DBS BANK LTD.

(Incorporated in Singapore. Registration Number: 196800306E)

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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DBS Bank Ltd. and its Subsidiaries

Directors' Statement
for the financial year ended 31 December 2020

The Directors are pleased to present their statement to the Member, together with the audited consolidated financial statements of DBS Bank Ltd. (the Bank) and its subsidiaries (the Bank Group) and the financial statements of the Bank for the financial year ended 31 December 2020. These have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and the Singapore Financial Reporting Standards (International).

In the opinion of the Directors:

(a) the consolidated financial statements of the Bank Group, consisting of the Bank and its subsidiaries, and the financial statements of the Bank, together with the notes thereon, as set out on pages 1 to 88, are drawn up so as to give a true and fair view of the financial position of the Bank and Bank Group, as at 31 December 2020, and the performance and changes in equity of the Bank and Bank Group, and cash flow statement of the Bank Group for the financial year ended on that date; and

(b) as at the date of this statement, there are reasonable grounds to believe that the Bank and the Bank Group will be able to pay their debts as and when they fall due.

Board of Directors

The Directors in office at the date of this statement are:

Mr Peter Seah *(Chairman)*
Mr Piyush Gupta *(Chief Executive Officer)*
Dr Bonghan Cho
Ms Euleen Goh
Mr Ho Tian Yee
Ms Punita Lal (Appointed 1 April 2020)
Mr Anthony Lim (Appointed 1 April 2020)
Mr Olivier Lim *(Lead Independent Director)*
Mrs Ow Foong Pheng
Mr Andre Sekulic
Mr Tham Sai Choy

Mr Piyush Gupta will retire by rotation in accordance with Article 95 of the Bank's Constitution at the forthcoming annual general meeting (AGM) and, being eligible, will offer himself for re-election at the AGM.

Ms Euleen Goh and Mr Andre Sekulic will retire by rotation in accordance with Article 95 of the Bank's Constitution at the forthcoming annual general meeting (AGM) and will not offer themselves for re-election at the AGM.

Ms Punita Lal and Mr Anthony Lim will retire in accordance with Article 74(b) of the Bank's Constitution at the forthcoming AGM and, being eligible, will offer themselves for re-election at the AGM.

Directors' interests in shares or debentures

Each of the following Directors, who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Bank and related corporations as stated below:

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2020	As at 1 Jan 2020	As at 31 Dec 2020	As at 1 Jan 2020
DBS Group Holdings Ltd ("DBSH") ordinary shares				
Mr Peter Seah	274,186	242,127	-	-
Mr Piyush Gupta	-	1,522,502	2,217,307	318,000
Dr Bonghan Cho	6,098	1,930	-	-
Ms Euleen Goh	63,622	58,703	-	-
Mr Ho Tian Yee	55,611	48,140	-	-
Mr Olivier Lim	137,707	67,281	-	-
Mrs Ow Foong Pheng	25,839	25,839		
Mr Andre Sekulic	33,411	27,956	-	-
Mr Tham Sai Choy	95,419	89,188	-	-
Share awards (unvested) granted under the DBSH Share Plan				
Mr Piyush Gupta [(1)]	971,288	1,036,485	-	-
DBS Bank 4.7% non-cumulative non-convertible redeemable perpetual preference shares				
Ms Euleen Goh	-	3,000	-	-

[(1)] Mr Piyush Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 37 of the Notes to the 2020 Bank Group's financial statements.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2021.

DBSH Share Plan

At the Annual General Meeting of DBSH held on 25 April 2019, the DBSH Share Plan (which was first adopted on 18 September 1999) was extended for another ten years, from 18 September 2019 to 17 September 2029 (both dates inclusive). The DBSH Share Plan is administered by the Compensation and Management Development Committee (CMDC). As at the date of this statement, the members of the CMDC are Mr Andre Sekulic (Chairman), Mr Peter Seah, Dr Bonghan Cho, Ms Euleen Goh and Ms Punita Lal.

Under the terms of the DBSH Share Plan:

(a) Awards over DBSH's ordinary shares may be granted to Bank Group executives who hold such rank as may be determined by the CMDC from time to time. Awards may also be granted to (amongst others) executives of associated companies of the Bank who hold such rank as may be determined by the CMDC from time to time, and non-executive Directors of DBSH;

(b) Where time-based awards are granted, participants are awarded ordinary shares of DBSH or, at the CMDC's discretion, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the CMDC. Dividends on unvested shares do not accrue to employees;

(c) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of employment or misconduct of the participant, except in cases such as retirement, redundancy, ill health, injury, disability, death, bankruptcy of the participant, or by reason of the participant, being a non-executive Director, ceasing to be a Director, or in the event of a take-over, winding up or reconstruction of DBSH;

(d) Subject to the prevailing legislation and the rules of the Singapore Exchange, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/ or the transfer of existing ordinary shares (which may include ordinary shares held by DBSH in treasury); and

(e) The class and/ or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/ or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

During the financial year, time-based awards in respect of an aggregate of 6,363,485 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Bank Group. In addition, during the financial year, certain non-executive Directors received an aggregate of 60,236 share awards which vested immediately upon grant. These share awards formed part of their directors' fees for acting as Directors of DBSH in 2019.

Details of the share awards granted under the DBSH Share Plan to Directors of the Bank are as follows:

Directors of the Bank	Share awards granted during the financial year under review	Share awards vested during the financial year under review
Mr Peter Seah	30,012	30,012
Mr Piyush Gupta	295,054[(1)]	360,251
Dr Bonghan Cho	4,122	4,122
Ms Euleen Goh	4,476	4,476
Mr Ho Tian Yee	6,588	6,588
Mr Olivier Lim	5,398	5,398
Mr Andre Sekulic	4,925	4,925
Mr Tham Sai Choy	4,715	4,715

(1) The share awards granted to Mr Piyush Gupta are time-based awards which will vest over a 4-year period. The 295,054 share awards: were granted in February 2020 and formed part of his remuneration for 2019.

Arrangements to enable Directors to acquire shares or debentures

Neither at the end of, nor at any time during the financial year, was the Bank a party to any arrangement, the object of which is to enable the Directors to acquire benefits through the acquisition of shares in, or debentures of, the Bank or any other body corporate, save as disclosed in this statement.

Independent Auditor

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent external auditor.

On behalf of the Directors

Mr Peter Seah

Mr Piyush Gupta

9 February 2021
Singapore

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBS BANK LTD.

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of DBS Bank Ltd. (the "Bank") and its subsidiaries (the "Bank Group") and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Bank Group and the financial position of the Bank as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Bank Group, and of the financial performance and changes in equity of the Bank for the financial year ended on that date.

What we have audited

The financial statements of the Bank Group and the Bank comprise:

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

Basis for opinion

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

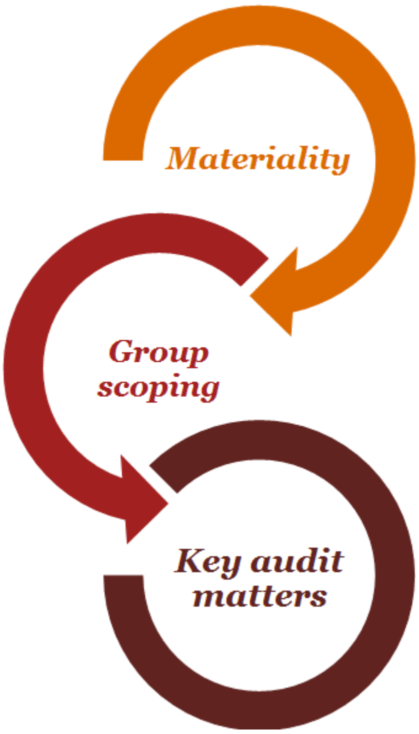
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Materiality

- We determined the overall Bank Group materiality based on 5% of the Bank Group's profit before tax.

Group scoping

- Full scope audit procedures were performed over the Singapore Operations of DBS Bank Ltd. and DBS Bank (Hong Kong) Limited ("significant components").
- We identified DBS Bank Ltd. Hong Kong, Taipei and Seoul Branches, DBS Bank (China) Limited, PT Bank DBS Indonesia, DBS Bank (Taiwan) Ltd and DBS Bank India Limited as component entities where certain account balances were considered to be significant in size in relation to the Bank Group ("other components"). Consequently, specific audit procedures for the significant account balances of these components were performed to obtain sufficient appropriate audit evidence.

Key audit matters

- Specific allowances for loans and advances to customers
- General allowances for credit losses (Stage 1 and 2 Expected Credit Loss)
- Goodwill
- Valuation of financial instruments held at fair value

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank Group materiality for the consolidated financial statements as a whole, as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

How we determined overall Bank Group materiality	5% of the Bank Group's profit before tax
Rationale for benchmark applied	• We chose 'profit before tax' as in our view, it is the benchmark against which performance of the Bank Group is most commonly measured. • We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit-related thresholds.

In performing our audit, we allocated materiality levels to the significant components and other components of the Bank Group. These are less than the overall Bank Group materiality.

How we developed the audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank Group, the accounting processes and controls, and the industry in which the Bank Group operates. The Group's financial reporting process is dependent on its Information Technology ("IT") systems. Our audit scope included testing the operating effectiveness of the controls over the integrity of key financial data processed through the IT systems that are relevant to financial reporting.

In establishing the overall Bank Group audit approach, we determined the extent of audit procedures that were needed to be performed across the Bank Group by us, or by other PwC network firms operating under our instruction who are familiar with the local laws and regulations in each respective territory (the "component auditors"). Where the work was performed by component auditors, we determined the level of involvement we needed to have in the procedures to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Specific allowances for loans and advances to customers As at 31 December 2020, the specific allowances for loans and advances to customers of the Group was $2,692 million, the majority of which related to Institutional Banking Group ("IBG") customers. Specific allowances refer to loss allowances for credit-impaired exposures (i.e. Stage 3, per SFRS (I) 9). Expected Credit Losses ("ECL") on non-impaired exposures (i.e. Stage 1 and Stage 2) is set out under the 'General allowances for credit losses' key audit matter. We focused on this area because of the subjective judgements used by management in determining the necessity for, and estimating the size of, allowances against loans and advances. In particular, we focused on specific allowances for loans and advances to IBG customers because any assessment of impairment can be inherently subjective and involves significant judgement over both the timing of recognition of any impairment and the estimation of the size of such impairment. This includes: • the principal assumptions underlying the calculation of specific allowances for loans and advances to IBG customers where there is evidence of impairment losses (including the future profitability of the borrowers and the expected realisable value of collateral held); and • the classification of loans and advances in line with MAS Notice 612 ("MAS 612").	We assessed the design and evaluated the operating effectiveness of the controls over the specific allowances for loans and advances to IBG customers. These controls included: • oversight of credit risk by the Group Credit Risk Committee; • timely management review of credit risk; • the watchlist identification and monitoring process; • timely identification of impairment events; • classification of loans and advances in line with MAS 612; and • the collateral monitoring and valuation processes. We determined that we could rely on these controls for the purposes of our audit. We inspected a sample of loans and advances to IBG customers to assess whether the classification of the loans and advances was in line with MAS 612 and, where there was evidence of an impairment loss, whether it had been identified in a timely manner. This included, where relevant, how forbearance had been considered, with particular focus on the impact of COVID-19. Where impairment had been identified, for a sample of loans and advances, our work included: • considering the latest developments in relation to the borrower; • examining the forecasts of future cash flows prepared by management, including key assumptions in relation to the amount and timing of recoveries; • comparing the collateral valuation and other sources of repayment to support the calculation of the impairment against external evidence, where available, including independent valuation reports; • challenging management's assumptions; and • testing the calculations.

Key audit matter	How our audit addressed the key audit matter
We applied judgement in selecting samples focused on borrowers with exposures to certain sectors in view of continued heightened credit risks and the effects of the COVID-19 pandemic impacting the portfolio. (Refer also to Notes 3 and 17 to the financial statements.)	For a sample of performing loans and advances to IBG customers which had not been identified by management as potentially impaired, considering the latest developments in relation to the borrower, we challenged management's assumptions on whether their classification was appropriate, using external evidence where available in respect of the relevant borrower. Based on procedures performed, we have assessed that the aggregate specific allowance for loans and advances is appropriate.
General allowances for credit losses (Stage 1 and 2 Expected Credit Loss) SFRS(I) 9 *Financial Instruments* ("SFRS(I) 9") requires an ECL impairment model which takes into account forward-looking information to reflect potential future economic events. In estimating ECL over future time periods, significant judgement is required. Further, the COVID-19 pandemic has meant assumptions regarding economic outlook, and the consequent impact on the Group's customers, are uncertain, increasing the degree of judgement required. We focused on the Group's measurement of general allowances on non-impaired exposures ($4,312 million). This covers both 'Stage 1' exposures (where there has not been a significant increase in credit risk), and 'Stage 2' exposures (where a significant increase in credit risk has been observed). The ECL framework implemented by the Group involves significant judgement and assumptions that relate to, amongst others: • adjustments to the Group's Basel credit models and parameters; • use of forward-looking and macro-economic information; • estimates for the expected lifetime of revolving credit facilities; • assessment of significant increase in credit risk; and	We critically assessed management's assumptions and estimates relating to Stage 1 and Stage 2 ECL for retail and non-retail portfolios as at 31 December 2020. This included assessing refinements in methodologies made during the year. We tested the design and operating effectiveness of key controls focusing on: • involvement of governance committees, in reviewing and approving certain forward-looking macroeconomic assumptions, including post model adjustments which reflect the unprecedented and higher uncertainty in credit outlook as a result of COVID-19; • completeness and accuracy of external and internal data inputs into the ECL calculations; and • accuracy and timeliness of allocation of exposures into Stage 1 and Stage 2 based on quantitative and qualitative triggers. The Group's internal experts continue to perform independent model validation of selected aspects of the Group's ECL methodologies and assumptions each year. We reviewed their results as part of our work. We also involved specialists to review the ECL of selected credit portfolios to assess if the methodologies and estimates are appropriate. Through the course of our work, we challenged the rationale and calculation basis of post model adjustments. We also assessed the reasonableness of certain forward-looking economic inputs, as well as the overall ECL output, in light of credit conditions that may be expected to arise from the impact of COVID-19.

Key audit matter	How our audit addressed the key audit matter
• post model adjustments to account for limitations in the ECL models, for example the risk to the credit portfolio from the current COVID-19 pandemic. (Refer also to Notes 3 and 11 to the financial statements.)	Overall, we conclude that the Group's ECL on non-impaired exposures is appropriate.
Goodwill As at 31 December 2020, the Group had $5,323 million of goodwill as a result of acquisitions. We focused on this area as management makes significant judgements in estimating future cash flows when undertaking its annual goodwill impairment assessment. The key assumptions used in the discounted cash flow analyses relate to: • cash flow forecasts; • discount rate; and • long-term growth rate. (Refer also to Notes 3 and 26 to the financial statements.)	We assessed the appropriateness of management's identification of the Group's cash generating units and the process by which indicators of impairment were identified. During the year, the Group recorded goodwill of $153 million following its acquisition of Lakshmi Vilas Bank. This amount is based on a provisional estimate of fair values of assets and liabilities acquired and may change as the Group refines its estimates in 2021. We have reviewed and assessed the basis of calculating this amount as at 31 December 2020. For DBS Bank (Hong Kong) Limited's franchise (goodwill of $4,631 million as at 31 December 2020), we evaluated management's cash flow forecasts and the process by which they were developed. Together with valuation specialists in our team, we assessed discount rate and growth rate assumptions against the Group's own historical performance and available external industry and economic indicators. We reviewed management's sensitivity analysis over the key assumptions to determine whether any reasonably possible change in these assumptions would result in an impairment, and also performed our own stress analysis based on the circumstances in Hong Kong and considering the market outlook given the current COVID-19 pandemic. We concur with management's assessment that goodwill balances are not impaired as at 31 December 2020.
Valuation of financial instruments held at fair value Financial instruments held by the Group at fair value include derivative assets and liabilities, trading securities, certain debt instruments and other assets and liabilities designated at fair value.	We assessed the design and tested the operating effectiveness of the controls over the Group's financial instruments valuation processes. These included the controls over: • management's testing and approval of new models and revalidation of existing models; • the completeness and accuracy of pricing data inputs into valuation models;

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The Group's financial instruments are predominantly valued using quoted market prices ('Level 1') or market observable prices ('Level 2'). The valuations of 'Level 3' instruments rely on significant unobservable inputs.

We considered the overall valuation of financial instruments (Level 1, 2 and 3) to be a key audit matter given the financial significance to the Group, the nature of the underlying products and the estimation involved to determine fair value.

In determining fair value, management also make adjustments to recognise credit risk, funding costs, bid-offer spreads and, in some cases, parameter and model risk limitations. This is broadly consistent with the banking industry, albeit the methodology to calculate some of these adjustments is continuing to evolve.

(Refer also to Notes 3 and 39 to the financial statements.)</td><td>• monitoring of collateral disputes; and
• governance mechanisms and monitoring over the valuation processes (including derivative valuation adjustments) by the Group Market and Liquidity Risk Committee and the Group Valuation Committee.

We determined that we could rely on the controls for the purposes of our audit. In addition, we:

• engaged our own specialists to use their own models and input sources to determine an independent estimate of fair value for a sample of the Group's Level 1 and Level 2 financial instruments. We compared these to the Group's calculations of fair value to assess individual material valuation differences or systemic bias;
• assessed the reasonableness of the methodologies used and the assumptions made for a sample of financial instrument valuations with significant unobservable valuation inputs (Level 3 instruments);
• performed procedures on collateral disputes to identify possible indicators of inappropriate valuations;
• performed tests of inputs and assessed the methodology over fair value adjustments, in light of available market data and industry trends; and
• considered the implications of global reforms to Interest Reference Rates ("IBOR Reform") in our assessment of fair value.

Overall, we considered that the valuation of financial instruments held at fair value was within a reasonable range of outcomes.</td></tr>
</table>

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Antony Eldridge.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 9 February 2021

DBS Bank Ltd. and its subsidiaries
Income Statements
For the Year Ended 31 December 2020

In $ millions	Note	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Interest income		**12,210**	15,592	**9,201**	12,450
Interest expense		**3,109**	5,896	**2,761**	5,441
Net interest income	4	**9,101**	9,696	**6,440**	7,009
Net fee and commission income	5	**3,061**	3,053	**2,140**	2,114
Net trading income	6	**1,388**	1,448	**938**	1,053
Net income from investment securities	7	**963**	334	**858**	306
Other income	8	**90**	74	**387**	817
Non-interest income		**5,502**	4,909	**4,323**	4,290
Total income		**14,603**	14,605	**10,763**	11,299
Employee benefits	9	**3,550**	3,514	**2,177**	2,242
Other expenses	10	**2,598**	2,734	**1,704**	1,709
Total expenses		**6,148**	6,248	**3,881**	3,951
Profit before allowances		**8,455**	8,357	**6,882**	7,348
Allowances for credit and other losses	11	**3,066**	703	**2,323**	262
Profit before tax		**5,389**	7,654	**4,559**	7,086
Income tax expense	12	**603**	1,153	**408**	871
Net profit		**4,786**	6,501	**4,151**	6,215
Attributable to:					
Shareholders		**4,754**	6,471	**4,151**	6,215
Non-controlling interests		**32**	30	**-**	-
		4,786	6,501	**4,151**	6,215

(see notes on pages 7 to 88 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Statements of Comprehensive Income
For the Year Ended 31 December 2020

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Net profit	**4,786**	6,501	**4,151**	6,215
Other comprehensive income:				
Items that may be reclassified subsequently to income statement:				
Translation differences for foreign operations	**(52)**	(175)	**(13)**	(90)
Other comprehensive income of associates	**(11)**	1	**-**	-
Gains/ (losses) on debt instruments classified at fair value through other comprehensive income and others				
Net valuation taken to equity	**1,151**	875	**879**	705
Transferred to income statement	**(606)**	(394)	**(478)**	(321)
Taxation relating to components of other comprehensive income	**(25)**	(51)	**(10)**	(35)
Item that will not be reclassified to income statement:				
Gains/ (losses) on equity instruments classified at fair value through other comprehensive income (net of tax)	**(225)**	136	**(240)**	120
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	**25**	(63)	**25**	(63)
Other comprehensive income, net of tax	**257**	329	**163**	316
Total comprehensive income	**5,043**	6,830	**4,314**	6,531
Attributable to:				
Shareholders	**4,997**	6,799	**4,314**	6,531
Non-controlling interests	**46**	31	**-**	-
	5,043	6,830	**4,314**	6,531

(see notes on pages 7 to 88 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Balance Sheets as at 31 December 2020

		The Group		Bank	
In $ millions	**Note**	**2020**	**2019**	**2020**	**2019**
Assets					
Cash and balances with central banks	14	**50,618**	26,360	**39,388**	19,771
Government securities and treasury bills	15	**51,700**	49,729	**36,682**	37,142
Due from banks		**50,816**	39,300	**44,643**	33,933
Derivatives	35	**31,116**	17,250	**27,959**	15,255
Bank and corporate securities	16	**65,456**	63,746	**59,944**	59,560
Loans and advances to customers	17	**371,171**	357,884	**302,587**	296,906
Other assets	19	**19,495**	15,423	**14,936**	11,359
Associates	22	**862**	835	**186**	186
Subsidiaries	21	**-**	-	**31,860**	31,967
Due from holding company		**911**	-	**911**	-
Properties and other fixed assets	25	**3,338**	3,225	**1,849**	1,816
Goodwill and intangibles	26	**5,323**	5,170	**334**	334
Total assets		**650,806**	578,922	**561,279**	508,229
Liabilities					
Due to banks		**28,220**	23,773	**23,586**	18,712
Deposits and balances from customers	27	**464,850**	404,289	**350,079**	298,836
Derivatives	35	**33,088**	17,633	**29,537**	15,455
Other liabilities	28	**21,987**	20,843	**16,800**	15,113
Other debt securities	29	**39,229**	53,310	**38,081**	51,041
Due to holding company		**7,473**	5,963	**6,031**	4,695
Due to subsidiaries		**-**	-	**48,288**	57,649
Total liabilities		**594,847**	525,811	**512,402**	461,501
Net assets		**55,959**	53,111	**48,877**	46,728
Equity					
Share capital	30	**24,452**	24,452	**24,452**	24,452
Other equity instruments	31	**4,209**	2,813	**4,209**	2,813
Other reserves	32	**(38)**	(349)	**264**	38
Revenue reserves	32	**26,360**	25,235	**19,952**	19,425
Shareholders' funds		**54,983**	52,151	**48,877**	46,728
Non-controlling interests	33	**976**	960	**-**	-
Total equity		**55,959**	53,111	**48,877**	46,728

(see notes on pages 7 to 88 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2020

The Group	**Attributable to shareholders of the Bank**						
In $ millions	**Share capital**	**Other equity instruments**	**Other reserves**	**Revenue reserves**	**Shareholders' funds**	**Non-controlling interests**	**Total equity**
2020							
Balance at 1 January	**24,452**	**2,813**	**(349)**	**25,235**	**52,151**	**960**	**53,111**
Issue of perpetual capital securities	**-**	**1,396**	**-**	**-**	**1,396**	**-**	**1,396**
Redemption of preference shares	**-**	**-**	**-**	**(800)**	**(800)**	**-**	**(800)**
Dividends paid to holding company	**-**	**-**	**-**	**(2,723)**	**(2,723)**	**-**	**(2,723)**
Dividends paid on preference shares	**-**	**-**	**-**	**(38)**	**(38)**	**-**	**(38)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(31)**	**(31)**
Change in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Total comprehensive income	**-**	**-**	**311**	**4,686**	**4,997**	**46**	**5,043**
Balance at 31 December	**24,452**	**4,209**	**(38)**	**26,360**	**54,983**	**976**	**55,959**
2019							
Balance at 1 January	24,452	2,813	(752)	23,417	49,930	970	50,900
Impact of adopting SFRS(I) 16 on 1 January	-	-	-	(95)	(95)	-	(95)
Balance at 1 January after adoption of SFRS(I) 16	24,452	2,813	(752)	23,322	49,835	970	50,805
Dividends paid to holding company	-	-	-	(4,445)	(4,445)	-	(4,445)
Dividends paid on preference shares	-	-	-	(38)	(38)	-	(38)
Dividends paid to non-controlling interests	-	-	-	-	-	(28)	(28)
Acquisition of non-controlling interests	-	-	-	-	-	(13)	(13)
Total comprehensive income	-	-	403	6,396	6,799	31	6,830
Balance at 31 December	24,452	2,813	(349)	25,235	52,151	960	53,111

(see notes on pages 7 to 88 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Statement of Changes in Equity
For the Year Ended 31 December 2020

Bank **In $ millions**	**Share capital**	**Other equity instruments**	**Other reserves**	**Revenue reserves**	**Total equity**
2020					
Balance at 1 January	**24,452**	**2,813**	**38**	**19,425**	**46,728**
Issue of perpetual capital securities	**-**	**1,396**	**-**	**-**	**1,396**
Redemption of preference shares	**-**	**-**	**-**	**(800)**	**(800)**
Dividends paid to holding company	**-**	**-**	**-**	**(2,723)**	**(2,723)**
Dividends paid on preference shares	**-**	**-**	**-**	**(38)**	**(38)**
Total comprehensive income	**-**	**-**	**226**	**4,088**	**4,314**
Balance at 31 December	**24,452**	**4,209**	**264**	**19,952**	**48,877**
2019					
Balance at 1 January	24,452	2,813	(551)	18,049	44,763
Impact of adopting SFRS(I) 16 on 1 January	-	-	-	(91)	(91)
Balance at 1 January after adoption of SFRS(I) 16	24,452	2,813	(551)	17,958	44,672
Impact of conversion of India branch to a wholly-owned subsidiary	-	-	196	(188)	8
Dividends paid to holding company	-	-	-	(4,445)	(4,445)
Dividends paid on preference shares	-	-	-	(38)	(38)
Total comprehensive income	-	-	393	6,138	6,531
Balance at 31 December	24,452	2,813	38	19,425	46,728

(see notes on pages 7 to 88 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Consolidated Cash Flow Statement
For the Year Ended 31 December 2020

The Group

In $ millions	2020	2019
Cash flows from operating activities		
Profit before tax	**5,389**	7,654
Adjustments for non-cash and other items:		
Allowances for credit and other losses	**3,066**	703
Depreciation of properties and other fixed assets	**648**	609
Share of profits or losses of associates	**(61)**	(50)
Net loss on disposal, net of write-off of properties and other fixed assets	**38**	26
Net income from investment securities	**(963)**	(334)
Interest expense on lease liabilities	**28**	29
Profit before changes in operating assets and liabilities	**8,145**	8,637
Increase/(Decrease) in:		
Due to banks	**4,246**	1,304
Deposits and balances from customers	**57,164**	10,908
Other liabilities	**15,790**	1,490
Other debt securities and borrowings	**(14,480)**	11,815
Due to holding company	**594**	(761)
(Increase)/Decrease in:		
Restricted balances with central banks	**(1,818)**	1,502
Government securities and treasury bills	**(379)**	(2,476)
Due from banks	**(11,450)**	690
Bank and corporate securities	**(1,340)**	(5,149)
Loans and advances to customers	**(13,460)**	(14,269)
Other assets	**(17,118)**	(2,327)
Tax paid	**(1,185)**	(632)
Net cash generated from operating activities (1)	**24,709**	10,732
Cash flows from investing activities		
Dividends from associates	**31**	29
Proceeds from disposal of interest in associates	**-**	21
Proceeds from disposal of properties and other fixed assets	**8**	2
Purchase of properties and other fixed assets	**(547)**	(586)
Cash and cash equivalents acquired from Lakshmi Vilas Bank	**93**	-
Net cash used in investing activities (2)	**(415)**	(534)
Cash flows from financing activities		
Redemption of preference shares	**(800)**	-
Issue of perpetual capital securities	**1,396**	-
Dividends paid to shareholders of the Bank	**(2,761)**	(4,483)
Dividends paid to non-controlling interests	**(31)**	(28)
Change in non-controlling interests	**1**	(13)
Net cash used in financing activities (3)	**(2,195)**	(4,524)
Exchange translation adjustments (4)	**170**	39
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**22,269**	5,713
Cash and cash equivalents at 1 January	**19,933**	14,220
Cash and cash equivalents at 31 December (Note 14)	**42,202**	19,933

(see notes on pages 7 to 88 which form part of these financial statements)

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2020 were authorised for issue by the Directors on 9 February 2021.

1. Domicile and Activities

DBS Bank Ltd. (the Bank) is incorporated and domiciled in the Republic of Singapore and has its registered office at 12 Marina Boulevard, Marina Bay Financial Centre Tower Three, Singapore 018982. It is a wholly-owned subsidiary of DBS Group Holdings Ltd (DBSH).

The Bank is principally engaged in a range of commercial banking and financial services, principally in Asia.

The financial statements relate to the Bank and its subsidiaries (the Group) and the Group's interests in associates.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

Compliance with Singapore Financial Reporting Standards (International) (SFRS(I))

The financial statements of the Bank and the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated.

2.2 Significant estimates and judgement

The preparation of financial statements requires management to exercise judgement, use estimates and make assumptions in the application of policies and in reporting the amounts in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 3.

