# Income Statements

For the financial year ended 31 December 2022

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | Note | $ million | $ million | $ million | $ million |
| Interest income | | **11,590** | 7,425 | **7,421** | 3,919 |
| Interest expense | | **(3,902)** | (1,570) | **(2,869)** | (708) |
| **Net interest income** | 3 | **7,688** | 5,855 | **4,552** | 3,211 |
| | | | | | |
| Profit from life insurance [1] | 4 | **971** | 1,137 | **–** | – |
| Premium income from general insurance | | **218** | 197 | **–** | – |
| Fees and commissions (net) | 5 | **1,851** | 2,245 | **879** | 969 |
| Dividends | 6 | **125** | 113 | **1,481** | 1,049 |
| Net trading income | 7 | **834** | 763 | **336** | 249 |
| Other income | 8 | **(12)** | 286 | **2** | 143 |
| **Non-interest income** | | **3,987** | 4,741 | **2,698** | 2,410 |
| | | | | | |
| **Total income** | | **11,675** | 10,596 | **7,250** | 5,621 |
| | | | | | |
| Staff costs | | **(3,233)** | (3,028) | **(1,154)** | (1,093) |
| Other operating expenses | | **(1,793)** | (1,736) | **(1,238)** | (1,131) |
| **Total operating expenses** | 9 | **(5,026)** | (4,764) | **(2,392)** | (2,224) |
| | | | | | |
| **Operating profit before allowances and amortisation** | | **6,649** | 5,832 | **4,858** | 3,397 |
| | | | | | |
| Amortisation of intangible assets | 36 | **(104)** | (103) | **–** | – |
| Allowances for loans and other assets | 10 | **(584)** | (873) | **(210)** | (442) |
| | | | | | |
| **Operating profit after allowances and amortisation** | | **5,961** | 4,856 | **4,648** | 2,955 |
| | | | | | |
| Share of results of associates, net of tax | | **978** | 824 | **–** | – |
| | | | | | |
| **Profit before income tax** | | **6,939** | 5,680 | **4,648** | 2,955 |
| Income tax expense | 11 | **(1,057)** | (648) | **(503)** | (229) |
| **Profit for the year** | | **5,882** | 5,032 | **4,145** | 2,726 |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity holders of the Bank | | **5,748** | 4,858 | | |
| Non-controlling interests | | **134** | 174 | | |
| | | **5,882** | 5,032 | | |
| | | | | | |
| **Earnings per share ($)** | 12 | | | | |
| Basic | | **1.27** | 1.07 | | |
| Diluted | | **1.27** | 1.07 | | |

(1) Comprised premium and investment income of $12,245 million (2021: $19,506 million) and insurance claims, commission and other expenses of $11,246 million (2021: $18,285 million) for the Group. Refer to Note 4.

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

# Statements of Comprehensive Income

For the financial year ended 31 December 2022

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| **Profit for the year** | **5,882** | 5,032 | **4,145** | 2,726 |
| | | | | |
| **Other comprehensive income:** | | | | |
| **Items that may be reclassified subsequently to income statement:** | | | | |
| Financial assets, at FVOCI [1] | | | | |
| Fair value losses for the year | **(2,164)** | (694) | **(807)** | (326) |
| Reclassification of (gains)/losses to income statement | | | | |
| – on disposal | **264** | (131) | **149** | (34) |
| – on impairment | **(#)** | 3 | **2** | 4 |
| Tax on net movements | **247** | 98 | **28** | 11 |
| Cash flow hedges | **(2)** | (#) | **(22)** | (7) |
| Currency translation on foreign operations | **(873)** | 110 | **(109)** | (34) |
| Other comprehensive income of associates | **(656)** | 339 | **–** | – |
| | | | | |
| **Items that will not be reclassified subsequently to income statement:** | | | | |
| Currency translation on foreign operations | **(54)** | (1) | **–** | – |
| Equity instruments, at FVOCI [1], net change in fair value | **(207)** | 134 | **(12)** | 44 |
| Defined benefit plans remeasurements | **2** | (1) | **–** | – |
| Own credit | **1** | 1 | **1** | 1 |
| **Total other comprehensive income, net of tax** | **(3,442)** | (142) | **(770)** | (341) |
| **Total comprehensive income for the year, net of tax** | **2,440** | 4,890 | **3,375** | 2,385 |
| | | | | |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the Bank | **2,490** | 4,735 | | |
| Non-controlling interests | **(50)** | 155 | | |
| | **2,440** | 4,890 | | |

(1) Fair value through other comprehensive income.
(2) # represents amounts less than $0.5 million.

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

# Balance Sheets

As at 31 December 2022

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | Note | $ million | $ million | $ million | $ million |
| **EQUITY** | | | | | |
| **Attributable to equity holders of the Bank** | | | | | |
| Share capital | 13 | **18,048** | 18,040 | **18,048** | 18,040 |
| Other equity instruments | 14 | **1,696** | 1,198 | **1,696** | 1,198 |
| Capital reserves | 15 | **792** | 782 | **560** | 559 |
| Fair value reserves | | **(1,006)** | 848 | **(674)** | (25) |
| Revenue reserves | 16 | **33,557** | 31,795 | **17,286** | 15,825 |
| | | **53,087** | 52,663 | **36,916** | 35,597 |
| **Non-controlling interests** | | **1,581** | 1,675 | **–** | – |
| **Total equity** | | **54,668** | 54,338 | **36,916** | 35,597 |
| | | | | | |
| **LIABILITIES** | | | | | |
| Deposits of non-bank customers | 17 | **350,081** | 342,395 | **223,310** | 221,213 |
| Deposits and balances of banks | 17 | **10,046** | 8,239 | **7,691** | 6,708 |
| Due to subsidiaries | | **–** | – | **36,522** | 28,250 |
| Due to associates | | **236** | 431 | **197** | 230 |
| Trading portfolio liabilities | | **212** | 393 | **212** | 393 |
| Derivative payables | 18 | **16,048** | 9,070 | **14,300** | 7,656 |
| Other liabilities | 19 | **8,525** | 7,163 | **2,844** | 1,906 |
| Current tax payables | | **995** | 905 | **566** | 458 |
| Deferred tax liabilities | 20 | **2,261** | 2,832 | **125** | 154 |
| Debt issued | 21 | **21,938** | 20,115 | **21,294** | 19,657 |
| | | **410,342** | 391,543 | **307,061** | 286,625 |
| Life insurance fund liabilities | 22 | **94,946** | 96,306 | **–** | – |
| **Total liabilities** | | **505,288** | 487,849 | **307,061** | 286,625 |
| | | | | | |
| **Total equity and liabilities** | | **559,956** | 542,187 | **343,977** | 322,222 |
| | | | | | |
| **ASSETS** | | | | | |
| Cash and placements with central banks | 23 | **34,966** | 27,919 | **27,812** | 22,863 |
| Singapore government treasury bills and securities | 24 | **17,096** | 11,112 | **15,889** | 10,106 |
| Other government treasury bills and securities | 24 | **22,271** | 26,159 | **8,165** | 9,710 |
| Placements with and loans to banks | 25 | **30,244** | 25,462 | **18,680** | 17,516 |
| Loans to customers | 26 | **291,467** | 286,281 | **201,110** | 189,401 |
| Debt and equity securities | 29 | **28,010** | 34,015 | **16,621** | 20,031 |
| Assets held for sale | | **1** | 11 | **–** | 1 |
| Derivative receivables | 18 | **15,605** | 9,267 | **13,742** | 7,812 |
| Other assets | 31 | **6,635** | 6,334 | **2,538** | 2,339 |
| Deferred tax assets | 20 | **437** | 280 | **104** | 88 |
| Associates | 32 | **6,340** | 6,170 | **2,228** | 2,262 |
| Subsidiaries | 33 | **–** | – | **33,923** | 37,018 |
| Property, plant and equipment | 34 | **3,483** | 3,506 | **818** | 735 |
| Investment property | 35 | **763** | 801 | **480** | 473 |
| Goodwill and other intangible assets | 36 | **4,643** | 4,774 | **1,867** | 1,867 |
| | | **461,961** | 442,091 | **343,977** | 322,222 |
| Life insurance fund investment securities and other assets | 22 | **97,995** | 100,096 | **–** | – |
| **Total assets** | | **559,956** | 542,187 | **343,977** | 322,222 |

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

# Statement of Changes in Equity – Group

For the financial year ended 31 December 2022

| In $ million | Share capital and other equity | Capital reserves [1] | Fair value reserves | Revenue reserves | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Bank | | | | | | |
| **Balance at 1 January 2022** | **19,238** | **782** | **848** | **31,795** | **52,663** | **1,675** | **54,338** |
| **Total comprehensive income for the year** | | | | | | | |
| **Profit for the year** | **–** | **–** | **–** | **5,748** | **5,748** | **134** | **5,882** |
| **Other comprehensive income** | | | | | | | |
| **Items that may be reclassified subsequently to income statement:** | | | | | | | |
| Financial assets, at FVOCI | | | | | | | |
| Fair value losses for the year | **–** | **–** | **(2,027)** | **–** | **(2,027)** | **(137)** | **(2,164)** |
| Reclassification of (gains)/losses to income statement | | | | | | | |
| – on disposal | **–** | **–** | **254** | **–** | **254** | **10** | **264** |
| – on impairment | **–** | **–** | **#** | **–** | **#** | **(#)** | **(#)** |
| Tax on net movements | **–** | **–** | **224** | **–** | **224** | **23** | **247** |
| Cash flow hedges | **–** | **–** | **–** | **(2)** | **(2)** | **–** | **(2)** |
| Currency translation on foreign operations | **–** | **–** | **–** | **(873)** | **(873)** | **–** | **(873)** |
| Other comprehensive income of associates | **–** | **–** | **(87)** | **(569)** | **(656)** | **–** | **(656)** |
| **Items that will not be reclassified subsequently to income statement:** | | | | | | | |
| Currency translation on foreign operations | **–** | **–** | **–** | **–** | **–** | **(54)** | **(54)** |
| Equity instruments, at FVOCI, net change in fair value | **–** | **–** | **(218)** | **37** | **(181)** | **(26)** | **(207)** |
| Defined benefit plans remeasurements | **–** | **–** | **–** | **2** | **2** | **#** | **2** |
| Own credit | **–** | **–** | **–** | **1** | **1** | **–** | **1** |
| **Total other comprehensive income, net of tax** | **–** | **–** | **(1,854)** | **(1,404)** | **(3,258)** | **(184)** | **(3,442)** |
| **Total comprehensive income for the year** | **–** | **–** | **(1,854)** | **4,344** | **2,490** | **(50)** | **2,440** |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | |
| Transfers | **7** | **12** | **–** | **(19)** | **–** | **–** | **–** |
| Buy-back of shares for holding as treasury shares | **(250)** | **–** | **–** | **–** | **(250)** | **–** | **(250)** |
| Dividends and distributions | **–** | **–** | **–** | **(2,576)** | **(2,576)** | **(44)** | **(2,620)** |
| DSP reserve from dividends on unvested shares | **–** | **–** | **–** | **13** | **13** | **–** | **13** |
| Perpetual capital securities issued | **498** | **–** | **–** | **–** | **498** | **–** | **498** |
| Share-based payments for staff costs | **–** | **8** | **–** | **–** | **8** | **–** | **8** |
| Shares issued to non-executive directors | **1** | **–** | **–** | **–** | **1** | **–** | **1** |
| Shares transferred to DSP Trust | **–** | **(13)** | **–** | **–** | **(13)** | **–** | **(13)** |
| Shares vested under DSP Scheme | **–** | **103** | **–** | **–** | **103** | **–** | **103** |
| Treasury shares transferred/sold | **250** | **(100)** | **–** | **–** | **150** | **–** | **150** |
| **Total contributions by and distributions to owners** | **506** | **10** | **–** | **(2,582)** | **(2,066)** | **(44)** | **(2,110)** |
| **Balance at 31 December 2022** | **19,744** | **792** | **(1,006)** | **33,557** | **53,087** | **1,581** | **54,668** |
| Included in the balances: | | | | | | | |
| Share of reserves of associates | **–** | **–** | **86** | **3,380** | **3,466** | **–** | **3,466** |

(1) Included regulatory loss allowance reserve of $444 million at 1 January 2022 and $455 million at 31 December 2022.
(2) # represents amounts less than $0.5 million.

An analysis of the movements in each component within “Share capital”, “Other equity instruments”, “Capital reserves” and “Revenue reserves” is presented in Notes 13 to 16.

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

| In $ million | Share capital and other equity | Capital reserves [1] | Fair value reserves | Revenue reserves | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Bank | | | | | | |
| **Balance at 1 January 2021** | 19,031 | 1,229 | 1,358 | 28,004 | 49,622 | 1,554 | 51,176 |
| **Total comprehensive income for the year** | | | | | | | |
| **Profit for the year** | – | – | – | 4,858 | 4,858 | 174 | 5,032 |
| **Other comprehensive income** | | | | | | | |
| **Items that may be reclassified subsequently to income statement:** | | | | | | | |
| Financial assets, at FVOCI | | | | | | | |
| Fair value losses for the year | – | – | (664) | – | (664) | (30) | (694) |
| Reclassification of (gains)/losses to income statement | | | | | | | |
| – on disposal | – | – | (122) | – | (122) | (9) | (131) |
| – on impairment | – | – | 3 | – | 3 | (#) | 3 |
| Tax on net movements | – | – | 91 | – | 91 | 7 | 98 |
| Cash flow hedges | – | – | – | (#) | (#) | – | (#) |
| Currency translation on foreign operations | – | – | – | 110 | 110 | – | 110 |
| Other comprehensive income of associates | – | – | 127 | 212 | 339 | – | 339 |
| **Items that will not be reclassified subsequently to income statement:** | | | | | | | |
| Currency translation on foreign operations | – | – | – | – | – | (1) | (1) |
| Equity instruments, at FVOCI, net change in fair value | – | – | 55 | 65 | 120 | 14 | 134 |
| Defined benefit plans remeasurements | – | – | – | (1) | (1) | (#) | (1) |
| Own credit | – | – | – | 1 | 1 | – | 1 |
| **Total other comprehensive income, net of tax** | – | – | (510) | 387 | (123) | (19) | (142) |
| **Total comprehensive income for the year** | – | – | (510) | 5,245 | 4,735 | 155 | 4,890 |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | |
| Transfers | 13 | (436) | – | 423 | – | – | – |
| Buy-back of shares for holding as treasury shares | (406) | – | – | – | (406) | – | (406) |
| Dividends and distributions | – | – | – | (1,886) | (1,886) | (34) | (1,920) |
| Shares issued in lieu of ordinary dividends | 376 | – | – | – | 376 | – | 376 |
| DSP reserve from dividends on unvested shares | – | – | – | 10 | 10 | – | 10 |
| Share-based payments for staff costs | – | 9 | – | – | 9 | – | 9 |
| Shares issued to non-executive directors | 1 | – | – | – | 1 | – | 1 |
| Shares issued under Share Option Scheme | 1 | – | – | – | 1 | – | 1 |
| Shares transferred to DSP Trust | 83 | (93) | – | – | (10) | – | (10) |
| Shares vested under DSP Scheme | – | 73 | – | – | 73 | – | 73 |
| Treasury shares transferred/sold | 139 | – | – | – | 139 | – | 139 |
| **Total contributions by and distributions to owners** | 207 | (447) | – | (1,453) | (1,693) | (34) | (1,727) |
| **Changes in interests in subsidiaries that do not result in loss of control** | – | – | – | (1) | (1) | (#) | (1) |
| **Total changes in interests in subsidiaries** | – | – | – | (1) | (1) | (#) | (1) |
| **Balance at 31 December 2021** | 19,238 | 782 | 848 | 31,795 | 52,663 | 1,675 | 54,338 |
| Included in the balances: | | | | | | | |
| Share of reserves of associates | – | – | 174 | 3,115 | 3,289 | – | 3,289 |

(1) Included regulatory loss allowance reserve of $874 million at 1 January 2021 and $444 million at 31 December 2021.
(2) # represents amounts less than $0.5 million.

An analysis of the movements in each component within "Share capital", "Other equity instruments", "Capital reserves" and "Revenue reserves" is presented in Notes 13 to 16.

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

# Statement of Changes in Equity – Bank

For the financial year ended 31 December 2022

| In $ million | Share capital and other equity | Capital reserves [1] | Fair value reserves | Revenue reserves | Total equity |
|---|---|---|---|---|---|
| **Balance at 1 January 2022** | **19,238** | **559** | **(25)** | **15,825** | **35,597** |
| | | | | | |
| Profit for the year | **–** | **–** | **–** | **4,145** | **4,145** |
| Other comprehensive income | **–** | **–** | **(649)** | **(121)** | **(770)** |
| **Total comprehensive income for the year** [2] | **–** | **–** | **(649)** | **4,024** | **3,375** |
| | | | | | |
| Transfers | **7** | **(7)** | **–** | **–** | **–** |
| Buy-back of shares for holding as treasury shares | **(250)** | **–** | **–** | **–** | **(250)** |
| Dividends and distributions | **–** | **–** | **–** | **(2,576)** | **(2,576)** |
| DSP reserve from dividends on unvested shares | **–** | **–** | **–** | **13** | **13** |
| Perpetual capital securities issued | **498** | **–** | **–** | **–** | **498** |
| Share-based payments for staff costs | **–** | **8** | **–** | **–** | **8** |
| Shares issued to non-executive directors | **1** | **–** | **–** | **–** | **1** |
| Treasury shares transferred/sold | **250** | **–** | **–** | **–** | **250** |
| **Balance at 31 December 2022** | **19,744** | **560** | **(674)** | **17,286** | **36,916** |
| | | | | | |
| **Balance at 1 January 2021** | 19,031 | 994 | 300 | 14,560 | 34,885 |
| | | | | | |
| Profit for the year | – | – | – | 2,726 | 2,726 |
| Other comprehensive income | – | – | (325) | (16) | (341) |
| **Total comprehensive income for the year** [2] | – | – | (325) | 2,710 | 2,385 |
| | | | | | |
| Transfers | 13 | (444) | – | 431 | – |
| Buy-back of shares for holding as treasury shares | (406) | – | – | – | (406) |
| Dividends and distributions | – | – | – | (1,886) | (1,886) |
| Shares issued in lieu of ordinary dividends | 376 | – | – | – | 376 |
| DSP reserve from dividends on unvested shares | – | – | – | 10 | 10 |
| Share-based payments for staff costs | – | 9 | – | – | 9 |
| Shares issued to non-executive directors | 1 | – | – | – | 1 |
| Shares issued under Share Option Scheme | 1 | – | – | – | 1 |
| Shares transferred to DSP Trust | 83 | – | – | – | 83 |
| Treasury shares transferred/sold | 139 | – | – | – | 139 |
| **Balance at 31 December 2021** | 19,238 | 559 | (25) | 15,825 | 35,597 |

(1) Included regulatory loss allowance reserve of $444 million at 1 January 2022 (1 January 2021: $874 million) and $444 million at 31 December 2022 (31 December 2021: $444 million).
(2) Refer to Statements of Comprehensive Income for detailed breakdown.

An analysis of the movements in each component within “Share capital”, “Other equity instruments”, “Capital reserves” and “Revenue reserves” is presented in Notes 13 to 16.

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

# Consolidated Cash Flow Statement

For the financial year ended 31 December 2022

| In $ million | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income tax | **6,939** | 5,680 |
| Adjustments for non-cash items: | | |
| Allowances for loans and other assets | **584** | 873 |
| Amortisation of intangible assets | **104** | 103 |
| Change in hedging transactions, fair value through profit or loss securities and debt issued | **130** | 104 |
| Depreciation of property and equipment and interest expense on lease liabilities | **429** | 416 |
| Net loss/(gain) on disposal of government, debt and equity securities | **206** | (92) |
| Net gain on disposal of property and equipment | **(99)** | (107) |
| Share-based costs | **80** | 73 |
| Share of results of associates, net of tax | **(978)** | (824) |
| Items relating to life insurance fund | | |
| Surplus before income tax | **999** | 1,221 |
| Surplus transferred from life insurance fund | **(971)** | (1,137) |
| Operating profit before change in operating assets and liabilities | **7,423** | 6,310 |
| Change in operating assets and liabilities: | | |
| Deposits of non-bank customers | **7,518** | 27,510 |
| Deposits and balances of banks | **1,807** | (1,347) |
| Derivative payables and other liabilities | **7,798** | (6,908) |
| Trading portfolio liabilities | **(181)** | 55 |
| Restricted balances with central banks | **229** | (764) |
| Government securities and treasury bills | **(2,913)** | 1,614 |
| Fair value through profit or loss securities | **1,931** | (7,059) |
| Placements with and loans to banks | **(4,782)** | 7,354 |
| Loans to customers | **(5,795)** | (23,685) |
| Derivative receivables and other assets | **(5,443)** | 4,087 |
| Net change in other assets and liabilities of life insurance fund | **2,507** | 8,029 |
| Cash provided by operating activities | **10,099** | 15,196 |
| Income tax paid [(1)] | **(1,167)** | (913) |
| **Net cash provided by operating activities** | **8,932** | 14,283 |
| | | |
| **Cash flows from investing activities** | | |
| Dividends from associates | **145** | 138 |
| Investment in associates | **–** | (514) |
| Purchases of debt and equity securities | **(11,622)** | (12,475) |
| Purchases of life insurance fund investment securities | **(37,237)** | (41,636) |
| Purchases of property and equipment | **(479)** | (443) |
| Proceeds from disposal of debt and equity securities | **13,582** | 12,642 |
| Proceeds from disposal of life insurance fund investment securities | **33,970** | 34,345 |
| Proceeds from disposal of property and equipment | **128** | 152 |
| **Net cash used in investing activities** | **(1,513)** | (7,791) |
| | | |
| **Cash flows from financing activities** | | |
| Changes in non-controlling interests | **–** | (1) |
| Buy-back of shares for holding as treasury shares | **(250)** | (406) |
| Dividends and distributions paid | **(2,620)** | (1,544) |
| Net issue/(redemption) of other debt issued (Note 21.6) | **1,897** | (3,840) |
| Net proceeds from perpetual capital securities issued | **498** | – |
| Repayments of lease liabilities | **(89)** | (91) |
| Proceeds from subordinated debt issued (Note 21.6) | **1,042** | – |
| Proceeds from treasury shares transferred/sold under the Bank's employee share schemes | **150** | 140 |
| Redemption of subordinated debt issued (Note 21.6) | **–** | (400) |
| **Net cash provided by/(used in) financing activities** | **628** | (6,142) |
| | | |
| **Net change in cash and cash equivalents** | **8,047** | 350 |
| Net currency translation adjustments | **(773)** | 282 |
| Cash and cash equivalents at 1 January | **22,710** | 22,078 |
| **Cash and cash equivalents at 31 December (Note 23)** | **29,984** | 22,710 |

(1) In 2022, the Group paid income tax of $1,167 million (2021: $913 million), of which $576 million (2021: $280 million) was paid in Singapore and $591 million (2021: $633 million) in other jurisdictions.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2022

These notes form an integral part of the financial statements.

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 23 February 2023.

## 1. General

Oversea-Chinese Banking Corporation Limited (the Bank) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Bank's registered office is 63 Chulia Street, #10-00 OCBC Centre East, Singapore 049514.

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the Group) and the Group's interests in associates. The Group is principally engaged in the business of banking, life insurance, general insurance, asset management, investment holding, futures and stockbroking.

## 2. Summary of Significant Accounting Policies

### 2.1 Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) as required by the Singapore Companies Act 1967 (the Act).

The financial statements are presented in Singapore Dollar, rounded to the nearest million unless otherwise stated. # represents amounts less than $0.5 million. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement, use estimates and make assumptions in the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a high degree of judgement or complexity, are disclosed in Note 2.25.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2022:

| SFRS(I) | Title |
|---|---|
| Various | *Annual Improvements to SFRS(I)s 2018-2020* |
| SFRS(I) 3 (Amendments) | *Reference to the Conceptual Framework* |
| SFRS(I) 1-16 (Amendments) | *Property, Plant and Equipment – Proceeds before Intended Use* |
| SFRS(I) 1-37 (Amendments) | *Onerous Contracts – Cost of Fulfilling a Contract* |

The initial application of the above standards (including their consequential amendments) and interpretations did not have any material impact on the Group's financial statements.

### 2.2 Basis of Consolidation

#### 2.2.1 Subsidiaries

Subsidiaries are entities over which the Group controls 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.

Subsidiaries are consolidated from the date when control is transferred to the Group and cease to be consolidated on the date when that control ceases. The Group reassesses whether it controls an investee if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect its returns.

In preparing the consolidated financial statements, intra-group transactions and balances, together with unrealised income and expenses arising from the intra-group transactions among group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies within the Group.

Non-controlling interests (NCI) represent the equity in subsidiaries not attributable, directly or indirectly, to shareholders of the Bank, and are presented separately from equity attributable to equity holders of the Bank. For NCI that arise through minority unit holders' interest in the insurance subsidiaries of Great Eastern Holdings Limited (GEH) consolidated investment funds, they are recognised as a liability. These interests qualify as a financial liability as they give the holder the right to put the instrument back to the issuer for cash. Changes in these liabilities are recognised in the income statement as expenses.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any NCI either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets at the date of acquisition on an acquisition-by-acquisition basis.

The excess of the fair value of the sum of consideration transferred, the recognised amount of any NCI in the acquiree and the acquisition-date fair values of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill at the date of acquisition. When the excess is negative, a bargain purchase gain is recognised immediately in the income statements.

# 2. Summary of Significant Accounting Policies (continued)

## 2.2 Basis of Consolidation (continued)

### 2.2.1 Subsidiaries (continued)

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition has occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are reclassified. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognised directly in equity.

### 2.2.2 Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control and is generally established for a narrow and well-defined objective.

For the purpose of disclosure, the Group is considered to be the sponsor of a structured entity if it has a key role in establishing the structured entity or its name appears in the overall structure of the structured entity.

### 2.2.3 Associates and Joint Ventures

Associates are entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Joint ventures are arrangements to undertake economic activities in which the Group has joint control and rights to the net assets of the entities.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. If the investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Group may elect to measure that investment at fair value through profit or loss in accordance with SFRS(I) 9 *Financial Instruments*. The Group will make this election separately for each associate, at initial recognition of the associate.

Under equity accounting, the investment is initially recognised at cost, and the carrying amount is adjusted for post-acquisition changes of the Group's share of the net assets of the entity until the date the significant influence or joint control ceases. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, where applicable. When the Group's share of losses equals or exceeds its interests in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entities.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates and joint ventures to ensure consistency of accounting policies with those of the Group.

The results of associates and joint ventures are taken from audited financial statements or unaudited management accounts of the entities concerned, made up to dates of not more than three months prior to the reporting date of the Group.

The investment in an associate or joint venture is derecognised when the Group ceases to have significant influence or joint control, respectively, over the investee. Amounts previously recognised in other comprehensive income (OCI) in respect of the investee are transferred to the income statement. Any retained interest in the entity is re-measured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control ceases, and its corresponding fair value, is recognised in the income statement.

### 2.2.4 Life Insurance Companies

Certain subsidiaries of the Group engaged in life insurance business are structured into one or more long-term life insurance funds, and shareholders' funds. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related life insurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed to the shareholders and the policyholders according to a predetermined formula or retained within the life insurance funds. The amount is presented as "Profit from life insurance" in the Group's consolidated income statement.

### 2.2.5 Investments in Subsidiaries, Associates and Joint Ventures by the Bank

These investments are stated in the Bank's balance sheet at cost less any impairment in value after the date of acquisition.

## 2.3 Currency Translation

### 2.3.1 Foreign Currency Transactions

Transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiaries at the exchange rates prevailing on the transaction dates. Monetary items denominated in foreign currencies are translated to the respective entities' functional currencies at the exchange rates prevailing at the reporting date. Exchange differences arising on settlement and translation of such items are recognised in the income statement.

## 2. Summary of Significant Accounting Policies (continued)

### 2.3 Currency Translation (continued)

#### 2.3.1 Foreign Currency Transactions (continued)

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rate on the date the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as fair value through other comprehensive income (FVOCI) financial assets are recognised in OCI and presented in the fair value reserve within equity.

#### 2.3.2 Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on the acquisition of a foreign operation, are translated to Singapore Dollar at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore Dollar at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions.

Differences arising from the translation of a foreign operation are recognised in OCI and presented in the currency translation reserve within equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the currency translation reserve is included in the income statement on disposal of the operation.

### 2.4 Cash and Cash Equivalents

In the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, money market placements, reverse repo and other balances with central banks which are generally short-term financial instruments or repayable on demand.

### 2.5 Financial Instruments

#### 2.5.1 Recognition

The Group initially recognises derivative financial instruments (forwards, futures, swaps and options) on the trade date. It initially recognises non-derivative financial instruments (loans and advances, deposits and debts issued, and regular way purchases and sales of financial assets) on the settlement date. Regular-way purchases and sales are those settled within the time period established by regulation or market convention.

#### 2.5.2 De-Recognition

Financial assets are de-recognised when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of ownership of the asset. Financial liabilities are de-recognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

#### 2.5.3 Modifications

The original terms of a financial instrument may be renegotiated or otherwise modified, resulting in changes to its contractual cash flows. Where the extent of changes as a result of the modification or renegotiation is substantial, the existing financial instrument is derecognised and a new instrument (with new terms including a new effective interest rate) recognised. In all other cases, the modified contractual cash flows of the existing instrument are discounted at the original effective interest rate to arrive at a new carrying amount and the resulting modification gain or loss is recognised in profit or loss.

<u>Interest Rate Benchmark Reform (IBOR Reform)</u>

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of IBOR reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by IBOR reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If there are changes to the terms of a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the accounting policy for modifications set out above to account for the additional changes.

#### 2.5.4 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards.

#### 2.5.5 Sale and Repurchase Agreements (Including Securities Lending and Borrowing)

Repurchase agreements (repos) are regarded as collateralised borrowing. The securities sold under repos are treated as pledged assets and remain as assets on the balance sheets. The amount borrowed is recorded as a liability. Reverse repos are treated as collateralised lending and the amount of securities purchased is included in placements with central banks, loans to banks and non-bank customers. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

Securities lending and borrowing transactions are generally secured, with collateral taking the form of securities or cash. The transfer of securities to or from counterparties is not reflected on the balance sheet. Cash collateral paid or received is recorded as an asset or a liability respectively.

## 2. Summary of Significant Accounting Policies (continued)

### 2.6 Non-Derivative Financial Assets

**Classification and Measurement of Financial Assets**

A non-derivative financial asset is initially recognised at fair value and is subsequently measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not subsequently measured at fair value through profit or loss.

**(a) Business Model Assessment**

The Group makes an assessment of the objective of a business model in which an 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 income, 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 Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy of 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 in prior periods, the reasons for such sales and its 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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 the assets to collect contractual cash flows, nor within the business model to hold the assets both to collect contractual cash flows and to sell.

**(b) Assessment of 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.

#### 2.6.1 Debt Instruments Measured at Amortised Cost

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

- it is held within a business model whose objective is to hold the asset until maturity to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as amortised cost are subject to impairment assessment using the expected credit loss model in accordance with SFRS(I) 9. Interest earned whilst holding the financial assets is included in interest income.

#### 2.6.2 Debt Instruments Measured at FVOCI

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as FVOCI are subject to impairment assessment using the expected credit loss model in accordance with SFRS(I) 9. Interest earned while holding the financial assets is included in interest income.

At the reporting date, the Group recognises unrealised fair value gains and losses on revaluing these assets in OCI and presents the cumulative gains and losses in fair value reserve within equity, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. At maturity or upon disposal, the cumulative gain or loss previously recognised in OCI is reclassified from fair value reserve to the income statement.

#### 2.6.3 Debt Instruments Measured at FVTPL

Debt instruments that do not meet the requirements to be measured at amortised cost or at FVOCI are measured at FVTPL. At the reporting date, the Group recognises realised and unrealised gains and losses as trading income in the income statement. Interest earned while holding the assets is included in interest income.

# 2. Summary of Significant Accounting Policies (continued)

## 2.6 Non-Derivative Financial Assets (continued)

**Classification and Measurement of Financial Assets** (continued)

**(b) Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest** (continued)

### 2.6.4 Designation at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset at FVTPL notwithstanding that it would otherwise meet the requirements to be measured at amortised cost or at FVOCI, if doing so, it eliminates or significantly reduces an accounting mismatch that would otherwise arise. Upon designation, financial assets are measured at fair value on each reporting date until maturity or derecognition. Realised and unrealised fair value changes are recognised in the income statement.

### 2.6.5 Equity Instruments

Equity instruments held for trading are classified as FVTPL. Equity instruments that are not held for trading may be classified as FVOCI based on an irrevocable election on initial recognition on an investment-by-investment basis.

At the reporting date, realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVTPL are recognised in the income statement. Realised and unrealised fair value gains or losses on revaluing the equity instruments classified as FVOCI are recognised in OCI and are never reclassified to the income statement.

Dividend earned while holding the equity instruments classified as FVTPL is recognised as dividend income in the income statement. Dividend from equity instruments classified as FVOCI is recognised as dividend income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

### 2.6.6 Reclassification

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

## 2.7 Derivative Financial Instruments

All derivative financial instruments are recognised initially and subsequently measured at fair value on the balance sheet as an asset or liability depending on whether it is a receivable or a payable, respectively. The resulting gain or loss is recognised immediately in profit or loss unless it qualifies for recognition in other comprehensive income under cash flow or net investment hedge accounting.

Fair values reflect the exit price of the instrument and include adjustments to take into account the credit risk of the Group and the counterparty where appropriate. An embedded derivative is not separated from the host contract that is a financial asset. However, it is separated from the host contract that is a financial liability or a non-financial and treated as a stand-alone financial derivative.

The Group enters into hedging derivative transactions to manage exposures to interest rate, foreign currency and credit risks arising from its core banking activities of lending and accepting deposits. The Group applies fair value, cash flow or net investment hedge accounting when the transactions meet the specified criteria for hedge accounting.

Before applying any hedge accounting, the Group determines whether an economic relationship exists between the hedged item and the hedging instrument by considering qualitative characteristics or quantitative analysis of these items. In its qualitative assessment, the Group considers whether the critical terms of its hedged item and the hedging instrument are closely aligned and evaluates whether the fair values of the hedged item and the hedging instrument respond in an offsetting manner to similar risks. Where economic hedge relationships meet the hedge accounting criteria, the Group establishes its hedge ratio by aligning the principal amount of the hedging instrument to the extent of its hedged item.

In a fair value hedging relationship, the Group mainly uses interest rate swaps, interest rate futures and cross currency swaps to hedge its exposure to changes in the fair value of fixed rate instruments and its foreign currency risk exposure. For qualifying fair value hedges, changes in the fair values of the derivative and of the hedged item relating to the hedged risk are recognised in the income statement. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the carrying amount of the asset or liability and is amortised to the income statement as a yield adjustment over the remaining maturity of the asset or liability.

In a cash flow hedging relationship, the Group mainly uses interest rate swaps to hedge the variability in the cash flows of variable rate asset or liability resulting from changes in interest rates. For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is recognised in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the cash flow hedge reserve remain in equity until the hedged cash flows is recognised in the income statement. When the hedged cash flows are no longer expected to occur, the cumulative gain or loss in the hedge reserve is immediately transferred to the income statement.

"Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of a benchmark hedging instrument that is a perfect match. The amount of hedge ineffectiveness is recognised immediately in profit or loss. The sources of ineffectiveness for both fair value hedges and cash flow hedges include imperfect economic relationship or mis-matching of key terms between the hedging instrument and the hedged item as well as the effect of credit risk existing in the hedging instrument.

## 2. Summary of Significant Accounting Policies (continued)

### 2.7 Derivative Financial Instruments (continued)

The hedged risk in the Group's net investment hedges is the foreign currency exposure that arises from a net investment in subsidiaries and foreign operations that have a different functional currency from that of the Bank. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Bank's functional currency. The Group uses a mixture of derivative financial instruments and liabilities to manage its foreign currency exposure in its net investment hedges. For hedges of net investments in foreign operations which are accounted for in a similar way as cash flow hedges, the gain or loss relating to the effective portion of the hedging instrument is recognised in equity and that relating to the ineffective portion is recognised in the income statement immediately. Gains and losses accumulated in equity are transferred to income statement on disposal of the foreign operations. The main source of ineffectiveness for the Group's net investment hedge is the use of a hedging instrument denominated in a proxy currency that is not perfectly correlated to the actual currency to which the Group is exposed.

**Specific Policies for Hedges Affected by IBOR Reform (As Defined in Note 2.5.3)**

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- updating the description of the hedging instrument; or
- updating the description of how the entity will assess hedge effectiveness.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

### 2.8 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in the income statement 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 reporting date, to ensure that they reflect the expected economic benefits derived from these assets.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | | |
|---|---|---|
| Furniture and fixtures | – | 5 to 10 years |
| Office equipment | – | 5 to 10 years |
| Computers | – | 3 to 10 years |
| Renovation | – | 8 years or remaining lease term, whichever is shorter |
| Motor vehicles | – | 5 years |

Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefit is expected from its use. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is de-recognised.

### 2.9 Investment Property

Investment property is property held either for rental income or for capital appreciation or for both. Investment properties, other than those held under the Group's life insurance funds, are stated at cost less accumulated depreciation and impairment losses. Freehold land and leasehold land with leases of more than 100 years to expiry are not depreciated. Buildings and other leasehold land are depreciated over 50 years or the period of the lease, whichever is shorter.

## 2. Summary of Significant Accounting Policies (continued)

### 2.9 Investment Property (continued)

Investment property held under the Group's life insurance fund is stated at fair value at the reporting date and collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life insurance business. The fair value of the investment property is determined based on objective valuations undertaken by independent valuers at the reporting date. Changes in the carrying amount resulting from revaluation are recognised in the income statement of the life insurance fund.

### 2.10 Goodwill and Other Intangible Assets

#### 2.10.1 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the sum 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 over the fair value of the identifiable net assets acquired.

Goodwill is stated at cost less impairment loss. Impairment test is carried out annually, or when there is indication that the goodwill may be impaired.

Gains or losses on disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold.

#### 2.10.2 Intangible Assets

Intangible assets other than goodwill are separately identifiable intangible items arising from acquisitions and are stated at cost less accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised over their estimated useful lives. The estimated useful lives range from 6 to 20 years. The useful life of an intangible asset is reviewed at least at each financial year end.

### 2.11 Non-Current Assets Held for Sale

Non-current assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter, the assets are generally measured at the lower of their carrying amount and fair value less cost to sell.

### 2.12 Impairment of Assets

#### (I) Financial Assets

Impairment allowances for financial assets are assessed using a forward-looking expected credit loss (ECL) model in accordance with the requirements of SFRS(I) 9.

#### 2.12.1 Scope

Under SFRS(I) 9, the ECL model is applied to debt financial assets measured at amortised cost or FVOCI and off-balance sheet loan commitments and financial guarantees.

#### 2.12.2 Expected Credit Loss Impairment Model

Under SFRS(I) 9, credit loss allowances are measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – On initial recognition and at a subsequent reporting date, where there is no significant increase in credit risk, the expected credit loss will be that resulting from default events that are possible over the next 12 months.
- Stage 2 – Where there is a significant increase in credit risk since the initial recognition, the expected credit loss will be that resulting from default events that are possible over the expected life of the asset.
- Stage 3 – When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, the credit loss allowance will be the full lifetime expected credit loss.

#### 2.12.3 Measurement

ECLs are a probability-weighted estimate of credit losses. They are measured based on the cash shortfalls as elaborated below:

(a) Financial assets that are not credit-impaired (Stage 1 and Stage 2) at the reporting date: The present value of all cash shortfalls (i.e. the cash flows due to the entity in accordance with the contract less the cash flows that the Group expects to receive);

(b) Financial assets that are credit-impaired (Stage 3) at the reporting date: The gross carrying amount less the present value of cash flows that the Group expects to receive;

(c) Undrawn loan commitments: The contractual cash flows that are due to the Group if the commitment is drawn down less the cash flows that the Group expects to receive; and

(d) Financial guarantee contracts: The expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used in the measurement of ECL are:

- Probability of default (PD) – This is an estimate (as a percentage) of the likelihood of default over a time period such as one year or the exposure's expected life time.
- Loss given default (LGD) – This is an estimate (as a percentage) of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure at default (EAD) – This is an estimate (as an amount) of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as well as expected drawdowns on committed facilities.

For Stage 1 exposures, ECL is calculated by multiplying the 12-month PD by LGD and EAD. For Stage 2 and Stage 3 exposures, ECL is calculated by multiplying lifetime PD by LGD and EAD.

Loans to customers that are collectively assessed are grouped on the basis of shared credit risk characteristics such as loan type, industry, geographical location of the borrower, collateral type and other relevant factors.

