DBS Group Holdings Ltd and its Subsidiaries

Consolidated income statement

for the year ended 31 December 2020

In $ millions	Note	2020	2019
Interest income		**12,208**	15,592
Interest expense		**3,132**	5,967
Net interest income	4	**9,076**	9,625
Net fee and commission income	5	**3,058**	3,052
Net trading income	6	**1,405**	1,459
Net income from investment securities	7	**963**	334
Other income	8	**90**	74
Non-interest income		**5,516**	4,919
Total income		**14,592**	14,544
Employee benefits	9	**3,550**	3,514
Other expenses	10	**2,608**	2,744
Total expenses		**6,158**	6,258
Profit before allowances		**8,434**	8,286
Allowances for credit and other losses	11	**3,066**	703
Profit before tax		**5,368**	7,583
Income tax expense	12	**612**	1,154
Net profit		**4,756**	6,429
Attributable to:			
Shareholders		**4,721**	6,391
Non-controlling interests		**35**	38
		4,756	6,429
Basic and diluted earnings per ordinary share ($)	13	**1.81**	2.46

(The notes on pages 122 to 181 as well as the Risk Management section on pages 76 to 94 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated statement of comprehensive income

for the year ended 31 December 2020

In $ millions	2020	2019
Net profit	**4,756**	6,429
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Translation differences for foreign operations	**(65)**	(175)
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	**1,215**	933
Transferred to income statement	**(636)**	(403)
Taxation relating to components of other comprehensive income	**(41)**	(58)
Items 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
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	**25**	(63)
Other comprehensive income, net of tax	**262**	371
Total comprehensive income	**5,018**	6,800
Attributable to:		
Shareholders	**4,983**	6,761
Non-controlling interests	**35**	39
	5,018	6,800

(The notes on pages 122 to 181 as well as the Risk Management section on pages 76 to 94 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Balance sheets

as at 31 December 2020

		The Group		The Company	
In $ millions	**Note**	**2020**	**2019**	**2020**	**2019**
Assets					
Cash and balances with central banks	15	**50,618**	26,362	**–**	–
Government securities and treasury bills	16	**51,700**	49,729	**–**	–
Due from banks		**50,867**	39,336	**51**	36
Derivatives	37	**31,108**	17,235	**184**	121
Bank and corporate securities	17	**65,456**	63,746	**–**	–
Loans and advances to customers	18	**371,171**	357,884	**–**	–
Other assets	20	**19,495**	15,424	**–**	–
Associates	23	**862**	835	**–**	–
Subsidiaries	22	**–**	-	**30,337**	27,409
Properties and other fixed assets	26	**3,338**	3,225	**–**	–
Goodwill and intangibles	27	**5,323**	5,170	**–**	–
Total assets		**649,938**	578,946	**30,572**	27,566
Liabilities					
Due to banks		**28,220**	23,773	**–**	–
Deposits and balances from customers	28	**464,850**	404,289	**–**	–
Derivatives	37	**32,904**	17,512	**12**	19
Other liabilities	29	**22,074**	20,907	**87**	96
Due to subsidiaries		**–**	–	**947**	–
Other debt securities	30	**43,277**	57,128	**4,048**	3,818
Subordinated term debts	31	**3,970**	3,538	**3,970**	3,538
Total liabilities		**595,295**	527,147	**9,064**	7,471
Net assets		**54,643**	51,799	**21,508**	20,095
Equity					
Share capital	32	**10,942**	10,948	**10,968**	10,961
Other equity instruments	33	**3,401**	2,009	**3,401**	2,009
Other reserves	34	**4,397**	4,102	**157**	173
Revenue reserves	34	**35,886**	33,922	**6,982**	6,952
Shareholders' funds		**54,626**	50,981	**21,508**	20,095
Non-controlling interests	35	**17**	818	**–**	–
Total equity		**54,643**	51,799	**21,508**	20,095

(The notes on pages 122 to 181 as well as the Risk Management section on pages 76 to 94 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Attributable to shareholders of the Company						
In $ millions	**Share capital**	**Other equity instruments**	**Other reserves**	**Revenue reserves**	**Shareholders' funds**	**Non-controlling interests**	**Total equity**
2020							
Balance at 1 January	**10,948**	**2,009**	**4,102**	**33,922**	**50,981**	**818**	**51,799**
Purchase of treasury shares	**(447)**	**–**	**–**	**–**	**(447)**	**–**	**(447)**
Draw-down of reserves upon vesting of performance shares	**162**	**–**	**(164)**	**–**	**(2)**	**–**	**(2)**
Issue of perpetual capital securities	**–**	**1,392**	**–**	**–**	**1,392**	**–**	**1,392**
Redemption of preference shares issued by a subsidiary	**–**	**–**	**–**	**(1)**	**(1)**	**(799)**	**(800)**
Cost of share-based payments	**–**	**–**	**131**	**–**	**131**	**–**	**131**
Issue of shares pursuant to Scrip Dividend Scheme	**279**	**–**	**–**	**(279)**	**–**	**–**	**–**
Dividends paid to shareholders[(a)]	**–**	**–**	**–**	**(2,411)**	**(2,411)**	**–**	**(2,411)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(38)**	**(38)**
Change in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Total comprehensive income	**–**	**–**	**328**	**4,655**	**4,983**	**35**	**5,018**
Balance at 31 December	**10,942**	**3,401**	**4,397**	**35,886**	**54,626**	**17**	**54,643**
2019							
Balance at 1 January	10,898	2,812	3,701	31,634	49,045	830	49,875
Impact of adopting SFRS(I) 16 on 1 January	–	–	–	(95)	(95)	–	(95)
Balance at 1 January after adoption of SFRS(I) 16	10,898	2,812	3,701	31,539	48,950	830	49,780
Purchase of treasury shares	(114)	–	–	–	(114)	–	(114)
Draw-down of reserves upon vesting of performance shares	164	–	(164)	–	–	–	–
Cost of share-based payments	–	–	120	–	120	–	120
Dividends paid to shareholders[(a)]	–	–	–	(3,931)	(3,931)	–	(3,931)
Dividends paid to non-controlling interests	–	–	–	–	–	(38)	(38)
Acquisition of non-controlling interests	–	–	–	–	–	(13)	(13)
Redemption of perpetual capital securities issued by the Company	–	(803)	–	(2)	(805)	–	(805)
Total comprehensive income	–	–	445	6,316	6,761	39	6,800
Balance at 31 December	10,948	2,009	4,102	33,922	50,981	818	51,799

(a) Includes distributions paid on capital securities classified as equity (2020: $100 million; 2019: $96 million)

(The notes on pages 122 to 181 as well as the Risk Management section on pages 76 to 94 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated cash flow statement

for the year ended 31 December 2020

In $ millions	2020	2019
Cash flows from operating activities		
Profit before tax	**5,368**	7,583
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)
Cost of share-based payments	**131**	120
Interest expense on subordinated term debts	**64**	76
Interest expense on lease liabilities	**28**	29
Profit before changes in operating assets and liabilities	**8,319**	8,762
Increase/ (Decrease) in:		
Due to banks	**4,246**	1,304
Deposits and balances from customers	**57,164**	10,908
Other liabilities	**16,160**	1,349
Other debt securities and borrowings	**(14,250)**	11,492
(Increase)/ Decrease in:		
Restricted balances with central banks	**(1,818)**	1,502
Government securities and treasury bills	**(379)**	(2,476)
Due from banks	**(11,465)**	678
Bank and corporate securities	**(1,340)**	(5,149)
Loans and advances to customers	**(13,460)**	(14,269)
Other assets	**(17,108)**	(2,280)
Tax paid	**(1,188)**	(635)
Net cash generated from operating activities (1)	**24,881**	11,186
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)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated cash flow statement

for the year ended 31 December 2020

In $ millions	2020	2019
Cash flows from financing activities		
Issue of perpetual capital securities	**1,392**	–
Interest paid on subordinated term debts	**(66)**	(76)
Redemption of preference shares issued by a subsidiary	**(800)**	–
Redemption of perpetual capital securities issued by the Company	**–**	(805)
Purchase of treasury shares	**(447)**	(114)
Dividends paid to non-controlling interests	**(38)**	(38)
Dividends paid to shareholders of the Company, net of scrip dividends [(a)]	**(2,411)**	(3,931)
Change in non-controlling interests	**1**	(13)
Net cash used in financing activities (3)	**(2,369)**	(4,977)
Exchange translation adjustments (4)	**170**	39
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**22,267**	5,714
Cash and cash equivalents at 1 January	**19,935**	14,221
Cash and cash equivalents at 31 December (Note 15)	**42,202**	19,935

(a) Includes distributions paid on capital securities classified as equity

(The notes on pages 122 to 181 as well as the Risk Management section on pages 76 to 94 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Notes to the financial statements

for the year ended 31 December 2020

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

The Company, DBS Group Holdings Ltd, 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.