2.3 New or amended SFRS(I) and Interpretations effective for 2020 year-end

On 1 January 2020, the Group adopted 'Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform'. These amendments are issued due to global reform of interest rate benchmarks such as Interbank Offered Rates (IBOR) to phase out dealer-quotes and replace them with alternative risk-free reference rates (RFR).

The Group's main interest rate benchmark exposures are USD London Interbank Offered Rate (LIBOR), Singapore Swap Offer Rate (SGD SOR), which is calculated based on USD LIBOR, and Singapore Interbank Offered Rate (SGD SIBOR). USD LIBOR will be replaced by USD Secured Overnight Financing Rate (SOFR) while the replacement benchmark rate for SGD SOR and SGD SIBOR is the Singapore Overnight Rate Average (SORA).

The other amendments and interpretations effective from 1 January 2020 do not have a significant impact on the Group's financial statements.

Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform – Phase 1

'Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform' provide temporary exceptions that allow entities to continue hedge accounting for existing hedge relationships under the assumption that IBOR based hedged cash flows are not altered as a result of uncertainty arising from IBOR reform.

The uncertainty over IBOR reform ends when the key terms of the transition have been finalised i.e. the timing of the transition and adjustment spreads between the IBOR and the RFR (not just the methodology) have been finalised for the affected contracts. As at 31 December 2020, the Group continues to apply these temporary exceptions.

In accordance with the transitional provisions, the amendments have been adopted retrospectively and there was no impact to the Group's financial statements.

The key assumption made when performing hedge accounting is that both the hedged item and hedging instrument will be amended from existing IBOR-linked interest rates to the new RFR at the same time. Where actual differences between those dates arise, hedge ineffectiveness will be recorded in the income statement.

A Group steering committee was established in 2019 to manage the impact of IBOR reform on the Group. The committee comprises senior representatives from Institutional Banking Group, Consumer Banking Group, Treasury Markets, Finance, Risk Management Group, Technology & Operations, Legal and Compliance and is chaired by the Corporate Treasurer. The Terms of Reference of the committee are to review transition plans related to LIBOR and SGD SOR discontinuation, SIBOR reform, and other interest rate benchmark reform, to assess the Group's key risks across different scenarios, and to develop strategies to manage existing and new business in the context of these risks. Oversight of IBOR reform is provided by the Group Executive Committee and the Board Risk Management Committee.

2.4 New SFRS(I) and Interpretations effective for future periods

The amendments and interpretations effective for future periods do not have a significant impact on the Group's financial statements, except for Interest Rate Benchmark Reform – Phase 2 where impact is being assessed.

Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2

In November 2020, the ASC issued 'Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2'. The amendments are effective from 1 January 2021 and

- require the Group to account for changes in the contractual cash flows of financial instruments that result solely from IBOR reform by updating the effective interest rate rather than recognising an immediate gain or loss in the income statement; and
- require the Group to continue hedge accounting when changes to the hedging instrument, hedged item and hedged risk relate solely from IBOR reform. Hedge ineffectiveness (e.g. arising from mismatches of timing or cash flows) would continue to be recorded in the income statement

The Group is currently assessing the impact of the amendments.

A) General Accounting Policies

A summary of the significant group accounting policies is described further below starting with those relating to the entire financial statements followed by those relating to the income statement, the balance sheet and other specific topics. This does not reflect the relative importance of these policies to the Group.

2.5 Group Accounting

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

Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases.

The acquisition method is used to account for business combinations. Please refer to Note 2.13 for the Group's accounting policy on goodwill.

All intra-group transactions and balances are eliminated on consolidation.

Associates
Associates are entities over which the Group has significant influence but no control, where the Group generally holds a shareholding of between and including 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

2.6 Foreign currency treatment

Functional and presentation currency
Items in the financial statements are measured using the functional currency of each entity in the Group, this being the currency of the primary economic environment in which the entity operates. The Group's financial statements are presented in Singapore dollars, which is the functional currency of the Bank.

With effect from 1 January 2021, the functional currency of the Treasury Markets trading business in Singapore ("TM Singapore") will be changing prospectively from Singapore dollars to US dollars (USD).

The transition to the new USD functional currency on 1 January 2021 will have no impact on the income statement or equity. The change in functional currency better reflects the increasing dominance of the USD in the business activities of TM Singapore.

Foreign currency transactions and balances
Transactions in foreign currencies are measured using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity undertaking the transaction at the exchange rates at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement within "Net trading income".

Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rates at the date of the transaction.

Non-monetary assets and liabilities measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined, which is generally the balance sheet date.

Unrealised foreign exchange differences arising from non-monetary financial assets and liabilities classified as fair value through profit or loss (FVPL) are recognised in the income statement as trading income.

Non-monetary financial assets that are classified at fair value through other comprehensive income (FVOCI) relates mainly to FVOCI equities. Please refer to Note 2.9 for the accounting treatment of FVOCI equities.

Subsidiaries and branches
The results and financial position of subsidiaries and branches whose functional currency is not Singapore dollars ("foreign operations") are translated into Singapore dollars in the following manner:

- Assets and liabilities are translated at the exchange rates at the balance sheet date;
- Income and expenses in the income statement are translated at exchange rates prevailing at each month-end, approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated under capital reserves in equity. When a foreign operation is partially or fully disposed of, or when it is liquidated, such exchange differences are recognised in the income statement as part of the gain or loss.

For acquisitions prior to 1 January 2005, the foreign exchange rates at the respective dates of acquisition were used. Please refer to Note 26 for an overview of goodwill recorded. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management.

In preparing the segment information, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Please refer to Note 46 for further details on business and geographical segment reporting.

B) Income Statement

2.8 Income recognition

Interest income and interest expense
Interest income and interest expense as presented in Note 4 arise from all interest-bearing financial assets and financial liabilities regardless of their classification and measurement, with the exception of the Group's structured investment deposits which are carried at FVPL. Interest expense on such structured investment deposits is presented together with other fair value changes in trading income.

Interest income and interest expense are recognised on a time-proportionate basis using the effective interest method. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

Fee and commission income
The Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates agreed with customers, net of expected waivers based on historical experience, and net of expenses directly related to it. The Group generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include underwriting fees, brokerage fees, bancassurance sales commission and variable service fees, and fees related to the completion of corporate finance transactions.

- For a service that is provided over a period of time, fee and commission income is generally recognised on equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services can be billed to customers in advance or periodically over time. Such fees include the income from issuance of financial guarantees and bancassurance fixed service fees.

The Group does not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include brokerage fees paid, card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Dividend income
Dividend income is recognised when the right to receive payment is established. This is generally the ex-dividend date for listed equity securities, and the date when shareholders approve the dividend for unlisted equity securities. Dividend income arising from financial assets classified as FVPL is recognised in "Net trading income", while those arising from FVOCI financial assets is recognised in "Net income from investment securities".

Allowances for credit and other losses
Please refer to Note 2.11 for the accounting policy on impairment of financial assets.

C) Balance Sheet

2.9 Financial assets

Initial recognition
Purchases and sales of all financial assets are recognised on the date that the Group enters into the contractual arrangements with counterparties. When the Group acts as a trustee or in a fiduciary capacity for assets it does not directly control or benefit from, the assets and the corresponding income belonging to a customer are excluded from the financial statements.

Financial assets are initially recognised at fair value, which is generally the transaction price.

Classification and subsequent measurement
SFRS(I) 9 categorises debt-like financial assets based on the business model within which the assets are managed, and whether the assets constitute a "basic lending arrangement" where their contractual cash flows represent solely payments of principal and interest (SPPI). Interest is defined as consideration for the time value of money, credit risk, other basic lending risks and may include a profit margin.

The classification of the financial assets and the associated accounting treatment are as follows:

- Debt instruments are measured at **amortised cost** when they are in a "hold to collect" (HTC) business model and have contractual cash flows that are SPPI in nature. The objective of a HTC business model is to collect contractual principal and interest cash flows. Sales are incidental to the objective and expected to be either insignificant or infrequent. These assets consist primarily of loans in the "Consumer Banking/ Wealth Management" and "Institutional Banking" segments as well as debt securities from the "Others" segment.

- Debt instruments are measured at **fair value through other comprehensive income** (FVOCI) when they are in a "hold to collect & sell" (HTC & S) business model and have cash flows that are SPPI in nature. Both the collection of contractual cash flows and sales are integral to achieving the objective of the HTC & S business model. Assets measured at FVOCI comprise mainly of debt securities from "Treasury Markets" and the "Others" segment.

  Unrealised gains or losses on FVOCI debt instruments are recorded in other comprehensive income and accumulated in FVOCI revaluation reserves. When they are sold, the accumulated fair value adjustments in FVOCI are reclassified to the income statement as "Net income from investment securities".

- Debt instruments are measured at **fair value through profit or loss** (FVPL) when:

  i) the assets are not SPPI in nature;
  ii) the assets are not part of a "HTC" or "HTC & S" business model; or
  iii) the assets are designated at FVPL to eliminate or significantly reduce the measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities on different bases.

  Assets measured at FVPL are mainly recorded in the "Treasury Markets" segment. Realised and unrealised gains or losses on FVPL financial assets, except interest income, are taken to "Net trading income" in the income statement in the period they arise.

- Subsequent changes in fair value of non-trading equity can be taken through profit or loss or comprehensive income, as elected. The Group generally elects its non-trading equity instruments to be classified as FVOCI. Other than dividend income, gains and losses on FVOCI equity instruments are recorded in other comprehensive income and accumulated in FVOCI revaluation reserves, and not reclassified to profit or loss upon derecognition.

- Derivatives (including derivatives embedded in financial liabilities but separated for accounting purposes) are also classified as held for trading unless they are designated as hedging instruments. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow or net investment hedges are included in "Net trading income".

Reclassification
Reclassification of financial assets are prohibited unless the Group changes its business model for managing financial assets. In practice, this is expected to be infrequent.

Determination of fair value
The fair value of financial assets is the price that would be received if the asset is sold in an orderly transaction between market participants at the measurement date. Fair value is generally estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value. The determination of fair value is considered a significant accounting policy for the Group and further details are disclosed in Note 39.

Offsetting
Financial assets and liabilities are presented net when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred together with substantially all the risks and rewards of ownership.

The Group enters into certain transactions where it transfers financial assets recognised on its balance sheet but retains either all or a portion of the risks and rewards of the transferred financial assets. In such cases, the transferred financial assets are not derecognised from the balance sheet. Such transactions include repurchase agreements described in Note 2.12. They also include transactions where control over the financial asset is retained, for example, by a simultaneous transaction (such as options) with the same counterparty to which the asset is transferred. These are mainly transacted in the "Treasury Markets" segment. In such cases, the Group continues to recognise the asset to the extent of its continuing involvement which is the extent to which it is exposed to changes in the value of the transferred asset.

Please refer to Note 18 for disclosures on transferred financial assets.

2.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and non-restricted balances with central banks which are readily convertible into cash.

2.11 Impairment of financial assets at amortised cost and FVOCI

Expected Credit Losses (ECL)
ECL are recognised for all financial assets held at amortised cost, debt instruments measured at FVOCI, guarantees and undrawn credit commitments. It represents the present value of expected cash shortfalls over the residual term of a financial asset, guarantee or undrawn commitment.

At initial recognition, allowance is required for ECL resulting from possible default events that may occur within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from possible default events over the expected life of the instrument ('lifetime ECL').

The ECL recognised follows the three-stage model: financial instruments where 12-month ECL is recognised are considered Stage 1; financial instruments which experience a significant increase in credit risk are in Stage 2; and financial instruments with objective evidence of default or credit-impaired are in Stage 3.

- **Stage 1** - Financial instruments are classified as Stage 1 at initial recognition and will remain under Stage 1 unless they experience a significant increase in credit risk or become credit-impaired. 12-month ECL is recognised for these instruments.

- **Stage 2** - Financial instruments which experience a significant increase in credit risk (SICR) subsequent to initial recognition, but are not yet credit-impaired, will migrate from Stage 1 to Stage 2. Lifetime ECL is recognised for these instruments.

  Significant increase in credit risk (SICR): SICR is assessed by comparing the risk of default at reporting date to the risk of default at origination using a range of qualitative and quantitative factors.

  For wholesale exposures, a financial instrument is deemed to have experienced a significant increase in credit risk when:
  - the observed change in its probability of default (PD), as observed by downgrades in the Group's internal credit risk rating for this instrument between origination and reporting dates, is more than pre-specified thresholds; or
  - it is placed on internal credit watchlists for closer scrutiny of developing credit issues.

  For retail exposures, days past due is the main driver, supplemented with a PD-based criterion. In any event, all retail and wholesale exposures that are more than 30 days past due are presumed to have experienced a significant increase in credit risk, unless assessed otherwise, and are classified as Stage 2.

  Instruments in Stage 2 that no longer exhibit a significant increase in credit risk will be transferred back to Stage 1.

- **Stage 3** - Financial instruments that become credit-impaired with evidence of default, i.e. non-performing assets, are transferred to Stage 3. Please refer to Note 41 for the definition of non-performing assets.

  Lifetime ECL is recognised for these assets. ECL for Stage 3 assets are also known as specific allowances.

  A Stage 3 exposure that is restructured can be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service future principal and interest payments in accordance with the restructured terms. Stage 3 financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of future recoveries.

Measurement of ECL

ECL are unbiased and probability-weighted estimates of credit losses determined by evaluating a range of possible outcomes, considering past events, current conditions and assessments of future economic conditions at the reporting date. The ECL associated with a financial instrument is typically a product of its probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted using the original effective interest rate to the reporting date.

Component	Description
PD	Point-in-time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD) estimate of the likelihood of default.
LGD	Estimate 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 recoveries from collaterals.

EAD	Estimate of the expected credit exposure at time of default, taking into account repayments of principal and interest as well as expected drawdowns on undrawn credit commitments and potential pay-outs on guarantees issued.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

In most instances, expected remaining maturity is the same as the remaining contractual life which represents the maximum contractual period over which the Group is exposed to the credit risk of the borrower. However, for some revolving products (e.g. credit cards), the expected remaining maturity may exceed the contractual maturity. In such instances, behavioural expected remaining life will be used.

ECL Modelling - Point-in-Time and Forward-Looking Adjustments

The Group leverages the models and parameters implemented under the Basel II Internal Ratings-Based (IRB) framework where possible, with appropriate modifications to meet SFRS(I) 9 requirements.

Other relevant historical information, loss experience or proxies will be utilised for portfolios without appropriate Basel models and parameters, with a view to maximise the use of available information that is reliable and supportable.

For the wholesale portfolios, credit cycle indices (CCIs) have been developed for the key industries and geographies. CCIs are summary measures that depict broad-based, sector-wide changes in credit risk, which are constructed by comparing the median expected default frequency of firms within each segment against a long-run average. Expected default frequency is in turn a market-based point-in-time default risk measure driven by the market value of firms' assets, asset volatility and leverage. CCIs are then used as inputs to convert the generally more through-the-cycle PDs derived from Basel models / parameters into the point-in-time equivalents by adding the unaccounted portion of cyclical variations, as well as to incorporate forward-looking information. LGDs are determined using historical loss data, which are adjusted for both the latest and forecasted recovery experience.

The Group relies on a Monte Carlo simulation approach to consider over 100 probability-weighted forward-looking scenarios in estimating ECL. This involves simulations of many alternative CCI scenarios to arrive at an unbiased ECL estimate that are meant to cover all possible good and bad scenarios based on known estimates.

For retail portfolios, historical loss experience is used in conjunction with the forecast loss rates which take into account relevant macroeconomic variables, such as property-prices and unemployment rates.

Expert credit judgement and post model adjustments
The measurement of ECL requires the application of expert credit judgement. These include:

- assignment of credit risk ratings and determination of whether exposures should be placed on credit watchlists;
- assessment of whether a significant increase in credit risk has occurred;
- selecting and calibrating the ECL models such as CCIs;
- determining the expected remaining maturity of revolving products (e.g. overdrafts and credit cards);
- determination of the forecast loss rates; and
- application of thematic overlays based on emerging risk themes where potential risks may not be fully captured in the underlying modelled ECL Such top-down additional modelled ECL was quantified by means of applying conditional probabilities on more severe scenarios materialising from emerging risk themes.

  As at 31 December 2020, thematic ECL overlays were applied to account for uncertainties arising from the ongoing Covid-19 pandemic, the continuing US-China trade tensions and the socio-political situation in Hong Kong. When determining the quantum of thematic overlays, the Group has considered a range of plausible credit cost outcomes under base and stress scenarios using a top-down approach. These assessments consider both the economic impact of Covid-19 and the various government relief measures implemented to mitigate the impact. The Group has assigned probabilities to the scenarios in-line with management's judgement of the likelihood of each scenario occurring in determining the overlay.

  The base case scenario forecasts a deterioration in the short-term, with economic recovery within a 2-year horizon. The stress case scenario is a more severe outlook with a deeper and longer period of recession in which economic recovery is delayed till end 2023 and 2024. This includes a combination of negative GDP growth, declines in property prices and an increase in the unemployment rates.

Governance framework
The measurement of ECL is subject to a robust governance framework as described below.

- The Group ECL Review Committee (Review Committee) is the overarching committee for ECL related matters and comprises senior management and representatives from functions across the Group. Significant changes to ECL models and methodologies and the application of thematic overlays are subject to the oversight and approval of the Review Committee.

- The Review Committee is supported by the Group ECL Operating Committee (Operating Committee) which comprises cross functional representatives and subject matter experts. The Operating Committee recommends changes to ECL models, methodologies and thematic overlays to the Review Committee; provides oversight over system design, infrastructure and development; and establishes principles and significant policies pertaining to ECL.

Group Credit Risk Models Committee oversees ECL models and credit risk models used by the Group.

- Location ECL committees are established for key overseas subsidiaries to govern and manage location-specific ECL reporting.

- ECL models are subject to independent validation by the Risk Management Group (RMG) as well as independent reviews by internal and external auditors. The validation and assurance processes cover the review of the underlying ECL methodology including its logic and conceptual soundness.

2.12 Repurchase agreements

Repurchase agreements (Repos) are treated as collateralised borrowings. The amount borrowed is reflected as a financial liability either as "Due to banks" or "Deposits and balances from customers". The securities sold under repos are treated as pledged assets and remain on the balance sheet at amortised cost or fair value depending on their classification.

Reverse repurchase agreements (Reverse repos) are treated as collateralised lending. The amount lent is reflected as a financial asset as "Cash and balances with central banks", "Due from banks" or "Loans and advances to customers".

Amounts paid and received in excess of the amounts borrowed and lent on the repos and reverse repos are amortised as interest expense and interest income respectively using the effective interest method.

2.13 Goodwill

Goodwill arising from business combinations generally represents the excess of the acquisition cost over the fair value of identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition date. Goodwill is stated at cost less impairment losses and is tested at least annually for impairment.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (CGU) or group of CGUs expected to benefit from the combination's synergies.

An impairment loss is recognised when the carrying amount of a CGU, or group of CGUs, including the goodwill, exceeds the applicable recoverable amount. The recoverable amount of a CGU or CGU group is the higher of the CGU's or CGU group's fair value less cost to sell and its value-in-use. An impairment loss on goodwill is recognised in the income statement and cannot be reversed in subsequent periods.

2.14 Properties and other fixed assets

Owned properties and other fixed assets
Properties (including investment properties) and other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method to write down the costs of the assets to their estimated residual values over the estimated useful lives of the assets. No depreciation is recognised when the residual value is higher than the carrying amount.

Generally, the useful lives are as follows:

Leasehold land	100 years or over the remaining lease period, whichever is shorter. Leasehold land where the unexpired lease period is more than 100 years is not depreciated.
Buildings	30 to 50 years or over the remaining lease period, whichever is shorter.
Computer software	3 to 5 years
Office equipment, furniture and fittings	5 to 10 years
Leasehold improvements	Up to 20 years

Leased properties and other fixed assets
Lease liabilities are initially measured at the present value of lease payments to be made over the lease term at the lease commencement date. The associated right of use assets are measured at the amount equal to the lease liability.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. The right-of-use assets are depreciated over the lease term on a straight line basis.

Extension options and termination options are included in the assessment of the lease term if the options are reasonably certain to be exercised or not exercised accordingly. If the Group changes its initial assessment, adjustments are made to the carrying amounts of the lease liabilities and right-of-use assets prospectively.

The recognition exceptions for short-term leases and leases of low-value assets are applied.

Please refer to Note 25 for the details of owned and leased properties and other fixed assets and their movements during the year.

2.15 Financial liabilities

Initial recognition, classification and subsequent measurement
Financial liabilities are initially recognised at fair value. The Group generally classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed. Accordingly:

- Financial liabilities are classified as **financial liabilities at fair value through profit or loss** if they are incurred for the purpose of repurchasing in the near term (**"held for trading"**), and this may include debt securities issued and short positions in securities for the purpose of ongoing market-making or trading. Financial liabilities at fair value through profit or loss can also be designated by management on initial recognition (**"designated at fair value**

through profit or loss") if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial liability contains an embedded derivative that would otherwise need to be separately recorded. Financial liabilities in this classification are usually within the "Treasury Markets" segment.

Realised or unrealised gains or losses on financial liabilities held for trading and financial liabilities designated under the fair value option, except interest expense, are taken to "Net trading income" in the income statement in the period they arise. Interest expense on structured investment deposits at fair value through profit or loss is also presented together with other fair value changes in "Net trading income".

The changes to the fair value of financial liabilities designated under the fair value option that are attributable to a reporting entity's own credit risk are taken to revenue reserves through other comprehensive income. These amounts are not transferred to the income statement even when realised.

- Derivative liabilities are treated consistently with derivative assets. Please refer to Note 2.9 for the accounting policy on derivatives.

- Other financial liabilities are carried at **amortised cost** using the effective interest method. These comprise predominantly the Group's "Deposits and balances from customers", "Due to banks" and "Other debt securities".

Where the classification and measurement of financial liabilities do not reflect the management of the financial liabilities, the Group may apply hedge accounting where permissible and relevant to better reflect the management of the financial liabilities. Please refer to Note 2.19 for details on hedging and hedge accounting.

Please refer to Note 13 for further details on the types of financial liabilities classified and measured as above.

Determination of fair value
The fair value of financial liabilities is the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Please refer to Note 39 for further fair value disclosures.

Derecognition
A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

2.16 Loan commitments, letters of credit and financial guarantees

Loan commitments
Loan commitments are not recognised on the balance sheet and are disclosed in Note 34. Upon a loan draw-down, the amount of the loan is accounted for under "Loans and advances to customers" on the Group's balance sheet.

Letters of credit
Letters of credit are recorded off-balance sheet as contingent liabilities upon issuance, and the corresponding payables to the beneficiaries and receivables from the applicants are recognised on the balance sheet upon acceptance of the underlying documents.

Financial guarantees
Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantees are given.

Financial guarantees are subsequently measured at the higher of:
- the amount of the ECL (Note 2.11); and
- the unamortised portion of the fees that were received on initial recognition.

Please refer to Note 2.8 for the principles for recognising the fees.

Off-balance sheet credit exposures are managed for credit risk in the same manner as financial assets.

Please refer to Note 2.11 on the Group's accounting policies on allowances for credit losses.

2.17 Provisions and other liabilities

Provisions for other liabilities of uncertain timing and amounts are recognised when:
- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.18 Share capital and other instruments classified as equity

Ordinary shares, preference shares and other instruments which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity. Distributions arising from such instruments are recognised in equity as there is no contractual obligation to pay distributions on these instruments. Incremental external costs directly attributable to the issuance of such instruments are accounted for as a deduction from equity.

Dividends are recorded during the financial year in which they are approved by the Board of Directors and declared payable.

D) Other Specific Topics

2.19 Hedging and hedge accounting

As part of the overall risk management of the Group, derivatives and other instruments are used to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions.

Where hedge accounting is not applied, the derivatives are treated in the same way as derivatives held for trading purposes, i.e. realised and unrealised gains and losses are recognised in "Net trading income". The Group applies hedge accounting for economic hedge relationships that meet the hedge accounting criteria. To qualify for hedge accounting, at the inception of each hedging relationship, the Group designates and documents the relationship between the hedging instrument and the hedged item; the risk management objective for undertaking the hedge transaction; and the methods used to assess the effectiveness of the hedge. At inception and on an on-going basis, the Group also assesses and measures the effectiveness of the hedging relationship between the hedging instrument and the hedged item.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between hedging instrument and the hedged item. The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as described below.

- **Fair value hedges**

  For a qualifying fair value hedge, the changes in the fair value of the hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised, using the effective interest method, to the income statement over its remaining maturity.

  However, where the hedged item is an equity instrument classified as FVOCI, changes in the fair value of the hedging instrument and the hedged item are both recorded in other comprehensive income and accumulated in FVOCI revaluation reserves. The amounts recorded in FVOCI revaluation reserves are not subsequently reclassified to the income statement.

- **Cash flow hedges**

  The effective portion of changes in the fair value of a derivative designated and qualifying as a cash flow hedge is recognised in other comprehensive income and accumulated under the cash flow hedge reserves in equity. This amount is reclassified to the income statement in the periods when the hedged forecast cash flows affect the income statement. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Net trading income".

  When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserves remains until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserves is reclassified from equity to the income statement.

- **Net investment hedges**

  Hedges of net investments in the Group's foreign operations are accounted for in a manner similar to cash flow hedges. On disposal of the foreign operations, the cumulative gain or loss in the capital reserves is reclassified to the income statement as part of the gain or loss on disposal.

When designating the hedging instrument, the Group may elect to exclude the valuation components of currency basis spreads and forward points from the hedge relationship on a hedge-by-hedge basis.

The forward points and currency basis spreads which are excluded and recorded in other comprehensive income are:

- reclassified to the income statement when the forecast transaction occurs; or
- amortised to the income statement over the hedging tenor for time-period hedges. The amounts recorded in other comprehensive income are not subsequently reclassified to the income statement for hedges of FVOCI equities.

The Group has elected to apply the SFRS(I) 9 hedge accounting rules in full.

Please refer to Note 36 for further details relating to hedge accounting, including fair value, cash flow and net investment hedges.

2.20 Employee benefits

Employee benefits, which include base pay, cash bonuses, share-based compensation, contribution to defined contribution plans such as the Central Provident Fund and other staff-related allowances, are recognised in the income statement when incurred. For defined contribution plans, contributions are made to publicly or privately administered funds on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations.

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual unutilised leave as a result of services rendered by employees up to the balance sheet date.

2.21 Share-based compensation

Employee benefits also include share-based compensation, namely the DBSH Share Plan, the DBSH Employee Share Plan and the DBSH Employee Share Purchase Plan (the Plans). The details of the Plans are described in Note 37.

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant. The expense is amortised over the vesting period of each award.

2.22 Current and deferred taxes

Current income tax for current and prior periods is recognised as the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The Group considers uncertain tax positions generally at the level of the total tax liability to each tax authority for each period. The liability is determined based on the total amount of current tax expected to be paid, taking into account all tax uncertainties, using either an expected value approach or a single best estimate of the most likely outcome.

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exists and settlement in this manner is intended. This applies generally when they arise from the same tax reporting group and relate to the same tax authority. Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

The amount of deferred tax assets recognised takes into account the likelihood the amount that can be used to offset payable taxes on future profits.

Deferred tax related to fair value re-measurement of FVOCI investments, which are recognised outside profit or loss, is also recognised outside profit or loss, i.e. in other comprehensive income and accumulated in the FVOCI revaluation reserves.

3. Critical Accounting Estimates

The Group's accounting policies and use of estimates are integral to the reported amounts in the financial statements. Certain accounting estimates require management's judgement in determining the appropriate methodology for valuation of assets and liabilities. Procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of the Group's critical accounting estimates that involve management's valuation judgement.

3.1 Impairment of financial assets

It is the Group's policy to recognise, through charges against profit, allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2.11.

ECLs are probability-weighted amounts determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions, which will necessarily involve the use of judgement.

The Covid-19 pandemic, related measures to control the spread of the virus and governmental support to mitigate the impact of the pandemic had a profound economic impact on the Group's key markets. A significant degree of judgement is required in estimating the ECLs in the midst of a rapidly evolving Covid-19 environment. Please refer to Note 2.11 for more details.

Please refer to Note 41 for a further description of the Group's credit risk management framework, policies and procedures.

3.2 Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced or verified market parameters.

The fair value of financial instruments without an observable market price in an active market may be determined using valuation models. The choice of model requires significant judgement for complex products especially those in the "Treasury Markets" segment.

Policies and procedures have been established to facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process.

Please refer to Note 39 for further details on fair valuation and fair value hierarchy of the Group's financial instruments measured at fair value.

3.3 Goodwill impairment

The Group performs an impairment review to ensure that the carrying amount of a CGU to which goodwill is allocated does not exceed the recoverable amount of the CGU. Note 26 provides details of goodwill at the reporting date.

The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

3.4 Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's provision for income taxes. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where uncertainty exists around the Group's tax position including resolution of any related appeals or litigation processes, appropriate provisions are provided based on technical merits of the positions with the same tax authority. Note 20 provides details of the Group's deferred tax assets/liabilities. In general, determination of the value of assets/liabilities relating to carry forward tax losses requires judgement.

