DBS BANK LTD

(Incorporated in Singapore. Registration Number: 196800306E)

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

Financial Statements
Table of Contents

DBS BANK LTD AND ITS SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

		The Group		Bank	
In $ millions	**Note**	**2015**	2014	**2015**	2014
Interest income		**9,644**	8,948	**7,080**	6,282
Interest expense		**2,558**	2,626	**1,691**	1,617
Net interest income	4	**7,086**	6,322	**5,389**	4,665
Net fee and commission income	5	**2,144**	2,027	**1,536**	1,431
Net trading income	6	**1,202**	901	**274**	312
Net income from investment securities	7	**339**	274	**319**	233
Other income	8	**155**	293	**514**	456
Non-interest income		**3,840**	3,495	**2,643**	2,432
Total income		**10,926**	9,817	**8,032**	7,097
Employee benefits	9	**2,651**	2,294	**1,667**	1,464
Other expenses	10	**2,242**	2,029	**1,450**	1,304
Total expenses		**4,893**	4,323	**3,117**	2,768
Profit before allowances		**6,033**	5,494	**4,915**	4,329
Allowances for credit and other losses	11	**743**	667	**435**	547
Profit after allowances		**5,290**	4,827	**4,480**	3,782
Share of profits of associates		**14**	79	**-**	-
Profit before tax		**5,304**	4,906	**4,480**	3,782
Income tax expense	12	**725**	716	**636**	533
Net profit		**4,579**	4,190	**3,844**	3,249
Attributable to:					
Shareholders		**4,503**	4,098	**3,844**	3,249
Non-controlling interests		**76**	92	**-**	-
		4,579	4,190	**3,844**	3,249

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		Bank	
In $ millions	**2015**	2014	**2015**	2014
Net profit	**4,579**	4,190	**3,844**	3,249
Other comprehensive income[(a)]:				
Foreign currency translation differences for foreign operations	**25**	96	**20**	19
Share of other comprehensive income of associates	**4**	7	**-**	-
Available-for-sale financial assets and others				
Net valuation taken to equity	**(218)**	467	**(222)**	427
Transferred to income statement	**61**	(165)	**58**	(134)
Tax on items taken directly to or transferred from equity	**7**	(14)	**7**	(14)
Other comprehensive income, net of tax	**(121)**	391	**(137)**	298
Total comprehensive income	**4,458**	4,581	**3,707**	3,547
Attributable to:				
Shareholders	**4,375**	4,484	**3,707**	3,547
Non-controlling interests	**83**	97	**-**	-
	4,458	4,581	**3,707**	3,547

(a) Items recorded in "Other comprehensive income" above will be reclassified subsequently to the income statement when specific conditions are met e.g. when foreign operations or available-for-sale financial assets are disposed of

(see notes on pages 6 to 83, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31 DECEMBER 2015

In $ millions	Note	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Assets					
Cash and balances with central banks	14	**18,828**	19,505	**11,021**	12,395
Government securities and treasury bills	15	**34,501**	29,694	**29,181**	24,034
Due from banks		**38,274**	42,250	**32,704**	35,716
Derivatives	35	**23,631**	16,995	**22,791**	16,488
Bank and corporate securities	16	**40,073**	37,763	**35,978**	33,686
Loans and advances to customers	17	**283,289**	275,588	**229,287**	218,232
Other assets	19	**11,587**	11,275	**8,818**	8,000
Associates	22	**1,000**	995	**239**	205
Subsidiaries	21	**-**	-	**25,331**	18,641
Properties and other fixed assets	24	**1,547**	1,485	**635**	569
Goodwill and intangibles	25	**5,117**	5,117	**281**	281
Total assets		**457,847**	440,667	**396,266**	368,247
Liabilities					
Due to banks		**18,251**	16,176	**15,797**	14,310
Deposits and balances from customers	26	**320,134**	317,173	**250,082**	244,669
Derivatives	35	**22,191**	18,769	**21,386**	18,383
Other liabilities	27	**12,363**	11,711	**8,726**	7,062
Other debt securities	28	**36,194**	30,302	**34,554**	28,835
Due to holding company		**2,133**	4,088	**1,085**	3,373
Due to subsidiaries	29	**-**	-	**24,432**	14,341
Subordinated term debts	30	**4,026**	4,665	**4,026**	4,665
Total liabilities		**415,292**	402,884	**360,088**	335,638
Net assets		**42,555**	37,783	**36,178**	32,609
Equity					
Share capital	31	**23,496**	22,096	**23,496**	22,096
Other reserves	32	**2,265**	2,471	**2,435**	2,572
Revenue reserves	32	**14,486**	11,521	**10,247**	7,941
Shareholders' funds		**40,247**	36,088	**36,178**	32,609
Non-controlling interests	33	**2,308**	1,695	**-**	-
Total equity		**42,555**	37,783	**36,178**	32,609

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

The Group In $ millions	Share Capital	Other reserves	Revenue reserves	Total	Non-controlling interests	Total equity
2015						
Balance at 1 January	**22,096**	**2,471**	**11,521**	**36,088**	**1,695**	**37,783**
Issue of ordinary shares during the year	**1,400**			**1,400**		**1,400**
Issue of preference shares and perpetual loan				**-**	**688**	**688**
Dividends paid to holding company			**(1,500)**	**(1,500)**		**(1,500)**
Dividends paid on preference shares			**(38)**	**(38)**		**(38)**
Dividends paid to non-controlling interests				**-**	**(86)**	**(86)**
Acquisition of non-controlling interests		**(78)**		**(78)**	**(72)**	**(150)**
Total comprehensive income		**(128)**	**4,503**	**4,375**	**83**	**4,458**
Balance at 31 December	**23,496**	**2,265**	**14,486**	**40,247**	**2,308**	**42,555**
2014						
Balance at 1 January	17,096	2,085	15,379	34,560	1,747	36,307
Issue of ordinary shares during the year	5,000			5,000		5,000
Redemption of preference shares			(1,700)	(1,700)		(1,700)
Dividends paid to holding company			(6,197)	(6,197)		(6,197)
Dividends paid on preference shares			(59)	(59)		(59)
Dividends paid to non-controlling interests				-	(86)	(86)
Change in non-controlling interests				-	(63)	(63)
Total comprehensive income		386	4,098	4,484	97	4,581
Balance at 31 December	22,096	2,471	11,521	36,088	1,695	37,783

(see notes on pages 6 to 83, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

Bank

In $ millions	Share Capital	Other reserves	Revenue reserves	Total equity
2015				
Balance at 1 January	**22,096**	**2,572**	**7,941**	**32,609**
Issue of ordinary shares during the year	**1,400**			**1,400**
Dividends paid to holding company			**(1,500)**	**(1,500)**
Dividends paid on preference shares			**(38)**	**(38)**
Total comprehensive income		**(137)**	**3,844**	**3,707**
Balance at 31 December	**23,496**	**2,435**	**10,247**	**36,178**
2014				
Balance at 1 January	17,096	2,274	12,649	32,019
Issue of ordinary shares during the year	5,000			5,000
Redemption of preference shares			(1,700)	(1,700)
Remeasurement of defined benefit plan			(1)	(1)
Dividends paid to holding company			(6,197)	(6,197)
Dividends paid on preference shares			(59)	(59)
Total comprehensive income		298	3,249	3,547
Balance at 31 December	22,096	2,572	7,941	32,609

(see notes on pages 6 to 83, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Group

In $ millions	2015	2014
Cash flows from operating activities		
Net profit	**4,579**	4,190
Adjustments for non-cash items:		
Allowances for credit and other losses	**743**	667
Depreciation of properties and other fixed assets	**251**	220
Share of profits of associates	**(14)**	(79)
Net gain on disposal (net of write-off) of properties and other fixed assets	**(82)**	(35)
Net income from investment securities	**(339)**	(274)
Net gain on disposal of associate	**-**	(223)
Income tax expense	**725**	713
Fair value gain on acquisition of interest in joint venture	**-**	(3)
Profit before changes in operating assets and liabilities	**5,863**	5,176
Increase/(Decrease) in:		
Due to banks	**1,858**	2,604
Deposits and balances from customers	**(1,592)**	24,808
Other liabilities	**1,639**	1,314
Other debt securities and borrowings	**5,735**	6,982
Due to holding company	**(1,955)**	2,682
(Increase)/Decrease in:		
Restricted balances with central banks	**960**	111
Government securities and treasury bills	**(4,350)**	(1,986)
Due from banks	**4,359**	(2,433)
Loans and advances to customers	**(4,076)**	(27,558)
Bank and corporate securities	**(1,911)**	(3,865)
Other assets	**(5,189)**	(2,172)
Tax paid	**(731)**	(731)
Net cash generated from operating activities (1)	**610**	4,932
Cash flows from investing activities		
Proceeds from disposal of interest in associate	**-**	435
Acquisition of interest in associate and joint venture	**(21)**	(88)
Dividends from associates	**32**	98
Purchase of properties and other fixed assets	**(334)**	(263)
Proceeds from disposal of properties and other fixed assets	**140**	55
Acquisition of non-controlling interests	**(150)**	-
Acquisition of business	**-**	(281)
Net cash used in investing activities (2)	**(333)**	(44)
Cash flows from financing activities		
Increase in share capital	**1,400**	5,000
Payment upon redemption of subordinated term debts	**-**	(977)
Purchase of subordinated term debts	**(743)**	-
Dividends paid to non-controlling interests	**(86)**	(86)
Dividends paid to shareholders of the Bank	**(1,538)**	(6,256)
Redemption of preference shares	**-**	(1,700)
Change in non-controlling interests	**-**	(63)
Issue of preference shares and perpetual loan	**688**	-
Net cash used in financing activities (3)	**(279)**	(4,082)
Exchange translation adjustments (4)	**240**	91
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**238**	897
Cash and cash equivalents at 1 January	**11,839**	10,942
Cash and cash equivalents at 31 December (Note 14)	**12,077**	11,839

(see notes on pages 6 to 83, which form part of these financial statements)

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2015 were authorised for issue by the Directors on 19 February 2016.

1 Domicile and Activities

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

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

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

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

Compliance with Singapore Financial Reporting Standards (FRS)
The financial statements of the Bank and the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (FRS) and related Interpretations promulgated by the Accounting Standards Council (ASC). In accordance with Section 201(18) of the Companies Act (the Act), the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (MAS Notice 612) issued by the Monetary Authority of Singapore.

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

Differences between International Financial Reporting Standards (IFRS) and FRS
Beyond the above modification to FRS related to MAS Notice 612, there are no significant differences between IFRS and FRS in terms of their application to the Group. The consolidated financial statements and the notes thereon satisfy all necessary disclosures under IFRS and FRS.

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 Adoption of new and revised accounting standards

On 1 January 2015, the Group adopted the following new or revised FRS that are issued by the ASC and relevant for the Group:

- Improvements to FRSs 2014

The adoption of these FRS has no significant impact on the financial statements of the Group.

In addition to the above, a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015. The Group has not applied these standards or amended standards in preparing these financial statements. None of them is expected to have a significant effect on the financial statements of the Group and the Bank other than FRS 109.

FRS 109: Financial Instruments
FRS 109 replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments and introduces a new expected credit loss model for impairment of financial assets as well as new requirements for general hedge accounting. The standard is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption is permitted.

A summary of the most 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.

A) General Accounting Policies

2.4 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. Refer to Note 2.12 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.

2.5 Foreign currency treatment

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

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 are recognised in the income statement within "Net trading income". For non-monetary financial assets such as equity investments classified as available-for-sale, unrealised foreign exchange differences are recorded in other comprehensive income and accumulated in equity until the assets are disposed of or become impaired, upon which they are reclassified to the income statement.

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 disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

For acquisitions prior to 1 January 2005, the foreign exchange rates at the respective dates of acquisition were used. Please refer to Note 25 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.

2.6 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

2.7 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 fair value through profit or loss. 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 is generally recognised on the completion of a transaction. Such fees include underwriting fees, brokerage fees and fees related to completion of corporate finance transactions.

For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken. Such fees include the income from issuance of financial guarantees and bancassurance fixed service fees.

Fee and commission income is recorded net of expenses directly related to it. These 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 held-for-trading financial assets is recognised in "Net trading income", while those arising from available-for-sale financial assets is recognised in "Net income from investment securities".

Allowances for credit and other losses
Please refer to Note 2.10 for the accounting policy on impairment of financial assets.

C) Balance Sheet

2.8 Financial assets

Initial recognition
Purchases and sales of all financial assets, even if their classification and measurement are subsequently changed, 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
The Group classifies and measures financial assets based on their nature and the purpose for which they are acquired. This generally corresponds to the business models in which they are applied and how management monitors performance, as follows:

- Non-derivative financial assets that are managed mainly for longer-term holding and collection of payments are classified as **loans and receivables.** These assets have fixed or determinable payments, are not quoted in an active market and are mainly in the "Consumer Banking/Wealth Management" and "Institutional Banking" segments. Loans and receivables are carried at amortised cost using the effective interest method.

- Non-derivative financial assets that are managed on a fair value basis, which are mainly in the "Treasury" segment, are classified as **financial assets at fair value through profit or loss**. Such assets include instruments held for the purpose of short-term selling and market-making ("**held for trading**"), or designated under the fair value option if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial asset contains an embedded derivative that would otherwise need to be separately recorded (**"designated at fair value through profit or loss"**).

  Realised or unrealised gains or losses on such financial assets, except interest income, are taken to "Net trading income" in the income statement in the period they arise.

  Derivatives (including derivatives embedded in other contracts but separated for accounting purposes) are also categorised as **held for trading** unless they are designated as hedging instruments in accordance with Note 2.18. 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".

- Non-derivative financial assets that the Group intends to hold to maturity are classified as **held to maturity**. These are Singapore Government securities that the Group holds for satisfying regulatory liquidity requirements and are held within the "Others" segment. These assets are carried at amortised cost using the effective interest method.

- The Group also holds other non-derivative financial assets for the purpose of investment or satisfying regulatory liquidity requirements. Such assets are held for an indefinite period and may be sold in response to needs for liquidity or changes in interest rates, credit spreads, exchange rates or equity prices. Financial assets in this category are held in all business segments as well as the liquidity management unit in the "Others" segment. These assets are classified as **available-for-sale** and initially and subsequently measured at fair value.

  Unrealised gains or losses arising from changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale revaluation reserves. When sold or impaired, the accumulated fair value adjustments in the available-for-sale revaluation reserves are reclassified to the income statement. Unquoted equity investments classified as available-for-sale for which fair values cannot be reliably determined are carried at cost, less impairment (if any).

Where the classification and measurement of financial assets do not reflect the management of the financial assets (or financial liabilities), the Group may apply hedge accounting where permissible and relevant to better reflect the management of the financial assets. Please refer to Note 2.18 for details on hedging and hedge accounting.

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

Reclassification
When the purpose for holding a financial asset changes, or when FRS otherwise requires it, non-derivative financial assets are reclassified accordingly. Financial assets may be classified out of the fair value through profit or loss or available-for-sale categories only in particular circumstances as prescribed by FRS 39. In 2008 and 2009, the Group reclassified certain financial assets between categories as a result of a change in its holding intention. The reclassifications did not have a material impact on the income statement and statement of comprehensive income for the current year.

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 38.

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 transactions described in Note 2.11. 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" segment. In such cases the Group continues to recognise the asset to the extent of its continuing involvement which is the extent to which it is exposed to changes in the value of the transferred asset.

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

2.9 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.