The Company is listed on the Singapore Exchange.

The Company is an investment holding, treasury and funding vehicle for the group. Its main subsidiary is DBS Bank Ltd. (the Bank), which is wholly owned and engaged in a range of commercial banking and financial services, principally in Asia.

The financial statements relate to the Company 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 Company and the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). As permitted by Section 201(10)(b) of the Companies Act (the Act), the Company's income statement has not been included in these financial statements.

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 Company.

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 27 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 45 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 41.

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 19 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 Risk Management section 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 26 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 14 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 41 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 36. Upon a loan draw-down, the amount of the loan is generally recognised as "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.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid, including any directly attributable incremental cost is presented as a component within equity, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of the treasury shares is deducted against either the share capital account or retained earnings. When treasury shares are subsequently sold or reissued, any realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserves.

For ordinary and preference shares, interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

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 hedge**
  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 hedge**

  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 hedge**

  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 38 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 39.

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, with a corresponding adjustment to the share plan reserves.

A trust has been set up for each share plan. The employee trust funds are consolidated and the DBSH shares held by the trust funds are accounted for as "treasury shares", which is presented as a deduction within equity. The trust deeds for DBSH Share Plan and DBSH Employee Share Plan expired on 27 January 2021, following which the Company will directly undertake the administration of these Plans.

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 Risk Management section 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 41 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 27 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 21 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

In $ millions	The Group 2020	2019
Cash and balances with central banks and Due from banks	**645**	877
Customer non-trade loans	**8,062**	10,247
Trade assets	**1,017**	1,574
Securities and others	**2,484**	2,894
Total interest income	**12,208**	15,592
Deposits and balances from customers	**2,175**	4,129
Other borrowings	**957**	1,838
Total interest expense	**3,132**	5,967
Net interest income	**9,076**	9,625
Comprising:		
Interest income from financial assets at FVPL	**784**	846
Interest income from financial assets at FVOCI	**503**	726
Interest income from financial assets at amortised cost	**10,921**	14,020
Interest expense from financial liabilities at FVPL	**(229)**	(352)
Interest expense from financial liabilities not at FVPL[a]	**(2,903)**	(5,615)
Total	**9,076**	9,625

(a) Includes interest expense of $28 million (2019: $29 million) on lease liabilities

5. Net Fee and Commission Income

In $ millions	The Group 2020	2019
Brokerage	**149**	114
Investment banking	**148**	213
Transaction services[a]	**746**	760
Loan-related	**417**	407
Cards[b]	**641**	790
Wealth management	**1,432**	1,290
Fee and commission income	**3,533**	3,574
Less: fee and commission expense	**475**	522
Net fee and commission income[c]	**3,058**	3,052

(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), 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) during the year

6. Net Trading Income

In $ millions	The Group 2020	2019
Net trading income[a]		
– Foreign exchange	**852**	1,123
– Interest rates, credit, equities and others[b]	**1,226**	1,544
Net gain from financial assets designated at fair value	**8**	18
Net loss from financial liabilities designated at fair value	**(681)**	(1,226)
Total	**1,405**	1,459

(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)

7. Net Income from Investment Securities

In $ millions	The Group 2020	2019
Debt securities		
– FVOCI	**428**	143
– Amortised cost	**411**	62
Equity securities at FVOCI[a]	**124**	129
Total[b]	**963**	334
Of which: net gains transferred from FVOCI revaluation reserves	**476**	161

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

8. Other Income

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

(a) Includes share of profits or losses of associates, net gains and losses from sale of loans carried at amortised cost and rental income from operating leases

9. Employee Benefits

In $ millions	The Group 2020	2019
Salaries and bonuses[a]	**2,890**	2,897
Contributions to defined contribution plans	**181**	177
Share-based expenses	**128**	119
Others	**351**	321
Total	**3,550**	3,514

(a) 2020 includes $172 million of government grants recognised (deducted against salaries and bonuses)

10. Other Expenses

In $ millions	The Group 2020	2019
Computerisation expenses[(a)]	**1,093**	1,062
Occupancy expenses[(b)]	**452**	452
Revenue-related expenses	**334**	353
Others[(c)]	**729**	877
Total	**2,608**	2,744

(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) and amounts incurred in the maintenance of buildings
(c) Includes office administration expenses (e.g. printing, stationery, telecommunications, etc.), and legal and professional fees

In $ millions	The Group 2020	2019
Depreciation expenses		
– owned properties and other fixed assets	**415**	376
– leased properties and other fixed assets	**233**	233
Hire and maintenance costs of fixed assets, including building-related expenses	**397**	371
Expenses on investment properties	**#**	#
Audit fees[(a)] payable to external auditors[(b)]:		
– Auditors of the Company	**4**	4
– Associated firms of auditors of the Company	**5**	4
Non-audit related fees payable to external auditors[(b)]:		
– Auditors of the Company	**1**	1
– Associated firms of auditors of the Company	**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	2019
Specific allowances[(a)(b)]		
Loans and advances to customers (Note 18)	**1,174**	698
Investment securities (amortised cost)	**–**	(2)
Properties and other fixed assets	**–**	(3)
Off-balance sheet credit exposures	**39**	44
Others	**140**	24
General allowances[(c)]	**1,713**	(58)
Total	**3,066**	703

(a) Includes Stage 3 ECL
(b) Includes allowances for non-credit exposures (2020: charge of $3 million; 2019: write-back of $1 million)
(c) Refers to Stage 1 and 2 ECL

The table below shows the movements in specific and general allowances during the year for 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
	The Group					
2020						
Specific allowances						
Loans and advances to customers (Note 18)	**2,305**	**1,174**	**(746)**	**–**	**(41)**	**2,692**
Investment securities	**15**	**–**	**–**	**–**	**#**	**15**
Properties and other fixed assets	**19**	**–**	**–**	**–**	**#**	**19**
Off-balance sheet credit exposures	**111**	**39**	**–**	**–**	**(54)**	**96**
Others	**80**	**140**	**(36)**	**–**	**35**	**219**
Total specific allowances	**2,530**	**1,353**	**(782)**	**–**	**(60)**	**3,041**
Total general allowances for credit losses	**2,511**	**1,713**	**–**	**96**	**(8)**	**4,312**
Total allowances	**5,041**	**3,066**	**(782)**	**96**	**(68)**	**7,353**
2019						
Specific allowances						
Loans and advances to customers (Note 18)	2,440	698	(841)	–	8	2,305
Investment securities	18	(2)	(1)	–	#	15
Properties and other fixed assets	24	(3)	(2)	–	#	19
Off-balance sheet credit exposures	103	44	–	–	(36)	111
Others	63	24	(30)	–	23	80
Total specific allowances	2,648	761	(874)	–	(5)	2,530
Total general allowances for credit losses	2,569	(58)	–	–	#	2,511
Total allowances	5,217	703	(874)	–	(5)	5,041

 # Amount under $500,000

The following tables outline 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)	
In $ millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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	**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 in the income statement	(34)	(24)	762	704

(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**	**Stage 3**	**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]	**105,810**	**120**	**226**	**106,156**	**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	264	97	153	514
– Wholesale and others	224,933	17,610	4,702	247,245	670	1,207	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]	67,296	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 at 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

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	2019
Current tax expense		
– Current year	**730**	1,131
– Prior years' provision	**3**	(17)
Deferred tax expense		
– Prior years' provision	**3**	(4)
– (Reversal)/ Origination of temporary differences	**(124)**	44
Total	**612**	1,154

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

In $ millions	The Group 2020	2019
Accelerated tax depreciation	**4**	#
Allowances for credit and other losses	**(106)**	(4)
Other temporary differences	**(19)**	44
Deferred tax expense charged to income statement	**(121)**	40

\# *Amount under $500,000*

The tax on the Group'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	2019
Profit before tax	**5,368**	7,583
Prima facie tax calculated at a tax rate of 17% (2019: 17%)	**913**	1,289
Effect of different tax rates in other countries	**19**	20
Effect of change in country's tax rate[(a)]	**11**	38
Net income not subject to tax	**(111)**	(52)
Net income taxed at concessionary rate	**(287)**	(239)
Expenses not deductible for tax	**13**	31
Others	**54**	67
Income tax expense charged to income statement	**612**	1,154

(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 $31 million was debited (2019: $65 million debited) and own credit risk of $2 million was debited (2019: $3 million credited) directly to equity.

Please refer to Note 21 for further information on deferred tax assets/ liabilities.