4. Net Interest Income

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Cash and balances with central banks and Due from banks	**647**	877	**565**	850
Customer non-trade loans	**8,062**	10,247	**6,073**	8,242
Trade assets	**1,017**	1,574	**630**	1,072
Securities and others	**2,484**	2,894	**1,933**	2,286
Total interest income	**12,210**	15,592	**9,201**	12,450
Deposits and balances from customers	**2,175**	4,129	**1,333**	2,858
Other borrowings	**934**	1,767	**1,428**	2,583
Total interest expense	**3,109**	5,896	**2,761**	5,441
Net interest income	**9,101**	9,696	**6,440**	7,009
Comprising:				
Interest income from financial assets at FVPL	**784**	846	**694**	699
Interest income from financial assets at FVOCI	**503**	726	**376**	551
Interest income from financial assets at amortised cost	**10,923**	14,020	**8,131**	11,200
Interest expense from financial liabilities at FVPL	**(229)**	(352)	**(207)**	(295)
Interest expense from financial liabilities not at FVPL[(a)]	**(2,880)**	(5,544)	**(2,554)**	(5,146)
Total	**9,101**	9,696	**6,440**	7,009

(a) Includes interest expense of $28 million (2019: $29 million) and $11 million (2019: $12 million) on lease liabilities for the Group and Bank respectively

5. Net Fee and Commission Income

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**201**
Brokerage	**149**	114	**84**	58
Investment banking	**148**	214	**133**	187
Transaction services[(a)]	**749**	760	**538**	540
Loan-related	**417**	407	**320**	300
Cards[(b)]	**641**	790	**440**	536
Wealth management	**1,432**	1,290	**957**	841
Fee and commission income	**3,536**	3,575	**2,472**	2,462
Less: fee and commission expense	**475**	522	**332**	348
Net fee and commission income[(c)]	**3,061**	3,053	**2,140**	2,114

(a) Includes trade & remittances, guarantees and deposit-related fees
(b) Card fees are net of interchange fees paid
(c) Includes net fee and commission income of $136 million (2019: $113 million) and $116 million (2019: $95 million) for the Group and Bank respectively, which was derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss was $829 million (2019: $905 million) and $619 million (2019: $666 million) during the year for the Group and Bank respectively

6. Net Trading Income

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Net trading income[a]				
- Foreign exchange	**835**	1,110	**482**	724
- Interest rates, credit, equities and others[b]	**1,226**	1,546	**1,120**	1,511
Net gain from financial assets designated at fair value	**8**	18	**8**	18
Net loss from financial liabilities designated at fair value	**(681)**	(1,226)	**(672)**	(1,200)
Total	**1,388**	1,448	**938**	1,053

(a) Includes income from assets that are mandatorily classified at FVPL as they are not SPPI in nature
(b) Includes dividend income of $231 million (2019: $174 million) for both the Group and Bank

7. Net Income from Investment Securities

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Debt securities				
- FVOCI	**428**	143	**330**	118
- Amortised cost	**411**	62	**407**	62
Equity securities at FVOCI[a]	**124**	129	**121**	126
Total[b]	**963**	334	**858**	306
Of which: net gains transferred from FVOCI revaluation reserves	**476**	161	**378**	135

(a) Dividend income
(b) Includes fair value impact of hedges for investment securities

8. Other Income

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Net gain on disposal of properties and other fixed assets	**8**	1	**8**	#
Others[a][b]	**82**	73	**379**	817
Total	**90**	74	**387**	817

\# Amount under $500,000
(a) Includes share of profits or losses of associates for the Group, net gains and losses from sale of loans carried at amortised cost and rental income from operating leases for both the Group and Bank
(b) Includes dividend income from subsidiaries and associates of $347 million (2019: $790 million) for the Bank

9. Employee Benefits

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Salaries and bonuses[a]	**2,890**	2,897	**1,780**	1,859
Contributions to defined contribution plans	**181**	177	**124**	121
Share-based expenses	**128**	119	**100**	94
Others	**351**	321	**173**	168
Total	**3,550**	3,514	**2,177**	2,242

(a) 2020 includes $172 million and $158 million of government grants recognised (deducted against salaries and bonuses) for the Group and Bank respectively

10. Other Expenses

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Computerisation expenses[(a)]	**1,093**	1,062	**886**	827
Occupancy expenses[(b)]	**452**	452	**251**	239
Revenue-related expenses	**332**	351	**170**	175
Others[(c)]	**721**	869	**397**	468
Total	**2,598**	2,734	**1,704**	1,709

(a) Includes hire, depreciation and maintenance costs of computer hardware and software
(b) Includes depreciation of leased office and branch premises of $202 million (2019: $204 million) for the Group, and $90 million (2019: $95 million) for the Bank and amounts incurred in the maintenance of buildings
(c) Includes office administration expenses (e.g. printing, stationery, telecommunications, etc.), legal and professional fees

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Depreciation expenses				
- owned properties and other fixed assets	**415**	376	**281**	251
- leased properties and other fixed assets	**233**	233	**108**	111
Hire and maintenance costs of fixed assets, including building-related expenses	**397**	371	**281**	245
Expenses on investment properties	**#**	#	**#**	#
Audit fees[(a)] payable to external auditors[(b)]:				
- Auditors of the Bank	**4**	4	**4**	3
- Associated firms of auditors of the Bank	**5**	4	**1**	1
Non-audit related fees payable to external auditors[(b)]:				
- Auditors of the Bank	**1**	1	**1**	1
- Associated firms of auditors of the Bank	**1**	1	**#**	#

Amount under $500,000
(a) Includes audit related assurance fees
(b) PricewaterhouseCoopers network firms

11. Allowances for Credit and Other Losses

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Specific allowances[(a)(b)]				
Loans and advances to customers (Note 17)	**1,174**	698	**688**	339
Investment securities (amortised cost)	**-**	(2)	**-**	(2)
Properties and other fixed assets	**-**	(3)	**-**	-
Off-balance sheet credit exposures	**39**	44	**19**	42
Others	**140**	24	**119**	4
General allowances[(c)]	**1,713**	(58)	**1,497**	(121)
Total	**3,066**	703	**2,323**	262

(a) Includes Stage 3 ECL
(b) Includes charge of $3 million (2019: write-back of $1 million) for the Group and write-back of $1 million (2019: write-back of $3 million) for the Bank for non-credit exposures
(c) Refers to Stage 1 and 2 ECL

The following tables explains the changes in ECL under SFRS(I) 9 in 2020 and 2019 which are attributable to the following factors:

- Transfers between stages.
- Net portfolio changes, which are determined on an obligor basis i.e. originations with new obligors net of derecognitions of former obligors.
- Remeasurements, which include the impact of changes in model inputs or assumptions, partial repayments, additional drawdowns on existing facilities and changes in ECL following a transfer between stages.

	The Group			
	General allowances (Non-impaired)		Specific allowances (Impaired)	Total
In $ millions	**Stage 1**	**Stage 2**	**Stage 3**	
2020				
Balance at 1 January	**1,090**	**1,421**	**2,502**	**5,013**
Changes in allowances recognised in opening balance that were transferred to/ (from)	**106**	**(288)**	**182**	**-**
-Stage 1	**(38)**	**38**	**-**	**-**
-Stage 2	**163**	**(163)**	**-**	**-**
-Stage 3	**(19)**	**(163)**	**182**	**-**
Net portfolio changes	**68**	**(90)**	**-**	**(22)**
Remeasurements	**1,151**	**766**	**1,168**	**3,085**
Net write-offs[(a)]	**-**	**-**	**(777)**	**(777)**
Amalgamation of LVB	**96**	**-**	**-**	**96**
Exchange and other movements	**(4)**	**(4)**	**(61)**	**(69)**
Balance at 31 December (including LVB)	**2,507**	**1,805**	**3,014**	**7,326**
Charge in the income statement	**1,325**	**388**	**1,350**	**3,063**
2019				
Balance at 1 January	1,124	1,445	2,612	5,181
Changes in allowances recognised in opening balance that were transferred to/ (from)	188	(345)	157	-
-Stage 1	(30)	30	-	-
-Stage 2	225	(225)	-	-
-Stage 3	(7)	(150)	157	-
Net portfolio changes	86	(68)	-	18
Remeasurements	(308)	389	605	686
Net write-offs[(a)]	-	-	(869)	(869)
Exchange and other movements	#	#	(3)	(3)
Balance at 31 December	1,090	1,421	2,502	5,013
Charge/(Write-back) in the income statement	(34)	(24)	762	704

(a) Write-offs net of recoveries
\# Amount under $500,000

	Bank			
	General allowances (Non-impaired)		Specific allowances (Impaired)	Total
In $ millions	**Stage 1**	**Stage 2**	**Stage 3**	
2020				
Balance at 1 January	**848**	**1,131**	**1,869**	**3,848**
Changes in allowances recognised in opening balance that were transferred to/ (from)	**88**	**(224)**	**136**	**-**
-Stage 1	**(33)**	**33**	**-**	**-**
-Stage 2	**128**	**(128)**	**-**	**-**
-Stage 3	**(7)**	**(129)**	**136**	**-**
Net portfolio changes	**21**	**(30)**	**-**	**(9)**
Remeasurements	**1,005**	**637**	**691**	**2,333**
Net write-offs[(a)]	**-**	**-**	**(286)**	**(286)**
Exchange and other movements	**1**	**1**	**(59)**	**(57)**
Balance at 31 December	**1,963**	**1,515**	**2,351**	**5,829**
Charge/(Write-back) in the income statement	**1,114**	**383**	**827**	**2,324**
2019				
Balance at 1 January	900	1,230	2,130	4,260
Changes in allowances recognised in opening balance that were transferred to/ (from)	160	(296)	136	-
-Stage 1	(25)	25	-	-
-Stage 2	190	(190)	-	-
-Stage 3	(5)	(131)	136	-
Net portfolio changes	59	(52)	-	7
Remeasurements	(256)	264	250	258
Net write-offs[(a)]	-	-	(503)	(503)
Impact of conversion of India branch to a wholly-owned subsidiary	(15)	(18)	(126)	(159)
Exchange and other movements	#	3	(18)	(15)
Balance at 31 December	848	1,131	1,869	3,848
Charge/(Write-back) in the income statement	(37)	(84)	386	265

(a) Write-offs net of recoveries
\# Amount under $500,000

The following table provides additional information on the financial instruments that are subject to ECL as at 31 December 2020 and 2019. FVPL assets and FVOCI equity instruments are not subject to ECL and therefore not reflected in the tables.

	The Group							
	Gross carrying value(c)				ECL balances			
In $ millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage3**	**Total**
2020								
Assets								
Loans and advances to customers								
- Retail	**112,274**	**773**	**676**	**113,723**	**575**	**195**	**166**	**936**
- Wholesale and others	**236,914**	**20,280**	**5,383**	**262,577**	**1,727**	**1,410**	**2,526**	**5,663**
Investment securities								
- Government securities and treasury bills(a)	**39,062**	**-**	**-**	**39,062**	**9**	**-**	**-**	**9**
- Bank and corporate debt securities(a)	**44,593**	**1,170**	**38**	**45,801**	**28**	**23**	**15**	**66**
Others(b)	**106,670**	**120**	**226**	**107,016**	**28**	**3**	**211**	**242**
Liabilities								
ECL on guarantees and other off-balance sheet exposures	**-**	**-**	**-**	**-**	**140**	**174**	**96**	**410**
Total ECL					**2,507**	**1,805**	**3,014**	**7,326**
2019								
Assets								
Loans and advances to customers								
- Retail	112,742	938	700	114,380	258	103	153	514
- Wholesale and others	224,933	17,610	4,702	247,245	676	1,201	2,152	4,029
Investment securities								
- Government securities and treasury bills(a)	39,789	-	-	39,789	3	-	-	3
- Bank and corporate debt securities(a)	45,426	106	40	45,572	21	1	15	37
Others(b)	67,259	15	78	67,389	31	1	71	103
Liabilities								
ECL on guarantees and other off-balance sheet exposures	-	-	-	-	101	115	111	327
Total ECL					1,090	1,421	2,502	5,013

(a) Includes loss allowances of $25 million (2019: $13 million) for debt securities that are classified as FVOCI
(b) Comprise of amounts in "Cash and balances with central banks", "Due from Banks" and "Other assets" that are subject to ECL
(c) Balances exclude off-balance sheet exposures

	Bank							
	Gross carrying value[c]				ECL balances			
In $ millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2020								
Assets								
Loans and advances to customers								
- Retail	**92,373**	**352**	**380**	**93,105**	**325**	**129**	**80**	**534**
- Wholesale and others	**193,447**	**15,750**	**4,032**	**213,229**	**1,480**	**1,202**	**2,001**	**4,683**
Investment securities								
- Government securities and treasury bills[a]	**25,867**	**-**	**-**	**25,867**	**1**	**-**	**-**	**1**
- Bank and corporate debt securities[a]	**40,472**	**1,080**	**-**	**41,552**	**27**	**23**	**-**	**50**
Others[b]	**105,690**	**8**	**209**	**105,907**	**23**	**1**	**195**	**219**
Liabilities								
ECL on guarantees and other off-balance sheet exposures	**-**	**-**	**-**	**-**	**107**	**160**	**75**	**342**
Total ECL					**1,963**	**1,515**	**2,351**	**5,829**
2019								
Assets								
Loans and advances to customers								
- Retail	92,539	512	465	93,516	141	64	84	289
- Wholesale and others	188,839	13,384	3,817	206,040	578	960	1,625	3,163
Investment securities								
- Government securities and treasury bills[a]	28,659	-	-	28,659	2	-	-	2
- Bank and corporate debt securities[a]	42,445	106	-	42,551	16	1	-	17
Others[b]	72,748	4	53	72,805	27	#	52	79
Liabilities								
ECL on guarantees and other off-balance sheet exposures	-	-	-	-	84	106	108	298
Total ECL					848	1,131	1,869	3,848

\# Amount under $500,000
(a) Includes loss allowances of $19 million (2019: $8 million) for debt securities that are classified as FVOCI
(b) Comprise of amounts in “Cash and balances with central banks”, “Due from Banks”, “Due from subsidiaries” and “Other assets” that are subject to ECL
(c) Balances exclude off-balance sheet exposures

Sensitivity of ECL

The Group assessed ECL sensitivity for the wholesale and retail portfolios to changes in the allocation of exposures between Stages 1 and 2. ECL is estimated to reduce by $1,300 million (2019: $1,184 million) should all the exposures in Stage 2 return to Stage 1 and were assigned a lower 12-month ECL instead of lifetime ECL. The impact also reflects the higher PDs ascribed to Stage 2 exposures in addition to the recognition of lifetime instead of 12-month ECL.

As ECL estimation relies on multiple variables, no single analysis can fully demonstrate the sensitivity of the ECL to changes in macroeconomic variables.

Relief measures offered to customers

In response to the impact of Covid-19, various forms of relief measures, such as payment deferments, had been offered to eligible retail and corporate customers. Payment deferments were considered to be non-substantial modifications and accounted for as a continuation of the existing loan agreements.

In line with regulatory guidelines, customers’ utilisation of relief measures does not automatically result in significant increase in credit risk and a transfer to Stage 2. The assessment of customer’s risk of default continues to be performed comprehensively, taking into account the customer’s ability to make payments based on the rescheduled payments and their creditworthiness in the long term.

12. Income Tax Expense

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Current tax expense				
- Current year	**722**	1,123	**475**	764
- Prior years' provision	**2**	(17)	**10**	(37)
Deferred tax expense				
- Prior years' provision	**3**	(4)	**-**	-
- (Reversal) /Origination of temporary differences	**(124)**	51	**(77)**	144
Total	**603**	1,153	**408**	871

The deferred tax (credit)/ expense in the income statement comprises the following temporary differences:

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Accelerated tax depreciation	**4**	#	**5**	20
Allowances for credit and other losses	**(106)**	(4)	**(41)**	50
Other temporary differences	**(19)**	51	**(41)**	74
Deferred tax expense charged to income statement	**(121)**	47	**(77)**	144

\# Amount under $500,000

The tax on the Group's and Bank's profit before tax differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Profit before tax	**5,389**	7,654	**4,559**	7,086
Prima facie tax calculated at a tax rate of 17% (2019: 17%)	**916**	1,301	**775**	1,205
Effect of different tax rates in other countries	**19**	20	**8**	11
Effect of change in country's tax rate [(a)]	**11**	38	**-**	-
Net income not subject to tax	**(117)**	(59)	**(152)**	(166)
Net income taxed at concessionary rate	**(287)**	(239)	**(287)**	(239)
Expenses not deductible for tax	**13**	31	**10**	15
Others	**48**	61	**54**	45
Income tax expense charged to income statement	**603**	1,153	**408**	871

(a) 2020 relates to impact from revaluation of net deferred tax asset due to a cut in Indonesia's corporate tax rate. 2019 relates to impact from revaluation of net deferred tax asset due to a cut in India's corporate tax rate

Deferred income tax relating to FVOCI financial assets and others of $15 million was debited (2019: $57 million was debited) and own credit risk of $2 million was debited (2019: $3 million credited) directly to equity for the Group.

Deferred income tax relating to FVOCI financial assets and others (2020: nil; 2019: $41 million) was debited and own credit risk of $2 million was debited (2019: $3 million credited) directly to equity for the Bank.

Please refer to Note 20 for further information on deferred tax assets/liabilities.

13. Classification of Financial Instruments

	The Group						
In $ millions	**Mandatorily at FVPL[(c)]**	**FVPL designated**	**Amortised cost**	**FVOCI-Debt**	**FVOCI-Equity**	**Hedging derivatives**	**Total**
2020							
Assets							
Cash and balances with central banks	**699**	**-**	**46,482**	**3,437**	**-**	**-**	**50,618**
Government securities and treasury bills[(d)]	**12,596**	**45**	**21,689**	**17,370**	**-**	**-**	**51,700**
Due from banks	**11,332**	**-**	**38,237**	**1,247**	**-**	**-**	**50,816**
Derivatives	**30,595**	**-**	**-**	**-**	**-**	**521**	**31,116**
Bank and corporate securities[(d)]	**17,348**	**-**	**26,674**	**19,080**	**2,354**	**-**	**65,456**
Loans and advances to customers	**1,120**	**350**	**369,701**	**-**	**-**	**-**	**371,171**
Other financial assets	**-**	**-**	**18,871**	**-**	**-**	**-**	**18,871**
Due from holding company	**-**	**-**	**911**	**-**	**-**	**-**	**911**
Total financial assets	**73,690**	**395**	**522,565**	**41,134**	**2,354**	**521**	**640,659**
Other asset items outside the scope of SFRS(I) 9[(a)]							**10,147**
Total assets							**650,806**
Liabilities							
Due to banks	**1,823**	**-**	**26,397**	**-**	**-**	**-**	**28,220**
Deposits and balances from customers	**-**	**623**	**464,227**	**-**	**-**	**-**	**464,850**
Derivatives	**31,642**	**-**	**-**	**-**	**-**	**1,446**	**33,088**
Other financial liabilities	**1,525**	**-**	**19,646**	**-**	**-**	**-**	**21,171**
Other debt securities	**203**	**8,130**	**30,896**	**-**	**-**	**-**	**39,229**
Due to holding company	**-**	**-**	**7,473**	**-**	**-**	**-**	**7,473**
Total financial liabilities	**35,193**	**8,753**	**548,639**	**-**	**-**	**1,446**	**594,031**
Other liability items outside the scope of SFRS(I) 9[(b)]							**816**
Total liabilities							**594,847**
2019							
Assets							
Cash and balances with central banks	501	-	22,560	3,299	-	-	26,360
Government securities and treasury bills	9,942	-	20,039	19,748	-	-	49,729
Due from banks	10,719	-	27,626	955	-	-	39,300
Derivatives	16,862	-	-	-	-	388	17,250
Bank and corporate securities	15,903	-	34,955	10,592	2,296	-	63,746
Loans and advances to customers	448	354	357,082	-	-	-	357,884
Other financial assets	-	-	15,110	-	-	-	15,110
Total financial assets	54,375	354	477,372	34,594	2,296	388	569,379
Other asset items outside the scope of SFRS(I) 9[(a)]							9,543
Total assets							578,922
Liabilities							
Due to banks	1,708	-	22,065	-	-	-	23,773
Deposits and balances from customers	-	1,281	403,008	-	-	-	404,289
Derivatives	16,975	-	-	-	-	658	17,633
Other financial liabilities	1,435	-	18,076	-	-	-	19,511
Other debt securities	222	9,498	43,590	-	-	-	53,310
Due to holding company	-	-	5,963	-	-	-	5,963
Total financial liabilities	20,340	10,779	492,702	-	-	658	524,479
Other liability items outside the scope of SFRS(I) 9[(b)]							1,332
Total liabilities							525,811

(a) Includes associates, goodwill and intangibles, properties and other fixed assets, and deferred tax assets
(b) Includes current tax liabilities and deferred tax liabilities
(c) Includes assets and liabilities that are held for trading and debt-type financial assets that are not SPPI in nature
(d) In 2020, the Group reclassified $6.8 billion of “Bank and corporate securities” and $1.0 billion of “Government securities and treasury bills” from amortised cost to FVOCI. The reclassification resulted from a change in business model in response to liquidity conditions brought about by Covid-19 that occurred in March 2020. The impact of reclassification ($222 million gain) was recorded through Other Comprehensive Income

	Bank						
In $ millions	**Mandatorily at FVPL[c]**	**FVPL designated**	**Amortised cost**	**FVOCI-Debt**	**FVOCI-Equity**	**Hedging derivatives**	**Total**
2020							
Assets							
Cash and balances with central banks	**699**	**-**	**37,243**	**1,446**	**-**	**-**	**39,388**
Government securities and treasury bills[d]	**10,771**	**45**	**16,793**	**9,073**	**-**	**-**	**36,682**
Due from banks	**10,359**	**-**	**33,413**	**871**	**-**	**-**	**44,643**
Derivatives	**27,548**	**-**	**-**	**-**	**-**	**411**	**27,959**
Bank and corporate securities[d]	**16,156**	**-**	**25,595**	**15,926**	**2,267**	**-**	**59,944**
Loans and advances to customers	**1,120**	**350**	**301,117**	**-**	**-**	**-**	**302,587**
Other financial assets	**-**	**-**	**14,865**	**-**	**-**	**-**	**14,865**
Due from subsidiaries	**-**	**-**	**19,078**	**-**	**-**	**-**	**19,078**
Due from holding companies	**-**	**-**	**911**	**-**	**-**	**-**	**911**
Total financial assets	**66,653**	**395**	**449,015**	**27,316**	**2,267**	**411**	**546,057**
Other asset items outside the scope of SFRS(I) 9[a]							**15,222**
Total assets							**561,279**
Liabilities							
Due to banks	**298**	**-**	**23,288**	**-**	**-**	**-**	**23,586**
Deposits and balances from customers	**-**	**403**	**349,676**	**-**	**-**	**-**	**350,079**
Derivatives	**28,193**	**-**	**-**	**-**	**-**	**1,344**	**29,537**
Other financial liabilities	**1,297**	**-**	**14,787**	**-**	**-**	**-**	**16,084**
Other debt securities	**203**	**8,130**	**29,748**	**-**	**-**	**-**	**38,081**
Due to holding company	**-**	**-**	**6,031**	**-**	**-**	**-**	**6,031**
Due to subsidiaries	**-**	**-**	**48,288**	**-**	**-**	**-**	**48,288**
Total financial liabilities	**29,991**	**8,533**	**471,818**	**-**	**-**	**1,344**	**511,686**
Other liability items outside the scope of SFRS(I) 9(b)							**716**
Total liabilities							**512,402**
2019							
Assets							
Cash and balances with central banks	501	-	17,922	1,348	-	-	19,771
Government securities and treasury bills	8,484	-	17,190	11,468	-	-	37,142
Due from banks	9,572	-	23,406	955	-	-	33,933
Derivatives	14,881	-	-	-	-	374	15,255
Bank and corporate securities	14,768	-	33,477	9,064	2,251	-	59,560
Loans and advances to customers	448	354	296,104	-	-	-	296,906
Other financial assets	-	-	11,319	-	-	-	11,319
Due from subsidiaries	-	-	19,813	-	-	-	19,813
Total financial assets	48,654	354	419,231	22,835	2,251	374	493,699
Other asset items outside the scope of SFRS(I) 9[a]							14,530
Total assets							508,229
Liabilities							
Due to banks	486	-	18,226	-	-	-	18,712
Deposits and balances from customers	-	1,019	297,817	-	-	-	298,836
Derivatives	14,838	-	-	-	-	617	15,455
Other financial liabilities	1,278	-	12,826	-	-	-	14,104
Other debt securities	222	9,498	41,321	-	-	-	51,041
Due to holding company	-	-	4,695	-	-	-	4,695
Due to subsidiaries	-	-	57,649	-	-	-	57,649
Total financial liabilities	16,824	10,517	432,534	-	-	617	460,492
Other liability items outside the scope of SFRS(I) 9[b]							1,009
Total liabilities							461,501

(a) Includes investments in subsidiaries, associates, properties and other fixed assets, and deferred tax assets
(b) Includes current tax liabilities and deferred tax liabilities
(c) Includes assets and liabilities that are held for trading and debt-type financial assets that are not SPPI in nature
(d) In 2020, the Bank reclassified $5.8 billion of "Bank and corporate securities" and $1.0 billion of "Government securities and treasury bills" from amortised cost to FVOCI. The reclassification resulted from a change in business model in response to liquidity conditions brought about by Covid-19 that occurred in March 2020. The impact of reclassification ($198 million gain) was recorded through Other Comprehensive Income

Financial assets and liabilities are presented net when there is a legally enforceable right to offset the recognised amounts, and there is intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities offset on the balance sheet

As at 31 December 2020, "Loans and advances to customers" of $24 million were set off against "Deposits and balances from customers" of $24 million for the Group because contractually the Group has a legally enforceable right to set off these amounts, and intends to settle the loans and the deposits simultaneously at maturity or termination dates.

As at 31 December 2019, "Loans and advances to customers" of $28 million were set off against "Deposits and balances from customers" of $28 million for the Group because contractually both the Group has a legally enforceable right to set off these amounts, and intends to settle the loans and the deposits simultaneously at maturity or termination dates.

Financial assets and liabilities subject to netting agreements but not offset on the balance sheet

The Group enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Master netting arrangements do not result in an offset of financial assets and liabilities on the balance sheet, as the legal right to offset the transactions is conditional upon default.

These agreements include derivative master agreements (including the International Swaps and Derivatives Association (ISDA) Master Agreement), global master repurchase agreements and global securities lending agreements. The collaterals received and pledged under these agreements are generally conducted under terms that are in accordance with normal market practice. The agreements may allow rehypothecation of collateral received and there may be ongoing margin requirements to mitigate counterparty risk.

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the Group's and Bank's balance sheets but are subject to master netting arrangements or similar agreements that cover similar financial instruments. The disclosures enable the understanding of both the gross and net amounts, as well as provide additional information on how such credit risk is mitigated.