2.10 Impairment of financial assets
The Group assesses at each balance sheet date whether there is evidence that a financial asset or a group of financial assets is impaired.

(a) Financial assets classified as loans and receivables and held to maturity

The Group carries out regular and systematic reviews of all credit facilities extended to customers.

The criteria that the Group uses to determine whether there is evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor, including breach of covenants and/or financial conditions.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- Granting of a concession to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider.
- High probability of bankruptcy or other financial reorganisation of the borrower.

Specific allowances for credit losses
A specific allowance for credit losses is recognised if there is evidence that the Group will be unable to collect all amounts due under a claim according to the original contractual terms or the equivalent value. A "claim" means a loan, debt security or a commitment such as financial guarantees and letters of credit.

A specific allowance for credit losses is recorded as a reduction in the carrying value of a claim on the balance sheet. For an off-balance sheet item such as a commitment, a specific allowance for credit loss is recorded as "provision for loss in respect of off-balance sheet credit exposures" within "Other liabilities".

Specific allowances for credit losses are evaluated either individually or collectively for a portfolio.

Specific allowance for an individual credit exposure is made when existing facts, conditions or valuations indicate that the Group is not likely to collect the principal and interest due contractually on the claim. An allowance is reversed only when there has been an identifiable event that has led to an improvement in the collectability of the claim. The amount of specific allowance also takes into account the collateral value, which may be discounted to reflect the impact of a forced sale or untimely liquidation.

Overdue unsecured consumer loans which are homogenous in nature, such as credit card receivables, are pooled according to their delinquency behaviour and evaluated for impairment collectively as a group, taking into account the historical loss experience of such loans.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the recovery procedures have been exhausted and the amount of the loss has been determined. Recoveries in full or in part of amounts previously written off are credited to the income statement in "Allowances for credit and other losses".

General allowances for credit losses
Apart from specific allowances, the Group also recognises general allowances for credit losses. The Group maintains a level of allowances that is deemed sufficient to absorb the estimated credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). The Group maintains general allowances of at least 1% of credit exposures arising from both on and off-balance sheet items (against which specific allowances have not been made), adjusted for collateral held. This is in accordance with the transitional arrangements under MAS Notice 612.

(b) Financial assets classified as available-for-sale

The Group assesses at each balance sheet date whether there is evidence that an available-for-sale financial asset is impaired.

In the case of an equity investment, a significant or prolonged decline in the fair value of the security below its cost is a factor in determining whether the asset is impaired.

When there is evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from the revaluation reserve within equity to the income statement as "Allowances for credit and other losses".

For equity investments, impairment losses are not reversed until they are disposed of. For impaired debt instruments that subsequently recover in value, the impairment losses are reversed through the income statement if there has been an identifiable event that led to the recovery.

2.11 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 lendings. 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.

2.12 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.

2.13 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 over the estimated useful lives of the assets.

Generally, the useful lives are as follows:

Buildings	50 years or over the remaining lease period, whichever is shorter.
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.
Computer software	3 - 5 years
Office equipment, furniture and fittings	5 - 10 years

Please refer to Note 24 for the details of properties and other fixed assets and their movements during the year.

2.14 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" 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".

- Derivative liabilities are treated consistently with derivative assets. Please refer to Note 2.8 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".

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

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

Please refer also to Note 38 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.

2.15 Loan commitments, letters of credit and financial guarantees

Loan commitments
Loan commitments are typically not financial instruments and are not recognised on the balance sheet. They are disclosed in accordance with FRS 37 and form part of the disclosures in Note 34. Upon a loan draw-down, the amount of the loan is accounted for under "loans and receivables" as described in Note 2.8.

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-balance sheet upon acceptance of the underlying documents.

Financial guarantees
A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee is given. This is generally the amount (fee) paid by the counterparty. Subsequently, the fee is recognised over time as income in accordance with the principles in Note 2.7.

Off-balance sheet credit exposures are managed for credit risk in the same manner as financial assets. Please refer to Note 2.10 on the Group's accounting policies on allowances for credit losses.

2.16 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.

2.17 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.

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

2.18 Hedging and hedge accounting

The Group uses derivative contracts mainly as part of its risk management strategies for hedging interest rate risk arising from maturity mismatches or for hedging currency risk arising from currency mismatches and cash flows in foreign currencies.

In some cases, where the strict criteria in FRS 39 are met, hedge accounting is applied as set out in subsequent paragraphs. At the inception of each hedging relationship, the Group 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 documents its assessment of whether the hedging instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

Fair value hedge
The Group's fair value hedges consist principally of interest rate swaps used for managing the interest rate gaps that naturally arise from its purchases or issues of debt securities, and where a mismatch in the measurement between the hedging derivative and the hedged item exists. Such hedges are mainly used in the "Treasury" and "Others" segments.

For a qualifying fair value hedge, the changes in the fair value of the hedging derivatives 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 to the income statement over its remaining maturity, using the effective interest method.

Cash flow hedge
For transactions with highly probable cash flows, derivatives are used to hedge against cash flow variability due to exchange rate movements in certain situations. Cash flow hedge accounting is principally applied in such cases.

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 reserve 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 reserve 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 reserve is reclassified from equity to the income statement.

Net investment hedge
Net investment hedge accounting is applied to hedged investments in foreign operations which comprise certain subsidiaries, branches and associates with a functional currency different from that of the Bank. Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or not hedged at all.

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.

Economic hedges which do not qualify for hedge accounting
Some derivatives may be transacted as economic hedges as part of the Group's risk management but do not qualify for hedge accounting under FRS 39. These include swaps and other derivatives (e.g. futures and options) that the Group transacts to manage interest rate, foreign exchange or other risks. Such 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". In some cases, the hedged exposures are designated at fair value through profit or loss, thereby achieving some measure of offset in the income statement.

Please refer to Note 35.2 for disclosures on hedging derivatives.

2.19 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.

2.20 Share-based compensation

Employee benefits also include share-based compensation, namely the DBSH Share Ownership Scheme (the Scheme), the DBSH Share Option Plan, the DBSH Share Plan and the DBSH Employee Share Plan (the Plans). The details of the Scheme and Plans are described in Note 36.

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 option/plan reserves. Monthly contributions to the Scheme are expensed off when incurred.

For the DBSH Share Plan and the DBSH Employee Share Plan, 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.

2.21 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 exist 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 available-for-sale 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 available-for-sale 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 allowances

It is the Group's policy to recognise, through charges against profit, specific and general allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2.10.

In estimating specific allowances, the Group assesses the gap between borrowers' obligations to the Group and their repayment ability. The assessment takes into account various factors, including the economic or business outlook, the future profitability of the borrowers and the liquidation value of collateral. Such assessment requires considerable judgement.

Another area requiring judgement is the calculation of general allowances, which are determined after taking into account historical data and management's assessment of the current economic and credit environment, country and portfolio risks, as well as industry practices. Please refer to Note 40 for a further description of the Group's credit risk management.

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 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" 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 38 for details on fair valuation and fair value hierarchy of the Group's financial instruments measured at fair value.

3.3 Goodwill

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 25 provides details of goodwill at the reporting date.

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

3.4 Income taxes

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

4 Net Interest Income

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Cash and balances with central banks and Due from banks	**466**	577	**398**	398
Customer non-trade loans	**6,126**	5,256	**4,404**	3,604
Trade assets	**1,294**	1,583	**752**	953
Securities	**1,758**	1,532	**1,526**	1,327
Total interest income	**9,644**	8,948	**7,080**	6,282
Deposits and balances from customers	**1,940**	2,086	**948**	1,000
Other borrowings	**618**	540	**743**	617
Total interest expense	**2,558**	2,626	**1,691**	1,617
Net interest income	**7,086**	6,322	**5,389**	4,665
Comprising:				
Interest income from financial assets at fair value through profit or loss	**648**	595	**554**	474
Interest income from financial assets not at fair value through profit or loss	**8,996**	8,353	**6,526**	5,808
Interest expense from financial liabilities at fair value through profit or loss	**(204)**	(142)	**(203)**	(133)
Interest expense from financial liabilities not at fair value through profit or loss	**(2,354)**	(2,484)	**(1,488)**	(1,484)
Total	**7,086**	6,322	**5,389**	4,665

5 Net Fee and Commission Income

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Brokerage	**180**	173	**37**	28
Investment banking[(c)]	**165**	219	**160**	189
Trade and transaction services[(b)(c)]	**556**	539	**397**	359
Loan-related	**442**	385	**347**	303
Cards[(d)]	**434**	369	**316**	283
Wealth management	**599**	507	**412**	361
Others	**76**	83	**59**	52
Fee and commission income	**2,452**	2,275	**1,728**	1,575
Less: fee and commission expense	**308**	248	**192**	144
Net fee and commission income[(a)]	**2,144**	2,027	**1,536**	1,431

(a) Includes net fee and commission income of $51 million (2014: $35 million) and $34 million (2014: $21 million) for the Group and Bank respectively, which was derived from the provision of trust and other fiduciary services during the year
Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss was $776 million (2014: $687 million) and $615 million (2014: $555 million) during the year for the Group and Bank respectively
(b) Includes trade & remittances, guarantees and deposit-related fees
(c) Fees from fiduciary services for 2014 are reclassified from investment banking to trade and transaction services
(d) Card fees are net of interchange fees paid

6 Net Trading Income

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Net trading income				
- Foreign exchange	**989**	558	**212**	47
- Interest rates, credit, equities and others[(a)]	**222**	346	**62**	263
Net (loss)/gain from financial assets designated at fair value	**(89)**	9	**(89)**	8
Net gain/(loss) from financial liabilities designated at fair value	**80**	(12)	**89**	(6)
Total	**1,202**	901	**274**	312

(a) Includes dividend income of $23 million (2014: $19 million) for the Group; and $23 million (2014: $19 million) for the Bank

7 Net Income from Investment Securities

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Debt securities				
- Available-for-sale	**117**	122	**106**	101
- Loans and receivables	**#**	4	**#**	3
Equity securities[(a)(b)]	**222**	148	**213**	129
Total[(c)]	**339**	274	**319**	233
Of which: net gains transferred from available-for-sale revaluation reserves	**125**	212	**128**	182

\# Amount under $500,000
(a) Includes dividend income of $63 million (2014: $57 million) for the Group; and $56 million (2014: $49 million) for the Bank
(b) 2015 includes an amount of $136 million for the Group and the Bank relating to gain from disposal of a property investment
(c) Includes fair value impact of hedges for the investment securities

8 Other Income

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Rental income	**37**	35	**9**	10
Net gain on disposal of properties and other fixed assets	**90**	43	**#**	43
Others[(a)(b)]	**28**	215	**505**	403
Total	**155**	293	**514**	456

\# Amount under $500,000
(a) 2014 includes an amount of $198 million for the Group and $153 million for the Bank, comprising a gain of $223 million for the Group and $178 million for the Bank for the divestment of a remaining stake in the Bank of the Philippine Islands (BPI) less a sum of $25 million donated to National Gallery Singapore.
(b) Includes dividend income from subsidiaries and associates of $485 million for the Bank (2014: $262 million)

9 Employee Benefits

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Salaries and bonuses	**2,149**	1,887	**1,351**	1,204
Contributions to defined contribution plans	**135**	111	**88**	73
Share-based expenses	**102**	85	**81**	71
Others	**265**	211	**147**	116
Total	**2,651**	2,294	**1,667**	1,464

10 Other Expenses

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Computerisation expenses[(a)]	**883**	776	**682**	602
Occupancy expenses[(b)]	**398**	369	**209**	201
Revenue-related expenses	**301**	238	**166**	127
Others[(c)]	**660**	646	**393**	374
Total	**2,242**	2,029	**1,450**	1,304

(a) Includes hire and maintenance costs of computer hardware and software
(b) Includes rental expenses of office and branch premises of $241 million (2014: $220 million) for the Group, and $134 million (2014: $129 million) for the Bank and amounts incurred in the maintenance and service of buildings
(c) Includes office administration expenses (e.g. printing, stationery, telecommunications, etc), and legal and professional fees

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Depreciation expenses	**251**	220	**168**	147
Hire and maintenance costs of fixed assets, including building-related expenses	**453**	388	**278**	245
Expenses on investment properties	**7**	7	**#**	#
Audit fees payable to external auditors[(a)]				
- Auditors of the Bank	**3**	3	**3**	3
- Associated firms of Auditors of the Bank	**4**	4	**1**	1
Non-audit fees payable to external auditors[(a)]				
- Auditors of the Bank	**1**	1	**1**	1
- Associated firms of Auditors of the Bank	**1**	1	**1**	1

\# Amount under $500,000
(a) PricewaterhouseCoopers network firms

11 Allowances for Credit and Other Losses

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Loans and advances to customers (Note 17)	**676**	620	**409**	483
Investment securities				
- Available-for-sale	**19**	15	**5**	14
- Loans and receivables	**(8)**	2	**(9)**	-
Investment in subsidiaries	**-**	-	**8**	29
Properties and other fixed assets	**(14)**	-	**-**	-
Off-balance sheet credit exposures	**8**	23	**22**	20
Others (bank loans and sundry debtors)	**62**	7	**-**	1
Total	**743**	667	**435**	547

12 Income Tax Expense

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Current tax expense				
- Current year	**826**	761	**667**	585
- Prior years' provision	**(55)**	17	**(35)**	8
Deferred tax expense				
- Prior years' provision	**(10)**	(10)	**(1)**	(10)
- Origination of temporary differences	**(36)**	(52)	**5**	(50)
Total	**725**	716	**636**	533

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

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Accelerated tax depreciation	**5**	12	**15**	4
Allowances for loan losses	**(49)**	(67)	**(13)**	(65)
Other temporary differences	**(2)**	(7)	**2**	1
Deferred tax credit to income statement	**(46)**	(62)	**4**	(60)

The tax on the Group's profit (before share of profits of associates) and the Bank's profit differ from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Profit	**5,290**	4,827	**4,480**	3,782
Prima facie tax calculated at a tax rate of 17% (2014: 17%)	**899**	821	**762**	643
Effect of different tax rates in other countries	**9**	(5)	**7**	(21)
Net income not subject to tax	**(54)**	(107)	**(104)**	(86)
Net income taxed at concessionary rate	**(79)**	(117)	**(79)**	(117)
Others	**(50)**	124	**50**	114
Income tax expense charged to income statement	**725**	716	**636**	533

Deferred income tax relating to available-for-sale financial assets and others of $7 million was credited directly to equity (2014: $14 million charged to equity) for the Group. Deferred income tax relating to available-for-sale financial assets and others of $7 million was credited to equity (2014: $13 million charged to equity) for the Bank.