# 2. Summary of Significant Accounting Policies (continued)

## 2.12 Impairment of Assets (continued)

### (I) Financial Assets (continued)

### 2.12.3 Measurement (continued)

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.

The three macroeconomic scenarios represent a most likely "Base" outcome, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macroeconomic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to reflect current economic situations.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for the lifetime period, reverting to long-run averages generally after 3 to 5 year periods. Depending on their usage in the models, macroeconomic variables are projected at a country or more granular level which differ by portfolio. The primary macroeconomic variables adopted are Gross Domestic Product, Unemployment rate, Property Price Index and Interest rate.

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout Group's expected credit loss calculations.

The Group considers a financial asset to be in default by assessing both quantitative and qualitative criteria such as days past due and the terms of financial covenants. A default occurs when the borrower or bond issuer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or when the financial asset is more than 90 days past due.

A financial asset is considered to be no longer in default when there is an established trend of credit improvement, supported by an assessment of the borrower's repayment capability, cash flows and financial position.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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.

### 2.12.4 Movement Between Stages

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

The Group considers both qualitative and quantitative parameters in the assessment of whether this is a significant increase in credit risk. These include the following:

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

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under SFRS(I) 9 will be based on objective evidence of impairment.

The assessments for a 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. A modification of the terms of a financial asset that does not result in derecognition will result in the financial asset being transferred out of Stage 3 if the indicators of it being identified as credit-impaired is no longer met and that the evidence for its transfer out of Stage 3 solely relates to events such as up-to-date and timely payment occurring in the subsequent periods.

If a modified financial asset results in derecognition, the new financial asset will be recognised under Stage 1, unless it is assessed to be credit-impaired at the time of the modification.

### 2.12.5 Regulatory Requirement

Under MAS 612 requirement, the Group is required to maintain a minimum regulatory loss allowance (MRLA) of 1% of the gross carrying amount of selected credit exposures, net of collateral. Where the accounting loss allowance of selected non-credit-impaired exposures computed under SFRS(I) 9 is less than the MRLA, the Group shall maintain the difference in a non-distributable regulatory loss allowance reserve (RLAR) account through the appropriation of revenue reserves. Where the aggregated accounting loss allowance and RLAR exceeds the MRLA, the Group may transfer the excess amount in the RLAR to revenue reserves.

## 2. Summary of Significant Accounting Policies (continued)

### 2.12 Impairment of Assets (continued)

### (II) Other Assets

### 2.12.6 Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units (CGU) expected to benefit from synergies of the business combination. The Group's CGUs correspond with the business segments identified in the primary segment report.

Impairment loss on goodwill cannot be reversed in subsequent periods.

### 2.12.7 Investments in Subsidiaries and Associates Property, Plant and Equipment Investment Property Intangible Assets

Investments in subsidiaries and associates, property, plant and equipment, investment property and intangible assets, are reviewed for impairment on the reporting date or whenever there is any 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 loss is recognised in the income statement, and is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised for the asset in prior years.

### 2.13 Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. A loss allowance is measured at an amount equal to lifetime expected credit losses, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets has been met. The Group's insurance receivables include outstanding premiums, policy loans and reinsurance receivables. Policy loans are loans and advances made to policyholders, and are collateralised by the underlying policies.

### 2.14 Financial Liabilities

A non-derivative financial liability is initially recognised at fair value less transaction costs and is subsequently measured at amortised cost using the effective interest method except where it is designated as FVTPL.

For financial liabilities designated at fair value, gains and losses arising from changes in fair value are recognised in the net trading income line in the income statement except for changes in fair value attributable to the Group's own credit risk where it is presented directly within other comprehensive income. Amounts recorded in OCI related to this credit risk are not subject to recycling in profit or loss, but are transferred to unappropriated profit when realised. Financial liabilities are held at fair value through profit or loss when:

(a) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
(b) the fair value option designation eliminates or significantly reduces accounting mismatch that would otherwise arise; or
(c) the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

### 2.15 Provisions and Other Liabilities

### 2.15.1 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received.

Provision for insurance agents' retirement benefits, including deferred benefits, is calculated according to terms and conditions stipulated in the respective agent's agreement. The deferred/retirement benefit accumulated at the reporting date includes accrued interest.

### 2.15.2 Policy Benefits

Policy benefits are recognised when a policyholder exercises the option to deposit the survival benefits with the life insurance subsidiaries when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life insurance subsidiaries. Interest payable on policy benefits is recognised in the income statements as incurred.

### 2.16 Insurance Contracts

Insurance contracts are those contracts where the Group (the insurer), mainly the insurance subsidiaries of GEH, has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

# 2. Summary of Significant Accounting Policies (continued)

## 2.16 Insurance Contracts (continued)

For the purpose of SFRS(I) 4 *Insurance Contracts*, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value or discounted maturity value as the proxy for the realisable value of the insurance contract. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at inception of the insurance contract. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the reporting date.

Certain subsidiaries within the Group, primarily GEH and its subsidiaries (GEH Group), write insurance contracts in accordance with insurance regulations prevailing in their respective jurisdictions. Disclosures on the various insurance contract liabilities are classified into the principal components, as follows:
(a) Life insurance contract liabilities, comprising
- Participating Fund contract liabilities;
- Non-participating Fund contract liabilities; and
- Investment-linked Fund contract liabilities.

(b) Non-life insurance contract liabilities
(c) Reinsurance contracts

***Life Insurance Contract Liabilities***

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statements of the respective insurance subsidiaries.

The valuation of insurance contract liabilities is determined according to the Insurance Regulations:
(a) Singapore Insurance Act 1966, Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore (MAS Regulations); and
(b) Risk-Based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, where relevant, appropriate level of non-guaranteed benefits and expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of participating insurance contracts is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, including an estimate of the incurred claims that have not yet been reported to the Group.

**Risk Transfer**

The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholders accrue directly to the policyholders.

The Group issues investment linked contracts as an insurance contract which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment linked fund set up by the insurance subsidiary. As an embedded derivative meets the definition of an insurance contract it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies in accordance with the terms and conditions of the insurance contracts.

# 2. Summary of Significant Accounting Policies (continued)

## 2.16 Insurance Contracts (continued)

***Life Insurance Contract Liabilities*** (continued)

The table below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

| | **Singapore** | **Malaysia** |
|---|---|---|
| **Valuation method** [(1)] | Gross premium valuation<br><br>For Participating Fund, the method that produces the higher reserves of:<br>(i) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation;<br><br>(ii) Guaranteed cash flows discounted using the interest rate outlined below; and<br><br>(iii) Total assets less all liabilities except insurance contract liabilities of the Participant fund. | Gross premium valuation<br><br>For Participating Fund, the method that produces the higher reserves of:<br>(i) Guaranteed and non-guaranteed cash flows discounted at the appropriate rate of return reflecting the strategic asset allocation, i.e. Total Benefit Reserves; and<br><br>(ii) Guaranteed cash flows discounted using Malaysia Government Securities zero coupon spot yields (as outlined below).<br><br>For Asset Share Participating Products, the Total Benefit Reserves will be further adjusted in accordance with the value of Policy Asset. |
| **Discount rate** [(1)] | For policies denominated in SGD/USD:<br>(i) Singapore Government Securities/ US Treasury yields for cash flows up to 20 years and 30 years respectively;<br><br>(ii) Ultimate forward rate of 3.8% applicable for cash flows beyond 60 years;<br><br>(iii) Extrapolated yields in between; and<br><br>(iv) Adjustments for matching adjustment and illiquidity premium according to MAS Notice 133, if any. | Malaysia Government Securities yields determined based on the following:<br>(i) For cash flows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration; and<br><br>(ii) For cash flows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. |
| **Mortality, Disability, Dread disease, Expenses, Lapse and surrenders** [(1)] | Participating Fund:<br>– Best estimates for Gross Premium Valuation method (i); and<br>– Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method (ii).<br><br>Non-Participating and Non-Unit reserves of Investment-linked Fund:<br>Best estimates plus provision for adverse deviation (PAD). | Participating Fund:<br>– Best estimates for Gross Premium Valuation method (i); and<br>– Best estimates plus provision for risk of adverse deviation (PRAD) for Gross Premium Valuation method (ii).<br><br>Non-Participating and Non-Unit reserves of Investment-linked Fund:<br>Best estimates plus provision for risk of adverse deviation (PRAD). |

(1) Refer to Note 2.25 on Critical Accounting Estimates and Judgements.

## 2. Summary of Significant Accounting Policies (continued)

### 2.16 Insurance Contracts (continued)

***Life Insurance Contract Liabilities*** (continued)

**Subsequent Measurement of Life Insurance Contract Liabilities**

Adjustments to liabilities at each reporting date are recorded in the income statement. Profits originating from the release in margins for adverse deviations are recognised in the income statement over the lives of the contracts, whereas losses are fully recognised in the income statements during the first year.

**Derecognition of Life Insurance Contract Liabilities**

The liability is extinguished when the contract expires, is discharged or is cancelled.

**Benefits and Claims**

Insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the period, as well as policyholder dividends accrued in anticipation of dividend declarations. Accident and health claims incurred include all losses occurring during the period, whether reported or not, related handling costs, a reduction for recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims and are included in operating expenses.

**Insurance Contracts and Investment Contracts with Discretionary Participating Features (DPF)**

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from the results of the annual actuarial valuation parameters which are set out in the insurance regulations of the respective jurisdiction in which the insurance subsidiaries operate. The results of the annual actuarial valuation also determine the liabilities relating to all the policyholders' benefits of the participating fund. The provisions in the Articles of Association of the Group's insurance subsidiaries are applied in conjunction with the prescriptions in the respective insurance regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. Any surplus that is not allocated is recognised as unallocated surplus. The unallocated surplus forms part of the life insurance contract liabilities. The annual declaration of the quantum of policyholder bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the board of directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective subsidiary, in accordance with the insurance regulations and the Articles of Association of the respective subsidiaries.

**Liability Adequacy Test**

Each insurance subsidiary within the Group is required by the respective insurance regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the insurance regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying amount of the liability. Any deficiency is charged to the income statement.

***Non-Life Insurance Contract Liabilities***

The Group caters to the protection needs of individuals and business owners through a wide range of general insurance products including but not limited to fire, motor, marine and aviation, workmen's compensation, personal accident, health, and other property and casualty lines.

Non-life insurance contract liabilities include claim liabilities and premium liabilities.

**Claim Liabilities**

Claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a provision for adverse deviation. The liabilities are derecognised when the contracts expire, are discharged or are cancelled.

## 2. Summary of Significant Accounting Policies (continued)

### 2.16 Insurance Contracts (continued)

***Non-Life Insurance Contract Liabilities*** (continued)

Claim Liabilities (continued)

The valuation of non-life insurance claim liabilities at the reporting date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. The provision for adverse deviation is set at 75% level of sufficiency for Singapore, Malaysia and Indonesia. The valuation methods used include the Paid and Incurred Loss Development methods (also known as the Link Ratio methods), the Paid and Incurred Bornhuetter-Ferguson methods and the Expected Loss Ratio method. For Singapore and Malaysia, the claim liabilities are not discounted for the time value of money. However, for Indonesia, the claim liabilities are discounted for the time value of money.

**Premium Liabilities**

Premium liabilities are the higher of the aggregate of the Unearned Premium Reserves (UPR) for all lines of business and the best estimate value of the Unexpired Risk Reserves (URR) plus the required provision of risk margin for adverse deviation as required by the regulations.

In determining the unearned premium reserve at the reporting date, the method that most accurately reflects the actual unearned premium is used. For Singapore, the 1/365$^{th}$ method for all classes of business is used, and for Malaysia and Indonesia, the 25% method is used for marine cargo, and the 1/365$^{th}$ method is used for all other classes of business.

Further provisions are made if expected future cash flows of unexpired insurance contracts with a provision for adverse deviation exceed the unearned premiums of these contracts.

***Reinsurance Contracts***

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent amounts receivable in respect of ceded insurance liabilities. These amounts are estimated in a manner consistent with the reinsured insurance contract liabilities, the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets arising from ceding of an in-force book and gross onerous contracts are recognised in the same period when the gross liabilities are accrued.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts under the terms of the contract. The impairment loss is recorded in the income statements. Gains or losses on reinsurance are recognised in the income statements immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due under reinsurance contracts. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

### 2.17 Share Capital and Dividend

Ordinary shares, non-cumulative non-convertible preference shares and perpetual capital securities are classified as equity on the balance sheet.

Incremental costs directly attributable to the issue of new capital securities are shown in equity as a deduction from the proceeds.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Treasury shares which are subsequently reissued, sold or cancelled, are recognised as changes in equity.

Interim dividends on ordinary shares and dividends on preference 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 shareholders at the annual general meeting.

### 2.18 Leases

#### 2.18.1 As Lessee

At the inception of a contract, the Group 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 Group recognises a right-of-use (ROU) asset and lease liability at the date which the underlying asset is available for use. ROU 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 incentive 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 ROU assets.

# 2. Summary of Significant Accounting Policies (continued)

## 2.18 Leases (continued)

### 2.18.1 As Lessee (continued)

Right-of-Use Assets (continued)

These ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

ROU assets are presented within “Property, plant and equipment”.

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 Group shall use its incremental borrowing rate.

Lease liability is subsequently measured at amortised cost using the effective interest method. Lease liability shall be remeasured when there is modification in the scope or the consideration of the lease that was not part of the original term.

Short-Term Leases and Low-Value Assets

The Group has elected to not recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

### 2.18.2 As Lessor

Rental income on tenanted areas of the buildings owned by the Group is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

## 2.19 Recognition of Income and Expense

### 2.19.1 Interest Income and Expense

Interest income or expense is recognised 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.

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.

### 2.19.2 Premiums and Commissions from Insurance Business

Life Insurance Business

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business, universal life and certain Takaful non-participating products are recognised as revenue when payment is received. Commission is recognised as an expense when incurred.

Non-Life Insurance Business

Premiums from the non-life insurance business are recognised as revenue upon commencement of insurance cover. Premiums pertaining to periods after the reporting date are adjusted through the movement in premium liabilities. Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from non-life insurance contracts are recognised in the income statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premiums ceded out pertaining to periods after the reporting date are adjusted through the movement in unexpired risk reserve.

### 2.19.3 Fees and Commissions

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Group has satisfied its performance obligations in providing the services to the customer. Transaction based fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period.

Expenses are offset against gross fees and commissions in the income statement only when they are directly related.

### 2.19.4 Dividends

Dividends from equity securities, subsidiaries and associates are recognised when the right to receive payment is established.

### 2.19.5 Employee Benefits

The Group’s 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 income statement when incurred. Employee leave entitlements are estimated according to the terms of employment contract and accrued on the reporting date.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and past service costs. Remeasurements of defined benefit plans are recognised in OCI in the period in which they arise.

# 2. Summary of Significant Accounting Policies (continued)

## 2.19 Recognition of Income and Expense (continued)

### 2.19.5 Employee Benefits (continued)

Share-based compensation plans include the Bank's Share Option Schemes, the Employee Share Purchase Plan (ESP Plan) and the Deferred Share Plan (DSP). Equity instruments granted are recognised as expense in the income statement 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 equity.

At each reporting date, the Group revises its estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The Group accrues for interest on the monthly contributions made by employees to the savings-based ESP Plan. For the DSP, a trust is set up to administer the shares. The DSP Trust is consolidated in the Group's financial statements.

Proceeds received upon the exercise of options and acquisition rights, net of any directly attributable transaction costs, are credited to share capital.

## 2.20 Income Tax Expense

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the amounts used for tax computation. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that does not affect accounting or taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they probably will not reverse in the foreseeable future. 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 reporting 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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

## 2.21 Fiduciary Activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income from these assets do not belong to the Group, and are therefore excluded from these financial statements.

## 2.22 Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

## 2.23 Segment Reporting

The Group's business segments represent the key customer and product groups, as follows: Global Consumer/Private Banking, Global Wholesale Banking, Global Treasury and Markets and Insurance. All operating segments' results are reviewed regularly by the senior management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. In determining the segment results, balance sheet items are internally transfer priced and revenues and expenses are attributed to each segment based on internal management reporting policies. Transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

A geographical segment engages in providing products and services within a particular economic environment that is subject to different risks from those of other economic environments. Geographical segment information is prepared based on the country in which the transactions are booked and presented after elimination of intra-group transactions and balances.

## 2. Summary of Significant Accounting Policies (continued)

### 2.24 Government Grants

Government grants related to assets are initially recognised by deducting the grant in arriving at the carrying amount of the asset if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. The grant is recognised in profit or loss over the life of a depreciable asset through reduced depreciation expense.

Grants that compensate the Group for expenses incurred are recognised in profit or loss by deducting the grant from the related expense.

Grants that are not related to assets or expenses incurred are recognised in profit or loss as other income.

### 2.25 Critical Accounting Estimates and Judgements

Certain estimates are made in the preparation of the financial statements. These often require management judgement in determining the appropriate methodology for valuation of assets and liabilities. A brief description of the Group's critical accounting estimates is set out below.

#### 2.25.1 Impairment of Financial Assets

In determining whether the credit risk of the Group's financial exposures has increased significantly since initial recognition, the Group considers quantitative and qualitative information such as the Group's historical credit assessment experience and available forward-looking information. Expected credit losses (ECL) estimates are based on probability-weighted forward-looking economic scenarios. The parameters used in ECL measurement (probability of default, loss given default and exposure at default) incorporates forward-looking information. The determination of the forward-looking economic scenarios and incorporation of forward-looking information into ECL measurement requires management to exercise judgement based on its assessment of current macroeconomic conditions.

**Allowances for Non-Credit-Impaired Loans to Customers**

As of 31 December 2022, the forward-looking scenarios used in the ECL model have been updated from those as of 31 December 2021, which reflects the latest macroeconomic view. Additionally, post-model adjustments were made to address events that are not incorporated in the baseline ECL. These post-model adjustments were reviewed and approved in accordance with the Group's ECL framework, and include:

- Post-model adjustments were made to more accurately reflect the continued weakness of certain industries and segments due to either travel restrictions or geopolitical events.
- As indicated in Note 2.12.3, Stages 1 and 2 ECL are modelled based on a central baseline forecast with its upper and lower bound to represent forecasting ranges. However, the central forecast with its upper/lower range may not factor in significant emerging risks and macroeconomic events that are expected but uncertain in terms of impact and timing. Such events have the potential to trigger a recession but are not adequately captured in existing forecasts. Therefore, the Group added an additional scenario in the computation of ECL. As such events are global in nature, these are modelled as a top-down post-model adjustment.

***Sensitivity of ECL***

ECL is estimated to increase by $1,310 million (2021: $1,286 million) should all the exposures in Stage 1 (12-month ECL) move to Stage 2 (lifetime ECL).

The Group's allowances for financial assets are disclosed in Note 30.

**Allowances for Credit-Impaired Loans to Customers**

In respect of credit-impaired exposures, management judgement and estimation are applied in, amongst others, identifying impaired exposures, estimating the related recoverable cash flows and where applicable, determining collateral values and timing of realisation. Judgements and assumptions in respect of these matters have been updated to reflect the relevant information as of 31 December 2022.

The Group's allowances for credit-impaired loans to customers are disclosed in Note 28.

#### 2.25.2 Fair Value Estimation

Fair value is derived from quoted market prices or valuation techniques which maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. Where unobservable data inputs have a significant impact on the value obtained from the valuation model, such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value. The difference between the transaction price and the model value, commonly referred to as "day one profit or loss" is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit or loss is determined individually. It is amortised over the life of the transaction, released when the instrument's fair value can be determined using market observable inputs, or when the transaction is derecognised.

# 2. Summary of Significant Accounting Policies (continued)

## 2.25 Critical Accounting Estimates and Judgements (continued)

### 2.25.3 Liabilities of Insurance Business

The estimation of the ultimate liabilities arising from claims made under life and non-life insurance contracts is one of the Group's critical accounting estimates. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, morbidity, disabilities, lapses, voluntary terminations, investment returns, administration expenses and discount rates. The Group relies on standard industry and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders, and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance contract liabilities.

For non-life insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date.

Generally, claim liabilities are determined based upon the Group's past claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Estimations are made with reference to the past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual claim liabilities will not exactly develop as projected and may vary from the Group's projections.

The estimates of claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of claim liabilities may vary from the initial estimates.

### 2.25.4 Impairment of Goodwill and Other Intangible Assets

The Group performs an annual review of the carrying amount of its goodwill and other intangible assets, against the recoverable amounts of the CGU to which the goodwill and other intangible assets have been allocated. Recoverable amounts of banking CGUs are determined based on the present value of estimated future cash flows expected to arise from the respective CGUs' continuing operations. The recoverable amount of insurance CGU is determined using the appraisal value method. Management exercises its judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amounts of the CGUs.

In light of current macroeconomic conditions, management reassessed the assumptions applied in estimating the future cash flows, including growth rates and discount rates used in computing the recoverable amount, and determined that no impairment should be recognised during the year.

### 2.25.5 Income Taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses in estimating the income tax liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the period in which the determination is made.

### 2.25.6 Insurance Contract Classification

Contracts are classified as insurance contracts where significant insurance risk is transferred from the policyholder to the Group. The Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether upon the occurrence of the insured event, the Group is required to pay significant additional benefits. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

## 3. Net Interest Income

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 $ million | 2021 $ million | 2022 $ million | 2021 $ million |
| **Interest income** | | | | |
| Loans to customers | **8,852** | 5,786 | **5,555** | 3,103 |
| Placements with and loans to banks | **1,314** | 448 | **1,153** | 318 |
| Other interest-earning assets | **1,424** | 1,191 | **713** | 498 |
| | **11,590** | 7,425 | **7,421** | 3,919 |
| **Interest expense** | | | | |
| Deposits of non-bank customers | **(3,223)** | (1,300) | **(1,866)** | (468) |
| Deposits and balances of banks | **(195)** | (68) | **(541)** | (66) |
| Other borrowings | **(484)** | (202) | **(462)** | (174) |
| | **(3,902)** | (1,570) | **(2,869)** | (708) |
| | | | | |
| **Analysed by classification of financial instruments** | | | | |
| Income – Assets at amortised cost | **9,976** | 5,963 | **6,620** | 3,249 |
| Income – Assets at FVOCI | **1,322** | 1,173 | **576** | 455 |
| Income – Assets mandatorily measured at FVTPL | **292** | 289 | **225** | 215 |
| Expense – Liabilities not at fair value through profit or loss | **(3,892)** | (1,565) | **(2,859)** | (703) |
| Expense – Liabilities mandatorily measured at FVTPL | **(10)** | (5) | **(10)** | (5) |
| **Net interest income** | **7,688** | 5,855 | **4,552** | 3,211 |

Included in interest income were interest of $28 million (2021: $31 million) and $13 million (2021: $15 million) on impaired assets for the Group and Bank respectively.

The Group's and Bank's interest expenses on lease liabilities were not significant for the financial years ended 31 December 2022 and 31 December 2021.

# 4. Profit from Life Insurance

| | GROUP | |
|---|---|---|
| | 2022 | 2021 |
| | $ million | $ million |
| **Income** | | |
| Annual | **8,332** | 8,209 |
| Single | **9,840** | 10,380 |
| Gross premiums | **18,172** | 18,589 |
| Reinsurance | **(695)** | (602) |
| Premium income (net) | **17,477** | 17,987 |
| Investment income (net) [1] | **(5,232)** | 1,519 |
| **Total income** | **12,245** | 19,506 |
| | | |
| **Expenses** | | |
| Gross claims, surrenders and annuities | **(10,933)** | (11,215) |
| Claims, surrenders and annuities recovered from reinsurers | **535** | 443 |
| Net claims, surrenders and annuities | **(10,398)** | (10,772) |
| Net change in life insurance contract liabilities | **832** | (4,196) |
| Commission and agency expenses | **(1,292)** | (1,401) |
| Depreciation – property, plant and equipment (Note 34) | **(78)** | (71) |
| Other expenses | **(310)** | (1,845) |
| **Total expenses** | **(11,246)** | (18,285) |
| | | |
| **Surplus from operations** | **999** | 1,221 |
| Income tax expense | **(28)** | (84) |
| **Profit from life insurance** | **971** | 1,137 |

(1) Includes net loss from financial instruments measured at fair value through profit or loss of $5.58 billion (2021: net gain of $1.05 billion).

Profit from life insurance is presented net of tax in the income statement as the tax liability is borne by the respective life funds.

## 5. Fees and Commissions (Net)

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| **Gross fee and commission income** | | | | |
| Brokerage | **103** | 141 | **2** | 2 |
| Credit card | **337** | 287 | **295** | 246 |
| Fund management | **119** | 133 | **–** | – |
| Guarantees | **14** | 14 | **6** | 7 |
| Investment banking | **100** | 106 | **87** | 89 |
| Loan-related | **180** | 179 | **118** | 116 |
| Service charges | **87** | 79 | **64** | 60 |
| Trade-related and remittances | **298** | 286 | **208** | 199 |
| Wealth management [1] | **919** | 1,310 | **302** | 406 |
| Others | **50** | 46 | **10** | 6 |
| | **2,207** | 2,581 | **1,092** | 1,131 |
| **Fee and commission expense** | **(356)** | (336) | **(213)** | (162) |
| **Fees and commissions (net)** | **1,851** | 2,245 | **879** | 969 |

(1) Includes trust and custodian fees.

## 6. Dividends

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Subsidiaries | **–** | – | **1,261** | 861 |
| Associates | **–** | – | **138** | 130 |
| FVTPL securities | **95** | 75 | **82** | 57 |
| FVOCI securities | **30** | 38 | **#** | 1 |
| | **125** | 113 | **1,481** | 1,049 |

## 7. Net Trading Income

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Foreign exchange [1] | **761** | 389 | **308** | 52 |
| Hedging activities [2] | | | | |
| Hedging instruments | **65** | (145) | **(52)** | (232) |
| Hedged items | **(61)** | 145 | **56** | 231 |
| Net gain/(loss) from fair value hedge ineffectiveness | **4** | (#) | **4** | (1) |
| Net gain from interest rate and other derivative financial instruments [3] | **259** | 341 | **127** | 202 |
| Net (loss)/gain from non-derivative financial instruments [4] | **(191)** | 45 | **(104)** | 8 |
| Others | **1** | (12) | **1** | (12) |
| | **834** | 763 | **336** | 249 |

(1) "Foreign exchange" include gains and losses from spot and forward contracts and translation of foreign currency denominated assets and liabilities.
(2) "Hedging activities" arise from the use of derivatives to hedge exposures to interest rate and foreign exchange risks, which are inherent in the underlying "Hedged items".
(3) "Interest rate and other derivatives" include gains and losses from interest rate derivative instruments, equity options and other derivative instruments.
(4) "Non-derivative financial instruments" include trading gains and losses from fair value financial instruments which are either designated at initial recognition or mandatorily measured at FVTPL.

## 8. Other Income

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Disposal of investment securities | **(206)** | 92 | **(149)** | 34 |
| Disposal of plant and equipment | **(1)** | (1) | **(1)** | (1) |
| Disposal of properties | **100** | 108 | **25** | 29 |
| Rental and property-related income | **78** | 66 | **55** | 33 |
| Others | **17** | 21 | **72** | 48 |
| | **(12)** | 286 | **2** | 143 |

# 9. Staff Costs and Other Operating Expenses

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| 9.1 | **Staff costs** (1) | | | | |
| | Salaries and other costs | **2,909** | 2,723 | **1,031** | 974 |
| | Share-based expenses | **79** | 72 | **28** | 26 |
| | Contribution to defined contribution plans | **236** | 223 | **88** | 85 |
| | | **3,224** | 3,018 | **1,147** | 1,085 |
| | Directors' emoluments: | | | | |
| | Remuneration of Bank's directors | **2** | 4 | **2** | 4 |
| | Fees of Bank's directors (2) | **7** | 6 | **5** | 4 |
| | | **9** | 10 | **7** | 8 |
| | Total staff costs | **3,233** | 3,028 | **1,154** | 1,093 |
| | | | | | |
| 9.2 | **Other operating expenses** | | | | |
| | Property and equipment: (3) | | | | |
| | Depreciation | **426** | 412 | **201** | 190 |
| | Maintenance and rental (4) | **163** | 152 | **104** | 97 |
| | Others (5) | **330** | 304 | **201** | 178 |
| | | **919** | 868 | **506** | 465 |
| | Auditors' remuneration: | | | | |
| | Payable to auditor of the Bank | **7** | 6 | **3** | 3 |
| | Payable to associated firms of auditor of the Bank | **4** | 4 | **1** | # |
| | Payable to other auditors | **#** | # | **#** | # |
| | | **11** | 10 | **4** | 3 |
| | Other fees: | | | | |
| | Payable to auditor of the Bank (6) | **3** | 2 | **2** | # |
| | Payable to associated firms of auditor of the Bank | **1** | 1 | **#** | 1 |
| | | **4** | 3 | **2** | 1 |
| | | | | | |
| | Hub processing charges | **–** | – | **326** | 287 |
| | General insurance claims | **119** | 98 | **–** | – |
| | Others (7) | **740** | 757 | **400** | 375 |
| | | **859** | 855 | **726** | 662 |
| | | | | | |
| | Total other operating expenses | **1,793** | 1,736 | **1,238** | 1,131 |
| | | | | | |
| 9.3 | **Staff costs and other operating expenses** | **5,026** | 4,764 | **2,392** | 2,224 |

(1) Grants provided by governments to provide wage support to employers due to the COVID-19 pandemic are recognised as a reduction in staff costs.

(2) Includes remuneration shares amounting to $1 million (2021: $1 million) issued to directors.

(3) Direct operating expenses on investment property that generated rental income for the Group and the Bank amounted to $18 million and $5 million (2021: $18 million and $6 million) respectively. Direct operating expenses on investment property that did not generate rental income for the Group and the Bank amounted to $2 million and $# million (2021: $3 million and $2 million) respectively.

(4) Includes expenses relating to short-term leases of $11 million and $5 million for the Group and the Bank (2021: $11 million and $5 million) respectively, and low-value assets of $4 million and $1 million (2021: $5 million and $1 million) for the Group and the Bank respectively.

(5) Property tax rebates received from government are recognised as a reduction in property and equipment expense.

(6) Other fees payable to auditor of the Bank relate mainly to engagements in connection with the Bank's note issuances, taxation compliance and advisory services, miscellaneous attestations and audit certifications.

(7) Included in other expenses were printing, stationery, communication, advertisement and promotion expenses and legal and professional fees.

## 10. Allowances for Loans and Other Assets

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Allowances/(write-back): | | | | |
| Impaired loans (Note 28) | **136** | 852 | **40** | 354 |
| Impaired other assets | **80** | 3 | **1** | 3 |
| Non-impaired loans | **369** | 15 | **169** | 81 |
| Non-impaired other assets | **(1)** | 3 | **#** | 4 |
| Allowances for loans and other assets | **584** | 873 | **210** | 442 |

## 11. Income Tax Expense

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Current tax expense | **1,144** | 883 | **533** | 386 |
| Deferred tax credit (Note 20) | **(52)** | (173) | **(24)** | (106) |
| | **1,092** | 710 | **509** | 280 |
| Over provision in prior years | **(35)** | (62) | **(6)** | (51) |
| Charge to income statements | **1,057** | 648 | **503** | 229 |

The tax on operating profit differs from the amount that would arise using the Singapore corporate tax rate as follows:

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Operating profit after allowances and amortisation | **5,961** | 4,856 | **4,648** | 2,955 |
| | | | | |
| Prima facie tax calculated at tax rate of 17% | **1,013** | 826 | **790** | 502 |
| Effect of: | | | | |
| Different tax rates in other countries | **190** | 103 | **43** | 22 |
| Income not subject to tax | **(12)** | (35) | **(219)** | (176) |
| Income taxed at concessionary rates | **(135)** | (94) | **(126)** | (80) |
| Singapore life insurance funds | **(51)** | (89) | **–** | – |
| Non-deductible expenses and losses | **17** | (19) | **#** | (8) |
| Others | **70** | 18 | **21** | 20 |
| | **1,092** | 710 | **509** | 280 |
| | | | | |
| The deferred tax credit comprised: | | | | |
| Accelerated tax depreciation | **3** | 7 | **(2)** | 7 |
| Depreciable assets acquired in business combinations | **(10)** | (11) | **(1)** | (2) |
| Tax losses | **(29)** | 1 | **(7)** | – |
| Unrealised losses on financial assets | **(9)** | (18) | **(4)** | (7) |
| Allowances for assets | **(53)** | (146) | **(24)** | (101) |
| Other temporary differences | **46** | (6) | **14** | (3) |
| | **(52)** | (173) | **(24)** | (106) |

## 12. Earnings Per Share

| | GROUP | |
|---|---|---|
| | 2022<br>$ million | 2021<br>$ million |
| Profit attributable to equity holders of the Bank | **5,748** | 4,858 |
| Perpetual capital securities distributions declared in respect of the period | **(56)** | (46) |
| Profit attributable to ordinary equity holders of the Bank after other equity distributions | **5,692** | 4,812 |
| | | |
| **Weighted average number of ordinary shares (million)** | | |
| For basic earnings per share | **4,494** | 4,489 |
| Adjustment for assumed conversion of share options and acquisition rights | **3** | 5 |
| For diluted earnings per share | **4,497** | 4,494 |
| | | |
| **Earnings per share ($)** | | |
| Basic | **1.27** | 1.07 |
| Diluted | **1.27** | 1.07 |

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Bank net of preference dividends and perpetual capital securities distributions by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from share options and acquisition rights, with the potential ordinary shares weighted for the period outstanding.

# 13. Share Capital

## 13.1 Share Capital

| GROUP AND BANK | 2022 Shares (million) | 2021 Shares (million) |
|---|---|---|
| **Ordinary shares** | | |
| At 1 January | **4,515** | 4,476 |
| Shares issued in lieu of ordinary dividends | **–** | 32 |
| Shares issued to non-executive directors | **#** | # |
| Deferred Share Plan | **–** | 7 |
| Share Option Scheme | **–** | # |
| At 31 December | **4,515** | 4,515 |
| | | |
| **Treasury shares** | | |
| At 1 January | **(23)** | (2) |
| Share buyback | **(21)** | (34) |
| Share Option Scheme | **6** | 7 |
| Share Purchase Plan | **10** | 6 |
| Treasury shares transferred to DSP Trust | **8** | – |
| At 31 December | **(20)** | (23) |

| GROUP AND BANK | 2022 $ million | 2021 $ million |
|---|---|---|
| **Issued share capital, at 31 December** | **18,048** | 18,040 |

(1) # represents less than 500,000 shares.

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Bank. All shares (excluding treasury shares) rank equally with regard to the Bank's residual assets.

The issued ordinary shares have no par value and qualify as Common Equity Tier 1 capital for the Group.

All issued shares were fully paid.

Subsidiaries and associates of the Group did not hold shares in the capital of the Bank as at 31 December 2022 and 31 December 2021.

## 13.2 Share Option Scheme

Executives of the Group ranked Manager and above and non-executive directors of the Group are eligible to participate in the OCBC Share Option Scheme 2001 (2001 Scheme). The Bank has ceased granting share options under the 2001 Scheme effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by the recipients. Options granted to Group executives are exercisable for up to 10 years, while options granted to non-executive Directors are exercisable for up to five years.

For the financial years ended 31 December 2022 and 31 December 2021, no options were granted under the 2001 Scheme.

## 13. Share Capital (continued)

### 13.2 Share Option Scheme (continued)

Movements in the number of shares under options and the average acquisition prices are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of shares under options ('000) | Average price | Number of shares under options ('000) | Average price |
| At 1 January | **25,111** | **$10.450** | 32,914 | $10.239 |
| Exercised | **(6,542)** | **$9.520** | (7,364) | $9.367 |
| Forfeited/lapsed | **(192)** | **$12.585** | (439) | $12.753 |
| At 31 December | **18,377** | **$10.760** | 25,111 | $10.450 |
| | | | | |
| Exercisable options at 31 December | **18,377** | **$10.760** | 25,111 | $10.450 |
| Average share price underlying the options exercised | | **$12.245** | | $11.841 |

At 31 December 2022, the weighted average remaining contractual life of outstanding share options was 3.5 years (2021: 4.2 years). The aggregate number of shares under outstanding options held by a director of the Bank was 310,824 (2021: nil).

### 13.3 Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan (ESP Plan) was implemented for all employees of the participating companies in the Group, including executive Directors.

The ESP Plan is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll and/or from Central Provident Fund. The employees have the option to convert the contributions to ordinary shares after one year or to withdraw the contributions at any time. As a further incentive to employees to enrol in the ESP Plan, the Bank pays interest on the amounts saved at a preferential interest rate. The duration of the offering period is 24 months.

In July 2022, the Bank launched its seventeenth 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 8,738,996 (2021: 8,469,427) ordinary shares in the Bank. For the financial years ended 31 December 2022 and 31 December 2021, no rights were granted to directors of the Bank to acquire ordinary shares in the Bank. The fair value of rights, determined using the binomial valuation model, was $7.9 million (2021: $10.8 million). Significant inputs to the valuation model are set out below:

| | 2022 | 2021 |
|---|---|---|
| Acquisition price ($) | **12.07** | 11.58 |
| Share price ($) | **12.24** | 12.42 |
| Expected volatility based on last 250 days historical volatility as of acceptance date (%) | **16.51** | 17.11 |
| Risk-free rate based on 2-year swap rate (%) | **2.45** | 0.35 |
| Expected dividend yield (%) | **4.05** | 4.00 |

# 13. Share Capital (continued)

## 13.3 Employee Share Purchase Plan (continued)

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of acquisition rights ('000) | Average price | Number of acquisition rights ('000) | Average price |
| At 1 January | **17,850** | **$10.147** | 18,090 | $9.761 |
| Exercised and conversion upon expiry | **(9,581)** | **$9.036** | (6,467) | $10.982 |
| Forfeited | **(2,100)** | **$11.129** | (2,242) | $10.039 |
| Subscription | **8,739** | **$12.070** | 8,469 | $11.580 |
| At 31 December | **14,908** | **$11.851** | 17,850 | $10.147 |
| | | | | |
| Average share price underlying acquisition rights exercised/converted | | **$11.986** | | $12.041 |

At 31 December 2022, the weighted average remaining contractual life of outstanding acquisition rights was 1.2 years (2021: 1.0 years). At 31 December 2022 and 31 December 2021, no acquisition rights were held by directors of the Bank.

## 13.4 Deferred Share Plan

The OCBC Deferred Share Plan (DSP) aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives with the sustained business performance of the Bank. Group executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration Committee, are eligible to participate in the DSP.

Half (50%) of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the DSP. Prior to the vesting date, the executives will not be accorded voting rights for the shares.

The Bank adopted the OCBC Deferred Share Plan 2021 (DSP 2021) on 29 April 2021 to replace the DSP, which was terminated on the same day. The termination of the DSP does not affect the awards which have been granted, whether such awards have been released (whether fully or partially) or not. By implementing the DSP 2021, which permits new ordinary shares to be issued, the Bank has greater flexibility in its methods for delivery of ordinary shares, as this can be effected through an issue of new ordinary shares, in addition to the transfer of existing ordinary shares (including treasury shares).

During the year, 9,734,401 (2021: 7,188,161) deferred shares were released to employees under the DSP. No deferred shares were released to directors of the Bank who held office at 31 December 2022 and 31 December 2021. At 31 December 2022 and 31 December 2021, no directors of the Bank had deemed interest in deferred shares.

Total awards of 9,232,761 (2021: 7,763,260) ordinary shares were granted and accepted by eligible executives under the DSP 2021 for the financial year ended 31 December 2022. No awards of ordinary shares were granted and accepted by directors of the Bank for the financial year ended 31 December 2022 and 31 December 2021. The fair value of the shares at grant date was $108.1 million (2021: $94.2 million).

The accounting treatment of share-based compensation plan is set out in Note 2.19.5.

## 14. Other Equity Instruments

| | Note | GROUP AND BANK 2022 $ million | 2021 $ million |
|---|---|---|---|
| SGD1,000 million 4.0% non-cumulative non-convertible perpetual capital securities (4.0% Capital Securities) | (a) | **998** | 998 |
| SGD200 million 3.0% non-cumulative non-convertible perpetual capital securities (3.0% Capital Securities) | (b) | **200** | 200 |
| SGD500 million 3.9% non-cumulative non-convertible perpetual capital securities (3.9% Capital Securities) | (c) | **498** | – |
| | | **1,696** | 1,198 |

(a) The 4.0% Capital Securities issued by the Bank on 24 August 2018 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 4.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank: (i) on 24 August 2023 (the First Reset Date) or any distribution payment date falling after the First Reset Date; (ii) upon the occurrence of a tax event; or (iii) if the 4.0% Capital Securities would no longer qualify as eligible capital. The terms of the 4.0% Capital Securities may also be varied, subject to MAS approval, so that the 4.0% Capital Securities remain as Additional Tier 1 capital of the Bank. If the Bank is determined by the MAS to be non-viable, the 4.0% Capital Securities will be written off in whole or in part.