			The Group			
				Related amounts not offset on balance sheet		Net amounts
In $ millions	Carrying amounts on balance sheet	Not subject to enforceable netting agreement	Net amounts	Financial instruments	Financial collateral received/ pledged	
2020						
Financial Assets						
Derivatives	**31,116**	**9,503[(a)]**	**21,613**	**19,631[(a)]**	**1,156**	**826**
Reverse repurchase agreements	**17,809[(b)]**	**-**	**17,809**	**-**	**17,807**	**2**
Securities borrowings	**570[(c)]**	**-**	**570**	**-**	**550**	**20**
Total	**49,495**	**9,503**	**39,992**	**19,631**	**19,513**	**848**
Financial Liabilities						
Derivatives	**33,088**	**7,674[(a)]**	**25,414**	**19,631[(a)]**	**4,648**	**1,135**
Repurchase agreements	**8,148[(d)]**	**-**	**8,148**	**-**	**8,147**	**1**
Securities lendings	**59[(e)]**	**-**	**59**	**-**	**53**	**6**
Short sale of securities	**1,525[(f)]**	**1,338**	**187**	**-**	**187**	**-**
Total	**42,820**	**9,012**	**33,808**	**19,631**	**13,035**	**1,142**
2019						
Financial Assets						
Derivatives	17,250	4,940[(a)]	12,310	10,826[(a)]	860	624
Reverse repurchase agreements	7,479[(b)]	232	7,247	-	7,239	8
Securities borrowings	1,336[(c)]	-	1,336	-	1,274	62
Total	26,065	5,172	20,893	10,826	9,373	694
Financial Liabilities						
Derivatives	17,633	4,838[(a)]	12,795	10,826[(a)]	1,469	500
Repurchase agreements	6,018[(d)]	312	5,706	-	5,695	11
Securities lendings	285[(e)]	-	285	-	280	5
Short sale of securities	1,435[(f)]	1,341	94	-	94	-
Total	25,371	6,491	18,880	10,826	7,538	516

(a) Related amounts under "Financial instruments" are prepared on the same basis as netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) as set out under MAS Notice 637 (unaudited), which incorporates a conservative stance on enforceable netting. Accordingly, the amounts shown under "Not subject to enforceable netting agreement" are those where either no netting agreements exist or where the netting agreements have not been recognised for computation of CAR

(b) Reverse repurchase agreements are presented under separate line items on the balance sheet, namely "Cash and balances with central banks", "Due from banks" and "Loans and advances to customers"

(c) Cash collateral pledged under securities borrowings are presented under "Other assets" on the balance sheet

(d) Repurchase agreements are presented under separate line items on the balance sheet, namely "Due to banks" and "Deposits and balances from customers"

(e) Cash collateral received under securities lendings are presented under "Other liabilities" on the balance sheet

(f) Short sale of securities are presented under "Other liabilities" on the balance sheet

	Bank					
				Related amounts not offset on balance sheet		
In $ millions	Carrying amounts on balance sheet	Not subject to enforceable netting agreement	Net amounts	Financial instruments	Financial collateral received/ pledged	Net amounts
2020						
Financial Assets						
Derivatives	**27,959**	**5,379**[a]	**22,580**	**20,340**[a]	**1,156**	**1,084**
Reverse repurchase agreements	**17,343**[b]	**-**	**17,343**	**-**	**17,341**	**2**
Securities borrowings	**570**[c]	**-**	**570**	**-**	**550**	**20**
Total	**45,872**	**5,379**	**40,493**	**20,340**	**19,047**	**1,106**
Financial Liabilities						
Derivatives	**29,537**	**3,414**[a]	**26,123**	**20,340**[a]	**4,648**	**1,135**
Repurchase agreements	**5,852**[d]	**-**	**5,852**	**-**	**5,851**	**1**
Securities lendings	**59**[e]	**-**	**59**	**-**	**53**	**6**
Total	**35,448**[f]	**3,414**	**32,034**	**20,340**	**10,552**	**1,142**
2019						
Financial Assets						
Derivatives	15,255	2,726[a]	12,529	10,984[a]	860	685
Reverse repurchase agreements	7,157[b]	76	7,081	-	7,076	5
Securities borrowings	1,336[c]	-	1,336	-	1,274	62
Total	23,748	2,802	20,946	10,984	9,210	752
Financial Liabilities						
Derivatives	15,455	2,503[a]	12,952	10,984[a]	1,479	489
Repurchase agreements	3,682[d]	235	3,447	-	3,435	12
Securities lendings	285[e]	-	285	-	280	5
Total	19,422	2,738	16,684	10,984	5,194	506

(a) Related amounts under “Financial instruments” are prepared on the same basis as netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) as set out under MAS Notice 637 (unaudited), which incorporates a conservative stance on enforceable netting. Accordingly, the amounts shown under “Not subject to enforceable netting agreement” are those where either no netting agreements exist or where the netting agreements have not been recognised for computation of CAR
(b) Reverse repurchase agreements are presented under separate line items on the balance sheet, namely “Cash and balances with central banks”, “Due from banks” and “Loans and advances to customers”
(c) Cash collateral pledged under securities borrowings are presented under “Other assets” on the balance sheet
(d) Repurchase agreements are presented under separate line items on the balance sheet, namely “Due to banks” and “Deposits and balances from customers”
(e) Cash collateral received under securities lendings are presented under “Other liabilities” on the balance sheet

14. Cash and Balances with Central Banks

	The Group		Bank	
	2020	**2019**	**2020**	**2019**
Cash on hand	**2,411**	2,301	**2,139**	2,037
Non-restricted balances with central banks	**39,791**	17,632	**30,890**	13,342
Cash and cash equivalents	**42,202**	19,933	**33,029**	15,379
Restricted balances with central banks[a]	**8,416**	6,427	**6,359**	4,392
Total[b][c]	**50,618**	26,360	**39,388**	19,771

(a) Mandatory balances with central banks
(b) Includes financial assets pledged or transferred (certificates of deposit) of $542 million (2019: $516 million) for the Group and $71 million (2019: $67 million) for the Bank (See Note 18)
(c) Balances are net of ECL

15. Government Securities and Treasury Bills

	The Group				
In $ millions	Mandatorily at FVPL	FVPL designated	FVOCI	Amortised cost	Total
2020					
Singapore Government securities and treasury bills (Gross)[a]	**5,070**	**-**	**1,646**	**6,892**	**13,608**
Other government securities and treasury bills (Gross)[b]	**7,526**	**45**	**15,724**	**14,800**	**38,095**
Less: ECL[c]	**-**	**-**	**-**	**3**	**3**
Total	**12,596**	**45**	**17,370**	**21,689**	**51,700**
2019					
Singapore Government securities and treasury bills (Gross)[a]	3,763	-	1,069	8,818	13,650
Other government securities and treasury bills (Gross)[b]	6,179	-	18,679	11,223	36,081
Less: ECL[c]	-	-	-	2	2
Total	9,942	-	19,748	20,039	49,729

(a) Includes financial assets pledged or transferred of $1,360 million (2019: $ 803 million) (See Note 18)
(b) Includes financial assets pledged or transferred of $8,642 million (2019: $8,206 million) (See Note 18)
(c) ECL for FVOCI securities amounting to $6 million (2019: $1 million) and not shown in the table, as these securities are recorded at fair value

	Bank				
In $ millions	Mandatorily at FVPL	FVPL designated	FVOCI	Amortised cost	Total
2020					
Singapore Government securities and treasury bills (Gross)[a]	**5,070**	**-**	**1,646**	**6,892**	**13,608**
Other government securities and treasury bills (Gross)[b]	**5,701**	**45**	**7,427**	**9,902**	**23,075**
Less: ECL[c]	**-**	**-**	**-**	**1**	**1**
Total	**10,771**	**45**	**9,073**	**16,793**	**36,682**
2019					
Singapore Government securities and treasury bills (Gross)[a]	3,763	-	1,069	8,818	13,650
Other government securities and treasury bills (Gross)[b]	4,721	-	10,399	8,373	23,493
Less: ECL[c]	-	-	-	1	1
Total	8,484	-	11,468	17,190	37,142

(a) Includes financial assets pledged or transferred of $1,360 million (2019: $803 million) (See Note 18)
(b) Includes financial assets pledged or transferred of nil (2019: $5,816 million) (See Note 18)
(c) ECL for FVOCI securities was not shown in the table (2020: nil; 2019: $1 million), as these securities are recorded at fair value

16. Bank and Corporate Securities

	The Group			
In $ millions	**Mandatorily at FVPL**	**FVOCI**	**Amortised cost**	**Total**
2020				
Bank and corporate debt securities (Gross)[(a)]	**8,355**	**19,080**	**26,721**	**54,156**
Less: ECL[(c)]	**-**	**-**	**47**	**47**
Bank and corporate debt securities	**8,355**	**19,080**	**26,674**	**54,109**
Equity securities[(b)]	**8,993**	**2,354**	**-**	**11,347**
Total	**17,348**	**21,434**	**26,674**	**65,456**
2019				
Bank and corporate debt securities (Gross)[(a)]	8,279	10,592	34,980	53,851
Less: ECL[(c)]	-	-	25	25
Bank and corporate debt securities	8,279	10,592	34,955	53,826
Equity securities[(b)]	7,624	2,296	-	9,920
Total	15,903	12,888	34,955	63,746

(a) Includes financial assets pledged or transferred of $3,305 million (2019: $1,395 million) (See Note 18)
(b) Includes financial assets pledged or transferred of nil (2019: $274 million) (See Note 18)
(c) ECL for FVOCI securities amounting to $19 million (2019: $12 million) are not shown in the table, as these securities are recorded at fair value

	Bank			
	Mandatorily at FVPL	**FVOCI**	**Amortised cost**	**Total**
2020				
Bank and corporate debt securities (Gross)[(a)]	**7,168**	**15,926**	**25,626**	**48,720**
Less: ECL[(c)]	**-**	**-**	**31**	**31**
Bank and corporate debt securities	**7,168**	**15,926**	**25,595**	**48,689**
Equity securities[(b)]	**8,988**	**2,267**	**-**	**11,255**
Total	**16,156**	**18,193**	**25,595**	**59,944**
2019				
Bank and corporate debt securities (Gross)[(a)]	7,144	9,064	33,487	49,695
Less: ECL[(c)]	-	-	10	10
Bank and corporate debt securities	7,144	9,064	33,477	49,685
Equity securities[(b)]	7,624	2,251	-	9,875
Total	14,768	11,315	33,477	59,560

(a) Includes financial assets pledged or transferred of $2,964 million (2019: $824 million) (See Note 18)
(b) Includes financial assets pledged or transferred of nil (2019: $274 million) (See Note 18)
(c) ECL for FVOCI securities amounting to $19 million (2019: $7 million) are not shown in the table, as these securities are recorded at fair value

17. Loans and Advances to Customers

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Gross	**377,770**	362,427	**307,804**	300,358
Less: Specific allowances[a]	**2,692**	2,305	**2,081**	1,709
General allowances[a]	**3,907**	2,238	**3,136**	1,743
Net total	**371,171**	357,884	**302,587**	296,906
Analysed by product				
Long-term loans	**177,174**	162,265	**143,141**	135,624
Short-term facilities	**88,472**	82,374	**74,071**	69,183
Housing loans	**74,207**	73,606	**62,564**	62,242
Trade loans	**37,917**	44,182	**28,028**	33,309
Gross loans	**377,770**	362,427	**307,804**	300,358
Analysed by currency				
Singapore dollar	**151,110**	144,878	**151,038**	144,828
Hong Kong dollar	**42,289**	44,310	**19,346**	24,934
US dollar	**105,656**	108,106	**92,137**	95,738
Chinese yuan	**16,824**	14,019	**4,918**	2,644
Others	**61,891**	51,114	**40,365**	32,214
Gross loans	**377,770**	362,427	**307,804**	300,358

(a) Balances refer to ECL under SFRS(I) 9 (Specific allowances: Stage 3 ECL; General allowances: Stage 1 and Stage 2 ECL).

Please refer to Note 41.4 for a breakdown of loans and advances to customers by geography and by industry.

The table below shows the movements in specific and general allowances for loans and advances to customers during the year.

	The Group					
In $ millions	**Balance at 1 January**	**Charge/ (Write- back) to income statement**	**Net write-off during the year**	**Amalgamation of LVB**	**Exchange and other movements**	**Balance at 31 December**
2020						
Specific allowances						
Manufacturing	**296**	**227**	**(248)**	**-**	**(6)**	**269**
Building and construction	**140**	**17**	**(17)**	**-**	**(2)**	**138**
Housing loans	**11**	**8**	**(8)**	**-**	**#**	**11**
General commerce	**313**	**322**	**(54)**	**-**	**(17)**	**564**
Transportation, storage and communications	**1,346**	**181**	**(139)**	**-**	**(19)**	**1,369**
Financial institutions, investment and holding companies	**19**	**4**	**-**	**-**	**#**	**23**
Professionals and private individuals (excluding housing loans)	**138**	**284**	**(274)**	**-**	**3**	**151**
Others	**42**	**131**	**(6)**	**-**	**#**	**167**
Total specific allowances	**2,305**	**1,174**	**(746)**	**-**	**(41)**	**2,692**
Total general allowances	**2,238**	**1,581**	**-**	**95**	**(7)**	**3,907**
Total allowances	**4,543**	**2,755**	**(746)**	**95**	**(48)**	**6,599**
2019						
Specific allowances						
Manufacturing	302	47	(50)	-	(3)	296
Building and construction	127	34	(16)	-	(5)	140
Housing loans	10	1	-	-	#	11
General commerce	268	166	(120)	-	(1)	313
Transportation, storage and communications	1,506	211	(381)	-	10	1,346
Financial institutions, investment and holding companies	18	(1)	2	-	#	19
Professionals and private individuals (excluding housing loans)	129	190	(188)	-	7	138
Others	80	50	(88)	-	#	42
Total specific allowances	2,440	698	(841)	-	8	2,305
Total general allowances	2,202	(17)	-	-	53	2,238
Total allowances	4,642	681	(841)	-	61	4,543

\# Amount under $500,000

In $ millions	Balance at 1 January	Charge/ (Write- back) to income statement	Net write-off during the year	Bank Impact of conversion of India branch to a wholly-owned subsidiary	Exchange and other movements	Balance at 31 December
2020						
Specific allowances						
Manufacturing	**137**	**56**	**(32)**	**-**	**(7)**	**154**
Building and construction	**80**	**15**	**(10)**	**-**	**#**	**85**
Housing loans	**3**	**(1)**	**-**	**-**	**#**	**2**
General commerce	**94**	**275**	**(3)**	**-**	**(15)**	**351**
Transportation, storage and communications	**1,276**	**163**	**(133)**	**-**	**(17)**	**1,289**
Financial institutions, investment and holding companies	**19**	**4**	**-**	**-**	**#**	**23**
Professionals and private individuals (excluding housing loans)	**75**	**93**	**(96)**	**-**	**#**	**72**
Others	**25**	**83**	**(2)**	**-**	**(1)**	**105**
Total specific allowances	**1,709**	**688**	**(276)**	**-**	**(40)**	**2,081**
Total general allowances	**1,743**	**1,391**	**-**	**-**	**2**	**3,136**
Total allowances	**3,452**	**2,079**	**(276)**	**-**	**(38)**	**5,217**
2019						
Specific allowances						
Manufacturing	161	19	(15)	(27)	(1)	137
Building and construction	117	30	(4)	(59)	(4)	80
Housing loans	2	1	-	#	#	3
General commerce	80	39	(8)	(16)	(1)	94
Transportation, storage and communications	1,487	158	(368)	(9)	8	1,276
Financial institutions, investment and holding companies	17	2	-	-	#	19
Professionals and private individuals (excluding housing loans)	72	89	(86)	#	#	75
Others	58	1	(20)	(15)	1	25
Total specific allowances	1,994	339	(501)	(126)	3	1,709
Total general allowances	1,797	(91)	-	(17)	54	1,743
Total allowances	3,791	248	(501)	(143)	57	3,452

\# Amount under $500,000

Included in loans and advances to customers are loans designated at fair value, as follows:

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Fair value designated loans and advances and related credit derivatives				
Maximum credit exposure	**350**	354	**350**	354
Credit derivatives – protection bought	**(350)**	(354)	**(350)**	(354)
Cumulative change in fair value arising from changes in credit risk	**(8)**	(24)	**(8)**	(24)
Cumulative change in fair value of related credit derivatives	**8**	24	**8**	24

Changes in fair value arising from changes in credit risk are determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. These changes in market conditions include changes in a benchmark interest rate, foreign exchange rate or index of prices or rates.

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was a gain of $16 million (2019: gain of $23 million) for both the Group and Bank. During the year, the amount of change in the fair value of the related credit derivatives was a loss of $16 million (2019: loss of $23 million) for both the Group and Bank.

18. Financial Assets Pledged or Transferred

The Group pledges or transfers financial assets to third parties in the ordinary course of business. Transferred assets continue to be recognised in the Group's financial statements when the Group retains substantially all their risks and rewards. Among these, as set out below, are securities pledged or transferred pursuant to repurchase, securities lending or collateral swap agreements and for derivative transactions under credit support agreements.

Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2020 and 2019.

Securities and Certificates of deposit
Securities transferred under repurchase, securities lending or collateral swap arrangements are generally conducted under terms in line with normal market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional collateral.

For repurchase agreements, the securities pledged or transferred continue to be recorded on the balance sheet while cash received in exchange is recorded as a financial liability. The Group also pledges assets to secure its short position in securities and to facilitate settlement operations. The fair value of the associated liabilities approximates their carrying amount of $5,184 million (2019: $5,374 million) for the Group and $2,702 million (2019: $2,945 million) for the Bank, which are recorded under "Due to banks", "Deposits and balances from customers" and "Other liabilities" on the balance sheet.

For securities lending and collateral swap transactions, the securities lent continue to be recorded on the balance sheet. As the Group mainly receives other financial assets in exchange, the associated liabilities are not recorded on the balance sheet.

In addition, the Group also pledges securities for derivative transactions under credit support agreements. These assets continue to be recorded on the balance sheet. As the related derivative assets and liabilities are managed on a portfolio basis, there is no direct relationship between the securities pledged and the associated liabilities. As such, the associated liabilities are not disclosed.

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Financial assets pledged or transferred				
Singapore Government securities and treasury bills	**1,360**	803	**1,360**	803
Other government securities and treasury bills	**8,642**	8,206	**6,059**	5,816
Bank and corporate debt securities	**3,305**	1,395	**2,964**	824
Equity securities	**-**	274	**-**	274
Certificates of deposit	**542**	516	**71**	67
Total	**13,849**	11,194	**10,454**	7,784

Covered bonds

Pursuant to the Bank's Global Covered Bond Programme, selected pools of residential mortgages originated by the Bank have been assigned to a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd (see Notes 21.2 and 29.4). These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2020, the carrying value of the covered bonds in issue was $4,545 million (2019: $5,206 million), while the carrying value of assets assigned was $11,498 million (2019: $14,679 million) for both the Group and Bank. 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.

Other financial assets

The Group also enters into structured funding transactions where it retains the contractual rights to receive cash flows of financial assets extended to third parties but assumes a contractual obligation to pay these cash flows under the issued notes. The carrying amounts and fair values of these financial assets and liabilities of the Group and the Bank both amount to $350 million (2019: $354 million).

19. Other Assets

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Accrued interest receivable	**1,310**	1,567	**931**	1,171
Deposits and prepayments	**643**	532	**220**	210
Receivables from securities business	**602**	409	**-**	-
Sundry debtors and others	**10,645**	9,262	**8,590**	6,770
Cash collateral pledged[(a)]	**5,671**	3,340	**5,124**	3,168
Deferred tax assets (Note 20)	**624**	313	**71**	40
Total[(b)]	**19,495**	15,423	**14,936**	11,359

(a) Mainly relates to cash collateral pledged in respect of derivative portfolios
(b) Balances are net of specific and general allowance

20. Deferred Tax Assets/Liabilities

Deferred 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 tax authority. The deferred tax assets and liabilities are determined after appropriate offsetting, as shown in "Other assets" (Note 19) and "Other liabilities" (Note 28) respectively.

Deferred tax assets and liabilities comprise the following temporary differences:

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Deferred income tax assets				
Allowances for credit and other losses	**518**	234	**83**	36
FVOCI financial assets and others	**12**	1	**12**	1
Own credit risk	**1**	3	**1**	3
Other temporary differences	**287**	235	**70**	57
Sub-total	**818**	473	**166**	97
Amounts offset against deferred tax liabilities	**(194)**	(160)	**(95)**	(57)
Total	**624**	313	**71**	40
Deferred income tax liabilities				
Allowances for credit and other losses[(a)]	**35**	90	**12**	75
Accelerated tax depreciation	**138**	134	**93**	88
FVOCI financial assets and others	**54**	28	**28**	17
Other temporary differences	**48**	99	**7**	35
Sub-total	**275**	351	**140**	215
Amounts offset against deferred tax assets	**(194)**	(160)	**(95)**	(57)
Total	**81**	191	**45**	158
Net deferred tax assets	**543**	122	**26**	(118)

(a) 2019 includes deferred tax arising from Regulatory Loss Allowance Reserve

21. Subsidiaries and Consolidated Structured Entities

In $ millions	Bank 2020	Bank 2019
Investment in subsidiaries[(a)]		
Ordinary shares	**12,782**	12,154
Due from subsidiaries		
Other receivables	**19,078**	19,813
Total	**31,860**	31,967

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

21.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below.

Name of subsidiary	Incorporated in	The Group Effective shareholding % 2020	The Group Effective shareholding % 2019
Commercial Banking			
DBS Bank (Hong Kong) Limited*	Hong Kong	**100**	100
DBS Bank (China) Limited*	China	**100**	100
DBS Bank (Taiwan) Limited*	Taiwan	**100**	100
PT Bank DBS Indonesia*	Indonesia	**99**	99
DBS Bank India Limited	India	**100**	100
Stockbroking			
DBS Vickers Securities Holdings Pte Ltd	Singapore	**100**	100

* Audited by PricewaterhouseCoopers network firms outside Singapore

The Group's main subsidiaries are regulated banks and non-bank financial institutions. Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests may restrict the ability of the Bank to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests as at the balance sheet dates, any protective rights associated with these did not give rise to significant restrictions in 2019 and 2020.

Please refer to Note 33 for information on non-controlling interests.

DBS Bank India Limited

Following the approval by Reserve Bank of India for the amalgamation of India branches operating under DBS Bank Ltd. with DBS Bank India Limited (a wholly owned subsidiary) on 28 February 2019, all the branches of DBS Bank Ltd operating in India ("DBS India branches") function as branches of DBS Bank India Limited with effect from 1 March 2019. All assets and liabilities of DBS India branches have been transferred from DBS Bank Ltd to DBS Bank India Limited on 1 March 2020.

Lakshmi Vilas Bank (LVB) was amalgamated with DBS Bank India Limited (DBIL) with effect from 27 November 2020. Please refer to Note 24 for more details.

21.2 Consolidated structured entity

The structured entity consolidated by the Group is listed below.

Name of entity	Purpose of consolidated structured entity	Incorporated in
Bayfront Covered Bonds Pte Ltd	Covered bond guarantor	Singapore

Bayfront Covered Bonds Pte Ltd is a bankruptcy-remote structured entity established in conjunction with the Bank's USD 10 billion Global Covered Bond Programme (see Note 29.4). As part of the contractual structures that are integral to this programme, the Bank provides funding and hedging facilities to it.

22. Associates

In $ millions	The Group 2020	2019
Unquoted equity securities	**835**	835
Share of post-acquisition reserves	**27**	#
Total	**862**	835

\# Amount under $500,000

In $ millions	Bank 2020	2019
Unquoted equity securities	**186**	186

The Group's share of income and expenses, assets and liabilities and off-balance sheet items of the associates are as follows:

In $ millions	The Group 2020	2019
Income statement		
Share of income	**325**	290
Share of expenses	**(264)**	(240)
Balance sheet		
Share of total assets	**2,554**	2,369
Share of total liabilities	**1,692**	1,534
Off-balance sheet		
Share of contingent liabilities and commitments	**#**	#

\# Amount under $500,000

22.1 Main associates

The main associates of the Group are listed below.

Name of associate	Incorporated in	The Group Effective shareholding % 2020	2019
Unquoted			
Central Boulevard Development Pte Ltd**	Singapore	**33.3**	33.3
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	**33.3**	33.3
Changsheng Fund Management Company**	China	**33.0**	33.0

** Audited by other auditors

As of 31 December 2020 and 31 December 2019, no associate was individually material to the Group. As a non-controlling shareholder, the Group's ability to receive dividends is subject to agreement with other shareholders. The associates may also be subject to statutory, contractual or regulatory requirements restricting dividend payments or to repay loans or advances made.

The Group's share of commitments and contingent liabilities of the associates as well as its commitments to finance or otherwise provide resources to them are not material.

23. Unconsolidated Structured Entities

"Unconsolidated structured entities" are structured entities, as defined by SFRS(I) 12, that are not controlled by the Group. In the normal course of business, the Group enters into transactions with these structured entities to facilitate customer transactions and for specific investment opportunities.

While the economic exposures may be the same as those to other type of entities, SFRS(I) 12 specifically requires companies to disclose such exposures arising from transactions with unconsolidated structured entities. The table below reflects exposures to third party securitisation structures where the Group holds an interest in the normal course of business.

As is the case with other types of counterparties, the carrying amount from transactions with unconsolidated structured entities have been included in the Group's financial statements.

The risks arising from such transactions are subject to the Group's risk management practices.

The table below represents the Group's and Bank's maximum exposure to loss which for on-balance sheet assets and liabilities is represented by the carrying amount, and does not reflect mitigating effects from the availability of netting arrangements and financial instruments that the Group may utilise to economically hedge the risks inherent in third party structured entities, or risk-reducing effects of collateral or other credit enhancements.

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Derivatives	**142**	11	**142**	11
Corporate debt securities	**3,627**	3,045	**3,198**	2,820
Loans and advances to customers	**14**	40	**14**	40
Other assets	**3**	2	**3**	2
Total assets	**3,786**	3,098	**3,357**	2,873
Commitments	**306**	376	**306**	376
Maximum Exposure to Loss	**4,092**	3,474	**3,663**	3,249
Derivatives	**10**	68	**10**	68
Total liabilities	**10**	68	**10**	68

SFRS(I) 12 also requires additional disclosures where the Group acts as a sponsor to unconsolidated structured entities. The Group is deemed a sponsor of a third party structured entity if it plays a key role in establishing the entity, and has an on-going involvement with the structured entity or if the Group's name appears in the structured entity's name.

The Group has not sponsored any structured entity during the financial year.

24. Acquisition

Lakshmi Vilas Bank has been amalgamated with DBS Bank India Limited (DBIL) with effect from 27 November 2020. The scheme of amalgamation is under the special powers of the Government of India and Reserve Bank of India under Section 45 of the Banking Regulation Act, 1949, India. The amalgamation provides stability to LVB's depositors, customers and employees following a period of uncertainty. It complements the Group's digibank strategy with an expanded network of 600 branches and 1,000 ATMs, an additional two million retail and 125,000 non-retail customers, as well as a strengthened deposit franchise.

The provisional goodwill from amalgamation of LVB was $153 million, being the difference between the fair value of its assets and liabilities of $3.89 billion and $4.04 billion respectively. As at 31 December 2020, total loans transferred amounted to $2.14 billion, including net non-performing loans of $212 million and total deposits transferred amounted to $3.34 billion.

Additional general allowances were set aside at group level to build up general allowance reserves to 9.5% of LVB's performing loans.

25. Properties and Other Fixed Assets

In $ millions	Note	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Owned properties and other fixed assets	25.1	**1,779**	1,631	**1,041**	942
Leased properties and other fixed assets[a]	25.2	**1,559**	1,594	**808**	874
Total		**3,338**	3,225	**1,849**	1,816

(a) Refers to right-of-use assets recognised under SFRS(I) 16

25.1 Owned properties and other fixed assets

The Group In $ millions	Investment properties (1)	Owner-occupied properties (2)	Software (3)	Other fixed assets[a] (4)	Subtotal of owner-occupied properties, software and other fixed assets (5)=(2)+(3)+(4)	Total (6)=(1)+(5)
2020						
Cost						
Balance at 1 January	**62**	**671**	**1,716**	**1,186**	**3,573**	**3,635**
Additions	**-**	**9**	**377**	**161**	**547**	**547**
Amalgamation of LVB	**-**	**52**	**-**	**114**	**166**	**166**
Disposals/ Write-offs	**(1)**	**(1)**	**(253)**	**(81)**	**(335)**	**(336)**
Transfer	**28**	**(28)**	**-**	**-**	**(28)**	**-**
Exchange differences and others	**1**	**(3)**	**(3)**	**(2)**	**(8)**	**(7)**
Balance at 31 December	**90**	**700**	**1,837**	**1,378**	**3,915**	**4,005**
Less: Accumulated depreciation						
Balance at 1 January	**28**	**255**	**895**	**807**	**1,957**	**1,985**
Depreciation charge	**2**	**13**	**236**	**164**	**413**	**415**
Amalgamation of LVB	**-**	**5**	**-**	**96**	**101**	**101**
Disposals/ Write-offs	**-**	**(1)**	**(209)**	**(80)**	**(290)**	**(290)**
Transfer	**15**	**(15)**	**-**	**-**	**(15)**	**-**
Exchange differences and others	**-**	**(2)**	**(1)**	**(1)**	**(4)**	**(4)**
Balance at 31 December	**45**	**255**	**921**	**986**	**2,162**	**2,207**
Less: Allowances for impairment	**3**	**16**	**-**	**-**	**16**	**19**
Net book value at 31 December	**42**	**429**	**916**	**392**	**1,737**	**1,779**
2019						
Cost						
Balance at 1 January	58	672	1,402	1,055	3,129	3,187
Additions	-	11	385	190	586	586
Disposals/ Write-offs	-	(7)	(71)	(58)	(136)	(136)
Transfer	4	(4)	-	-	(4)	-
Exchange differences and others	#	(1)	#	(1)	(2)	(2)
Balance at 31 December	62	671	1,716	1,186	3,573	3,635
Less: Accumulated depreciation						
Balance at 1 January	25	248	731	709	1,688	1,713
Depreciation charge	1	12	212	151	375	376
Disposals/ Write-offs	-	(2)	(48)	(52)	(102)	(102)
Transfer	2	(2)	-	-	(2)	-
Exchange differences and others	#	(1)	#	(1)	(2)	(2)
Balance at 31 December	28	255	895	807	1,957	1,985
Less: Allowances for impairment	2	17	-	-	17	19
Net book value at 31 December	32	399	821	379	1,599	1,631

\# Amount under $500,000
(a) Refers to computer hardware, office equipment, furniture and fittings and other fixed assets

	Bank					
In $ millions	**Investment properties**	**Owner-occupied properties**	**Software**	**Other fixed assets[(a)]**	**Subtotal of owner-occupied properties, software and other fixed assets**	**Total**
	(1)	**(2)**	**(3)**	**(4)**	**(5)=(2)+(3)+(4)**	**(6)=(1)+(5)**
2020						
Cost						
Balance at 1 January	**45**	**155**	**1,214**	**709**	**2,078**	**2,123**
Additions	**-**	**2**	**310**	**107**	**419**	**419**
Disposals/ Write-offs	**(1)**	**(2)**	**(218)**	**(66)**	**(286)**	**(287)**
Transfer	**18**	**(18)**	**-**	**-**	**(18)**	**-**
Exchange differences and others	**-**	**-**	**(1)**	**#**	**(1)**	**(1)**
Balance at 31 December	**62**	**137**	**1,305**	**750**	**2,192**	**2,254**
Less: Accumulated depreciation						
Balance at 1 January	**23**	**76**	**595**	**487**	**1,158**	**1,181**
Depreciation charge	**1**	**7**	**170**	**103**	**280**	**281**
Disposals/ Write-offs	**(1)**	**(1)**	**(185)**	**(61)**	**(247)**	**(248)**
Transfer	**10**	**(10)**	**-**	**-**	**(10)**	**-**
Exchange differences and others	**-**	**-**	**(1)**	**#**	**(1)**	**(1)**
Balance at 31 December	**33**	**72**	**579**	**529**	**1,180**	**1,213**
Net book value at 31 December	**29**	**65**	**726**	**221**	**1,012**	**1,041**
2019						
Cost						
Balance at 1 January	41	153	981	669	1,803	1,844
Additions	-	7	320	107	434	434
Disposals/ Write-offs	-	(1)	(73)	(21)	(95)	(95)
Transfer	4	(4)	-	-	(4)	-
Impact of conversion of India branch to a wholly-owned subsidiary	-	-	(14)	(44)	(58)	(58)
Exchange differences and others	-	-	#	(2)	(2)	(2)
Balance at 31 December	45	155	1,214	709	2,078	2,123
Less: Accumulated depreciation						
Balance at 1 January	20	71	505	445	1,021	1,041
Depreciation charge	1	7	149	94	250	251
Disposals/ Write-offs	-	-	(46)	(17)	(63)	(63)
Transfer	2	(2)	-	-	(2)	-
Impact of conversion of India branch to a wholly-owned subsidiary	-	-	(13)	(33)	(46)	(46)
Exchange differences and others	-	-	#	(2)	(2)	(2)
Balance at 31 December	23	76	595	487	1,158	1,181
Net book value at 31 December	22	79	619	222	920	942

\# Amount under $500,000
(a) Refers to computer hardware, office equipment, furniture and fittings and other fixed assets

Against the net book value of $471 million (2019: $431 million) for the Group and $94 million (2019: $101 million) for the Bank for all properties as at 31 December 2020 for the Group, the total market value was $1,773 million (2019: $1,914 million) for the Group and $448 million (2019: $445 million) for the Bank, of which investment properties accounted for $229 million (2019: $164 million) for the Group and $159 million (2019: $109 million) for the Bank. The market values are determined using investment method,or using a combination of comparable sales and investment methods. The properties are classified under Level 3 of the fair value hierarchy and the significant unobservable input used for valuation is market yields. As at 31 December 2020, there were no transfers into or out of Level 3.