13. Earnings Per Ordinary Share

Number of shares ('000)		The Group 2020	2019
Weighted average number of ordinary shares in issue (basic and diluted)	(a)	**2,543,231**	2,555,616

In $ millions		The Group 2020	2019
Profit attributable to shareholders		**4,721**	6,391
Less: Dividends on other equity instruments		**(115)**	(92)
Adjusted profit	(b)	**4,606**	6,299

Earnings per ordinary share ($)			
Basic and diluted	(b)/ (a)	**1.81**	2.46

14. Classification of Financial Instruments

In $ millions	Mandatorily at FVPL[c]	FVPL designated	Amortised cost	The Group 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**	**–**	**38,288**	**1,247**	**–**	**–**	**50,867**
Derivatives	**30,576**	**–**	**–**	**–**	**–**	**532**	**31,108**
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**
Total financial assets	**73,671**	**395**	**521,705**	**41,134**	**2,354**	**532**	**639,791**
Other asset items outside the scope of SFRS(I) 9[a]							**10,147**
Total assets							**649,938**
Liabilities							
Due to banks	**1,823**	**–**	**26,397**	**–**	**–**	**–**	**28,220**
Deposits and balances from customers	**–**	**623**	**464,227**	**–**	**–**	**–**	**464,850**
Derivatives	**31,561**	**–**	**–**	**–**	**–**	**1,343**	**32,904**
Other financial liabilities	**1,525**	**–**	**19,699**	**–**	**–**	**–**	**21,224**
Other debt securities	**203**	**8,130**	**34,944**	**–**	**–**	**–**	**43,277**
Subordinated term debts	**–**	**–**	**3,970**	**–**	**–**	**–**	**3,970**
Total financial liabilities	**35,112**	**8,753**	**549,237**	**–**	**–**	**1,343**	**594,445**
Other liability items outside the scope of SFRS(I) 9[b]							**850**
Total liabilities							**595,295**
2019							
Assets							
Cash and balances with central banks	501	–	22,562	3,299	–	–	26,362
Government securities and treasury bills[d]	9,942	–	20,039	19,748	–	–	49,729
Due from banks	10,719	–	27,662	955	–	–	39,336
Derivatives	16,803	–	–	–	–	432	17,235
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	–	–	15,111	–	–	–	15,111
Total financial assets	54,316	354	477,411	34,594	2,296	432	569,403
Other asset items outside the scope of SFRS(I) 9[a]							9,543
Total assets							578,946
Liabilities							
Due to banks	1,708	–	22,065	–	–	–	23,773
Deposits and balances from customers	–	1,281	403,008	–	–	–	404,289
Derivatives	16,924	–	–	–	–	588	17,512
Other financial liabilities	1,435	–	18,130	–	–	–	19,565
Other debt securities	222	9,498	47,408	–	–	–	57,128
Subordinated term debts	–	–	3,538	–	–	–	3,538
Total financial liabilities	20,289	10,779	494,149	–	–	588	525,805
Other liability items outside the scope of SFRS(I) 9[b]							1,342
Total liabilities							527,147

(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

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 (2019: $28 million) were set off against “Deposits and balances from customers” of $24 million (2019: $28 million) 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.

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 balance sheet 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		
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	**31,108**	**9,503**[(a)]	**21,605**	**19,623**[(a)]	**1,156**	**826**
Reverse repurchase agreements	**17,809**[(b)]	**–**	**17,809**	**–**	**17,807**	**2**
Securities borrowings	**570**[(c)]	**–**	**570**	**–**	**550**	**20**
Total	**49,487**	**9,503**	**39,984**	**19,623**	**19,513**	**848**
Financial Liabilities						
Derivatives	**32,904**	**7,674**[(a)]	**25,230**	**19,623**[(a)]	**4,648**	**959**
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	**42,636**	**9,012**	**33,624**	**19,623**	**13,035**	**966**
2019						
Financial Assets						
Derivatives	17,235	4,940[(a)]	12,295	10,811[(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	26,050	5,172	20,878	10,811	9,373	694
Financial Liabilities						
Derivatives	17,512	4,838[(a)]	12,674	10,811[(a)]	1,469	394
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	25,250	6,491	18,759	10,811	7,538	410

(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

15. Cash and Balances with Central Banks

In $ millions	The Group 2020	2019
Cash on hand	**2,411**	2,303
Non-restricted balances with central banks	**39,791**	17,632
Cash and cash equivalents	**42,202**	19,935
Restricted balances with central banks[a]	**8,416**	6,427
Total[b][c]	**50,618**	26,362

(a) Mandatory balances with central banks
(b) Includes financial assets (certificates of deposit) pledged or transferred of $542 million (2019: $516 million) (See Note 19)
(c) Balances are net of ECL

16. 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 19)
(b) Includes financial assets pledged or transferred of $8,642 million (2019: $8,206 million) (See Note 19)
(c) ECL for FVOCI securities amounting to $6 million (2019: $1 million) are not shown in the table, as these securities are recorded at fair value

17. Bank and Corporate Securities

In $ millions	The Group 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 19)
(b) Includes financial assets pledged or transferred of nil (2019: $274 million) (See Note 19)
(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

18. Loans and Advances to Customers

In $ millions	The Group 2020	2019
Gross	**377,770**	362,427
Less: Specific allowances[a]	**2,692**	2,305
General allowances[a]	**3,907**	2,238
Net total	**371,171**	357,884
Analysed by product		
Long-term loans	**177,174**	162,265
Short-term facilities	**88,472**	82,374
Housing loans	**74,207**	73,606
Trade loans	**37,917**	44,182
Gross loans	**377,770**	362,427
Analysed by currency		
Singapore dollar	**151,110**	144,878
Hong Kong dollar	**42,289**	44,310
US dollar	**105,656**	108,106
Chinese yuan	**16,824**	14,019
Others	**61,891**	51,114
Gross loans	**377,770**	362,427

(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 42.4 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.

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
	The Group					
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*

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

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

19. 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 or 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 and 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), 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	
In $ millions	**2020**	**2019**
Financial assets pledged or transferred		
Singapore Government securities and treasury bills	**1,360**	803
Other government securities and treasury bills	**8,642**	8,206
Bank and corporate debt securities	**3,305**	1,395
Equity securities	**–**	274
Certificates of deposit	**542**	516
Total	**13,849**	11,194

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 22.2 and 30.4). 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). 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 both amounted to $350 million (2019: $354 million).

20. Other Assets

In $ millions	The Group 2020	2019
Accrued interest receivable	**1,310**	1,567
Deposits and prepayments	**643**	532
Receivables from securities business	**602**	409
Sundry debtors and others	**10,645**	9,263
Cash collateral pledged[(a)]	**5,671**	3,340
Deferred tax assets (Note 21)	**624**	313
Total[(b)]	**19,495**	15,424

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

21. 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 20) and "Other liabilities" (Note 29) respectively.

Deferred tax assets and liabilities comprise the following temporary differences:

In $ millions	The Group 2020	2019
Deferred income tax assets		
Allowances for credit and other losses	**518**	234
FVOCI financial assets and others	**12**	1
Own credit risk	**1**	3
Other temporary differences	**287**	237
Total	**818**	475
Amounts offset against deferred tax liabilities	**(194)**	(162)
	624	313
Deferred income tax liabilities		
Allowances for credit and other losses[(a)]	**35**	90
Accelerated tax depreciation	**138**	134
FVOCI financial assets and others	**81**	39
Other temporary differences	**50**	99
Total	**304**	362
Amounts offset against deferred tax assets	**(194)**	(162)
	110	200
Net deferred tax assets	**514**	113

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

22. Subsidiaries and Consolidated Structured Entities

In $ millions	The Company 2020	2019
Investment in subsidiaries[(a)]		
Ordinary shares	**17,682**	17,682
Additional Tier 1 instruments	**4,812**	3,409
Other equity instruments	**344**	344
	22,838	21,435
Due from subsidiaries		
Subordinated term debts	**5,411**	4,824
Other debt securities	**763**	–
Other receivables	**1,325**	1,150
	7,499	5,974
Total	**30,337**	27,409

(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

22.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below.

Name of subsidiary	Incorporated in	The Group Effective shareholding % 2020	2019
Commercial Banking			
DBS Bank Ltd.	Singapore	**100**	100
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 Company 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 35 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 2019.

Lakshmi Vilas Bank (LVB) was amalgamated with DBS Bank India Limited (DBIL) with effect from 27 November 2020. Please refer to Note 25 for more details.

22.2 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 30.4). As part of the contractual structures that are integral to this programme, the Bank provides funding and hedging facilities to it.

23. 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

The Group's share of income and expenses, assets and liabilities and off-balance sheet items of the associates at 31 December 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

23.1 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.

24. 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 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	
In $ millions	**2020**	**2019**
Derivatives	**142**	11
Corporate debt securities	**3,627**	3,045
Loans and advances to customers	**14**	40
Other assets	**3**	2
Total assets	**3,786**	3,098
Commitments	**306**	376
Maximum Exposure to Loss	**4,092**	3,474
Derivatives	**10**	68
Total liabilities	**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.