The 4.0% Capital Securities pay distributions to holders semi-annually in arrear in February and August at a fixed rate of 4.0% per annum from the issue date to the First Reset Date. If the 4.0% Capital Securities are not redeemed on the First Reset Date, the distribution rate will be reset on the First Reset Date and each date falling every five years thereafter to a fixed rate per annum equal to the aggregate of the then-prevailing five-year SGD Swap Offer Rate and the initial spread of 1.811%. Distributions may be cancelled by the Bank at its sole discretion, subject to the provisions of the terms and conditions. The Bank is also not obliged to pay distributions to holders under certain circumstances. Any distributions which are not paid, in accordance with the terms and conditions of the 4.0% Capital Securities, are non-cumulative and will not compound. These constitute unsecured and subordinated obligations, ranking senior only to ordinary shares of the Bank.

(b) The 3.0% Capital Securities issued by the Bank on 30 September 2020 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 3.0% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on or after 30 September 2030 (First Reset Date), and each date falling every 10 years after the First Reset Date. The terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2030, the 3.0% Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The 3.0% Capital Securities bear a fixed distribution rate of 3.0% per annum from the issue date to the First Reset Date and will be reset every 10 years thereafter to a fixed rate equal to the then-prevailing 10-year SGD Swap Offer Rate plus 2.19%. The non-cumulative distributions may only be paid out of distributable reserves semi-annually in March and September, unless cancelled by the Bank at its option. These constitute unsecured and subordinated obligations, ranking senior only to ordinary shares of the Bank.

## 14. Other Equity Instruments (continued)

(c) The 3.9% Capital Securities issued by the Bank on 8 June 2022 are non-cumulative non-convertible perpetual capital securities. They qualify as Additional Tier 1 capital of the Bank under the requirements of MAS.

The 3.9% Capital Securities may, subject to MAS approval, be redeemed at the option of the Bank on 8 June 2027 (First Reset Date), or any distribution payment date falling after the First Reset Date. The terms include a non-viability loss-absorbing feature. Under this feature, OCBC must write off the securities when: (1) the MAS notifies the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable; or (2) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the MAS. The Bank will, in consultation with or as directed by MAS, determine the amount to be written off in order for the non-viability event to cease to continue. In addition to the first call in 2027, the 3.9% Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs.

The 3.9% Capital Securities bear a fixed distribution rate of 3.9% per annum from the issue date to the First Reset Date and will be reset every five years thereafter to a fixed rate equal to the then-prevailing five-year SORA-OIS rate plus 1.416%. 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. These constitute unsecured and subordinated obligations, ranking senior only to ordinary shares of the Bank.

## 15. Capital Reserves

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 $ million | 2021 $ million | 2022 $ million | 2021 $ million |
| At 1 January | **782** | 1,229 | **559** | 994 |
| Share-based payments for staff costs | **8** | 9 | **8** | 9 |
| Shares transferred to DSP Trust | **(113)** | (93) | **–** | – |
| Shares vested under DSP Scheme | **103** | 73 | **–** | – |
| Transfer from/(to) unappropriated profit (Note 16.1) | **19** | (423) | **–** | (431) |
| Transfer to share capital | **(7)** | (13) | **(7)** | (13) |
| At 31 December | **792** | 782 | **560** | 559 |

Capital reserves include regulatory loss allowance reserve and statutory reserves set aside by the Group's banking and stockbroking entities in accordance with the respective laws and regulations. Capital reserves also include the Bank's employee share schemes' reserves and deferred shares held by DSP Trust.

## 16. Revenue Reserves

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | Note | 2022 $ million | 2021 $ million | 2022 $ million | 2021 $ million |
| Unappropriated profit | 16.1 | **33,984** | 30,785 | **16,119** | 14,535 |
| General reserves | 16.2 | **1,355** | 1,349 | **1,406** | 1,400 |
| Cash flow hedge reserves | 16.3 | **(3)** | (1) | **(28)** | (7) |
| Currency translation reserves | 16.4 | **(1,778)** | (336) | **(210)** | (101) |
| Own credit reserves | | **(1)** | (2) | **(1)** | (2) |
| At 31 December | | **33,557** | 31,795 | **17,286** | 15,825 |

## 16. Revenue Reserves (continued)

### 16.1 Unappropriated Profit

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| Profit attributable to equity holders of the Bank | **5,748** | 4,858 | **4,145** | 2,726 |
| | | | | |
| Add: | | | | |
| Unappropriated profit at 1 January | **30,785** | 27,321 | **14,535** | 13,235 |
| Total amount available for appropriation | **36,533** | 32,179 | **18,680** | 15,961 |
| | | | | |
| Appropriated as follows: | | | | |
| Ordinary dividends: | | | | |
| Final tax-exempt dividend of 28 cents paid for the previous financial year (2021: tax-exempt dividend of 15.9 cents) | **(1,260)** | (712) | **(1,260)** | (712) |
| Interim tax-exempt dividend of 28 cents paid for the current financial year (2021: tax-exempt dividend of 25 cents) | **(1,260)** | (1,128) | **(1,260)** | (1,128) |
| | | | | |
| Distributions for other equity instruments: | | | | |
| 4.0% perpetual capital securities | **(40)** | (40) | **(40)** | (40) |
| 3.0% perpetual capital securities | **(6)** | (6) | **(6)** | (6) |
| 3.9% perpetual capital securities | **(10)** | – | **(10)** | – |
| | | | | |
| Transfer (to)/from: | | | | |
| Capital reserves (Note 15) | **(19)** | 423 | **–** | 431 |
| Fair value reserves | **37** | 64 | **8** | 23 |
| General reserves (Note 16.2) | **7** | 6 | **7** | 6 |
| | | | | |
| Others | **2** | (1) | **(#)** | – |
| | **(2,549)** | (1,394) | **(2,561)** | (1,426) |
| | | | | |
| At 31 December | **33,984** | 30,785 | **16,119** | 14,535 |

At the annual general meeting to be held, a final tax-exempt dividend of 40 cents per ordinary share in respect of the financial year ended 31 December 2022, totalling $1,798 million, will be proposed. The dividends will be accounted for as a distribution in the 2023 financial statements.

# 16. Revenue Reserves (continued)

## 16.2 General Reserves

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| At 1 January | **1,349** | 1,345 | **1,400** | 1,396 |
| DSP reserve from dividends on unvested shares | **13** | 10 | **13** | 10 |
| Transfer to unappropriated profit (Note 16.1) | **(7)** | (6) | **(7)** | (6) |
| At 31 December | **1,355** | 1,349 | **1,406** | 1,400 |

The general reserves have not been earmarked for any specific purpose, and include merger reserves arising from common control transactions, as well as dividends on unvested shares under the DSP.

## 16.3 Cash Flow Hedge Reserves

The cash flow hedge reserves comprise the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows. The cash flow hedges principally consist of interest rate contracts that are used to hedge against the variability in cash flows of certain floating rate liabilities.

## 16.4 Currency Translation Reserves

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| At 1 January | **(336)** | (658) | **(101)** | (67) |
| Movements for the year | **(1,471)** | 389 | **(111)** | (33) |
| Gain/(loss) from foreign currency net investment hedges | **29** | (67) | **2** | (1) |
| At 31 December | **(1,778)** | (336) | **(210)** | (101) |

Currency translation reserves comprise differences arising from the translation of the net assets of foreign operations and the effective portion of the hedge on exposure in foreign operations.

Refer to Note 38.3 Currency risk – Structural foreign exchange risk for management of structural foreign exchange risk.

# 17. Deposits and Balances of Non-Bank Customers and Banks

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| **Deposits of non-bank customers** | | | | |
| Current accounts | **112,245** | 138,077 | **65,250** | 72,297 |
| Savings deposits | **69,036** | 78,566 | **57,364** | 64,711 |
| Term deposits | **128,443** | 86,046 | **65,764** | 49,008 |
| Structured deposits | **4,972** | 5,292 | **1,693** | 2,605 |
| Certificates of deposit issued | **23,979** | 25,566 | **23,445** | 25,060 |
| Other deposits | **11,406** | 8,848 | **9,794** | 7,532 |
| | **350,081** | 342,395 | **223,310** | 221,213 |
| **Deposits and balances of banks** | **10,046** | 8,239 | **7,691** | 6,708 |
| | **360,127** | 350,634 | **231,001** | 227,921 |

## 18. Derivative Financial Instruments

The derivative financial instruments shown in the following tables are held for both trading and hedging purposes. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at the reporting date are analysed below.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| GROUP ($ million) | Principal notional amount | Derivative receivables | Derivative payables | Principal notional amount | Derivative receivables | Derivative payables |
| **Foreign exchange derivatives (FED)** | | | | | | |
| Forwards | **45,985** | **473** | **512** | 46,848 | 344 | 339 |
| Swaps | **437,131** | **5,734** | **6,076** | 433,075 | 3,359 | 3,071 |
| OTC options | **66,376** | **495** | **476** | 72,241 | 241 | 240 |
| Exchange traded futures | **–** | **–** | **–** | 27 | # | – |
| | **549,492** | **6,702** | **7,064** | 552,191 | 3,944 | 3,650 |
| **Interest rate derivatives (IRD)** | | | | | | |
| Swaps | **506,660** | **8,110** | **8,069** | 450,397 | 4,231 | 4,342 |
| OTC options | **12,276** | **62** | **72** | 4,243 | 24 | 28 |
| Exchange traded options | **67** | **1** | **–** | – | – | – |
| Exchange traded futures | **12,499** | **10** | **1** | 8,625 | 1 | 2 |
| | **531,502** | **8,183** | **8,142** | 463,265 | 4,256 | 4,372 |
| **Equity derivatives** | | | | | | |
| Swaps | **3,688** | **369** | **508** | 5,685 | 443 | 470 |
| OTC options | **5,339** | **231** | **200** | 10,945 | 543 | 498 |
| Exchange traded futures | **216** | **1** | **1** | 286 | # | # |
| Others | **103** | **#** | **7** | – | – | – |
| | **9,346** | **601** | **716** | 16,916 | 986 | 968 |
| **Credit derivatives** | | | | | | |
| Swaps – protection buyer | **3,993** | **6** | **37** | 1,552 | 3 | 20 |
| Swaps – protection seller | **3,310** | **30** | **6** | 1,171 | 19 | 3 |
| | **7,303** | **36** | **43** | 2,723 | 22 | 23 |
| **Other derivatives** | | | | | | |
| Precious metals | **741** | **9** | **9** | 800 | 7 | 8 |
| OTC options | **8,544** | **74** | **74** | 8,399 | 50 | 47 |
| Commodity swaps | **3** | **#** | **#** | 20 | 2 | 2 |
| | **9,288** | **83** | **83** | 9,219 | 59 | 57 |
| | | | | | | |
| **Total** | **1,106,931** | **15,605** | **16,048** | 1,044,314 | 9,267 | 9,070 |
| | | | | | | |
| **Included items designated for hedges:** | | | | | | |
| Fair value/cash flow hedge – FED | **2,735** | **80** | **73** | 2,415 | 32 | 77 |
| Fair value/cash flow hedge – IRD | **15,596** | **203** | **277** | 10,215 | 90 | 87 |
| Hedge of net investments – FED | **1,430** | **–** | **238** | 3,642 | 49 | 180 |
| | **19,761** | **283** | **588** | 16,272 | 171 | 344 |

For the fair value hedges, the carrying amount at 31 December 2022 relating to the assets and liabilities designated as hedged items were $9,563 million and $8,601 million (2021: $6,550 million and $6,169 million) respectively. The hedged items were mainly fixed-rate debt securities held (financial assets) and debt securities issued (financial liabilities).

For the cash flow hedges, the carrying amount at 31 December 2022 relating to the assets and liabilities designated as hedged items were $nil (2021: $2,379 million and $2,186 million respectively). The hedged items were mainly bonds, variable rate loans (financial assets) and deposits (financial liabilities) at 31 December 2021.

## 18. Derivative Financial Instruments (continued)

| BANK ($ million) | 2022 Principal notional amount | 2022 Derivative receivables | 2022 Derivative payables | 2021 Principal notional amount | 2021 Derivative receivables | 2021 Derivative payables |
|---|---|---|---|---|---|---|
| **Foreign exchange derivatives (FED)** | | | | | | |
| Forwards | **30,624** | **294** | **361** | 27,759 | 176 | 163 |
| Swaps | **362,328** | **4,482** | **4,813** | 377,160 | 2,772 | 2,583 |
| OTC options | **63,795** | **472** | **463** | 50,077 | 163 | 162 |
| Exchange traded futures | **–** | **–** | **–** | 27 | # | – |
| | **456,747** | **5,248** | **5,637** | 455,023 | 3,111 | 2,908 |
| **Interest rate derivatives (IRD)** | | | | | | |
| Swaps | **375,121** | **7,754** | **7,795** | 330,104 | 3,878 | 3,954 |
| OTC options | **11,431** | **63** | **72** | 3,597 | 25 | 28 |
| Exchange traded options | **67** | **1** | **–** | – | – | – |
| Exchange traded futures | **11,807** | **9** | **#** | 8,247 | # | 1 |
| | **398,426** | **7,827** | **7,867** | 341,948 | 3,903 | 3,983 |
| **Equity derivatives** | | | | | | |
| Swaps | **3,581** | **366** | **501** | 5,233 | 406 | 434 |
| OTC options | **4,708** | **192** | **170** | 8,250 | 345 | 282 |
| Exchange traded futures | **176** | **#** | **1** | 265 | # | # |
| Others | **103** | **#** | **7** | – | – | – |
| | **8,568** | **558** | **679** | 13,748 | 751 | 716 |
| **Credit derivatives** | | | | | | |
| Swaps – protection buyer | **3,779** | **5** | **37** | 1,440 | # | 20 |
| Swaps – protection seller | **3,106** | **30** | **5** | 1,060 | 19 | – |
| | **6,885** | **35** | **42** | 2,500 | 19 | 20 |
| **Other derivatives** | | | | | | |
| Precious metals | **79** | **1** | **2** | 121 | 1 | 2 |
| OTC options | **8,372** | **73** | **73** | 6,686 | 27 | 27 |
| | **8,451** | **74** | **75** | 6,807 | 28 | 29 |
| | | | | | | |
| **Total** | **879,077** | **13,742** | **14,300** | 820,026 | 7,812 | 7,656 |
| | | | | | | |
| **Included items designated for hedges:** | | | | | | |
| Fair value/cash flow hedge – FED | **3,254** | **64** | **257** | 4,873 | 68 | 229 |
| Fair value hedge – IRD | **9,874** | **107** | **251** | 5,529 | 78 | 45 |
| Hedge of net investments – FED | **174** | **–** | **29** | 770 | 2 | 19 |
| | **13,302** | **171** | **537** | 11,172 | 148 | 293 |

## 19. Other Liabilities

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| Bills payable | **473** | 490 | **400** | 337 |
| Interest payable | **1,121** | 328 | **726** | 193 |
| Lease liabilities | **216** | 228 | **70** | 49 |
| Precious metal liabilities | **1,281** | 1,363 | **21** | 23 |
| Sundry creditors | **3,606** | 3,138 | **862** | 659 |
| Others | **1,828** | 1,616 | **765** | 645 |
| | **8,525** | 7,163 | **2,844** | 1,906 |

At 31 December 2022, reinsurance liabilities included in "Others" amounted to $116 million (2021: $108 million) for the Group.

## 20. Deferred Tax

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| At 1 January | **2,552** | 1,685 | **66** | 182 |
| Currency translation and others | **14** | 2 | **6** | 1 |
| Net credit to income statements (Note 11) | **(52)** | (173) | **(24)** | (106) |
| (Over)/under provision in prior years | **(1)** | 2 | **–** | 1 |
| Net credit to equity | **(294)** | (87) | **(27)** | (12) |
| Net change in life insurance fund tax | **(395)** | 1,123 | **–** | – |
| At 31 December | **1,824** | 2,552 | **21** | 66 |

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

## 20. Deferred Tax (continued)

The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheets:

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| **Deferred tax liabilities** | | | | |
| Accelerated tax depreciation | **123** | 114 | **71** | 73 |
| Unrealised gains on investments | **26** | 216 | **–** | # |
| Depreciable assets acquired in business combination | **110** | 121 | **34** | 36 |
| Provision for policy liabilities | **1,898** | 2,244 | **–** | – |
| Regulatory loss allowance reserve | **63** | 62 | **63** | 62 |
| Others | **199** | 197 | **4** | 2 |
| | **2,419** | 2,954 | **172** | 173 |
| Amount offset against deferred tax assets | **(158)** | (122) | **(47)** | (19) |
| | **2,261** | 2,832 | **125** | 154 |
| | | | | |
| **Deferred tax assets** | | | | |
| Allowances for impairment of assets | **(281)** | (254) | **(85)** | (64) |
| Tax losses | **(34)** | (8) | **(13)** | (6) |
| Unrealised losses on financial assets | **(179)** | (16) | **(38)** | (8) |
| Others | **(101)** | (124) | **(15)** | (29) |
| | **(595)** | (402) | **(151)** | (107) |
| Amount offset against deferred tax liabilities | **158** | 122 | **47** | 19 |
| | **(437)** | (280) | **(104)** | (88) |
| | | | | |
| **Net deferred tax liabilities** | **1,824** | 2,552 | **21** | 66 |

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2022, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to $63 million (2021: $68 million) for the Group, $6 million (2021: nil) for the Bank. These tax losses have no expiry date except for an amount of $61 million (2021: $57 million) which will expire between the years 2023 and 2030 (2021: years 2022 and 2029).

## 21. Debt Issued

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | Note | $ million | $ million | $ million | $ million |
| **Unsecured** | | | | | |
| Subordinated debt | 21.1 | **3,484** | 2,730 | **3,484** | 2,730 |
| Fixed and floating rate notes | 21.2 | **3,202** | 2,771 | **2,558** | 2,313 |
| Commercial paper | 21.3 | **10,759** | 8,668 | **10,759** | 8,668 |
| Structured notes | 21.4 | **2,713** | 2,425 | **2,713** | 2,425 |
| | | **20,158** | 16,594 | **19,514** | 16,136 |
| **Secured** | | | | | |
| Covered bonds | 21.5 | **1,780** | 3,521 | **1,780** | 3,521 |
| | | | | | |
| **Total debt issued** | | **21,938** | 20,115 | **21,294** | 19,657 |

### 21.1 Subordinated Debt

| | | | | GROUP | |
|---|---|---|---|---|---|
| | | | | 2022 | 2021 |
| | Note | Issue date | Maturity date | $ million | $ million |
| **Issued by the Bank:** | | | | | |
| USD1 billion 4.25% notes | (a) | 19 Jun 2014 | 19 Jun 2024 | **1,298** | 1,402 |
| USD1 billion 1.832% notes | (b) | 10 Sep 2020 | 10 Sep 2030 | **1,220** | 1,328 |
| USD0.75 billion 4.602% notes | (c) | 15 Jun 2022 | 15 Jun 2032 | **966** | – |
| **Total subordinated debt** | | | | **3,484** | 2,730 |

(a) The subordinated notes can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 19 June and 19 December each year at 4.25% per annum. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying amount. The subordinated notes qualify as Tier 2 capital for the Group.

(b) The subordinated notes are redeemable in whole at the option of the Bank on 10 September 2025. They can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 10 March and 10 September each year at 1.832% per annum up to 10 September 2025, and thereafter at a fixed rate per annum equal to the then prevailing 5-year U.S. Treasury Rate plus 1.58% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying amount. The subordinated notes qualify as Tier 2 capital for the Group.

(c) The subordinated notes are redeemable in whole at the option of the Bank on 15 June 2027. They can be written off in whole or in part if the MAS determines that the Bank would become non-viable. Interest is payable semi-annually on 15 June and 15 December each year at 4.602% per annum up to 15 June 2027, and thereafter at a fixed rate per annum equal to the then prevailing 5-year U.S. Treasury Rate plus 1.575% if the redemption option is not exercised. The Bank had entered into interest rate swaps to manage the risk of the subordinated notes and the cumulative fair value change of the risk hedged is included in the carrying amount. The subordinated notes qualify as Tier 2 capital for the Group.

# 21. Debt Issued (continued)

## 21.2 Fixed and Floating Rate Notes

| | Note | Issue date | Maturity date | GROUP 2022 $ million | 2021 $ million |
|---|---|---|---|---|---|
| **Issued by the Bank:** | | | | | |
| AUD250 million fixed rate notes | (a) | 20 Jan 2022 | 20 Jan 2023 | **228** | – |
| AUD700 million floating rate notes | (b) | 23 May 2019 – 15 Jan 2020 | 23 May 2022 | **–** | 686 |
| AUD500 million floating rate notes | (b) | 5 Dec 2019 | 5 Dec 2022 | **–** | 490 |
| AUD200 million floating rate notes | (c) | 4 Sep 2020 | 4 Sep 2023 | **182** | 196 |
| AUD460 million floating rate notes | (c) | 18 Mar 2021 – 25 Mar 2021 | 18 Mar 2024 | **419** | 451 |
| AUD500 million floating rate notes | (c) | 12 Aug 2021 | 12 Aug 2024 | **455** | 490 |
| AUD700 million floating rate notes | (c) | 14 Apr 2022 | 14 Apr 2025 | **637** | – |
| AUD500 million floating rate notes | (c) | 11 Aug 2022 | 11 Aug 2025 | **455** | – |
| AUD200 million floating rate notes | (c) | 19 Aug 2022 – 30 Aug 2022 | 20 Nov 2023 | **182** | – |
| | | | | **2,558** | 2,313 |
| **Issued by Pac Lease Berhad:** | | | | | |
| MYR50 million 3.45% fixed rate notes | (b) | 6 Mar 2020 | 7 Mar 2022 | **–** | 16 |
| MYR50 million 3.00% fixed rate notes | (b) | 22 Dec 2020 | 22 Jun 2022 | **–** | 16 |
| MYR50 million 3.20% fixed rate notes | (d) | 30 Jul 2021 | 2 Aug 2023 | **15** | 16 |
| MYR30 million 3.28% fixed rate notes | (d) | 13 Aug 2021 | 14 Feb 2024 | **9** | 10 |
| MYR80 million 3.48% fixed rate notes | (d) | 17 Dec 2021 | 18 Jun 2024 | **25** | 26 |
| MYR50 million 4.05% fixed rate notes | (d) | 28 Jun 2022 | 10 Jan 2024 | **15** | – |
| | | | | **64** | 84 |
| **Issued by OCBC Wing Hang Bank (China) Limited:** | | | | | |
| CNY730 million 3.50% fixed rate bonds | (e) | 24 May 2021 | 24 May 2024 | **142** | 157 |
| CNY1.02 billion 3.32% fixed rate bonds | (e) | 22 Nov 2021 | 22 Nov 2024 | **198** | 217 |
| CNY750 million 2.99% fixed rate bonds | (e) | 30 May 2022 | 30 May 2025 | **144** | – |
| CNY500 million 3.24% fixed rate bonds | (e) | 17 Nov 2022 | 17 Nov 2025 | **96** | – |
| | | | | **580** | 374 |
| **Total fixed and floating rate notes** | | | | **3,202** | 2,771 |

(a) Interest is payable quarterly at 0.705% per annum.

(b) The notes and bonds were fully redeemed on their respective maturity dates.

(c) Interest is payable quarterly at the 3-month Bank Bill Swap reference rate plus 0.26% to 0.82% per annum.

(d) Interest is payable semi-annually.

(e) Interest is payable annually.

# 21. Debt Issued (continued)

## 21.3 Commercial Paper

| | GROUP | |
|---|---|---|
| | 2022 | 2021 |
| | $ million | $ million |
| Issued by the Bank | **10,759** | 8,668 |

The Bank issued the commercial paper under its USD10 billion ECP programme and USD25 billion USCP programme. The notes outstanding as at 31 December 2022 (2021: 31 December 2021) were issued between 9 February 2022 (2021: 14 April 2021) and 12 December 2022 (2021: 10 November 2021), and mature between 3 January 2023 (2021: 3 January 2022) and 22 May 2023 (2021: 23 September 2022). The commercial papers are zero-coupon papers, or floating coupon rate papers pegged to monthly or quarterly market rates.

## 21.4 Structured Notes

| | | | GROUP | |
|---|---|---|---|---|
| | | | 2022 | 2021 |
| | Issue date | Maturity date | $ million | $ million |
| **Issued by the Bank:** | | | | |
| Credit linked notes | 1 Oct 2012 – 30 Dec 2022 | 17 Jan 2023 – 9 Dec 2027 | **912** | 986 |
| Fixed rate notes | 9 Oct 2012 – 27 Dec 2012 | 9 Oct 2037 – 28 Dec 2037 | **107** | 108 |
| Bond linked notes | 12 Oct 2016 – 27 Dec 2022 | 20 Dec 2022 – 24 May 2027 | **130** | 109 |
| Index linked notes | Not applicable | Not applicable | **–** | 2 |
| Fund linked notes | 27 Sep 2018 – 11 Nov 2022 | 30 Mar 2023 – 20 Mar 2029 | **71** | 49 |
| Participation notes | 14 Jun 2019 – 29 Dec 2022 | 17 Jan 2023 – 7 Jul 2028 | **1,491** | 1,171 |
| Equity linked notes | 6 Sep 2022 – 19 Dec 2022 | 16 Mar 2023 – 22 Dec 2023 | **2** | – |
| | | | **2,713** | 2,425 |

The structured notes were issued by the Bank under its Structured Note and Global Medium Term Notes Programmes and were measured at amortised cost, except for $909 million (2021: $983 million) included under credit linked notes and $131 million (2021: $109 million) included under bond linked notes as at 31 December 2022 which were measured at fair value through profit or loss.

In accordance with SFRS(I) 9, to the extent that the underlying economic characteristics and risks of the embedded derivatives were not closely related to the economic characteristics and risks of the host contract, and where such embedded derivatives would meet the definition of a derivative, the Group bifurcated such embedded derivatives and recognised these separately from the host contracts. The bifurcated embedded derivatives were fair valued through profit or loss, and were included as part of the Group's derivatives in the financial statements.

# 21. Debt Issued (continued)

## 21.5 Covered Bonds

| | Issue date | Maturity date | GROUP 2022 $ million | GROUP 2021 $ million |
|---|---|---|---|---|
| **Issued by the Bank:** | | | | |
| EUR1 billion 0.25% fixed rate bonds | 21 Mar 2017 – 5 Oct 2017 | 21 Mar 2022 – 5 Oct 2022 | **–** | 1,531 |
| EUR500 million 0.375% fixed rate bonds | 1 Mar 2018 | 1 Mar 2023 | **712** | 767 |
| EUR500 million 0.625% fixed rate bonds | 18 Apr 2018 | 18 Apr 2025 | **663** | 767 |
| GBP250 million floating rate bonds | 14 Mar 2018 | 14 Mar 2023 | **405** | 456 |
| | | | **1,780** | 3,521 |

The covered bonds were issued by the Bank under its USD10 billion Global Covered Bond Programme. The Covered Bond Guarantor, Red Sail Pte. Ltd., guarantees the payments of interest and principal. The guarantee is secured by a portfolio of Singapore housing loans transferred from OCBC Bank to Red Sail Pte. Ltd. (Note 46.2). Interest for the EUR and GBP covered bonds is payable annually and quarterly, respectively, and in arrear.

## 21.6 Reconciliation of Movements of Liabilities to Cash Flow Arising from Financing Activities

| GROUP ($ million) | Subordinated debt | Fixed and floating rate notes | Commercial paper | Structured notes | Covered bonds | Total |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 3,145 | 3,551 | 12,057 | 1,869 | 3,733 | 24,355 |
| Cash flows | (400) | (754) | (3,643) | 557 | – | (4,240) |
| Non-cash changes | | | | | | |
| Currency translation | 59 | (26) | 242 | (3) | 61 | 333 |
| Others | (74) | (#) | 12 | 2 | (273) | (333) |
| At 31 December 2021/1 January 2022 | **2,730** | **2,771** | **8,668** | **2,425** | **3,521** | **20,115** |
| Cash flows | **1,042** | **635** | **2,341** | **377** | **(1,456)** | **2,939** |
| Non-cash changes | | | | | | |
| Currency translation | **(52)** | **(204)** | **(290)** | **(73)** | **(118)** | **(737)** |
| Others | **(236)** | **(#)** | **40** | **(16)** | **(167)** | **(379)** |
| At 31 December 2022 | **3,484** | **3,202** | **10,759** | **2,713** | **1,780** | **21,938** |

## 22. Life Insurance Fund Liabilities and Assets

| | GROUP | |
|---|---|---|
| | 2022<br>$ million | 2021<br>$ million |
| **Life insurance fund liabilities** | | |
| Movements in life insurance fund | | |
| At 1 January | **87,246** | 83,469 |
| Currency translation | **(1,429)** | (427) |
| Net change in life insurance contract liabilities | **(832)** | 4,204 |
| At 31 December | **84,985** | 87,246 |
| Policy benefits | **5,794** | 5,487 |
| Others | **4,167** | 3,573 |
| | **94,946** | 96,306 |
| **Life insurance fund investment securities and other assets** | | |
| Deposits with banks and financial institutions | **8,709** | 5,973 |
| Loans | **479** | 591 |
| Securities | **80,765** | 86,806 |
| Investment property | **1,881** | 1,884 |
| Others [1] | **6,161** | 4,842 |
| | **97,995** | 100,096 |
| **Life insurance fund balances included under the following balance sheet items:** | | |
| **Liabilities** | | |
| Current tax | **133** | 188 |
| Deferred tax | **1,906** | 2,467 |
| Other liabilities | **65** | 76 |
| | | |
| **Assets** | | |
| Cash and placements with central banks | **#** | # |
| Placements with and loans to banks | **2,136** | 2,228 |
| Property, plant and equipment and intangible assets | **654** | 681 |
| | | |
| **The following contracts were entered into under the life insurance fund:** | | |
| Capital commitment authorised and contracted | **162** | 149 |
| Derivative financial instruments (principal notional amount) | **34,316** | 36,740 |
| Derivative receivables | **723** | 356 |
| Derivative payables | **275** | 109 |
| Minimum lease payment receivable | **72** | 75 |

(1) Others mainly comprise interest receivable, deposits collected, prepayments, investment debtors and sundry debtors.

## 23. Cash and Placements with Central Banks

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Cash on hand | **778** | 633 | **422** | 330 |
| Non-restricted balances with central banks | **852** | 1,810 | **840** | 1,780 |
| Money market placements and reverse repos with central banks | **28,354** | 20,267 | **23,028** | 16,988 |
| **Cash and cash equivalents** | **29,984** | 22,710 | **24,290** | 19,098 |
| Restricted balances with central banks – mandatory reserve deposits | **4,983** | 5,211 | **3,523** | 3,767 |
| **Gross cash and placements with central banks** | **34,967** | 27,921 | **27,813** | 22,865 |
| Allowances for non-impaired placements with central banks | **(1)** | (2) | **(1)** | (2) |
| **Net cash and placements with central banks** | **34,966** | 27,919 | **27,812** | 22,863 |

## 24. Government Treasury Bills and Securities

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Singapore government treasury bills and securities | **17,096** | 11,112 | **15,889** | 10,106 |
| Other government treasury bills and securities | **22,271** | 26,159 | **8,165** | 9,710 |
| **Total government treasury bills and securities** | **39,367** | 37,271 | **24,054** | 19,816 |

## 25. Placements with and Loans to Banks

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Certificates of deposit held | **13,202** | 7,867 | **7,402** | 5,877 |
| Placements with and loans to banks | **12,551** | 14,440 | **9,062** | 10,845 |
| Market bills purchased | **1,223** | 732 | **1,223** | 732 |
| Reverse repos | **1,137** | 201 | **997** | 67 |
| **Balances with banks** | **28,113** | 23,240 | **18,684** | 17,521 |
| Bank balances of life insurance fund | **2,136** | 2,228 | **–** | – |
| **Placements with and loans to banks** | **30,249** | 25,468 | **18,684** | 17,521 |
| Allowances for non-impaired placements with and loans to banks | **(5)** | (6) | **(4)** | (5) |
| **Net placements with and loans to banks** | **30,244** | 25,462 | **18,680** | 17,516 |

## 26. Loans to Customers

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| **Gross loans** | **294,980** | 289,716 | **203,092** | 191,370 |
| **Allowances** | | | | |
| Impaired loans (Note 28) | **(1,308)** | (1,535) | **(583)** | (722) |
| Non-impaired loans (Note 30) | **(2,205)** | (1,900) | **(1,399)** | (1,247) |
| **Net loans** | **291,467** | 286,281 | **201,110** | 189,401 |

### 26.1 Analysed by Product

| | | | | |
|---|---|---|---|---|
| Overdrafts | **5,200** | 5,028 | **364** | 390 |
| Short-term and revolving loans | **63,162** | 66,748 | **34,345** | 32,703 |
| Syndicated and term loans | **127,867** | 119,632 | **103,346** | 94,273 |
| Housing and commercial property loans | **69,152** | 68,849 | **46,079** | 44,661 |
| Car, credit card and share margin loans | **4,551** | 4,614 | **3,159** | 3,174 |
| Bills receivable | **4,849** | 7,351 | **3,437** | 5,923 |
| Others | **20,199** | 17,494 | **12,362** | 10,246 |
| | **294,980** | 289,716 | **203,092** | 191,370 |

### 26.2 Analysed by Industry

| | | | | |
|---|---|---|---|---|
| Agriculture, mining and quarrying | **8,193** | 8,094 | **5,835** | 5,330 |
| Manufacturing | **15,052** | 15,642 | **7,548** | 8,383 |
| Building and construction | **89,299** | 81,375 | **73,765** | 66,198 |
| Housing loans | **62,015** | 61,733 | **44,065** | 42,812 |
| General commerce | **29,209** | 30,159 | **22,162** | 23,032 |
| Transport, storage and communication | **13,017** | 13,423 | **10,993** | 10,913 |
| Financial institutions, investment and holding companies | **24,387** | 25,365 | **7,144** | 6,854 |
| Professionals and individuals | **34,752** | 36,854 | **16,381** | 14,635 |
| Others | **19,056** | 17,071 | **15,199** | 13,213 |
| | **294,980** | 289,716 | **203,092** | 191,370 |

## 27. Non-Performing Assets

Non-performing assets (NPAs) comprise non-performing loans, debt securities and contingents that are classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612 (2021: MAS Notices 612 and 612A).

| $ million | Substandard | Doubtful | Loss | Total |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2022** | | | | |
| Classified loans | **1,543** | **1,282** | **558** | **3,383** |
| Classified debt securities | **–** | **–** | **–** | **–** |
| Classified contingents | **39** | **60** | **4** | **103** |
| Total classified assets | **1,582** | **1,342** | **562** | **3,486** |
| Allowances for impaired assets | **(218)** | **(863)** | **(229)** | **(1,310)** |
| Net classified assets | **1,364** | **479** | **333** | **2,176** |
| | | | | |
| **2021** | | | | |
| Classified loans | 2,351 | 1,331 | 533 | 4,215 |
| Classified debt securities | 4 | – | 2 | 6 |
| Classified contingents | 43 | 74 | # | 117 |
| Total classified assets | 2,398 | 1,405 | 535 | 4,338 |
| Allowances for impaired assets | (531) | (831) | (175) | (1,537) |
| Net classified assets | 1,867 | 574 | 360 | 2,801 |
| | | | | |
| **BANK** | | | | |
| **2022** | | | | |
| Classified loans | **337** | **749** | **83** | **1,169** |
| Classified debt securities | **–** | **–** | **–** | **–** |
| Classified contingents | **12** | **51** | **–** | **63** |
| Total classified assets | **349** | **800** | **83** | **1,232** |
| Allowances for impaired assets | **(38)** | **(540)** | **(5)** | **(583)** |
| Net classified assets | **311** | **260** | **78** | **649** |
| | | | | |
| **2021** | | | | |
| Classified loans | 494 | 917 | 99 | 1,510 |
| Classified debt securities | – | – | – | – |
| Classified contingents | 11 | 50 | – | 61 |
| Total classified assets | 505 | 967 | 99 | 1,571 |
| Allowances for impaired assets | (73) | (642) | (7) | (722) |
| Net classified assets | 432 | 325 | 92 | 849 |

## 27. Non-Performing Assets (continued)

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 $ million | 2021 $ million | 2022 $ million | 2021 $ million |
| **27.1 Analysed by Period Overdue** | | | | |
| Over 180 days | **968** | 927 | **364** | 386 |
| Over 90 days to 180 days | **396** | 145 | **106** | 48 |
| 30 days to 90 days | **296** | 179 | **52** | 55 |
| Less than 30 days | **383** | 1,018 | **20** | 189 |
| No overdue | **1,443** | 2,069 | **690** | 893 |
| | **3,486** | 4,338 | **1,232** | 1,571 |

| | GROUP 2022 $ million | GROUP 2021 $ million | BANK 2022 $ million | BANK 2021 $ million |
|---|---|---|---|---|
| **27.2 Analysed by Collateral Type** | | | | |
| Property | **1,628** | 2,031 | **171** | 269 |
| Fixed deposit | **16** | 16 | **11** | # |
| Stock and shares | **4** | 50 | **2** | 34 |
| Motor vehicles | **13** | 17 | **#** | # |
| Secured – Others | **598** | 421 | **410** | 345 |
| Unsecured – Corporate and other guarantees | **286** | 497 | **280** | 484 |
| Unsecured – Clean | **941** | 1,306 | **358** | 439 |
| | **3,486** | 4,338 | **1,232** | 1,571 |

| | GROUP 2022 $ million | GROUP 2021 $ million | BANK 2022 $ million | BANK 2021 $ million |
|---|---|---|---|---|
| **27.3 Analysed by Industry** | | | | |
| Agriculture, mining and quarrying | **56** | 96 | **36** | 41 |
| Manufacturing | **614** | 852 | **72** | 91 |
| Building and construction | **615** | 368 | **55** | 75 |
| Housing loans | **579** | 1,002 | **137** | 253 |
| General commerce | **434** | 637 | **86** | 148 |
| Transport, storage and communication | **403** | 501 | **377** | 448 |
| Financial institutions, investment and holding companies | **138** | 93 | **–** | – |
| Professionals and individuals | **128** | 179 | **31** | 43 |
| Others | **519** | 610 | **438** | 472 |
| | **3,486** | 4,338 | **1,232** | 1,571 |

# 27. Non-Performing Assets (continued)

## 27.4 Restructured/Renegotiated Loans

Non-performing restructured loans by loan classification and the related allowances are shown below. The restructured loans as a percentage of total non-performing loans were 26.0% (2021: 31.0%) and 22.4% (2021: 24.8%) for the Group and the Bank respectively.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount $ million | Allowance $ million | Amount $ million | Allowance $ million |
| **GROUP** | | | | |
| Substandard | **389** | **150** | 816 | 295 |
| Doubtful | **350** | **211** | 407 | 238 |
| Loss | **140** | **98** | 85 | 37 |
| | **879** | **459** | 1,308 | 570 |
| **BANK** | | | | |
| Substandard | **121** | **49** | 156 | 29 |
| Doubtful | **140** | **119** | 218 | 200 |
| Loss | **1** | **#** | 1 | # |
| | **262** | **168** | 375 | 229 |

# 28. Allowances for Impaired Loans to Customers

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 $ million | 2021 $ million | 2022 $ million | 2021 $ million |
| At 1 January | **1,535** | 1,812 | **722** | 1,393 |
| Currency translation | **(63)** | 44 | **(30)** | 26 |
| Net write-offs [1] | **(282)** | (1,153) | **(144)** | (1,042) |
| Net allowances (Note 10) | **136** | 852 | **40** | 354 |
| Interest recognition on impaired loans | **(28)** | (31) | **(13)** | (15) |
| Transfers | **10** | 11 | **8** | 6 |
| At 31 December (Note 26) | **1,308** | 1,535 | **583** | 722 |

(1) Comprise mainly bad debts written off for the Group and the Bank of $406 million and $201 million (2021: $1,267 million and $1,107 million) respectively, and bad debts recovered for the Group and Bank of $91 million and $58 million (2021: $85 million and $66 million) respectively.