25.2 Leased properties and other fixed assets

In $ millions	The Group Properties	 Other fixed assets	 Total	Bank Properties	 Other fixed assets	 Total
2020						
Balance at 1 January	**1,489**	**105**	**1,594**	**805**	**69**	**874**
Balance at 31 December[(a)]	**1,425**	**134**	**1,559**	**745**	**63**	**808**
Additions of right-of-use assets during the year	**26**	**18**	**44**	**21**	**17**	**38**
Depreciation charge for the year	**202**	**31**	**233**	**90**	**18**	**108**
2019						
Balance at 1 January	1,680	110	1,790	923	81	1,004
Balance at 31 December	1,489	105	1,594	805	69	874
Additions of right-of-use assets during the year	68	23	91	8	5	13
Depreciation charge for the year	204	29	233	95	16	111

(a) Includes right-of-use assets of LVB ($77 million) for the Group

The Group's and Bank's leases comprise primarily of office premises, branches and data centres. The leases have varying terms, escalation clauses and renewal rights.

25.3 Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to five years, and may contain an option to renew the lease after that date at which time all terms will be renegotiated.
The minimum lease receivables as at the balance sheet date are as follows:

In $ millions	The Group 2020	 2019	Bank 2020	 2019
Minimum lease receivables				
Not later than 1 year	**4**	3	**4**	3
Later than 1 year but not later than 5 years	**4**	4	**4**	4
Total	**8**	7	**8**	7

26. Goodwill and Intangibles

The carrying amounts of the Group's and Bank's goodwill and intangibles arising from business acquisitions are as follows:

In $ millions	The Group 2020	 2019	Bank 2020	 2019
DBS Bank (Hong Kong) Limited	**4,631**	4,631	**-**	-
Others[(a)]	**692**	539	**334**	334
Total	**5,323**	5,170	**334**	334

(a) The 2020 balance for the Group includes provisional goodwill relating to LVB of $153 million following the amalgamation with DBS India Ltd.

The carrying amounts of the CGUs are reviewed at least once a year to determine if the goodwill associated with them should be impaired. If a CGU's carrying amount exceeds its recoverable value, a goodwill impairment charge is recognised in the income statement.

The recoverable value is determined based on a value-in-use calculation. The CGU's five-year projected free cash flows, after taking into account the maintenance of capital adequacy requirements at target levels, are discounted by its cost of capital to derive its present value. To derive the value beyond the fifth year, a long-term growth rate is imputed to the fifth-year cash flow and then discounted by the cost of capital to derive the terminal value. The long-term growth rate used does not exceed the historical long-term growth rate of the market the CGU operates in. The recoverable value is the sum of the present value of the five-year cash flows and the terminal value.

A growth rate of 3.5% (2019: 4.5%) and discount rate of 9.0% (2019: 9.0%) were assumed in the value-in-use calculation for DBS Bank (Hong Kong) Limited's franchise.

The process of evaluating goodwill impairment involves management judgement and prudent estimates of various factors including future cash flows as well as the cost of capital and long-term growth rates. The results can be highly sensitive to the assumptions used. Key assumptions used to determine the recoverable amounts of the CGU, including growth rate and discount rate, are tested for sensitivity by applying a reasonably possible change to those assumptions. The reasonably possible changes in key assumptions did not result in an impairment of goodwill at 31 December 2020.

27. Deposits and Balances from Customers

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Analysed by currency				
Singapore dollar	**204,469**	162,509	**203,866**	162,096
US dollar	**152,799**	140,769	**115,511**	104,372
Hong Kong dollar	**38,924**	37,078	**5,239**	5,617
Chinese yuan	**16,182**	13,257	**1,225**	840
Others	**52,476**	50,676	**24,238**	25,911
Total	**464,850**	404,289	**350,079**	298,836
Analysed by product				
Savings accounts	**195,802**	157,343	**152,149**	126,191
Current accounts	**142,029**	81,014	**111,317**	61,695
Fixed deposits	**123,583**	162,693	**84,521**	108,926
Other deposits	**3,436**	3,239	**2,092**	2,024
Total	**464,850**	404,289	**350,079**	298,836

28. Other Liabilities

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Cash collateral received[(a)]	**2,976**	2,014	**2,865**	1,966
Accrued interest payable	**351**	773	**187**	501
Provision for loss in respect of off-balance sheet credit exposures	**410**	327	**342**	299
Payable in respect of securities business	**487**	351	**-**	-
Sundry creditors and others[(b)]	**13,718**	12,873	**10,475**	9,071
Lease liabilities [(c)]	**1,704**	1,738	**918**	989
Current tax liabilities	**735**	1,141	**671**	851
Short sale of securities	**1,525**	1,435	**1,297**	1,278
Deferred tax liabilities (Note 20)	**81**	191	**45**	158
Total	**21,987**	20,843	**16,800**	15,113

(a) Mainly relates to cash collateral received in respect of derivative portfolios
(b) Includes income received in advance of $1,066 million (2019: $1,173 million) and $811 million (2019: $892 million) for the Group and Bank respectively arising from a 15-year regional distribution agreement entered with Manulife Financial Asia Limited, to be amortised on a straight-line basis. $107 million (2019: $107 million) and $81 million (2019: $81 million) of the Manulife income received in advance was recognised as fee income during the year for the Group and Bank respectively
(c) Total lease payments made during the year amounted to $258 million (2019: $249 million) and $123 million (2019: $125 million) for the Group and Bank respectively

29. Other Debt Securities

In $ millions	Note	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Negotiable certificates of deposit	29.1	**3,738**	4,562	**3,209**	3,085
Senior medium term notes	29.2	**2,052**	7,916	**1,445**	7,337
Commercial papers	29.3	**20,751**	25,914	**20,751**	25,914
Covered bonds	29.4	**4,545**	5,206	**4,545**	5,206
Other debt securities	29.5	**8,143**	9,712	**8,131**	9,499
Total		**39,229**	53,310	**38,081**	51,041
Due within 1 year		**30,614**	40,073	**29,475**	38,234
Due after 1 year [(a)]		**8,615**	13,237	**8,606**	12,807
Total		**39,229**	53,310	**38,081**	51,041

(a) Includes instruments in perpetuity

29.1 Negotiable certificates of deposit issued and outstanding are as follows:

In $ millions Currency	Interest Rate and Interest Frequency	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Issued by the Bank and other subsidiaries					
AUD	0.03% to 1.27%, payable on maturity	**3,209**	3,085	**3,209**	3,085
CNY	2.42% to 3.13%, payable on maturity	**79**	377	**-**	-
HKD	3.86% to 3.95%, payable quarterly	**-**	156	**-**	-
HKD	3.8% to 3.83%, payable annually	**37**	38	**-**	-
HKD	2.13% to 2.24%, payable on maturity	**-**	228	**-**	-
HKD	Zero-coupon, payable on maturity	**341**	678	**-**	-
INR	Zero-coupon, payable on maturity	**72**	-	**-**	-
Total		**3,738**	4,562	**3,209**	3,085

The outstanding negotiable certificates of deposit as at 31 December 2020 were issued between 16 March 2011 and 30 December 2020 (2019: 20 January 2010 and 31 December 2020) and mature between 4 January 2021 and 25 June 2021 (2019: 3 January 2020 and 16 March 2021).

29.2 Senior medium term notes issued and outstanding are as follows:

In $ millions Currency	Interest Rate and Interest Frequency	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Issued by the Bank and other subsidiaries					
AUD	Floating rate note, payable quarterly	**1,425**	1,604	**1,425**	1,604
GBP	Floating rate note, payable quarterly	**-**	4,352	**-**	4,352
CNY	4.55%, payable annually	**607**	579	**-**	-
SGD	Floating rate note, payable quarterly	**20**	-	**20**	-
USD	3.12%, payable semi-annually	**-**	135	**-**	135
USD	Floating rate note, payable quarterly	**-**	1,246	**-**	1,246
Total		**2,052**	7,916	**1,445**	7,337

The outstanding senior medium term notes as at 31 December 2020 were issued between 18 July 2018 and 14 May 2020 (2019: 14 January 2015 and 23 December 2019) and mature between 14 May 2021 and 13 September 2022 (2019: 14 January 2020 and 13 September 2022).

29.3 The commercial papers were issued by the Bank under its USD 5 billion Euro Commercial Paper Programme and USD 20 billion US Commercial Paper Programme. These are zero-coupon papers, or floating rate papers pegged to monthly or quarterly market rates. The outstanding notes as at 31 December 2020 were issued between 11 June 2020 and 22 December 2020 (2019: 10 June 2019 and 23 December 2019) and mature between 4 January 2021 and 7 June 2021 (2019: 3 January 2020 and 20 August 2020).

29.4 The covered bonds were issued by the Bank under its USD 10 billion Global Covered Bond Programme. A covered bond is a senior obligation of the Bank backed by a cover pool comprising assets that have been ring-fenced via contractual structures in a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd. Bayfront Covered Bonds Pte Ltd provides an unconditional and irrevocable guarantee, which is secured by the cover pool, to the covered bond holders.

The outstanding covered bonds as at 31 December 2020 were issued between 23 January 2017 and 25 October 2019 (2019: 23 January 2017 and 25 October 2019) and mature between 27 November 2021 and 21 November 2024 (2019: 4 September 2020 and 21 November 2024).

Please refer to Note 18 for further details on the covered bonds.

29.5 Other debt securities issued and outstanding as at 31 December are as follows:

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Issued by the Bank and other subsidiaries				
Equity linked notes	**2,641**	1,945	**2,638**	1,932
Credit linked notes	**2,550**	3,101	**2,550**	3,101
Interest linked notes	**2,891**	4,255	**2,891**	4,255
Foreign exchange linked notes	**52**	211	**52**	211
Fixed rate bonds	**9**	200	**-**	-
Total	**8,143**	9,712	**8,131**	9,499

The outstanding securities (excluding perpetual securities) as at 31 December 2020 were issued between 10 February 2012 and 31 December 2020 (2019: 23 July 2012 and 31 December 2019) and mature between 4 January 2021 and 28 October 2060 (2019: 2 January 2020 and 22 November 2049).

30. Share Capital

	The Group and Bank			
	Shares ('000)		In $ millions	
	2020	**2019**	**2020**	**2019**
Ordinary shares				
Balance at 1 January	**2,626,196**	2,626,196	**23,653**	23,653
Redemption of preference shares (Note 30.1)	**-**	-	**799**	-
Balance at 31 December	**2,626,196**	2,626,196	**24,452**	23,653
Non-cumulative preference shares				
Balance at 1 January				
S$800m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020 (Note 30.1)	**8,000**	8,000	**799**	799
Redemption of preference shares (Note 30.1)	**(8,000)**	**-**	**(799)**	**-**
Balance at 31 December	**-**	8,000	**-**	799
Issued share capital at 31 December			**24,452**	24,452

30.1 The preference shares were issued on 22 November 2010 with a liquidation preference of $100 each. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 May and 22 November each year at 4.70% per annum. They are redeemable on 22 November 2020 or on any date thereafter. The preference shares are in the first instance ineligible as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-off at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Additional Tier 1 capital (subject to a cap) for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013. The preference shares were fully redeemed, out of distributable profits, on 23 November 2020 (Note 32). The redemption amount was credited to ordinary share capital.

31. Other Equity Instruments

The following perpetual capital securities issued by the Bank are classified as other equity instruments. These instruments are subordinated to all liabilities of the Bank and senior only to ordinary shareholders of the Bank. Their terms require them to be written-off if and when the Monetary Authority of Singapore notifies the Bank that a write-off of the instruments, or a public sector injection of capital (or equivalent support), is necessary, without which the Group or the DBSH Group (DBSH and its subsidiaries) would become non-viable. These instruments qualify as Additional Tier 1 capital under MAS Notice 637.

				The Group and Bank	
In $ millions	**Note**	**Issue Date**	**Distribution Payment**	**2020**	**2019**
Issued by the Bank					
S$550m 3.85% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	31.1	1 Sep 2016	Sep	**550**	550
US$185m 4.0% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	31.2	1 Sep 2016	Sep	**252**	252
US$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	31.3	7 Sep 2016	Mar/Sep	**1,011**	1,011
S$1,000m 3.98% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2025	31.4	12 Sep 2018	Mar/Sep	**1,000**	1,000
US$1,000m 3.30% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2025	31.5	27 Feb 2020	Feb/Aug	**1,396**	-
Total				**4,209**	2,813

31.1 Distributions are payable at 3.85% per annum up to 1 September 2021. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year Singapore Dollar Swap Offer Rate plus 2.13% per annum. Distributions are paid annually on 1 September each year, unless cancelled by the Bank. The capital securities are redeemable on 1 September 2021 or on any date thereafter.

31.2 Distributions are payable at 4.0% per annum up to 1 September 2021. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year U.S. Dollar Swap Rate plus 2.84% per annum. Distributions are paid annually on 1 September each year, unless cancelled by the Bank. The capital securities are redeemable on 1 September 2021 or on any date thereafter.

31.3 Distributions are payable at 3.60% per annum up to 7 September 2021. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year U.S. Dollar Swap Rate plus 2.39% per annum. Distributions are paid semi-annually on 7 March and 7 September each year, unless cancelled by the Bank. The capital securities are redeemable on 7 September 2021 or on any distribution payment date thereafter.

31.4 Distributions are payable at 3.98% per annum up to 12 September 2025. Thereafter, the distribution rate resets every 7 years to the then-prevailing seven-year Singapore Dollar Swap Offer Rate plus 1.65% per annum. Distributions are paid semi-annually on 12 March and 12 September each year, unless cancelled by the Bank. The capital securities are redeemable on 12 September 2025 or on any distribution payment date thereafter.

31.5 Distributions are payable at 3.30% per annum up to 27 February 2025. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year U.S Dollar Treasury Rate plus 1.915% per annum. Distributions are paid semi-annually on 27 February and 27 August each year, unless cancelled by the Bank. The capital securities are redeemable on 27 February 2025 or on any distribution payment date thereafter.

32. Other Reserves and Revenue Reserves

32.1 Other reserves

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
FVOCI revaluation reserves (bonds)	**385**	88	**281**	59
FVOCI revaluation reserves (equities)	**(139)**	(7)	**(190)**	(38)
Cash flow hedge reserves	**312**	100	**245**	76
General reserves	**95**	95	**-**	-
Capital reserves	**(691)**	(625)	**(72)**	(59)
Total	**(38)**	(349)	**264**	38

Movements in other reserves for the Group during the year are as follows:

	The Group					
In $ millions	**FVOCI revaluation reserves (bonds)**	**FVOCI revaluation reserves (equities)**	**Cash flow hedge reserves**	**General reserves**	**Capital reserves[(a)]**	**Total**
2020						
Balance at 1 January	**88**	**(7)**	**100**	**95**	**(625)**	**(349)**
Net exchange translation adjustments	**-**	**-**	**-**	**-**	**(66)**	**(66)**
Share of associates' reserves	**-**	**-**	**(11)**	**-**	**-**	**(11)**
FVOCI financial assets and others:						
- net valuation taken to equity	**788**	**(235)**	**363**	**-**	**-**	**916**
- transferred to income statement	**(476)**	**-**	**(130)**	**-**	**-**	**(606)**
- taxation relating to components of other comprehensive income	**(15)**	**10**	**(10)**	**-**	**-**	**(15)**
Transfer to revenue reserves upon disposal of FVOCI equities	**-**	**93**	**-**	**-**	**-**	**93**
Balance at 31 December	**385**	**(139)**	**312**	**95**	**(691)**	**(38)**
2019						
Balance at 1 January	(176)	(161)	(60)	95	(450)	(752)
Net exchange translation adjustments	-	-	-	-	(175)	(175)
Share of associates' reserves	-	7	(6)	-	-	1
FVOCI financial assets and others:						
- net valuation taken to equity	451	142	424	-	-	1,017
- transferred to income statement	(161)	-	(233)	-	-	(394)
- taxation relating to components of other comprehensive income	(26)	(7)	(25)	-	-	(58)
Transfer to revenue reserves upon disposal of FVOCI equities	-	12	-	-	-	12
Balance at 31 December	88	(7)	100	95	(625)	(349)

(a) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency financial instruments designated as a hedge

Movements in other reserves for the Bank during the year are as follows:

In $ millions	FVOCI revaluation reserves (bonds)	FVOCI revaluation reserves (equities)	Bank Cash flow hedge reserves	Capital reserves[(a)]	Total
2020					
Balance at 1 January	**59**	**(38)**	**76**	**(59)**	**38**
Net exchange translation adjustments	**-**	**-**	**-**	**(13)**	**(13)**
FVOCI financial assets and others:					
- net valuation taken to equity	**611**	**(250)**	**268**	**-**	**629**
- transferred to income statement	**(378)**	**-**	**(100)**	**-**	**(478)**
- taxation relating to components of other comprehensive income	**(11)**	**10**	**1**	**-**	**-**
Transfer to revenue reserves upon disposal of FVOCI equities	**-**	**88**	**-**	**-**	**88**
Balance at 31 December	**281**	**(190)**	**245**	**(72)**	**264**
2019					
Balance at 1 January	(151)	(178)	(63)	(159)	(551)
Impact of conversion of India branch to a wholly-owned subsidiary	-	6	-	190	196
Net exchange translation adjustments	-	-	-	(90)	(90)
FVOCI financial assets and others:					
- net valuation taken to equity	360	127	345	-	832
- transferred to income statement	(135)	-	(186)	-	(321)
- taxation relating to components of other comprehensive income	(15)	(7)	(20)	-	(42)
Transfer to revenue reserves upon disposal of FVOCI equities	-	14	-	-	14
Balance at 31 December	59	(38)	76	(59)	38

(a) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign branches and the related foreign currency instruments designated as a hedge

32.2 Revenue reserves

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Balance at 1 January	**25,235**	23,417	**19,425**	18,049
Impact of adopting SFRS(I) 16 on 1 January 2019	**-**	(95)	**-**	(91)
Balance at 1 January after adoption of SFRS(I) 16	**25,235**	23,322	**19,425**	17,958
Impact of conversion of India branch to a wholly-owned subsidiary	**-**	-	**-**	(188)
Redemption of preference shares (Note 30.1)	**(800)**	-	**(800)**	-
Net profit attributable to shareholders	**4,754**	6,471	**4,151**	6,215
Other comprehensive income attributable to shareholders	**(68)**	(75)	**(63)**	(77)
Sub-total	**29,121**	29,718	**22,713**	23,908
Less: Dividends paid to holding company	**2,723**	4,445	**2,723**	4,445
Dividends paid on preference shares	**38**	38	**38**	38
Balance at 31 December[(a)]	**26,360**	25,235	**19,952**	19,425

(a) Singapore banks are required to maintain a Minimum Regulatory Loss Allowance (MRLA) of at least 1% of the gross carrying amount of selected credit exposures net of collaterals per MAS Notice 612. For periods where Stage 1 and 2 ECL fall below MRLA, the shortfall is appropriated from retained earnings in the shareholders' funds into a non-distributable Regulatory Loss Allowance Reserve (RLAR) account. The RLAR for Group and Bank were nil as at 31 December 2020 (2019: $404 million and $491 million)

33. Non-controlling Interests

The following instruments issued by subsidiaries of the Group are classified as non-controlling interests. These instruments have a deeply subordinated claim on the issuing entity's assets in the event of a liquidation.

In $ millions	Note	Issue Date	Liquidation Preference	Distribution Payment	The Group 2020	2019
Issued by Heedum Pte Ltd S$344m 1.6% Perpetual Subordinated Loan		12 Nov 2015		Nov	**344**	344
Issued by DBS Bank (Taiwan) Ltd TW$8,000m 2.279% (2019: 4.0%) Non-Cumulative and Perpetual Preferred Shares	33.1	20 Jan 2015			**376**	359
Issued by DBS Bank (Hong Kong) Limited HK$1,400m 3.9% Non-Cumulative Preference Shares		13 Oct 2016	HK$ 10,000,000	Mar	**239**	242
Non-controlling interests in Subsidiaries					**17**	15
Total					**976**	960

33.1 The preferred shares have an annual dividend rate of 4.0% from 20 January 2015 to (but excluding) 20 January 2020, and 2.279% from 20 January 2020.

34. Contingent Liabilities and Commitments

The Group issues guarantees, performance bonds and indemnities in the ordinary course of business. The majority of these facilities are offset by corresponding obligations of third parties.

Guarantees and performance bonds are generally written by the Group to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amount.

	The Group		Bank	
In $ millions	**2020**	**2019**	**2020**	**2019**
Guarantees on account of customers	**18,530**	17,280	**18,480**	17,962
Letters of credit and other obligations on account of customers	**10,786**	10,987	**8,039**	8,640
Undrawn credit commitments[(a)]	**305,141**	297,366	**249,491**	243,830
Forward starting transactions	**1,823**	452	**1,833**	521
Undisbursed and underwriting commitments in securities	**3**	83	**3**	7
Sub-total	**336,283**	326,168	**277,846**	270,960
Capital commitments	**15**	37	**7**	26
Total	**336,298**	326,205	**277,853**	270,986
Analysed by industry (excluding capital commitments)				
Manufacturing	**50,508**	49,677	**39,134**	37,849
Building and construction	**27,232**	27,877	**23,804**	25,625
Housing loans	**6,852**	5,674	**6,461**	5,383
General commerce	**50,592**	57,209	**40,721**	45,856
Transportation, storage and communications	**17,630**	16,669	**14,133**	13,552
Financial institutions, investment and holding companies	**34,416**	27,003	**30,726**	24,423
Professionals and private individuals (excluding housing loans)	**116,951**	108,319	**95,067**	87,463
Others	**32,102**	33,740	**27,800**	30,809
Total	**336,283**	326,168	**277,846**	270,960
Analysed by geography[(b)] (excluding capital commitments)				
Singapore	**136,869**	135,551	**136,871**	135,479
Hong Kong	**55,399**	52,326	**26,856**	24,976
Rest of Greater China	**38,228**	35,295	**17,179**	15,116
South and Southeast Asia	**31,442**	30,954	**25,933**	25,981
Rest of the World	**74,345**	72,042	**71,007**	69,408
Total	**336,283**	326,168	**277,846**	270,960

(a) Include commitments that are unconditionally cancellable at any time by the Group (2020: $251,200 million; 2019: $248,258 million) and Bank (2020: $199,943 million; 2019: $196,915 million)
(b) Based on the location of incorporation of the counterparty or borrower

35. Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following sections outline the nature and terms of the most common types of derivatives used by the Group.

Interest rate derivatives

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are exchange-traded agreements to buy or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a standard future date.

Interest rate options give the buyer on payment of a premium the right, but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period and commencing on a specified future date.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds, instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. This category includes combinations of interest rate caps and floors, which are known as interest rate collars.

Foreign exchange derivatives

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Equity derivatives

Equity options give the buyer, on payment of a premium, the right but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

Equity swaps involve the exchange of a set of payments whereby one of these payments is based on an equity-linked return while the other is typically based on an interest reference rate.

Credit derivatives

Credit default swaps involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for an undertaking by the seller to make a payment to the buyer upon the occurrence of a predefined credit event.

Commodity derivatives

Commodity contracts are agreements between two parties to exchange cash flows which are dependent on the price of the underlying physical assets.

Commodity futures are exchange-traded agreements to buy or sell a standard amount of a commodity at an agreed price on a standard future date.

Commodity options give the buyer, on payment of a premium, the right but not the obligation, to buy or sell a specific amount of commodity at an agreed contract price on or before a specified date.

35.1 Trading derivatives

Most of the Group's derivatives relate to sales and trading activities. Sales activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for dealer's margin or for the purpose of generating a profit from short-term fluctuations in price.

Trading includes mainly market-making and warehousing to facilitate customer orders. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Warehousing involves holding on to positions in order to liquidate in an orderly fashion with timing of unwinding determined by market conditions and traders' views of markets as they evolve.

35.2 Hedging derivatives

The accounting treatment of the hedge derivative transactions varies according to the nature of the hedge and whether the hedge meets the specified criteria to qualify for hedge accounting. Derivatives transacted as economic hedges but do not qualify for hedge accounting are treated in the same way as derivative instruments held for trading purposes.

Please refer to Note 36 for more details on derivatives used for hedging.

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes outstanding at balance sheet date. They do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as derivative assets or derivative liabilities. Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There were no offset of derivative assets and liabilities in 2020 and 2019.

