-	32,925,483
Deposits and balances of banks	-	-	29,247	-	29,247
Amount due to holding company	-	-	1,816,736	-	1,816,736
Amount due to related companies	-	-	26,205	-	26,205
Derivative financial instruments	680,490	-	-	-	680,490
Other liabilities	-	-	1,417,980	89,091	1,507,071
<b>Total</b>	<b>680,490</b>	<b>-</b>	<b>36,215,651</b>	<b>89,091</b>	<b>36,985,232</b>

	<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
<b>2021</b>					
<b>Financial liabilities</b>					
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	-	-	1,374,031	125,138	1,499,169
<b>Total</b>	<b>647,015</b>	<b>-</b>	<b>32,675,196</b>	<b>125,138</b>	<b>33,447,349</b>

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2022*

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**31. Financial risk management (continued)**

*(vi) 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 balance sheet.

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 balance sheet.

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 balance sheet. 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 2022*

**31. Financial risk management (continued)**

*(vi) Offsetting financial assets and financial liabilities (continued)*

Types of financial assets/liabilities	Gross amounts subject to master netting <u>agreements</u> US\$'000	Gross amounts subject to offset master netting <u>agreements</u> US\$'000	Net amounts presented in balance sheet subject to master netting <u>agreements</u> US\$'000	Related amounts not offset in the balance sheet		Net amount US\$'000
				Financial <u>instruments</u> US\$'000	Cash collateral <u>placed</u> US\$'000	
<b>2022</b>						
<b>Financial assets</b>						
Derivative financial instruments	258,853	-	258,853	258,219	440	194
<b>Total</b>	<b>258,853</b>	<b>-</b>	<b>258,853</b>	<b>258,219</b>	<b>440</b>	<b>194</b>
<b>Financial liabilities</b>						
Derivative financial instruments	495,418	-	495,418	258,219	233,634	3,565
<b>Total</b>	<b>495,418</b>	<b>-</b>	<b>495,418</b>	<b>258,219</b>	<b>233,634</b>	<b>3,565</b>
<b>2021</b>						
<b>Financial assets</b>						
Derivative financial instruments	199,457	-	199,457	199,456	1	-
<b>Total</b>	<b>199,457</b>	<b>-</b>	<b>199,457</b>	<b>199,456</b>	<b>1</b>	<b>-</b>
<b>Financial liabilities</b>						
Derivative financial instruments	487,500	-	487,500	199,456	283,797	4,247
<b>Total</b>	<b>487,500</b>	<b>-</b>	<b>487,500</b>	<b>199,456</b>	<b>283,797</b>	<b>4,247</b>

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

Types of financial assets	Net carrying amounts subject to master netting agreements US\$'000	Line item in balance sheet	Carrying amount in balance sheet US\$'000	Financial assets not in scope of offsetting disclosures US\$'000	Note
<b>2022</b>					
Derivative financial instruments	258,853	Derivative financial instruments	698,881	440,028	29
<b>2021</b>					
Derivative financial instruments	199,457	Derivative financial instruments	678,717	479,260	29

## BANK OF SINGAPORE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

#### 31. Financial risk management (continued)

##### (vi) Offsetting financial assets and financial liabilities (continued)

Types of financial liabilities	Net amounts US\$'000	Line item in balance sheet	Carrying amount in balance sheet US\$'000	Financial assets not in scope of offsetting disclosures US\$'000	Note
<b>2022</b>					
Derivative financial instruments	495,418	Derivative financial instruments	680,490	185,072	29
<b>2021</b>					
Derivative financial instruments	487,500	Derivative financial instruments	647,015	159,515	29

#### 32. New or revised accounting standards and interpretations

There are no mandatory standards and interpretations to existing standards that have been published and are relevant for the Bank's accounting periods beginning on or after 1 January 2022 and which the Bank has not early adopted.

#### 33. 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 1 February 2023.

## BANK OF SINGAPORE LIMITED

### MAS NOTICE 608 SUPPLEMENTARY INFORMATION

*For the financial year ended 31 December 2022*

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#### 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.

	2022 US\$ million	2021 US\$ million
Tier 1 capital		
Ordinary shares	996	996
Perpetual securities issued	200	200
Disclosed reserves	775	829
	<u>1,971</u>	<u>2,025</u>
Tier 1 eligible capital	1,687	1,709
Tier 2 capital	1	1
Total eligible capital	<u>1,688</u>	<u>1,710</u>
Risk weighted assets	<u>11,358</u>	<u>9,991</u>
Tier 1 CAR	14.9%	17.1%
Total CAR	<u>14.9%</u>	<u>17.1%</u>

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