## 28. Allowances for Impaired Loans to Customers (continued)

### Analysed by Industry

| | Cumulative allowances for impaired loans | | Net allowances for impaired loans charged/(write-back) to income statements | |
|---|---|---|---|---|
| | 2022 $ million | 2021 $ million | 2022 $ million | 2021 $ million |
| **GROUP** | | | | |
| Agriculture, mining and quarrying | **33** | 67 | **(17)** | (7) |
| Manufacturing | **277** | 283 | **59** | 138 |
| Building and construction | **104** | 136 | **56** | 116 |
| Housing loans | **95** | 155 | **(32)** | 110 |
| General commerce | **156** | 226 | **(9)** | 198 |
| Transport, storage and communication | **228** | 283 | **10** | (4) |
| Financial institutions, investment and holding companies | **104** | 31 | **73** | 1 |
| Professionals and individuals | **48** | 70 | **(13)** | 40 |
| Others | **263** | 284 | **9** | 260 |
| | **1,308** | 1,535 | **136** | 852 |
| **BANK** | | | | |
| Agriculture, mining and quarrying | **30** | 32 | **(18)** | (21) |
| Manufacturing | **18** | 35 | **(18)** | 24 |
| Building and construction | **9** | 44 | **32** | 35 |
| Housing loans | **1** | 5 | **(5)** | 1 |
| General commerce | **57** | 82 | **(2)** | 87 |
| Transport, storage and communication | **214** | 252 | **15** | (13) |
| Financial institutions, investment and holding companies | **–** | – | **–** | (#) |
| Professionals and individuals | **21** | 33 | **(4)** | 4 |
| Others | **233** | 239 | **40** | 237 |
| | **583** | 722 | **40** | 354 |

# 29. Debt and Equity Securities

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 $ million | 2021 $ million | 2022 $ million | 2021 $ million |
| Debt securities | **22,956** | 28,045 | **13,635** | 16,763 |
| Equity securities | **1,696** | 2,568 | **548** | 1,065 |
| Investment funds | **3,358** | 3,402 | **2,438** | 2,203 |
| Total securities | **28,010** | 34,015 | **16,621** | 20,031 |
| Allowances for non-impaired debt securities | **(#)** | (#) | **(#)** | (#) |
| | **28,010** | 34,015 | **16,621** | 20,031 |

## Debt Securities Analysis:

### 29.1 By Credit Ratings

| | | | | |
|---|---|---|---|---|
| Investment grade (AAA to BBB) | **15,640** | 18,983 | **10,306** | 12,718 |
| Non-investment grade (BB to C) | **28** | 66 | **28** | 66 |
| Non-rated | **7,288** | 8,996 | **3,301** | 3,979 |
| | **22,956** | 28,045 | **13,635** | 16,763 |

### 29.2 By Credit Quality

| | | | | |
|---|---|---|---|---|
| Pass | **22,954** | 28,038 | **13,635** | 16,763 |
| Special mention | **2** | 1 | **–** | – |
| Substandard | **–** | 4 | **–** | – |
| Doubtful | **–** | – | **–** | – |
| Loss | **–** | 2 | **–** | – |
| | **22,956** | 28,045 | **13,635** | 16,763 |

## Debt and Equity Securities Analysis:

### 29.3 By Industry

| | | | | |
|---|---|---|---|---|
| Agriculture, mining and quarrying | **309** | 538 | **219** | 284 |
| Manufacturing | **1,413** | 2,073 | **1,170** | 1,627 |
| Building and construction | **1,966** | 2,234 | **1,256** | 1,421 |
| General commerce | **658** | 733 | **327** | 395 |
| Transport, storage and communication | **1,665** | 2,421 | **1,047** | 1,447 |
| Financial institutions, investment and holding companies | **18,873** | 21,484 | **10,811** | 12,231 |
| Others | **3,126** | 4,532 | **1,791** | 2,626 |
| | **28,010** | 34,015 | **16,621** | 20,031 |

## 30. Allowances for Financial Assets

The following tables show reconciliations from the opening to the closing balance of expected credit loss (ECL).

| $ million | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **GROUP** | | | | |
| **At 1 January 2021** | 967 | 940 | 1,815 | 3,722 |
| Transfer to Stage 1 | 563 | (546) | (17) | – |
| Transfer to Stage 2 [1] | (617) | 665 | (48) | – |
| Transfer to Stage 3 | (3) | (206) | 209 | – |
| Remeasurement [2] | (554) | 592 | 687 | 725 |
| New financial assets originated or purchased [1] | 933 | – | – | 933 |
| Financial assets that have been derecognised | (387) | (436) | – | (823) |
| Changes in models [3] | (10) | 18 | – | 8 |
| Write-offs | – | – | (1,153) | (1,153) |
| Foreign exchange and other movements | 2 | 2 | 44 | 48 |
| **At 31 December 2021/1 January 2022** | **894** | **1,029** | **1,537** | **3,460** |
| Transfer to Stage 1 | **584** | **(561)** | **(23)** | **–** |
| Transfer to Stage 2 | **(520)** | **582** | **(62)** | **–** |
| Transfer to Stage 3 | **(1)** | **(113)** | **114** | **–** |
| Remeasurement [2] | **(408)** | **538** | **89** | **219** |
| New financial assets originated or purchased | **1,079** | **–** | **–** | **1,079** |
| Financial assets that have been derecognised | **(510)** | **(340)** | **–** | **(850)** |
| Changes in models [3] | **(1)** | **4** | **–** | **3** |
| Write-offs | **–** | **–** | **(282)** | **(282)** |
| Foreign exchange and other movements | **(10)** | **(20)** | **(63)** | **(93)** |
| **At 31 December 2022** | **1,107** | **1,119** | **1,310** | **3,536** |
| | | | | |
| **BANK** | | | | |
| **At 1 January 2021** | 717 | 460 | 1,393 | 2,570 |
| Transfer to Stage 1 | 371 | (358) | (13) | – |
| Transfer to Stage 2 [1] | (389) | 402 | (13) | – |
| Transfer to Stage 3 | (2) | (104) | 106 | – |
| Remeasurement [2] | (400) | 429 | 265 | 294 |
| New financial assets originated or purchased [1] | 620 | – | – | 620 |
| Financial assets that have been derecognised | (218) | (279) | – | (497) |
| Changes in models [3] | 3 | 2 | – | 5 |
| Write-offs | – | – | (1,042) | (1,042) |
| Foreign exchange and other movements | 3 | 3 | 26 | 32 |
| **At 31 December 2021/1 January 2022** | **705** | **555** | **722** | **1,982** |
| Transfer to Stage 1 | **378** | **(363)** | **(15)** | **–** |
| Transfer to Stage 2 | **(279)** | **307** | **(28)** | **–** |
| Transfer to Stage 3 | **(1)** | **(22)** | **23** | **–** |
| Remeasurement [2] | **(284)** | **267** | **55** | **38** |
| New financial assets originated or purchased | **640** | **–** | **–** | **640** |
| Financial assets that have been derecognised | **(267)** | **(208)** | **–** | **(475)** |
| Changes in models [3] | **–** | **–** | **–** | **–** |
| Write-offs | **–** | **–** | **(144)** | **(144)** |
| Foreign exchange and other movements | **(5)** | **(10)** | **(30)** | **(45)** |
| **At 31 December 2022** | **887** | **526** | **583** | **1,996** |

(1) Comparatives have been reclassified to conform to current year's presentation.
(2) Remeasurement includes the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.
(3) Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.

# 30. Allowances for Financial Assets (continued)

## Analysed by Main Class of Financial Instruments

### Loans to customers at amortised cost [1]

| $ million | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **GROUP** | | | | |
| **At 1 January 2021** | 954 | 936 | 1,812 | 3,702 |
| Transfer to Stage 1 | 562 | (545) | (17) | – |
| Transfer to Stage 2 [2] | (613) | 661 | (48) | – |
| Transfer to Stage 3 | (3) | (204) | 207 | – |
| Remeasurement [3] | (553) | 579 | 690 | 716 |
| New financial assets originated or purchased [2] | 913 | – | – | 913 |
| Financial assets that have been derecognised | (373) | (429) | – | (802) |
| Changes in models [4] | (8) | 18 | # | 10 |
| Write-offs | – | – | (1,153) | (1,153) |
| Foreign exchange and other movements | 2 | 3 | 44 | 49 |
| **At 31 December 2021/1 January 2022** | **881** | **1,019** | **1,535** | **3,435** |
| Transfer to Stage 1 | **582** | **(559)** | **(23)** | **–** |
| Transfer to Stage 2 | **(519)** | **581** | **(62)** | **–** |
| Transfer to Stage 3 | **(1)** | **(113)** | **114** | **–** |
| Remeasurement [3] | **(407)** | **537** | **89** | **219** |
| New financial assets originated or purchased | **1,063** | **–** | **–** | **1,063** |
| Financial assets that have been derecognised | **(495)** | **(337)** | **–** | **(832)** |
| Changes in models [4] | **(1)** | **4** | **–** | **3** |
| Write-offs | **–** | **–** | **(282)** | **(282)** |
| Foreign exchange and other movements | **(10)** | **(20)** | **(63)** | **(93)** |
| **At 31 December 2022** | **1,093** | **1,112** | **1,308** | **3,513** |
| | | | | |
| **BANK** | | | | |
| **At 1 January 2021** | 713 | 459 | 1,393 | 2,565 |
| Transfer to Stage 1 | 370 | (357) | (13) | – |
| Transfer to Stage 2 [2] | (385) | 398 | (13) | – |
| Transfer to Stage 3 | (2) | (104) | 106 | – |
| Remeasurement [3] | (400) | 426 | 265 | 291 |
| New financial assets originated or purchased [2] | 603 | – | – | 603 |
| Financial assets that have been derecognised | (208) | (277) | – | (485) |
| Changes in models [4] | 3 | 2 | – | 5 |
| Write-offs | – | – | (1,042) | (1,042) |
| Foreign exchange and other movements | 2 | 4 | 26 | 32 |
| **At 31 December 2021/1 January 2022** | **696** | **551** | **722** | **1,969** |
| Transfer to Stage 1 | **377** | **(362)** | **(15)** | **–** |
| Transfer to Stage 2 | **(278)** | **306** | **(28)** | **–** |
| Transfer to Stage 3 | **(1)** | **(22)** | **23** | **–** |
| Remeasurement [3] | **(281)** | **264** | **55** | **38** |
| New financial assets originated or purchased | **625** | **–** | **–** | **625** |
| Financial assets that have been derecognised | **(256)** | **(206)** | **–** | **(462)** |
| Changes in models [4] | **–** | **–** | **–** | **–** |
| Write-offs | **–** | **–** | **(144)** | **(144)** |
| Foreign exchange and other movements | **(4)** | **(10)** | **(30)** | **(44)** |
| **At 31 December 2022** | **878** | **521** | **583** | **1,982** |

(1) Includes ECL on contingent liabilities and other credit commitments.
(2) Comparatives have been reclassified to conform to current year's presentation.
(3) Remeasurement includes the changes in model inputs or assumptions such as changes in the forward-looking macroeconomic variables, partial repayments, additional drawdowns on existing facilities, changes in the measurement after a transfer between stages 1, 2 and 3, and the unwinding impact of time value of money.
(4) Changes in models include significant changes to the quantitative models used to estimate the impacts of the expected credit losses.

## 30. Allowances for Financial Assets (continued)

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

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| $ million | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| **GROUP** | | | | | | | | |
| **Cash and placements with central banks (Note 23)** | | | | | | | | |
| Pass | **34,143** | **46** | **–** | **34,189** | 27,232 | 56 | – | 27,288 |
| Loss allowances | **(#)** | **(1)** | **–** | **(1)** | (#) | (2) | – | (2) |
| Carrying amount | **34,143** | **45** | **–** | **34,188** | 27,232 | 54 | – | 27,286 |
| **Government treasury bills and securities – Amortised cost (Note 39)** | | | | | | | | |
| Pass/Carrying amount | **705** | **251** | **–** | **956** | 334 | 13 | – | 347 |
| **Government treasury bills and securities – FVOCI [(1)] (Note 39)** | | | | | | | | |
| Pass | **34,826** | **188** | **–** | **35,014** | 32,909 | 83 | – | 32,992 |
| Loss allowances | **(#)** | **(#)** | **–** | **(#)** | (#) | – | – | (#) |
| **Placements with and loans to banks – Amortised cost (Note 39)** | | | | | | | | |
| Pass | **16,927** | **120** | **–** | **17,047** | 17,454 | 139 | – | 17,593 |
| Special mention | **–** | **–** | **–** | **–** | – | 8 | – | 8 |
| | **16,927** | **120** | **–** | **17,047** | 17,454 | 147 | – | 17,601 |
| Loss allowances | **(5)** | **(#)** | **–** | **(5)** | (6) | (#) | – | (6) |
| Carrying amount | **16,922** | **120** | **–** | **17,042** | 17,448 | 147 | – | 17,595 |
| **Placements with and loans to banks – FVOCI [(1)] (Note 39)** | | | | | | | | |
| Pass | **11,722** | **603** | **–** | **12,325** | 5,573 | 1,536 | – | 7,109 |
| Loss allowances | **(2)** | **(#)** | **–** | **(2)** | (2) | (#) | – | (2) |
| **Loans to customers – Amortised cost (Note 39)** | | | | | | | | |
| Pass | **255,421** | **33,948** | **–** | **289,369** | 252,523 | 26,685 | – | 279,208 |
| Special mention | **–** | **2,205** | **–** | **2,205** | – | 6,244 | – | 6,244 |
| Substandard | **–** | **–** | **1,543** | **1,543** | – | – | 2,351 | 2,351 |
| Doubtful | **–** | **–** | **1,282** | **1,282** | – | – | 1,331 | 1,331 |
| Loss | **–** | **–** | **558** | **558** | – | – | 533 | 533 |
| | **255,421** | **36,153** | **3,383** | **294,957** | 252,523 | 32,929 | 4,215 | 289,667 |
| Loss allowances | **(896)** | **(803)** | **(1,252)** | **(2,951)** | (776) | (779) | (1,482) | (3,037) |
| Carrying amount | **254,525** | **35,350** | **2,131** | **292,006** | 251,747 | 32,150 | 2,733 | 286,630 |
| **Loans to customers – FVOCI [(1)] (Note 39)** | | | | | | | | |
| Pass | **–** | **–** | **–** | **–** | 2 | – | – | 2 |
| Loss allowances | **–** | **–** | **–** | **–** | (#) | – | – | (#) |
| **Debt securities – Amortised cost (Note 39)** | | | | | | | | |
| Pass | **307** | **–** | **–** | **307** | 331 | – | – | 331 |
| Loss allowances | **(#)** | **–** | **–** | **(#)** | (#) | – | – | (#) |
| Carrying amount | **307** | **–** | **–** | **307** | 331 | – | – | 331 |
| **Debt securities – FVOCI [(1)] (Note 39)** | | | | | | | | |
| Pass | **19,020** | **908** | **–** | **19,928** | 22,478 | 1,124 | – | 23,602 |
| Special mention | **–** | **–** | **–** | **–** | – | – | – | – |
| Substandard | **–** | **–** | **–** | **–** | – | – | 4 | 4 |
| Doubtful | **–** | **–** | **–** | **–** | – | – | 2 | 2 |
| | **19,020** | **908** | **–** | **19,928** | 22,478 | 1,124 | 6 | 23,608 |
| Loss allowances | **(7)** | **(6)** | **(2)** | **(15)** | (6) | (7) | (2) | (15) |

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|---|---|---|
| **Loan commitments and contingent liabilities** | | | | | | | | |
| Pass | **129,666** | **14,205** | **–** | **143,871** | 118,370 | 12,922 | – | 131,292 |
| Special mention | **–** | **388** | **–** | **388** | – | 654 | – | 654 |
| Substandard | **–** | **–** | **605** | **605** | – | – | 641 | 641 |
| Doubtful | **–** | **–** | **530** | **530** | – | – | 487 | 487 |
| Loss | **–** | **–** | **184** | **184** | – | – | 188 | 188 |
| | **129,666** | **14,593** | **1,319** | **145,578** | 118,370 | 13,576 | 1,316 | 133,262 |
| Allowances for contingent liabilities and credit commitments (Note 39) | **(197)** | **(309)** | **(56)** | **(562)** | (105) | (240) | (53) | (398) |

(1) In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).

## 30. Allowances for Financial Assets (continued)

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| $ million | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| **BANK** | | | | | | | | |
| **Cash and placements with central banks (Note 23)** | | | | | | | | |
| Pass | **27,345** | **46** | **–** | **27,391** | 22,478 | 57 | – | 22,535 |
| Loss allowances | **(#)** | **(1)** | **–** | **(1)** | (#) | (2) | – | (2) |
| Carrying amount | **27,345** | **45** | **–** | **27,390** | 22,478 | 55 | – | 22,533 |
| **Government treasury bills and securities – Amortised cost (Note 39)** | | | | | | | | |
| Pass/Carrying amount | **705** | **251** | **–** | **956** | 334 | 13 | – | 347 |
| **Government treasury bills and securities – FVOCI [(1)] (Note 39)** | | | | | | | | |
| Pass | **20,259** | **187** | **–** | **20,446** | 16,585 | 83 | – | 16,668 |
| Loss allowances | **(#)** | **(#)** | **–** | **(#)** | (#) | (#) | – | (#) |
| **Placements with and loans to banks – Amortised cost (Note 39)** | | | | | | | | |
| Pass [(2)] | **11,171** | **111** | **–** | **11,282** | 11,506 | 138 | – | 11,644 |
| Loss allowances | **(4)** | **(#)** | **–** | **(4)** | (5) | (#) | – | (5) |
| Carrying amount | **11,167** | **111** | **–** | **11,278** | 11,501 | 138 | – | 11,639 |
| **Placements with and loans to banks – FVOCI [(1)] (Note 39)** | | | | | | | | |
| Pass | **6,020** | **526** | **–** | **6,546** | 3,845 | 1,274 | – | 5,119 |
| Loss allowances | **(2)** | **(#)** | **–** | **(2)** | (#) | (#) | – | (#) |
| **Loans to customers – Amortised cost (Note 39)** | | | | | | | | |
| Pass | **178,340** | **22,384** | **–** | **200,724** | 167,580 | 20,139 | – | 187,719 |
| Special mention | **–** | **1,176** | **–** | **1,176** | – | 2,094 | – | 2,094 |
| Substandard | **–** | **–** | **337** | **337** | – | – | 494 | 494 |
| Doubtful | **–** | **–** | **749** | **749** | – | – | 917 | 917 |
| Loss | **–** | **–** | **83** | **83** | – | – | 99 | 99 |
| | **178,340** | **23,560** | **1,169** | **203,069** | 167,580 | 22,233 | 1,510 | 191,323 |
| Loss allowances | **(753)** | **(365)** | **(540)** | **(1,658)** | (638) | (392) | (679) | (1,709) |
| Carrying amount | **177,587** | **23,195** | **629** | **201,411** | 166,942 | 21,841 | 831 | 189,614 |
| **Debt securities – Amortised cost (Note 39)** | | | | | | | | |
| Pass | **307** | **–** | **–** | **307** | 331 | – | – | 331 |
| Loss allowances | **(#)** | **–** | **–** | **(#)** | (#) | – | – | (#) |
| Carrying amount | **307** | **–** | **–** | **307** | 331 | – | – | 331 |
| **Debt securities – FVOCI [(1)] (Note 39)** | | | | | | | | |
| Pass | **10,868** | **566** | **–** | **11,434** | 12,495 | 568 | – | 13,063 |
| Loss allowances | **(3)** | **(4)** | **–** | **(7)** | (2) | (3) | – | (5) |

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Loan commitments and contingent liabilities** | | | | | | | | |
| Pass | **97,201** | **9,149** | **–** | **106,350** | 86,416 | 9,510 | – | 95,926 |
| Special mention | **–** | **1,421** | **–** | **1,421** | – | 480 | – | 480 |
| Substandard | **–** | **–** | **562** | **562** | – | – | 581 | 581 |
| Doubtful | **–** | **–** | **488** | **488** | – | – | 441 | 441 |
| Loss | **–** | **–** | **161** | **161** | – | – | 177 | 177 |
| | **97,201** | **10,570** | **1,211** | **108,982** | 86,416 | 9,990 | 1,199 | 97,605 |
| Allowances for contingent liabilities and credit commitments (Note 39) | **(125)** | **(156)** | **(43)** | **(324)** | (59) | (158) | (43) | (260) |

(1) In accordance with SFRS(I) 9, for financial asset measured at FVOCI, any impairment is recognised in profit or loss together with a credit to fair value reserves within equity (without adjusting the carrying amount of the financial asset).

(2) Comparatives have been reclassified to conform to current year's presentation.

## 31. Other Assets

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Interest receivable | **1,514** | 889 | **1,070** | 481 |
| Sundry debtors (net) | **1,000** | 922 | **22** | 87 |
| Deposits and prepayments | **1,424** | 1,911 | **967** | 1,391 |
| Others | **2,697** | 2,612 | **479** | 380 |
| | **6,635** | 6,334 | **2,538** | 2,339 |

At 31 December 2022, reinsurance assets included in "Others" amounted to $463 million (2021: $467 million) for the Group.

## 32. Associates

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ million | $ million | $ million | $ million |
| Quoted equity security, at cost | **2,601** | 2,601 | **2,157** | 2,157 |
| Unquoted equity securities, at cost | **144** | 145 | **65** | 65 |
| | **2,745** | 2,746 | **2,222** | 2,222 |
| | | | | |
| Share of post-acquisition reserves | **3,466** | 3,289 | **–** | – |
| | | | | |
| Unquoted equity security, at fair value | **122** | 95 | **–** | – |
| | | | | |
| Net carrying amount | **6,333** | 6,130 | **2,222** | 2,222 |
| | | | | |
| Amounts due from associates (unsecured) | **7** | 40 | **6** | 40 |
| Allowances for non-impaired amounts due from associates | **(#)** | (#) | **(#)** | (#) |
| | **7** | 40 | **6** | 40 |
| | | | | |
| Investments in and amounts due from associates | **6,340** | 6,170 | **2,228** | 2,262 |

# 32. Associates (continued)

## 32.1 List of Principal Associates

The Group's principal associates are as follows:

| Name of associates | Country of incorporation/ Principal place of business | Nature of the relationship with the Group | Effective % interest held [3] 2022 | 2021 |
|---|---|---|---|---|
| **Quoted** | | | | |
| Bank of Ningbo Co., Ltd. [1] | People's Republic of China | A commercial bank, which enables the Group to expand its bilateral business in offshore financing, trade finance and private banking. | **20** | 20 |
| **Unquoted** | | | | |
| Maxwealth Fund Management Company Limited [1] | People's Republic of China | A privately held asset manager that manufactures and distributes mutual funds in Greater China. | **29** | 29 |
| Network for Electronic Transfers (Singapore) Pte Ltd [2] | Singapore | An electronic payment services company, which enables the Group to extend funds transfer services to its broad customer base. | **33** | 33 |

(1) Audited by PricewaterhouseCoopers for the financial year ended 31 December 2022 (31 December 2021: Ernst & Young).
(2) Audited by KPMG LLP.
(3) Rounded to the nearest percentage.

As at 31 December 2022, the fair value (Level 1 of the fair value hierarchy) of the investments in Bank of Ningbo was $8.28 billion (2021: $10.74 billion). The carrying amount of the Group's interests was $5.89 billion (2021: $5.70 billion).

Bank of Ningbo is listed on the Shenzhen Stock Exchange and its ability to transfer funds to the Group is subject to local listing and statutory regulations.

# 32. Associates (continued)

## 32.2 Financial Information of Material Associate

The table below provides the financial information of the Group's material associate:

| | Bank of Ningbo Co., Ltd. | |
|---|---|---|
| $ million | 2022 | 2021 |
| **Selected income statement information** | | |
| Revenue | **11,827** | 11,007 |
| Net profit attributable to equity holders | **4,734** | 4,087 |
| | | |
| **Selected balance sheet information** | | |
| Total assets | **451,307** | 427,123 |
| Equity attributable to shareholders | **32,459** | 31,785 |
| Equity attributable to ordinary shareholders | **29,426** | 28,519 |
| | | |
| **Reconciliation of associate's total ordinary shareholders' equity to the carrying amount in the Group's financial statements** | | |
| Group's interests in net assets of investee at beginning of the year | **5,704** | 4,199 |
| Group's share of: | | |
| – shareholders' equity in current year | **320** | 1,119 |
| Dividends | **(134)** | (128) |
| Subscription of shares | **–** | 514 |
| **Carrying amount of interest in investee at end of the year** | **5,890** | 5,704 |
| | | |
| **Dividends received during the year** | **134** | 128 |

# 32. Associates (continued)

## 32.2 Financial Information of Material Associate (continued)

In addition to the interests in associate disclosed above, the Group also has interests in individually immaterial associates that are accounted for using the equity method.

| $ million | 2022 | 2021 |
|---|---|---|
| **At 31 December:** | | |
| Aggregate carrying amount of individually immaterial associates | **321** | 331 |
| | | |
| **For the year ended:** | | |
| Aggregate amounts of the Group's share of: | | |
| Net profit from continuing operations | **63** | 40 |
| Other comprehensive income | **(61)** | 3 |
| Total comprehensive income | **2** | 43 |
| | | |
| **Dividends received during the year** | **11** | 9 |

The Group's share of contingent liabilities in respect of all its associates is as follows:

| $ million | 2022 | 2021 |
|---|---|---|
| **At 31 December:** | | |
| Share of contingent liabilities incurred jointly with other investors of associates | **16,748** | 13,029 |

# 33. Subsidiaries

| | BANK | |
|---|---|---|
| | 2022<br>$ million | 2021<br>$ million |
| **Investments in subsidiaries, at cost** | | |
| Quoted securities | **1,970** | 1,970 |
| Unquoted securities | **13,142** | 13,149 |
| Allowance for impairment | **(33)** | (31) |
| Net carrying amount | **15,079** | 15,088 |
| | | |
| **Amount due from subsidiaries** | | |
| Term to maturity of one year or less | **8,951** | 8,842 |
| Term to maturity of more than one year | **9,893** | 13,088 |
| | **18,844** | 21,930 |
| | | |
| Of which: | | |
| Unsecured | **18,268** | 21,354 |
| Secured | **576** | 576 |
| | **18,844** | 21,930 |
| | | |
| **Investments in and amount due from subsidiaries** | **33,923** | 37,018 |

At 31 December 2022, the fair values (Level 1 of the fair value hierarchy) of the Group's interests in its quoted subsidiaries, Great Eastern Holdings Limited and PT Bank OCBC NISP Tbk, were $7.70 billion (2021: $8.38 billion) and $1.25 billion (2021: $1.23 billion) respectively.

## 33. Subsidiaries (continued)

### 33.1 List of Principal Subsidiaries

Principal subsidiaries of the Group are as follows:

| Name of subsidiaries | Country of incorporation/ Principal place of business | Proportion of ownership interests and voting rights held by the Group (%) | | Proportion of ownership interests and voting rights held by non-controlling interests (%) | |
|---|---|---|---|---|---|
| | | 2022 [1] | 2021 [1] | 2022 [1] | 2021 [1] |
| **Banking** | | | | | |
| Banco OCBC Weng Hang, S.A. | Macau SAR | **100** | 100 | **–** | – |
| Bank of Singapore Limited | Singapore | **100** | 100 | **–** | – |
| OCBC Al-Amin Bank Berhad | Malaysia | **100** | 100 | **–** | – |
| OCBC Bank (Malaysia) Berhad | Malaysia | **100** | 100 | **–** | – |
| OCBC Wing Hang Bank (China) Limited | People's Republic of China | **100** | 100 | **–** | – |
| OCBC Wing Hang Bank Limited | Hong Kong SAR | **100** | 100 | **–** | – |
| PT Bank OCBC NISP Tbk | Indonesia | **85** | 85 | **15** | 15 |
| **Insurance** | | | | | |
| Great Eastern General Insurance Limited | Singapore | **88** | 88 | **12** | 12 |
| Great Eastern General Insurance (Malaysia) Berhad | Malaysia | **88** | 88 | **12** | 12 |
| Great Eastern Life Assurance (Malaysia) Berhad | Malaysia | **88** | 88 | **12** | 12 |
| The Great Eastern Life Assurance Company Limited | Singapore | **88** | 88 | **12** | 12 |
| **Asset management and investment holding** | | | | | |
| Lion Global Investors Limited | Singapore | **92** | 92 | **8** | 8 |
| Great Eastern Holdings Limited | Singapore | **88** | 88 | **12** | 12 |
| **Stockbroking** | | | | | |
| OCBC Securities Private Limited | Singapore | **100** | 100 | **–** | – |

[1] Rounded to the nearest percentage.

The principal subsidiaries listed above are audited by PricewaterhouseCoopers LLP Singapore and its associated firms.

The Group's subsidiaries do not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from their respective local statutory, regulatory, supervisory and banking requirements within which its subsidiaries operate. These requirements require the Group's subsidiaries to maintain minimum levels of regulatory capital, liquid assets, and exposure limits. In addition, Great Eastern Holdings Limited and other insurance subsidiaries are subject to their respective local insurance laws and regulations, while the Group's banking subsidiaries are subject to prudential regulatory requirements imposed by local regulators.

# 33. Subsidiaries (continued)

## 33.2 Non-Controlling Interests in Subsidiaries

The following table summarises the financial information, before intercompany eliminations, relating to principal subsidiaries with material NCI.

| | PT Bank OCBC NISP Tbk | | Great Eastern Holdings Limited | |
|---|---|---|---|---|
| $ million | 2022 | 2021 | 2022 | 2021 |
| Net assets attributable to NCI | **418** | 440 | **1,237** | 1,215 |
| Total comprehensive income attributable to NCI | **(14)** | 38 | **59** | 115 |
| Dividends paid to NCI during the year | **7** | – | **37** | 34 |
| | | | | |
| **Summarised financial information** | | | | |
| Total assets | **20,097** | 19,883 | **107,918** | 110,390 |
| Total liabilities | **(17,294)** | (16,935) | **(98,387)** | (100,254) |
| **Total net assets** | **2,803** | 2,948 | **9,531** | 10,136 |
| | | | | |
| Revenue | **978** | 909 | **12,595** | 19,964 |
| Profit | **259** | 253 | **787** | 1,133 |
| Other comprehensive income | **(84)** | (12) | **(1,076)** | (160) |
| **Total comprehensive income** | **175** | 241 | **(289)** | 973 |
| | | | | |
| Cash flows (used in)/provided by operating activities | **(1,001)** | 2,347 | **3,709** | 4,274 |
| Cash flows (used in)/provided by investing activities | **1,239** | (2,043) | **(2,888)** | (4,081) |
| Cash flows (used in)/provided by financing activities | **(44)** | (83) | **(331)** | (725) |
| Effect of currency translation reserve adjustment | **28** | 7 | **–** | – |
| **Net changes in cash and cash equivalents** | **222** | 228 | **490** | (532) |

## 33.3 Consolidated Structured Entities

The Bank has established a USD10 billion Global Covered Bond Programme (the Programme). Under the Programme, the Bank may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor, Red Sail Pte. Ltd. (the CBG). The Covered Bonds issued under the Programme will predominantly be backed by a portfolio of Singapore housing loans transferred from the Bank to the CBG. Integral to the Programme structure, the Bank provides funding and hedging facilities to the CBG.

## 34. Property, Plant and Equipment

| GROUP ($ million) | 2022 Property-related | 2022 Computer-related [1] | 2022 Others | 2022 Total | 2021 Property-related | 2021 Computer-related [1] | 2021 Others | 2021 Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January | **3,739** | **3,039** | **670** | **7,448** | 3,764 | 2,739 | 656 | 7,159 |
| Currency translation | **(53)** | **(48)** | **(10)** | **(111)** | 32 | (1) | 1 | 32 |
| Additions/modifications | **100** | **399** | **52** | **551** | 89 | 335 | 52 | 476 |
| Disposals/terminations and other transfers | **(87)** | **(97)** | **(24)** | **(208)** | (115) | (34) | (39) | (188) |
| Net transfer from/(to): | | | | | | | | |
| Assets held for sale | **–** | **–** | **(#)** | **(#)** | (10) | – | (#) | (10) |
| Investment property (Note 35) | **16** | **–** | **(1)** | **15** | (21) | – | (#) | (21) |
| At 31 December | **3,715** | **3,293** | **687** | **7,695** | 3,739 | 3,039 | 670 | 7,448 |
| | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January | **(1,155)** | **(2,211)** | **(513)** | **(3,879)** | (1,031) | (1,993) | (505) | (3,529) |
| Currency translation | **22** | **43** | **8** | **73** | (11) | 2 | (#) | (9) |
| Disposals/terminations and other transfers | **72** | **92** | **32** | **196** | 45 | 32 | 36 | 113 |
| Depreciation charge | **(141)** | **(229)** | **(36)** | **(406)** | (141) | (213) | (36) | (390) |
| Depreciation charge to profit from life insurance (Note 4) | **(24)** | **(45)** | **(9)** | **(78)** | (24) | (39) | (8) | (71) |
| Net transfer (from)/to: | | | | | | | | |
| Assets held for sale | **–** | **–** | **#** | **#** | 2 | – | # | 2 |
| Investment property (Note 35) | **(8)** | **–** | **–** | **(8)** | 5 | – | – | 5 |
| At 31 December | **(1,234)** | **(2,350)** | **(518)** | **(4,102)** | (1,155) | (2,211) | (513) | (3,879) |
| | | | | | | | | |
| **Accumulated impairment losses** | | | | | | | | |
| At 1 January | **(62)** | **(#)** | **(1)** | **(63)** | (62) | (#) | (1) | (63) |
| Currency translation | **2** | **–** | **#** | **2** | # | – | # | # |
| Impairment charge to income statement | **(49)** | **–** | **–** | **(49)** | – | – | – | – |
| At 31 December | **(109)** | **(#)** | **(1)** | **(110)** | (62) | (#) | (1) | (63) |
| | | | | | | | | |
| **Net carrying amount, at 31 December** [2] | **2,372** | **943** | **168** | **3,483** | 2,522 | 828 | 156 | 3,506 |

| GROUP ($ million) | 2022 | 2021 |
|---|---|---|
| Freehold property | **350** | 409 |
| Leasehold property | **1,820** | 1,885 |
| **Net carrying amount** | **2,170** | 2,294 |

(1) Includes computer software of $703 million (2021: $618 million). The cost and accumulated depreciation are $2,312 million (2021: $2,079 million) and $1,609 million (2021: $1,461 million) respectively.
(2) Includes ROU assets comprising property-related of $202 million (2021: $228 million), computer-related of $13 million (2021: $1 million) and others of $2 million (2021: $2 million).

## 34. Property, Plant and Equipment (continued)

| BANK ($ million) | 2022 Property-related | 2022 Computer-related [(1)] | 2022 Others | 2022 Total | 2021 Property-related | 2021 Computer-related [(1)] | 2021 Others | 2021 Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January | **422** | **1,607** | **197** | **2,226** | 425 | 1,447 | 188 | 2,060 |
| Currency translation | **(2)** | **(#)** | **(1)** | **(3)** | # | (#) | (#) | (#) |
| Additions | **44** | **220** | **29** | **293** | 21 | 174 | 30 | 225 |
| Disposals/terminations and other transfers | **(35)** | **(10)** | **(11)** | **(56)** | (19) | (14) | (21) | (54) |
| Net transfer to investment property (Note 35) | **(22)** | **–** | **–** | **(22)** | (5) | – | – | (5) |
| At 31 December | **407** | **1,817** | **214** | **2,438** | 422 | 1,607 | 197 | 2,226 |
| | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| At 1 January | **(165)** | **(1,183)** | **(142)** | **(1,490)** | (148) | (1,062) | (151) | (1,361) |
| Currency translation | **1** | **#** | **1** | **2** | # | # | # | # |
| Disposals/terminations and other transfers | **35** | **10** | **10** | **55** | 18 | 12 | 21 | 51 |
| Depreciation charge | **(37)** | **(143)** | **(13)** | **(193)** | (37) | (133) | (12) | (182) |
| Net transfer to investment property (Note 35) | **6** | **–** | **–** | **6** | 2 | – | – | 2 |
| At 31 December | **(160)** | **(1,316)** | **(144)** | **(1,620)** | (165) | (1,183) | (142) | (1,490) |
| | | | | | | | | |
| **Accumulated impairment losses** | | | | | | | | |
| At 1 January | **(1)** | **–** | **–** | **(1)** | (1) | – | – | (1) |
| Write-back to income statement | **1** | **–** | **–** | **1** | – | – | – | – |
| At 31 December | **–** | **–** | **–** | **–** | (1) | – | – | (1) |
| | | | | | | | | |
| **Net carrying amount, at 31 December** [(2)] | **247** | **501** | **70** | **818** | 256 | 424 | 55 | 735 |
| | | | | | | | | |
| Freehold property | **31** | | | | 42 | | | |
| Leasehold property | **155** | | | | 167 | | | |
| **Net carrying amount** | **186** | | | | 209 | | | |

(1) Includes computer software of $429 million (2021: $368 million). The cost and accumulated depreciation are $1,437 million (2021: $1,261 million) and $1,008 million (2021: $893 million) respectively.

(2) Includes ROU assets comprising property-related of $60 million (2021: $47 million), computer-related of $10 million (2021: $1 million) and others of $1 million (2021: $# million).

# 35. Investment Property

| | GROUP | | BANK | |
|---|---|---|---|---|
| $ million | 2022 | 2021 | 2022 | 2021 |
| **Cost** | | | | |
| At 1 January | **1,053** | 1,049 | **602** | 602 |
| Currency translation | **(7)** | 4 | **–** | – |
| Additions | **1** | 7 | **–** | 7 |
| Disposals and other transfers | **(13)** | (23) | **(2)** | (9) |
| Net transfer (to)/from: | | | | |
| Property, plant and equipment (Note 34) | **(15)** | 21 | **22** | 5 |
| Assets held for sale | **(1)** | (5) | **–** | (3) |
| At 31 December | **1,018** | 1,053 | **622** | 602 |
| | | | | |
| **Accumulated depreciation** | | | | |
| At 1 January | **(251)** | (235) | **(128)** | (123) |
| Currency translation | **2** | (1) | **–** | – |
| Disposals and other transfers | **5** | 10 | **(#)** | 4 |
| Depreciation charge | **(20)** | (22) | **(8)** | (8) |
| Net transfer to/(from): | | | | |
| Property, plant and equipment (Note 34) | **8** | (5) | **(6)** | (2) |
| Assets held for sale | **1** | 2 | **–** | 1 |
| At 31 December | **(255)** | (251) | **(142)** | (128) |
| | | | | |
| **Accumulated impairment losses** | | | | |
| At 1 January | **(1)** | (1) | **(1)** | (1) |
| Write-back to income statement | **1** | # | **1** | # |
| At 31 December | **–** | (1) | **–** | (1) |
| | | | | |
| **Net carrying amount** | | | | |
| Freehold property | **540** | 525 | **167** | 159 |
| Leasehold property | **223** | 276 | **313** | 314 |
| At 31 December | **763** | 801 | **480** | 473 |
| | | | | |
| **Fair value hierarchy** | | | | |
| Level 2 | **906** | 875 | **310** | 242 |
| Level 3 | **1,862** | 1,933 | **1,099** | 1,103 |
| **Market value** | **2,768** | 2,808 | **1,409** | 1,345 |

Market values for properties under Level 2 of the fair value hierarchy are determined based on the direct market comparison method. Such valuation is derived from price per square metre for comparable buildings market data with insignificant valuation adjustment, if necessary.

Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of direct market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

# 36. Goodwill and Other Intangible Assets

| | GROUP | | BANK | |
|---|---|---|---|---|
| $ million | 2022 | 2021 | 2022 | 2021 |
| **Goodwill** | | | | |
| At 1 January | **4,467** | 4,431 | **1,867** | 1,867 |
| Currency translation | **(27)** | 36 | **–** | – |
| At 31 December | **4,440** | 4,467 | **1,867** | 1,867 |
| | | | | |
| **Intangible assets** | | | | |
| At 1 January | **307** | 406 | | |
| Amortisation charged to income statement: | | | | |
| – Core deposit relationships [(1)] | **(42)** | (41) | | |
| – Customer relationships [(2)] | **(15)** | (15) | | |
| – Distribution platform | **(#)** | (#) | | |
| – Life insurance business [(3)] | **(47)** | (47) | | |
| Currency translation | **#** | 4 | | |
| At 31 December | **203** | 307 | | |
| | | | | |
| **Total goodwill and other intangible assets** | **4,643** | 4,774 | **1,867** | 1,867 |
| | | | | |
| **Analysed as follows:** | | | | |
| Goodwill from acquisition of subsidiaries/business | **4,440** | 4,467 | **1,867** | 1,867 |
| Intangible assets, at cost | **1,568** | 1,571 | **–** | – |
| Accumulated amortisation for intangible assets | **(1,365)** | (1,264) | **–** | – |
| | **4,643** | 4,774 | **1,867** | 1,867 |

(1) Core deposit relationships, arising from the acquisition of OCBC Wing Hang, are determined to have an estimated useful life of 10 years. At 31 December 2022, these have a remaining useful life of 1.5 years (2021: 2.5 years).

(2) Customer relationships, arising from the acquisition of Bank of Singapore Limited and Barclays WIM, are determined to have an estimated useful life of 10 years. At 31 December 2022, these have a remaining useful life of up to 4 years (2021: 5 years).

(3) The value of in-force insurance business of the Group is amortised over a useful life of 20 years. At 31 December 2022, the intangible asset has a remaining useful life of 2 years (2021: 3 years).