	The Group					
	2020			2019		
In $ millions	**Underlying notional**	**Assets**	**Liabilities**	**Underlying notional**	**Assets**	**Liabilities**
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements	**28,403**	**13**	**21**	16,414	3	6
Interest rate swaps	**1,045,373**	**14,611**	**14,009**	1,159,079	8,478	8,167
Interest rate futures	**2,872**	**#**	**49**	6,529	3	65
Interest rate options	**9,570**	**153**	**255**	11,630	116	144
Interest rate caps/floors	**37,614**	**832**	**1,294**	38,481	448	935
Sub-total	**1,123,832**	**15,609**	**15,628**	1,232,133	9,048	9,317
Foreign exchange (FX) derivatives						
FX contracts	**574,608**	**7,281**	**8,488**	586,308	3,709	3,720
Currency swaps	**233,691**	**6,366**	**5,742**	211,174	3,271	2,949
Currency options	**92,783**	**606**	**772**	85,882	315	425
Sub-total	**901,082**	**14,253**	**15,002**	883,364	7,295	7,094
Equity derivatives						
Equity options	**7,732**	**143**	**282**	5,139	73	136
Equity swaps	**4,723**	**122**	**248**	4,162	105	121
Sub-total	**12,455**	**265**	**530**	9,301	178	257
Credit derivatives						
Credit default swaps and others	**29,133**	**240**	**394**	27,953	293	239
Sub-total	**29,133**	**240**	**394**	27,953	293	239
Commodity derivatives						
Commodity contracts	**2,094**	**183**	**38**	792	10	16
Commodity futures	**956**	**34**	**35**	1,521	30	43
Commodity options	**1,447**	**11**	**15**	662	8	9
Sub-total	**4,497**	**228**	**88**	2,975	48	68
Total derivatives held for trading	**2,070,999**	**30,595**	**31,642**	2,155,726	16,862	16,975
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**13,181**	**124**	**555**	14,403	112	264
Interest rate swaps held for cash flow hedge	**2,245**	**4**	**111**	2,486	#	76
FX contracts held for cash flow hedge	**5,645**	**107**	**55**	2,383	5	23
FX contracts held for hedge of net investment	**2,305**	**8**	**7**	269	3	-
Currency swaps held for fair value hedge	**1,080**	**4**	**70**	479	20	-
Currency swaps held for cash flow hedge	**18,488**	**274**	**648**	14,617	248	295
Total derivatives held for hedging	**42,944**	**521**	**1,446**	34,637	388	658
Total derivatives	**2,113,943**	**31,116**	**33,088**	2,190,363	17,250	17,633
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)(unaudited)		**(19,631)**	**(19,631)**		(10,826)	(10,826)
		11,485	**13,457**		6,424	6,807
Of which: derivatives with holding company	**5,239**	**8**	**184**	5,524	15	121

Amount under $500,000

	Bank					
	2020			2019		
In $ millions	**Underlying notional**	**Assets**	**Liabilities**	**Underlying notional**	**Assets**	**Liabilities**
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements	**28,298**	**13**	**18**	16,414	3	6
Interest rate swaps	**907,696**	**13,741**	**12,955**	926,133	7,450	7,076
Interest rate futures	**2,807**	**#**	**49**	6,516	3	65
Interest rate options	**9,570**	**153**	**255**	11,630	116	144
Interest rate caps/floors	**37,537**	**832**	**1,294**	38,481	448	935
Sub-total	**985,908**	**14,739**	**14,571**	999,174	8,020	8,226
Foreign exchange (FX) derivatives						
FX contracts	**492,978**	**5,592**	**6,414**	503,078	3,019	3,035
Currency swaps	**224,404**	**6,006**	**5,607**	203,194	3,115	2,764
Currency options	**73,453**	**480**	**592**	62,740	209	252
Sub-total	**790,835**	**12,078**	**12,613**	769,012	6,343	6,051
Equity derivatives						
Equity options	**7,719**	**143**	**282**	5,080	72	135
Equity swaps	**4,725**	**122**	**248**	4,162	105	121
Sub-total	**12,444**	**265**	**530**	9,242	177	256
Credit derivatives						
Credit default swaps and others	**28,862**	**238**	**391**	27,876	293	237
Sub-total	**28,862**	**238**	**391**	27,876	293	237
Commodity derivatives						
Commodity contracts	**2,094**	**183**	**38**	796	10	16
Commodity futures	**956**	**34**	**35**	1,521	30	43
Commodity options	**1,447**	**11**	**15**	662	8	9
Sub-total	**4,497**	**228**	**88**	2,979	48	68
Total derivatives held for trading	**1,822,546**	**27,548**	**28,193**	1,808,283	14,881	14,838
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**10,885**	**116**	**509**	12,352	102	241
Interest rate swaps held for cash flow hedge	**2,245**	**4**	**111**	2,486	#	76
FX contracts held for fair value hedge	**283**	**8**	**-**	269	3	-
FX contracts held for cash flow hedge	**2,323**	**18**	**38**	1,196	3	10
FX contracts held for hedge of net investment	**2,022**	**-**	**7**	-	-	-
Currency swaps held for fair value hedge	**1,080**	**4**	**70**	479	20	-
Currency swaps held for cash flow hedge	**16,966**	**261**	**609**	13,467	246	290
Total derivatives held for hedging	**35,804**	**411**	**1,344**	30,249	374	617
Total derivatives	**1,858,350**	**27,959**	**29,537**	1,838,532	15,255	15,455
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)(unaudited)		**(20,340)**	**(20,340)**		(10,984)	(10,984)
		7,619	**9,197**		4,271	4,471
Of which: derivatives with subsidiaries and holding company	**71,673**	**1,016**	**944**	75,958	599	487

Amount under $500,000

The derivative financial instruments are mainly booked in Singapore. The Group manages its credit exposures by entering into master netting and collateral agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

36. Hedge Accounting

The Group enters into hedging transactions to manage exposures to interest rate and foreign currency risks. Hedge accounting is applied to minimise volatility in earnings arising from changes in interest rate and foreign exchange rates.

Please refer to Note 42 for more information on market risk and the Group's risk management practices and Note 2.19 for the Group's accounting policy for hedge accounting.

36.1 Fair value hedges

In accordance with the risk management strategy in place, the Group enters into interest rate swaps to mitigate the risk of changes in interest rates on the fair value of the following:

- issued fixed rate debt;
- a portion of purchased fixed rate bonds; and
- some large exposures to corporate loans.

In such instances, the Group hedges the benchmark interest rate risk component which is an observable and reliably measurable component of interest rate risk. Specifically, the Group has designated fair value hedge relationships, on a hedge-by-hedge basis, to hedge against movements in the benchmark interest rate. This effectively results in the recognition of interest expense (for fixed rate liabilities), or interest income (for fixed rate assets) at floating rates. The Group also uses cross currency swaps when there is a need to hedge both interest rate and foreign exchange risks.

The Group manages all other risks arising from these exposures, such as credit risk, but hedge accounting is not applied for those risks.

The Group assesses prospective hedge effectiveness by comparing the changes in fair value of the hedged item resulting from movements in the benchmark interest rate with the changes in fair value of the interest rate swaps used to hedge the exposure. The Group determines the hedge ratio by comparing the notional of the derivative with the principal of the debt issued or the bond asset purchased, or the loan granted.

For all interest rate swaps used for hedging purposes, critical terms match or nearly match those of the underlying hedged items.

The Group has identified the following possible sources of ineffectiveness:

- the use of derivatives as a protection against interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- the use of different discounting curves when measuring the fair value of the hedged items and hedging instruments. For derivatives the discounting curve used depends on collateralisation and the type of collateral used; and
- difference in the timing of settlement of hedging instruments and hedged items.

No other significant sources of ineffectiveness were identified in these hedge relationships.

The Group typically uses foreign currency denominated borrowings/deposits to fund its investments in non-SGD denominated FVOCI equity instruments. To reduce the accounting mismatch on the borrowings/deposits and FVOCI equity instruments because of foreign exchange rate movements, the Group designates the borrowings/deposits as the hedging instruments in fair value hedges of the FVOCI equity instruments. The hedge ratio is determined by comparing the principal of the borrowings/deposits with the investment costs of the FVOCI equity instruments. A potential source of ineffectiveness is a decrease in the fair value of the equity instruments below their investment costs.

The following table sets out the maturity profile of the hedging instruments used in fair value hedges. The amounts shown in the table reflect the notional amounts of derivatives and the carrying amounts of borrowings and deposits. Please refer to Note 35 for the carrying values of the derivatives.

		The Group			
In $ millions	**Type of risk hedged**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
2020					
Derivatives (notional)					
Interest rate swaps	Interest rate	**3,251**	**9,259**	**671**	**13,181**
Currency swaps	Interest rate & Foreign exchange	**917**	**163**	**-**	**1,080**
Total derivatives		**4,168**	**9,422**	**671**	**14,261**
Non-derivative instruments (e.g. borrowings, deposits)	Foreign exchange	**1,550**	**-**	**-**	**1,550**
Total non-derivative instruments		**1,550**	**-**	**-**	**1,550**
2019					
Derivatives (notional)					
Interest rate swaps	Interest rate	3,510	9,901	992	14,403
Currency swaps	Interest rate & Foreign exchange	-	407	72	479
Total derivatives		3,510	10,308	1,064	14,882
Non-derivative instruments (e.g. borrowings, deposits)	Foreign exchange	991	-	-	991
Total non-derivative instruments		991	-	-	991

		Bank			
In $ millions	**Type of risk hedged**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
2020					
Derivatives (notional)					
Interest rate swaps	Interest rate	**3,141**	**7,172**	**572**	**10,885**
Currency swaps	Interest rate & Foreign exchange	**917**	**163**	**-**	**1,080**
FX Contracts	Foreign exchange	**283**	**-**	**-**	**283**
Total derivatives		**4,341**	**7,335**	**572**	**12,248**
Non-derivative instruments (e.g. borrowings, deposits)	Foreign exchange	**1,550**	**-**	**-**	**1,550**
Total non-derivative instruments		**1,550**	**-**	**-**	**1,550**
2019					
Derivatives (notional)					
Interest rate swaps	Interest rate	3,075	8,802	475	12,352
Currency swaps	Interest rate & Foreign exchange	-	407	72	479
FX Contracts	Foreign exchange	269	-	-	269
Total derivatives		3,344	9,209	547	13,100
Non-derivative instruments (e.g. borrowings, deposits)	Foreign exchange	991	-	-	991
Total non-derivative instruments		991	-	-	991

The table below provides information on hedged items relating to fair value hedges.

In $ millions	The Group		Bank	
	Carrying amounts (including hedge adjustments)	Fair value hedge adjustments included in carrying amounts	Carrying amounts (including hedge adjustments)	Fair value hedge adjustments included in carrying amounts
2020				
Assets				
Loans and advances to customers	**1,561**	**6**	**1,526**	**5**
Government securities and treasury bills[(a)]	**2,384**	**15**	**28**	**-**
Bank and corporate securities[(a)]	**8,462**	**7**	**8,422**	**7**
Subsidiaries	**-**	**-**	**283**	**9**
Liabilities				
Other debt securities	**3,952**	**101**	**3,915**	**101**
Deposits from customers	**-**	**-**	**-**	**-**
2019				
Assets				
Loans and advances to customers	1,220	5	1,186	5
Government securities and treasury bills[(a)]	1,692	3	29	-
Bank and corporate securities[(a)]	7,562	5	7,522	5
Subsidiaries	-	-	269	(4)
Liabilities				
Other debt securities	4,144	86	3,757	85
Deposits from customers	1,613	3	1,613	3

(a) The carrying amounts of debt and equity instruments at fair value through other comprehensive income do not include fair value hedge adjustments as the hedged assets are measured at fair value. The accounting for the hedge relationship results in a transfer from other comprehensive income to the income statement for debt instruments

At the Group, for the year ended 31 December 2020, the net losses on hedging instruments used to calculate hedge effectiveness was $335 million (2019: net losses of $172 million). The net gains on hedged items attributable to the hedged risk amounted to $330 million (2019: net gains of $166 million).

At the Bank, for the year ended 31 December 2020, the net losses on hedging instruments used to calculate hedge effectiveness was $278 million (2019: net losses of $151 million). The net gains on hedged items attributable to the hedged risk amounted to $273 million (2019: net gains of $146 million).

36.2 Cash flow hedges

The Group is predominantly exposed to variability in future cash flows due to interest rate movements and foreign currency fluctuations from the following:

- assets subject to repricing, reinvestment or refinancing risk;
- forecasted interest earnings denominated in foreign currency;
- issued floating or fixed rate foreign currency debt; and
- a portion of purchased floating or fixed rate foreign currency bonds.

In accordance with the Group risk management strategy the Group enters into interest rate swaps, forward contracts or cross currency swaps to protect against the variability of cash flows due to changes in interest rates and/or foreign currency exchange rates.

In such instances, cash flow hedge relationships are designated. These are applied on a hedge-by-hedge basis, except for cash flows from assets subject to repricing, reinvestment or refinancing risk, for which a portfolio cash flow hedge relationship is designated using interest rate swaps. A dynamic process is applied for this hedge as the portfolio composition can change e.g. due to maturities and new originations. The portfolio cash flow hedge relationships effectively extend the duration of the assets, such that the interest cash flows are transformed from a floating rate basis to a fixed rate basis.

The Group enters into forward contracts to hedge against variability in future cash flows arising from USD-denominated interest income.

The Group also enters into cross currency swaps to mitigate the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates of issued foreign currency debt and a portion of purchased foreign currency bonds. Critical terms of the cross-currency swaps match that of the issued foreign currency debt or purchased foreign currency bonds. In this way the Group exchanges foreign currency interest and principal cash flows, to SGD cash flows.

The Group manages all other risks derived by these exposures, such as credit risk, but they do not apply hedge accounting for these risks.

The Group assesses hedge effectiveness by comparing the changes in fair value of a hypothetical derivative reflecting the terms of the hedged item due to movements in the hedged risk with the changes in fair value of the derivatives used to hedge the exposure.

The Group determines the hedge ratio by comparing the notional of the derivatives with the assets subject to repricing/reinvestment/ refinancing risk or amount of forecast earnings denominated in foreign currency or the principal of the debt securities issued or purchased foreign currency bonds.

The Group has identified the following possible sources of ineffectiveness in its cash flow hedge relationships:

- the use of derivatives as a protection against currency and interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- difference in tenor of hedged items and hedging instruments;
- difference in timing of settlement of the hedging instrument and hedged item; and
- designation of off-market hedging instruments.

The following table sets out the maturity profile of the hedging instruments used in cash flow hedges. The amounts shown in the table reflect the notional amounts of derivatives. Please refer to Note 35 for the carrying values of the derivatives.

		The Group			
In $ millions	**Type of risk hedged**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
2020					
Derivatives (notional)					
Interest rate swaps	Interest rate	**-**	**2,245**	**-**	**2,245**
Currency swaps	Interest rate & Foreign exchange	**1,669**	**16,267**	**552**	**18,488**
FX contracts	Foreign exchange	**5,387**	**258**	**-**	**5,645**
Total		**7,056**	**18,770**	**552**	**26,378**
2019					
Derivatives (notional)					
Interest rate swaps	Interest rate	300	2,186	-	2,486
Currency swaps	Interest rate & Foreign exchange	1,212	12,366	1,039	14,617
FX contracts	Foreign exchange	1,885	498	-	2,383
Total		3,397	15,050	1,039	19,486

		Bank			
In $ millions	**Type of risk hedged**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
2020					
Derivatives (notional)					
Interest rate swaps	Interest rate	**-**	**2,245**	**-**	**2,245**
Currency swaps	Interest rate & Foreign exchange	**1,668**	**15,212**	**86**	**16,966**
FX contracts	Foreign exchange	**2,214**	**109**	**-**	**2,323**
Total		**3,882**	**17,566**	**86**	**21,534**
2019					
Derivatives (notional)					
Interest rate swaps	Interest rate	300	2,186	-	2,486
Currency swaps	Interest rate & Foreign exchange	1,212	12,255	-	13,467
FX contracts	Foreign exchange	698	498	-	1,196
Total		2,210	14,939	-	17,149

The hedge ineffectiveness arising from these hedges was insignificant.

Please refer to Note 32 for information on the cash flow hedge reserves.

36.3 Net investment hedges

The Group manages currency risk arising from its net investment in foreign operations (or structural foreign exchange risk) using foreign currency borrowings, FX forwards, FX swaps and cross currency swaps.

Structural foreign exchange exposures are managed with the primary aim of ensuring that consolidated capital ratios are largely protected from the effect of fluctuations in foreign exchange rates against SGD.

Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or not hedged at all. The Group regularly reviews its hedging strategy, taking into account the long-term outlook of currency fundamentals and the impact of fluctuations in foreign exchange rates on capital adequacy ratios.

The tables below analyses the currency exposure of the Group by functional currency.

In $ millions	Net investments in foreign operations[a]	Financial instruments which hedge the net investments	Remaining unhedged currency exposures
2020			
Hong Kong dollar	**11,533**	**2,022**	**9,511**
Chinese yuan	**2,730**	**283**	**2,447**
Taiwan dollar	**1,670**	**-**	**1,670**
Others	**7,001**	**-**	**7,001**
Total	**22,934**	**2,305**	**20,629**
2019			
Hong Kong dollar	11,519	-	11,519
Chinese yuan	2,564	269	2,295
Taiwan dollar	1,519	-	1,519
Others	4,517	-	4,517
Total	20,119	269	19,850

(a) Refers to net tangible assets of subsidiaries, associates and overseas branches

Please refer to Note 32 for information on the capital reserves. Capital reserves include the effect of translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency financial instruments designated for hedge accounting.

36.4 Interest Rate Benchmark Reform

As described in Note 2.3, the Group adopted 'Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform' with provide temporary exceptions that allow entities to continue hedge accounting.

The table below summarises the Group and Bank's exposure in hedging relationships maturing after the expected cessation date of the benchmark[a], which will be impacted by the IBOR reform. The extent of the hedged risk exposure is also reflected by the notional amounts of the hedging instruments.

2020 In $ millions	The Group	Bank
Derivatives (notional)		
USD LIBOR	**4,821**	**4,619**

(a) The expected cessation date for USD LIBOR is 30 June 2023

37. Share-based Compensation Plans

As part of the Group's remuneration policy, the Group provides various share-based compensation plans to foster a culture that aligns employees' interests with shareholders', enable employees to share in the Bank's performance and enhance talent retention.

Main Scheme/Plan	Note
DBSH Share Plan (Share Plan)	
• The Share Plan is granted to Group executives as determined by the Committee appointed to administer the Share Plan from time to time.	37.1
• Participants are awarded shares of DBSH or, at the Committee's discretion, their equivalent cash value or a combination.	
• Awards consist of main award and retention award (20%/15% of main award) for employees on bonus/sales incentive plans respectively. Dividends on unvested shares do not accrue to employees.	
• For employees on bonus plan, the main award vests from 2 to 4 years after grant i.e. 33% will vest 2 years after grant; another 33% will vest on the third year and the remaining 34% plus the retention award will vest 4 years after grant.	
• For employees on sales incentive plan, the main award vests from 1 to 3 years after grant i.e. 33% will vest 1 year after grant; another 33% will vest on the second year and the remaining 34% plus the retention award will vest 3 years after grant.	
• There are no additional retention awards for shares granted to top performers and key employees as part of talent retention.	
• The awards will lapse immediately upon termination of employment, except in the event of ill health, injury, disability, redundancy, retirement or death.	
• The market price of shares on the grant date is used to estimate the fair value of the shares awarded. The fair value of the shares granted includes an adjustment to exclude the present value of future expected dividends to be paid during the vesting period.	
• Vested and unvested shares are subject to clawback/malus. Conditions that trigger such clawback/malus are in the Remuneration Report section of DBSH's Annual Report.	
• Shares are awarded to non-executive directors as part of director's remuneration. Details of these awards are disclosed in the Corporate Governance section of DBSH's Annual Report.	
DBSH Employee Share Plan (ESP)	
• The Committee has ceased granting shares under the ESP effective from financial year 2018 remuneration. Shares granted from prior years continue to be outstanding until the shares are fully vested.	37.1
DBSH Employee Share Purchase Plan (ESPP)	
• The ESPP was implemented in 2019 in selective markets across the Group. All confirmed permanent employees who hold the rank of Vice President and below with at least 3 months of service are eligible to participate in the scheme.	37.2
• The ESPP is a share ownership plan for eligible employees to own DBSH shares through monthly contributions via deductions from payroll or designated bank accounts.	
• Participants contribute up to 10% of month salary (minimum S$50, capped at S$1,000) and the Group will match 25% of the participant's contributions to buy DBSH ordinary shares for a period of 12 months during each plan year.	
• The matching shares bought from the Group's contribution will vest 24 months after the last contribution month for each plan year.	
• The matching shares will lapse immediately upon termination of employment, except in the event of ill health, injury, disability, redundancy, retirement or death.	
DBSH Share Ownership Scheme	
• The Scheme was wound down in 2019, where all assets have been distributed to unit holders.	37.3

37.1 DBSH Share Plan and DBSH Employee Share Plan

The following table sets out the movements of the awards during the year.

	The Group			
	2020		2019	
Number of shares	**Share Plan**	**ESP**	**Share Plan**	**ESP**
Balance at 1 January	**17,146,260**	**1,189,400**	17,189,043	2,032,520
Granted	**6,423,721**	**-**	6,333,995	-
Vested	**(5,992,525)**	**(627,270)**	(5,954,093)	(706,751)
Forfeited	**(328,670)**	**(36,127)**	(422,685)	(136,369)
Balance at 31 December	**17,248,786**	**526,003**	17,146,260	1,189,400
Weighted average fair value of the shares granted during the year	**$21.32**	**-**	$21.43	-

	Bank			
	2020		2019	
Number of shares	Share Plan	ESP	Share Plan	ESP
Balance at 1 January	**13,898,185**	**633,272**	14,542,435	1,175,789
Granted[(a)]	**4,849,749**	**-**	4,984,024	-
Vested	**(4,975,625)**	**(334,421)**	(5,005,016)	(410,791)
Transferred	**(2,960)**	**(675)**	(338,039)	(74,510)
Forfeited	**(189,531)**	**(17,379)**	(285,219)	(57,216)
Balance at 31 December	**13,579,818**	**280,797**	13,898,185	633,272
Weighted average fair value of the shares granted during the year	**$21.31**	**-**	$21.43	-

37.2 DBSH Employee Share Purchase Plan

The following table sets out the movements of the shares during the year.

	The Group		Bank	
Number of shares	2020	2019	2020	2019
Balance at 1 January	**388,686**	-	**293,005**	-
Granted	**678,428**	404,473	**508,183**	305,332
Vested	**(4,569)**	(198)	**(2,658)**	(144)
Transferred	**-**	-	**664**	(16)
Forfeited	**(47,067)**	(15,589)	**(35,142)**	(12,167)
Balance at 31 December	**1,015,478**	388,686	**764,052**	293,005
Weighted average fair value of the shares granted during the year	**$18.60**	$22.54	**$18.61**	$22.54

37.3 DBSH Share Ownership Scheme

The outstanding shares held under DBSH Share Ownership Scheme are as follows:

	The Group and Bank			
	Ordinary shares			
	Number of shares		Market value (In $ millions)	
	2020	2019	2020	2019
Balance at 1 January	**-**	7,036,093	**-**	167
Balance at 31 December	**-**	-	**-**	-

38. Related Party Transactions

38.1 Transactions between the Bank and its subsidiaries, including consolidated structured entities and associates which are related parties of the Bank, are disclosed in Notes 38.4 to 38.6.

38.2 During the financial year, the Group had banking transactions with related parties, consisting of subsidiaries, associates and key management personnel of the Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and were not material.

In addition, key management personnel received remuneration for services rendered during the financial year. Non-cash benefits including performance shares were also granted.

38.3 Total compensation and fees to key management personnel[a] are as follows:

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Short-term benefits[b]	**42**	47	**32**	37
Share-based payments[c]	**28**	29	**25**	26
Total	**70**	76	**57**	63
Of which: Bank Directors' remuneration and fees	**12**	13	**12**	13

(a) Includes Bank Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group. The composition and number of Directors and Management Committee members may differ from year to year
(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year
(c) Share-based payments are expensed over the vesting period in accordance with SFRS(I) 2

38.4 Income received from and expenses paid to related parties

In addition to the related party information shown elsewhere in the financial statements, the following transactions took place between the Bank and related parties during the financial year on terms agreed by the parties concerned.

In $ millions	The Group 2020	The Group 2019	Bank 2020	Bank 2019
Income received from:				
- Holding company	**6**	1	**5**	1
- Subsidiaries	**-**	-	**827**	1,433
- Associates	**37**	50	**43**	57
Total	**43**	51	**875**	1,491
Expenses paid to:				
- Holding company	**139**	172	**104**	118
- Subsidiaries	**-**	-	**1,216**	1,651
- Associates	**109**	107	**108**	107
Total	**248**	279	**1,428**	1,876

38.5 Amounts due from and to related parties

In $ millions	Bank 2020	Bank 2019
Amounts due from:		
- Holding company	**911**	-
- Subsidiaries (Note 21)	**19,078**	19,813
- Associates	**1,024**	1,030
Total	**21,013**	20,843
Amounts due to:		
- Holding company	**6,031**	4,695
- Subsidiaries	**48,288**	57,649
- Associates	**154**	154
Total	**54,473**	62,498

38.6 Guarantees issued to and received from related parties

Guarantees issued to and received from subsidiaries amounted to $2,930 million (2019: $3,157 million) and $983 million (2019: $1,030 million) respectively.

The Bank also finances customer through discounting bills issued by related parties. As at 31 December 2020, outstanding amount of such bills was $177 million (2019: $154 million).

39. Fair Value of Financial Instruments

39.1 Valuation Process

The valuation processes within the Group are governed by the Valuation Policy which is approved by the Board Audit Committee.

The Valuation Policy applies to all financial assets and liabilities that are measured at fair value, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent quoted market prices where available, or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model.

Valuation models go through an assurance process carried out by the Risk Management Group (RMG), independent of the model developers. This assurance process covers the review of the underlying methodology including its logic and conceptual soundness together with the model inputs and outputs. Model assurances are conducted prior to implementation and subject to regular review or when there are significant changes arising from market or portfolio changes. Where necessary, the Group also imposes model reserves and other adjustments in determining fair value. Models are approved by the Group Market and Liquidity Risk Committee.

A process of independent price verification (IPV) is in place to establish the accuracy of the market parameters used when the marking is performed by the Front Office. The IPV process entails independent checks to compare traders' marks to independent sources such as broker/dealer quotes or market consensus providers.

Where market parameters are sourced independently for the marking of financial assets and liabilities, or used as inputs into a valuation model, these are checked for reliability and accuracy, for example by reviewing large daily movements or by referencing other similar sources, or transactions.

Valuation adjustments and reserves are taken to account for close-out costs, model and market parameter uncertainty, and any other factor that may affect valuations. Valuation adjustment and reserve methodologies are approved by the Group Market and Liquidity Risk Committee and governed by the Valuation Policy.

The valuation adjustments and reserves include but are not limited to:

Model and Parameter Uncertainty Adjustments
Valuation uncertainties may occur during fair value measurement either due to uncertainties in the required input parameters or uncertainties in the modelling methods used in the valuation process. In such situations, adjustments may be necessary to take these factors into account.

For example, where market data such as prices or rates for an instrument are no longer observable after an extended period of time, these inputs used to value the financial instruments may no longer be relevant in the current market conditions. In such situations, adjustments may be necessary to address the pricing uncertainty arising from the use of stale market data inputs.

Credit Valuation Adjustments
Credit valuation adjustments are taken to reflect the impact on fair value of counterparty credit risk. Credit valuation adjustments are based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting and collateral arrangements, and the maturity of the underlying transactions.

Funding Valuation Adjustments
Funding valuation adjustments represent an estimate of the adjustment to fair value that a market participant would make in incorporating funding costs and benefits that arise in relation to uncollateralised derivatives positions.

Day 1 Profit or Loss (P&L) Reserve
In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, the Day 1 P&L arising from the difference in transacted price and end-of-day model valuation is set aside as reserves. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to the income statement when the parameters become observable or when the transaction is closed out or amortised over the duration of the transaction. At year end, the unamortised Day 1 P&L was not material.

Bid-Offer Adjustments
The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid-market levels. Bid-offer adjustments are then made to account for close-out costs.

IBOR Transition Related Reserves
Fixings for most of the major currency IBORs would fall back to the respective Risk-Free Rates (RFR) plus a spread. Spread derivation details have been made known for most currencies. Valuation reserves have been set aside where derivation details are not known, and this leads to uncertainty in the forward rate estimation curves used for valuations.

39.2 Fair Value Hierarchy

The fair value hierarchy accords the highest level to observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level to unobservable inputs. The fair value measurement of each financial instrument is categorised in accordance with the same level of the fair value hierarchy as the input with the lowest level that is significant to the entire measurement. If unobservable inputs are deemed significant, the financial instrument will be categorised as Level 3.

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 within the fair value hierarchy. These would include government and sovereign securities, listed equities and corporate debt securities which are actively traded. Derivatives contracts which are traded in an active exchange market are also classified as Level 1 of the valuation hierarchy.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group will determine the fair value based on valuation techniques that use market parameters as inputs including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data so that reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Group's OTC derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable market parameters, whether used directly to value a financial asset or liability, or used as inputs to a valuation model, attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data, for example, asset correlations or certain volatilities. Level 3 instruments also include unquoted equity securities which are measured based on the net asset value of the investments. In addition, Level 3 inputs include all stale security prices and other approximations (e.g. bonds valued using credit default swap spreads).

The following table presents assets and liabilities measured at fair value, classified by level within the fair value hierarchy.

	The Group							
	2020				2019			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets at FVPL								
- Government securities and treasury bills	**8,901**	**3,740**	**-**	**12,641**	8,464	1,478	-	9,942
- Bank and corporate securities	**12,451**	**4,182**	**715[(a)]**	**17,348**	10,999	4,461	443	15,903
- Other financial assets	**-**	**13,501**	**-**	**13,501**	-	12,022	-	12,022
FVOCI financial assets								
- Government securities and treasury bills	**15,223**	**2,147**	**-**	**17,370**	18,171	1,577	-	19,748
- Bank and corporate securities	**18,518**	**2,648**	**268[(b)]**	**21,434**	11,020	1,544	324	12,888
- Other financial assets	**-**	**4,684**	**-**	**4,684**	27	4,227	-	4,254
Derivatives	**40**	**31,075**	**1**	**31,116**	35	17,214	1	17,250
Liabilities								
Financial liabilities at FVPL								
- Other debt securities	**-**	**8,333**	**-**	**8,333**	-	9,720	-	9,720
- Other financial liabilities	**1,483**	**2,488**	**-**	**3,971**	1,435	2,989	-	4,424
Derivatives	**103**	**32,896**	**89**	**33,088**	111	17,449	73	17,633

(a) Increase in Level 3 balance was mainly due to the purchase of a new note which is priced using proxy valuation inputs
(b) Decrease in Level 3 balance was mainly due to an unquoted equity being transferred to Level 2 as the sale price was determined prior to year end

	Bank							
	2020				2019			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets at FVPL								
- Government securities and treasury bills	**8,235**	**2,581**	**-**	**10,816**	7,715	769	-	8,484
- Bank and corporate securities	**12,209**	**3,236**	**711[(a)]**	**16,156**	10,997	3,332	439	14,768
- Other financial assets	**-**	**12,528**	**-**	**12,528**	-	10,875	-	10,875
FVOCI financial assets								
- Government securities and treasury bills	**8,725**	**348**	**-**	**9,073**	11,459	9	-	11,468
- Bank and corporate securities	**17,051**	**959**	**183[(b)]**	**18,193**	10,653	382	280	11,315
- Other financial assets	**-**	**2,317**	**-**	**2,317**	27	2,276	-	2,303
Derivatives	**40**	**27,919**	**-**	**27,959**	34	15,221	-	15,255
Liabilities								
Financial liabilities at FVPL								
- Other debt securities	**-**	**8,333**	**-**	**8,333**	-	9,720	-	9,720
- Other financial liabilities	**1,296**	**702**	**-**	**1,998**	1,278	1,505	-	2,783
Derivatives	**100**	**29,348**	**89**	**29,537**	111	15,271	73	15,455

(a) Increase in Level 3 balance was mainly due to the purchase of a new note which is priced using proxy valuation inputs
(b) Decrease in Level 3 balance was mainly due to an unquoted equity being transferred to Level 2 as the sale price was determined prior to year end

The bank and corporate securities classified as Level 3 at 31 Dec 2020 comprised mainly notes which were marked using approximations and unquoted equity securities valued based on net asset value of the investments.