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

13 Classification of Financial Instruments

	The Group						
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables /amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
2015							
Assets							
Cash and balances with central banks	**241**	**-**	**14,363**	**4,224**	**-**	**-**	**18,828**
Government securities and treasury bills	**7,569**	**-**	**-**	**25,267**	**1,665**	**-**	**34,501**
Due from banks	**4,961**	**-**	**32,560**	**753**	**-**	**-**	**38,274**
Derivatives	**23,236**	**-**	**-**	**-**	**-**	**395**	**23,631**
Bank and corporate securities	**9,035**	**77**	**17,380**	**13,581**	**-**	**-**	**40,073**
Loans and advances to customers	**-**	**1,269**	**282,020**	**-**	**-**	**-**	**283,289**
Other financial assets	**-**	**-**	**11,288**	**-**	**-**	**-**	**11,288**
Total financial assets	**45,042**	**1,346**	**357,611**	**43,825**	**1,665**	**395**	**449,884**
Other asset items outside the scope of FRS 39[(a)]							**7,963**
Total assets							**457,847**
Liabilities							
Due to banks	**954**	**-**	**17,297**	**-**	**-**	**-**	**18,251**
Deposits and balances from customers	**91**	**1,254**	**318,789**	**-**	**-**	**-**	**320,134**
Derivatives	**22,017**	**-**	**-**	**-**	**-**	**174**	**22,191**
Other financial liabilities	**886**	**-**	**10,400**	**-**	**-**	**-**	**11,286**
Other debt securities	**4,114**	**1,424**	**30,656**	**-**	**-**	**-**	**36,194**
Due to holding company	**-**	**-**	**2,133**	**-**	**-**	**-**	**2,133**
Subordinated term debts	**-**	**-**	**4,026**	**-**	**-**	**-**	**4,026**
Total financial liabilities	**28,062**	**2,678**	**383,301**	**-**	**-**	**174**	**414,215**
Other liability items outside the scope of FRS 39[(b)]							**1,077**
Total liabilities							**415,292**

	The Group						
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables /amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
2014							
Assets							
Cash and balances with central banks	841	-	14,452	4,212	-	-	19,505
Government securities and treasury bills	6,943	-	27	21,551	1,173	-	29,694
Due from banks	6,127	-	34,911	1,212	-	-	42,250
Derivatives	16,800	-	-	-	-	195	16,995
Bank and corporate securities	10,631	70	13,346	13,716	-	-	37,763
Loans and advances to customers	-	1,228	274,360	-	-	-	275,588
Other financial assets	-	-	11,019	-	-	-	11,019
Total financial assets	41,342	1,298	348,115	40,691	1,173	195	432,814
Other asset items outside the scope of FRS 39[(a)]							7,853
Total assets							440,667
Liabilities							
Due to banks	567	-	15,609	-	-	-	16,176
Deposits and balances from customers	369	742	316,062	-	-	-	317,173
Derivatives	18,585	-	-	-	-	184	18,769
Other financial liabilities	1,189	-	9,477	-	-	-	10,666
Other debt securities	3,674	1,297	25,331	-	-	-	30,302
Due to holding company	-	-	4,088	-	-	-	4,088
Subordinated term debts	-	-	4,665	-	-	-	4,665
Total financial liabilities	24,384	2,039	375,232	-	-	184	401,839
Other liability items outside the scope of FRS 39[(b)]							1,045
Total liabilities							402,884

(a) Includes associates, goodwill and intangibles, properties and other fixed assets and deferred tax assets
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

	Bank						
In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables /amortised cost	Available-for-sale	Held to maturity	Hedging derivatives	Total
2015							
Assets							
Cash and balances with central banks	241	-	9,305	1,475	-	-	11,021
Government securities and treasury bills	6,202	-	-	21,314	1,665	-	29,181
Due from banks	4,550	-	27,401	753	-	-	32,704
Derivatives	22,430	-	-	-	-	361	22,791
Bank and corporate securities	7,264	77	16,789	11,848			35,978
Loans and advances to customers	-	1,269	228,018	-	-	-	229,287
Other financial assets	-	-	8,652	-	-	-	8,652
Due from subsidiaries	-	-	13,924	-	-	-	13,924
Total financial assets	40,687	1,346	304,089	35,390	1,665	361	383,538
Other asset items outside the scope of FRS 39[(a)]							12,728
Total assets							396,266
Liabilities							
Due to banks	187	-	15,610	-	-	-	15,797
Deposits and balances from customers	91	941	249,050	-	-	-	250,082
Derivatives	21,224	-	-	-	-	162	21,386
Other financial liabilities	555	-	7,161	-	-	-	7,716
Other debt securities	4,114	1,344	29,096				34,554
Due to holding company	-	-	1,085	-	-	-	1,085
Due to subsidiaries	-	-	24,432	-	-	-	24,432
Subordinated term debts	-	-	4,026	-	-	-	4,026
Total financial liabilities	26,171	2,285	330,460	-	-	162	359,078
Other liability items outside the scope of FRS 39[(b)]							1,010
Total liabilities							360,088

	Bank						
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables /amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
2014							
Assets							
Cash and balances with central banks	841	-	9,901	1,653	-	-	12,395
Government securities and treasury bills	5,256	-	-	17,605	1,173	-	24,034
Due from banks	5,580	-	28,924	1,212	-	-	35,716
Derivatives	16,332	-	-	-	-	156	16,488
Bank and corporate securities	8,927	70	12,844	11,845	-	-	33,686
Loans and advances to customers	-	1,228	217,004	-	-	-	218,232
Other financial assets	-	-	7,835	-	-	-	7,835
Due from subsidiaries	-	-	6,795	-	-	-	6,795
Total financial assets	36,936	1,298	283,303	32,315	1,173	156	355,181
Other asset items outside the scope of FRS 39[(a)]							13,066
Total assets							368,247
Liabilities							
Due to banks	88	-	14,222	-	-	-	14,310
Deposits and balances from customers	369	-	244,300	-	-	-	244,669
Derivatives	18,217	-	-	-	-	166	18,383
Other financial liabilities	553	-	5,593	-	-	-	6,146
Other debt securities	3,674	1,297	23,864	-	-	-	28,835
Due to holding company	-	-	3,373	-	-	-	3,373
Due to subsidiaries	-	-	14,341	-	-	-	14,341
Subordinated term debts	-	-	4,665	-	-	-	4,665
Total financial liabilities	22,901	1,297	310,358	-	-	166	334,722
Other liability items outside the scope of FRS 39[(b)]							916
Total liabilities							335,638

(a) Includes investments in subsidiaries, associates, properties and other fixed assets and deferred tax assets
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of-balance sheet credit exposures

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 2015, “Loans and advances to customers” of $170 million (2014: $2,168 million) were offset against “Deposits and balances from customers” of $170 million (2014: $2,176 million) because contractually there is a legally enforceable right to offset these amounts at both the Group and Bank, and intent to settle the loans and the deposits simultaneously at maturity or termination dates.

Financial assets and liabilities subject to netting agreement 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 collateral received and placed under these agreements is generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge those non-cash collateral (i.e. securities) lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional cash collateral, and typically the counterparty has recourse only to the securities.

In addition, the Group receives cash and other collateral such as marketable securities to reduce its credit exposure. The Group also engages in a variety of counterparty credit mitigation arrangements in addition to netting and collateral arrangements.

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the balance sheet but are subject to enforceable master netting arrangement or similar agreement that covers 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		
Types of financial assets/liabilities **In $ millions**	**Carrying amounts on balance sheet (A)**	**Financial instruments not in scope of offsetting disclosures (B)**	**Gross recognised financial instruments in scope (A - B= C + D +E)**	**Financial instruments (C)**	**Cash collateral received/ placed (D)**	**Net amounts in scope (E)**
2015						
Financial Assets						
Derivatives	**23,631**	**11,203[(a)]**	**12,428**	**11,712[(a)]**	**409**	**307**
Reverse repurchase agreements	**5,227[(b)]**	**124**	**5,103**	**5,097**	**-**	**6**
Securities borrowings	**47[(c)]**	**-**	**47**	**44**	**-**	**3**
Total	**28,905**	**11,327**	**17,578**	**16,853**	**409**	**316**
Financial Liabilities						
Derivatives	**22,191**	**8,551[(a)]**	**13,640**	**11,047[(a)]**	**2,066**	**527**
Repurchase agreements	**2,930[(d)]**	**1,050**	**1,880**	**1,875**	**5**	**-**
Short sale of securities	**886[(e)]**	**561**	**325**	**325**	**-**	**-**
Total	**26,007**	**10,162**	**15,845**	**13,247**	**2,071**	**527**

				The Group		
				Related amounts not offset on balance sheet		
Types of financial assets/liabilities **In $ millions**	**Carrying amounts on balance sheet (A)**	**Financial instruments not in scope of offsetting disclosures (B)**	**Gross recognised financial instruments in scope (A - B= C + D +E)**	**Financial instruments (C)**	**Cash collateral received/ placed (D)**	**Net amounts in scope (E)**
2014						
Financial Assets						
Derivatives	16,995	7,421[(a)]	9,574	8,884[(a)]	493	197
Reverse repurchase agreements	4,025[(b)]	441	3,584	3,580	-	4
Securities borrowings	78[(c)]	-	78	74	-	4
Total	21,098	7,862	13,236	12,538	493	205
Financial Liabilities						
Derivatives	18,769	6,667[(a)]	12,102	8,729[(a)]	2,867	506
Repurchase agreements	1,821[(d)]	480	1,341	1,328	13	-
Short sale of securities	1,189[(e)]	553	636	635	-	1
Securities lendings	4[(f)]	-	4	4	-	-
Total	21,783	7,700	14,083	10,696	2,880	507

(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 “Financial instruments not in scope of offsetting disclosures” are those where either no netting agreement exists or where the netting agreement has 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 placed 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) Short sale of securities are presented under “Other liabilities” on the balance sheet
(f) Cash collateral received under securities lendings are presented under “Other liabilities” on the balance sheet

				Bank		
				Related amounts not offset on balance sheet		
Types of financial assets/liabilities **In $ millions**	**Carrying amounts on balance sheet (A)**	**Financial instruments not in scope of offsetting disclosures (B)**	**Gross recognised financial instruments in scope (A - B= C + D +E)**	**Financial instruments (C)**	**Cash collateral received/ placed (D)**	**Net amounts in scope (E)**
2015						
Financial Assets						
Derivatives	**22,791**	**8,665**[(a)]	**14,126**	**12,069**[(a)]	**409**	**1,648**
Reverse repurchase agreements	**5,119**[(b)]	**16**	**5,103**	**5,097**	**-**	**6**
Securities borrowings	**47**[(c)]	**-**	**47**	**44**	**-**	**3**
Total	**27,957**	**8,681**	**19,276**	**17,210**	**409**	**1,657**
Financial Liabilities						
Derivatives	**21,386**	**7,389**[(a)]	**13,997**	**11,404**[(a)]	**2,071**	**522**
Repurchase agreements	**2,164**[(d)]	**284**	**1,880**	**1,875**	**5**	**-**
Total	**23,550**	**7,673**	**15,877**	**13,279**	**2,076**	**522**
2014						
Financial Assets						
Derivatives	16,488	5,969[(a)]	10,519	9,276[(a)]	493	750
Reverse repurchase agreements	3,595[(b)]	11	3,584	3,580	-	4
Securities borrowings	78[(c)]	-	78	74	-	4
Total	20,161	5,980	14,181	12,930	493	758
Financial Liabilities						
Derivatives	18,383	5,889[(a)]	12,494	9,122[(a)]	2,876	496
Repurchase agreements	1,341[(d)]	-	1,341	1,328	13	-
Securities lendings	4[(e)]	-	4	4	-	-
Total	19,728	5,889	13,839	10,454	2,889	496

(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 “Financial instruments not in scope of offsetting disclosures” are those where either no netting agreement exists or where the netting agreement has 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 placed under securities borrowings are presented under “Other assets” on the balance sheet

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

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

14 Cash and Balances with Central Banks

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Cash on hand	**3,069**	1,924	**2,869**	1,749
Non-restricted balances with central banks	**9,008**	9,915	**3,270**	6,087
Cash and cash equivalents	**12,077**	11,839	**6,139**	7,836
Restricted balances with central banks[(a)]	**6,751**	7,666	**4,882**	4,559
Total	**18,828**	19,505	**11,021**	12,395

(a) Mandatory balances with central banks

15 Government Securities and Treasury Bills

The Group

In $ millions	Held for trading	Loans and receivables	Available-for-sale	Held to maturity	Total
2015					
Singapore Government securities and treasury bills[(a)]	**2,569**	**-**	**8,078**	**1,665**	**12,312**
Other government securities and treasury bills[(b)]	**5,000**	**-**	**17,189**	**-**	**22,189**
Total	**7,569**	**-**	**25,267**	**1,665**	**34,501**
2014					
Singapore Government securities and treasury bills[(a)]	1,963	-	6,357	1,173	9,493
Other government securities and treasury bills[(b)]	4,980	27	15,194	-	20,201
Total	6,943	27	21,551	1,173	29,694

(a) Includes financial assets transferred of $579 million (2014: $522 million) (See Note 18)
(b) Includes financial assets transferred of $1,900 million (2014: $1,571 million) (See Note 18)

Bank

In $ millions	Held for trading	Loans and receivables	Available-for-sale	Held to maturity	Total
2015					
Singapore Government securities and treasury bills[(a)]	**2,569**	**-**	**8,078**	**1,665**	**12,312**
Other government securities and treasury bills[(b)]	**3,633**	**-**	**13,236**	**-**	**16,869**
Total	**6,202**	**-**	**21,314**	**1,665**	**29,181**
2014					
Singapore Government securities and treasury bills[(a)]	1,963	-	6,357	1,173	9,493
Other government securities and treasury bills[(b)]	3,293	-	11,248	-	14,541
Total	5,256	-	17,605	1,173	24,034

(a) Includes financial assets transferred of $579 million (2014: $522 million) (See Note 18)
(b) Includes financial assets transferred of $1,550 million (2014: $919 million) (See Note 18)

16 Bank and Corporate Securities

The Group					
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Total**
2015					
Bank and corporate debt securities[(a)]	**7,654**	**77**	**17,530**	**11,884**	**37,145**
Less: impairment allowances	**-**	**-**	**(150)**	**-**	**(150)**
Equity securities	**1,381**	**-**	**-**	**1,697**	**3,078**
Total	**9,035**	**77**	**17,380**	**13,581**	**40,073**
2014					
Bank and corporate debt securities[(a)]	9,851	70	13,503	12,257	35,681
Less: impairment allowances	-	-	(157)	-	(157)
Equity securities	780	-	-	1,459	2,239
Total	10,631	70	13,346	13,716	37,763

(a) Includes financial assets transferred of $787 million (2014: $623 million) (See Note 18)

Bank					
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Total**
2015					
Bank and corporate debt securities	**5,883**	**77**	**16,936**	**10,220**	**33,116**
Less: impairment allowances	**-**	**-**	**(147)**	**-**	**(147)**
Equity securities	**1,381**	**-**	**-**	**1,628**	**3,009**
Total	**7,264**	**77**	**16,789**	**11,848**	**35,978**
2014					
Bank and corporate debt securities	8,147	70	12,999	10,478	31,694
Less: impairment allowances	-	-	(155)	-	(155)
Equity securities	780	-	-	1,367	2,147
Total	8,927	70	12,844	11,845	33,686

17 Loans and Advances to Customers

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Gross	**286,871**	279,154	**232,047**	220,912
Less: Specific allowances	**821**	983	**469**	584
General allowances	**2,761**	2,583	**2,291**	2,096
	283,289	275,588	**229,287**	218,232
Analysed by product				
Long-term loans	**124,362**	116,633	**101,985**	93,414
Short-term facilities	**62,976**	58,819	**51,722**	48,000
Housing loans	**58,569**	52,866	**49,773**	44,123
Trade loans	**40,964**	50,836	**28,567**	35,375
Gross total	**286,871**	279,154	**232,047**	220,912
Analysed by currency				
Singapore dollar	**117,587**	109,493	**117,547**	109,427
Hong Kong dollar	**34,386**	32,476	**12,631**	11,197
US dollar	**89,283**	96,552	**77,150**	81,802
Chinese yuan	**19,516**	20,399	**8,628**	7,948
Others	**26,099**	20,234	**16,091**	10,538
Gross total	**286,871**	279,154	**232,047**	220,912

Refer to Note 40.4 for breakdown of loans and advances to customers by geography and by industry.