## 36. Goodwill and Other Intangible Assets (continued)

### Impairment Tests for Goodwill

For impairment testing, goodwill is allocated to the Group's cash-generating units (CGU) identified mainly to business segments as follows:

| $ million<br>**Cash Generating Units** | Basis of determining recoverable value | Carrying amount<br>2022 | <br>2021 |
|---|---|---|---|
| Goodwill attributed to Banking CGU | | | |
| Global Consumer Financial Services | | **844** | 844 |
| Global Wholesale Banking | | **570** | 570 |
| Global Treasury | | **524** | 524 |
| | Value-in-use | **1,938** | 1,938 |
| Great Eastern Holdings Limited | Appraisal value | **427** | 427 |
| Bank of Singapore Limited | Value-in-use | **809** | 814 |
| Lion Global Investors Limited | Value-in-use | **30** | 30 |
| OCBC Wing Hang Bank Limited | Value-in-use | **1,066** | 1,073 |
| PT Bank OCBC NISP Tbk | Value-in-use | **160** | 175 |
| Others | Value-in-use | **10** | 10 |
| | | **4,440** | 4,467 |

The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The cash flow projections are discounted at a pre-tax discount rate that includes a reasonable risk premium at the date of assessment of the respective CGU. Cash flows beyond the fifth year are extrapolated using the estimated terminal growth rates (weighted average growth rate to extrapolate cash flows beyond the projected years). The terminal growth rate for each CGU used does not exceed management's expectation of the long-term average growth rate of the respective industry and country in which the CGU operates. The discount rates and terminal growth rates used are tabulated below for applicable CGUs.

| | Banking CGU | | Bank of Singapore Limited | | OCBC Wing Hang Bank Limited | | PT Bank OCBC NISP Tbk | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Discount rate | **7.1%** | 8.6% | **8.3%** | 9.5% | **8.7%** | 9.6% | **14.7%** | 16.5% |
| Terminal growth rate | **2.0%** | 2.0% | **2.0%** | 2.0% | **2.6%** | 2.6% | **4.0%** | 4.0% |

For the insurance CGU, the Group applies the appraisal value technique for its value-in-use calculation. This technique is commonly used to determine the economic value of an insurance business, which comprises two components: embedded value of in-force business and existing structural value (value of future sales). The embedded value of the life insurance business is the present value of projected distributable profits (cash flows) of the in-force business. The cash flows represent a deterministic approach based on assumptions as to future operating experience discounted at a risk adjusted rate of 6.00% (2021: 6.00%) and 7.75% (2021: 7.75%) for Singapore and Malaysia respectively. The assumptions take into account the recent experience of, and expected future outlook for the life insurance business of the CGU. Investment returns assumed are based on long term strategic asset mix and their expected future returns. The existing structural value is the value of projected distributable profits from new businesses, which is calculated based on new businesses sold for the nine months ended up to 30 September and applying a new business multiplier to the value of future sales.

A reasonably possible change in key assumptions will not cause the carrying amount to materially exceed the recoverable amount.

# 37. Segment Information

## 37.1 Business Segments

| $ million | Global Consumer/ Private Banking | Global Wholesale Banking | Global Treasury and Markets | Insurance | Others | Group |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | | |
| Net interest income | **2,522** | **4,002** | **702** | **112** | **350** | **7,688** |
| Non-interest income | **1,588** | **823** | **288** | **1,176** | **112** | **3,987** |
| **Total income** | **4,110** | **4,825** | **990** | **1,288** | **462** | **11,675** |
| | | | | | | |
| Operating profit before allowances and amortisation | **1,516** | **3,325** | **650** | **932** | **226** | **6,649** |
| Amortisation of intangible assets | **(15)** | **–** | **–** | **(47)** | **(42)** | **(104)** |
| Allowances for loans and other assets | **36** | **(323)** | **(1)** | **(4)** | **(292)** | **(584)** |
| **Operating profit after allowances and amortisation** | **1,537** | **3,002** | **649** | **881** | **(108)** | **5,961** |
| Share of results of associates, net of tax | **–** | **–** | **–** | **–** | **978** | **978** |
| **Profit before income tax** | **1,537** | **3,002** | **649** | **881** | **870** | **6,939** |
| | | | | | | |
| **Other information:** | | | | | | |
| Capital expenditure | **116** | **10** | **1** | **70** | **355** | **552** |
| Depreciation | **88** | **12** | **2** | **9** | **315** | **426** |
| | | | | | | |
| **At 31 December 2022** | | | | | | |
| Segment assets | **138,515** | **189,710** | **110,471** | **108,370** | **41,319** | **588,385** |
| Unallocated assets | | | | | | **437** |
| Elimination | | | | | | **(28,866)** |
| **Total assets** | | | | | | **559,956** |
| | | | | | | |
| Segment liabilities | **178,231** | **152,108** | **76,610** | **96,123** | **27,826** | **530,898** |
| Unallocated liabilities | | | | | | **3,256** |
| Elimination | | | | | | **(28,866)** |
| **Total liabilities** | | | | | | **505,288** |
| | | | | | | |
| **Other information:** | | | | | | |
| Gross non-bank loans | **106,769** | **185,629** | **1,728** | **3** | **851** | **294,980** |
| NPAs | **886** | **2,591** | **–** | **2** | **7** | **3,486** |

## 37. Segment Information (continued)

### 37.1 Business Segments (continued)

| $ million | Global Consumer/ Private Banking | Global Wholesale Banking | Global Treasury and Markets | Insurance | Others | Group |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | | | |
| Net interest income | 1,663 | 2,736 | 972 | 98 | 386 | 5,855 |
| Non-interest income | 2,055 | 907 | 237 | 1,496 | 46 | 4,741 |
| **Total income** | 3,718 | 3,643 | 1,209 | 1,594 | 432 | 10,596 |
| | | | | | | |
| Operating profit before allowances and amortisation | 1,181 | 2,267 | 868 | 1,270 | 246 | 5,832 |
| Amortisation of intangible assets | (15) | – | – | (47) | (41) | (103) |
| Allowances for loans and other assets | (56) | (579) | (4) | 1 | (235) | (873) |
| **Operating profit after allowances and amortisation** | 1,110 | 1,688 | 864 | 1,224 | (30) | 4,856 |
| Share of results of associates, net of tax | – | – | – | – | 824 | 824 |
| **Profit before income tax** | 1,110 | 1,688 | 864 | 1,224 | 794 | 5,680 |
| | | | | | | |
| **Other information:** | | | | | | |
| Capital expenditure | 74 | 14 | 1 | 105 | 290 | 484 |
| Depreciation | 85 | 11 | 2 | 8 | 306 | 412 |
| | | | | | | |
| **At 31 December 2021** | | | | | | |
| Segment assets | 131,443 | 184,050 | 94,832 | 110,950 | 39,960 | 561,235 |
| Unallocated assets | | | | | | 280 |
| Elimination | | | | | | (19,328) |
| **Total assets** | | | | | | 542,187 |
| | | | | | | |
| Segment liabilities | 167,679 | 151,384 | 59,917 | 97,356 | 27,104 | 503,440 |
| Unallocated liabilities | | | | | | 3,737 |
| Elimination | | | | | | (19,328) |
| **Total liabilities** | | | | | | 487,849 |
| | | | | | | |
| **Other information:** | | | | | | |
| Gross non-bank loans | 109,972 | 177,670 | 1,274 | 3 | 797 | 289,716 |
| NPAs | 1,184 | 3,143 | – | 4 | 7 | 4,338 |

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Wholesale Banking, Global Treasury and Markets and Insurance.

**Global Consumer/Private Banking**
Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

**Global Wholesale Banking**
Global Wholesale Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The business provides a full range of financing solutions including long-term project financing, short-term credit, working capital and trade financing, as well as customised and structured equity-linked financing. It also provides customers with a broad range of products and services such as cash management and custodian services, capital market solutions, corporate finance services and advisory banking, and treasury products.

# 37. Segment Information (continued)

## 37.1 Business Segments (continued)

**Global Treasury and Markets**

Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers in Global Consumer/Private Banking and Global Wholesale Banking, is reflected in the respective business segments.

**Insurance**

The Group's insurance business, including its fund management activities, is undertaken by the Bank's subsidiary Great Eastern Holdings Limited and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

**Others**

Others comprise mainly property holding, investment holding and items not attributable to the business segments described above.

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The following management reporting methodologies are adopted:
(a) income and expenses are attributable to each segment based on the internal management reporting policies;
(b) in determining the segment results, balance sheet items are internally transfer priced; and
(c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is reclassified to allow comparability. There are no material items of income or expense between the business segments.

## 37.2 Geographical Segments

| $ million | Total income | Profit before income tax | Income tax expenses | Capital expenditure | Total assets | Total liabilities |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Singapore | **6,738** | **3,568** | **431** | **381** | **323,392** | **328,187** |
| Malaysia | **1,668** | **1,239** | **355** | **49** | **65,280** | **53,189** |
| Indonesia | **1,016** | **325** | **67** | **76** | **21,047** | **18,136** |
| Greater China | **1,558** | **1,353** | **73** | **39** | **93,291** | **62,711** |
| Other Asia Pacific | **251** | **239** | **75** | **4** | **20,321** | **10,473** |
| Rest of the World | **444** | **215** | **56** | **3** | **36,625** | **32,592** |
| | **11,675** | **6,939** | **1,057** | **552** | **559,956** | **505,288** |
| **2021** | | | | | | |
| Singapore | 5,955 | 3,039 | 271 | 332 | 317,491 | 311,738 |
| Malaysia | 1,619 | 860 | 173 | 73 | 66,997 | 55,450 |
| Indonesia | 940 | 325 | 72 | 43 | 20,954 | 17,650 |
| Greater China | 1,453 | 1,243 | 75 | 29 | 88,031 | 60,128 |
| Other Asia Pacific | 262 | 102 | 29 | 5 | 18,631 | 10,644 |
| Rest of the World | 367 | 111 | 28 | 2 | 30,083 | 32,239 |
| | 10,596 | 5,680 | 648 | 484 | 542,187 | 487,849 |

The Group's operations are in six main geographical areas. The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located. The geographical information is stated after elimination of intra-group transactions and balances.

# 38. Risk Management

## 38.1 Overview

The Group's risk management framework comprises strong governance, sound policies and methodologies, and professionals, supported by fit-for-purpose technology, infrastructure and data. The framework is underpinned by a strong corporate culture that emphasises accountability, ownership, integrity and high ethical standards. The Group engages in business that are consistent with the corporate strategy and risk appetite, are well understood and are appropriately priced to provide the Group with an adequate return.

The Board of Directors (Board) has ultimate responsibility for the effective management of risk. It establishes the corporate strategy and approves the risk appetite within which senior management executes the strategy.

The Board Risk Management Committee (BRMC) is the designated board committee overseeing risk management matters. It ensures that the Group's overall risk management philosophy and principles are aligned with the corporate strategy and within the approved risk appetite. The Committee has oversight of credit, market, liquidity, information security and digital, operational, conduct, money laundering and terrorism financing, legal, regulatory, strategic, ESG and fiduciary risks, as well as any other category of risk that may be delegated by the Board or deemed necessary by the Committee. It also ensures that the necessary overall risk management organisation is in place and effective. Based on the approved risk appetite, the BRMC provides quantitative and qualitative guidance to major business units and risk functions to guide risk-taking. Senior management, functional risk committees covering principal risk types and the BRMC regularly review the Group's risk drivers, risk profiles across major lines of business and risk types, risk management frameworks and major risk policies, as well as compliance matters.

The Group's independent risk management function, the Group Risk Management Division (GRM), is headed by the Group Chief Risk Officer (CRO) who is also the Group Chief Information Security Officer (CISO). The Group CRO is a member of the Group Management Executive Committee and also the functional risk committees. GRM's day-to-day functional responsibility involves providing independent risk control and managing credit, market, liquidity, information security and digital, operational and ESG risks. It provides regular risk reports and updates on developments in material risk drivers, potential vulnerabilities, as well as recommended mitigating actions, to the senior management, risk committees, the BRMC and Board. Risk management staff work closely with the business and other support units to ensure that risks are well understood and appropriately managed.

GRM oversees the New Product Approval Process to ensure that risks are properly and comprehensively identified, and adequately addressed before implementation. GRM also oversees the data management framework so that comprehensive, accurate and timely information can support management decisions. With the increasing use of Artificial Intelligence and Data Analytics (AIDA) across the Group, GRM is taking the lead in embedding the principles of Fairness, Ethics, Accountability and Transparency (FEAT) into our data and model governance as the Group upgrades its digital capabilities in keeping with evolving industry practices.

The table below shows the value-at-risk (VaR) by risk type for the Group's trading portfolio.

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| $ million | End of the period | Average | Minimum | Maximum | End of the period | Average | Minimum | Maximum |
| Interest rate VaR | **4.89** | **5.25** | **1.43** | **7.96** | 4.11 | 4.38 | 2.15 | 12.30 |
| Foreign exchange VaR | **3.62** | **1.71** | **0.40** | **6.76** | 0.63 | 1.74 | 0.59 | 5.75 |
| Equity VaR | **0.97** | **1.99** | **0.61** | **4.91** | 1.21 | 2.05 | 0.55 | 6.36 |
| Credit spread VaR | **5.76** | **3.62** | **1.91** | **6.78** | 2.01 | 2.67 | 1.42 | 7.02 |
| Diversification effect (1) | **(6.92)** | **(5.82)** | **NM** (2) | **NM** (2) | (4.93) | (5.53) | NM (2) | NM (2) |
| Aggregate VaR | **8.32** | **6.76** | **2.84** | **11.07** | 3.03 | 5.32 | 2.49 | 18.14 |

(1) Diversification effect is computed as the difference between Aggregate VaR and the sum of asset class VaRs.
(2) Not meaningful as the minimum and maximum VaRs may have occurred on different days for different asset classes.

# 38. Risk Management (continued)

## 38.2 Credit Risk

Credit risk is the risk of losing principal and/or income due to the failure of an obligor or counterparty to meet its financial or contractual obligations or an adverse change in the credit profile of an obligor or counterparty. Credit risk arises from the Group's lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from the Group's underwriting, trading and investment banking activities.

### Maximum Exposure to Credit Risk

The following table presents the Group'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 Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

| | Carrying amount | | Average | |
|---|---|---|---|---|
| $ million | 2022 | 2021 | 2022 | 2021 |
| **Credit risk exposure of on-balance sheet assets:** | | | | |
| Loans to customers | **291,467** | 286,281 | **289,708** | 272,302 |
| Placements with and loans to banks | **30,244** | 25,462 | **24,611** | 26,742 |
| Government treasury bills and securities | **39,367** | 37,271 | **36,893** | 34,669 |
| Debt securities | **22,956** | 28,045 | **25,207** | 28,290 |
| Amounts due from associates | **7** | 40 | **5** | 38 |
| Derivative receivables | **15,605** | 9,267 | **21,048** | 15,269 |
| Other assets, comprising interest receivables and sundry debtors | **2,514** | 1,811 | **2,936** | 2,881 |
| | **402,160** | 388,177 | **400,408** | 380,191 |
| **Credit risk exposure of off-balance sheet items:** | | | | |
| Contingent liabilities | **16,749** | 16,651 | **17,090** | 14,937 |
| Credit commitments | **183,704** | 171,062 | **177,664** | 164,594 |
| | **200,453** | 187,713 | **194,754** | 179,531 |
| | | | | |
| **Total maximum credit risk exposure** | **602,613** | 575,890 | **595,162** | 559,722 |

### Collateral

The main types of collateral obtained by the Group are as follows:

- Residential property loans – Mortgages over residential properties
- Commercial property loans – Mortgages over commercial properties
- Derivatives – Cash and securities
- Car loans – Charges over the vehicles financed
- Share margin financing – Charges over listed securities including those of Singapore, Malaysia and Hong Kong
- Other loans – Securities and charges over business assets such as premises, inventories, trade receivables, deposits, single premium insurance policies or marketable securities

# 38. Risk Management (continued)

## 38.2 Credit Risk (continued)

### Analysed by Geography

| $ million | Derivative receivables (Note 18) | Government treasury bills and securities (Note 24) | Balances with banks (Note 25) | Loans to customers (Note 26) | Non-performing assets (Note 27) | Allowances for impaired assets (Note 27) | Debt securities (Note 29) |
|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | |
| **2022** | | | | | | | |
| Singapore | **1,421** | **17,096** | **753** | **119,925** | **437** | **131** | **2,263** |
| Malaysia | **370** | **4,550** | **5,841** | **25,077** | **981** | **292** | **1,676** |
| Indonesia | **82** | **3,994** | **565** | **18,600** | **778** | **389** | **1,113** |
| Greater China | **2,424** | **3,702** | **12,867** | **72,756** | **901** | **246** | **8,982** |
| Other Asia Pacific | **861** | **5,248** | **3,114** | **21,734** | **96** | **29** | **5,892** |
| Rest of the World | **10,447** | **4,777** | **4,973** | **36,888** | **293** | **223** | **3,030** |
| | **15,605** | **39,367** | **28,113** | **294,980** | **3,486** | **1,310** | **22,956** |
| **2021** | | | | | | | |
| Singapore | 1,221 | 11,112 | 802 | 115,620 | 606 | 193 | 2,827 |
| Malaysia | 306 | 5,428 | 2,565 | 27,611 | 1,516 | 361 | 1,598 |
| Indonesia | 209 | 6,425 | 404 | 18,918 | 1,216 | 504 | 1,367 |
| Greater China | 1,614 | 4,373 | 14,027 | 74,120 | 586 | 270 | 14,461 |
| Other Asia Pacific | 599 | 5,393 | 1,813 | 19,293 | 186 | 44 | 4,909 |
| Rest of the World | 5,318 | 4,540 | 3,629 | 34,154 | 228 | 165 | 2,883 |
| | 9,267 | 37,271 | 23,240 | 289,716 | 4,338 | 1,537 | 28,045 |
| **BANK** | | | | | | | |
| **2022** | | | | | | | |
| Singapore | **1,796** | **15,889** | **410** | **111,626** | **437** | **129** | **1,061** |
| Malaysia | **69** | **147** | **2,791** | **3,574** | **24** | **18** | **157** |
| Indonesia | **14** | **243** | **189** | **5,611** | **74** | **61** | **711** |
| Greater China | **989** | **1,362** | **9,355** | **33,784** | **419** | **202** | **4,337** |
| Other Asia Pacific | **726** | **5,122** | **2,987** | **18,879** | **86** | **27** | **5,140** |
| Rest of the World | **10,148** | **1,291** | **2,952** | **29,618** | **192** | **146** | **2,229** |
| | **13,742** | **24,054** | **18,684** | **203,092** | **1,232** | **583** | **13,635** |
| **2021** | | | | | | | |
| Singapore | 1,368 | 10,106 | 304 | 105,801 | 604 | 191 | 1,380 |
| Malaysia | 98 | 79 | 1,961 | 4,062 | 25 | 18 | 90 |
| Indonesia | 164 | 274 | 102 | 6,155 | 105 | 82 | 880 |
| Greater China | 681 | 2,285 | 11,964 | 33,108 | 469 | 234 | 7,901 |
| Other Asia Pacific | 470 | 5,381 | 1,685 | 16,005 | 173 | 43 | 4,194 |
| Rest of the World | 5,031 | 1,691 | 1,505 | 26,239 | 195 | 154 | 2,318 |
| | 7,812 | 19,816 | 17,521 | 191,370 | 1,571 | 722 | 16,763 |

The analysis by geography is determined based on where the credit risk resides.

# 38. Risk Management (continued)

## 38.2 Credit Risk (continued)

### Total Loans and Advances – Credit Quality

In addition to the credit grading of facilities under MAS Notice 612 (2021: MAS Notices 612 and 612A), loans and advances are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired".

| | Bank loans | | Non-bank loans | |
|---|---|---|---|---|
| $ million | 2022 | 2021 | 2022 | 2021 |
| Neither past due nor impaired | **28,113** | 23,240 | **291,059** | 284,855 |
| Non-impaired | **–** | – | **1,527** | 1,690 |
| Impaired | **–** | – | **1,505** | 1,714 |
| Past due loans | **–** | – | **3,032** | 3,404 |
| Impaired but not past due | **–** | – | **889** | 1,457 |
| **Gross loans** | **28,113** | 23,240 | **294,980** | 289,716 |
| Allowances | | | | |
| Impaired loans | **–** | – | **(1,308)** | (1,535) |
| Non-impaired loans | **(5)** | (6) | **(2,205)** | (1,900) |
| **Net loans** | **28,108** | 23,234 | **291,467** | 286,281 |

### Past Due Loans

Analysis of past due loans by industry and geography are as follows:

| | Bank loans | | Non-bank loans | |
|---|---|---|---|---|
| $ million | 2022 | 2021 | 2022 | 2021 |
| **By industry** | | | | |
| Agriculture, mining and quarrying | **–** | – | **96** | 168 |
| Manufacturing | **–** | – | **548** | 767 |
| Building and construction | **–** | – | **391** | 330 |
| General commerce | **–** | – | **401** | 669 |
| Transport, storage and communication | **–** | – | **246** | 313 |
| Financial institutions, investment and holding companies | **–** | – | **136** | 56 |
| Professionals and individuals (include housing loans) | **–** | – | **1,094** | 963 |
| Others | **–** | – | **120** | 138 |
| | **–** | – | **3,032** | 3,404 |
| | | | | |
| **By geography** | | | | |
| Singapore | **–** | – | **653** | 625 |
| Malaysia | **–** | – | **729** | 576 |
| Indonesia | **–** | – | **1,039** | 1,829 |
| Greater China | **–** | – | **472** | 280 |
| Rest of the World | **–** | – | **139** | 94 |
| | **–** | – | **3,032** | 3,404 |

# 38. Risk Management (continued)

## 38.2 Credit Risk (continued)

### Loans Past Due But Not Impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside. The Group's non-bank loans which are past due but not impaired are as follows:

| $ million | 2022 | 2021 |
|---|---|---|
| **Past due** | | |
| Less than 30 days | **884** | 1,188 |
| 30 to 90 days | **310** | 224 |
| Over 90 days | **333** | 278 |
| **Past due but not impaired** | **1,527** | 1,690 |

### Collateral and Other Credit Enhancements Obtained

Assets amounting to $853 million (2021: $116 million) were obtained by the Group during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

### Country Risk

The Group's country risk framework covers the assessment and rating of countries, as well as the maximum cross-border transfer risk limit granted to any one country based on its risk rating. The risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time-bands and vary according to the risk rating of the country and the political and economic outlook. The Group's main cross-border transfer risk exposures during the financial year were in Hong Kong SAR, People's Republic of China and Malaysia.

## 38.3 Market Risk and Asset Liability Management

Market risk is the risk of losing income and/or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatilities, or correlation of such factors. Market risks arise primarily from the Group's trading, client servicing and balance sheet management activities. It also includes interest rate risk in the banking book (IRRBB) which is the risk to income and/or capital arising from exposure to adverse changes in the interest rate environment.

The Group's market risk management framework covers the identification, assessment, measurement, monitoring and control of risks. Group-level market risk policies and procedures have been established to provide common guidelines and standards for managing market risks. The Group regularly reviews its market risk management strategy and limits – established within the Group's risk appetite and in line with the Group's business strategies – taking into account prevailing macroeconomic and market conditions.

Asset liability management is the strategic management of the Group's balance sheet structure and liquidity requirements. It covers liquidity sourcing and diversification as well as interest rate and structural foreign exchange management.

The Group's asset liability management framework focuses on managing the exposures arising from the balance sheet. The Group monitors its liquidity risk, IRRBB and structural foreign exchange risk profiles against approved risk limits under both business-as-usual and stressed scenarios. These are based on the standards established in the Group's framework, policies and procedures which are reviewed regularly to ensure that they remain relevant in the context of prevailing market practices and regulatory guidelines.

# 38. Risk Management (continued)

## 38.3 Market Risk and Asset Liability Management (continued)

### Interest Rate Risk

The primary goal of the management of IRRBB is to ensure that interest rate risk exposures are consistent with the Group's risk appetite and maintained within the defined risk tolerances. The material sources of IRRBB are repricing risk, yield curve risk, basis risk and optionality risk.

A range of techniques are used to measure IRRBB from both the earnings and economic value perspectives. One measure involves the assessment of the impact of various interest rate scenarios on the Group's net interest income and the banking book's Economic Value of Equity (EVE). Other measures include interest rate sensitivity metrics such as PV01 and repricing gap profile analysis. The Group also use behavioural models to assess interest rate risks in relation to loan prepayment, time deposit early redemption and the profile of non-maturity deposits. These measurements facilitate the calibration of appropriate IRRBB management, hedging strategies, policies and positions.

The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar, Hong Kong Dollar and Malaysian Ringgit, net interest income is estimated to increase by $742 million (2021: $669 million), or approximately +9.6% (2021: +11.4%) of reported net interest income. The corresponding impact from a 100 bp decrease in interest rates is an estimated reduction of $742 million (2021: $669 million) in net interest income, or approximately -9.6% (2021: -11.4%) of reported net interest income.

The 1% rate shock impact on net interest income is based on the Group's interest rate risk profile as at reporting date. It does not take into account actions that would be taken by Global Treasury or the business units to mitigate the impact of this interest rate risk. The projections also assume a constant balance sheet size and position.

### Currency Risk

The Group's major foreign exchange position for selected balance sheet items is shown below. "Others" include mainly Indonesian Rupiah, Chinese Renminbi, Australian Dollar, Euro, Japanese Yen and Sterling Pound.

| $ million | SGD | USD | MYR | HKD | Others | Total |
|---|---|---|---|---|---|---|
| **Selected balance sheet items** | | | | | | |
| **2022** | | | | | | |
| Loans to customers | **106,119** | **70,231** | **17,926** | **36,120** | **61,071** | **291,467** |
| Deposits of non-bank customers | **130,205** | **119,527** | **21,278** | **26,210** | **52,861** | **350,081** |
| **2021** | | | | | | |
| Loans to customers | 101,047 | 72,414 | 19,537 | 34,595 | 58,688 | 286,281 |
| Deposits of non-bank customers | 133,157 | 109,842 | 22,603 | 23,381 | 53,412 | 342,395 |

# 38. Risk Management (continued)

## 38.3 Market Risk and Asset Liability Management (continued)

### Structural Foreign Exchange Risk

Structural foreign exchange exposure arises primarily from the Group's non-SGD investment in overseas branches, subsidiaries and associates, strategic investments, as well as property assets. The Group manages structural foreign exchange risk through hedging instruments including the use of derivatives and matched funding for foreign currency investments. The table below shows the Group's structural foreign currency exposure at reporting date.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| $ million | Structural currency exposure | Structural currency exposure – hedged | Net structural currency exposure | Structural currency exposure | Structural currency exposure – hedged | Net structural currency exposure |
| Hong Kong Dollar | **7,011** | **–** | **7,011** | 7,234 | – | 7,234 |
| Chinese Renminbi | **8,357** | **–** | **8,357** | 8,182 | – | 8,182 |
| US Dollar | **3,931** | **3,434** | **497** | 4,024 | 3,185 | 839 |
| Others | **7,746** | **–** | **7,746** | 7,968 | 117 | 7,851 |
| Total | **27,045** | **3,434** | **23,611** | 27,408 | 3,302 | 24,106 |

### Net Investment Hedges

The amounts relating to items designated as hedging instruments were as follows.

| | | Carrying amount | |
|---|---|---|---|
| $ million | Nominal amount | Assets | Liabilities |
| **2022** | | | |
| Foreign exchange derivatives | **1,430** | **–** | **238** |
| Subordinated debt | **1,775** | **–** | **1,658** |
| **2021** | | | |
| Foreign exchange derivatives | 3,642 | 49 | 180 |

The total change in fair value of the hedging instruments during the year was a gain of $30 million (2021: loss of $67 million) and the change in value of the hedging instruments recognised in OCI was a gain of $30 million (2021: loss of $67 million). There was no gain or loss recognised in other income arising from hedge ineffectiveness in 2022 (2021: nil).

# 38. Risk Management (continued)

## 38.3 Market Risk and Asset Liability Management (continued)

### Liquidity Risk

Liquidity risk is the risk arising from the inability to meet financial and cash outflow obligations as they fall due without incurring unacceptable costs or losses.

The objective of liquidity risk management is to ensure that the Group has sufficient funds to meet the required contractual and regulatory financial obligations and to undertake new transactions.

Liquidity monitoring is performed on daily basis within a framework for projecting cash flows on contractual and behavioural bases. Indicators such as liquidity and deposit concentration ratios are used to establish the optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. Simulations of liquidity exposures under stressed market scenarios are performed and the results are used to adjust liquidity risk management strategies, policies and positions, as well as to develop contingency funding plans.

The table below analyses the carrying amount of assets and liabilities of the Group into maturity time bands based on the remaining term to contractual maturity as at the reporting date.

| $ million | Within 1 week | 1 week to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | Over 3 years | No specific maturity | Total |
|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | |
| Cash and placements with central banks | **16,187** | **5,208** | **8,585** | **3** | **–** | **–** | **4,983** | **34,966** |
| Placements with and loans to banks | **5,257** | **3,959** | **8,928** | **8,833** | **546** | **585** | **–** | **28,108** |
| Loans to customers | **21,925** | **36,231** | **21,047** | **33,916** | **54,199** | **124,149** | **–** | **291,467** |
| Securities [1] | **505** | **4,535** | **7,277** | **15,350** | **20,731** | **13,925** | **5,054** | **67,377** |
| Derivative receivables | **15,199** | **6** | **52** | **35** | **162** | **151** | **–** | **15,605** |
| Other assets [2] | **2,718** | **2,012** | **511** | **470** | **72** | **110** | **1,179** | **7,072** |
| Associates | **#** | **–** | **6** | **–** | **–** | **1** | **6,333** | **6,340** |
| Property, plant and equipment and investment property [3] | **–** | **1** | **–** | **–** | **–** | **–** | **3,592** | **3,593** |
| Goodwill and other intangible assets | **–** | **–** | **–** | **–** | **–** | **–** | **4,643** | **4,643** |
| **Total** | **61,791** | **51,952** | **46,406** | **58,607** | **75,710** | **138,921** | **25,784** | **459,171** |
| Total life insurance fund assets | | | | | | | | **100,785** |
| **Total assets** | | | | | | | | **559,956** |
| | | | | | | | | |
| Deposits of non-bank customers | **201,584** | **38,932** | **46,777** | **56,773** | **4,242** | **1,773** | **–** | **350,081** |
| Deposits and balances of banks | **6,089** | **2,050** | **1,755** | **123** | **–** | **29** | **–** | **10,046** |
| Trading portfolio liabilities | **–** | **–** | **201** | **–** | **–** | **–** | **11** | **212** |
| Derivative payables | **15,248** | **3** | **116** | **85** | **442** | **154** | **–** | **16,048** |
| Other liabilities [4] | **2,687** | **2,075** | **981** | **2,598** | **233** | **122** | **1,217** | **9,913** |
| Debt issued | **739** | **1,148** | **7,567** | **4,709** | **6,400** | **1,375** | **–** | **21,938** |
| **Total** | **226,347** | **44,208** | **57,397** | **64,288** | **11,317** | **3,453** | **1,228** | **408,238** |
| Total life insurance fund liabilities | | | | | | | | **97,050** |
| **Total liabilities** | | | | | | | | **505,288** |
| | | | | | | | | |
| **Net liquidity gap** | **(164,556)** | **7,744** | **(10,991)** | **(5,681)** | **64,393** | **135,468** | | |

(1) Securities comprise government, debt and equity securities. Securities at FVTPL (Note 39) are expected to be recovered or settled within 12 months.
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amounts due to associates, current tax and deferred tax liabilities.

# 38. Risk Management (continued)

## 38.3 Market Risk and Asset Liability Management (continued)

**Liquidity Risk** (continued)

| $ million | Within 1 week | 1 week to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | Over 3 years | No specific maturity | Total |
|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | |
| Cash and placements with central banks | 13,629 | 2,436 | 6,643 | – | – | – | 5,211 | 27,919 |
| Placements with and loans to banks | 5,773 | 2,918 | 4,102 | 10,381 | 60 | # | – | 23,234 |
| Loans to customers | 24,494 | 37,225 | 21,463 | 32,106 | 57,751 | 113,242 | – | 286,281 |
| Securities [(1)] | 64 | 2,303 | 4,421 | 14,242 | 22,993 | 21,293 | 5,970 | 71,286 |
| Derivative receivables | 8,922 | 6 | 99 | 30 | 120 | 90 | – | 9,267 |
| Other assets [(2)] | 3,336 | 972 | 721 | 542 | 64 | 102 | 877 | 6,614 |
| Associates | 1 | – | 4 | 35 | – | # | 6,130 | 6,170 |
| Property, plant and equipment and investment property [(3)] | 1 | 8 | 1 | 1 | – | – | 3,627 | 3,638 |
| Goodwill and other intangible assets | – | – | – | – | – | – | 4,773 | 4,773 |
| **Total** | 56,220 | 45,868 | 37,454 | 57,337 | 80,988 | 134,727 | 26,588 | 439,182 |
| Total life insurance fund assets | | | | | | | | 103,005 |
| **Total assets** | | | | | | | | 542,187 |
| | | | | | | | | |
| Deposits of non-bank customers | 229,550 | 30,704 | 41,873 | 37,392 | 1,907 | 969 | – | 342,395 |
| Deposits and balances of banks | 5,362 | 1,593 | 1,075 | 154 | – | 55 | – | 8,239 |
| Trading portfolio liabilities | – | – | 392 | – | – | – | 1 | 393 |
| Derivative payables | 8,670 | 1 | 1 | 84 | 145 | 169 | – | 9,070 |
| Other liabilities [(4)] | 3,206 | 1,133 | 826 | 1,865 | 268 | 219 | 1,083 | 8,600 |
| Debt issued | 782 | 1,511 | 4,488 | 5,805 | 4,759 | 2,770 | – | 20,115 |
| **Total** | 247,570 | 34,942 | 48,655 | 45,300 | 7,079 | 4,182 | 1,084 | 388,812 |
| Total life insurance fund liabilities | | | | | | | | 99,037 |
| **Total liabilities** | | | | | | | | 487,849 |
| | | | | | | | | |
| **Net liquidity gap** | (191,350) | 10,926 | (11,201) | 12,037 | 73,909 | 130,545 | | |

(1) Securities comprise government, debt and equity securities. Securities at FVTPL (Note 39) are expected to be recovered or settled within 12 months.
(2) Other assets include deferred tax assets.
(3) Property, plant and equipment and investment property include assets held for sale.
(4) Other liabilities include amounts due to associates, current tax and deferred tax liabilities.

As contractual maturities may not necessarily reflect the timing of actual cash flows of assets and liabilities, cash flows for profiling liquidity risk are on contractual and behavioural bases. The cash flows of assets and liabilities may be different from their contractual terms.

### Contractual Maturity for Financial Liabilities

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities, except for trading portfolio liabilities which are profiled in accordance with the Group's trading strategies. Information on cash outflows of gross loan commitments is set out in Note 44. The behavioural cash flows of these liabilities could vary significantly from what is shown in the table. For example, demand deposits of non-bank customers, such as current and savings deposits (Note 17) may exhibit a longer behavioural maturity beyond the contractual profile. Similarly, loan commitments are not all expected to be drawn down immediately.

# 38. Risk Management (continued)

## 38.3 Market Risk and Asset Liability Management (continued)

**Contractual Maturity for Financial Liabilities** (continued)

| $ million | Within 1 week | 1 week to 1 month | 1 to 3 months | 3 to 12 months | 1 to 3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| Deposits of non-bank customers [1] | **201,639** | **39,190** | **47,267** | **58,418** | **4,532** | **1,841** | **352,887** |
| Deposits and balances of banks [1] | **6,094** | **2,063** | **1,772** | **125** | **–** | **29** | **10,083** |
| Trading portfolio liabilities | **–** | **–** | **212** | **–** | **–** | **–** | **212** |
| Other liabilities [2] | **2,650** | **1,854** | **674** | **1,253** | **167** | **113** | **6,711** |
| Debt issued | **740** | **1,158** | **7,598** | **4,924** | **7,203** | **1,491** | **23,114** |
| Derivatives | | | | | | | |
| Trading | **15,460** | **–** | **–** | **–** | **–** | **–** | **15,460** |
| Hedging – Net settled | **#** | **5** | **46** | **88** | **174** | **26** | **339** |
| Hedging – Gross settled | | | | | | | |
| Outflow | **39** | **35** | **873** | **778** | **2,116** | **–** | **3,841** |
| Inflow | **(38)** | **(32)** | **(760)** | **(792)** | **(1,981)** | **–** | **(3,603)** |
| | **226,584** | **44,273** | **57,682** | **64,794** | **12,211** | **3,500** | **409,044** |
| **2021** | | | | | | | |
| Deposits of non-bank customers [1] | 229,563 | 30,765 | 41,946 | 37,567 | 2,022 | 1,020 | 342,883 |
| Deposits and balances of banks [1] | 5,364 | 1,594 | 1,076 | 154 | – | 55 | 8,243 |
| Trading portfolio liabilities | – | – | 393 | – | – | – | 393 |
| Other liabilities [2] | 3,177 | 1,048 | 749 | 1,039 | 226 | 171 | 6,410 |
| Debt issued | 783 | 1,512 | 4,508 | 5,910 | 4,910 | 2,966 | 20,589 |
| Derivatives | | | | | | | |
| Trading | 8,726 | – | – | – | – | – | 8,726 |
| Hedging – Net settled | # | 2 | 3 | 17 | 35 | 20 | 77 |
| Hedging – Gross settled | | | | | | | |
| Outflow | 5 | 85 | 912 | 1,909 | 1,747 | 916 | 5,574 |
| Inflow | (1) | (84) | (960) | (1,829) | (1,610) | (837) | (5,321) |
| | 247,617 | 34,922 | 48,627 | 44,767 | 7,330 | 4,311 | 387,574 |

(1) Interest cash flows of bank and non-bank deposits are included in the respective deposit lines based on interest payment dates.
(2) Other liabilities include amounts due to associates.

### Information Security and Digital Risk

Information security risk is the risk of compromising confidentiality, integrity and/or availability of information (in physical or digital form).

Digital risk encompasses cyber and technology risks. Cyber risk is the risk arising from malicious acts perpetrated by threat actors. Technology risk is the risk of disruption, failure or irregularity in essential financial services arising from the use of information and communication technologies.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, poor management, human error or external events. This is a broad risk category that encompasses fraud risk, money laundering, terrorism financing and sanctions risk, third-party risk, physical and people security risk, conduct risk, business continuity risk, unauthorised trading risk, regulatory risk, legal risk, fiduciary risk and reputational risk.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management

This note sets out the risk management information of GEH Group.

### Governance Framework

Managing risk is an integral part of GEH Group's core business. As stated in the Enterprise Risk Management (ERM) Framework, GEH Group shall operate within parameters and limits that are calibrated to the risk appetite approved by the GEH Board, and pursue appropriate risk-adjusted returns.

GEH Group Risk Management department spearheads the development and implementation of the ERM Framework for GEH Group.

GEH Board is responsible for overseeing GEH Group's risk management initiatives. GEH Board may delegate this responsibility to the Risk Management Committee (RMC) and Senior Management of GEH Group for the execution of these initiatives. At GEH Group level, detailed risk management and oversight activities are undertaken by the following Group Management committees, all of which are chaired by GEH Group Chief Executive Officer and comprise key Senior Management Executives, namely: Group Management Committee (GMC), Group Investment Committee (Group IC), Group Asset-Liability Committee (Group ALC), Group Technology Strategy Committee (Group TSC) and Group Product Management and Approval Committee (Group PMAC).

GMC is responsible for providing leadership, direction and functional oversight on all matters including sustainability performance of GEH Group. In addition to complying with regulatory requirements, the GMC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMC is supported by the Group IC, Group ALC, Group PMAC, Group TSC, Local Senior Management Team (SMT), Local ALC, Local Product Development Committee (PDC) and Local TSC.

Group IC is responsible for overseeing all investment management activities of GEH Group and ensuring that the interests and rights of policyholders are not compromised.

Group ALC is responsible for balance sheet management. Specifically, Group ALC reviews and formulates frameworks, policies, processes and methodologies relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local ALC.

Group TSC is responsible for assisting GMC in providing the overall strategic direction and approval of all IT related issues and initiatives, including the digitalisation and transformation programs to support GEH Group's strategic growth into the future. Group TSC is supported by local TSC.

Group PMAC is responsible for reviewing, approving and managing new and existing products, ensuring the business operates within the risk appetite in delivering the annual business targets. Local PDC is responsible for reviewing and endorsing new products at the local operating subsidiaries.