39.3 Own credit adjustments on financial liabilities designated at fair value through profit or loss

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to the Group's own credit risk are recognised in other comprehensive income. As the Group does not hedge changes in own credit risk arising from financial liabilities, presenting the own credit movements within other comprehensive income does not create or increase an accounting mismatch in the income statement.

The change in fair value attributable to changes in own credit risk has been determined as the amount of change in fair value that is attributable to changes in funding spreads above benchmark interest rates. Fair value changes arising from factors other than the Group's own credit risk are insignificant.

The cumulative amounts attributable to changes in own credit risk for these financial liabilities as at 31 December 2020 was a loss of $25 million for the Group and the Bank (2019: $67 million).

Realised losses attributable to changes in own credit risk as at 31 December 2020 was a loss of $15 million (2019: less than $500k).

39.4 Financial assets & liabilities not carried at fair value

For financial assets and liabilities not carried at fair value in the financial statements, the Group has ascertained that their fair values were not materially different from their carrying amounts at year-end.

For cash and balances with central banks, due from banks, loans and advances to customers, as well as due to banks and deposits and balances from customers, the basis of arriving at fair values is by discounting cash flows using the relevant market interest rates for the respective currencies.

For investment debt securities and subordinated term debts and other debts issued, fair values are determined based on independent market quotes, where available. Where market prices are not available, fair values are estimated using discounted cash flow method.

The fair value of variable interest-bearing as well as short-term financial instruments accounted for at amortised cost is assumed to be approximated by their carrying amounts.

40. Risk Governance

The Group Board oversees the Group's affairs and provides sound leadership for the CEO and management. Authorised by the Board, various Board committees oversee specific responsibilities based on clearly defined terms of reference.

Under the Group's risk management approach, the Group Board, through the Board Risk Management Committee (BRMC), sets the Group's risk appetite, oversees the establishment of enterprise-wide risk management policies and processes, and establishes risk appetite limits to guide risk-taking within the Group.

The BRMC also oversees the identification, monitoring, management and reporting of credit, market, liquidity, operational and reputational risks. To facilitate the BRMC's risk oversight, the following risk management committees have been established:

1. Risk Executive Committee (Risk EXCO);
2. Group Credit Risk Committee (GCRC);
3. Group Credit Policy Committee (GCPC);
4. Group Credit Risk Models Committee (GCRMC);
5. Group Market and Liquidity Risk Committee (GMLRC);
6. Group Operational Risk Committee (GORC);
7. Group Scenario and Stress Testing Committee (GSSTC); and
8. Product Approval Committee (PAC).

As the overall executive body regarding risk matters, the Risk EXCO oversees the Group's risk management.

Each of the committees reports to the Risk EXCO, and serves as an executive forum to discuss and implement the Group's risk management.

Key responsibilities:
- Assess and approve risk-taking activities;
- Oversee the Group's risk management infrastructure, which includes frameworks, decision criteria, authorities, people, policies, standards, processes, information and systems;
- Approve risk policies such as model governance standards, stress testing scenarios, and the evaluation and endorsement of risk models;
- Assess and monitor specific credit concentration; and
- Recommend stress-testing scenarios (including macroeconomic variable projections) and review the results.

The members in these committees comprise representatives from the Risk Management Group (RMG) as well as key business and support units.

The PAC provides group-wide oversight and direction for the approval of new product and outsourcing initiatives. It evaluates new product and outsourcing initiatives to ensure that they are in line with the Group's strategy and risk appetite.

Most of the above committees are supported by local risk committees in all major locations, where appropriate. These local risk committees oversee the local risk positions for all businesses and support units, ensuring that they keep within limits set by the Group risk committees. They also approve location-specific risk policies.

The Chief Risk Officer (CRO), who is a member of the Group Executive Committee and reports to the Chairman of the BRMC and the CEO, oversees the risk management function. The CRO is independent of business lines and is actively involved in key decision-making processes. He often engages with regulators to discuss risk matters, enabling a more holistic risk management perspective.

Working closely with the risk and business committees, the CRO is responsible for the following:

- Management of the Group's risks, including systems and processes to identify, approve, measure, monitor, control and report risks;
- Engagement with senior management about material matters regarding all risk types;
- Development of risk controls and mitigation processes; and
- Ensuring the Group's risk management is effective and the Risk Appetite established by the Board is adhered to.

41. Credit Risk

The most significant measurable risk the Group faces - credit risk - arises from the Group's daily activities in various businesses. These activities include lending to retail, corporate and institutional customers. It includes the risk of lending, pre-settlement and settlement risk of foreign exchange, derivatives and debt securities.

Credit Risk Management
The Group's approach to credit risk management comprises the following building blocks:

- **Policies**
  The dimensions of credit risk and the scope of its application are defined in the Group Credit Risk Management Policy. Senior management sets the overall direction and policy for managing credit risk at the enterprise level.

  The Group Core Credit Risk Policies (CCRPs) established for Consumer Banking/ Wealth Management and Institutional Banking set forth the principles by which the Group conducts its credit risk management and control activities. These policies, supplemented by a number of operational standards and guidelines, ensure consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across the Group, and provide guidance in the formulation of business-specific and/or location-specific credit risk policies and standards.

  The operational standards and guidelines are established to provide greater details on the implementation of the credit principles within the Group CCRPs and are adapted to reflect different credit environments and portfolio risk profiles. The CCRPs are approved by the GCPC.

- **Risk Methodologies**
  Credit risk is managed by thoroughly understanding the Group's corporate customers – the businesses they are in, as well as the economies in which they operate. It is also managed through statistical models and data analytics for retail customers.

  The assignment of credit risk ratings and setting of lending limits are integral parts of the Group's credit risk management process, and it uses an array of rating models for its corporate and retail portfolios. Most of these models are built internally using the Group's loss data, and the limits are driven by the Group's Risk Appetite Statement and the Target Market and Risk Acceptance Criteria (TMRAC).

  Wholesale borrowers are assessed individually using both judgmental and statistical credit risk models.

  They are further reviewed and evaluated by experienced credit risk managers who consider relevant credit risk factors in the final determination of the borrower's risk. For some portfolios within the small and medium-sized enterprises (SME) segment, the Group also uses a programme-based approach to achieve a balanced management of risks and rewards. Retail exposures are assessed using credit score models, credit bureau records, as well as internally and externally available customer behaviour records supplemented by the Group's Risk Acceptance Criteria (RAC). Credit applications are proposed by the business units, and applications outside the RAC are independently assessed by the credit risk managers.

  Pre-settlement credit risk for traded products arising from a counterparty potentially defaulting on its obligations is quantified by evaluation of the market price, plus potential future exposure. This is used to calculate the Group's regulatory capital under the Current Exposure Method (CEM) and is included within the Group's overall credit limits to counterparties for internal risk management.

  The Group actively monitors and manages its exposure to counterparties for over-the-counter (OTC) derivative trades to protect its balance sheet in the event of a counterparty default. Counterparty risk exposures that may be adversely affected by market risk events are identified, reviewed and acted upon by management, and highlighted to the appropriate risk committees. Specific wrong-way risk arises when the credit exposure of a counterparty (from the traded product transaction) directly correlates with the probability of default of the counterparty. The Group has a policy to guide the handling of specific wrong-way risk transactions, and its risk measurement metric takes into account the higher risks associated with such transactions.

  Issuer default risk that may also arise from derivatives, notes and securities are generally measured based on jump-to-default computations.

Concentration Risk Management
The Group's risk management processes, which are aligned with its Risk Appetite, ensure that an acceptable level of risk diversification is maintained across the Group.

For credit risk concentration, the Group uses Economic Capital (EC) as its measurement tool, as it combines the individual risk factors such as the probability of default (PD), loss given default (LGD) and exposure at default (EAD), in addition to industry correlation and portfolio concentration. EC thresholds are set to ensure that the allocated EC stays within its Risk Appetite. Governance processes are in place to ensure that these thresholds are monitored regularly, and appropriate actions are taken when the thresholds are breached.

The Group continually examines and reviews how it can enhance the scope of its thresholds and approaches to manage concentration risk.

Environment, Social and Governance Risk
Responsible financing, covering Environmental, Social and Governance (ESG) issues, is a topic of increasing importance to societal constituents, and one that affects investing and lending decisions across the Group. The Group recognises that its financing practices have a substantial impact on society and failure of its customers to appropriately

manage ESG issues can directly impact their operations and long-term economic viability, and the communities and environment in which they operate.

The Board approves the Group's overall and specific risk governance frameworks and oversees an independent Group-wide risk management system, including responsible financing. The Group had established a Group Responsible Financing Standard that documents its overarching approach to responsible financing and additional assessment required when entering into transactions with elevated ESG risks. The requirements of this Standard represent the minimum standards for the Group and it has also sought alignment, where possible, with international standards and best practices. Where significant ESG issues are identified, escalation is required to the relevant industry specialist and IBG Sustainability Office for further guidance before submitting the credit memorandum to the credit approving authority.

Country Risk
Country risk refers to the risk of loss due to events in a specific country (or a group of countries). This includes political, exchange rate, economic, sovereign and transfer risks.

The Group manages country risk through the requirements of the Group CCRP and the said risk is part of its concentration risk management. The way the Group manages transfer risk is set out in its Country Risk Management Standard. This includes an internal transfer risk and sovereign risk rating system, where assessments are made independently of business decisions. The Group's transfer risk limits are set in accordance with the Group Risk Appetite Policy.

Transfer risk limits for priority countries are set based on country-specific strategic business considerations as well as the acceptable potential loss according to the Group's Risk Appetite. Management actively evaluates and determines the appropriate level of transfer risk exposures for these countries taking into account the risks and rewards and whether they are in line with the Group's strategic intent. Limits for all other non-priority countries are set using a model-based approach.

All transfer risk limits are approved by the BRMC.

Credit stress testing
The Group engages in various types of credit stress testing, and these are driven either by regulators or internal requirements and management.

The Group's credit stress tests are performed at total portfolio or sub-portfolio level, and are generally conducted to assess the impact of changing economic conditions on asset quality, earnings performance, capital adequacy and liquidity. The Group's stress testing programme is comprehensive and covers all major functions and areas of business.

The Group typically performs the following types of credit stress testing at a minimum and others as necessary:

Pillar 1 credit stress testing	The Group conducts Pillar 1 credit stress testing regularly as required by regulators. Under Pillar 1 credit stress testing, the Group assesses the impact of a mild stress scenario (at least two consecutive quarters of zero GDP growth) on Internal Ratings-Based (IRB) estimates (i.e. PD, LGD and EAD) and the impact on regulatory capital. The purpose of the Pillar 1 credit stress test is to assess the robustness of internal credit risk models and the cushion above minimum regulatory capital.
Pillar 2 credit stress testing	The Group conducts Pillar 2 credit stress testing once a year as part of the internal capital adequacy assessment process (ICAAP). Under Pillar 2 credit stress testing, the Group assesses the impact of stress scenarios, with different levels of severity, on asset quality, earnings performance, as well as internal and regulatory capital. The results of the credit stress test form inputs to the capital planning process under ICAAP. The purpose of the Pillar 2 credit stress testing is to examine, in a rigorous and forward-looking manner, the possible events or changes in market conditions that could adversely impact the Group and to develop the appropriate action plan.
Industry-wide stress testing	The Group participates in the annual industry-wide stress test (IWST) conducted by the Monetary Authority of Singapore (MAS) to facilitate the ongoing assessment of Singapore's financial stability. Under the IWST, the Group is required to assess the impact of adverse scenarios, as defined by the regulator, on asset quality, earnings performance and capital adequacy.
Sensitivity and scenario analyses	The Group also conducts multiple independent sensitivity analyses and credit portfolio reviews based on various scenarios. The intent of these analyses and reviews is to identify vulnerabilities for the purpose of developing and executing mitigating actions.

- **Processes, Systems and Reports**
  The Group constantly invests in systems to support risk monitoring and reporting for its Institutional Banking and Consumer Banking/ Wealth Management businesses.

  The end-to-end credit process is continually being reviewed and improved through various front-to-back initiatives involving business, operations, risk management and other key stakeholders. Day-to-day monitoring of credit exposures, portfolio performance and external environmental factors potentially affecting credit risk profiles is key to its philosophy of effective credit risk management.

  In addition, credit trends, which may include industry analysis, early warning alerts and significant weak credits, are submitted to the various risk committees, allowing key strategies and action plans to be formulated and evaluated. Credit control functions also ensure that any credit risk taken complies with credit risk policies and standards. These functions ensure that approved limits are activated, credit excesses and policy exceptions are appropriately endorsed, compliance with credit standards is carried out, and covenants established are monitored.

  Independent risk management functions that report to the CRO are jointly responsible for developing and maintaining a robust credit stress testing programme. These units oversee the implementation of credit stress tests as well as the analysis of the results, of which management, various risk committees and regulators are informed.

Non-performing assets
The Group's credit facilities are classified as "Performing assets" or "Non-performing assets" (NPA), in accordance with the MAS Notice 612.

Credit exposures are categorised into one of the following five categories, according to the Group's assessment of a borrower's ability to repay a credit facility from its normal sources of income and/ or the repayment behaviour of the borrower.

Classification grade	Description
Performing assets	
Pass	Indicates that the timely repayment of the outstanding credit facilities is not in doubt.
Special mention	Indicates that the borrower exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by the Group.

Classification grade	Description
Classified or NPA	
Substandard	Indicates that the borrower exhibits definable weaknesses in its business, cash flow or financial position that may jeopardise repayment on existing terms.
Doubtful	Indicates that the borrower exhibits severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable as yet.
Loss	Indicates that the outstanding credit facility is not collectable, and little or nothing can be done to recover the outstanding amount from any collateral or from the assets of the borrower generally.

A default is considered to have occurred with regard to a particular borrower when either or both of the following events have taken place:

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without the Group taking action such as realising security (if held)
- Technical default: Borrower is more than 90 days past due on any credit obligation to the Group

For retail borrowers, the categorisation into the respective MAS loan grades is at the facility level and consistent with MAS Notice 612.

Credit facilities are classified as restructured assets when the Group grants non-commercial concessions to a borrower because its financial position has deteriorated or is unable to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade based on the assessment of the borrower's financial condition and its ability to repay according to the restructured terms.

Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms and MAS Notice 612. Apart from what has been described, the Group does not grant concessions to borrowers in the normal course of business.

In addition, it is not within the Group's business model to acquire debts that have been restructured at inception (e.g. distressed debts).

Please refer to Note 2.11 for the Group's accounting policies regarding specific and general allowances for credit losses.

In general, specific allowances are recognised for defaulting credit exposures rated substandard and below.

The breakdown of the Group's NPA by loan grading and industry and the related amounts of specific allowances can be found in Note 41.2. A breakdown of past due loans can also be found in the same note.

When required, the Group will take possession of all collateral and dispose them as soon as practicable. Realised proceeds are used to reduce outstanding indebtedness. A breakdown of collateral held for NPA is shown in Note 41.2.

Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2019 and 2020 were not material.

Credit Risk Mitigants

Collateral received
Where possible, the Group takes collateral as a secondary source of repayment. This includes, but is not limited to cash, marketable securities, real estate, trade receivables, inventory, equipment, and other physical and/or financial collateral. The Group may also take fixed and floating charges on the assets of borrowers.

Policies are in place to determine the eligibility of collateral for credit risk mitigation. Collateral is generally diversified and periodic valuations of collateral are required. Real estate constitutes the bulk of the Group's collateral, while marketable securities and cash are immaterial.

For derivatives, repurchase agreements (repo) and other repo-style transactions with financial market counterparties, collateral arrangements are typically covered under market-standard documentation, such as International Swaps & Derivatives Association (ISDA) Agreements and Master Repurchase Agreements. The collateral received is marked-to-market on a frequency that the Group and the counterparties have mutually agreed upon. This is governed by internal guidelines with respect to collateral eligibility. In the event of a default, the credit risk exposure is reduced by master-netting arrangements where the Group is allowed to offset what it owes a counterparty against what is due from that counterparty in a netting-eligible jurisdiction.

Collateral held against derivatives generally consists of cash in major currencies and highly rated government or quasi-government bonds. Exceptions may arise in certain countries, where due to domestic capital markets and business conditions, the Group may be required to accept less highly rated or liquid government bonds and currencies. Reverse repo-transactions are generally traded with large institutions with reasonably good credit standing. The Group takes haircuts against the underlying collateral of these transactions that commensurate with collateral quality to ensure credit risks are adequately mitigated.

In times of difficulty, the Group will review the customers' specific situation and circumstances to assist them in restructuring their financial obligations. However, should the need arise, disposal and recovery processes are in place to dispose the collateral held by the Group. The Group maintains a panel of agents and solicitors to assist in the disposal of non-liquid assets and specialised equipment quickly.

Other credit risk mitigants
The Group accepts guarantees as credit risk mitigants. Internal requirements for considering the eligibility of guarantors for credit risk mitigation are in place.

41.1 Maximum exposure to credit risk

The following table shows the exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements. For on-balance sheet financial assets, the maximum credit exposure is the carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the amount the Group would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	The Group	
In $ millions	**2020**	**2019**
On-balance sheet		
Cash and balances with central banks (excluding cash on hand)	**48,207**	24,059
Government securities and treasury bills	**51,700**	49,729
Due from banks	**50,816**	39,300
Derivatives	**31,116**	17,250
Bank and corporate debt securities	**54,109**	53,826
Loans and advances to customers	**371,171**	357,884
Other assets (excluding deferred tax assets)	**18,871**	15,110
Due from holding company	**911**	-
	626,901	557,158
Off-balance sheet		
Contingent liabilities and commitments (excluding capital commitments)	**336,283**	326,168
Total	**963,184**	883,326

The Group's exposures to credit risk, measured using the expected gross credit exposures that will arise upon a default of the end obligor are as shown in the Group's Pillar 3 Disclosures. These exposures, which include both on-balance sheet and off-balance sheet financial instruments, are shown without taking into account any collateral held or netting arrangements.

Analysis of Collateral

Whilst the Group's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Group's exposure.

The description of collateral for each class of financial asset is set out below.

Balances with central banks, government securities and treasury bills, due from banks and bank and corporate debt securities
Collateral is generally not sought for these assets.

Derivatives
The Group maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions. Please refer to Note 35 for the impact of netting arrangements recognised for the computation of Capital Adequacy Ratio (CAR).

Loans and advances to customers, contingent liabilities and commitments
Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties. Income-producing real estate, which is a sub-set of the Specialised Lending exposure, is fully secured by the underlying assets financed.

The extent to which credit exposures are covered by Basel-eligible collateral, besides real estate, after the application of the requisite regulatory hair-cuts, is shown in the Group's Pillar 3 Disclosures. The amounts are a sub-set of the actual collateral arrangements entered by the Group as Basel imposes strict legal and operational standards before collateral can be admitted as credit risk mitigants. As a result, certain collateral arrangements which do not meet its criteria will not be included. Certain collateral types which are not permitted as credit risk mitigants for credit exposures under the Standardised Approach are also excluded.

41.2 Loans and advances to customers

In $ millions	The Group 2020	2019
Loans and advances to customers		
Performing Loans		
- Neither past due nor impaired (i)	**369,783**	354,575
Pass	**365,354**	352,673
Special Mention	**4,429**	1,902
- Past due but not impaired (ii)	**1,928**	2,450
Non-Performing Loans		
- Impaired (iii)	**6,059**	5,402
Total gross loans	**377,770**	362,427

(i) Neither past due nor impaired loans by grading and industry

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice 612.

In $ millions	Pass	The Group Special Mention	Total
2020			
Manufacturing	**38,414**	**576**	**38,990**
Building and construction	**96,099**	**424**	**96,523**
Housing loans	**73,535**	**-**	**73,535**
General commerce	**38,876**	**690**	**39,566**
Transportation, storage and communications	**27,829**	**934**	**28,763**
Financial institutions, investment and holding companies	**28,094**	**161**	**28,255**
Professionals and private individuals (excluding housing loans)	**32,665**	**79**	**32,744**
Others	**29,842**	**1,565**	**31,407**
Total	**365,354**	**4,429**	**369,783**
2019			
Manufacturing	36,437	421	36,858
Building and construction	84,493	96	84,589
Housing loans	72,687	-	72,687
General commerce	44,288	404	44,692
Transportation, storage and communications	27,828	392	28,220
Financial institutions, investment and holding companies	24,344	152	24,496
Professionals and private individuals (excluding housing loans)	33,001	204	33,205
Others	29,595	233	29,828
Total	352,673	1,902	354,575

(ii) Past due but not impaired loans by past due period and industry

In $ millions	The Group Less than 30 days past due	30 to 59 days past due	60 to 90 days past due	Total
2020				
Manufacturing	**118**	**16**	**5**	**139**
Building and construction	**67**	**14**	**8**	**89**
Housing loans	**370**	**53**	**27**	**450**
General commerce	**115**	**12**	**5**	**132**
Transportation, storage and communications	**80**	**3**	**123**	**206**
Financial institutions, investment and holding companies	**99**	**-**	**48**	**147**
Professionals and private individuals (excluding housing loans)	**261**	**61**	**47**	**369**
Others	**73**	**36**	**287**	**396**
Total	**1,183**	**195**	**550**	**1,928**
2019				
Manufacturing	204	7	15	226
Building and construction	220	25	2	247
Housing loans	591	91	42	724
General commerce	333	47	6	386
Transportation, storage and communications	77	7	171	255
Financial institutions, investment and holding companies	87	12	-	99
Professionals and private individuals (excluding housing loans)	324	68	26	418
Others	79	13	3	95
Total	1,915	270	265	2,450

(iii) Non-performing assets (NPAs)

Non-performing assets by grading and industry

	The Group							
	NPAs				Specific allowances			
In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
2020								
Manufacturing	**308**	**326**	**39**	**673**	**58**	**172**	**39**	**269**
Building and construction	**242**	**12**	**98**	**352**	**28**	**12**	**98**	**138**
Housing loans	**194**	**17**	**11**	**222**	**-**	**-**	**11**	**11**
General commerce	**363**	**514**	**94**	**971**	**31**	**439**	**94**	**564**
Transportation, storage and communications	**1,346**	**400**	**902**	**2,648**	**145**	**322**	**902**	**1,369**
Financial institutions, investment and holding companies	**21**	**19**	**7**	**47**	**7**	**9**	**7**	**23**
Professional and private individuals (excluding housing loans)	**403**	**45**	**17**	**465**	**93**	**41**	**17**	**151**
Others	**388**	**256**	**37**	**681**	**15**	**115**	**37**	**167**
Total non-performing loans	**3,265**	**1,589**	**1,205**	**6,059**	**377**	**1,110**	**1,205**	**2,692**
Debt securities, contingent liabilities and others	**238**	**291**	**98**	**627**	**20**	**204**	**98**	**322**
Total	**3,503**	**1,880**	**1,303**	**6,686**	**397**	**1,314**	**1,303**	**3,014**
Of which: restructured assets	**918**	**438**	**207**	**1,563**	**220**	**253**	**207**	**680**
2019								
Manufacturing	214	291	46	551	49	201	46	296
Building and construction	193	24	91	308	30	19	91	140
Housing loans	173	10	12	195	1	2	8	11
General commerce	265	247	74	586	13	226	74	313
Transportation, storage and communications	1,827	425	847	3,099	241	258	847	1,346
Financial institutions, investment and holding companies	39	19	7	65	4	8	7	19
Professional and private individuals (excluding housing loans)	435	51	12	498	76	46	16	138
Others	64	14	22	100	14	6	22	42
Total non-performing loans	3,210	1,081	1,111	5,402	428	766	1,111	2,305
Debt securities, contingent liabilities and others	183	58	130	371	25	42	130	197
Total	3,393	1,139	1,241	5,773	453	808	1,241	2,502
Of which: restructured assets	660	339	432	1,431	99	184	432	715

Non-performing assets by geography[(a)]

In $ millions	The Group NPAs	The Group Specific allowances
2020		
Singapore	**3,624**	**1,681**
Hong Kong	**678**	**358**
Rest of Greater China	**381**	**82**
South and Southeast Asia	**1,092**	**511**
Rest of the World	**284**	**60**
Total non-performing loans	**6,059**	**2,692**
Debt securities, contingent liabilities and others	**627**	**322**
Total	**6,686**	**3,014**
2019		
Singapore	3,722	1,405
Hong Kong	492	279
Rest of Greater China	357	130
South and Southeast Asia	751	463
Rest of the World	80	28
Total non-performing loans	5,402	2,305
Debt securities, contingent liabilities and others	371	197
Total	5,773	2,502

(a) Based on the location of incorporation of the borrower

Non-performing assets by past due period

In $ millions	The Group 2020	The Group 2019
Not overdue	**1,148**	1,110
Within 90 days	**515**	589
Over 90 to 180 days	**384**	601
Over 180 days	**4,639**	3,473
Total past due assets	**5,538**	4,663
Total	**6,686**	5,773

Secured non-performing assets by collateral type

In $ millions	The Group 2020	The Group 2019
Properties	**1,373**	1,004
Shares and debentures	**143**	162
Cash deposits	**8**	8
Others	**1,598**	1,757
Total	**3,122**	2,931

41.3 Credit quality of Government securities and treasury bills and Bank and corporate debt securities

The table below presents an analysis of Government securities and treasury bills and bank and corporate debt securities for the Group by external rating bands.

	The Group		
Analysed by external ratings **In $ millions**	**Singapore Government securities and treasury bills (Gross)**	**Other government securities and treasury bills (Gross)**	**Bank and corporate debt securities (Gross)**
2020			
AAA	**13,608**	**5,986**	**19,953**
AA- to AA+	**-**	**11,097**	**4,541**
A- to A+	**-**	**14,257**	**9,061**
Lower than A-	**-**	**6,755**	**7,174**
Unrated	**-**	**-**	**13,427**
Total	**13,608**	**38,095**	**54,156**
2019			
AAA	13,650	10,303	20,272
AA- to AA+	-	11,474	4,545
A- to A+	-	8,987	5,773
Lower than A-	-	5,317	6,473
Unrated	-	-	16,788
Total	13,650	36,081	53,851

41.4 Credit risk by geography and industry

	The Group					
Analysed by geography[(a)] **In $ millions**	**Government securities and treasury bills (Gross)**	**Due from banks (Gross)**	**Derivatives**	**Bank and corporate debt securities (Gross)**	**Loans and advances to customers (Gross)**	**Total**
2020						
Singapore	**13,608**	**1,183**	**3,056**	**15,292**	**176,402**	**209,541**
Hong Kong	**3,872**	**2,333**	**1,763**	**1,212**	**59,093**	**68,273**
Rest of Greater China	**4,467**	**19,051**	**3,672**	**5,764**	**53,278**	**86,232**
South and Southeast Asia	**6,757**	**3,819**	**1,456**	**4,760**	**30,362**	**47,154**
Rest of the World	**22,999**	**24,434**	**21,169**	**27,128**	**58,635**	**154,365**
Total	**51,703**	**50,820**	**31,116**	**54,156**	**377,770**	**565,565**
2019						
Singapore	13,650	704	1,755	16,577	168,704	201,390
Hong Kong	4,185	523	800	1,512	55,062	62,082
Rest of Greater China	3,458	19,334	2,035	3,743	53,009	81,579
South and Southeast Asia	5,469	4,107	1,243	5,030	29,438	45,287
Rest of the World	22,969	14,639	11,417	26,989	56,214	132,228
Total	49,731	39,307	17,250	53,851	362,427	522,566

(a) Based on the location of incorporation of the issuer (for debt securities), counterparty (for derivatives), borrower (for loans) or the issuing bank in the case of bank backed export financing.

	The Group					
Analysed by industry **In $ millions**	**Government securities and treasury bills (Gross)**	**Due from banks (Gross)**	**Derivatives**	**Bank and corporate debt securities (Gross)**	**Loans and advances to customers (Gross)**	**Total**
2020						
Manufacturing	**-**	**-**	**494**	**3,136**	**39,802**	**43,432**
Building and construction	**-**	**-**	**1,363**	**5,400**	**96,964**	**103,727**
Housing loans	**-**	**-**	**-**	**-**	**74,207**	**74,207**
General commerce	**-**	**-**	**266**	**2,438**	**40,669**	**43,373**
Transportation, storage and communications	**-**	**-**	**754**	**3,688**	**31,617**	**36,059**
Financial institutions, Investment and holding companies	**-**	**50,820**	**26,380**	**25,657**	**28,449**	**131,306**
Government	**51,703**	**-**	**-**	**-**	**-**	**51,703**
Professionals and private individuals (excluding housing loans)	**-**	**-**	**528**	**-**	**33,578**	**34,106**
Others	**-**	**-**	**1,331**	**13,837**	**32,484**	**47,652**
Total	**51,703**	**50,820**	**31,116**	**54,156**	**377,770**	**565,565**
2019						
Manufacturing	-	-	308	2,459	37,635	40,402
Building and construction	-	-	492	5,710	85,144	91,346
Housing loans	-	-	-	-	73,606	73,606
General commerce	-	-	110	1,389	45,664	47,163
Transportation, storage and communications	-	-	343	4,537	31,574	36,454
Financial institutions, Investment and holding companies	-	39,307	14,580	23,502	24,660	102,049
Government	49,731	-	-	-	-	49,731
Professionals and private individuals (excluding housing loans)	-	-	459	-	34,121	34,580
Others	-	-	958	16,254	30,023	47,235
Total	49,731	39,307	17,250	53,851	362,427	522,566

42. Market Risk

The Group's exposure to market risk is categorised into:

- Trading portfolios: Arising from positions taken for (i) market-making, (ii) client facilitation, and (iii) benefiting from market opportunities.