25. Acquisition

Lakshmi Vilas Bank (LVB) 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.

26. Properties and Other Fixed Assets

		The Group	
In $ millions	**Note**	**2020**	**2019**
Owned properties and other fixed assets	26.1	**1,779**	1,631
Leased properties and other fixed assets[(a)]	26.2	**1,559**	1,594
Total		**3,338**	3,225

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

26.1 Owned properties and other fixed assets

In $ millions	Investment properties	Owner-occupied properties	Software	Other fixed assets[(a)]	Subtotal of owner-occupied properties, software and other fixed assets	Total
			The Group			
	(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)	(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*

Against the net book value of $471 million (2019: $431 million) for all properties as at 31 December 2020, the total market value was $1,773 million (2019: $1,914 million), of which investment properties accounted for $229 million (2019: $164 million). 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.

26.2 Leased properties and other fixed assets

	The Group		
In $ millions	Properties	Other fixed assets	Total
2020			
Balance at 1 January	**1,489**	**105**	**1,594**
Balance at 31 December[(a)]	**1,425**	**134**	**1,559**
Additions of right-of-use assets during the year	**26**	**18**	**44**
Depreciation charge for the year	**202**	**31**	**233**
2019			
Balance at 1 January	1,680	110	1,790
Balance at 31 December	1,489	105	1,594
Additions of right-of-use assets during the year	68	23	91
Depreciation charge for the year	204	29	233

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

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

26.3 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:

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

27. Goodwill and Intangibles

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

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

(a) 2020 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.

28. Deposits and Balances from Customers

In $ millions	The Group 2020	The Group 2019
Analysed by currency		
Singapore dollar	**204,469**	162,509
US dollar	**152,799**	140,769
Hong Kong dollar	**38,924**	37,078
Chinese yuan	**16,182**	13,257
Others	**52,476**	50,676
Total	**464,850**	404,289
Analysed by product		
Savings accounts	**195,802**	157,343
Current accounts	**142,029**	81,014
Fixed deposits	**123,583**	162,693
Other deposits	**3,436**	3,239
Total	**464,850**	404,289

29. Other Liabilities

In $ millions	The Group 2020	The Group 2019
Cash collateral received[(a)]	**2,976**	2,014
Accrued interest payable	**396**	820
Provision for loss in respect of off-balance sheet credit exposures	**410**	327
Payables in respect of securities business	**487**	351
Sundry creditors and others[(b)]	**13,726**	12,880
Lease liabilities[(c)]	**1,704**	1,738
Current tax liabilities	**740**	1,142
Short sale of securities	**1,525**	1,435
Deferred tax liabilities (Note 21)	**110**	200
Total	**22,074**	20,907

(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) 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) of the Manulife income received in advance was recognised as fee income during the year
(c) Total lease payments made during the year amounted to $258 million (2019: $249 million)

30. Other Debt Securities

In $ millions	Note	The Group 2020	The Group 2019	The Company 2020	The Company 2019
Negotiable certificates of deposit	30.1	**3,738**	4,562	**–**	–
Senior medium term notes	30.2	**5,506**	11,734	**3,454**	3,818
Commercial papers	30.3	**21,345**	25,914	**594**	–
Covered bonds	30.4	**4,545**	5,206	**–**	–
Other debt securities	30.5	**8,143**	9,712	**–**	–
Total		**43,277**	57,128	**4,048**	3,818
Due within 1 year		**31,920**	41,174	**1,306**	1,102
Due after 1 year[(a)]		**11,357**	15,954	**2,742**	2,716
Total		**43,277**	57,128	**4,048**	3,818

(a) Includes instruments in perpetuity

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

In $ millions		The Group	
Currency	**Interest Rate and Interest Frequency**	**2020**	**2019**
Issued by the Bank and other subsidiaries			
AUD	0.03% to 1.27%, payable on maturity	**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	3.80% 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

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 2019) and mature between 4 January 2021 and 25 June 2021 (2019: 3 January 2020 and 16 March 2021).

30.2 Senior medium term notes issued and outstanding as at 31 December are as follows:

In $ millions		The Group		The Company	
Currency	**Interest Rate and Interest Frequency**	**2020**	**2019**	**2020**	**2019**
Issued by the Company					
AUD	0.85%, payable semi-annually	**305**	–	**305**	–
AUD	Floating rate note, payable quarterly	**458**	–	**458**	–
HKD	1.87% to 2.8%, payable annually	**157**	247	**157**	247
SGD	2.78%, payable semi-annually	**481**	487	**481**	487
USD	2.85% to 3.422%, payable semi-annually	**1,161**	1,165	**1,161**	1,165
USD	Floating rate note, payable quarterly	**892**	1,919	**892**	1,919
Issued by the Bank and other subsidiaries					
AUD	Floating rate note, payable quarterly	**1,425**	1,604	**–**	–
GBP	Floating rate note, payable quarterly	**–**	4,352	**–**	–
CNY	4.55%, payable annually	**607**	579	**–**	–
SGD	Floating rate note, payable quarterly	**20**	–	**–**	–
USD	3.12%, payable semi-annually	**–**	135	**–**	–
USD	Floating rate note, payable quarterly	**–**	1,246	**–**	–
Total		**5,506**	11,734	**3,454**	3,818

The outstanding senior medium term notes as at 31 December 2020 were issued between 11 January 2016 and 17 July 2020 (2019: 14 January 2015 and 23 December 2019) and mature between 11 January 2021 and 24 January 2024 (2019: 14 January 2020 and 24 January 2024).

30.3 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 and by the Company under its USD 5 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 September 2021 (2019: 3 January 2020 and 20 August 2020).

30.4 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. Please refer to Note 19 for further details on the covered bonds.

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).

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

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

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).

31. Subordinated Term Debts

The following subordinated term debts issued by the Company are classified as liabilities. These term debt instruments have a junior or lower priority claim on the issuing entity's assets in the event of a default or liquidation.

The subordinated term debts issued by the Company include provisions for them to be written-off if and when the Monetary Authority of Singapore notifies the Company that a write-off of the instruments, or a public sector injection of capital (or equivalent support), is necessary, without which the Company or the Group would become non-viable. These instruments qualify as Tier 2 capital under the Monetary Authority of Singapore Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore (MAS Notice 637), on the basis that the Company is subject to the application of MAS Notice 637.

In $ millions	Note	Issue Date	Maturity Date	Interest Payment	The Group and The Company 2020	2019
Issued by the Company						
S$250m 3.80% Subordinated Notes due 2028 Callable in 2023	31.1	20 Jan 2016	20 Jan 2028	Jan/ Jul	**263**	260
JPY10,000m 0.918% Subordinated Notes due 2026	31.2	8 Mar 2016	8 Mar 2026	Mar/ Sep	**129**	125
HK$1,500m 3.24% Subordinated Notes due 2026 Callable in 2021	31.3	19 Apr 2016	19 Apr 2026	Jan/ Apr/ Jul/ Oct	**257**	257
AUD750m 3-month BBSW+1.58% Subordinated Notes due 2028 Callable in 2023	31.4	16 Mar 2018	16 Mar 2028	Mar/ Jun/ Sep/ Dec	**763**	708
EUR600m 1.50% Subordinated Notes due 2028 Callable in 2023	31.5	11 Apr 2018	11 Apr 2028	Apr	**974**	904
CNH950m 5.25% Subordinated Notes due 2028 Callable in 2023	31.6	15 May 2018	15 May 2028	May/ Nov	**193**	183
US$750m 4.52% Subordinated Notes due 2028 Callable in 2023	31.7	11 Jun 2018	11 Dec 2028	Jun/ Dec	**992**	1,010
JPY7,300m 0.85% Subordinated Notes due 2028 Callable in 2023	31.8	25 Jun 2018	25 Jun 2028	Jun/ Dec	**94**	91
AUD300m 3-month BBSW+1.90% Subordinated Notes due 2031 Callable in 2026	31.9	8 Oct 2020	8 Apr 2031	Jan/ Apr/ Jul/ Oct	**305**	–
Total					**3,970**	3,538
Due within 1 year					**–**	–
Due after 1 year					**3,970**	3,538
Total					**3,970**	3,538

31.1 Interest on the notes is payable at 3.80% per annum up to 20 January 2023. Thereafter, the interest rate resets to the then-prevailing five-year Singapore Dollar Swap Offer Rate plus 1.10% per annum. Interest is paid semi-annually on 20 January and 20 July each year. The notes are redeemable on 20 January 2023 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate.

31.2 Interest on the notes is payable semi-annually at 0.918% per annum on 8 March and 8 September each year. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate.

31.3 Interest on the notes is payable at 3.24% per annum up to 19 April 2021. Thereafter, the interest rate resets to the then-prevailing five-year Hong Kong Dollar Swap Rate plus 1.90% per annum. Interest is paid quarterly on 19 January, 19 April, 19 July and 19 October each year. The notes are redeemable on 19 April 2021 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the three-month Hong Kong Interbank Offered Rate.