### Regulatory Framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the policy for the investment of the funds rests with the respective Board of Directors (Board) of the insurance subsidiaries. GEH Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

### Capital Management

The objectives of GEH's capital management policy are to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

GEH Group had no significant changes in the policies and processes relating to its capital structure during the year.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

***Regulatory Capital***

GEH Group and its insurance subsidiaries are required to comply with the capital requirements prescribed by the insurance regulations of the jurisdictions in which the subsidiaries operate. The Capital Adequacy Ratios of GEH Group and its insurance subsidiaries in Singapore, Malaysia and Indonesia remained well above the regulatory minimum ratios under the Risk-based Capital Frameworks established by the Monetary Authority of Singapore (MAS), Bank Negara Malaysia (BNM) and Otoritas Jasa Keuangan, Indonesia respectively.

GEH Group's approach to capital management aims to maintain an adequate level of capital to meet regulatory requirements, including any additional amounts required by the regulators of GEH Group and its insurance subsidiaries. This involves managing asset, liability decisions and the associated risks in a coordinated way by assessing and monitoring the available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking appropriate actions to adjust the asset liability position of GEH Group and/or its subsidiaries in light of changes in economic conditions and risk characteristics.

The primary sources of capital of GEH Group are shareholders' equity. GEH Group defines available capital as the amount of assets in excess of liabilities measured in accordance with the insurance regulations of the respective jurisdictions in which the insurance subsidiaries operate.

***Dividend***

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

The following sections provide details of GEH Group's exposure to insurance and key financial risks, as well as the objectives, policies and processes for managing these risks.

There has been no change to GEH Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

**Insurance Risk**

The principal activity of GEH Group is the provision of insurance products and related financial advisory services. The products cover risks such as mortality, morbidity (health, disability, critical illness, personal accident), property and casualty, investment saving protection and wealth accumulation guarantees.

GEH Group's underwriting strategy is designed to ensure that risks are well diversified across the types of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes into account current health conditions and family medical history, regular review of actual claims experience, as well as detailed claims handling procedures. Underwriting limits are also established to enforce appropriate risk selection criteria. For example, GEH Group has the right to reject renewal of insurance policy, impose deductibles and reject payment of fraudulent claims.

Risks inherent in GEH Group’s activities include but are not limited to the following.

***Insurance Risks of Life Insurance Contracts***

Insurance risks arise when GEH Group underwrites insurance contracts. While insurance risks may not vary significantly across the geographical locations in which GEH Group currently operates, the types of risks insured, assumptions used in pricing the insurance products and subsequent setting aside of provisions may give rise to potential shortfalls in provision for future claims and expenses when actual claims experience are worse than projections. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

GEH Group utilises reinsurance to manage the mortality and morbidity risks. GEH Group’s reinsurance management strategy and policy are reviewed annually by RMC and GEH Group ALC. Reinsurance is structured according to the type of risk insured. Catastrophe reinsurance is procured to limit catastrophic losses.

In general, reinsurance business will only be given to reinsurers with a minimum credit rating of S&P A- or equivalent. GEH Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

GEH Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses at least annually, and ensures that the policies, guidelines and limits established for managing the risks remain adequate and appropriate.

A substantial portion of GEH Group’s life insurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment portfolios perform below expectations, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for GEH Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders. Nevertheless, the fees earned by GEH Group for managing the investment-linked funds would fluctuate with the changes in underlying fund values.

Stress testing is performed at least once a year to assess the solvency of the life insurance fund under various stress scenarios. The stress scenarios include regulatory prescribed scenarios, as well as scenarios depicting drastic changes in key parameters such as new business volume, market volatilities, expense patterns, mortality/morbidity patterns and lapse rates.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Insurance Risk** (continued)

***Insurance Risks of Life Insurance Contracts*** (continued)

The table below sets out the distribution of the various life insurance risk as at the reporting date.

| | Gross | | | Reinsurance | | | |
|---|---|---|---|---|---|---|---|
| $ million | With DPF [1] | Without DPF | Total | With DPF | Without DPF | Total | Net total |
| **(a) By class of business** | | | | | | | |
| **2022** | | | | | | | |
| Whole life | **40,799** | **9,749** | **50,548** | **9** | **(23)** | **(14)** | **50,534** |
| Endowment | **18,003** | **13,125** | **31,128** | **#** | **(28)** | **(28)** | **31,100** |
| Term | **#** | **678** | **678** | **(#)** | **(162)** | **(162)** | **516** |
| Accident and health | **2** | **736** | **738** | **–** | **(293)** | **(293)** | **445** |
| Annuity | **23** | **366** | **389** | **–** | **–** | **–** | **389** |
| Others | **124** | **1,331** | **1,455** | **(1)** | **(82)** | **(83)** | **1,372** |
| Total | **58,951** | **25,985** | **84,936** | **8** | **(588)** | **(580)** | **84,356** |
| **2021** | | | | | | | |
| Whole life | 41,215 | 11,084 | 52,299 | 11 | (27) | (16) | 52,283 |
| Endowment | 21,963 | 9,549 | 31,512 | # | (125) | (125) | 31,387 |
| Term | # | 732 | 732 | (#) | (165) | (165) | 567 |
| Accident and health | 2 | 548 | 550 | – | (133) | (133) | 417 |
| Annuity | 26 | 444 | 470 | – | – | – | 470 |
| Others | 128 | 1,268 | 1,396 | (1) | (33) | (34) | 1,362 |
| Total | 63,334 | 23,625 | 86,959 | 10 | (483) | (473) | 86,486 |
| **(b) By country** | | | | | | | |
| **2022** | | | | | | | |
| Singapore | **44,104** | **18,416** | **62,520** | **15** | **(252)** | **(237)** | **62,283** |
| Malaysia | **14,514** | **6,768** | **21,282** | **(6)** | **(333)** | **(339)** | **20,943** |
| Others | **333** | **801** | **1,134** | **(1)** | **(3)** | **(4)** | **1,130** |
| Total | **58,951** | **25,985** | **84,936** | **8** | **(588)** | **(580)** | **84,356** |
| **2021** | | | | | | | |
| Singapore | 47,300 | 16,581 | 63,881 | 17 | (311) | (294) | 63,587 |
| Malaysia | 15,676 | 6,366 | 22,042 | (7) | (168) | (175) | 21,867 |
| Others | 358 | 678 | 1,036 | (#) | (4) | (4) | 1,032 |
| Total | 63,334 | 23,625 | 86,959 | 10 | (483) | (473) | 86,486 |

(1) DPF is defined as contracts with Discretionary Participating Features.

The sensitivity analysis below shows the impact of changes in key parameters on the value of policy liabilities, and hence on the income statement and shareholders' equity.

Sensitivity analysis produced are based on parameters set out as follows:

| | Change in assumptions |
|---|---|
| (a) Scenario 1 – Mortality and Major Illness | + 25% for all future years |
| (b) Scenario 2 – Mortality and Major Illness | – 25% for all future years |
| (c) Scenario 3 – Health and Disability | + 25% for all future years |
| (d) Scenario 4 – Health and Disability | – 25% for all future years |
| (e) Scenario 5 – Lapse and Surrender Rates | + 25% for all future years |
| (f) Scenario 6 – Lapse and Surrender Rates | – 25% for all future years |
| (g) Scenario 7 – Expenses | + 30% for all future years |

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Insurance Risk** (continued)

***Insurance Risks of Life Insurance Contracts*** (continued)

**Profit/(Loss) After Tax and Shareholders' Equity Sensitivity for the Singapore Segment**

***Impact on 1-Year's Profit/(Loss) After Tax and Shareholders' Equity***

Life Insurance Contracts

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| $ million | Gross impact | Reinsurance ceded | Net impact | Gross impact | Reinsurance ceded | Net impact |
| Scenario 1 | **(730)** | **354** | **(376)** | (754) | 362 | (392) |
| Scenario 2 | **492** | **(228)** | **264** | 526 | (246) | 280 |
| Scenario 3 | **(278)** | **145** | **(133)** | (257) | 141 | (116) |
| Scenario 4 | **176** | **(62)** | **114** | 150 | (45) | 105 |
| Scenario 5 | **99** | **(34)** | **65** | 92 | (17) | 75 |
| Scenario 6 | **(143)** | **46** | **(97)** | (130) | 30 | (100) |
| Scenario 7 | **(56)** | **5** | **(51)** | (48) | 3 | (45) |

**Profit/(Loss) After Tax and Shareholders' Equity Sensitivity for the Malaysia Segment**

***Impact on 1-Year's Profit/(Loss) After Tax and Shareholders' Equity***

Life Insurance Contracts

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| $ million | Gross impact | Reinsurance ceded | Net impact | Gross impact | Reinsurance ceded | Net impact |
| Scenario 1 | **(127)** | **–** | **(127)** | (133) | – | (133) |
| Scenario 2 | **109** | **–** | **109** | 120 | – | 120 |
| Scenario 3 | **(14)** | **–** | **(14)** | (23) | – | (23) |
| Scenario 4 | **13** | **–** | **13** | 20 | – | 20 |
| Scenario 5 | **(28)** | **–** | **(28)** | (24) | – | (24) |
| Scenario 6 | **72** | **–** | **72** | 58 | – | 58 |
| Scenario 7 | **(40)** | **–** | **(40)** | (35) | – | (35) |

The tables above demonstrate the sensitivity of GEH Group's profit or loss after tax to possible changes in individual actuarial valuation assumptions, with all other variables held constant.

The method used, including the significant assumptions made, for performing the above sensitivity analysis did not change from the previous year.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Insurance Risk** (continued)

***Insurance Risk of Non-Life Insurance Contracts***

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

The table below sets out the distribution of the various categories of the non-life insurance risk as at the reporting date.

| Non-life insurance contracts<br>$ million | 2022<br>Gross premium liabilities | 2022<br>Reinsured premium liabilities | 2022<br>Net premium liabilities | 2021<br>Gross premium liabilities | 2021<br>Reinsured premium liabilities | 2021<br>Net premium liabilities |
|---|---|---|---|---|---|---|
| **(a) By class of business** | | | | | | |
| Fire | **42** | **(18)** | **24** | 39 | (16) | 23 |
| Motor | **42** | **(5)** | **37** | 36 | (2) | 34 |
| Marine and aviation | **6** | **(3)** | **3** | 8 | (4) | 4 |
| Workmen's compensation | **14** | **(4)** | **10** | 18 | (6) | 12 |
| Personal accident and health | **23** | **(1)** | **22** | 23 | (2) | 21 |
| Miscellaneous | **67** | **(47)** | **20** | 65 | (44) | 21 |
| Total | **194** | **(78)** | **116** | 189 | (74) | 115 |
| **(b) By country** | | | | | | |
| Singapore | **101** | **(48)** | **53** | 99 | (47) | 52 |
| Malaysia | **73** | **(22)** | **51** | 71 | (19) | 52 |
| Indonesia | **20** | **(8)** | **12** | 19 | (8) | 11 |
| Total | **194** | **(78)** | **116** | 189 | (74) | 115 |

| Non-life insurance contracts<br>$ million | 2022<br>Gross claims liabilities | 2022<br>Reinsured claims liabilities | 2022<br>Net claims liabilities | 2021<br>Gross claims liabilities | 2021<br>Reinsured claims liabilities | 2021<br>Net claims liabilities |
|---|---|---|---|---|---|---|
| **(a) By class of business** | | | | | | |
| Fire | **123** | **(95)** | **28** | 128 | (105) | 23 |
| Motor | **63** | **(5)** | **58** | 54 | (6) | 48 |
| Marine and aviation | **25** | **(19)** | **6** | 28 | (21) | 7 |
| Workmen's compensation | **36** | **(13)** | **23** | 34 | (13) | 21 |
| Personal accident and health | **26** | **(4)** | **22** | 25 | (5) | 20 |
| Miscellaneous | **240** | **(209)** | **31** | 222 | (190) | 32 |
| Total | **513** | **(345)** | **168** | 491 | (340) | 151 |
| **(b) By country** | | | | | | |
| Singapore | **194** | **(123)** | **71** | 175 | (113) | 62 |
| Malaysia | **267** | **(189)** | **78** | 289 | (216) | 73 |
| Indonesia | **52** | **(33)** | **19** | 27 | (11) | 16 |
| Total | **513** | **(345)** | **168** | 491 | (340) | 151 |

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Insurance Risk** (continued)

***Insurance Risk of Non-Life Insurance Contracts*** (continued)

**Cumulative Claims Estimates and Cumulative Payments To-Date**

The tables below show the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each reporting date, together with cumulative payments to date.

(i) Gross non-life insurance contract liabilities for 2022

| $ million | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **(a) Estimate of cumulative claims** | | | | | | | | | |
| Accident Year | 195 | 202 | 219 | 188 | 221 | 273 | 258 | 266 | |
| One year later | 195 | 213 | 213 | 163 | 227 | 239 | 226 | – | |
| Two years later | 167 | 209 | 191 | 154 | 227 | 271 | – | – | |
| Three years later | 171 | 203 | 195 | 244 | 231 | – | – | – | |
| Four years later | 170 | 201 | 196 | 245 | – | – | – | – | |
| Five years later | 170 | 201 | 193 | – | – | – | – | – | |
| Six years later | 166 | 196 | – | – | – | – | – | – | |
| Seven years later | 164 | – | – | – | – | – | – | – | |
| **Current estimate of cumulative claims** | **164** | **196** | **193** | **245** | **231** | **271** | **226** | **266** | |
| | | | | | | | | | |
| **(b) Cumulative payments** | **160** | **193** | **175** | **138** | **191** | **204** | **143** | **82** | |
| | | | | | | | | | |
| **(c) Non-life gross claim liabilities** | **4** | **3** | **18** | **107** | **40** | **67** | **83** | **184** | **506** |
| **Reserve for prior years** | | | | | | | | | **7** |
| **Non-life insurance contract liabilities, gross** | | | | | | | | | **513** |

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Insurance Risk** (continued)

***Insurance Risk of Non-Life Insurance Contracts*** (continued)

**Cumulative Claims Estimates and Cumulative Payments To-Date** (continued)

(ii) Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2022

| $ million | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **(a) Estimate of cumulative claims** | | | | | | | | | |
| Accident Year | 102 | 109 | 125 | 121 | 123 | 109 | 109 | 140 | |
| One year later | 100 | 107 | 124 | 113 | 116 | 96 | 93 | – | |
| Two years later | 96 | 105 | 120 | 110 | 115 | 97 | – | – | |
| Three years later | 92 | 102 | 119 | 111 | 117 | – | – | – | |
| Four years later | 91 | 100 | 118 | 111 | – | – | – | – | |
| Five years later | 90 | 100 | 116 | – | – | – | – | – | |
| Six years later | 88 | 97 | – | – | – | – | – | – | |
| Seven years later | 87 | – | – | – | – | – | – | – | |
| **Current estimate of cumulative claims** | **87** | **97** | **116** | **111** | **117** | **97** | **93** | **140** | |
| **(b) Cumulative payments** | **85** | **95** | **110** | **101** | **103** | **82** | **70** | **49** | |
| **(c) Non-life net claim liabilities** | **2** | **2** | **6** | **10** | **14** | **15** | **23** | **91** | **163** |
| **Reserve for prior years** | | | | | | | | | **5** |
| **Non-life insurance contract liabilities, net** | | | | | | | | | **168** |

***Key Assumptions***

Non-life insurance contract liabilities are determined based on claims experience, knowledge of existing events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, trends in historical claims, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of non-life insurance contracts is mitigated by achieving a large and well-diversified portfolio of insurance contracts across various industries and geographical areas. The risks are further mitigated by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Comprehensive assessment of new and on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to further reduce the risk exposure of GEH Group. In addition, GEH Group enforces a policy of active management and prompt pursuit of claims, to reduce its exposure to unpredictable future developments that can negatively impact GEH Group.

GEH Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events such as hurricanes, earthquakes and flood damages.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Insurance Risk** (continued)

***Insurance Risk of Non-Life Insurance Contracts*** (continued)

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

| | | Impact on | | | |
|---|---|---|---|---|---|
| $ million | Change in assumptions | Gross liabilities | Net liabilities | Profit before tax | Equity |
| **2022** | | | | | |
| Provision for adverse deviation margin | **+20%** | **12** | **3** | **(3)** | **(3)** |
| Loss ratio (for latest year) | **+20%** | **75** | **41** | **(41)** | **(33)** |
| Claims handling expenses | **+20%** | **2** | **1** | **(1)** | **(1)** |
| **2021** | | | | | |
| Provision for adverse deviation margin | +20% | 11 | 4 | (4) | (3) |
| Loss ratio (for latest year) | +20% | 67 | 37 | (37) | (29) |
| Claims handling expenses | +20% | 2 | 2 | (2) | (1) |

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

**Market and Credit Risk**

Market risk arises when market values of assets and liabilities are adversely affected by changes in financial markets. Changes in interest rates, foreign exchange rates, equity prices and prices of alternative investment assets can impact present and future earnings of the insurance operations, as well as shareholders' equity.

GEH Group is exposed to market risk through its investment portfolios, as well as in the mismatches between assets and liabilities of the Insurance Funds. In the case of the third-party funds managed by its asset management subsidiary, Lion Global Investors Limited, investment risks are borne by investors and GEH Group does not assume any liability in the event of occurrence of loss or write-down in market valuations.

GEH Group ALC, Group IC and local ALCs actively manage market risks through the setting of investment policies and asset allocations, approving portfolio construction, risk measurement methodologies, as well as hedging and alternative risk transfer strategies. Investment limits are monitored at various levels to ensure that all investment activities are conducted within GEH Group's risk appetite and in line with GEH Group's management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by GEH Group in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit risk, alternative investment risk and liquidity risk, is briefly described below.

**(a) Interest Rate Risk (Including Asset Liability Mismatch)**

GEH Group is exposed to interest rate risk through (i) investments in fixed income instruments and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur economic losses when interest rates rise. Given the long duration of policy liabilities and the uncertainties in the cash flows of Insurance Funds, it is not possible to hold assets with duration that perfectly matches the duration of the policy liabilities. This results in interest rate risk and asset liability mismatch risk, and these risks are managed and monitored by GEH Group ALC and the local ALCs. The Insurance Funds will incur economic losses when interest rates drop as the duration of policy liabilities is generally longer than the duration of fixed income assets.

Under Singapore regulations governed by the MAS, the discount rate used for discounting liability cash flows may include a positive adjustment in the form of matching adjustment, or illiquidity premium, subject to certain conditions being met. As a result, the Singapore non-participating funds could have losses when the magnitude of the adjustment decreases leading to higher discounted liabilities.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(a) Interest Rate Risk (Including Asset Liability Mismatch)** (continued)

Under Malaysia regulations governed by the BNM, liability cash flows with durations less than 15 years are discounted using the spot yield of Malaysia Government Securities (MGS) with matching durations, while liability cash flows with durations of 15 years or more are discounted using the 15 year MGS spot yield. As a result, the Malaysia non-participating fund could have losses when the MGS spot yield decreases.

**Managing Interest Rate Benchmark Reform**

**i) Overview**

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBOR) with alternative nearly risk-free rates (referred to as IBOR reform). GEH Group has moderate exposure to IBORs on its financial instruments that will be reformed as part of this market-wide initiative. Most reforms affecting GEH Group had been completed by the end of 2021. However, the transition deadlines for USD LIBOR and SIBOR have been extended to end June 2023 and end December 2024 respectively, hence some instruments referencing these rates may not be transited until those dates.

GEH Group anticipates that IBOR reform will have moderate operational, risk management and accounting impacts across all of its business lines. The main risk to which GEH Group is exposed as a result of IBOR reform is operational. For example, the bilateral renegotiation with private debt issuers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

GEH Group has a cross-functional IBOR Working Group to manage its transition to alternative rates. The objectives of the IBOR Working Group include evaluating the extent to which fixed income holdings, derivatives and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

**ii) Non-Derivative Financial Assets**

GEH Group's IBOR exposures on bonds/FRNs holdings include SGD Swap Offer Rate (SOR), SIBOR and USD LIBOR are primarily at The Great Eastern Life Assurance Company Limited. GEH Group also has corporate loans holdings indexed to SOR.

The alternative reference rate for SOR and SIBOR is the Singapore Overnight Rate Average (SORA); for USD LIBOR is the Secured Overnight Financing Rate (SOFR). The changes to the contractual terms of financial assets indexed to SOR, SIBOR and USD LIBOR to incorporate new benchmark rates are still in progress as at 31 December 2022.

GEH Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. GEH Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an "unreformed contract").

The following table shows the total amounts of unreformed non-derivative financial assets as at 31 December 2022. The amounts of trading assets and investment securities are shown at their carrying amounts.

| | Gross carrying amount | | |
|---|---|---|---|
| $ million | SOR | USD LIBOR | Total |
| Debt securities | **692** | **970** | **1,662** |
| Corporate loan | **116** | **–** | **116** |
| **Total** | **808** | **970** | **1,778** |

**iii) Non-Derivative Financial Liabilities**

GEH Group does not have any floating-rate liabilities which would be impacted by the IBOR reform.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(a) Interest Rate Risk (Including Asset Liability Mismatch)** (continued)

**Managing Interest Rate Benchmark Reform** (continued)

**iv) Derivatives and Hedge Accounting**

GEH Group holds derivatives for risk management and efficient portfolio management purposes, and are not designated in hedging relationships. The instruments used principally include interest rate, cross-currency, and total return swaps, which have floating legs that are indexed to various IBORs. Typically, derivative transactions that reference interest rate benchmarks incorporate standard terms such as the 2006 ISDA Definitions published by ISDA. ISDA has reviewed such definitions in light of IBOR reform and issued an IBOR fallback protocol on 23 October 2020 and a supplement to amend the 2006 ISDA Definitions effective 25 January 2021. This sets out how the amendments to new alternative benchmark rates (e.g. SORA, SOFR) in the 2006 ISDA Definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR. GEH Group has adhered to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement, where the existing derivative counterparties have also adhered to the protocol. All new derivative contracts entered into on or after the effective date of the supplement that reference the 2006 ISDA Definitions will also include the fallback.

The following table shows the total amounts of unreformed derivative instruments as at 31 December 2022. For cross-currency swaps, GEH Group used the notional amount of the receive leg of the swap. GEH Group expects both legs of cross-currency swaps to be reformed simultaneously.

| | Notional amount | | |
|---|---|---|---|
| $ million | SOR | USD LIBOR | Total |
| Derivatives | **280** | **21** | **301** |

**(b) Foreign Exchange Risk**

The foreign exchange risk inherent in foreign currency fixed income portfolio is typically hedged using currency forwards and swaps wherever practical and cost-effective. Foreign exchange instruments are also used for efficient portfolio management.

The SGD and MYR positions predominately arose from the entities within GEH Group with the same respective functional currencies. GEH Group has no significant concentration of foreign exchange risk.

Limits are set on the total amount of foreign currency (net of liabilities) to cap GEH Group's foreign exchange risk.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(b) Foreign Exchange Risk** (continued)

The tables below show the foreign exchange position of GEH Group's financial and insurance-related assets and liabilities by major currencies.

| $ million | SGD | MYR | USD | Others | Total |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Financial assets at FVOCI | | | | | |
| Equity securities | **232** | **250** | **203** | **977** | **1,662** |
| Debt securities | **3,558** | **1,242** | **3,285** | **408** | **8,493** |
| Financial assets at FVTPL | | | | | |
| Equity securities | **879** | **6,608** | **668** | **3,336** | **11,491** |
| Debt securities | **21,008** | **14,833** | **11,718** | **3,526** | **51,085** |
| Other investments | **6,500** | **204** | **5,989** | **1,534** | **14,227** |
| Financial assets at amortised cost | | | | | |
| Debt securities | **804** | **–** | **995** | **4** | **1,803** |
| Derivative financial assets | **671** | **#** | **56** | **35** | **762** |
| Loans | **222** | **145** | **–** | **114** | **481** |
| Reinsurers' share of insurance contract liabilities | **396** | **550** | **31** | **26** | **1,003** |
| Insurance receivables | **1,025** | **2,512** | **10** | **33** | **3,580** |
| Other debtors | **385** | **228** | **161** | **43** | **817** |
| Cash and cash equivalents | **6,820** | **1,509** | **886** | **393** | **9,608** |
| **Financial and insurance-related assets** | **42,500** | **28,081** | **24,002** | **10,429** | **105,012** |
| | | | | | |
| Other creditors | **1,385** | **491** | **89** | **32** | **1,997** |
| Insurance payables | **2,460** | **4,673** | **2** | **12** | **7,147** |
| Derivative financial liabilities | **84** | **5** | **97** | **106** | **292** |
| Provision for agents' retirement benefits | **1** | **295** | **–** | **–** | **296** |
| Insurance contract liabilities | **60,182** | **21,621** | **3,173** | **668** | **85,644** |
| **Financial and insurance-related liabilities** | **64,112** | **27,085** | **3,361** | **818** | **95,376** |
| | | | | | |
| **2021** | | | | | |
| Financial assets at FVOCI | | | | | |
| Equity securities | 479 | 251 | 259 | 1,213 | 2,202 |
| Debt securities | 2,020 | 1,077 | 3,645 | 751 | 7,493 |
| Financial assets at FVTPL | | | | | |
| Equity securities | 1,118 | 7,123 | 1,015 | 4,420 | 13,676 |
| Debt securities | 18,220 | 15,034 | 13,894 | 5,016 | 52,164 |
| Other investments | 7,502 | 236 | 6,850 | 2,097 | 16,685 |
| Financial assets at amortised cost | | | | | |
| Debt securities | – | – | 242 | – | 242 |
| Derivative financial assets | 333 | 1 | 17 | 19 | 370 |
| Loans | 323 | 250 | – | 19 | 592 |
| Reinsurers' share of insurance contract liabilities | 343 | 410 | 120 | 14 | 887 |
| Insurance receivables | 1,030 | 2,267 | 3 | 36 | 3,336 |
| Other debtors | 364 | 231 | 208 | 43 | 846 |
| Cash and cash equivalents | 6,429 | 1,630 | 668 | 391 | 9,118 |
| **Financial and insurance-related assets** | 38,161 | 28,510 | 26,921 | 14,019 | 107,611 |
| | | | | | |
| Other creditors | 1,328 | 397 | 57 | 29 | 1,811 |
| Insurance payables | 2,172 | 4,433 | 2 | 14 | 6,621 |
| Derivative financial liabilities | 12 | 1 | 51 | 47 | 111 |
| Provision for agents' retirement benefits | # | 291 | – | – | 291 |
| Insurance contract liabilities | 61,296 | 22,402 | 3,267 | 674 | 87,639 |
| **Financial and insurance-related liabilities** | 64,808 | 27,524 | 3,377 | 764 | 96,473 |

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(c) Equity Price Risk**

Exposure to equity price risk exists in investment assets through direct equity, equity derivatives and fund investments, where GEH Group, through investments, bears all or most of the equity volatility and investment risks. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the performances of underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of total equity holdings.

**(d) Credit Spread Risk**

Exposure to credit spread risk exists in GEH Group's bond investments. Credit spread is the difference between the quoted yields of a credit and a government bond of the same maturity. Credit spreads widen when the default risk of credit bonds increases. Hence, widening credit spreads will result in mark-to-market losses in GEH Group's bond portfolio.

**(e) Alternative Investment Risk**

GEH Group is exposed to alternative investment risk through investments in real estate that it owns in Singapore and Malaysia, and through real estate funds, private equities, infrastructure and hedge funds. A monitoring process is established to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RMC and GEH Group IC.

**(f) Commodity Risk**

GEH Group does not have any exposure to commodity risk.

**(g) Liquidity Risk**

Liquidity risk arises when GEH Group is unable to meet its cash flow demands, or if the assets backing the liabilities cannot be sold quickly enough without incurring significant losses. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations via premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by surrender of insurance policies due to negative publicity, deterioration of the economy, adverse news on other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are regularly monitored, and a reasonable amount of liquid assets are maintained at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although these have been quite stable over the past several years.

Unexpected liquidity demands are mitigated through product design, risk diversification, investment strategies and systematic monitoring. Surrender penalty in insurance contracts also protects GEH Group from losses due to unexpected surrender trends and reduces the sensitivity of surrenders to changes in interest rates.

The following tables show the expected recovery or settlement of financial and insurance-related assets and maturity profile of GEH Group's financial and insurance-related liabilities which are presented based on contractual undiscounted cash flows, except for insurance contract liabilities which are presented based on discounted cash outflows resulting from recognised liabilities.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

### Market and Credit Risk (continued)

### (g) Liquidity Risk (continued)

| $ million | Less than 1 year | 1 to 5 years | Over 5 years | No specific maturity | Total |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Financial assets at FVOCI | | | | | |
| Equity securities | **–** | **–** | **–** | **1,662** | **1,662** |
| Debt securities | **814** | **4,401** | **7,102** | **–** | **12,317** |
| Financial assets at FVTPL | | | | | |
| Equity securities | **–** | **–** | **–** | **11,491** | **11,491** |
| Debt securities | **7,340** | **20,032** | **41,647** | **1,185** | **70,204** |
| Other investments | **3** | **–** | **–** | **14,227** | **14,230** |
| Financial assets at amortised cost | | | | | |
| Debt securities | **789** | **846** | **640** | **–** | **2,275** |
| Derivative financial assets | **641** | **80** | **41** | **–** | **762** |
| Loans | **114** | **395** | **14** | **–** | **523** |
| Reinsurers' share of insurance contract liabilities | **449** | **389** | **165** | **–** | **1,003** |
| Insurance receivables | **770** | **532** | **–** | **2,278** | **3,580** |
| Other debtors | **817** | **–** | **–** | **–** | **817** |
| Cash and cash equivalents | **9,608** | **–** | **–** | **–** | **9,608** |
| **Financial and insurance-related assets** | **21,345** | **26,675** | **49,609** | **30,843** | **128,472** |
| | | | | | |
| Other creditors | **1,903** | **58** | **#** | **36** | **1,997** |
| Insurance payables | **7,125** | **22** | **–** | **–** | **7,147** |
| Derivative financial liabilities | **221** | **12** | **59** | **–** | **292** |
| Provision for agents' retirement benefits | **140** | **57** | **99** | **–** | **296** |
| Insurance contract liabilities | **16,751** | **20,366** | **48,522** | **5** | **85,644** |
| **Financial and insurance-related liabilities** | **26,140** | **20,515** | **48,680** | **41** | **95,376** |
| | | | | | |
| **2021** | | | | | |
| Financial assets at FVOCI | | | | | |
| Equity securities | – | – | – | 2,202 | 2,202 |
| Debt securities | 497 | 2,668 | 6,889 | – | 10,054 |
| Financial assets at FVTPL | | | | | |
| Equity securities | – | – | – | 13,676 | 13,676 |
| Debt securities | 3,937 | 17,427 | 44,443 | 2,882 | 68,689 |
| Other investments | – | – | – | 16,685 | 16,685 |
| Financial assets at amortised cost | | | | | |
| Debt securities | 12 | 47 | 441 | – | 500 |
| Derivative financial assets | 221 | 149 | – | – | 370 |
| Loans | 212 | 333 | 125 | – | 670 |
| Reinsurers' share of insurance contract liabilities | 548 | 258 | 81 | – | 887 |
| Insurance receivables | 611 | 348 | 1 | 2,376 | 3,336 |
| Other debtors | 845 | 1 | – | # | 846 |
| Cash and cash equivalents | 9,118 | – | – | – | 9,118 |
| **Financial and insurance-related assets** | 16,001 | 21,231 | 51,980 | 37,821 | 127,033 |
| | | | | | |
| Other creditors | 1,809 | 2 | # | – | 1,811 |
| Insurance payables | 6,614 | 7 | – | – | 6,621 |
| Derivative financial liabilities | 74 | 37 | – | – | 111 |
| Provision for agents' retirement benefits | 134 | 58 | 99 | – | 291 |
| Insurance contract liabilities | 16,024 | 20,018 | 51,590 | 7 | 87,639 |
| **Financial and insurance-related liabilities** | 24,655 | 20,122 | 51,689 | 7 | 96,473 |

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(g) Liquidity Risk** (continued)

The following tables show the current/non-current classification of assets and liabilities:

| $ million | Current* | Non-current | Unit-linked | Total |
|---|---|---|---|---|
| **2022** | | | | |
| Cash and cash equivalents | **9,059** | **–** | **549** | **9,608** |
| Other debtors | **799** | **33** | **46** | **878** |
| Insurance receivables | **2,146** | **1,434** | **–** | **3,580** |
| Asset held for sale | **73** | **–** | **–** | **73** |
| Reinsurers' share of insurance contract liabilities | **441** | **549** | **13** | **1,003** |
| Loans | **104** | **377** | **–** | **481** |
| Derivative financial assets | **631** | **121** | **10** | **762** |
| Investments | **15,126** | **65,561** | **8,073** | **88,760** |
| Deferred tax assets | **–** | **58** | **–** | **58** |
| Associates | **–** | **122** | **–** | **122** |
| Intangible assets | **43** | **161** | **–** | **204** |
| Investment properties | **–** | **1,881** | **–** | **1,881** |
| Property, plant and equipment | **45** | **464** | **–** | **509** |
| **Assets** | **28,467** | **70,761** | **8,691** | **107,919** |
| | | | | |
| Insurance payables | **7,124** | **23** | **–** | **7,147** |
| Other creditors | **1,909** | **150** | **51** | **2,110** |
| Derivative financial liabilities | **212** | **71** | **9** | **292** |
| Income tax payable | **239** | **–** | **–** | **239** |
| Provision for agents' retirement benefits | **20** | **276** | **–** | **296** |
| Deferred tax liabilities | **(29)** | **2,061** | **#** | **2,032** |
| Insurance contract liabilities | **8,249** | **69,334** | **8,690** | **86,273** |
| **Liabilities** | **17,724** | **71,915** | **8,750** | **98,389** |
| | | | | |
| **2021** | | | | |
| Cash and cash equivalents | 8,606 | – | 512 | 9,118 |
| Other debtors | 815 | 39 | 50 | 904 |
| Insurance receivables | 1,822 | 1,498 | 16 | 3,336 |
| Reinsurers' share of insurance contract liabilities | 538 | 333 | 16 | 887 |
| Loans | 194 | 398 | – | 592 |
| Derivative financial assets | 212 | 149 | 9 | 370 |
| Investments | 11,616 | 71,825 | 9,021 | 92,462 |
| Associates | – | 95 | – | 95 |
| Intangible assets | 35 | 160 | – | 195 |
| Investment properties | – | 1,884 | – | 1,884 |
| Property, plant and equipment | 67 | 480 | – | 547 |
| **Assets** | 23,905 | 76,861 | 9,624 | 110,390 |
| | | | | |
| Insurance payables | 6,594 | 7 | 20 | 6,621 |
| Other creditors | 1,780 | 76 | 69 | 1,925 |
| Derivative financial liabilities | 70 | 36 | 5 | 111 |
| Income tax payable | 329 | – | – | 329 |
| Provision for agents' retirement benefits | 22 | 264 | 5 | 291 |
| Deferred tax liabilities | 59 | 2,513 | 7 | 2,579 |
| Insurance contract liabilities | 6,512 | 72,193 | 9,693 | 88,398 |
| **Liabilities** | 15,366 | 75,089 | 9,799 | 100,254 |

(1) * represents expected recovery or settlement within 12 months from the reporting date.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(h) Credit Risk**

Credit risk is the risk of loss arising from an obligor failing to discharge an obligation. GEH Group is mainly exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit risk in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a downgrading of credit rating or default by the borrower or counterparty.

GEH group wide credit risk is managed by GEH Group ALC. GEH Group establishes internal limits by issuer and counterparty according to their investment credit rating which are actively monitored to manage the credit and concentration risk, and are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available information. The task of evaluating and monitoring credit risk at the GEH subsidiary level is undertaken by Local ALCs.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is mitigated through counterparty limits that are reviewed and approved on an annual basis.

Credit risk arising from customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

GEH Group issues unit-linked investment policies in which the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, GEH Group has no material credit risk or market risk on unit-linked financial assets.

The loans in GEH Group's portfolio are generally secured by collateral, with a maximum loan-to-value ratio of 70%. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines on the collateral eligibility have been established, and all collateral are revalued on a regular basis. GEH management monitors the market values of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair values of collateral, held by GEH Group as lender, for which it is entitled to sell or pledge in the event of default is as tabulated below:

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| $ million | Type of collateral | Carrying amount | Fair value | Carrying amount | Fair value |
| Policy loans | Cash value of policies | **2,278** | **5,280** | 2,356 | 5,115 |
| Secured loans | Properties | **292** | **545** | 395 | 812 |
| Secured loans | Others | **#** | **#** | # | 1 |
| Derivatives | Cash | **186** | **186** | 98 | 98 |
| | | **2,756** | **6,011** | 2,849 | 6,026 |

There were no securities lending arrangements as at 31 December 2022 (2021: nil).

As at the reporting date, no investments (2021: nil) were placed as collateral for currency hedging purposes.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(h) Credit Risk** (continued)

The following table sets out information about the credit quality of loans and debt securities measured at amortised cost and debt securities measured at FVOCI. The maximum exposure is shown on a gross basis, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

| $ million | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **Loans at amortised cost** | | | | |
| Investment grade* (BBB to AAA) | **373** | **112** | **–** | **485** |
| Not rated | **2** | **–** | **36** | **38** |
| | **375** | **112** | **36** | **523** |
| Loss allowance | **(1)** | **(6)** | **(36)** | **(43)** |
| Carrying amount | **374** | **106** | **–** | **480** |
| | | | | |
| **Debt securities at amortised cost** | | | | |
| Investment grade* (BBB to AAA) | **1,802** | **–** | **–** | **1,802** |
| Loss allowance | **(1)** | **–** | **–** | **(1)** |
| Carrying amount | **1,801** | **–** | **–** | **1,801** |
| | | | | |
| **Debt securities at FVOCI** | | | | |
| Investment grade* (BBB to AAA) | **8,362** | **29** | **–** | **8,391** |
| Non investment grade* (C to BB) | **–** | **5** | **–** | **5** |
| Not rated | **97** | **–** | **–** | **97** |
| | **8,459** | **34** | **–** | **8,493** |
| | | | | |
| **2021** | | | | |
| **Loans at amortised cost** | | | | |
| Investment grade* (BBB to AAA) | 479 | 122 | – | 601 |
| Not rated | 2 | – | 2 | 4 |
| | 481 | 122 | 2 | 605 |
| Loss allowance | (1) | (10) | (2) | (13) |
| Carrying amount | 480 | 112 | – | 592 |
| | | | | |
| **Debt securities at amortised cost** | | | | |
| Investment grade* (BBB to AAA) | 244 | – | – | 244 |
| Loss allowance | (2) | – | – | (2) |
| Carrying amount | 242 | – | – | 242 |
| | | | | |
| **Debt securities at FVOCI** | | | | |
| Investment grade* (BBB to AAA) | 6,067 | 56 | – | 6,123 |
| Non investment grade* (C to BB) | – | 10 | 3 | 13 |
| Not rated | 1,357 | – | – | 1,357 |
| | 7,424 | 66 | 3 | 7,493 |

(1) * Based on internal ratings grades which are equivalent to grades of external rating agencies.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(h) Credit Risk** (continued)

The following table sets out the credit analysis for financial assets that are not subjected to ECL.

| $ million | Investment grade* (BBB to AAA) | Non investment grade* (C to BB) | Not rated | Unit-linked | Not subject to credit risk | Total carrying amount |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Financial assets at FVOCI | | | | | | |
| Equity securities | **–** | **–** | **–** | **–** | **1,662** | **1,662** |
| Financial assets at FVTPL | | | | | | |
| Equity securities | **–** | **–** | **–** | **3,366** | **8,125** | **11,491** |
| Debt securities | **43,047** | **2,118** | **4,294** | **1,626** | **–** | **51,085** |
| Other investments | **–** | **–** | **–** | **3,082** | **11,145** | **14,227** |
| Derivative financial assets | **717** | **–** | **36** | **9** | **–** | **762** |
| Reinsurers' share of insurance contract liabilities | **–** | **–** | **990** | **13** | **–** | **1,003** |
| Insurance receivables | **992** | **20** | **2,568** | **–** | **–** | **3,580** |
| Other debtors | **4** | **1** | **766** | **46** | **–** | **817** |
| Cash and cash equivalents | **8,799** | **–** | **260** | **549** | **–** | **9,608** |
| | **53,559** | **2,139** | **8,914** | **8,691** | **20,932** | **94,235** |
| **2021** | | | | | | |
| Financial assets at FVOCI | | | | | | |
| Equity securities | – | – | – | – | 2,202 | 2,202 |
| Financial assets at FVTPL | | | | | | |
| Equity securities | – | – | – | 3,664 | 10,012 | 13,676 |
| Debt securities | 43,171 | 2,276 | 5,141 | 1,576 | – | 52,164 |
| Other investments | – | – | – | 3,781 | 12,904 | 16,685 |
| Derivative financial assets | 350 | – | 11 | 9 | – | 370 |
| Reinsurers' share of insurance contract liabilities | – | – | 870 | 17 | – | 887 |
| Insurance receivables | 620 | – | 2,700 | 16 | – | 3,336 |
| Other debtors | 6 | 1 | 792 | 47 | – | 846 |
| Cash and cash equivalents | 8,491 | – | 116 | 511 | – | 9,118 |
| | 52,638 | 2,277 | 9,630 | 9,621 | 25,118 | 99,284 |

(1) * Based on internal ratings grades which are equivalent to grades of external rating agencies.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(h) Credit Risk** (continued)

**Amounts Arising from ECL**

ECL provisioning is the setting of allowance for credit-impaired and non-credit-impaired exposure in accordance to SFRS (I) 9 through forward-looking ECL models.