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

	The Group				
In $ millions	Balance at 1 January	Charge/(Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2015					
Specific allowances					
Manufacturing	**331**	**185**	**(303)**	**11**	**224**
Building and construction	**115**	**43**	**(43)**	**5**	**120**
Housing loans	**8**	**(2)**	**-**	**1**	**7**
General commerce	**140**	**144**	**(133)**	**6**	**157**
Transportation, storage and communications	**153**	**25**	**(87)**	**3**	**94**
Financial institutions, investment and holding companies	**90**	**14**	**(48)**	**4**	**60**
Professionals and private individuals (excluding housing loans)	**53**	**102**	**(99)**	**2**	**58**
Others	**93**	**40**	**(35)**	**3**	**101**
Total specific allowances	**983**	**551**	**(748)**	**35**	**821**
Total general allowances	**2,583**	**125**	**-**	**53**	**2,761**
Total allowances	**3,566**	**676**	**(748)**	**88**	**3,582**
2014					
Specific allowances					
Manufacturing	240	151	(80)	20	331
Building and construction	42	156	(91)	8	115
Housing loans	9	1	(2)	-	8
General commerce	142	49	(61)	10	140
Transportation, storage and communications	465	(32)	(290)	10	153
Financial institutions, investment and holding companies	146	19	(80)	5	90
Professionals and private individuals (excluding housing loans)	48	76	(76)	5	53
Others	37	58	(7)	5	93
Total specific allowances	1,129	478	(687)	63	983
Total general allowances	2,398	142	-	43	2,583
Total allowances	3,527	620	(687)	106	3,566

	Bank				
In $ millions	**Balance at 1 January**	**Charge/(Write-back) to income statement**	**Net write-off during the year**	**Exchange and other movements**	**Balance at 31 December**
2015					
Specific allowances					
Manufacturing	**205**	**61**	**(152)**	**6**	**120**
Building and construction	**87**	**40**	**(28)**	**5**	**104**
Housing loans	**4**	**-**	**-**	**-**	**4**
General commerce	**39**	**41**	**(27)**	**3**	**56**
Transportation, storage and communications	**127**	**27**	**(83)**	**4**	**75**
Financial institutions, investment and holding companies	**38**	**3**	**(39)**	**-**	**2**
Professionals and private individuals (excluding housing loans)	**22**	**52**	**(48)**	**1**	**27**
Others	**62**	**19**	**(4)**	**4**	**81**
Total specific allowances	**584**	**243**	**(381)**	**23**	**469**
Total general allowances	**2,096**	**166**	**-**	**29**	**2,291**
Total allowances	**2,680**	**409**	**(381)**	**52**	**2,760**
2014					
Specific allowances					
Manufacturing	121	86	(16)	14	205
Building and construction	19	152	(90)	6	87
Housing loans	6	(1)	(1)	-	4
General commerce	48	9	(21)	3	39
Transportation, storage and communications	450	(41)	(291)	9	127
Financial institutions, investment and holding companies	83	15	(63)	3	38
Professionals and private individuals (excluding housing loans)	21	39	(40)	2	22
Others	14	50	(6)	4	62
Total specific allowances	762	309	(528)	41	584
Total general allowances	1,915	174	-	7	2,096
Total allowances	2,677	483	(528)	48	2,680

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

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Fair value designated loans and advances and related credit derivatives/enhancements				
Maximum credit exposure	**1,269**	1,228	**1,269**	1,228
Credit derivatives/enhancements – protection bought	**(1,269)**	(1,228)	**(1,269)**	(1,228)
Cumulative change in fair value arising from changes in credit risk	**(280)**	(194)	**(280)**	(194)
Cumulative change in fair value of related credit derivatives/enhancements	**280**	194	**280**	194

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 loss of $86 million (2014: loss of $56 million) for both the Group and Bank. During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a gain of $86 million for both the Group and Bank (2014: gain of $56 million).

18 Financial Assets Transferred

The Group transfers financial assets to third parties or structured entities in the course of business, for example when it pledges securities as collateral for repurchase agreements or when it undertakes securities lending arrangements.

Transferred assets are derecognised in the Group's financial statements when substantially all of their risks and rewards are also transferred. Among them is pledged collateral (mainly cash) for derivative transactions under credit support annexes agreements. Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2015 and 2014.

Where the Group retains substantially all the risks and rewards of the transferred assets, they continue to be recognised in the Group's financial statements. These assets are described below.

Securities

Securities transferred under repurchase agreements and securities lending 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 cash collateral. The counterparty typically has no further recourse to the Group's other assets beyond the transferred securities.

For repurchase agreements, the securities transferred are either classified as "fair value through profit or loss" or "available-for-sale". The Group receives cash in exchange and records a financial liability for the cash received. The Group also pledged assets to secure its short position in securities and to facilitate settlement operations. The fair value of the associated liabilities approximates the carrying amount of $3,255 million (2014: $2,457 million) for the Group and $2,164 million (2014: $1,341 million) for the Bank, which are recorded under "Due to banks", "Deposits and balances from customers" and "Other liabilities" on the balance sheet.

For securities lending transactions, the securities lent are classified as "available-for-sale" or "loans and receivables" on the balance sheet, and the carrying amount approximates the fair value. As the Group mainly receives other financial assets in exchange, the associated liabilities recorded are not material.

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Securities pledged and transferred				
Singapore Government securities and treasury bills	**579**	522	**579**	522
Other government securities and treasury bills	**1,900**	1,571	**1,550**	919
Bank and corporate debt securities	**787**	623	**-**	-
Total securities pledged and transferred	**3,266**	2,716	**2,129**	1,441

Covered Bonds

Pursuant to the Bank's Global Covered Bond Programme, selected pools of residential mortgages originated by the Bank have been assigned to a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd (see Notes 21.2 and 28.4). 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 2015, the carrying value of the covered bonds in issue was $1,412 million (2014: Nil), while the carrying value of assets assigned was $4,268 million (2014: Nil). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

Other financial assets

The Group also enters into structured funding transactions where it retains the contractual rights to receive cash flows of financial assets extended to third parties, but assumes a contractual obligation to pay these cash flows under the issued notes. The carrying amounts and fair values of these financial assets and liabilities of the Group and the Bank both amount to $1,355 million (2014: $1,317 million).

19 Other Assets

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Accrued interest receivable	**1,258**	1,194	**941**	875
Deposits and prepayments	**317**	268	**189**	186
Clients' monies receivable from securities business	**316**	636	**-**	-
Sundry debtors and others	**6,440**	5,300	**4,567**	3,153
Cash collaterals placed[(a)]	**2,957**	3,621	**2,955**	3,621
Deferred tax assets (Note 20)	**299**	256	**166**	165
Total	**11,587**	11,275	**8,818**	8,000

(a) Mainly relates to cash collateral placed in respect of derivative portfolios

20 Deferred Tax Assets/Liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The deferred tax assets and liabilities are determined after appropriate offsetting, as shown in "Other assets" (Note 19) and "Other liabilities" (Note 27) respectively.

Deferred tax assets and liabilities comprise the following temporary differences:

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Deferred income tax assets				
Allowances for loan losses	**310**	254	**198**	180
Other temporary differences	**146**	137	**93**	97
	456	391	**291**	277
Amounts offset against deferred tax liabilities	**(157)**	(135)	**(125)**	(112)
Total	**299**	256	**166**	165
Deferred income tax liabilities				
Accelerated tax depreciation	**111**	104	**62**	48
Available-for-sale financial assets and others	**13**	20	**12**	19
Other temporary differences	**61**	56	**54**	56
	185	180	**128**	123
Amounts offset against deferred tax assets	**(157)**	(135)	**(125)**	(112)
Total	**28**	45	**3**	11
Net deferred tax assets	**271**	211	**163**	154

21 Subsidiaries and Consolidated Structured Entities

	Bank	
In $ millions	2015	2014
Unquoted equity shares[(a)(b)]	**11,407**	11,846
Due from subsidiaries	**13,924**	6,795
Total	**25,331**	18,641

(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
(b) The carrying amounts presented are net of impairment allowances

21.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below:

		Effective shareholding %	
Name of subsidiary	Country of incorporation	2015	2014
Commercial Banking			
DBS Bank (Hong Kong) Limited*	Hong Kong	**100**	100
DBS Bank (China) Limited*	China	**100**	100
DBS Bank (Taiwan) Limited*	Taiwan	**100**	100
PT Bank DBS Indonesia*	Indonesia	**99**	99
Merchant Banking			
The Islamic Bank of Asia Limited	Singapore	**50**	50
Stockbroking			
DBS Vickers Securities Holdings Pte Ltd	Singapore	**100**	100

* Audited by PricewaterhouseCoopers network firms outside Singapore

The Group's main subsidiaries are regulated banks and non-bank financial institutions. Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests may restrict the ability of the Bank to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests as at the balance sheet dates, any protective rights associated with these did not give rise to significant restrictions in 2014 and 2015.

The Islamic Bank of Asia Limited's operations is in progressive wind-down, following approval from its shareholders on 6 October 2015.

Refer to Note 33 for information on non-controlling interests.

21.1.1 Acquisition of remaining interest in subsidiary

Acquisition of remaining interest in DBS China Square Limited

On 22 June 2015, the Bank acquired the remaining 30% stake it did not own in DBS China Square Limited for a cash consideration of $150 million from CapitaLand Investments Pte Ltd, a wholly-owned subsidiary of CapitaLand Limited.

21.2 Consolidated structured entity

The structured entity consolidated by the Group is listed below:

Name of entity	Purpose of consolidated structured entity	Country of incorporation
Bayfront Covered Bonds Pte Ltd	Covered bond guarantor	Singapore

Bayfront Covered Bonds Pte Ltd is a bankrupty-remote structured entity established in conjunction with the Bank's USD 10 billion Global Covered Bond Programme (see Note 28.4). As part of the contractual structures that are integral to this programme, the Bank provides funding and hedging facilities to it.

22 Associates

In $ millions	The Group 2015	2014
Quoted equity securities, at cost[(a)]	**71**	71
Unquoted equity securities, at cost	**800**	779
Sub-total	**871**	850
Share of post acquisition reserves	**129**	145
Total	**1,000**	995

(a) The market value of quoted associates amounted to $51 million (2014: $50 million)

In $ millions	Bank 2015	2014
Quoted equity securities[(a)]	**10**	10
Unquoted equity securities[(b)]	**229**	195
Total	**239**	205

(a) The market value of quoted associates amounted to $8 million (2014: $8 million)
(b) 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

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 2015	2014
Income statement		
Share of income	**166**	222
Share of expenses	**(152)**	(143)
Balance sheet		
Share of total assets	**1,721**	1,700
Share of total liabilities	**721**	705
Off-balance sheet		
Share of contingent liabilities and commitments	**#**	#

Amount under $500,000

22.1 Main associates

The main associates of the Group are listed below:

Name of associate	Country of incorporation	Effective shareholding % 2015	2014
Quoted			
Hwang Capital (Malaysia) Bhd[(a)]*	Malaysia	**27.7**	27.7
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 PricewaterhouseCoopers network firms outside Singapore
** Audited by other auditors
(a) Shareholding includes 4.15% held through the Bank

As of 31 December 2015 and 31 December 2014, no associate was individually material to the Group. As a non-controlling shareholder, the Group's ability to receive dividends is subject to agreement with other shareholders. The associates may also be subject to statutory, contractual or regulatory requirements restricting dividend payments or to repay loans or advances made.

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

23 Unconsolidated Structured Entities

"Unconsolidated structured entities" are those structured entities as defined by FRS 112 and are not controlled by the Group. To facilitate customer transactions and for specific investment opportunities, the Group in the normal course of business enters into transactions with a range of counterparties, some of which would be defined as unconsolidated structured entities.

While the economic exposures may be the same as those to other type of entities, FRS 112 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 Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Derivatives	**2**	4	**2**	4
Bank and corporate securities	**1,317**	968	**1,221**	968
Loans and advances to customers	**109**	96	**109**	96
Other assets	**1**	1	**1**	1
Total assets	**1,429**	1,069	**1,333**	1,069
Commitments and guarantees	**203**	202	**203**	202
Maximum Exposure to Loss	**1,632**	1,271	**1,536**	1,271
Derivatives	**85**	17	**85**	17
Total liabilities	**85**	17	**85**	17

The table above represents the Group's maximum exposure to loss for which 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 also sponsors third party structured entities, primarily by acting as lead arranger; underwriter or book runner for the issuance of securities by clients or by providing nominee services. Income, in the nature of fees from and assets transferred by all parties to sponsored structured entities, was not material.

The total assets of the third party structured entities are not considered meaningful for the purposes of understanding the related risks since they are neither representative of the Group's exposure nor the income earned, and so have not been presented.

The Group has not provided any specific non-contractual financial support during the year and does not expect to provide non-contractual support to these third party structured entities in the future.

24 Properties and Other Fixed Assets

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		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Minimum lease receivables				
Not later than 1 year	**33**	32	**3**	3
Later than 1 year but not later than 5 years	**34**	49	**1**	2
Later than 5 years	**-**	#	**-**	-
Total	**67**	81	**4**	5

Amount under $500,000

The Group					
In $ millions	**Investment properties**	**Owner-occupied properties**	**Other fixed assets[(a)]**	**Subtotal of owner-occupied properties and other fixed assets**	**Total**
	(1)	**(2)**	**(3)**	**(4)=(2+3)**	**(5)=(1+4)**
2015					
Cost					
Balance at 1 January	**644**	**538**	**1,553**	**2,091**	**2,735**
Additions	**-**	**6**	**328**	**334**	**334**
Disposals	**(24)**	**(53)**	**(69)**	**(122)**	**(146)**
Transfers	**(2)**	**2**	**-**	**2**	**-**
Exchange differences	**9**	**36**	**28**	**64**	**73**
Balance at 31 December	**627**	**529**	**1,840**	**2,369**	**2,996**
Less: Accumulated depreciation					
Balance at 1 January	**170**	**120**	**913**	**1,033**	**1,203**
Depreciation charge	**7**	**12**	**232**	**244**	**251**
Disposals	**(6)**	**(11)**	**(58)**	**(69)**	**(75)**
Transfers	**(1)**	**1**	**-**	**1**	**-**
Exchange differences	**2**	**17**	**24**	**41**	**43**
Balance at 31 December	**172**	**139**	**1,111**	**1,250**	**1,422**
Less: Allowances for impairment	**-**	**27**	**-**	**27**	**27**
Net book value at 31 December	**455**	**363**	**729**	**1,092**	**1,547**
Market value at 31 December	**868**	**831**			
2014					
Cost					
Balance at 1 January	663	513	1,382	1,895	2,558
Additions	-	5	258	263	263
Disposals	(17)	(3)	(105)	(108)	(125)
Transfers	(4)	4	-	4	-
Exchange differences	2	19	18	37	39
Balance at 31 December	644	538	1,553	2,091	2,735
Less: Accumulated depreciation					
Balance at 1 January	169	96	796	892	1,061
Depreciation charge	7	13	200	213	220
Disposals	(5)	(3)	(97)	(100)	(105)
Transfers	(2)	2	-	2	-
Exchange differences	1	12	14	26	27
Balance at 31 December	170	120	913	1,033	1,203
Less: Allowances for impairment	-	47	-	47	47
Net book value at 31 December	474	371	640	1,011	1,485
Market value at 31 December	913	817			