31.4 Interest on the notes is payable quarterly at 3-month Bank Bill Swap Rate (BBSW) plus 1.58% per annum on 16 March, 16 June, 16 September and 16 December each year. The notes are redeemable on 16 March 2023 or on any interest payment date thereafter.

31.5 Interest on the notes is payable at 1.50% per annum up to 11 April 2023. Thereafter, the interest rate resets to the then-prevailing five-year Euro Mid-Swap Rate plus 1.20% per annum. Interest is paid annually on 11 April each year. The notes are redeemable on 11 April 2023 or on any interest payment date thereafter.

31.6 Interest on the notes is payable semi-annually at 5.25% per annum on 15 May and 15 November each year. The notes are redeemable on 15 May 2023 or on any interest payment date thereafter.

31.7 Interest on the notes is payable at 4.52% per annum up to 11 December 2023. Thereafter, the interest rate resets to the then-prevailing five-year US Dollar Mid-Swap Rate plus 1.59% per annum. Interest is paid semi-annually on 11 June and 11 December each year. The notes are redeemable on 11 December 2023 or on any interest payment date thereafter.

31.8 Interest on the notes is payable at 0.85% per annum up to 25 June 2023. Thereafter, the interest rate resets to the then-prevailing six-month JPY London Interbank Offered Rate plus 0.74375% per annum. Interest is paid semi-annually on 25 June and 25 December each year. The notes are redeemable on 25 June 2023 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the three-month JPY London Interbank Offered Rate.

31.9 Interest on the notes is payable quarterly at 3-month Bank Bill Swap Rate (BBSW) plus 1.90% per annum on 8 January, 8 April, 8 July and 8 October each year. The notes are redeemable on 8 April 2026 or on any interest payment date thereafter.

For more information on each instrument, please refer to the "Capital Disclosures" section (unaudited) at the Group's website (https://www.dbs.com/investors/fixed-income/capital-instruments).

32. Share Capital

The Group announced in February 2019 that it was suspending the Scrip Dividend Scheme ("Scheme") but the Scheme was re-introduced again in 2020. As such, the Scheme was applied to the 2020 dividends but not the 2019 dividends.

As at 31 December 2020, the number of treasury shares held by the Group is 25,874,461 (2019: 10,330,656), which is 1.01% (2019: 0.40%) of the total number of issued shares net of treasury shares.

Movements in the number of shares and carrying amount of share capital are as follows:

	The Group				The Company			
	Shares ('000)		In $ millions		Shares ('000)		In $ millions	
	2020	2019	2020	2019	2020	2019	2020	2019
Ordinary shares								
Balance at 1 January	**2,563,936**	2,563,936	**11,205**	11,205	**2,563,936**	2,563,936	**11,205**	11,205
Shares issued pursuant to Scrip Dividend Scheme	**11,928**	–	**279**	–	**11,928**	–	**279**	–
Balance at 31 December	**2,575,864**	2,563,936	**11,484**	11,205	**2,575,864**	2,563,936	**11,484**	11,205
Treasury shares								
Balance at 1 January	**(10,331)**	(12,436)	**(257)**	(307)	**(9,815)**	(12,321)	**(244)**	(305)
Purchase of treasury shares	**(22,105)**	(4,554)	**(447)**	(114)	**(21,400)**	(4,150)	**(431)**	(104)
Draw-down of reserves upon vesting of performance shares	**6,562**	6,659	**162**	164	**–**	–	**–**	–
Transfer of treasury shares	**–**	–	**–**	–	**6,419**	6,656	**159**	165
Balance at 31 December	**(25,874)**	(10,331)	**(542)**	(257)	**(24,796)**	(9,815)	**(516)**	(244)
Issued share capital at 31 December			**10,942**	10,948			**10,968**	10,961

33. Other Equity Instruments

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

In $ millions	Note	Issue Date	Distribution Payment	The Group and The Company 2020	2019
Issued by the Company					
US$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	33.1	7 Sep 2016	Mar/ Sep	**1,009**	1,009
S$1,000m 3.98% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2025	33.2	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	33.3	27 Feb 2020	Feb/ Aug	**1,392**	–
Total				**3,401**	2,009

33.1 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 Company. The capital securities are redeemable on 7 September 2021 or on any distribution payment date thereafter.

33.2 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 Company. The capital securities are redeemable on 12 September 2025 or on any distribution payment date thereafter.

33.3 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 Company. The capital securities are redeemable on 27 February 2025 or on any distribution payment date thereafter.

For more information on each instrument, please refer to the “Capital Disclosures” section (unaudited) at the Group’s website (https://www.dbs.com/investors/fixed-income/capital-instruments).

34. Other Reserves and Revenue Reserves

34.1 Other reserves

In $ millions	The Group 2020	The Group 2019	The Company 2020	The Company 2019
FVOCI revaluation reserves (bonds)	**385**	88	**–**	–
FVOCI revaluation reserves (equities)	**(141)**	(7)	**–**	–
Cash flow hedge reserves	**386**	156	**68**	51
General reserves	**95**	95	**–**	–
Capital reserves	**(688)**	(623)	**–**	–
Share plan reserves	**89**	122	**89**	122
Others	**4,271**	4,271	**–**	–
Total	**4,397**	4,102	**157**	173

Movements in other reserves during the year are as follows:

In $ millions	The Group FVOCI revaluation reserves (bonds)	FVOCI revaluation reserves (equities)	Cash flow hedge reserves	General reserves	Capital reserves[(a)]	Share plan reserves	Other reserves[(b)]	Total
2020								
Balance at 1 January	**88**	**(7)**	**156**	**95**	**(623)**	**122**	**4,271**	**4,102**
Net exchange translation adjustments	**–**	**–**	**–**	**–**	**(65)**	**–**	**–**	**(65)**
Share of associates' reserves	**–**	**–**	**(11)**	**–**	**–**	**–**	**–**	**(11)**
Cost of share-based payments	**–**	**–**	**–**	**–**	**–**	**131**	**–**	**131**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**–**	**–**	**–**	**(164)**	**–**	**(164)**
FVOCI financial assets and others:								
– net valuation taken to equity	**788**	**(235)**	**427**	**–**	**–**	**–**	**–**	**980**
– transferred to income statement	**(476)**	**–**	**(160)**	**–**	**–**	**–**	**–**	**(636)**
– taxation relating to components of other comprehensive income	**(15)**	**10**	**(26)**	**–**	**–**	**–**	**–**	**(31)**
Transfer to revenue reserves upon disposal of FVOCI equities	**–**	**91**	**–**	**–**	**–**	**–**	**–**	**91**
Balance at 31 December	**385**	**(141)**	**386**	**95**	**(688)**	**89**	**4,271**	**4,397**
2019								
Balance at 1 January	(176)	(161)	(46)	95	(448)	166	4,271	3,701
Net exchange translation adjustments	–	–	-	–	(175)	–	–	(175)
Share of associates' reserves	–	7	(6)	–	–	–	–	1
Cost of share-based payments	–	–	–	–	–	120	–	120
Draw-down of reserves upon vesting of performance shares	–	–	–	–	–	(164)	–	(164)
FVOCI financial assets and others:								
– net valuation taken to equity	451	142	482	–	–	–	–	1,075
– transferred to income statement	(161)	–	(242)	–	–	–	–	(403)
– taxation relating to components of other comprehensive income	(26)	(7)	(32)	–	–	–	–	(65)
Transfer to revenue reserves upon disposal of FVOCI equities	–	12	–	–	–	–	–	12
Balance at 31 December	88	(7)	156	95	(623)	122	4,271	4,102

(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

(b) Other reserves mainly relate to share premium of the Bank prior to the restructuring of the Bank under the Company pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on 26 June 1999

In $ millions	The Company Cash flow hedge reserves	 Share plan reserves	 Total
2020			
Balance at 1 January	**51**	**122**	**173**
Cost of share-based payments	**–**	**131**	**131**
Draw-down of reserves upon vesting of performance shares	**–**	**(164)**	**(164)**
Cash flow hedge reserves:			
– net valuation taken to equity	**54**	**–**	**54**
– transferred to income statement	**(21)**	**–**	**(21)**
– taxation relating to components of other comprehensive income	**(16)**	**–**	**(16)**
Balance at 31 December	**68**	**89**	**157**
2019			
Balance at 1 January	14	166	180
Cost of share-based payments	–	120	120
Draw-down of reserves upon vesting of performance shares	–	(164)	(164)
Cash flow hedge reserves:			
– net valuation taken to equity	53	–	53
– transferred to income statement	(9)	–	(9)
– taxation relating to components of other comprehensive income	(7)	–	(7)
Balance at 31 December	51	122	173

34.2 Revenue reserves

In $ millions	The Group 2020	 2019
Balance at 1 January	**33,922**	31,634
Impact of adopting SFRS(I) 16 on 1 January 2019	**–**	(95)
Balance at 1 January after adoption of SFRS(I) 16	**33,922**	31,539
Net profit attributable to shareholders	**4,721**	6,391
Other comprehensive income attributable to shareholders	**(66)**	(75)
Sub-total	**38,577**	37,855
Less: Redemption of preference shares issued by a subsidiary	**1**	–
Less: Redemption of perpetual capital securities	**–**	2
Less: Final dividends on ordinary shares of $0.33 paid for the previous financial year (2019: $0.60 one-tier tax-exempt)	**838**	1,535
Interim dividends on ordinary shares of $0.69 paid for the current financial year (2019: $0.90 one-tier tax-exempt)	**1,752**	2,300
Dividends on other equity instruments	**100**	96
Balance at 31 December[(a)]	**35,886**	33,922

(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 (2020: Nil, 2019: $404 million)

34.3 Proposed dividends

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.18 per share has not been accounted for in the financial statements for the year ended 31 December 2020. This is to be approved at the Annual General Meeting on 30 March 2021.