**Measurement of ECL – Explanation of Inputs, Assumptions and Estimation Techniques**

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

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from statistical models internally developed by GEH Group.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are derived from PD models that incorporate both quantitative and qualitative inputs, which are in turn derived from internal and external compiled data.

LGD is the magnitude of the likely loss incurred during a default. LGD is expressed as a percentage of loss per unit of exposure at the time of default and represents an estimate of the economic loss in the event of the default of the counterparty. Factors in determining LGDs include claim seniority, availability and quality of collateral, legal enforceability processes in the jurisdiction and industry of borrower and prevailing market conditions. They are estimates at a certain date and are derived using statistical models. These statistical models are developed using internally compiled data and incorporate both quantitative and qualitative factors. The model outputs are adjusted to reflect forward-looking information whenever appropriate.

EAD represents the expected exposure in the event of a default. GEH Group derives the EAD based on the current exposure to the counterparty and potential future exposure.

The ECL is determined by the PD, LGD and EAD for each individual exposure. The ECLs are first determined by the product of these three components, which are then adjusted to take into account forward-looking information. The ECLs are finally discounted to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

**Significant Increase in Credit Risk**

To assess whether there is a significant increase in credit risk, GEH Group compares the risk of a default occurring on the asset as at reporting date with the risk of default assessed at the date of initial recognition. GEH Group considers available reasonable and supportive forward-looking information, which includes the following indicators:

– Internal credit rating;
– External credit rating;
– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an obligor's credit rating along the rating scale represents a change in the credit risk as measured by the change in PD.

The criteria for assessing whether credit risk has increased significantly will be determined by changes in 12M PDs and other qualitative factors. The credit risk of an obligor is deemed to have increased significantly since initial recognition if, based on GEH Group's quantitative model, the 12M PD is determined to have more than doubled since origination, except when the obligor remains within the investment grade ratings.

Using expert credit judgement and, where possible, relevant historical experience, GEH Group may determine that an obligor has undergone a significant increase in credit risk based on qualitative factors that are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. GEH Group uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

GEH Group considers an obligor to have relatively lower credit risk if it is of investment grade quality, taking into account both internal and external credit ratings.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(h) Credit Risk** (continued)

**Credit Risk Grades**

GEH Group assigns each obligor to a credit risk grade that reflects the PD of the obligor. Credit risk grades are established based on qualitative and quantitative factors that are indicative of default risk. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the default risk increases as credit risk deteriorates. Each exposure is assigned with a credit risk grade at initial recognition, based on available information on the borrower. Obligors are subject to ongoing monitoring and review, and may be assigned with new credit risk grades that better reflects their creditworthiness. The monitoring typically involves the use of information obtained during periodic review, including published financial statements, external rating (where available), as well as qualitative information on an obligor's industry, competitive positioning, management, financial policy and financial flexibility.

**Definition of Default**

GEH Group considers a financial asset to be in default by assessing the following criteria:

Quantitative Criteria

For insurance receivables, the obligor is said to be in default if it fails to make contractual payments within 6 months after it falls due (i.e. after expiration of the maximum granted credit terms). For bonds and loans, the obligor is said to be in default if it fails to meet its contractual obligation and there are non-payments on another debt obligation of the same issuer to GEH Group.

Qualitative Criteria

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption or breach of material loan covenants not rectified within a given timeframe, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within given timeframe.

The criteria above have been applied to all financial instruments held by GEH Group and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout GEH Group's expected loss calculations.

**Incorporating of Forward-Looking Information**

GEH Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and in its ECL measurement. GEH Group has performed historical analysis and identified key economic variables impacting credit risk and ECLs for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the base economic scenario) are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, and based on such information to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on PDs, EADs and LGDs has been determined via regression analyses.

In addition to the base economic scenario, GEH Group uses multiple scenarios to ensure non-linear risks are captured. The number of scenarios and the respective scenario attributes are reviewed at each reporting date. At 31 December 2022, GEH Group concluded that two particular scenarios are capable of capturing non-linear risks inherent in all portfolios. The scenario weightings are determined by expert credit judgement, taking into account the range of possible outcomes presented by the chosen scenarios. The assessment of significant increase in credit risk is performed using the 12M PD under each scenario multiplied by the associated scenario weights. This determines whether the financial instrument is in Stage 1, 2 or 3, and hence whether 12M or lifetime ECL should be applied. Following this assessment, GEH Group measures ECL as either a probability-weighted 12M ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and the actual outcomes may be significantly different from projected outcomes. GEH Group considers these forecasts being representative of the best estimates of the possible outcomes and has analysed the non-linear risks and asymmetries within the various portfolios of GEH Group to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to GEH Group for the year ended 31 December 2022.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(h) Credit Risk** (continued)

Loss Allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

| $ million | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
|---|---|---|---|---|
| **Loans and other receivables at amortised cost** | | | | |
| **At 1 January 2021** | 1.4 | 3.5 | 42.3 | 47.2 |
| Net remeasurement of loss allowance | 0.3 | 0.8 | (4.0) | (2.9) |
| New financial assets purchased | 0.1 | – | – | 0.1 |
| Financial assets that have been derecognised | (0.3) | – | – | (0.3) |
| Write-offs | – | – | (36.0) | (36.0) |
| Changes in models/risk parameters | (0.6) | 5.2 | – | 4.6 |
| **At 31 December 2021/1 January 2022** | **0.9** | **9.5** | **2.3** | **12.7** |
| Net remeasurement of loss allowance | **–** | **–** | **34.4** | **34.4** |
| New financial assets purchased | **0.6** | **3.7** | **–** | **4.3** |
| Financial assets that have been derecognised | **(0.7)** | **(4.2)** | **–** | **(4.9)** |
| Changes in models/risk parameters | **(0.2)** | **(2.5)** | **–** | **(2.7)** |
| Foreign exchange and other movements | **–** | **(0.6)** | **–** | **(0.6)** |
| **At 31 December 2022** | **0.6** | **5.9** | **36.7** | **43.2** |
| **Debt securities at amortised cost** | | | | |
| **At 1 January 2021** | 1.3 | – | – | 1.3 |
| Net remeasurement of loss allowance | (0.4) | – | – | (0.4) |
| New financial assets purchased | 0.3 | – | – | 0.3 |
| Changes in models/risk parameters | 0.5 | – | – | 0.5 |
| **At 31 December 2021/1 January 2022** | **1.7** | **–** | **–** | **1.7** |
| Net remeasurement of loss allowance | **0.1** | **–** | **–** | **0.1** |
| New financial assets purchased | **0.6** | **–** | **–** | **0.6** |
| Financial assets that have been derecognised | **(1.2)** | **–** | **–** | **(1.2)** |
| Changes in models/risk parameters | **0.1** | **–** | **–** | **0.1** |
| Foreign exchange and other movements | **(0.2)** | **–** | **–** | **(0.2)** |
| **At 31 December 2022** | **1.1** | **–** | **–** | **1.1** |
| **Debt securities at FVOCI** | | | | |
| **At 1 January 2021** | 10.8 | 1.2 | 2.8 | 14.8 |
| Transfer to 12-month ECL | (0.2) | 0.2 | – | – |
| Additional allowance due to transfer | – | 1.0 | – | 1.0 |
| Net remeasurement of loss allowance | (0.4) | – | – | (0.4) |
| New financial assets purchased | 2.7 | – | – | 2.7 |
| Financial assets that have been derecognised | (2.5) | (0.1) | – | (2.6) |
| Changes in models/risk parameters | (3.2) | 2.1 | – | (1.1) |
| **At 31 December 2021/1 January 2022** | **7.2** | **4.4** | **2.8** | **14.4** |
| Net remeasurement of loss allowance | **0.1** | **(0.1)** | **–** | **–** |
| New financial assets purchased | **4.0** | **2.4** | **–** | **6.4** |
| Financial assets that have been derecognised | **(3.3)** | **(3.1)** | **–** | **(6.4)** |
| Changes in models/risk parameters | **(0.7)** | **(0.9)** | **–** | **(1.6)** |
| Foreign exchange and other movements | **–** | **(0.2)** | **–** | **(0.2)** |
| **At 31 December 2022** | **7.3** | **2.5** | **2.8** | **12.6** |
| (Decrease)/increase in provision for impairment of financial assets for the year | | | | |
| **31 December 2022** | **(0.6)** | **(4.7)** | **34.4** | **29.1** |
| **31 December 2021** | (3.7) | 9.2 | (4.0) | 1.5 |

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(h) Credit Risk** (continued)

Loss Allowance (continued)

The carrying amount of outstanding premiums as at 31 December 2022 is $983.9 million (2021: $663.3 million). The ECL relating to outstanding premiums as at 31 December 2022 was $9.1 million (2021: $8.0 million) for GEH Group. For the year ended 31 December 2022, the changes in credit loss recognised in the income statement was $1.1 million (2021: $0.5 million).

The changes in risk parameters may consist of management overlays, including but not limited to, the application of judgement to:

i) key economic variables including GDP growth projections;
ii) scenario weightings;
iii) obligor's credit rating to reflect a deterioration to credit risk;
iv) take into consideration government relief programmes; or
v) events arisen after post-model-run that require adjustment.

Loss allowances are reviewed quarterly, taking into consideration the effects of key variables.

**(i) Concentration Risk**

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. GEH Group's exposures are within the concentration limits set by the respective local regulators.

GEH Group actively manages its investment mix to ensure that there is no significant concentration in market and credit risk.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Market and Credit Risk** (continued)

**(j) Sensitivity Analysis on Financial Risks**

The sensitivity analysis below shows the impact on GEH Group's net profit after tax by applying possible shocks to each key variables, with all other variables constant. Co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets. To demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The equity sensitivity represents the impact on net profit after tax and the effect on changes in fair value of financial assets measured at FVOCI.

**Market Risk Sensitivity Analysis**

| | Impact on profit after tax | | Impact on equity | |
|---|---|---|---|---|
| $ million | 2022 | 2021 | 2022 | 2021 |
| Change in variables: | | | | |
| (a) Interest rate [1] | | | | |
| +100 basis points | **188.5** | 81.4 | **(197.8)** | (386.7) |
| –100 basis points | **(313.4)** | (312.4) | **121.3** | 230.8 |
| (b) Foreign currency | | | | |
| 5% increase in market value of MYR denominated assets | **0.1** | 0.1 | **0.1** | 0.1 |
| 5% decrease in market value of MYR denominated assets | **(0.1)** | (0.1) | **(0.1)** | (0.1) |
| 5% increase in market value of USD denominated assets | **12.1** | 0.7 | **12.1** | 0.7 |
| 5% decrease in market value of USD denominated assets | **(12.1)** | (0.7) | **(12.1)** | (0.7) |
| (c) Equity | | | | |
| 20% increase in market indices | | | | |
| STI | **31.2** | 51.3 | **68.8** | 129.9 |
| KLCI | **2.4** | – | **39.1** | 34.6 |
| 20% decrease in market indices | | | | |
| STI | **(31.2)** | (51.3) | **(68.8)** | (129.9) |
| KLCI | **(2.4)** | – | **(39.1)** | (34.6) |
| (d) Credit | | | | |
| Spread +100 basis points | **(72.7)** | (165.2) | **(315.8)** | (487.3) |
| Spread –100 basis points | **79.0** | 208.4 | **352.5** | 583.6 |
| (e) Alternative investments [2] | | | | |
| 10% increase in market value of all alternative investments | **71.0** | 72.1 | **72.6** | 73.9 |
| 10% decrease in market value of all alternative investments | **(71.0)** | (72.1) | **(72.6)** | (73.9) |

(1) Comparatives have been reclassified to conform to current year's presentation.
(2) Alternative investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables did not change from the previous year.

**Operational and Compliance Risk**

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives, as a result of its failure to comply with the following applicable laws, regulations and standards:

– local laws, regulations and rules governing licensed activities undertaken by GEH Group;
– foreign laws, regulations and rules that have extraterritorial jurisdiction over GEH Group's licensed activities;
– codes of practice promoted by industry associations of which GEH Group are members of; and
– any other applicable regulations which do not specifically govern the licensed activities undertaken by GEH Group but can expose the organisation to legal, regulatory or reputational loss.

# 38. Risk Management (continued)

## 38.4 Insurance-Related Risk Management (continued)

**Operational and Compliance Risk** (continued)

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal control frameworks, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMC reviews operational and compliance issues on a GEH Group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. GEH Group Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to GEH Group Audit Committee.

**Technology, Information and Cyber Risks**

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, system/hardware failure, capacity deficiency arising from the use of technologies such as electronic hardware/devices, software, online networks and telecommunications systems.

Information risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber risk is defined as risk related to acts perpetrated by malicious threat actors including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

GEH Group adopts a risk-based approach in managing technology risks relating to IT disruption, cyber threats, data loss and third parties. Key risk indicators related to technology, information and cyber risks are reported to GEH Group Board on a regular basis. Independent assessment is performed by GEH Group Internal Audit on the adequacy and effectiveness of the technology risk controls.

**Sustainability Risk**

Sustainability risk is defined as any environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment and enterprise value. GEH Group has integrated ESG considerations into the investment and underwriting activities.

At present, GEH Group manages social and governance-related risk through existing frameworks and policies. In order to build resilience as the world transits to a low-carbon economy, GEH Group has formalised the Group Environmental Risk Management Policy which sets forth guiding principles and minimum standards in managing environmental risk within GEH Group. Environmental risk arises from the potential adverse impact of changes in the environment on economic activities and human well-being. Environmental issues that are of concern include climate change, loss of biodiversity, pollution and changes in land use. Environmental risk can manifest in three dimensions of risk as follows:

- Physical risk – impact of weather events and long-term or widespread environmental changes. It arises from acute (event-driven) and chronic (long term shift) climate-related events that damage property, reduce productivity and disrupt trade.
- Transition risk – arises from the process of adjustment to an environmentally sustainable economy, including change in public policies, disruptive technological developments, and shifts in consumer and investor preferences.
- Liability risk – arises from legal risk and claims on damages and losses incurred from inaction or lack of action that results in the effects of physical and transition risks.

GEH Group's risk assessment considers the financial and non-financial impacts from physical and transition risks arising from climate change. With this, GEH Group organisation has put in place processes, methodology, and both qualitative and quantitative tools to identify and assess environmental risk for investment and underwriting portfolios.

For underwriting portfolio, risk transfer tool such as reinsurance is used to assist in managing environmental risk. For investment portfolio, the objective is to build resilient investment portfolios whilst striking a balance between ESG considerations, impact and financial returns.

GEH Group has made its first disclosures on climate-related risks aligned to the Task Force on Climate-related Financial Disclosures (TCFD) in May 2021 as part of GEH Sustainability Report 2021. The report provides some insights into the Group's governance approach, strategy and risk management, as well as key metrics and targets for climate-related financial risks.

## 39. Financial Assets and Financial Liabilities Classification

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| $ million | Mandatorily measured at FVTPL | Designated as FVTPL | Amortised cost | FVOCI | Insurance contracts | Total |
| **2022** | | | | | | |
| Cash and placements with central banks | – | – | 34,966 | – | – | 34,966 |
| Singapore government treasury bills and securities | 2,193 | – | 537 | 14,366 | – | 17,096 |
| Other government treasury bills and securities | 1,194 | 10 | 419 | 20,648 | – | 22,271 |
| Placements with and loans to banks | 877 | – | 17,042 | 12,325 | – | 30,244 |
| Loans to customers | 23 | – | 291,444 | – | – | 291,467 |
| Debt securities | 2,697 | 24 | 307 | 19,928 | – | 22,956 |
| Equity securities and investment funds | 3,924 | – | – | 1,130 | – | 5,054 |
| Debt and equity securities | 6,621 | 24 | 307 | 21,058 | – | 28,010 |
| Derivative receivables | 15,605 | – | – | – | – | 15,605 |
| Other assets | – | – | 5,428 | – | 463 | 5,891 |
| Amounts due from associates | – | – | 7 | – | – | 7 |
| **Financial assets** | 26,513 | 34 | 350,150 | 68,397 | 463 | 445,557 |
| Non-financial assets | | | | | | 16,404 |
| | | | | | | 461,961 |
| Life insurance fund financial assets | 33,090 | 40,292 | 15,861 | 6,776 | – | 96,019 |
| Life insurance fund non-financial assets | | | | | | 1,976 |
| **Total assets** | | | | | | 559,956 |
| | | | | | | |
| Deposits of non-bank customers | – | – | 350,081 | – | – | 350,081 |
| Deposits and balances of banks | – | – | 10,046 | – | – | 10,046 |
| Trading portfolio liabilities | 212 | – | – | – | – | 212 |
| Derivative payables | 16,048 | – | – | – | – | 16,048 |
| Other liabilities [1] | – | – | 7,076 | – | 823 | 7,899 |
| Debt issued | – | 1,040 | 20,898 | – | – | 21,938 |
| **Financial liabilities** | 16,260 | 1,040 | 388,101 | – | 823 | 406,224 |
| Non-financial liabilities | | | | | | 4,118 |
| | | | | | | 410,342 |
| Life insurance fund financial liabilities | 275 | – | 9,248 | – | 84,936 | 94,459 |
| Life insurance fund non-financial liabilities | | | | | | 487 |
| **Total liabilities** | | | | | | 505,288 |

(1) Other liabilities include amounts due to associates.

# 39. Financial Assets and Financial Liabilities Classification (continued)

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| $ million | Mandatorily measured at FVTPL | Designated as FVTPL | Amortised cost | FVOCI | Insurance contracts | Total |
| **2021** | | | | | | |
| Cash and placements with central banks | – | – | 27,919 | – | – | 27,919 |
| Singapore government treasury bills and securities | 1,230 | – | – | 9,882 | – | 11,112 |
| Other government treasury bills and securities | 2,692 | 10 | 347 | 23,110 | – | 26,159 |
| Placements with and loans to banks | 758 | – | 17,595 | 7,109 | – | 25,462 |
| Loans to customers | 47 | – | 286,232 | 2 | – | 286,281 |
| Debt securities | 4,084 | 22 | 331 | 23,608 | – | 28,045 |
| Equity securities and investment funds | 4,596 | – | – | 1,374 | – | 5,970 |
| Debt and equity securities | 8,680 | 22 | 331 | 24,982 | – | 34,015 |
| Derivative receivables | 9,267 | – | – | – | – | 9,267 |
| Other assets | – | – | 5,270 | – | 467 | 5,737 |
| Amounts due from associates | – | – | 40 | – | – | 40 |
| **Financial assets** | 22,674 | 32 | 337,734 | 65,085 | 467 | 425,992 |
| Non-financial assets | | | | | | 16,099 |
| | | | | | | 442,091 |
| Life insurance fund financial assets | 34,381 | 46,544 | 11,262 | 5,995 | – | 98,182 |
| Life insurance fund non-financial assets | | | | | | 1,914 |
| **Total assets** | | | | | | 542,187 |
| | | | | | | |
| Deposits of non-bank customers | – | – | 342,395 | – | – | 342,395 |
| Deposits and balances of banks | – | – | 8,239 | – | – | 8,239 |
| Trading portfolio liabilities | 393 | – | – | – | – | 393 |
| Derivative payables | 9,070 | – | – | – | – | 9,070 |
| Other liabilities [(1)] | – | – | 6,089 | – | 788 | 6,877 |
| Debt issued | – | 1,092 | 19,023 | – | – | 20,115 |
| **Financial liabilities** | 9,463 | 1,092 | 375,746 | – | 788 | 387,089 |
| Non-financial liabilities | | | | | | 4,454 |
| | | | | | | 391,543 |
| Life insurance fund financial liabilities | 109 | – | 8,595 | – | 86,966 | 95,670 |
| Life insurance fund non-financial liabilities | | | | | | 636 |
| **Total liabilities** | | | | | | 487,849 |

(1) Other liabilities include amounts due to associates.

## 39. Financial Assets and Financial Liabilities Classification (continued)

| | BANK | | | | |
|---|---|---|---|---|---|
| $ million | Mandatorily measured at FVTPL | Designated as FVTPL | Amortised cost | FVOCI | Total |
| **2022** | | | | | |
| Cash and placements with central banks | – | – | 27,812 | – | 27,812 |
| Singapore government treasury bills and securities | 1,836 | – | 537 | 13,516 | 15,889 |
| Other government treasury bills and securities | 816 | – | 419 | 6,930 | 8,165 |
| Placements with and loans to banks | 856 | – | 11,278 | 6,546 | 18,680 |
| Loans to customers | 23 | – | 201,087 | – | 201,110 |
| Debt securities | 1,894 | – | 307 | 11,434 | 13,635 |
| Equity securities and investment funds | 2,896 | – | – | 90 | 2,986 |
| Debt and equity securities | 4,790 | – | 307 | 11,524 | 16,621 |
| Placements with and advances to subsidiaries | – | – | 18,844 | – | 18,844 |
| Derivative receivables | 13,742 | – | – | – | 13,742 |
| Other assets | – | – | 2,177 | – | 2,177 |
| Amounts due from associates | – | – | 6 | – | 6 |
| **Financial assets** | 22,063 | – | 262,467 | 38,516 | 323,046 |
| Non-financial assets | | | | | 20,931 |
| **Total assets** | | | | | 343,977 |
| | | | | | |
| Deposits of non-bank customers | – | – | 223,310 | – | 223,310 |
| Deposits and balances of banks | – | – | 7,691 | – | 7,691 |
| Deposits and balances of subsidiaries | – | – | 36,522 | – | 36,522 |
| Trading portfolio liabilities | 212 | – | – | – | 212 |
| Derivative payables | 14,300 | – | – | – | 14,300 |
| Other liabilities (1) | – | – | 2,556 | – | 2,556 |
| Debt issued | – | 1,040 | 20,254 | – | 21,294 |
| **Financial liabilities** | 14,512 | 1,040 | 290,333 | – | 305,885 |
| Non-financial liabilities | | | | | 1,176 |
| **Total liabilities** | | | | | 307,061 |

(1) Other liabilities include amounts due to associates.

# 39. Financial Assets and Financial Liabilities Classification (continued)

| | BANK | | | | |
|---|---|---|---|---|---|
| $ million | Mandatorily measured at FVTPL | Designated as FVTPL | Amortised cost | FVOCI | Total |
| **2021** | | | | | |
| Cash and placements with central banks | – | – | 22,863 | – | 22,863 |
| Singapore government treasury bills and securities | 1,130 | – | – | 8,976 | 10,106 |
| Other government treasury bills and securities | 1,671 | – | 347 | 7,692 | 9,710 |
| Placements with and loans to banks | 758 | – | 11,639 | 5,119 | 17,516 |
| Loans to customers | 47 | – | 189,354 | – | 189,401 |
| Debt securities | 3,369 | – | 331 | 13,063 | 16,763 |
| Equity securities and investment funds | 3,142 | – | – | 126 | 3,268 |
| Debt and equity securities | 6,511 | – | 331 | 13,189 | 20,031 |
| Placements with and advances to subsidiaries | – | – | 21,930 | – | 21,930 |
| Derivative receivables | 7,812 | – | – | – | 7,812 |
| Other assets | – | – | 2,059 | – | 2,059 |
| Amounts due from associates | – | – | 40 | – | 40 |
| **Financial assets** | 17,929 | – | 248,563 | 34,976 | 301,468 |
| Non-financial assets | | | | | 20,754 |
| **Total assets** | | | | | 322,222 |
| | | | | | |
| Deposits of non-bank customers | – | – | 221,213 | – | 221,213 |
| Deposits and balances of banks | – | – | 6,708 | – | 6,708 |
| Deposits and balances of subsidiaries | – | – | 28,250 | – | 28,250 |
| Trading portfolio liabilities | 393 | – | – | – | 393 |
| Derivative payables | 7,656 | – | – | – | 7,656 |
| Other liabilities [(1)] | – | – | 1,769 | – | 1,769 |
| Debt issued | – | 1,092 | 18,565 | – | 19,657 |
| **Financial liabilities** | 8,049 | 1,092 | 276,505 | – | 285,646 |
| Non-financial liabilities | | | | | 979 |
| **Total liabilities** | | | | | 286,625 |

(1) Other liabilities include amounts due to associates.

## 40. Interest Rate Benchmark Reform (IBOR Reform)

The London Interbank Offered Rate (LIBOR), a key benchmark used in international financial markets, is being phased out and replaced by Risk Free Rates (RFRs). On 5 March 2021, the UK Financial Conduct Authority (FCA) confirmed a two-phase discontinuation approach for LIBOR. Specifically, all British pound, Euro, Swiss franc and Japanese yen LIBORs, as well as the 1-week and 2-month US dollar LIBOR were discontinued after 31 December 2021. All remaining US dollar LIBORs will be discontinued after 30 June 2023.

The expected discontinuation of LIBOR directly impacts the viability of the Singapore Dollar Swap Offer Rate (SOR), which relies on US dollar LIBOR in its computation. In addition, like LIBOR, the Singapore Interbank Offered Rate (SIBOR), a key benchmark widely used in retail loans, is subject to expert judgement due to a lack of underlying transactions. The Singapore Overnight Rate Average (SORA) has been identified as the alternative benchmark to SOR and SIBOR. MAS has established an industry-led Steering Committee for SOR & SIBOR Transition to SORA (SC-STS), to oversee the coordination and implementation of the transition efforts.

To ensure a smooth transition from LIBOR to RFRs and SOR and SIBOR to SORA, the Group established an internal Steering Committee to coordinate efforts across various business, control and support functions. Clear timelines and deliverables have been established to keep pace with industry transition roadmaps and regulatory timelines.

The Group implemented the necessary system upgrades and modifications to ensure the readiness of our infrastructure and processes. The Group have also assessed the adequacy of provisions relating to the permanent discontinuation of benchmarks in loan documentation, derivatives contracts, debt issuances and other relevant contracts. With respect to the transition of SOR contracts, all retail loans referencing SOR have transitioned to SORA, fixed rates or other benchmarks, with the last transition completed on 18 Oct 2022 in line with the industry. As for corporate loans and derivatives referencing SOR, transition is in progress and expected to be completed by the first half of 2023 in line with industry guidelines. Appropriate adjustments will be made as recommended by the industry to reflect the differences between SOR and SORA. For SIBOR, the transition will be completed in 2024 in line with the roadmap established by the industry. No significant impact is expected from the transition of SOR and SIBOR to SORA.

### Hedge Accounting

The Group uses interest rate swaps, futures and cross currency swaps to hedge its exposure to changes in fair value of fixed rate debt instruments and its foreign currency exposure in a fair value hedge. The Group also uses interest rate swaps to hedge the variability in the cash flows that is related to a variable rate asset or liability resulting from changes in interest rate. With respect to hedge accounting, the Group's primary exposure is to USD LIBOR due to the extent of fixed rate debt instruments and subordinated debt denominated in USD that are designated in fair value hedge relationships using interest rate swaps and cross currency swaps.

The Group has applied the following SFRS(I) 9 relief from hedge accounting requirements introduced as a result of IBOR reform:

- When considering the "highly probable" requirement, the Group assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of IBOR reform.
- In assessing the economic relationship between the hedged item and the hedging instrument, the Group assume that the interest rate benchmark on which the hedged item and hedging instruments are based is not altered as a result of IBOR reform.
- For fair value hedges of interest rate risk on fixed rate debt, the Group only assesses whether the designated benchmark is separately identifiable at hedge inception and not revisited on reporting date.

In applying the amendments, the Group assumes that the uncertainty arising from IBOR reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group also assesses that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts are made.

As at 31 December 2022, the notional amount of hedging instruments referencing USD LIBOR is $4.21 billion (2021: $9.43 billion).

# 40. Interest Rate Benchmark Reform (IBOR Reform) (continued)

## Exposures Impacted by 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 and 31 December 2021.

| | GROUP | | | | |
|---|---|---|---|---|---|
| $ million | SOR | USD LIBOR | SIBOR | Other LIBOR | Total |
| **2022** | | | | | |
| **Gross carrying amount** | | | | | |
| Loans to customers | **7,383** | **22,115** | **8,320** | **–** | **37,818** |
| **Non-derivative financial assets** | **7,383** | **22,115** | **8,320** | **–** | **37,818** |
| | | | | | |
| **Gross carrying amount** | | | | | |
| Deposits of non-bank customers | **–** | **1,462** | **–** | **–** | **1,462** |
| Deposits and balances of banks | **–** | **871** | **–** | **–** | **871** |
| **Non-derivative financial liabilities** | **–** | **2,333** | **–** | **–** | **2,333** |
| | | | | | |
| **Notional amount** | | | | | |
| Derivative financial instruments | **32,006** | **109,822** | **–** | **–** | **141,828** |
| Debt securities | **–** | **358** | **–** | **–** | **358** |
| | | | | | |
| **2021** | | | | | |
| **Gross carrying amount** | | | | | |
| Loans to customers | 17,352 | 24,047 | 15,369 | 7,320 | 64,088 |
| **Non-derivative financial assets** | 17,352 | 24,047 | 15,369 | 7,320 | 64,088 |
| | | | | | |
| **Gross carrying amount** | | | | | |
| Deposits of non-bank customers | – | 2,621 | – | – | 2,621 |
| Deposits and balances of banks | – | 768 | – | – | 768 |
| **Non-derivative financial liabilities** | – | 3,389 | – | – | 3,389 |
| | | | | | |
| **Notional amount** | | | | | |
| Derivative financial instruments | 35,067 | 116,685 | – | 8,100 | 159,852 |
| Debt securities | – | 285 | – | 117 | 402 |

## 40. Interest Rate Benchmark Reform (IBOR Reform) (continued)

### Exposures Impacted by IBOR Reform (continued)

| | | | BANK | | |
|---|---|---|---|---|---|
| $ million | SOR | USD LIBOR | SIBOR | Other LIBOR | Total |
| **2022** | | | | | |
| **Gross carrying amount** | | | | | |
| Loans to customers | **7,383** | **19,104** | **8,320** | **–** | **34,807** |
| **Non-derivative financial assets** | **7,383** | **19,104** | **8,320** | **–** | **34,807** |
| | | | | | |
| **Gross carrying amount** | | | | | |
| Deposits of non-bank customers | **–** | **1,462** | **–** | **–** | **1,462** |
| Deposits and balances of banks | **–** | **871** | **–** | **–** | **871** |
| **Non-derivative financial liabilities** | **–** | **2,333** | **–** | **–** | **2,333** |
| | | | | | |
| **Notional amount** | | | | | |
| Derivative financial instruments | **32,235** | **110,020** | **–** | **–** | **142,255** |
| Debt securities | **–** | **57** | **–** | **–** | **57** |
| | | | | | |
| **2021** | | | | | |
| **Gross carrying amount** | | | | | |
| Loans to customers | 17,352 | 21,356 | 15,369 | 6,587 | 60,664 |
| **Non-derivative financial assets** | 17,352 | 21,356 | 15,369 | 6,587 | 60,664 |
| | | | | | |
| **Gross carrying amount** | | | | | |
| Deposits of non-bank customers | – | 2,621 | – | – | 2,621 |
| Deposits and balances of banks | – | 768 | – | – | 768 |
| **Non-derivative financial liabilities** | – | 3,389 | – | – | 3,389 |
| | | | | | |
| **Notional amount** | | | | | |
| Derivative financial instruments | 35,347 | 117,172 | – | 8,003 | 160,522 |
| Debt securities | – | 52 | – | 117 | 169 |

The "Other LIBOR" balances contain positions that had the last interest fixing in 2021 based on GBP LIBOR, EUR LIBOR or JPY LIBOR. These non-USD LIBOR positions were fixed using an alternative interest rate benchmark from the first interest fixing in 2022 onwards.

# 41. Fair Values of Financial Instruments

## 41.1 Valuation Governance Framework

The Group has an established governance framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management (MRM) function within the GRM is responsible for the model validation process. Financial models are used to price financial instruments and to calculate value-at-risk (VaR). MRM ensures that the models used are fit for their intended purposes through internal independent validation and periodic review. MRM sources market rates independently for risk measurement and valuation.

The Treasury Financial Control and Advisory – Valuation Control function within the Group Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation adjustment methodologies, independent price testing, and identifying valuation gaps.

Valuation policies are formulated and reviewed annually by the Valuation Control function, and approved by the Market Risk Management Committee, the CEO and BRMC. Valuation adjustments are applied to account for input parameter uncertainties, known model deficiencies and other factors that may affect valuation. The main valuation adjustments are described below.

**Bid Offer Adjustments**
When the position is marked at mid-price, bid offer adjustment is applied to account for close out cost.

**Model Adjustments**
Model adjustments are applied when there are inherent limitations in the valuation models used by the Bank.

**Day 1 Profit or Loss Adjustments**
Day 1 profit or loss adjustments are applied when the valuation technique involves the use of significant inputs which are not readily observable. The difference between the fair value at initial recognition and the transaction price is deferred as an adjustment.

The Day 1 profit or loss adjustments are released to the income statement when the significant inputs become observable, when the transaction is derecognised or amortised over the life of the transaction.

**Credit Valuation Adjustments**
Credit valuation adjustments are applied to account for the expected losses due to counterparty default on derivative positions.

**Collateral Valuation Adjustments**
Collateral valuation adjustments are applied when a derivative is denominated and discounted using a curve in the same currency but is collateralised in another currency.

**Parameter Uncertainty Adjustments**
These valuation adjustments mainly include adjustments for illiquid prices or internal methodologies used to derive model inputs.

The Group's internal audit provides independent assurance on the respective divisions' compliance with the policy.

# 41. Fair Values of Financial Instruments (continued)

## 41.2 Fair Values

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. For financial assets and liabilities not carried at fair value on the financial statements, the Group has determined that their fair values were not materially different from the carrying amounts at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

**Financial Assets**

Fair values of cash and balances with central banks, placements with banks, interest and other short term receivables are expected to approximate their carrying amounts due to their short tenor or frequent re-pricing.

Securities held by the Group, comprising government securities and debt and equity securities are substantially carried at fair value on the balance sheet.

Non-bank customer loans are mainly carried at amortised cost on the balance sheet, net of allowances for impaired and non-impaired loans. The Group deems that the carrying amounts of non-bank loans approximate their fair values as substantially all the loans are subject to frequent re-pricing.

**Financial Liabilities**

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying amounts due to their short tenor. For non-bank customer term deposits, contractual or derived cash flows are discounted at market rates as at reporting date to estimate the fair values, which approximate the carrying amounts.

The fair values of the Group's subordinated term notes and covered bonds are determined based on quoted market prices and independent broker offer prices. For other debts issued which are usually short term, the fair values approximate the carrying amounts.

## 41.3 Fair Value Hierarchy

The Group determines the fair values of its financial assets and liabilities using various measurements. The different levels of fair value measurements are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and
- Level 3 – inputs for the valuation that are not based on observable market data.

# 41. Fair Values of Financial Instruments (continued)

## 41.3 Fair Value Hierarchy (continued)

The following table summarises the Group's assets and liabilities measured at fair values subsequent to initial recognition by level of the fair value hierarchy:

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| $ million | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **GROUP** | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Placements with and loans to banks | **2,222** | **10,980** | **–** | **13,202** | 2,194 | 5,673 | – | 7,867 |
| Debt and equity securities | **18,453** | **5,869** | **3,381** | **27,703** | 24,813 | 7,699 | 1,172 | 33,684 |
| Loans to customers | **–** | **–** | **23** | **23** | – | 2 | 47 | 49 |
| Derivative receivables | **117** | **15,141** | **347** | **15,605** | 42 | 8,413 | 812 | 9,267 |
| Government treasury bills and securities | **34,096** | **4,315** | **–** | **38,411** | 30,834 | 6,090 | – | 36,924 |
| Life insurance fund investment securities and other assets | **51,460** | **25,442** | **3,256** | **80,158** | 60,879 | 23,489 | 2,552 | 86,920 |
| **Total** | **106,348** | **61,747** | **7,007** | **175,102** | 118,762 | 51,366 | 4,583 | 174,711 |
| | | | | | | | | |
| **Non-financial assets measured at fair value** | | | | | | | | |
| Life insurance fund investment properties and asset held for sale | **–** | **–** | **1,954** | **1,954** | – | – | 1,884 | 1,884 |
| Associates | **–** | **–** | **122** | **122** | – | – | 95 | 95 |
| **Total** | **–** | **–** | **2,076** | **2,076** | – | – | 1,979 | 1,979 |
| | | | | | | | | |
| **Financial liabilities measured at fair value** | | | | | | | | |
| Derivative payables | **103** | **15,662** | **283** | **16,048** | 168 | 8,262 | 640 | 9,070 |
| Trading portfolio liabilities | **212** | **–** | **–** | **212** | 393 | – | – | 393 |
| Debt issued | **–** | **1,040** | **–** | **1,040** | – | 1,092 | – | 1,092 |
| Life insurance fund financial liabilities | **22** | **253** | **–** | **275** | 3 | 106 | – | 109 |
| **Total** | **337** | **16,955** | **283** | **17,575** | 564 | 9,460 | 640 | 10,664 |
| | | | | | | | | |
| **BANK** | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Placements with and loans to banks | **1,532** | **5,870** | **–** | **7,402** | 1,324 | 4,553 | – | 5,877 |
| Debt and equity securities | **10,106** | **3,593** | **2,615** | **16,314** | 13,828 | 5,376 | 496 | 19,700 |
| Loans to customers | **–** | **–** | **23** | **23** | – | – | 47 | 47 |
| Derivative receivables | **22** | **13,388** | **332** | **13,742** | 15 | 7,161 | 636 | 7,812 |
| Government treasury bills and securities | **19,703** | **3,395** | **–** | **23,098** | 14,693 | 4,776 | – | 19,469 |
| **Total** | **31,363** | **26,246** | **2,970** | **60,579** | 29,860 | 21,866 | 1,179 | 52,905 |
| | | | | | | | | |
| **Financial liabilities measured at fair value** | | | | | | | | |
| Derivative payables | **32** | **13,992** | **276** | **14,300** | 133 | 7,075 | 448 | 7,656 |
| Trading portfolio liabilities | **212** | **–** | **–** | **212** | 393 | – | – | 393 |
| Debt issued | **–** | **1,040** | **–** | **1,040** | – | 1,092 | – | 1,092 |
| **Total** | **244** | **15,032** | **276** | **15,552** | 526 | 8,167 | 448 | 9,141 |

During the financial year, the Group transferred financial assets from Level 2 to Level 1 as prices became observable arising from increased market activity. Financial assets were also transferred from Level 1 to Level 2 when quoted prices become unobservable arising from reduced market activity.

# 41. Fair Values of Financial Instruments (continued)

## 41.3 Fair Value Hierarchy (continued)

### Valuation Techniques and Unobservable Inputs for Level 3 Instruments

| GROUP<br>$ million | Fair value at<br>31 December 2022 | Classification | Valuation techniques | Unobservable inputs |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Debt securities | **222** | FVTPL/FVOCI | Discounted cash flows | Yield |
| Equity securities | **3,159** | FVTPL/FVOCI | Net asset value/ Multiples/Discounted cash flows | Value of net asset/ Earnings and multiples/ Cash flows and discount rate |
| Loans to customers | **23** | FVTPL | Discounted cash flows | Cash flows and discount rate |
| Derivative receivables | **347** | FVTPL | Option pricing model Derivatives pricing | Volatility/Correlation Long dated rate |
| Life insurance fund investment securities and other assets | **3,256** | FVTPL/FVOCI | Discounted cash flows/ Income approach/ Net asset value | Yield/Risk adjusted discount rate/ Value of net asset |
| **Total** | **7,007** | | | |
| **Financial liabilities** | | | | |
| Derivative payables | **283** | FVTPL | Option pricing model Derivatives pricing | Volatility/Correlation Long dated rate |
| **Total** | **283** | | | |

### Movements in Level 3 Financial Assets and Liabilities

| | 2022 | | | | |
|---|---|---|---|---|---|
| GROUP<br>$ million | Debt and equity securities | Loans to customers | Derivative receivables | Life insurance fund investment securities and other assets | Total |
| **Financial assets measured at fair value** | | | | | |
| At 1 January | **1,172** | **47** | **812** | **2,552** | **4,583** |
| Purchases | **519** | **46** | **43** | **600** | **1,208** |
| Settlements/disposals | **(14)** | **(27)** | **(41)** | **(335)** | **(417)** |
| Transfers in [1] | **1,729** | **–** | **51** | **549** | **2,329** |
| Gains/(losses) recognised in | | | | | |
| – profit or loss | **(24)** | **(43)** | **(520)** | **(106)** | **(693)** |
| – other comprehensive income | **(1)** | **#** | **2** | **(4)** | **(3)** |
| At 31 December | **3,381** | **23** | **347** | **3,256** | **7,007** |
| | | | | | |
| Unrealised (losses)/gains included in profit or loss for assets held at the end of the year | **(24)** | **(22)** | **152** | **(47)** | **59** |

(1) Relates to transfers from Levels 1 and 2 to Level 3 due to use of inputs not based on market observable data.