(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets

	Bank				
In $ millions	**Investment properties**	**Owner-occupied properties**	**Other fixed assets[(a)]**	**Subtotal of owner-occupied properties and other fixed assets**	**Total**
	(1)	**(2)**	**(3)**	**(4)=(2+3)**	**(5)=(1+4)**
2015					
Cost					
Balance at 1 January	**36**	**155**	**1,079**	**1,234**	**1,270**
Additions	**-**	**2**	**240**	**242**	**242**
Disposals	**-**	**-**	**(32)**	**(32)**	**(32)**
Transfers	**1**	**(1)**	**-**	**(1)**	**-**
Exchange differences	**-**	**-**	**3**	**3**	**3**
Balance at 31 December	**37**	**156**	**1,290**	**1,446**	**1,483**
Less: Accumulated depreciation					
Balance at 1 January	**18**	**62**	**621**	**683**	**701**
Depreciation charge	**1**	**4**	**163**	**167**	**168**
Disposals	**-**	**-**	**(23)**	**(23)**	**(23)**
Transfers	**1**	**(1)**	**-**	**(1)**	**-**
Exchange differences	**-**	**-**	**2**	**2**	**2**
Balance at 31 December	**20**	**65**	**763**	**828**	**848**
Less: Allowances for impairment	**-**	**-**	**-**	**-**	**-**
Net book value at 31 December	**17**	**91**	**527**	**618**	**635**
Market value at 31 December	**81**	**302**			
2014					
Cost					
Balance at 1 January	57	151	957	1,108	1,165
Additions	-	2	168	170	170
Disposals	(17)	(2)	(47)	(49)	(66)
Transfers	(4)	4	-	4	-
Exchange differences	-	-	1	1	1
Balance at 31 December	36	155	1,079	1,234	1,270
Less: Accumulated depreciation					
Balance at 1 January	24	57	517	574	598
Depreciation charge	1	4	142	146	147
Disposals	(5)	(1)	(40)	(41)	(46)
Transfers	(2)	2	-	2	-
Exchange differences	-	-	2	2	2
Balance at 31 December	18	62	621	683	701
Less: Allowances for impairment	-	-	-	-	-
Net book value at 31 December	18	93	458	551	569
Market value at 31 December	68	276			

(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets

24.1 PWC Building is held as an investment property. Its net book value was $386 million as at 31 December 2015 (2014: $392 million) and its fair value was independently appraised at $711 million (2014: $692 million).

24.2 The market values of investment properties are determined using an 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 2015, there were no transfers into or out of Level 3.

25 Goodwill and Intangibles

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

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
DBS Bank (Hong Kong) Limited	**4,631**	4,631	**-**	-
Others	**486**	486	**281**	281
Total	**5,117**	5,117	**281**	281

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 cash flows, taking into account projected regulatory capital requirements, are discounted by its cost of capital to derive their 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 4.5% (2014: 4.5%) and discount rate of 9.0% (2014: 9.0%) were assumed in the value-in-use calculation for DBS Bank (Hong Kong) Limited.

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. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating unit to exceed its recoverable amount at 31 December 2015. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be further impaired in future periods.

26 Deposits and Balances from Customers

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Analysed by currency				
Singapore dollar	**140,772**	138,332	**140,525**	138,031
US dollar	**101,298**	93,445	**84,815**	76,204
Hong Kong dollar	**31,849**	31,450	**5,787**	7,296
Chinese yuan	**14,500**	20,463	**1,470**	2,770
Others	**31,715**	33,483	**17,485**	20,368
Total	**320,134**	317,173	**250,082**	244,669
Analysed by product				
Savings accounts	**131,065**	119,753	**110,440**	102,316
Current accounts	**65,989**	60,876	**55,852**	53,310
Fixed deposits	**120,269**	130,904	**82,007**	84,449
Other deposits	**2,811**	5,640	**1,783**	4,594
Total	**320,134**	317,173	**250,082**	244,669

27 Other Liabilities

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Cash collateral received[(a)]	**981**	734	**908**	734
Accrued interest payable	**453**	574	**254**	255
Provision for loss in respect of off-balance sheet credit exposures	**324**	322	**309**	292
Clients' monies payable in respect of securities business	**318**	570	**-**	-
Sundry creditors and others[(b)]	**8,648**	7,599	**5,999**	4,604
Current tax liabilities	**725**	678	**698**	613
Short sale of securities	**886**	1,189	**555**	553
Deferred tax liabilities (Note 20)	**28**	45	**3**	11
Total	**12,363**	11,711	**8,726**	7,062

(a) Mainly relates to cash collateral received in respect of derivative portfolios
(b) Includes $800 million of the $1.6 billion receivable from Manulife for the 15-year regional distribution agreement entered on 8 April 2015.

28 Other Debt Securities

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Negotiable certificates of deposit (Note 28.1)	**1,200**	1,072	**165**	-
Senior medium term notes (Note 28.2)	**7,986**	9,196	**7,986**	9,196
Commercial papers (Note 28.3)	**19,174**	14,561	**19,174**	14,561
Covered bonds (Note 28.4)	**1,412**	-	**1,412**	-
Other debt securities (Note 28.5)	**6,422**	5,473	**5,817**	5,078
Total	**36,194**	30,302	**34,554**	28,835
Due within 1 year	**26,736**	23,193	**25,838**	22,740
Due after 1 year	**9,458**	7,109	**8,716**	6,095
Total	**36,194**	30,302	**34,554**	28,835

28.1 Negotiable certificates of deposit issued and outstanding at 31 December are as follows:

In $ millions Currency	Interest Rate and Repayment Terms	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Issued by the Bank and other subsidiaries					
HKD	2.25 % to 4.22%, payable quarterly	**503**	471	**-**	-
HKD	3M HIBOR + 0.25%, payable quarterly	**46**	-	**-**	-
HKD	3M HIBOR +0.2%, payable quarterly	**70**	66	**-**	-
HKD	1.2% to 4.2%, payable yearly	**156**	242	**-**	-
AUD	2.2% to 2.51%, payable on maturity	**165**	-	**165**	-
USD	0.2% to 0.7%, payable on maturity	**42**	66	**-**	-
IDR	9.75% to 10.65%, payable on maturity	**46**	122	**-**	-
TWD	0.438% to 0.79%, payable on maturity	**172**	105	**-**	-
Total		**1,200**	1,072	**165**	-

The outstanding negotiable certificates of deposit as at 31 December 2015 were issued between 22 August 2008 and 15 December 2015 (2014: 22 August 2008 and 30 December 2014) and mature between 5 January 2016 and 16 March 2021 (2014: 16 January 2015 and 16 March 2021).

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

In $ millions		The Group		Bank	
Currency	Interest Rate and Repayment Terms	2015	2014	2015	2014
Issued by the Bank					
AUD	Floating rate note, payable quarterly	**-**	108	**-**	108
GBP	Floating rate note, payable quarterly	**3,604**	4,079	**3,604**	4,079
USD	2.35%, payable half yearly	**1,418**	1,327	**1,418**	1,327
USD	2.375%, payable half yearly	**-**	1,331	**-**	1,331
USD	Floating rate note, payable quarterly	**2,658**	2,133	**2,658**	2,133
USD	1.454%, payable yearly	**141**	132	**141**	132
HKD	2.24%, payable quarterly	**92**	86	**92**	86
CNH	4.4%, payable yearly	**73**	-	**73**	-
Total		**7,986**	9,196	**7,986**	9,196

The senior medium term notes were issued by the Bank under its USD 30 billion Global Medium Term Note Programme. The outstanding senior medium term notes as at 31 December 2015 were issued between 21 February 2012 and 16 November 2015 (2014: 14 September 2010 and 2 December 2014) and mature between 14 January 2016 and 15 January 2020 (2014: 25 February 2015 and 20 November 2019).

28.3 The zero-coupon commercial papers which are payable on maturity were issued by the Bank under its USD 5 billion Euro Commercial Paper Programme and USD 15 billion US Commercial Paper Programme. The outstanding notes as at 31 December 2015 were issued between 2 July 2015 and 30 December 2015 (2014: 4 February 2014 and 16 December 2014) and mature between 4 January 2016 and 24 May 2016 (2014: 13 January 2015 and 1 July 2015).

28.4 To augment its sources of wholesale funding, the Bank established a USD10 billion Global Covered Bond Programme on 16 June 2015. 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 has provided an unconditional and irrevocable guarantee, which is secured over the cover pool, to the covered bond holders.

The outstanding covered bonds as at 31 December 2015 were issued on 6 August 2015 and mature on 6 August 2018.

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

In $ millions	The Group		Bank	
Type	2015	2014	2015	2014
Issued by the Bank and other subsidiaries				
Equity linked notes	**1,603**	1,381	**1,600**	1,381
Credit linked notes	**2,058**	1,914	**2,058**	1,914
Interest linked notes	**1,817**	1,413	**1,737**	1,413
Foreign exchange linked notes	**63**	264	**63**	264
Fixed rate bonds	**881**	501	**359**	106
Total	**6,422**	5,473	**5,817**	5,078

The outstanding securities as at 31 December 2015 were issued between 31 March 2006 and 31 December 2015 (2014: 31 March 2006 and 31 December 2014) and mature between 4 January 2016 and 13 November 2045 (2014: 2 January 2015 and 30 September 2044).

29 Due to Subsidiaries

In $ millions	Bank	
	2015	2014
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 29.1)	**1,500**	1,500
Due to subsidiaries	**22,932**	12,841
Total	**24,432**	14,341

29.1 The $1,500 million 5.75% subordinated note was issued on 27 May 2008 by the Bank to DBS Capital Funding II Corporation, both wholly-owned subsidiaries of DBSH. Interest is payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Dollar Swap Offer Rate + 3.415% per annum.

30 Subordinated Term Debts

Subordinated term debts issued by a subsidiary of the Group are classified as liabilities in accordance with FRS 32. These are long term debt instruments that have a junior or lower priority claim on the issuing entity's assets in the event of a default or liquidation. These 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-down at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Tier 2 capital for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

In $ millions					**The Group**		**Bank**	
Instrument	**Note**	**Issue Date**	**Maturity Date**	**Interest payment**	**2015**	**2014**	**2015**	**2014**
Issued by the Bank								
US$900m Floating Rate Subordinated Notes Callable with Step-up in 2016 *Interest rate equal to 3-month LIBOR plus 0.61% until call date.* *Interest rate resets to 3-month LIBOR plus 1.61% thereafter if not called.*	30.1	16 Jun 2006	15 Jul 2021	Jan/Apr/ Jul/Oct	**495**	1,189	**495**	1,189
S$500m 4.47% Subordinated Notes Callable with Step-up in 2016 *Interest rate resets to 6-month Singapore Dollar Swap Offer Rate plus 1.58% if not called.*		11 Jul 2006	15 Jul 2021	Jan/Jul	**500**	500	**500**	500
S$1,000m 3.30% Subordinated Notes Callable in 2017 *Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.147% if not called.*	30.2	21 Feb 2012	21 Feb 2022	Feb/Aug	**991**	999	**991**	999
US$750m 3.625% Subordinated Notes Callable in 2017 *Interest rate resets to 5-year US Dollar Swap Offer Rate plus 2.229% if not called.*	30.3	21 Mar 2012	21 Sep 2022	Mar/Sep	**1,064**	994	**1,064**	994
S$1,000m 3.10% Subordinated Notes Callable in 2018 *Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.085% if not called.*	30.4	14 Aug 2012	14 Feb 2023	Feb/Aug	**976**	983	**976**	983
Total					**4,026**	4,665	**4,026**	4,665
Due within 1 year					**-**	726	**-**	726
Due after 1 year					**4,026**	3,939	**4,026**	3,939
Total					**4,026**	4,665	**4,026**	4,665

30.1 On 8 January 2015, the Bank purchased, for cash, US$550 million of its US$900 million Floating Rate Subordinated Notes due 2021 Callable with Step-up in 2016. The US$550 million notes were subsequently cancelled. The remaining US$350 million of notes that were not repurchased are subject to the original terms and conditions of the notes.

30.2 The fixed rate funding has been converted to floating rate at six-month Singapore Dollar Swap Offer Rate + 2.22% via interest rate swaps.

30.3 The fixed rate funding has been converted to floating rate at three-month LIBOR + 2.21% via interest rate swaps.

30.4 The fixed rate funding has been converted to floating rate at six-month Singapore Dollar Swap Offer Rate + 2.16% via interest rate swaps.

For more information on each instrument, please refer to the "Capital Disclosures" section at the Group's website (http://www.dbs.com/investor/capital-disclosures.html) (unaudited).

31 Share Capital

	The Group and Bank			
	Shares ('000)		In $ millions	
	2015	2014	2015	2014
Ordinary shares				
Balance at 1 January	**2,489,381**	2,233,103	**21,297**	14,597
Issue of shares (Note 31.1)	**85,262**	256,278	**1,400**	5,000
Redemption of preference shares (Note 31.2)	**-**	-	**-**	1,700
Balance at 31 December	**2,574,643**	2,489,381	**22,697**	21,297
Non-cumulative preference shares				
Balance at 1 January				
4.7% non-cumulative non-convertible perpetual preference shares (Note 31.2)	**-**	7	**-**	1,700
4.7% non-cumulative non-convertible perpetual preference shares (Note 31.3)	**8,000**	8,000	**799**	799
	8,000	8,007	**799**	2,499
Redemption of preference shares (Note 31.2)	**-**	(7)	**-**	(1,700)
Balance at 31 December	**8,000**	8,000	**799**	799
Issued share capital at 31 December			**23,496**	22,096

31.1 The ordinary shares are fully paid-up and do not have par value. In 2015, the Bank issued 85 million ordinary shares for a total cash consideration of $1.4 billion. The newly issued shares rank pari passu in all respect with the previously issued shares.

31.2 $1,700 million 4.7% non-cumulative non-convertible perpetual preference shares with a liquidation preference of $250,000 each, was issued on 22 October 2010 by the Bank to third parties. Prior to redemption, these preference shares were in the first instance ineligible as capital instruments under Basel III rules as they lacked provisions for conversion to ordinary shares or write-down at the point of non-viability as determined by the Monetary Authority of Singapore, but were accorded partial eligibility as Tier 1 capital for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013. The preference shares were fully redeemed, out of distributable profits, on 21 March 2014. The redemption amount (Note 32) was credited to ordinary share capital.

31.3 $800 million 4.7% non-cumulative non-convertible perpetual preference shares with a liquidation preference of $100 each, was issued on 22 November 2010 by the Bank to third parties. These preference shares were in the first instance ineligible as capital instruments under Basel III rules as they lacked provisions for conversion to ordinary shares or write-down at the point of non-viability as determined by the Monetary Authority of Singapore, but were accorded partial eligibility as Tier 1 capital for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 May and 22 November at a fixed rate of 4.7% of the liquidation preference per annum.

For more information on each instrument, please refer to the "Capital Disclosures" section at the Group's website (http://www.dbs.com/investor/capital-disclosures.html) (unaudited).