35. Non-controlling Interests

The following preference shares 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. The instruments 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 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 Group	
In $ millions	**Note**	**Issue Date**	**Liquidation Preference**	**Distribution Payment**	**2020**	**2019**
Issued by the Bank						
S$800m 4.70% Non-Cumulative, Non Convertible, Non-Voting Preference Shares Callable in 2020	35.1	22 Nov 2010	$100	May/ Nov	**–**	800
Non-controlling interests in subsidiaries					**17**	18
Total					**17**	818

35.1 Dividends are payable if declared by the Board of Directors of the Bank. They are payable semi-annually on 22 May and 22 November each year at 4.70% per annum. The preference shares were redeemed on 23 November 2020.

36. 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	
In $ millions	**2020**	**2019**
Guarantees on account of customers	**18,530**	17,280
Letters of credit and other obligations on account of customers	**10,786**	10,987
Undrawn credit commitments[(a)]	**305,141**	297,366
Forward starting transactions	**1,691**	452
Undisbursed and underwriting commitments in securities	**3**	83
Sub-total	**336,151**	326,168
Capital commitments	**15**	37
Total	**336,166**	326,205
Analysed by industry (excluding capital commitments)		
Manufacturing	**50,508**	49,677
Building and construction	**27,232**	27,877
Housing loans	**6,852**	5,674
General commerce	**50,592**	57,209
Transportation, storage and communications	**17,630**	16,669
Financial institutions, investment and holding companies	**34,284**	27,003
Professionals and private individuals (excluding housing loans)	**116,951**	108,319
Others	**32,102**	33,740
Total	**336,151**	326,168
Analysed by geography[(b)] (excluding capital commitments)		
Singapore	**136,737**	135,551
Hong Kong	**55,399**	52,326
Rest of Greater China	**38,228**	35,295
South and Southeast Asia	**31,442**	30,954
Rest of the World	**74,345**	72,042
Total	**336,151**	326,168

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

37. 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.

37.1 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.

37.2 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 38 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	**1,040,404**	**14,599**	**13,936**	1,153,885	8,430	8,120
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	**1,118,863**	**15,597**	**15,555**	1,226,939	9,000	9,270
Foreign exchange (FX) derivatives						
FX contracts	**573,763**	**7,274**	**8,480**	585,296	3,703	3,716
Currency swaps	**233,437**	**6,366**	**5,742**	210,925	3,266	2,949
Currency options	**92,783**	**606**	**772**	85,882	315	425
Sub-total	**899,983**	**14,246**	**14,994**	882,103	7,284	7,090
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	**2,064,931**	**30,576**	**31,561**	2,149,271	16,803	16,924
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**15,666**	**135**	**555**	16,999	158	267
Interest rate swaps held for cash flow hedge	**85**	**4**	**-**	387	#	#
FX contracts held for cash flow hedge	**5,645**	**107**	**55**	2,383	3	21
FX contracts held for hedge of net investment	**2,681**	**8**	**15**	579	3	5
Currency swaps held for fair value hedge	**1,080**	**4**	**70**	479	20	–
Currency swaps held for cash flow hedge	**18,616**	**274**	**648**	14,741	248	295
Total derivatives held for hedging	**43,773**	**532**	**1,343**	35,568	432	588
Total derivatives	**2,108,704**	**31,108**	**32,904**	2,184,839	17,235	17,512
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)		**(19,623)**	**(19,623)**		(10,811)	(10,811)
		11,485	**13,281**		6,424	6,701

\# *Amount under $500,000*

The derivative financial instruments are mainly booked in Singapore. The Group manages its credit exposures by entering into master netting agreements 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.

38. 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 Risk Management section 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.

38.1 Fair value hedge

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 37 for the carrying values of the derivatives.

In $ millions	Type of risk hedged	The Group Less than 1 year	1 to 5 years	More than 5 years	Total
2020					
Derivatives (notional)					
Interest rate swaps	Interest rate	**3,987**	**10,880**	**799**	**15,666**
Currency swaps	Interest rate & Foreign exchange	**917**	**163**	**–**	**1,080**
Total derivatives		**4,904**	**11,043**	**799**	**16,746**
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	3,602	12,281	1,116	16,999
Currency swaps	Interest rate & Foreign exchange	–	407	72	479
Total derivatives		3,602	12,688	1,188	17,478
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.

	The Group			
	2020		2019	
In $ millions	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
Assets				
Loans and advances to customers	**1,561**	**6**	1,220	5
Government securities and treasury bills[(a)]	**2,384**	**15**	1,692	3
Bank and corporate securities[(a)]	**8,462**	**7**	7,562	5
Liabilities				
Subordinated term debts	**743**	**16**	733	9
Other debt securities	**5,751**	**142**	6,043	113
Deposits from customers	**–**	**–**	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

For the year ended 31 December 2020, the net losses on hedging instruments used to calculate hedge effectiveness was $312 million (2019: net losses of $147 million). The net gains on hedged items attributable to the hedged risk amounted to $307 million (2019: net gains of $140 million).

38.2 Cash flow hedge

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 100% of 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.

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 37 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	**–**	**85**	**–**	**85**
Currency swaps	Interest rate & Foreign exchange	**1,669**	**16,267**	**680**	**18,616**
FX contracts	Foreign exchange	**5,387**	**258**	**–**	**5,645**
Total		**7,056**	**16,610**	**680**	**24,346**
2019					
Derivatives (notional)					
Interest rate swaps	Interest rate	300	87	–	387
Currency swaps	Interest rate & Foreign exchange	1,212	12,366	1,163	14,741
FX contracts	Foreign exchange	1,885	498	–	2,383
Total		3,397	12,951	1,163	17,511

The hedge ineffectiveness arising from these hedges was insignificant.

Please refer to Note 34 for information on the cash flow hedge reserves.

38.3 Net investment hedges

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

	The Group		
In $ millions	**Net investments in foreign operations[(a)]**	**Financial instruments which hedge the net investments**	**Remaining unhedged currency exposures**
2020			
Hong Kong dollar	**11,772**	**2,261**	**9,511**
Chinese yuan	**2,730**	**283**	**2,447**
Taiwan dollar	**2,046**	**376**	**1,670**
Others	**7,001**	**–**	**7,001**
Total	**23,549**	**2,920**	**20,629**
2019			
Hong Kong dollar	11,761	242	11,519
Chinese yuan	2,564	269	2,295
Taiwan dollar	1,878	309	1,569
Others	4,517	–	4,517
Total	20,720	820	19,900

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

Please refer to Note 34 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.

38.4 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' which provide temporary exceptions that allow entities to continue hedge accounting.

The table below summarises the Group'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.

	The Group
In $ millions	**2020**
Derivatives (notional)	
SGD SOR	**125**
USD LIBOR	**3,962**
JPY LIBOR	**222**
Total	**4,309**

(a) The expected cessation date for USD LIBOR and SGD SOR is 30 June 2023. For other hedged expected benchmarks, the cessation date is expected to be 31 December 2021

39. 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.	39.1
• Participants are awarded shares of the Company 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 plans, 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 the 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 the 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.	39.1
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.	39.2
• 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.	39.3

39.1 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	–

39.2 DBSH Employee Share Purchase Plan

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

	The Group	
Number of shares	2020	2019
Balance at 1 January	**388,686**	–
Granted	**678,428**	404,473
Vested	**(4,569)**	(198)
Forfeited	**(47,067)**	(15,589)
Balance at 31 December	**1,015,478**	388,686
Weighted average fair value of the shares granted during the year	**$18.60**	$22.54

39.3 DBSH Share Ownership Scheme

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

	The Group 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	**–**	–	**–**	–

40. Related Party Transactions

40.1 Transactions between the Company and its subsidiaries, including consolidated structured entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

40.2 During the financial year, the Group had banking transactions with related parties, consisting of 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.