- Non-trading portfolios: Arising from (i) positions taken to manage the interest rate risk of the Group's Institutional Banking and Consumer Banking assets and liabilities, (ii) debt securities and equities comprising investments held for yield and/ or long-term capital gains, (iii) strategic stakes in entities, and (iv) structural foreign exchange risk arising mainly from the Group's strategic investments, which are denominated in currencies other than the Singapore Dollar.

The Group uses a variety of financial derivatives such as swaps, forwards and futures, and options for trading and hedging against market movements.

Market Risk Management

The Group's approach to market risk management comprises the following building blocks:

- **Policies**
  The Group Market Risk Management Policy sets the Group's overall approach towards market risk management. This policy is supplemented with standards and guidelines, which facilitate the identification, measurement, control, monitoring and reporting of market risk in a consistent manner. They also set out the overall approach, requirements and controls governing market risk stress testing across the Group.

  The criteria for determining the positions to be included in the trading book are stipulated in the Trading Book Policy Statement.

- **Risk Methodologies**
  The Group utilises Value-at-Risk (VaR), a statistical risk measure, to estimate the potential loss from market movements. This measure uses historical simulation based on data for the previous 12 months. It assumes that historical changes in market values reflect the distribution of potential outcomes in the immediate future.

  The Group limits and monitors market risk exposures using Expected Shortfall (ES) that is VaR calculated with a one-day holding period and an expected tail-loss methodology which approximates a 97.5% confidence interval.

  The market risk economic capital that is allocated by the BRMC is linked to ES by a multiplier. ES is supplemented with risk control metrics such as sensitivities to risk factors and loss triggers for management action.

  The Group conducts backtesting to verify the predictiveness of the VaR model. Backtesting compares VaR calculated for positions at the close of each business day with the profit and loss (P&L) that arises from those positions on the following business day. The backtesting P&L excludes fees and commissions, revenues from intra-day trading, non-daily valuation adjustments and time effects.

  For backtesting, VaR at the 99% confidence interval and over a one-day holding period is used. The Group adopts the standardised approach to compute market risk regulatory capital under MAS Notice 637 for the trading book positions. As such, VaR backtesting does not impact the Group's regulatory capital for market risk.

  There are limitations to VaR models; for example, past changes in market risk factors may not provide accurate predictions of future market movements, and the risk arising from adverse market events may be understated.

  To monitor the Group's vulnerability to unexpected but plausible extreme market risk-related events, it conducts multiple market risk stress tests regularly. These cover trading and non-trading portfolios and follow a combination of historical and hypothetical scenarios depicting risk-factor movement.

  ES and Net Interest Income (NII) variability are the key risk metrics used to manage the Group's assets and liabilities. Credit risk arising from loans and receivables is managed under the credit risk management framework. Interest rate risk in the banking book (IRRBB) arises from mismatches in the interest rate profiles of assets, liabilities and capital instruments. Estimating IRRBB requires the use of behavioural models and assumptions on certain parameters such as loan prepayment, fixed deposits early redemption and the duration of the non-maturity deposits. The Group measures IRRBB on a weekly and monthly basis.

- **Processes, Systems and Reports**
  Robust internal control processes and systems have been designed and implemented to support the Group's market risk management approach. The Group reviews these control processes and systems regularly, and these reviews allow senior management to assess their effectiveness.

  The RMG Market and Liquidity Risk unit – an independent market risk management function reporting to the CRO – monitors, controls and analyses the Group's market risk daily. The unit comprises risk control, risk analytics, production and reporting teams.

Market Risk

The main risk factors driving the Group's trading portfolios in 2020 were interest rates, foreign exchange, equities and credit spreads. The following table shows the period-end, average, high and low diversified ES and ES by risk class for the Group's trading portfolios. This excludes the positions from LVB that was amalgamated with DBS India Ltd on 27 Nov 2020. Impact to DBS' trading book due to LVB's positions is assessed to be insignificant.

		The Group		
		1 Jan 2020 to 31 Dec 2020		
In $ millions	**As at 31 Dec 2020**	**Average**	**High**	**Low**
Diversified	**19**	**13**	**31**	**8**
Interest Rates	**12**	**14**	**27**	**7**
Foreign Exchange	**7**	**4**	**8**	**1**
Equity	**6**	**3**	**11**	**#**
Credit Spread	**14**	**14**	**18**	**5**
Commodity	**#**	**#**	**1**	**#**

		1 Jan 2019 to 31 Dec 2019		
In $ millions	**As at 31 Dec 2019**	**Average**	**High**	**Low**
Diversified	10	9	14	6
Interest Rates	11	9	16	6
Foreign Exchange	4	4	7	2
Equity	1	1	6	#
Credit Spread	5	6	9	4
Commodity	#	#	#	#

\# Amount under $500,000

The Group's trading portfolios experienced seven backtesting exceptions in 2020 and they occurred in February, March and June. The backtesting exceptions were largely due to large movements in US Dollar interest rates, credit spreads, equity volatilities brought about by the Covid-19 pandemic.

In 2020, the key market risk drivers of the Group's non-trading portfolios were interest rates (Singapore Dollar and US Dollar) and foreign exchange.

The Net Interest Income (NII) of the banking book is assessed under various rate scenarios to determine the impact of interest rate movements on future earnings. Simulating using a 100 basis points parallel upward or downward shift in yield curves on the Group's banking book exposures, NII is estimated to increase by $1,235 million and decrease by $1,045 million respectively. For NII simulation, LVB is excluded as the impact is estimated to be insignificant.

Foreign exchange risk in the Group's non-trading portfolios was primarily from structural foreign exchange positions, arising mainly from the Group's strategic investments and retained earnings in overseas branches and subsidiaries.

Please refer to Note 36.3 for more information on the Group's structural foreign exchange positions.

43. Liquidity Risk

The Group's liquidity risk arises from its obligations to honour withdrawals of deposits, repayments of borrowed funds at maturity, and its commitments to extend loans to its customers. The Group seeks to manage its liquidity to ensure that its liquidity obligations will continue to be honoured under normal as well as adverse circumstances.

Liquidity Risk Management

Liquidity Management and Funding Strategy
The Group strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The Group's funding strategy is anchored on the strength of its core deposit franchise and is augmented by its established long-term funding capabilities.

Growth in the regional franchise generates price, volume, currency and tenor mismatches between the Group's assets and liabilities. To this end, where practicable and transferable without loss in value, the Group makes appropriate use of the swap markets for relevant currencies, commensurate with the liquidity of each, in the conversion and deployment of surplus funds across locations.

As these swaps typically mature earlier than loans, the Group is exposed to potential cash flow mismatches arising from the risk that counterparties may not roll over maturing swaps to support the Group's ongoing funding needs. This risk is mitigated by triggers set on the number of swaps transacted with the market and by conservative assumptions on the cash flow behaviour of swaps under its cash flow maturity gap analysis.

In general, the term borrowing are managed centrally by the head office and in consultation with the Group's overseas locations, subject to relevant regulatory restrictions and to an appropriate level of presence and participation required by the respective local funding markets.

The Group Asset and Liability Committee and respective Location Asset and Liability Committees regularly review the composition and growth trajectories of the relevant balance sheets and refine the Group's funding strategy according to business momentum, competitive factors and prevailing market conditions.

Approach to Liquidity Risk Management
The Group's approach to liquidity risk management comprises the following building blocks:

- **Policies**
  The Group Liquidity Risk Management Policy sets its overall approach towards liquidity risk management and describes the range of strategies the Group employs to manage its liquidity.

  These strategies include maintaining an adequate counterbalancing capacity to address potential cash flow shortfalls and having diversified sources of liquidity.

  The Group's counterbalancing capacity includes liquid assets, the capacity to borrow from the money markets (including the issuance of commercial papers and covered bonds), and forms of managerial interventions that improve liquidity. In the event of a potential or actual crisis, the Group has in place a set of liquidity contingency and recovery plans to ensure that it maintains adequate liquidity.

  The Group Liquidity Risk Management Policy is supported by Standards that establish the detailed requirements for liquidity risk identification, measurement, reporting and control within the Group. The set of Policies, Standards and supporting Guides communicate these baseline requirements to ensure consistent application throughout the Group.

- **Risk Methodologies**
  The primary measure used to manage liquidity within the tolerance defined by the Board is cash flow maturity mismatch analysis.

  This form of analysis is performed on a regular basis under normal and adverse scenarios. It assesses the adequacy of the Group's counterbalancing capacity to fund or mitigate any cash flow shortfalls that may occur as forecasted in the cash flow movements across successive time bands. To ensure that liquidity is managed in line with the Group's Risk Appetite, core parameters such as the types of scenarios, the survival period and the minimum level of liquid assets, are pre-specified for monitoring and control on a group-wide basis. Any occurrences of forecasted shortfalls that cannot be covered by the Group's counterbalancing capacity will be escalated to the relevant committees for evaluation and action.

  Liquidity risk stress testing is performed regularly using cash flow maturity mismatch analysis, and covers adverse scenarios including general market and idiosyncratic stress scenarios. Stress tests assess the Group's vulnerability when liability run-offs increase, asset rollovers increase and/ or liquid asset buffers decrease. In addition, ad hoc stress tests are performed as part of the Group's recovery planning and ICAAP exercises.

  Liquidity risk control measures such as liquidity-related ratios and balance sheet analysis are complementary tools for cash flow maturity mismatch analysis, and they are performed regularly to obtain deeper insights and finer control over the Group's liquidity profile across different locations. The liquidity risk control measures also include concentration measures regarding top depositors, wholesale borrowing and swapped funds ratios.

- **Processes, systems and reports**
  Robust internal control processes and systems support the Group's overall approach in identifying, measuring, aggregating, controlling and monitoring liquidity risk across the Group. Continuous improvement in data and reporting

platforms has allowed most elements of internal liquidity risk reporting to be centralised.

The RMG Market and Liquidity Risk unit manages the day-to-day liquidity risk monitoring, control reporting and analysis.

Liquidity risk in 2020

The Group actively monitors and manages its liquidity profile through cash flow maturity mismatch analysis.

In forecasting cash flow under the analysis, behavioural profiling is necessary in cases where a product has indeterminate maturity or the contractual maturity does not realistically reflect the expected cash flow.

Two examples are maturity-indeterminate savings and current account deposits, which are generally viewed as sources of stable funding for commercial banks. In fact, they consistently exhibit stability even under historic periods of stress. A conservative view is adopted in the behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the contractual maturity profile shown under Note 43.1.

43.1 Contractual maturity profile of assets and liabilities

The table below analyses assets and liabilities of the Group as at 31 December based on the remaining period as at balance sheet date to the contractual maturity date.

The Group

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	No specific maturity	Total
2020									
Cash and balances with central banks	**19,214**	**11,620**	**17,494**	**1,719**	**571**	**-**	**-**	**-**	**50,618**
Government securities and treasury bills	**292**	**2,771**	**4,324**	**6,505**	**13,111**	**6,888**	**17,809**	**-**	**51,700**
Due from banks	**20,446**	**5,859**	**10,238**	**13,322**	**901**	**50**	**-**	**-**	**50,816**
Derivatives[(a)]	**31,116**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,116**
Bank and corporate securities	**-**	**570**	**2,648**	**8,453**	**19,985**	**10,071**	**12,382**	**11,347**	**65,456**
Loans and advances to customers	**30,105**	**57,867**	**37,890**	**51,681**	**77,472**	**46,539**	**69,617**	**-**	**371,171**
Other assets	**13,232**	**1,216**	**1,413**	**2,338**	**94**	**17**	**16**	**1,169**	**19,495**
Associates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**862**	**862**
Properties and other fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,338**	**3,338**
Goodwill and intangibles	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,323**	**5,323**
Due from holding company	**-**	**198**	**-**	**-**	**713**	**-**	**-**	**-**	**911**
Total assets	**114,405**	**80,101**	**74,007**	**84,018**	**112,847**	**63,565**	**99,824**	**22,039**	**650,806**
Due to banks	**16,780**	**6,423**	**2,350**	**237**	**2,430**	**-**	**-**	**-**	**28,220**
Deposits and balances from customers	**363,707**	**30,737**	**42,340**	**24,192**	**2,174**	**311**	**1,389**	**-**	**464,850**
Derivatives[(a)]	**33,088**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,088**
Other liabilities	**12,435**	**1,064**	**2,108**	**2,055**	**532**	**331**	**788**	**2,674**	**21,987**
Other debt securities	**1,801**	**4,208**	**11,341**	**13,264**	**2,269**	**2,191**	**2,637**	**1,518**	**39,229**
Due to holding company	**1,285**	**3**	**5**	**7**	**1,477**	**264**	**4,432**	**-**	**7,473**
Total liabilities	**429,096**	**42,435**	**58,144**	**39,755**	**8,882**	**3,097**	**9,246**	**4,192**	**594,847**
Non-controlling interests	-	-	-	-	-	-	-	**976**	**976**
Shareholders' funds	-	-	-	-	-	-	-	**54,983**	**54,983**
Total equity	-	-	-	-	-	-	-	**55,959**	**55,959**
2019									
Cash and balances with central banks	14,867	5,262	3,874	1,764	593	-	-	-	26,360
Government securities and treasury bills	960	3,280	4,551	4,790	8,695	10,365	17,088	-	49,729
Due from banks	15,353	3,033	4,972	14,838	481	409	214	-	39,300
Derivatives[(a)]	17,250	-	-	-	-	-	-	-	17,250
Bank and corporate securities	16	572	1,986	9,442	20,721	8,855	12,234	9,920	63,746
Loans and advances to customers	28,574	59,955	36,806	46,205	71,113	44,060	71,171	-	357,884
Other assets	8,723	1,256	1,759	2,374	111	33	18	1,149	15,423
Associates	-	-	-	-	-	-	-	835	835
Properties and other fixed assets	-	-	-	-	-	-	-	3,225	3,225
Goodwill and intangibles	-	-	-	-	-	-	-	5,170	5,170
Total assets	85,743	73,358	53,948	79,413	101,714	63,722	100,725	20,299	578,922
Due to banks	12,659	5,953	4,081	337	441	302	-	-	23,773
Deposits and balances from customers	269,142	47,108	55,002	30,501	1,434	156	946	-	404,289
Derivatives[(a)]	17,633	-	-	-	-	-	-	-	17,633
Other liabilities	9,496	1,518	2,390	2,550	480	321	884	3,204	20,843
Other debt securities	425	5,943	11,033	22,672	4,986	2,388	4,199	1,664	53,310
Due to holding company	1,119	-	7	14	-	-	4,823	-	5,963
Total liabilities	310,474	60,522	72,513	56,074	7,341	3,167	10,852	4,868	525,811
Non-controlling interests	-	-	-	-	-	-	-	960	960
Shareholders' funds	-	-	-	-	-	-	-	52,151	52,151
Total equity	-	-	-	-	-	-	-	53,111	53,111

(a) Derivative financial assets and liabilities are included in the "Less than 7 days" bucket as they are mainly held for trading. Please refer to the tables in Note 36 for the maturity profile of hedging derivatives

The above table includes disclosure of the contractual maturity of financial liabilities, which approximates the same analysis on an undiscounted basis, as total future interest payments are not material relative to the principal amounts. Assets and liabilities (including non-maturing savings/current deposits) are represented on a contractual basis or in a period when it can legally be withdrawn. The cash flows of assets and liabilities may behave differently from their contractual terms.

43.2 Contingent liabilities and commitments

The table below shows the Group's contingent liabilities and commitments based on the remaining period as at the balance sheet date to contractual expiry date.

	The Group				
In $ millions	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
2020					
Guarantees, letters of credit and other contingent liabilities	**29,316**	**-**	**-**	**-**	**29,316**
Undrawn credit commitments[(a)] and other facilities	**269,700**	**18,547**	**15,296**	**3,424**	**306,967**
Capital commitments	**14**	**1**	**-**	**-**	**15**
Total	**299,030**	**18,548**	**15,296**	**3,424**	**336,298**
2019					
Guarantees, letters of credit and other contingent liabilities	28,267	-	-	-	28,267
Undrawn credit commitments[(a)] and other facilities	264,138	14,845	16,066	2,852	297,901
Capital commitments	29	8	-	-	37
Total	292,434	14,853	16,066	2,852	326,205

(a) Includes commitments that are unconditionally cancellable at any time by the Group

The Group expects that not all of the contingent liabilities will be called upon and not all of the undrawn credit commitments will be drawn before expiry.

44. Operational Risk

Operational risk is inherent in the Group's business activities and may arise from inadequate or failed internal processes, people, systems, or from external events. The Group's objective is to keep operational risk at appropriate levels, taking into account the markets it operates in, the characteristics of the businesses as well as its economic and regulatory environment.

Operational Risk Management

The Group's approach to operational risk management comprises the following building blocks:

- **Policies**
  The Group Operational Risk Management (ORM) Policy sets its overall approach for managing operational risk in a structured, systematic and consistent manner.

  There are policies, standards, tools and programmes in place to govern ORM practices across the Group. These include corporate operational risk policies and standards that are owned by the respective corporate oversight and control functions. The key policies address risk areas relating to technology, compliance, fraud, money laundering, financing of terrorism and sanctions, new product, outsourcing and ecosystem partnership.

- **Risk Methodologies**
  The Group adopts the standardised approach to compute operational risk regulatory capital.

  To manage and control operational risk, the Group uses various tools, including risk and control self-assessment, operational risk event management and key risk indicator monitoring.

  The Group's three lines of defence adopt one common risk taxonomy, and a consistent risk assessment approach to managing operational risk. Risk and control self-assessment is conducted by each business or support unit to identify key operational risk and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues.

  Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact the Group's reputation, must be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward-looking manner.

  Additional methodologies are in place to address subject-specific risks, including, but not limited to, the following:

  Technology risk
  Information Technology (IT) risk is managed through an enterprise technology risk management approach. This covers risk identification, assessment, mitigation, monitoring and reporting. In addition, the appropriate governance, IT policies and standards, control processes and risk mitigation programmes are in place to support the risk management approach.

  Cyber security risk
  Cyber security risk is an important and continuous focus of the Group. The Group devotes significant attention and resources to protect and improve the security of its computer systems, software, networks and other technology assets. Similar to IT risk, cyber security risk is managed through the same enterprise risk management approach, which cuts across all lines of business. The Chief Information Security Officer (CISO) oversees the cyber security function and the one-stop competency centre for all cyber security related matters, such as operational risks and data protection risks.

  Compliance risk
  Compliance risk refers to the risk of the Group not being able to successfully conduct its business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and professional conduct applicable to the financial sector.

  This includes, in particular, laws and regulations applicable to the licensing and conducting of banking or other financial businesses, financial crime such as anti-money laundering (AML) and countering the financing of terrorism (CFT), fraud and bribery/ corruption. The Group maintains a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

  To counter financial crime and sanctions risks, the Group established minimum standards for the Group's business and support units to manage the Group's actual and/ or potential risk exposures. In addition, standards aimed to provide the end-to-end management for fraud and related issues at the unit and geographical levels, were implemented through the Fraud Management Programme.

  The Group also provides relevant training and implements assurance processes. The Group strongly believes in the need to promote a strong compliance culture as well, and this is developed through the leadership of its Board and senior management.

  New product, outsourcing and ecosystem partnership risks
  Each new product, service, outsourcing arrangement or ecosystem partnership is subject to a risk review and sign-off process, where relevant risks are identified and assessed. Variations of existing products or services and existing outsourcing arrangements and ecosystem partnerships are also subject to a similar process.

  Other mitigation programmes
  A robust business continuity management programme is in place to ensure that essential banking services can continue in the event of unforeseen events or business disruptions. This includes a crisis management plan to enable quick response to manage incidents. Exercises are conducted annually, simulating different scenarios to test business continuity plans and crisis management

protocol. The effectiveness of these exercises as well as the Group's business continuity readiness and its alignment to regulatory guidelines are communicated and attested by senior management to the BRMC annually.

To mitigate losses from specific risk events which are unexpected and significant, the Group purchases group-wide insurance policies under the Group Insurance Programme. These include policies relating to crime and professional indemnity, directors and officers liability, cyber risk, property damage and business interruption, general liability and terrorism.

- **Processes, Systems and Reports**
  Robust internal control processes and systems are integral to identifying, assessing, monitoring, managing and reporting operational risk.

  The Group's units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the various frameworks and policies. The RMG Operational Risk unit and other corporate oversight and control functions:
  - Oversee and monitor the effectiveness of operational risk management;
  - Assess key operational risk issues with the units; and
  - Report and/ or escalate key operational risks to risk committees with recommendations on appropriate risk mitigation strategies

  The Group has in place an integrated governance, risk and compliance system with aligned risk assessment methodology, common taxonomy and unified processes for the three lines of defence. In 2020, the Group implemented an operational risk landscape profile which provides the Board and senior management with an integrated view of the Group's operational risk profile periodically, across key operational risk areas and business lines.

45. Capital Management

The Board is responsible for setting the Group's capital management objective, which is to maintain a strong capital position consistent with regulatory requirements under the MAS Notice 637 and the expectations of various stakeholders, including customers, investors and rating agencies. The Board articulates this objective in the form of capital targets. This objective is pursued while delivering returns to shareholders and ensuring that adequate capital resources are available for business growth and investment opportunities as well as adverse situations, taking into consideration the Group's strategic plans and risk appetite.

The Group's capital management objective is implemented via a capital management and planning process that is overseen by the Capital Committee. The Chief Financial Officer chairs the Capital Committee. The Capital Committee receives regular updates on the Group's current and projected capital position. A key tool for capital planning is the annual Internal Capital Adequacy Assessment Process (ICAAP) through which the Group assesses its forecast capital supply and demand relative to regulatory requirements and internal capital targets. The ICAAP generally has a three-year horizon and covers various scenarios, including stress scenarios of differing scope and severity.

The Group is subject to and has complied with the capital adequacy requirements set out in the MAS Notice 637, which effects the Basel Committee on Banking Supervision's capital adequacy framework in Singapore, throughout the year. The Group's capital adequacy ratios as at 31 December 2020 have been subject to an external limited assurance review, pursuant to the MAS Notice 609 "Auditors' Reports and Additional Information to be submitted with Annual Accounts".

For more information, please refer to the Pillar 3 disclosures at the Group's website (https://www.dbs.com/investors/default.page).

46. Segment Reporting

46.1 Business segment reporting

The business segment results are prepared based on the Group's internal management reporting which reflects the organisation management structure. As the activities of the Group are highly integrated, internal allocation has been made in preparing the segment information.

Amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The Group's various business segments are described below.

Consumer Banking/ Wealth Management
Consumer Banking/ Wealth Management provides individual customers with a diverse range of banking and related financial services. The products and services available to customers include current and savings accounts, fixed deposits, loans and home finance, cards, payments, investment and insurance products.

Institutional Banking
Institutional Banking provides financial services and products to institutional clients including bank and non-bank financial institutions, government- linked companies, large corporates and small and medium-sized businesses. The business focuses on broadening and deepening customer relationships.
Products and services comprise the full range of credit facilities from short-term working capital financing to specialised lending. It also provides global transactional services such as cash management, trade finance and securities and fiduciary services, treasury and markets products, corporate finance and advisory banking as well as capital markets solutions.

Treasury Markets
Treasury Markets' activities primarily include structuring, market-making and trading across a broad range of treasury products.

Income from sale of treasury products offered to customers of Consumer Banking/Wealth Management and Institutional Banking is not reflected in the Treasury Markets segment, but in the respective customer segments.

Others
The Others segment encompasses the results of corporate decisions that are not attributed to business segments as well as the contribution of LVB as its activities have not been aligned with the Group's segment definitions. It includes earnings on capital deployed into high quality assets, earnings from non-core asset sales and certain other head office items such as centrally raised allowances. DBS Vickers and the Islamic Bank of Asia are also included in this segment.

The following table analyses the results, total assets and total liabilities of the Group by business segment.

	The Group				
In $ millions	**Consumer Banking/ Wealth Management**	**Institutional Banking**	**Treasury Markets**	**Others[a]**	**Total**
2020					
Net interest income	**3,339**	**3,995**	**840**	**927**	**9,101**
Net fee and commission income	**1,869**	**1,160**	**-**	**32**	**3,061**
Other non-interest income	**559**	**590**	**596**	**696**	**2,441**
Total income	**5,767**	**5,745**	**1,436**	**1,655**	**14,603**
Total expenses	**3,288**	**1,987**	**634**	**239**	**6,148**
Allowances for credit and other losses	**456**	**1,485**	**14**	**1,111**	**3,066**
Profit before tax	**2,023**	**2,273**	**788**	**305**	**5,389**
Income tax expense					**603**
Net profit attributable to shareholders					**4,754**
Total assets before goodwill and intangibles	**116,845**	**292,850**	**160,638**	**75,150**	**645,483**
Goodwill and intangibles					**5,323**
Total assets					**650,806**
Total liabilities	**253,893**	**223,598**	**66,593**	**50,763**	**594,847**
Capital expenditure	**108**	**26**	**19**	**394**	**547**
Depreciation	**47**	**10**	**3**	**588**	**648**

(a) Includes LVB balances

2019					
Net interest income	4,037	4,309	138	1,212	9,696
Net fee and commission income	1,790	1,225	-	38	3,053
Other non-interest income	472	539	794	51	1,856
Total income	6,299	6,073	932	1,301	14,605
Total expenses	3,280	2,015	614	339	6,248
Allowances for credit and other losses	242	327	(5)	139	703
Profit before tax	2,777	3,731	323	823	7,654
Income tax expense					1,153
Net profit attributable to shareholders					6,471
Total assets before goodwill and intangibles	117,088	278,336	105,538	72,790	573,752
Goodwill and intangibles					5,170
Total assets					578,922
Total liabilities	223,574	195,114	50,815	56,308	525,811
Capital expenditure	117	30	14	425	586
Depreciation	44	12	3	550	609

46.2 Geographical segment reporting

The performance by geography is classified based on the location in which income and assets are recorded; with head office items such as centrally raised allowances reflected in Singapore. Hong Kong comprises mainly DBS Bank (HK) Limited and DBS HK branch. Rest of Greater China comprises mainly DBS Bank (China) Ltd, DBS Bank (Taiwan) Ltd and DBS Taipei branch. South and Southeast Asia comprises mainly PT Bank DBS Indonesia, DBS Bank India Limited (including LVB balances post-amalgamation) and DBS Labuan branch. All results are prepared in accordance with SFRS(I).

In $ millions	The Group Singapore	Hong Kong	Rest of Greater China	South and Southeast Asia	Rest of the World	Total
2020						
Net interest income	**5,776**	**1,607**	**721**	**677**	**320**	**9,101**
Net fee and commission income	**1,938**	**661**	**188**	**205**	**69**	**3,061**
Other non-interest income	**1,656**	**266**	**200**	**219**	**100**	**2,441**
Total income	**9,370**	**2,534**	**1,109**	**1,101**	**489**	**14,603**
Total expenses	**3,594**	**1,059**	**738**	**646**	**111**	**6,148**
Allowances for credit and other losses	**2,074**	**332**	**179**	**308**	**173**	**3,066**
Profit before tax	**3,702**	**1,143**	**192**	**147**	**205**	**5,389**
Income tax expense	**320**	**180**	**21**	**43**	**39**	**603**
Net profit attributable to shareholders	**3,350**	**963**	**171**	**104**	**166**	**4,754**
Total assets before goodwill and intangibles	**425,595**	**99,406**	**55,734**	**25,371**	**39,377**	**645,483**
Goodwill and intangibles	**5,133**	**29**	**-**	**161**	**-**	**5,323**
Total assets	**430,728**	**99,435**	**55,734**	**25,532**	**39,377**	**650,806**
Non-current assets[(a)]	**2,682**	**723**	**323**	**446**	**26**	**4,200**
2019						
Net interest income	6,211	2,012	597	604	272	9,696
Net fee and commission income	1,901	667	194	227	64	3,053
Other non-interest income	1,135	250	267	138	66	1,856
Total income	9,247	2,929	1,058	969	402	14,605
Total expenses	3,628	1,109	740	667	104	6,248
Allowances for credit and other losses	225	102	49	292	35	703
Profit before tax	5,394	1,718	269	10	263	7,654
Income tax expense	694	290	59	33	77	1,153
Net profit attributable to shareholders	4,669	1,428	210	(22)	186	6,471
Total assets before goodwill and intangibles	375,296	91,608	50,292	21,690	34,866	573,752
Goodwill and intangibles	5,133	29	-	8	-	5,170
Total assets	380,429	91,637	50,292	21,698	34,866	578,922
Non-current assets[(a)]	2,650	751	331	318	10	4,060

(a) Includes investments in associates, properties and other fixed assets