32 Other Reserves and Revenue Reserves

32.1 Other reserves

	The Group		Bank	
In $ millions	2015	2014	2015	2014
Available-for-sale revaluation reserves	**96**	284	**92**	288
Cash flow hedge reserves	**8**	(33)	**6**	(33)
General reserves	**2,453**	2,453	**2,360**	2,360
Capital reserves	**(214)**	(233)	**(23)**	(43)
Others	**(78)**	-	**-**	-
Total	**2,265**	2,471	**2,435**	2,572

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

In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves[(a)]	Capital reserves[(b)]	Other reserves	Total
2015						
Balance at 1 January	**284**	**(33)**	**2,453**	**(233)**	**-**	**2,471**
Net exchange translation adjustments	**1**	**1**		**18**		**20**
Acquisition of non-controlling interests (Note 21.1.1)	**-**	**-**	**-**	**-**	**(78)**	**(78)**
Share of associates' reserves	**(1)**	**2**	**-**	**1**	**-**	**2**
Available-for-sale financial assets and others:						
- net valuation taken to equity	**(74)**	**(144)**	**-**	**-**	**-**	**(218)**
- transferred to income statement	**(125)**	**186**	**-**	**-**	**-**	**61**
- tax on items taken directly to or transferred from equity	**11**	**(4)**	**-**	**-**	**-**	**7**
Balance at 31 December	**96**	**8**	**2,453**	**(214)**	**(78)**	**2,265**
2014						
Balance at 1 January	(30)	(14)	2,453	(324)	-	2,085
Net exchange translation adjustments	-	-	-	91	-	91
Share of associates' reserves	7	-	-	-	-	7
Available-for-sale financial assets and others:						
- net valuation taken to equity	534	(67)	-	-	-	467
- transferred to income statement	(212)	47	-	-	-	(165)
- tax on items taken directly to or transferred from equity	(15)	1	-	-	-	(14)
Balance at 31 December	284	(33)	2,453	(233)	-	2,471

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007

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

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

In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves[(a)]	Capital reserves[(b)]	Total
2015					
Balance at 1 January	**288**	**(33)**	**2,360**	**(43)**	**2,572**
Net exchange translation adjustments	**-**	**1**	**-**	**20**	**21**
Available-for-sale financial assets and others:					
- net valuation taken to equity	**(79)**	**(144)**	**-**	**-**	**(223)**
- transferred to income statement	**(128)**	**186**	**-**	**-**	**58**
- tax on items taken directly to or transferred from equity	**11**	**(4)**	**-**	**-**	**7**
Balance at 31 December	**92**	**6**	**2,360**	**(23)**	**2,435**
2014					
Balance at 1 January	(10)	(14)	2,360	(62)	2,274
Net exchange translation adjustments	-	-	-	19	19
Available-for-sale financial assets and others:					
- net valuation taken to equity	494	(67)	-	-	427
- transferred to income statement	(182)	47	-	-	(135)
- tax on items taken directly to or transferred from equity	(14)	1	-	-	(13)
Balance at 31 December	288	(33)	2,360	(43)	2,572

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007

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

32.2 Revenue reserves

In $ millions	The Group 2015	The Group 2014	Bank 2015	Bank 2014
Balance at 1 January	**11,521**	15,379	**7,941**	12,649
Redemption of preference shares	**-**	(1,700)	**-**	(1,700)
Remeasurement of defined benefit plan	**-**	-	**-**	(1)
Net profit attributable to shareholders	**4,503**	4,098	**3,844**	3,249
Amount available for distribution	**16,024**	17,777	**11,785**	14,197
Less: Dividends paid to holding company	**1,500**	6,197	**1,500**	6,197
Dividends paid on preference shares	**38**	59	**38**	59
Balance at 31 December	**14,486**	11,521	**10,247**	7,941

33 Non-controlling Interests

The following preference shares and perpetual subordinated loan 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 default or liquidation. The preference shares issued by DBS Capital Funding II Corporation are in the first instance ineligible as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-down at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Tier 1 capital for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

In $ millions Instrument	Note	Issuance Date	Liquidation Preference	Dividend Payment	The Group 2015	2014
Issued by DBS Capital Funding II Corporation						
S$1,500m 5.75% Non-Cumulative, Non-Convertible, Non-Voting, Guaranteed Preference Shares Callable with Step-up in 2018		27 May 2008	$250,000	Jun/Dec	**1,500**	1,500
Issued by Heedum Pte Ltd S$344m 1.6% Perpetual Subordinated Loan		12 Nov 2015			**344**	-
Issued by DBS Bank (Taiwan) Ltd TWD8,000m 4% Non-Cumulative and Perpetual Preferred Shares		20 Jan 2015			**344**	-
Non-controlling interests in subsidiaries (Note 21.1.1)					**120**	195
Total					**2,308**	1,695

For more information on each instrument, please refer to the "Capital Disclosures" section at the Group's website (http://www.dbs.com/investor/capital-disclosures.html) (unaudited).

34 Contingent Liabilities and Commitments

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

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

Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

	The Group		**Bank**	
In $ millions	**2015**	**2014**	**2015**	**2014**
Guarantees on account of customers	**13,605**	15,672	**13,285**	16,115
Endorsements and other obligations on account of customers	**6,296**	6,559	**4,345**	4,522
Undrawn credit commitments[(a)]	**219,773**	187,423	**178,132**	150,309
Undisbursed and underwriting commitments in securities	**9**	53	**9**	53
Sub-total	**239,683**	209,707	**195,771**	170,999
Operating lease commitments (Note 34.2)	**661**	729	**339**	418
Capital commitments	**48**	22	**25**	7
Total	**240,392**	210,458	**196,135**	171,424

	The Group		**Bank**	
In $ millions	**2015**	**2014**	**2015**	**2014**
Analysed by industry (excluding operating lease and capital commitments)				
Manufacturing	**38,188**	34,642	**28,541**	26,393
Building and construction	**17,210**	17,594	**15,545**	15,767
Housing loans	**9,239**	9,980	**9,060**	9,837
General commerce	**52,695**	46,191	**38,678**	34,038
Transportation, storage and communications	**13,203**	10,153	**11,819**	8,814
Financial institutions, investment and holding companies	**22,007**	18,081	**21,480**	17,556
Professionals and private individuals (excluding housing loans)	**67,140**	53,362	**52,802**	40,353
Others	**20,001**	19,704	**17,846**	18,241
Total	**239,683**	209,707	**195,771**	170,999
Analysed by geography (excluding operating lease and capital commitments)[(b)]				
Singapore	**101,521**	90,622	**101,002**	90,170
Hong Kong	**48,550**	43,428	**21,069**	18,844
Rest of Greater China	**18,073**	14,413	**6,812**	4,207
South and Southeast Asia	**22,732**	20,285	**20,697**	18,782
Rest of the World	**48,807**	40,959	**46,191**	38,996
Total	**239,683**	209,707	**195,771**	170,999

(a) Include commitments that are unconditionally cancellable at any time by the Group (2015: $183,125 million, 2014: $151,854 million) and by the Bank (2015: $143,141 million, 2014: $115,961 million)
(b) Based on the country of incorporation of the counterparty or borrower

34.1 The Group has existing outsourcing agreements for the provision of information technology and related support to the Group's operations. There are various termination clauses in the agreements that could require the Group to pay termination fees on early termination of the contract or part thereof. The termination fees are stipulated in the agreements and are determined based on the year when the agreements or part thereof are terminated.

34.2 The Group has existing significant operating lease commitments including the leasing of office premises in Changi Business Park and Marina Bay Financial Centre in Singapore; and One Island East in Hong Kong. These include lease commitments for which the payments will be determined in the future based on the prevailing market rates in accordance with the lease agreements, of which the related amounts have not been included. The leases have varying terms, escalation clauses and renewal rights.

35 Financial Derivatives

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

Interest rate derivatives

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

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

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

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

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

Foreign exchange derivatives

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

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

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

Equity derivatives

Equity options provide 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 the right, but not the obligation, to buy or sell a specific amount of commodity at an agreed contract price on or before a specified date.

35.1 Trading derivatives

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

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

35.2 Hedging derivatives

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

Fair value hedges

The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. For the year ended 31 December 2015, the gain on hedging instruments was $4 million (2014: $13 million). The total loss on hedged items attributable to the hedged risk amounted to $4 million (2014: $13 million).

At the Bank, for the year ended 31 December 2015, the loss on hedging instruments was $60 million (2014: gain of $3 million). The total gain on hedged items attributable to the hedged risk amounted to $60 million (2014: loss of $3 million).

Cash flow hedges

The Group's cash flow hedges consist principally of currency forwards and currency swaps transacted to hedge highly probable forecast transactions expected to occur at various future dates against variability in exchange rates. The currency forwards and currency swaps have maturity dates that coincide within the expected occurrence of these transactions. The forecast transactions are expected to occur within four years from the balance sheet date, and are expected to affect income statement in the same period these cash flows occur.

The ineffectiveness arising from these hedges was insignificant.

Net investment hedges

The Group hedges part of the currency translation risk of investments through financial derivatives and borrowings. The ineffectiveness arising from hedging of investments was insignificant. The Group regularly reviews its hedging strategy and rebalance based on long-term outlook of the currency fundamentals.

The tables below analyses the currency exposure of Group by functional currency at 31 December:

	The Group		
In $ millions	**Net investments in foreign operations[(a)]**	**Financial instruments which hedge the net investments**	**Remaining unhedged currency exposures**
2015			
Hong Kong dollar	**8,398**	**8,392**	**6**
US dollar	**934**	**943**	**(9)**
Others	**6,391**	**1,867**	**4,524**
Total	**15,723**	**11,202**	**4,521**
2014			
Hong Kong dollar	7,158	7,150	8
US dollar	939	938	1
Others	5,668	1,703	3,965
Total	13,765	9,791	3,974

(a) Refer to net tangible assets of subsidiaries, associates and overseas operations

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 was no offset of derivative assets and liabilities in 2015 and 2014.

	The Group					
	2015			2014		
In $ millions	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	**973,276**	**6,504**	**6,414**	723,251	5,251	5,089
Interest rate futures	**25,240**	**4**	**8**	8,606	3	1
Interest rate options	**8,270**	**85**	**120**	6,655	66	83
Interest rate caps/floors	**20,662**	**275**	**730**	21,879	277	644
Sub-total	**1,027,448**	**6,868**	**7,272**	760,391	5,597	5,817
Foreign exchange (FX) derivatives						
FX contracts	**580,433**	**6,445**	**5,951**	641,978	4,838	5,810
Currency swaps	**187,677**	**7,394**	**6,332**	169,772	4,137	4,619
Currency options	**198,269**	**1,774**	**1,629**	227,440	1,346	1,225
Sub-total	**966,379**	**15,613**	**13,912**	1,039,190	10,321	11,654
Equity derivatives						
Equity options	**2,798**	**43**	**80**	2,458	31	142
Equity swaps	**903**	**7**	**25**	706	9	10
Sub-total	**3,701**	**50**	**105**	3,164	40	152
Credit derivatives						
Credit default swaps and others	**46,132**	**284**	**389**	52,288	425	608
Sub-total	**46,132**	**284**	**389**	52,288	425	608
Commodity derivatives						
Commodity contracts	**2,078**	**335**	**154**	2,016	303	203
Commodity futures	**3,062**	**70**	**173**	3,274	79	107
Commodity options	**366**	**16**	**12**	1,801	35	44
Sub-total	**5,506**	**421**	**339**	7,091	417	354
Total derivatives held for trading	**2,049,166**	**23,236**	**22,017**	1,862,124	16,800	18,585
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**9,917**	**76**	**133**	9,003	84	151
Interest rate swaps held for cash flow hedge	**100**	**-**	**#**	-	-	-
FX contracts held for cash flow hedge	**5,755**	**100**	**8**	1,093	12	16
FX contracts held for hedge of net investment	**1,857**	**24**	**4**	1,472	47	4
Currency swaps held for fair value hedge	**1,924**	**120**	**13**	1,532	34	6
Currency swaps held for cash flow hedge	**839**	**75**	**16**	623	16	7
Currency swaps held for hedge of net investment	**1,441**	**#**	**#**	2,301	2	-
Total derivatives held for hedging	**21,833**	**395**	**174**	16,024	195	184
Total derivatives	**2,070,999**	**23,631**	**22,191**	1,878,148	16,995	18,769
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)		**(11,047)**	**(11,047)**		(8,729)	(8,729)
		12,584	**11,144**		8,266	10,040
Of which derivatives with parent company	**1,405**	**-**	**46**	991	-	14

	Bank					
	2015			2014		
In $ millions	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements	**1,990**	**33**	**13**	-	-	-
Interest rate swaps	**861,216**	**6,314**	**6,241**	672,085	5,161	5,002
Interest rate futures	**24,680**	**4**	**8**	7,992	3	1
Interest rate options	**8,270**	**85**	**120**	6,655	66	83
Interest rate caps/floors	**20,665**	**275**	**730**	21,882	278	644
Sub-total	**916,821**	**6,711**	**7,112**	708,614	5,508	5,730
Foreign exchange (FX) derivatives						
FX contracts	**550,454**	**6,102**	**5,467**	593,107	4,627	5,627
Currency swaps	**186,967**	**7,174**	**6,248**	169,773	3,988	4,534
Currency options	**183,166**	**1,687**	**1,564**	229,199	1,326	1,212
Sub-total	**920,587**	**14,963**	**13,279**	992,079	9,941	11,373
Equity derivatives						
Equity options	**2,697**	**43**	**80**	2,400	31	142
Equity swaps	**918**	**7**	**25**	706	9	10
Sub-total	**3,615**	**50**	**105**	3,106	40	152
Credit derivatives						
Credit default swaps and others	**46,132**	**284**	**389**	52,288	425	608
Sub-total	**46,132**	**284**	**389**	52,288	425	608
Commodity derivatives						
Commodity contracts	**2,078**	**336**	**154**	2,016	304	203
Commodity futures	**3,062**	**70**	**173**	3,274	79	107
Commodity options	**366**	**16**	**12**	1,815	35	44
Sub-total	**5,506**	**422**	**339**	7,105	418	354
Total derivatives held for trading	**1,892,661**	**22,430**	**21,224**	1,763,192	16,332	18,217
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**9,103**	**44**	**124**	8,198	52	137
Interest rate swaps held for cash flow hedge	**100**	**-**	**#**	-	-	-
FX contracts held for fair value hedge	**1,570**	**20**	**1**	1,261	42	#
FX contracts held for cash flow hedge	**5,755**	**100**	**8**	1,093	12	16
FX contracts held for hedge of net investment	**131**	**2**	**-**	9	#	-
Currency swaps held for fair value hedge	**2,124**	**120**	**13**	1,719	34	6
Currency swaps held for cash flow hedge	**839**	**75**	**16**	623	16	7
Currency swaps held for hedge of net investment	**670**	**#**	**#**	455	#	-
Total derivatives held for hedging	**20,292**	**361**	**162**	13,358	156	166
Total derivatives	**1,912,953**	**22,791**	**21,386**	1,776,550	16,488	18,383
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)		**(11,405)**	**(11,405)**		(9,122)	(9,122)
		11,386	**9,981**		7,366	9,261
Of which derivatives with subsidiaries and parent company	**113,009**	**1,801**	**429**	112,029	1,034	436

Amount less than $500,000

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,084 billion (2014: $1,198 billion) and $987 billion (2014: $679 billion) respectively for the Group and $989 billion (2014: $1,207 billion) and $924 billion (2014: $569 billion) respectively for the Bank. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