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

	The Group	
In $ millions	2020	2019
Short-term benefits[b]	**45**	51
Share-based payments[c]	**29**	30
Total	**74**	81
Of which: Company Directors' remuneration and fees	**16**	18

(a) Includes Company 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

41. Fair Value of Financial Instruments

41.1 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.

41.2 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 quoted security prices and other approximations (e.g. bonds valued using credit default swap spreads).

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

	The Group			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
2020				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	**8,901**	**3,740**	**–**	**12,641**
– Bank and corporate securities	**12,451**	**4,182**	**715**[(a)]	**17,348**
– Other financial assets	**–**	**13,501**	**–**	**13,501**
FVOCI financial assets				
– Government securities and treasury bills	**15,223**	**2,147**	**–**	**17,370**
– Bank and corporate securities	**18,518**	**2,648**	**268**[(b)]	**21,434**
– Other financial assets	**–**	**4,684**	**–**	**4,684**
Derivatives	**40**	**31,067**	**1**	**31,108**
Liabilities				
Financial liabilities at FVPL				
– Other debt securities	**–**	**8,333**	**–**	**8,333**
– Other financial liabilities	**1,483**	**2,488**	**–**	**3,971**
Derivatives	**103**	**32,712**	**89**	**32,904**

(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 Group			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
2019				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	8,464	1,478	–	9,942
– Bank and corporate securities	10,999	4,461	443	15,903
– Other financial assets	–	12,022	–	12,022
FVOCI financial assets				
– Government securities and treasury bills	18,171	1,577	–	19,748
– Bank and corporate securities	11,020	1,544	324	12,888
– Other financial assets	27	4,227	–	4,254
Derivatives	35	17,199	1	17,235
Liabilities				
Financial liabilities at FVPL				
– Other debt securities	–	9,720	–	9,720
– Other financial liabilities	1,435	2,989	–	4,424
Derivatives	111	17,328	73	17,512

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

41.3 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 (2019: loss of $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).

41.4 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, 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.

42. Credit Risk

42.1 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	**50,867**	39,336
Derivatives	**31,108**	17,235
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**	15,111
	626,033	557,180
Off-balance sheet		
Contingent liabilities and commitments (excluding capital commitments)	**336,151**	326,168
Total	**962,184**	883,348

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 37 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.

42.2 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)

In $ millions	The Group 2020	2019
Balance at 1 January	**5,773**	5,684
Institutional Banking & Others		
– New NPAs	**1,945**	1,221
– Upgrades	**(24)**	(35)
– Net repayments	**(556)**	(378)
– Write-offs	**(573)**	(690)
Consumer Banking/ Wealth Management (net movement)	**(24)**	22
Amalgamation of LVB	**212**	–
Exchange differences	**(67)**	(51)
Balance at 31 December	**6,686**	5,773

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	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	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	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

Past due non-performing assets by industry

In $ millions	The Group 2020	2019
Manufacturing	**545**	518
Building and construction	**289**	236
Housing loans	**182**	167
General commerce	**940**	541
Transportation, storage and communications	**2,497**	2,679
Financial institutions, investment and holding companies	**46**	49
Professional and private individuals (excluding housing loans)	**188**	221
Others	**524**	85
Total non-performing loans	**5,211**	4,496
Debt securities, contingent liabilities and others	**327**	167
Total	**5,538**	4,663

Past due non-performing assets by geography[a]

In $ millions	The Group 2020	2019
Singapore	**3,234**	3,096
Hong Kong	**612**	456
Rest of Greater China	**289**	261
South and Southeast Asia	**1,027**	632
Rest of the World	**49**	51
Total non-performing loans	**5,211**	4,496
Debt securities, contingent liabilities and others	**327**	167
Total	**5,538**	4,663

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

42.3 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.

Analysed by external ratings	The Group		
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

42.4 Credit risk by geography and industry

Analysed by geography[(a)]	The Group					
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**	**3,048**	**15,292**	**176,402**	**209,533**
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**	**24,485**	**21,169**	**27,128**	**58,635**	**154,416**
Total	**51,703**	**50,871**	**31,108**	**54,156**	**377,770**	**565,608**
2019						
Singapore	13,650	704	1,740	16,577	168,704	201,375
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	14,675	11,417	26,989	56,214	132,264
Total	49,731	39,343	17,235	53,851	362,427	522,587

(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

Analysed by industry In $ millions	The Group 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	**–**	**50,871**	**26,372**	**25,657**	**28,449**	**131,349**
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**	**50,871**	**31,108**	**54,156**	**377,770**	**565,608**
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	–	39,343	14,565	23,502	24,660	102,070
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	39,343	17,235	53,851	362,427	522,587

43. Liquidity Risk

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	**20,497**	**5,859**	**10,238**	**13,322**	**901**	**50**	**–**	**–**	**50,867**
Derivatives[(a)]	**31,108**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,108**
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**
Total assets	**114,448**	**79,903**	**74,007**	**84,018**	**112,134**	**63,565**	**99,824**	**22,039**	**649,938**
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)]	**32,904**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**32,904**
Other liabilities	**12,435**	**1,087**	**2,111**	**2,077**	**532**	**331**	**788**	**2,713**	**22,074**
Other debt securities	**1,801**	**4,920**	**11,341**	**13,858**	**4,869**	**2,333**	**2,637**	**1,518**	**43,277**
Subordinated term debts	**–**	**–**	**–**	**–**	**–**	**–**	**3,970**	**–**	**3,970**
Total liabilities	**427,627**	**43,167**	**58,142**	**40,364**	**10,005**	**2,975**	**8,784**	**4,231**	**595,295**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17**	**17**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**54,626**	**54,626**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**54,643**	**54,643**
2019									
Cash and balances with central banks	14,869	5,262	3,874	1,764	593	–	–	–	26,362
Government securities and treasury bills	960	3,280	4,551	4,790	8,695	10,365	17,088	–	49,729
Due from banks	15,389	3,033	4,972	14,838	481	409	214	–	39,336
Derivatives[(a)]	17,235	–	–	–	–	–	–	–	17,235
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	8,724	1,256	1,759	2,374	111	33	18	1,149	15,424
Associates	–	–	–	–	–	–	–	835	835
Properties and other fixed assets	–	–	–	–	–	–	–	3,225	3,225
Goodwill and intangibles	–	–	–	–	–	–	–	5,170	5,170
Total assets	85,767	73,358	53,948	79,413	101,714	63,722	100,725	20,299	578,946
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)]	17,512	–	–	–	–	–	–	–	17,512
Other liabilities	9,495	1,532	2,405	2,572	480	321	884	3,218	20,907
Other debt securities	425	6,034	11,033	23,682	7,563	2,528	4,199	1,664	57,128
Subordinated term debts	–	–	–	–	–	–	3,538	–	3,538
Total liabilities	309,233	60,627	72,521	57,092	9,918	3,307	9,567	4,882	527,147
Non-controlling interests	–	–	–	–	–	–	–	818	818
Shareholders' funds	–	–	–	–	–	–	–	50,981	50,981
Total equity	–	–	–	–	–	–	–	51,799	51,799

(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 38 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, endorsements and other contingent liabilities	**29,316**	**–**	**–**	**–**	**29,316**
Undrawn credit commitments[a] and other facilities	**269,568**	**18,547**	**15,296**	**3,424**	**306,835**
Capital commitments	**14**	**1**	**–**	**–**	**15**
Total	**298,898**	**18,548**	**15,296**	**3,424**	**336,166**
2019					
Guarantees, endorsements 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. 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 and 2019 have been subject to an external limited assurance review, pursuant to the MAS Notice 609 "Auditor's Report and Additional Information to be submitted with Annual Accounts".

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

45. Segment Reporting

45.1 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 Securities 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**	**Total**
2020					
Net interest income	**3,339**	**3,995**	**840**	**902**	**9,076**
Net fee and commission income	**1,869**	**1,160**	**–**	**29**	**3,058**
Other non-interest income	**559**	**590**	**596**	**713**	**2,458**
Total income	**5,767**	**5,745**	**1,436**	**1,644**	**14,592**
Total expenses	**3,288**	**1,987**	**634**	**249**	**6,158**
Allowances for credit and other losses	**456**	**1,485**	**14**	**1,111**	**3,066**
Profit before tax	**2,023**	**2,273**	**788**	**284**	**5,368**
Income tax expense					**612**
Net profit attributable to shareholders					**4,721**
Total assets before goodwill and intangibles	**116,845**	**292,850**	**160,638**	**74,282**	**644,615**
Goodwill and intangibles					**5,323**
Total assets					**649,938**
Total liabilities	**253,893**	**223,598**	**66,593**	**51,211**	**595,295**
Capital expenditure	**108**	**26**	**19**	**394**	**547**
Depreciation	**47**	**10**	**3**	**588**	**648**
2019					
Net interest income	4,037	4,309	138	1,141	9,625
Net fee and commission income	1,790	1,225	–	37	3,052
Other non-interest income	472	539	794	62	1,867
Total income	6,299	6,073	932	1,240	14,544
Total expenses	3,280	2,015	614	349	6,258
Allowances for credit and other losses	242	327	(5)	139	703
Profit before tax	2,777	3,731	323	752	7,583
Income tax expense					1,154
Net profit attributable to shareholders					6,391
Total assets before goodwill and intangibles	117,088	278,336	105,538	72,814	573,776
Goodwill and intangibles					5,170
Total assets					578,946
Total liabilities	223,574	195,114	50,815	57,644	527,147
Capital expenditure	117	30	14	425	586
Depreciation	44	12	3	550	609

45.2 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).