# 41. Fair Values of Financial Instruments (continued)

## 41.3 Fair Value Hierarchy (continued)

Movements in Level 3 Financial Assets and Liabilities (continued)

| GROUP<br>$ million | Debt and equity securities | Loans to customers | Derivative receivables | Life insurance fund investment securities and other assets | Total |
|---|---|---|---|---|---|
| | | | 2021 | | |
| **Financial assets measured at fair value** | | | | | |
| At 1 January | 1,214 | 89 | 102 | 1,967 | 3,372 |
| Purchases | 11 | – | 42 | 541 | 594 |
| Settlements/disposals | (14) | (26) | (8) | (243) | (291) |
| Transfer in [(1)] | 20 | – | 226 | – | 246 |
| Gains/(losses) recognised in | | | | | |
| – profit or loss | (68) | (16) | 449 | 288 | 653 |
| – other comprehensive income | 9 | (#) | 1 | (1) | 9 |
| At 31 December | 1,172 | 47 | 812 | 2,552 | 4,583 |
| Unrealised (losses)/gains included in profit or loss for assets held at the end of the year | (68) | (16) | 738 | 274 | 928 |

Gains/(losses) included in profit or loss are presented in the income statement as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Trading income | Other income | Total | Trading income | Other income | Total |
| Total (losses)/gains included in profit or loss for the year ended | **(588)** | **(105)** | **(693)** | 365 | 288 | 653 |
| Unrealised gains/(losses) included in profit or loss for assets held at the end of the year | **106** | **(47)** | **59** | 654 | 274 | 928 |

(1) Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.

## 41. Fair Values of Financial Instruments (continued)

### 41.3 Fair Value Hierarchy (continued)

**Movements in Level 3 Financial Assets and Liabilities** (continued)

| BANK<br>$ million | 2022<br>Debt and equity securities | 2022<br>Loans to customers | 2022<br>Derivative receivables | 2022<br>Total | 2021<br>Debt and equity securities | 2021<br>Loans to customers | 2021<br>Derivative receivables | 2021<br>Total |
|---|---|---|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | | | | |
| At 1 January | **496** | **47** | **636** | **1,179** | 443 | 84 | 98 | 625 |
| Purchases | **508** | **46** | **43** | **597** | 4 | – | 42 | 46 |
| Settlements/disposals | **(14)** | **(27)** | **(41)** | **(82)** | (9) | (21) | (7) | (37) |
| Transfers in [1] | **1,655** | **–** | **15** | **1,670** | 11 | – | – | 11 |
| Gains/(losses) recognised in | | | | | | | | |
| – profit or loss | **(26)** | **(43)** | **(321)** | **(390)** | 16 | (16) | 503 | 503 |
| – other comprehensive income | **(4)** | **#** | **–** | **(4)** | 31 | # | – | 31 |
| At 31 December | **2,615** | **23** | **332** | **2,970** | 496 | 47 | 636 | 1,179 |
| | | | | | | | | |
| Unrealised (losses)/gains included in profit or loss for assets held at the end of the year | **(25)** | **(22)** | **114** | **67** | 16 | (16) | 557 | 557 |

Gains/(losses) included in profit or loss are presented in the income statement as follows:

| | 2022<br>Trading income | 2022<br>Total | 2021<br>Trading income | 2021<br>Total |
|---|---|---|---|---|
| Total (losses)/gains included in profit or loss for the year ended | **(390)** | **(390)** | 503 | 503 |
| | | | | |
| Unrealised gains included in profit or loss for assets held at the end of the year | **67** | **67** | 557 | 557 |

(1) Relates to transfers from Levels 1 and 2 to Level 3 due to use of inputs not based on market observable data.

# 41. Fair Values of Financial Instruments (continued)

## 41.3 Fair Value Hierarchy (continued)

### Movements in Level 3 Financial Assets and Liabilities (continued)

| | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| $ million | Derivative payables | Total | Derivative payables | Total | Derivative payables | Total | Derivative payables | Total |
| **Financial liabilities measured at fair value** | | | | | | | | |
| At 1 January | **640** | **640** | 69 | 69 | **448** | **448** | 55 | 55 |
| Issues | **59** | **59** | 144 | 144 | **59** | **59** | 144 | 144 |
| Settlements/disposals | **(143)** | **(143)** | (80) | (80) | **(142)** | **(142)** | (80) | (80) |
| Transfers in [1] | **39** | **39** | 226 | 226 | **3** | **3** | – | – |
| Losses/(gains) recognised in | | | | | | | | |
| – profit or loss | **(314)** | **(314)** | 281 | 281 | **(92)** | **(92)** | 329 | 329 |
| – other comprehensive income | **2** | **2** | (#) | (#) | **–** | **–** | – | – |
| At 31 December | **283** | **283** | 640 | 640 | **276** | **276** | 448 | 448 |
| | | | | | | | | |
| Unrealised losses included in profit or loss for liabilities held at the end of the year | **(351)** | **(351)** | (542) | (542) | **(359)** | **(359)** | (369) | (369) |

(1) Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.

Gains/(losses) included in profit or loss are presented in the income statements as follows:

| | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| $ million | Trading income | Total | Trading income | Total | Trading income | Total | Trading income | Total |
| Total gains/(losses) included in profit or loss for the year ended | **314** | **314** | (281) | (281) | **92** | **92** | (329) | (329) |
| | | | | | | | | |
| Unrealised losses included in profit or loss for liabilities held at the end of the year | **(351)** | **(351)** | (542) | (542) | **(359)** | **(359)** | (369) | (369) |

### Movements in Level 3 Non-Financial Assets

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| $ million | Life insurance fund investment properties and asset held for sale [1] | Associates [2] | Total | Life insurance fund investment properties [1] | Associates [2] | Total |
| **Non-financial assets measured at fair value** | | | | | | |
| At 1 January | **1,884** | **95** | **1,979** | 1,767 | – | 1,767 |
| Purchases/net transfer from property, plant and equipment | **1** | **–** | **1** | 39 | – | 39 |
| Transfers in [3] | **–** | **–** | **–** | – | 97 | 97 |
| Gains/(losses) recognised in | | | | | | |
| – profit or loss | **91** | **24** | **115** | 84 | (2) | 82 |
| – other comprehensive income | **(22)** | **3** | **(19)** | (6) | – | (6) |
| At 31 December | **1,954** | **122** | **2,076** | 1,884 | 95 | 1,979 |

(1) The fair value of investment properties and asset held for sale is determined based on a combination of income approach, comparison approach and capitalisation approach under Level 3 fair value measurements.
(2) The fair value of investment in associate is determined based on market approach under Level 3 fair value measurements.
(3) Relates to transfers from Level 2 to Level 3 due to use of inputs not based on market observable data.

## 42. Offsetting Financial Assets and Financial Liabilities

The Group enters into master netting arrangements with counterparties in its normal course of business. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. These arrangements do not qualify for net presentation on the balance sheet as the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not presented net in the Group's balance sheet but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

| GROUP | | | | Related amounts not offset on balance sheet | | |
|---|---|---|---|---|---|---|
| Types of financial assets/liabilities<br>$ million | Carrying amounts on balance sheet (A) | Amounts not subject to netting agreement (B) | Amounts subject to netting agreement (A – B = C + D + E) | Financial instruments (C) | Collateral (D) | Net amounts in scope (E) |
| **2022** | | | | | | |
| **Financial assets** | | | | | | |
| Derivative receivables | **15,605** | **2,410** | **13,195** | **8,126** | **677** | **4,392** |
| Reverse repurchase agreements | **7,057** [1] | **3,853** | **3,204** | **3,198** | **–** | **6** |
| Securities borrowings | **10** [2] | **9** | **1** | **1** | **–** | **–** |
| **Total** | **22,672** | **6,272** | **16,400** | **11,325** | **677** | **4,398** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Derivative payables | **16,048** | **2,259** | **13,789** | **8,126** | **1,365** | **4,298** |
| Repurchase agreements | **3,144** [3] | **1,369** | **1,775** | **1,745** | **–** | **30** |
| Securities lendings | **2** [4] | **–** | **2** | **1** | **–** | **1** |
| **Total** | **19,194** | **3,628** | **15,566** | **9,872** | **1,365** | **4,329** |
| | | | | | | |
| **2021** | | | | | | |
| **Financial assets** | | | | | | |
| Derivative receivables | 9,267 | 3,163 | 6,104 | 4,625 | 236 | 1,243 |
| Reverse repurchase agreements | 3,037 [1] | 1,800 | 1,237 | 1,224 | – | 13 |
| Securities borrowings | 7 [2] | 6 | 1 | 1 | – | – |
| **Total** | 12,311 | 4,969 | 7,342 | 5,850 | 236 | 1,256 |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Derivative payables | 9,070 | 1,731 | 7,339 | 4,625 | 1,283 | 1,431 |
| Repurchase agreements | 2,056 [3] | 997 | 1,059 | 995 | – | 64 |
| Securities lendings | 5 [4] | – | 5 | 5 | – | – |
| **Total** | 11,131 | 2,728 | 8,403 | 5,625 | 1,283 | 1,495 |

(1) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers and other assets. These transactions are measured either at fair value or amortised cost.
(2) Cash collateral placed under securities borrowings are presented under placements with and loans to banks and other assets on the balance sheet, and are measured at amortised cost.
(3) Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers and other liabilities, and are measured at amortised cost.
(4) Cash collateral placed under securities lendings are presented under other liabilities, and are measured at amortised cost.

## 42. Offsetting Financial Assets and Financial Liabilities (continued)

BANK

| Types of financial assets/liabilities<br>$ million | Carrying amounts on balance sheet<br>(A) | Amounts not subject to netting agreement<br>(B) | Amounts subject to netting agreement<br>(A – B = C + D + E) | Related amounts not offset on balance sheet<br>Financial instruments<br>(C) | Related amounts not offset on balance sheet<br>Collateral<br>(D) | Net amounts in scope<br>(E) |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| **Financial assets** | | | | | | |
| Derivative receivables | **13,742** | **1,762** | **11,980** | **7,959** | **874** | **3,147** |
| Reverse repurchase agreements | **4,375** [(1)] | **1,171** | **3,204** | **3,198** | **–** | **6** |
| Securities borrowings | **9** [(2)] | **9** | **–** | **–** | **–** | **–** |
| **Total** | **18,126** | **2,942** | **15,184** | **11,157** | **874** | **3,153** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Derivative payables | **14,300** | **1,992** | **12,308** | **7,959** | **974** | **3,375** |
| Repurchase agreements | **1,775** [(3)] | **–** | **1,775** | **1,745** | **–** | **30** |
| **Total** | **16,075** | **1,992** | **14,083** | **9,704** | **974** | **3,405** |
| | | | | | | |
| **2021** | | | | | | |
| **Financial assets** | | | | | | |
| Derivative receivables | 7,812 | 1,689 | 6,123 | 4,458 | 359 | 1,306 |
| Reverse repurchase agreements | 2,169 [(1)] | 932 | 1,237 | 1,224 | – | 13 |
| Securities borrowings | 6 [(2)] | 6 | – | – | – | – |
| **Total** | 9,987 | 2,627 | 7,360 | 5,682 | 359 | 1,319 |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Derivative payables | 7,656 | 728 | 6,928 | 4,458 | 790 | 1,680 |
| Repurchase agreements | 1,059 [(3)] | – | 1,059 | 995 | – | 64 |
| **Total** | 8,715 | 728 | 7,987 | 5,453 | 790 | 1,744 |

(1) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely placements with central banks, loans to banks and non-bank customers and other assets. These transactions are measured either at fair value or amortised cost.
(2) Cash collateral placed under securities borrowings are presented under placements with and loans to banks on the balance sheet, and are measured at amortised cost.
(3) Repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely deposits of banks and non-bank customers and other liabilities, and are measured at amortised cost.

## 43. Contingent Liabilities

The Group conducts businesses involving acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by the Group to pay on receipt of bills of exchange drawn. The Group issues guarantees on the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on presentation of stipulated documents. As the Group will only be required to meet these obligations in the event of customer's default, the cash requirements of these instruments are expected to be considerably below their nominal contractual amounts.

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| Guarantees and standby letters of credit: | | | | |
| Term to maturity of one year or less | **6,352** | 6,770 | **4,756** | 5,592 |
| Term to maturity of more than one year | **2,984** | 2,472 | **2,220** | 1,544 |
| | **9,336** | 9,242 | **6,976** | 7,136 |
| Acceptances and endorsements | **950** | 1,016 | **564** | 442 |
| Documentary credits and other short term trade-related transactions | **6,463** | 6,393 | **4,707** | 4,721 |
| | **16,749** | 16,651 | **12,247** | 12,299 |

### 43.1 Analysed by Industry

| | | | | |
|---|---|---|---|---|
| Agriculture, mining and quarrying | **153** | 198 | **58** | 22 |
| Manufacturing | **1,480** | 1,412 | **472** | 353 |
| Building and construction | **2,247** | 2,137 | **1,388** | 1,066 |
| General commerce | **9,238** | 10,287 | **7,554** | 8,757 |
| Transport, storage and communication | **561** | 359 | **408** | 254 |
| Financial institutions, investment and holding companies | **1,614** | 1,116 | **1,169** | 880 |
| Professionals and individuals | **158** | 113 | **37** | 40 |
| Others | **1,298** | 1,029 | **1,161** | 927 |
| | **16,749** | 16,651 | **12,247** | 12,299 |

### 43.2 Analysed by Geography

| | | | | |
|---|---|---|---|---|
| Singapore | **10,905** | 11,347 | **10,719** | 11,276 |
| Malaysia | **1,226** | 1,125 | **7** | 6 |
| Indonesia | **1,094** | 1,169 | **–** | – |
| Greater China | **2,683** | 2,520 | **667** | 520 |
| Other Asia Pacific | **339** | 128 | **352** | 135 |
| Rest of the World | **502** | 362 | **502** | 362 |
| | **16,749** | 16,651 | **12,247** | 12,299 |

Contingent liabilities analysed by geography is based on the country where the transactions are recorded.

# 44. Commitments

Commitments comprise mainly agreements to provide credit facilities to customers. Such credit facilities (cancellable and non-cancellable) can either be made for a fixed period, or have no specific maturity.

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022<br>$ million | 2021<br>$ million | 2022<br>$ million | 2021<br>$ million |
| **44.1 Credit Commitments** | | | | |
| Undrawn credit facilities: | | | | |
| Term to maturity of one year or less | **150,236** | 141,648 | **67,418** | 70,699 |
| Term to maturity of more than one year | **33,468** | 29,414 | **41,039** | 25,640 |
| | **183,704** | 171,062 | **108,457** | 96,339 |
| **44.2 Other Commitments** | | | | |
| Capital commitment authorised and contracted | **226** | 220 | **232** | 234 |
| Forward deposits and assets purchase | **83** | 359 | **716** | 1,990 |
| | **309** | 579 | **948** | 2,224 |
| **44.3 Total Commitments** | **184,013** | 171,641 | **109,405** | 98,563 |
| **44.4 Credit Commitments Analysed by Industry** | | | | |
| Agriculture, mining and quarrying | **1,977** | 1,408 | **1,272** | 657 |
| Manufacturing | **11,297** | 8,025 | **5,220** | 2,637 |
| Building and construction | **26,766** | 17,338 | **22,607** | 13,540 |
| General commerce | **29,892** | 24,809 | **24,213** | 19,692 |
| Transport, storage and communication | **6,362** | 4,768 | **5,435** | 4,080 |
| Financial institutions, investment and holding companies | **41,278** | 53,570 | **24,912** | 33,967 |
| Professionals and individuals | **57,689** | 54,552 | **17,394** | 16,409 |
| Others | **8,443** | 6,592 | **7,404** | 5,357 |
| | **183,704** | 171,062 | **108,457** | 96,339 |
| **44.5 Credit Commitments Analysed by Geography** | | | | |
| Singapore | **138,861** | 136,454 | **92,698** | 83,515 |
| Malaysia | **9,190** | 8,736 | **936** | 469 |
| Indonesia | **6,103** | 5,379 | **–** | – |
| Greater China | **20,432** | 13,709 | **5,679** | 5,548 |
| Other Asia Pacific | **3,424** | 3,071 | **3,447** | 3,091 |
| Rest of the World | **5,694** | 3,713 | **5,697** | 3,716 |
| | **183,704** | 171,062 | **108,457** | 96,339 |

Credit commitments analysed by geography is based on the country where the transactions are recorded.

## 45. Unconsolidated Structured Entities

Unconsolidated structured entities refer to structured entities that are not controlled by the Group. The Group's transactions in these structured entities are for investment opportunities as well as to facilitate client transactions. The Group's maximum exposure to loss is primarily limited to the carrying amount on its balance sheet and loan and capital commitments to these structured entities.

The following table summarises the carrying amount of the assets and liabilities recognised in the Group's financial statements relating to the interests in unconsolidated structured entities undertaken by business segments.

| GROUP ($ million) | Global investment banking | Insurance | Others | Total |
|---|---|---|---|---|
| **2022** | | | | |
| FVOCI investments | **73** | **–** | **#** | **73** |
| FVTPL investments | **2** | **95** | **2** | **99** |
| Other assets | **–** | **9** | **–** | **9** |
| **Total assets** | **75** | **104** | **2** | **181** |
| | | | | |
| Other liabilities | **–** | **–** | **–** | **–** |
| **Total liabilities** | **–** | **–** | **–** | **–** |
| | | | | |
| **Other commitments** | | | | |
| Loan and capital commitments authorised and contracted (1) | **37** | **–** | **–** | **37** |
| | | | | |
| **Income earned from sponsored structured entities (2)** | **#** | **51** | **32** | **83** |
| | | | | |
| **Assets of structured entities** | **652** | **6,728** | **403** | **7,783** |
| | | | | |
| **2021** | | | | |
| FVOCI investments | 83 | – | # | 83 |
| FVTPL investments | 1 | 125 | # | 126 |
| Other assets | – | 6 | – | 6 |
| **Total assets** | 84 | 131 | # | 215 |
| | | | | |
| Other liabilities | – | – | – | – |
| **Total liabilities** | – | – | – | – |
| | | | | |
| **Other commitments** | | | | |
| Loan and capital commitments authorised and contracted (1) | 34 | – | – | 34 |
| | | | | |
| **Income earned from sponsored structured entities (2)** | # | 55 | 34 | 89 |
| | | | | |
| **Assets of structured entities** | 669 | 7,186 | 3,019 | 10,874 |

(1) These were also included in the Group's capital commitments authorised and contracted in Note 44.
(2) The income earned relates primarily to management fee, interest income or fair value gains or losses recognised by the Group arising from the interests held by the Group in the unconsolidated investment funds.

The amount of assets transferred to sponsored entities during 2022 and 2021 were not significant.

# 46. Financial Assets Transferred

## 46.1 Assets Pledged

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2022 $ million | 2021 $ million | 2022 $ million | 2021 $ million |
| Government treasury bills and securities | | | | |
| – Singapore | **584** | 183 | **909** | 183 |
| – Others | **650** | 857 | **634** | 676 |
| Placements with and loans to banks | **16** | – | **–** | – |
| Loans to customers | **1,537** | 3,132 | **1,422** | 2,990 |
| Debt securities | **1,811** | 1,465 | **1,358** | 533 |
| | **4,598** | 5,637 | **4,323** | 4,382 |
| Obligations to repurchase assets pledged | **2,083** | 2,056 | **1,657** | 1,059 |

(a) The amounts received from repurchase transactions are recognised as collaterised borrowings, "obligations to repurchase assets pledged", measured at amortised cost and included in deposits of banks and non-bank customers and other liabilities on the balance sheet. The above assets pledged as collateral for repurchase transactions are not derecognised but are presented separately on the balance sheet.

(b) The amounts paid in reverse repurchase transactions are recognised as collaterised lendings, measured at amortised cost and included in loans to banks and non-bank customers as appropriate. The financial assets accepted as collateral for reverse repurchase transactions are not recognised as assets on the balance sheet. The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is $6.77 billion (2021: $3.05 billion), of which $0.05 billion (2021: $0.06 billion) have been sold or re-pledged. The Group is obliged to return equivalent assets.

(c) Transactions are conducted under terms and conditions that are usual and customary to standard securities lending (equivalent to repurchase transactions) and securities borrowing (equivalent to reverse repurchase transactions).

## 46.2 Assets Assigned as Security for Covered Bonds Issued (Note 21.5)

Pursuant to the Bank's Global Covered Bond Programme, selected pools of Singapore housing loans originated by the Bank have been assigned to a bankruptcy-remote structured entity, Red Sail Pte. Ltd. (Note 33.3). These housing loans continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2022, the carrying amounts of the covered bonds in issue was $1.78 billion (2021: $3.52 billion), while the carrying amounts of assets assigned was $9.23 billion (2021: $12.08 billion). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

## 47. Related Party Transactions

Loans and deposits transactions with related parties arise from the ordinary course of business and are not treated any differently from loans and deposits transactions with other customers of the Group. Credit facilities granted are subject to the same credit evaluation, approval, monitoring and reporting processes. All transactions with related parties are conducted on commercial terms.

### 47.1 Material Related Party Transactions

Material related party balances at the reporting date and transactions during the financial year were as follows:

| | GROUP | | BANK | | |
|---|---|---|---|---|---|
| $ million | Associates | Life insurance fund | Subsidiaries | Associates | Life insurance fund |
| **(a) Loans, placements and other receivables** | | | | | |
| At 1 January 2022 | 41 | 600 | 21,929 | 40 | 9 |
| Net change | (34) | 18 | (3,085) | (34) | 58 |
| **At 31 December 2022** | **7** | **618** | **18,844** | **6** | **67** |
| **(b) Deposits, borrowings and other payables** | | | | | |
| At 1 January 2022 | 431 | 1,197 | 28,250 | 230 | 541 |
| Net change | (196) | (247) | 8,272 | (33) | 34 |
| **At 31 December 2022** | **235** | **950** | **36,522** | **197** | **575** |
| **(c) Off-balance sheet credit facilities** [1] | | | | | |
| At 1 January 2022 | – | 4 | 12,374 | – | 4 |
| Net change | – | – | 1,920 | – | – |
| **At 31 December 2022** | **–** | **4** | **14,294** | **–** | **4** |
| **(d) Income statement transactions** | | | | | |
| **Year ended 31 December 2022** | | | | | |
| Interest income | **#** | **9** | **286** | **#** | **#** |
| Interest expense | **2** | **8** | **566** | **2** | **2** |
| Rental income | **–** | **2** | **30** | **–** | **#** |
| Fee and commission and other income | **–** | **305** | **94** | **–** | **244** |
| Rental and other expenses | **20** | **33** | **574** | **20** | **#** |
| **Year ended 31 December 2021** | | | | | |
| Interest income | # | 13 | 90 | # | # |
| Interest expense | 1 | 6 | 103 | 1 | # |
| Rental income | – | 2 | 19 | – | # |
| Fee and commission and other income | – | 327 | 67 | – | 252 |
| Rental and other expenses | 19 | 21 | 452 | 18 | # |

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies and commitments.

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

# 47. Related Party Transactions (continued)

## 47.2 Key Management Personnel Compensation

| | BANK | |
|---|---|---|
| | 2022 | 2021 |
| | $ million | $ million |
| Key management personnel compensation is as follows: | | |
| Short-term employee benefits | **38** | 42 |
| Share-based benefits | **13** | 13 |
| | **51** | 55 |

Certain performance-related payments to key management personnel of the Bank in relation to the performance year 2022 included in the above table are subject to the approval of the Remuneration Committee.

Comparatives have been updated following the approval of the performance-related payments to key management personnel of the Bank in relation to the performance year 2021 by the Remuneration Committee.

# 48. Capital Management

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, the Group targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above the regulatory minima, while balancing shareholders' desire for sustainable returns and high standards of prudence. The Group actively manages its capital composition with an optimal mix of capital instruments in order to keep its overall cost of capital low.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 14 and 21 of the financial statements, and the approaches adopted by the Group for the computation of risk-weighted assets can be found in the "Pillar 3 Disclosures" chapter.

The Group has complied with all externally imposed regulatory capital requirements. The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2022 and 31 December 2021.

| $ million | 2022 | 2021 |
|---|---|---|
| Ordinary shares | **18,048** | 18,040 |
| Disclosed reserves/others | **26,254** | 25,782 |
| Regulatory adjustments | **(9,123)** | (8,977) |
| **Common Equity Tier 1 Capital** | **35,179** | 34,845 |
| | | |
| Additional Tier 1 capital | **1,730** | 1,231 |
| Regulatory adjustments | **–** | – |
| **Tier 1 Capital** | **36,909** | 36,076 |
| | | |
| Tier 2 capital | **4,028** | 3,497 |
| Regulatory adjustments | **–** | – |
| **Total Eligible Capital** | **40,937** | 39,573 |
| | | |
| Credit | **202,713** | 197,164 |
| Market | **8,587** | 11,681 |
| Operational | **20,348** | 16,021 |
| **Risk Weighted Assets** | **231,648** | 224,866 |
| | | |
| **Capital Adequacy Ratios** | | |
| Common Equity Tier 1 | **15.2%** | 15.5% |
| Tier 1 | **15.9%** | 16.0% |
| Total | **17.7%** | 17.6% |

## 49. New Accounting Standards and Interpretations

As of the reporting date, certain new standards, amendments and interpretations to existing accounting standards have been published. The Group has not adopted the following relevant new/revised financial reporting standards and interpretations that have been issued but not yet effective.

| SFRS(I) | Title | Effective for financial year beginning on or after |
|---|---|---|
| SFRS(I) 17 | *Insurance Contracts* | 1 January 2023 |
| Various | *Amendments to SFRS(I) 17* | 1 January 2023 |
| Various | *Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies* | 1 January 2023 |
| SFRS(I) 1-8 (Amendments) | *Definition of Accounting Estimates* | 1 January 2023 |
| SFRS(I) 1-12 (Amendments), SFRS(I) 1 (Amendments) | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |
| SFRS(I) 1-1 (Amendments) | *Classification of Liabilities as Current or Non-current* | 1 January 2024 |
| SFRS(I) 16 (Amendments) | *Lease Liability in a Sale and Leaseback* | 1 January 2024 |
| Various | *Amendments to SFRS(I) 1-1 Non-current Liabilities with Covenants* | 1 January 2024 |
| SFRS(I) 1-10 (Amendments), SFRS(I) 1-28 (Amendments) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | To be determined |

Based on the Group's preliminary analysis, the initial application of the above standards (including their consequential amendments) and interpretations are not expected to have a significant impact on the Group's financial statements, except as described below.

### SFRS(I) 17 *Insurance Contracts*

GEH Group will apply SFRS(I) 17 for the first time on 1 January 2023. It is a comprehensive new accounting standard for insurance and reinsurance contracts covering recognition, measurement, presentation and disclosure, and is expected to have a material impact on GEH Group's consolidated financial statements in the period of initial application.

#### A. SFRS(I) 17 *Insurance Contracts*

SFRS(I) 17 replaces SFRS(I) 4 *Insurance Contracts* and is effective for annual periods beginning on or after 1 January 2023. The nature and effects of the changes in the GEH Group accounting policies are summarised below.

#### i. Identifying Contracts in the Scope of SFRS(I) 17

SFRS(I) 17 establishes specific principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held by GEH Group.

Under the key principles of SFRS(I) 17, GEH Group is required to:

- Identify insurance contracts as those under which GEH Group accepts significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separate specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other standards; and
- Divide the insurance and reinsurance contracts into groups they will recognise and measure.

#### ii. Level of Aggregation

Under SFRS(I) 17, insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into quarterly cohorts (by quarter of issuance) for life insurance or annual cohorts (by year of issuance) for non-life insurance, into three groups based on the expected profitability of the contracts:

(i) any contracts that are onerous at initial recognition;
(ii) any contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
(iii) any remaining contracts in the portfolio.

## 49. New Accounting Standards and Interpretations (continued)

**SFRS(I) 17 *Insurance Contracts*** (continued)

**A. SFRS(I) 17 *Insurance Contracts*** (continued)

**ii. Level of Aggregation** (continued)

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. The profitability groupings are not reassessed under subsequent measurement.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, GEH Group aggregates reinsurance contracts into quarterly cohorts (by quarter of issuance) for life reinsurance contracts or annual cohorts (by year of issuance) for non-life reinsurance contracts into groups of:

(i) contracts for which there is a net gain at initial recognition, if any;
(ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
(iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual reinsurance contract basis.

The level of aggregation requirements of SFRS(I) 17 limits the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contractual Service Margin (CSM), against losses on groups of onerous contracts, which are recognised immediately.

**iii. Contract Boundary**

Under SFRS(I) 17, the measurement of a group of insurance contracts includes all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which GEH Group can compel the policyholder to pay the premiums, or in which GEH Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- GEH Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both of the following criteria are satisfied:
  – GEH Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  – The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Fulfilment cash flows relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

For life insurance contracts with renewal periods, GEH Group assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals is established by GEH Group by considering all the risks covered for the policyholder by GEH Group, that GEH Group would consider when underwriting equivalent contracts on the renewal dates for the remaining service. Therefore, the cash flows related to renewals of insurance contracts will not be included in the contract boundary.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of GEH Group that exist during the reporting period in which GEH Group is compelled to pay amounts to the reinsurer or in which GEH Group has a substantive right to receive insurance contract services from the reinsurer. A substantive right to receive services from the reinsurer ends either when the reinsurer can reprice the contract to fully reflect the reinsured risk, or when the reinsurer has a substantive right to terminate coverage.

GEH Group reassesses contract boundaries of each group at the end of each reporting period.

Cash flows that are not directly attributable to a portfolio of insurance contracts, are recognised in other operating expenses as incurred.

## 49. New Accounting Standards and Interpretations (continued)

**SFRS(I) 17 *Insurance Contracts*** (continued)

**A. SFRS(I) 17 *Insurance Contracts*** (continued)

**iv. Measurement – Overview**

SFRS(I) 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as GEH Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which GEH Group promises an investment return based on underlying items; they are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- GEH Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- GEH Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance and all reinsurance contracts are expected to be classified as contracts without direct participation features.

Some of these contracts are measured under the Premium Allocation Approach (PAA). The PAA is an optional simplified measurement model in SFRS(I) 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. This approach will be used for non-life insurance yearly renewable contracts, because each of these contracts have a coverage period of one year or less or meets the eligibility criteria.

**v. Measurement – Contracts Not Measured Under the PAA**

On initial recognition, GEH Group measures a group of insurance contracts as the total of (a) the fulfilment cash flows, and (b) the CSM. The fulfilment cash flows of a group of insurance contracts do not reflect GEH Group's non-performance risk.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that GEH Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as GEH Group fulfils insurance contracts.

On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to GEH Group is a net inflow, then it is not onerous to GEH Group. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then it is onerous to GEH Group. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised.

**Fulfilment Cash Flows (FCF)**

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

(a) are based on a probability-weighted mean of the full range of possible outcomes;
(b) are determined from the perspective of the group provided that the estimates are consistent with observable market prices for market variables; and
(c) reflect conditions existing at the measurement date.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows.

## 49. New Accounting Standards and Interpretations (continued)

**SFRS(I) 17 *Insurance Contracts*** (continued)

**A. SFRS(I) 17 *Insurance Contracts*** (continued)

**v. Measurement – Contracts Not Measured Under the PAA** (continued)

**Contractual Service Margin (CSM)**

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that GEH Group will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or insurance revenue and insurance service expenses are recognised as in (d) below) arising from:

(a) the initial recognition of the FCF;
(b) cash flows arising from the contracts in the group at that date;
(c) the derecognition of any insurance acquisition cash flows asset; and
(d) the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

**Subsequent Measurement**

Subsequently, the carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage (LRC) comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims (LIC) includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

- The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

| | |
|---|---|
| **Changes relating to future service** | Adjusted against CSM (or recognised in the insurance service result in profit or loss if it is onerous to the group) |
| **Changes relating to current or past services** | Recognised in the insurance service result in profit or loss |
| **Effects of the time value of money, financial risk and changes therein on estimated cash flows** | Recognised as insurance finance income or expenses in profit or loss, except for certain portfolios measured using the General Measurement Model (GMM) where the OCI option is applied |

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future services.

**Reinsurance Contracts**

GEH Group will apply the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

GEH Group will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk represents the amount of risk being transferred by GEH Group to the reinsurer.

## 49. New Accounting Standards and Interpretations (continued)

**SFRS(I) 17 *Insurance Contracts*** (continued)

**A. SFRS(I) 17 *Insurance Contracts*** (continued)

**v. Measurement – Contracts Not Measured Under the PAA** (continued)

Reinsurance Contracts (continued)

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case GEH Group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that GEH Group will recognise as a reinsurance income or expense as it receives insurance contract services from the reinsurer in the future.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that GEH Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

**Insurance Acquisition Cash Flows**

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated to that group; and to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Under SFRS(I) 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts.

SFRS(I) 17 will require GEH Group to assess at each reporting date whether facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired.

**Impact Assessment**

Under SFRS(I) 17, all profits will be recognised in profit or loss over the life of the contracts, and this will primarily be driven by the timing of the recognition in profit or loss of the CSM as services are provided and the risk adjustment for non-financial risk as the related risk expires. GEH Group expects that, even though the total profit recognised over the lifetime of the contracts will not change, the pattern of recognition across different financial periods will be different under SFRS(I) 17.

The increase in liabilities for Life contracts on transition to SFRS(I) 17 can mainly be attributed to the following.

| Key changes from SFRS(I) 4 | Impact on equity on transition to SFRS(I) 17 at 1 January 2022 |
|---|---|
| The estimates of the present value of future cash flows will increase as a result of a reduction in the discount rates because of the SFRS(I) 17 requirements to measure future cash flows using current discount rates. | Decrease |
| The risk adjustment for non-financial risk under SFRS(I) 17 will be lower than the risk margin under SFRS(I) 4 as a result of (a) recalibration of the measurement techniques to conform with the SFRS(I) 17 requirements, and (b) exclusion of financial risk from the SFRS(I) 17 risk adjustment for non-financial risk for certain entities with GEH Group. | Increase |
| A CSM will be recognised for the unearned profit for these contracts. | Decrease |

## 49. New Accounting Standards and Interpretations (continued)

### SFRS(I) 17 *Insurance Contracts* (continued)

#### A. SFRS(I) 17 *Insurance Contracts* (continued)

#### vi. Measurement – Contracts Measured Under the PAA

For insurance contracts issued, on initial recognition, GEH Group measures the liability for remaining coverage at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, GEH Group measures the remaining coverage at the amount of ceding premiums paid net of commission, plus broker fees paid to a party other than the reinsurer.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the LRC and the liability for incurred claims (LIC), comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of the asset for remaining coverage and the asset for incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:
(a) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
(b) decreased for insurance acquisition cash flows paid in the period;
(c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
(d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and
(e) increased for net insurance finance expenses recognised during the period.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:
(a) increased for ceding premiums, net of commission, paid in the period;
(b) increased for broker fees paid in the period;
(c) decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period; and
(d) increased for net reinsurance finance income recognised during the period.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money and the effect of financial risk.

<u>Impact Assessment</u>

Although the PAA is similar to GEH Group's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for contracts under PAA.

| Changes from SFRS(I) 4 | Impact on equity on transition to SFRS(I) 17 on 1 January 2022 |
|---|---|
| Under SFRS(I) 17, GEH Group will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date of which the claims are incurred. GEH Group generally does not currently discount such future cash flows for non-life contracts. | Increase |
| GEH Group's accounting policy under SFRS(I) 17 to recognise separately eligible insurance acquisition cash flows when they are incurred as deferred acquisition costs differs from current practice. | Increase |

## 49. New Accounting Standards and Interpretations (continued)

**SFRS(I) 17 *Insurance Contracts*** (continued)

**A. SFRS(I) 17 *Insurance Contracts*** (continued)

**vii. Measurement – Significant Judgements and Estimates**

GEH Group makes estimates, assumptions and judgements in its estimates of future cash flows, discount rates used, risk adjustments for non-financial risk, and CSM. At the date of these financial statements, GEH Group is still in the midst of finalising the judgements and estimation techniques employed, which are subject to change until GEH Group reports SFRS(I) 17 for the first time in calendar year 2023.

**Discount Rates**

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the observable market yields of Government Securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

**Risk Adjustment for Non-Financial Risk**

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects GEH Group's degree of risk aversion. GEH Group estimates an adjustment for non-financial risk separately from all other estimates. GEH Group does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The confidence level technique was used to derive the overall risk adjustment for non-financial risk. Applying a confidence level technique, GEH Group will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associate risks over all future years. The target confidence level will be at $85^{th}$ percentile.

**Estimates of Future Cash Flows**

In estimating future cash flows, GEH Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience updated to reflect current expectations of future events.

The estimates of future cash flows will reflect GEH Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, GEH Group will take into account current expectations of future events that might affect cash flows. Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which GEH Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics.

# 49. New Accounting Standards and Interpretations (continued)

**SFRS(I) 17 *Insurance Contracts*** (continued)

**A. SFRS(I) 17 *Insurance Contracts*** (continued)

**viii. Presentation and Disclosure**

Under SFRS(I) 17, for presentation in the balance sheet, GEH Group will aggregate portfolios of insurance and reinsurance contracts held and present separately:

- Portfolios of insurance contracts that are assets;
- Portfolios of reinsurance contracts held that are assets;
- Portfolios of insurance contracts that are liabilities; and
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the SFRS(I) 17 requirements.

The descriptions of the line items in GEH Group's Consolidated Profit or Loss Statement will change significantly compared with GEH Group's current practice. Under SFRS(I) 4, GEH Group reports the following line items: premiums, claims, maturities, surrenders and annuities and change in insurance contract liabilities. SFRS(I) 17 requires separate presentation of:

- Insurance revenue;
- Insurance service expense;
- Insurance finance income or expense; and
- Income or expenses from reinsurance contracts held.

GEH Group will provide disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts and reinsurance contracts; and
- Significant judgements, and changes in those judgements made when applying the standard.

Insurance service result comprises insurance revenue and insurance service expenses.

**Insurance Revenue**

As GEH Group provides insurance contract services under the insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that GEH Group expects to be entitled to in exchange for those services.

The requirements of SFRS(I) 17 to recognise insurance revenue over the coverage period will result in slower revenue recognition compared with GEH Group's current practice of recognising revenue when the related premiums are written. Many insurance premiums include an investment (that is, deposit) component – an amount that will be paid to policyholders or their beneficiaries in all circumstances, regardless of whether an insured event occurs. The receipt and repayment of these non-distinct investment components do not relate to the provision of insurance services; therefore, such amounts are not presented as part of GEH Group's revenue or insurance service expenses.

**Insurance Service Expense**

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses that relate directly to the fulfilment of insurance contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment contracts are included in other operating expenses in the consolidated statement of profit or loss.

# 49. New Accounting Standards and Interpretations (continued)

**SFRS(I) 17 *Insurance Contracts*** (continued)

**A. SFRS(I) 17 *Insurance Contracts*** (continued)

**viii. Presentation and Disclosure** (continued)

**Insurance Finance Income or Expenses**

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

(a) the effect of the time value of money and changes in the time value of money; and

(b) the effect of financial risk and changes in financial risk.

GEH Group disaggregates changes in the risk adjustment for non-financial risk between insurance service results and insurance finance income or expenses for life insurance. For non-life insurance, the entire change in the risk adjustment for non-financial risk is included in insurance service results.

For conventional life and non-life insurance contracts, GEH Group includes all insurance finance income or expenses for the period in profit or loss, except for certain portfolios measured using the GMM where the OCI option is applied. This is expected to reduce accounting mismatches in profit or loss, considering that many of the supporting financial assets will be debt investments measured at FVOCI.

GEH Group systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, GEH Group reclassifies the insurance finance income or expenses to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

**Disclosure**

SFRS(I) 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying SFRS(I) 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under SFRS(I) 4, providing more transparent information for assessing the effects of insurance contracts on the financial statements.

**B. Transition**

GEH Group will restate the comparative information based on the transition approaches taken on adoption of SFRS(I) 17 with effect from 1 January 2023.

Changes in accounting policies resulting from the adoption of SFRS(I) 17 will be applied using the full retrospective approach to the extent practicable. The full retrospective approach will be applied to insurance contracts that were originated less than one year prior to the effective date. The modified retrospective approach will be applied to certain groups of insurance contracts that were originated less than 10 years prior to the transition date. The fair value approach will be applied to the remaining insurance contracts in force at transition date.