36 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. • Participants are awarded shares of DBSH or, at the Committee's discretion, their equivalent cash value or a combination. • Awards consist of main award and retention award (20% of main awards). Dividends on unvested shares do not accrue to employees. • The vesting of main award is staggered between 2 – 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. • The market price of shares on the grant date is used to estimate the fair value of the shares awarded.	36.1
DBSH Employee Share Plan (ESP) • The ESP caters to employees not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both (at the discretion of the Committee), when time-based conditions are met. • The awards structure and vesting conditions are similar to DBSH Share Plan. • There are no additional retention awards for shares granted to top performers and key employees. • However, in specific cases where the award forms part of an employee's annual performance remuneration, the retention award which constitutes 20% of the shares given in the main award will be granted. The shares in the retention award will vest 4 years after the date of grant.	36.1
DBSH Share Ownership Scheme • All Singapore-based employees with at least one year of service who hold the rank of Assistant Vice President and below are eligible. • Participants contribute up to 10% of monthly salary and the Group will match up to 5% of monthly base salary to buy units of the DBSH's ordinary shares.	36.2
DBSH Share Option Plan (Option Plan) • The Option Plan expired on 19 June 2009. Any outstanding unexercised options as of 1 March 2015 had lapsed following the expiry of all options granted under the plan. • The Option Plan is granted to eligible Group executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent). • The exercise price is equal to the average of the last dealt prices for the DBSH's share as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd, for the three consecutive trading days immediately preceding the date of the grant. • The options vest over a period in accordance with vesting schedule and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. • The fair value of options granted is determined using the Binomial model.	36.3

36.1 DBSH Share Plan and DBSH Employee Share Plan

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

Number of shares	The Group 2015		2014	
	Share Plan	**ESP**	**Share Plan**	**ESP**
Balance at 1 January	**17,216,431**	**1,777,193**	16,008,527	1,534,441
Granted	**5,718,522**	**889,166**	5,848,665	815,748
Vested	**(5,154,074)**	**(471,393)**	(4,496,850)	(395,370)
Forfeited	**(412,391)**	**(196,185)**	(143,911)	(177,626)
Balance at 31 December	**17,368,488**	**1,998,781**	17,216,431	1,777,193
Weighted average fair value of the shares granted during the year	**$19.50**	**$19.51**	$16.66	$16.65

Number of shares	Bank 2015 Share Plan	2015 ESP	2014 Share Plan	2014 ESP
Balance at 1 January	**14,027,407**	**994,298**	13,124,486	853,015
Granted	**4,606,805**	**485,645**	4,617,644	448,453
Vested	**(4,220,134)**	**(264,206)**	(3,680,492)	(219,240)
Transferred	**(29,769)**	**5,581**	61,685	(500)
Forfeited	**(190,664)**	**(95,810)**	(95,916)	(87,430)
Balance at 31 December	**14,193,645**	**1,125,508**	14,027,407	994,298
Weighted average fair value of the shares granted during the year	**$19.49**	**$19.51**	$16.66	$16.65

36.2 DBSH Share Ownership Scheme

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

	Ordinary shares Number 2015	Number 2014	Market value (In $ millions) 2015	Market value (In $ millions) 2014
Balance at 1 January	**6,593,283**	6,658,006	**136**	114
Balance at 31 December	**7,282,740**	6,593,283	**122**	136

36.3 DBSH Share Option Plan

The following table sets out movements of the unissued ordinary shares of DBSH under outstanding options.

The Group	2015 Unissued number of ordinary shares under outstanding options	2015 Weighted average exercise price ($)	2014 Unissued number of ordinary shares under outstanding options	2014 Weighted average exercise price ($)
Balance at 1 January	**354,877**	**12.81**	1,434,875	12.64
Movements during the year:				
- Exercised	**(350,623)**	**12.81**	(1,051,456)	12.58
- Forfeited/Expired	**(4,254)**	**12.81**	(28,542)	12.56
Balance at 31 December	**-**	**-**	354,877	12.81
Weighted average remaining contractual life of options outstanding at 31 December	**-**		0.16 years	
Exercise price of options outstanding at 31 December	**-**		$12.81	

In 2015, 350,623 options (2014: 1,051,456) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the DBSH's shares was $19.63 (2014: $16.71).

Bank	2015 Unissued number of ordinary shares under outstanding options	2015 Weighted average exercise price ($)	2014 Unissued number of ordinary shares under outstanding options	2014 Weighted average exercise price ($)
Balance at 1 January	**307,202**	**12.81**	1,076,548	12.65
Movements during the year:				
- Exercised	**(305,652)**	**12.81**	(826,963)	12.59
- Transferred	**470**	**12.81**	61,072	12.65
- Forfeited/Expired	**(2,020)**	**12.81**	(3,455)	12.57
Balance at 31 December	**-**	**-**	307,202	12.81
Weighted average remaining contractual life of options outstanding at 31 December	**-**		0.16 years	
Exercise price of options outstanding at 31 December	**-**		$12.81	

In 2015, 305,652 options (2014: 826,963) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the DBSH's shares was $19.61 (2014: $16.73).

37 Related Party Transactions

37.1 Transactions between the Bank and its subsidiaries, including consolidated structured entities, associates which are related parties of the Bank, are disclosed in Notes 37.4 to 37.6.

37.2 During the financial year, the Group had banking transactions with related parties, consisting of subsidiaries, associates and key management personnel of the Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and are 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.

37.3 Total compensation and fees to key management personnel[(a)] are as follows:

	The Group		Bank	
In $ millions	**2015**	**2014**	**2015**	**2014**
Short-term benefits[(b)]	**43**	41	**35**	32
Share-based payments[(c)]	**26**	23	**24**	22
Total	**69**	64	**59**	54
Of which: Bank Directors' remuneration and fees	**12**	11	**12**	11

(a) Includes Bank Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group. The composition and number of Directors and Management Committee members may differ from year to year
(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year
(c) Share-based payments are expensed over the vesting period in accordance with FRS 102

37.4 Income received and expenses paid to related parties

	Bank	
In $ millions	**2015**	**2014**
Income received from:		
-Subsidiaries	**746**	387
-Associates	**52**	44
Total	**798**	431
Expenses paid to:		
-Subsidiaries	**278**	184
-Associates	**70**	68
Total	**348**	252

37.5 Amounts due to and from related parties

	Bank	
In $ millions	**2015**	**2014**
Amounts due from:		
-Subsidiaries	**13,924**	6,795
-Associates	**973**	991
Total	**14,897**	7,786
Amounts due to:		
-DBSH	**1,085**	3,373
-Subsidiaries	**24,432**	14,341
-Associates	**148**	95
Total	**25,665**	17,809

37.6 Guarantees to related parties

Guarantees granted to and from subsidiaries amounted to $1,045 million (2014: $2,045 million) and $2,188 million (2014: $1,617 million) respectively.

The Bank also finances customer through discounting bills issued by related parties. As at 31 Dec 2015, outstanding amount of such bills was $437 million (2014: $3,968 million).

38 Fair Value of Financial Instruments

38.1 Valuation Process

The valuation processes within the Group are governed by the Valuation Policy and supporting Standards, which are approved by the Board Risk Management Committee and the Group Market and Liquidity Risk Committee respectively. The policy and standards apply to financial assets and liabilities where mark-to-market or model valuation is required.

The Valuation Policy and supporting Standards govern the revaluation of 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 market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model. Products with a liquid market or those traded via an exchange will fall under the former while most over-the-counter (OTC) products will form the latter. Market parameters include interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates.

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.

The majority of OTC derivatives are traded in active markets. Valuations are determined using generally accepted models (for example discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings or market parameters.

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 sources or market consensus providers. The results of the IPV are reviewed by independent control functions on a monthly basis.

For illiquid financial instruments where mark-to-market is not possible, the Group will value these products using an approved valuation model. Prices and parameters used as inputs to the model or to any intermediate technique involving a transformation process must be derived using approved market sources. Where possible, the inputs must be checked against multiple sources for reliability and accuracy. Reliance will be placed on the model assurance process established by RMG for assurance of valuation models as fit for purpose.

The Group uses various market accepted benchmark interest rates such as LIBOR and Swap Offer Rates to determine the fair value of the financial instruments.

Where unobservable inputs are used in these models, the financial instruments are classified as Level 3 in the fair value hierarchy and valuation adjustments or reserves are taken to provide for any uncertainty in valuations. Valuation adjustments or reserve methodologies are also used to substantiate the significance of unobservable inputs. Such methodologies are approved by the Group Market and Liquidity Risk Committee and governed by the Valuation Policy and supporting Standards.

The main valuation adjustments and reserves are described below:

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 modeling 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 Adjustment
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.

38.2 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 inputs to the 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, as well as unquoted equity securities. The fair value of unquoted equity securities is measured based on the net asset value of the investments. Level 3 inputs also include all quoted security prices that have not been updated for more than 3 months, quoted proxies in active markets for non-similar asset classes (e.g. bonds valued using credit default swap spreads), as well as prices/valuations that are obtained from counterparties. Valuation reserves or pricing adjustments where applicable are used to converge to fair value.

The following table presents 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**
2015				
Assets				
Financial assets at fair value through profit or loss				
- Singapore Government securities and treasury bills	**2,569**	**-**	**-**	**2,569**
- Other government securities and treasury bills	**2,328**	**2,672**	**-**	**5,000**
- Bank and corporate debt securities	**3,064**	**3,852**	**815**	**7,731**
- Equity securities	**1,352**	**6**	**23**	**1,381**
- Other financial assets	**-**	**6,471**	**-**	**6,471**
Available-for-sale financial assets				
- Singapore Government securities and treasury bills	**8,078**	**-**	**-**	**8,078**
- Other government securities and treasury bills	**16,016**	**1,173**	**-**	**17,189**
- Bank and corporate debt securities	**9,353**	**2,485**	**46**	**11,884**
- Equity securities[(a)]	**1,011**	**2**	**110**	**1,123**
- Other financial assets	**-**	**4,977**	**-**	**4,977**
Derivatives	**76**	**23,535**	**20**	**23,631**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Other debt securities	**-**	**5,521**	**17**	**5,538**
- Other financial liabilities	**886**	**2,226**	**73**	**3,185**
Derivatives	**181**	**21,887**	**123**	**22,191**

In $ millions	Level 1	The Group Level 2	Level 3	Total
2014				
Assets				
Financial assets at fair value through profit or loss				
- Singapore Government securities and treasury bills	1,963	-	-	1,963
- Other government securities and treasury bills	3,056	1,924	-	4,980
- Bank and corporate debt securities	5,675	3,554	692	9,921
- Equity securities	769	11	-	780
- Other financial assets	-	8,196	-	8,196
Available-for-sale financial assets				
- Singapore Government securities and treasury bills	6,357	-	-	6,357
- Other government securities and treasury bills	14,522	672	-	15,194
- Bank and corporate debt securities	10,257	1,973	27	12,257
- Equity securities[(a)]	1,081	2	117	1,200
- Other financial assets	-	5,424	-	5,424
Derivatives	82	16,902	11	16,995
Liabilities				
Financial liabilities at fair value through profit or loss				
- Other debt securities	-	4,963	8	4,971
- Other financial liabilities	1,189	1,678	-	2,867
Derivatives	110	18,524	135	18,769

(a) Excludes unquoted equities stated at cost of $574 million (2014: $259 million)

In $ millions	Level 1	Bank Level 2	Level 3	Total
2015				
Assets				
Financial assets at fair value through profit or loss				
- Singapore Government securities and treasury bills	**2,569**	**-**	**-**	**2,569**
- Other government securities and treasury bills	**1,743**	**1,890**	**-**	**3,633**
- Bank and corporate debt securities	**2,719**	**2,426**	**815**	**5,960**
- Equity securities	**1,352**	**6**	**23**	**1,381**
- Other financial assets	**-**	**6,060**	**-**	**6,060**
Available-for-sale financial assets				
- Singapore Government securities and treasury bills	**8,078**	**-**	**-**	**8,078**
- Other government securities and treasury bills	**12,972**	**264**	**-**	**13,236**
- Bank and corporate debt securities	**8,222**	**1,952**	**46**	**10,220**
- Equity securities[(a)]	**977**	**-**	**110**	**1,087**
- Other financial assets	**-**	**2,228**	**-**	**2,228**
Derivatives	**76**	**22,691**	**24**	**22,791**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Other debt securities	**-**	**5,441**	**17**	**5,458**
- Other financial liabilities	**555**	**1,146**	**73**	**1,774**
Derivatives	**181**	**21,082**	**123**	**21,386**

In $ millions	Level 1	Bank Level 2	Level 3	Total
2014				
Assets				
Financial assets at fair value through profit or loss				
- Singapore Government securities and treasury bills	1,963	-	-	1,963
- Other government securities and treasury bills	2,071	1,222	-	3,293
- Bank and corporate debt securities	5,206	2,319	692	8,217
- Equity securities	769	11	-	780
- Other financial assets	-	7,649	-	7,649
Available-for-sale financial assets				
- Singapore Government securities and treasury bills	6,357	-	-	6,357
- Other government securities and treasury bills	11,108	140	-	11,248
- Bank and corporate debt securities	8,949	1,502	27	10,478
- Equity securities[(a)]	1,024	-	117	1,141
- Other financial assets	-	2,865		2,865
Derivatives	82	16,395	11	16,488
Liabilities				
Financial liabilities at fair value through profit or loss				
- Other debt securities	-	4,963	8	4,971
- Other financial liabilities	553	457	-	1,010
Derivatives	110	18,138	135	18,383

(a) Excludes unquoted equities stated at cost of $541 million (2014: $226 million)

The following table presents the changes in Level 3 instruments for the financial year ended for the Group:

In $ millions	Balance at 1 January	Fair value gains or losses		Pur-chases	Issues	Settle-ments	Transfers in	Transfers out	Balance at 31 December
		Income statement	Other compre-hensive income						
2015									
Assets									
Financial assets at fair value through profit or loss									
- Bank and corporate debt securities	692	14	-	8	-	(19)	120	-	815
- Equity securities	-	(1)	-	-	-	-	24	-	23
Available-for-sale financial assets									
- Bank and corporate debt securities	27	-	1	-	-	-	21	(3)	46
- Equity securities	117	10	-	1	-	(18)	-	-	110
Derivatives	11	15	-	-	-	(2)	4	(8)	20
Total	847	38	1	9	-	(39)	169	(11)	1,014
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	8	1	-	-	4	(9)	14	(1)	17
- Other financial liabilities	-	-	-	-	48	-	49	(24)	73
Derivatives	135	2	-	-	-	(2)	2	(14)	123
Total	143	3	-	-	52	(11)	65	(39)	213

In $ millions	Balance at 1 January	Fair value gains or losses		Pur-chases	Issues	Settle-ments	Transfers in	Transfers out	Balance at 31 December
		Income statement	Other compre-hensive income						
2014									
Assets									
Financial assets at fair value through profit or loss									
- Bank and corporate debt securities	539	80	-	148	-	(101)	26	-	692
Available-for-sale financial assets									
- Bank and corporate debt securities	26	-	1	-	-	-	-	-	27
- Equity securities	131	20	(18)	-	-	(16)	-	-	117
Derivatives	21	1	-	-	-	-	10	(21)	11
Total	717	101	(17)	148	-	(117)	36	(21)	847
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	21	-	-	-	-	(13)	-	-	8
Derivatives	51	56	-	17	-	-	11	-	135
Total	72	56	-	17	-	(13)	11	-	143

The following table presents the changes in Level 3 instruments for the financial year ended for the Bank:

In $ millions	Balance at 1 January	Fair value gains or losses		Pur-chases	Issues	Settle-ments	Transfers in	Transfers out	Balance at 31 December
		Income statement	Other compre-hensive income						
2015									
Assets									
Financial assets at fair value through profit or loss									
- Bank and corporate debt securities	**692**	**14**	**-**	**8**	**-**	**(19)**	**120**	**-**	**815**
- Equity securities	**-**	**(1)**	**-**	**-**	**-**	**-**	**24**	**-**	**23**
Available-for-sale financial assets									
- Bank and corporate debt securities	**27**	**-**	**1**	**-**	**-**	**-**	**21**	**(3)**	**46**
- Equity securities	**117**	**10**	**-**	**1**	**-**	**(18)**	**-**	**-**	**110**
Derivatives	**11**	**18**	**-**	**-**	**-**	**(2)**	**5**	**(8)**	**24**
Total	**847**	**41**	**1**	**9**	**-**	**(39)**	**170**	**(11)**	**1,018**
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	**8**	**1**	**-**	**-**	**4**	**(9)**	**14**	**(1)**	**17**
- Other financial liabilities	**-**	**-**	**-**	**-**	**48**	**-**	**49**	**(24)**	**73**
Derivatives	**135**	**2**	**-**	**-**	**-**	**(2)**	**2**	**(14)**	**123**
Total	**143**	**3**	**-**	**-**	**52**	**(11)**	**65**	**(39)**	**213**

In $ millions	Balance at 1 January	Fair value gains or losses		Pur-chases	Issues	Settle-ments	Transfers in	Transfers out	Balance at 31 December
		Income statement	Other compre-hensive income						
2014									
Assets									
Financial assets at fair value through profit or loss									
- Bank and corporate debt securities	539	80	-	148	-	(101)	26	-	692
Available-for-sale financial assets									
- Bank and corporate debt securities	26	-	1	-	-	-	-	-	27
- Equity securities	131	20	(18)	-	-	(16)	-	-	117
Derivatives	21	1	-	-	-	-	10	(21)	11
Total	717	101	(17)	148	-	(117)	36	(21)	847
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	21	-	-	-	-	(13)	-	-	8
Derivatives	51	56	-	17	-	-	11	-	135
Total	72	56	-	17	-	(13)	11	-	143

Economic hedges entered into for Level 2 exposures may be classified within a different category (i.e. Level 1) and similarly, hedges entered for Level 3 exposures may also be classified within a different category (i.e. Level 1 and/or Level 2). The effects are presented gross in the table.