	The Group					
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China**	**South and Southeast Asia**	**Rest of the World**	**Total**
2020						
Net interest income	**5,751**	**1,607**	**721**	**677**	**320**	**9,076**
Net fee and commission income	**1,935**	**661**	**188**	**205**	**69**	**3,058**
Other non-interest income	**1,673**	**266**	**200**	**219**	**100**	**2,458**
Total income	**9,359**	**2,534**	**1,109**	**1,101**	**489**	**14,592**
Total expenses	**3,604**	**1,059**	**738**	**646**	**111**	**6,158**
Allowances for credit and other losses	**2,074**	**332**	**179**	**308**	**173**	**3,066**
Profit before tax	**3,681**	**1,143**	**192**	**147**	**205**	**5,368**
Income tax expense	**329**	**180**	**21**	**43**	**39**	**612**
Net profit attributable to shareholders	**3,317**	**963**	**171**	**104**	**166**	**4,721**
Total assets before goodwill and intangibles	**424,727**	**99,406**	**55,734**	**25,371**	**39,377**	**644,615**
Goodwill and intangibles	**5,133**	**29**	**–**	**161**	**–**	**5,323**
Total assets	**429,860**	**99,435**	**55,734**	**25,532**	**39,377**	**649,938**
Non-current assets[(a)]	**2,682**	**723**	**323**	**446**	**26**	**4,200**
2019						
Net interest income	6,140	2,012	597	604	272	9,625
Net fee and commission income	1,900	667	194	227	64	3,052
Other non-interest income	1,146	250	267	138	66	1,867
Total income	9,186	2,929	1,058	969	402	14,544
Total expenses	3,638	1,109	740	667	104	6,258
Allowances for credit and other losses	225	102	49	292	35	703
Profit before tax	5,323	1,718	269	10	263	7,583
Income tax expense	695	290	59	33	77	1,154
Net profit attributable to shareholders	4,589	1,428	210	(22)	186	6,391
Total assets before goodwill and intangibles	375,320	91,608	50,292	21,690	34,866	573,776
Goodwill and intangibles	5,133	29	–	8	–	5,170
Total assets	380,453	91,637	50,292	21,698	34,866	578,946
Non-current assets[(a)]	2,650	751	331	318	10	4,060

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

DBS Bank Ltd

Income statement

for the year ended 31 December 2020

In $ millions	Note	Bank 2020	2019
Income			
Interest income		**9,201**	12,450
Interest expense		**2,761**	5,441
Net interest income		**6,440**	7,009
Net fee and commission income		**2,140**	2,114
Net trading income		**938**	1,053
Net income from investment securities		**858**	306
Other income	2	**387**	817
Non-interest income		**4,323**	4,290
Total income		**10,763**	11,299
Employee benefits		**2,177**	2,242
Other expenses		**1,704**	1,709
Total expenses		**3,881**	3,951
Profit before allowances		**6,882**	7,348
Allowances for credit and other losses		**2,323**	262
Profit before tax		**4,559**	7,086
Income tax expense		**408**	871
Net profit attributable to shareholders		**4,151**	6,215

(see notes on pages 185 to 187 which form part of these financial statements)

DBS Bank Ltd

Statement of comprehensive income

for the year ended 31 December 2020

In $ millions	Bank 2020	Bank 2019
Net profit	**4,151**	6,215
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Translation differences for foreign operations	**(13)**	(90)
Gains/ (losses) on debt instruments classified at fair value through other comprehensive income and others		
Net valuation taken to equity	**879**	705
Transferred to income statement	**(478)**	(321)
Taxation relating to components of other comprehensive income	**(10)**	(35)
Items that will not be reclassified to income statement:		
Gains/ (losses) on equity instruments classified at fair value through other comprehensive income (net of tax)	**(240)**	120
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	**25**	(63)
Other comprehensive income, net of tax	**163**	316
Total comprehensive income attributable to shareholders	**4,314**	6,531

(see notes on pages 185 to 187 which form part of these financial statements)

DBS Bank Ltd

Balance sheet

as at 31 December 2020

In $ millions	Note	Bank 2020	Bank 2019
Assets			
Cash and balances with central banks		**39,388**	19,771
Government securities and treasury bills		**36,682**	37,142
Due from banks		**44,643**	33,933
Derivatives		**27,959**	15,255
Bank and corporate securities		**59,944**	59,560
Loans and advances to customers		**302,587**	296,906
Other assets		**14,936**	11,359
Associates		**186**	186
Subsidiaries	3	**31,860**	31,967
Due from holding company		**911**	–
Properties and other fixed assets		**1,849**	1,816
Goodwill and intangibles		**334**	334
Total assets		**561,279**	508,229
Liabilities			
Due to banks		**23,586**	18,712
Deposits and balances from customers		**350,079**	298,836
Derivatives		**29,537**	15,455
Other liabilities		**16,800**	15,113
Other debt securities		**38,081**	51,041
Due to holding company		**6,031**	4,695
Due to subsidiaries		**48,288**	57,649
Total liabilities		**512,402**	461,501
Net assets		**48,877**	46,728
Equity			
Share capital	4	**24,452**	24,452
Other equity instruments	5	**4,209**	2,813
Other reserves	6	**264**	38
Revenue reserves	6	**19,952**	19,425
Shareholders' funds		**48,877**	46,728
Total equity		**48,877**	46,728

(see notes on pages 185 to 187 which form part of these financial statements)

DBS Bank Ltd

Notes to the supplementary financial statements

for the year ended 31 December 2020

The supplementary financial statements of DBS Bank Ltd (the Bank) are extracted from the Audited Statutory Financial Statements of DBS Bank Ltd and its subsidiaries (the Bank Group) for the financial year ended 31 December 2020. The statutory financial statements of the Bank and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1. Summary of Significant Accounting Policies

The accounting policies applied by the Bank and the Bank Group are consistent with those applied by the Group as disclosed in Note 2 of the "Notes to the Financial Statements" (Notes) in the Group's Consolidated Financial Statements.

2. Other Income

Other income includes the following:

In $ millions	2020	2019
Dividends from subsidiaries	**341**	783
Dividends from associates	**6**	7
Total	**347**	790

3. Subsidiaries

In $ millions	2020	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

4. Share Capital

	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	**–**	–	**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	**8,000**	8,000	**799**	799
Redemption of preference shares	**(8,000)**	–	**(799)**	–
Balance at 31 December	**–**	8,000	**–**	799
Issued share capital at 31 December			**24,452**	24,452

5. 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.

In $ millions	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	1 Sep 2016	Sep	**550**	550
US$185m 4.0% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	**252**	252
US$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	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	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	27 Feb 2020	Feb/Aug	**1,396**	–
Total			**4,209**	2,813

6. Other Reserves and Revenue Reserves

6.1 Other reserves

In $ millions	2020	2019
FVOCI revaluation reserves (bonds)	**281**	59
FVOCI revaluation reserves (equities)	**(190)**	(38)
Cash flow hedge reserves	**245**	76
Capital reserves	**(72)**	(59)
Total	**264**	38

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

In $ millions	FVOCI revaluation reserves (bonds)	FVOCI revaluation reserves (equities)	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

6.2 Revenue reserves

In $ millions	2020	2019
Balance at 1 January	**19,425**	18,049
Impact of adopting SFRS(I) 16 on 1 January 2019	**–**	(91)
Balance at 1 January after adoption of SFRS(I) 16	**19,425**	17,958
Impact of conversion of India branch to a wholly-owned subsidiary	**–**	(188)
Redemption of preference shares	**(800)**	–
Net profit attributable to shareholders	**4,151**	6,215
Other comprehensive income attributable to shareholders	**(63)**	(77)
Sub-total	**22,713**	23,908
Less: Dividends paid to holding company	**2,723**	4,445
Dividends paid on preference shares	**38**	38
Balance at 31 December[a]	**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 was nil as at 31 December 2020 (2019: $491 million)