During the year, the Group transferred financial assets and liabilities from Level 1 to Level 2 due to reduced market activity and from Level 2 to Level 1 arising from increased market activity.

Gains and losses on Level 3 financial assets and liabilities measured at fair value for the Group and the Bank

Group In $ millions	Net trading Income	Net income from investment securities	Total
2015			
Total gain/(loss) for the period included in income statement	**25**	**10**	**35**
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	**25**	**-**	**25**
2014			
Total gain/(loss) for the period included in income statement	25	20	45
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	16	-	16

Bank **In $ millions**	**Net trading Income**	**Net income from investment securities**	**Total**
2015			
Total gain/(loss) for the period included in income statement	**28**	**10**	**38**
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	**28**	**-**	**28**
2014			
Total gain/(loss) for the period included in income statement	25	20	45
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	16	-	16

Fair value gains or losses taken to other comprehensive income are reported in the Statement of Comprehensive Income as "Net valuation taken to equity".

Effect of changes in significant unobservable inputs to reflect reasonably possible alternatives

As at 31 December 2015, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included equity investments, bank and corporate debt securities, interest rate, equity and credit derivatives and financial liabilities from structured product issuances.

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised as Level 3 because of a single unobservable input.

In estimating significance, the Group performed sensitivity analysis based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques.

The movement in fair value arising from reasonably possible changes to the significant unobservable inputs is assessed as not significant.

Group **In $ millions**	**2015**	**2014**	**Classification**	**Valuation technique**	**Unobservable Input**
Assets					
Bank and corporate debt securities	**815**	692	FVPL[(a)]	Discounted cash flows	Credit spreads
Bank and corporate debt securities	**46**	27	AFS[(b)]	Discounted cash flows	Credit spreads
Equity securities	**23**	-	FVPL[(a)]	Equity pricing model	Prices
Equity securities (Unquoted)	**110**	117	AFS[(b)]	Net asset value	Net asset value of securities
Derivatives	**20**	11	FVPL[(a)]	Discounted cash flows / CDS model / Option & interest rate pricing models	Credit spreads/ Correlations
Total	**1,014**	847			
Liabilities					
Other debt securities	**17**	8	FVPL[(a)]	Discounted cash flows / Option pricing model	Credit spreads/ Correlations
Other financial liabilities	**73**	-	FVPL[(a)]	CDS model / Option & interest rate pricing models	Credit spreads/ Correlations
Derivatives	**123**	135	FVPL[(a)]	Discounted cash flows / CDS model / Option & interest rate pricing models	Credit spreads/ Correlations
Total	**213**	143			

(a) FVPL denotes financial instruments classified as fair value through profit or loss
(b) AFS denotes financial instruments classified as available-for-sale

Bank **In $ millions**	**2015**	**2014**	**Classification**	**Valuation technique**	**Unobservable Input**
Assets					
Bank and corporate debt securities	**815**	692	FVPL[(a)]	Discounted cash flows	Credit spreads
Bank and corporate debt securities	**46**	27	AFS[(b)]	Discounted cash flows	Credit spreads
Equity securities	**23**	-	FVPL[(a)]	Equity pricing model	Equity prices
Equity securities (Unquoted)	**110**	117	AFS[(b)]	Net asset value	Net asset value of securities
Derivatives	**24**	11	FVPL[(a)]	Discounted cash flows / CDS model / Option, interest rate & equity pricing models	Credit spreads/ Correlations/ Equity prices
Total	**1,018**	847			
Liabilities					
Other debt securities	**17**	8	FVPL[(a)]	Discounted cash flows / Option pricing model	Credit spreads/ Correlations
Other financial liabilities	**73**	-	FVPL[(a)]	CDS model / Option & interest rate pricing models	Credit spreads/ Correlations
Derivatives	**123**	135	FVPL[(a)]	Discounted cash flows / CDS model / Option & interest rate pricing models	Credit spreads/ Correlations
Total	**213**	143			

(a) FVPL denotes financial instruments classified as fair value through profit or loss
(b) AFS denotes financial instruments classified as available-for-sale

38.3 Financial assets & liabilities not carried at fair value

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

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

For investment debt securities and subordinated term debts 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.

For unquoted equities not carried at fair value, fair values have been estimated by referencing to the net tangible asset backing of the investee. Unquoted equities of $574 million as at 31 December 2015 (2014: $259 million) for the Group and $541 million as at 31 December 2015 (2014: $226 million) for the Bank were stated at cost less accumulated impairment losses because the fair value cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of such instruments through public listing or trade sale.

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.

39 Risk Governance

The Group Board directs the conduct of the Group's affairs and provides sound leadership to the CEO and management. The Group Board has delegated authority to various Board committees to enable them to oversee specific responsibilities based on clearly defined terms of reference.

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

The BRMC sets out the overall approaches for identification, monitoring, management and reporting of credit, market, liquidity, operational and reputational risks. To facilitate the BRMC's risk oversight, the following risk management committees have been established.

1. Risk Executive Committee (Risk ExCo)
2. Product Approval Committee (PAC)*

3. Group Credit Risk Models Committee (GCRMC)*
4. Group Credit Policy Committee (GCPC)*
5. Group Scenario and Stress Testing Committee (GSSTC)*
6. Group Credit Risk Committee (GCRC)
7. Group Market and Liquidity Risk Committee (GMLRC)
8. Group Operational Risk Committee (GORC)

The Risk ExCo provides group-wide oversight and direction relating to the management of all risk types and is the overall executive body mandated by the BRMC on risk matters.

The PAC provides group-wide oversight and direction relating to the new product approvals - an important risk mitigation element within the Group.

Other than the PAC, each committee reporting to the Risk ExCo is broadly mandated to serve as an executive forum for discussion and decisions on different aspects of risk and its management.

Key responsibilities:
- Assess and approve risk taking activities
- Maintain oversight of the effectiveness of the Group's risk management infrastructure, including frameworks, decision criteria, authorities, people, policies, standards, processes, information and systems
- Approve risk policies including model governance standards, stress testing scenarios, endorse risk models and assess performance of the risk models
- Identify specific concentrations of risk
- Recommend scenarios and resulting macro-economic variable projections used for enterprise-wide stress tests

The members in these committees comprise representatives from RMG as well as key business and support units.

The above committees (excluding those marked with asterisks) are supported by local risk committees in all major locations. The local risk committees provide oversight of local risk positions across all businesses and support units and ensure compliance with limits set by the group risk committees. They also approve location-specific risk policies and ensure compliance with local regulatory risk limits and requirements.

The Chief Risk Officer (CRO) member of the Group Executive Committee who reports to the Chairman of the BRMC and to the CEO – oversees the risk management function. The CRO is independent of business lines and is actively involved in key decision making processes.

He also engages regulators on a regular basis to discuss risk matters.

Working closely with the risk and business committees, the CRO is responsible for the following:
- Management of the risks in the Group, including developing and maintaining systems and processes to identify, approve, measure, monitor, control and report risks

- Engagement of senior management on material matters relating to the various types of risks

- Development of risk controls and mitigation processes

- Ensuring the effectiveness of risk management and adherence to the Risk Appetite established by the Board

40 Credit Risk

Credit risk arises from the Group's daily activities in various businesses – lending to retail, corporate and institutional customers; trading activities such as foreign exchange, derivatives and debt securities; and settlement of transactions. Credit risk is the most significant measurable risk faced by the Group.

Lending exposures are typically represented by the notional value or principal amount of on-balance sheet financial instruments. Financial guarantees and standby letters of credit, which represent the undertaking that the Group will make payments on behalf of a customer that is unable to meet its obligations to third parties, carry the same credit risk as loans even though they are contingent in nature. Pre-settlement Credit Exposures (PCE) for trading and securities transactions are measured taking into account collateral and netting arrangements. Settlement risk is the risk of loss due to the counterparty's failure to perform its obligation after the Group has performed its obligation under an exchange of cash or securities.

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

- **Policies**
  The dimensions of credit risk and the scope of its application are defined in the Group Credit Risk Management Framework. Senior management sets the overall direction and policy for managing credit risk at the enterprise level. The Group Core Credit Risk Policy (CCRP) sets forth the principles by which the Group conducts its credit risk management and control activities. This policy, supplemented by a number of operational policies, ensures consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across the Group, and provides guidance in the formulation of business-specific and/or location-specific credit risk policies. The operational policies are established to provide greater details on the implementation of the credit principles within the Group CCRP and are adapted to reflect different credit environments and portfolio risk profiles. The Group CCRP is considered and approved by GCPC.
- **Risk Methodologies**

Credit risk is managed by thoroughly understanding its customers - the businesses they are in and the economies in which they operate. This is facilitated through the use of credit ratings and lending limits. The Group uses an array of rating models for its corporate and retail portfolios. Most models are built internally using the Group's own loss data. Limits and "rules for the business" are driven by the Group's Risk Appetite Statement and Target Market and Risk Acceptance Criteria respectively.

Retail exposures are typically managed on a portfolio basis and assessed based on credit scoring models, credit bureau records, internally and externally available customers' behaviour records. They are further supplemented by Risk Acceptance Criteria.

Wholesale borrowers are assessed on an individual basis, reviewed and analysed by experienced credit risk managers taking into consideration the relevant credit risk factors. For portfolios within the small and medium enterprise segment, the Group also uses a programme-based approach for a balanced management of risks and rewards. Credit extensions are proposed by the business unit and are approved by the credit risk function based on independent credit assessment, while also taking into account the business strategies determined by senior management.

Pre-settlement credit risk on derivatives arising from a counterparty's potential default is quantified by its current mark-to-market plus an appropriate add-on factor for potential future exposure. This methodology is used to calculate the Group's regulatory capital under the Current Exposure Method (CEM) and is included under the Group's overall credit limits to counterparties for internal risk management.

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

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

Concentration Risk Management

The Group's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Group in line with the Group's Risk Appetite. For credit risk, we use Economic Capital (EC) as the measurement tool, since it combines the individual risk factors of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) as well as portfolio concentration factors. The Group set granular EC thresholds to ensure that the allocated EC stays within the Risk Appetite. These thresholds are regularly monitored in respect of major industry groups and single counterparty exposures. In addition, we set notional limits for country exposures. Governance processes exist to ensure that exposures are regularly monitored against these thresholds and appropriate actions are taken if thresholds are breached. The Group continually monitors and assesses the need to enhance the scope of thresholds.

Country Risk

Country risk is the risk of loss which is specifically attributed to events in a specific country (or a group of countries). It includes political, exchange rate, economic, sovereign and transfer risks. Country risk is embedded in the Group Credit Risk Management Framework and CCRP. In addition, country risk is managed as part of concentration risk management under the Risk Appetite Framework.

The principles and approach in the management of transfer risk are set out in the Group's Country Risk Management Standard. This includes an internal transfer risk and sovereign risk rating system where the assessments are made independent of business decisions. Transfer risk limits are set in accordance to the Group's Risk Appetite Framework. Limits for non-strategic countries are set using a model-based approach. Limits for strategic countries are set based on country-specific strategic business considerations and acceptable potential loss versus the Risk Appetite. There are active discussions among the senior management and credit management in right-sizing transfer risk exposures to take into account not only risks and rewards, but also whether such exposures are in line with the Group's strategic intent. All country limits are subject to approval by the BRMC.

Stress Testing

The Group performs various types of credit stress tests which are directed by the regulators or driven by internal requirements and management. Credit stress tests are performed at a portfolio or sub-portfolio level and are generally meant to assess the impact of changing economic conditions on asset quality, earnings performance, capital adequacy and liquidity.

A credit stress test working group is responsible for developing and maintaining a robust stress testing programme to include the execution of the stress testing process and effective analysis of programme results. Stress test results are reported and discussed in the GCRC, the Risk ExCo and the BRMC.

The stress testing programme is comprehensive in nature spanning all major functions and areas of business. It brings together an expert view of the macro-economics, market, and portfolio information with the specific purpose of driving model and expert oriented stress testing results.

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

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

- **Processes, Systems and Reports**
  The Group continues to invest in systems to support risk monitoring and reporting for the Group’s institutional banking and consumer banking businesses. The end-to-end credit process is constantly subjected to review and improvement through various front-to-back initiatives involving the business units, RMG, operations unit and other key stakeholders.

  Day-to-day monitoring of credit exposures, portfolio performance and the external environment that may have an impact on credit risk profiles is key to the Group's philosophy of effective credit risk management. Risk reporting on credit trends, which may include industry analysis, early warning alerts and key weak credits, is provided to the various credit committees, and key strategies and action plans are formulated and tracked.

  Credit control functions ensure that credit risks taken comply with group-wide credit policies and guidelines. These functions ensure proper activation of approved limits and appropriate endorsement of credit excesses and policy exceptions, and monitor compliance with credit standards and covenants established by management and regulators.

Non-performing assets

The Group's credit facilities are classified as 'Performing Assets' or 'Non-performing assets' in accordance with MAS Notice 612. These guidelines require credit portfolios to be categorised into one of the following five categories according to the Group's assessment of a borrower's ability to repay a credit facility from its normal sources of income.

Classification grade	Description
Performing Assets	
Pass	Indicates that the timely repayment of the outstanding credit facilities is not in doubt.
Special mention	Indicates that the borrower exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by the Group.
Classified or Non-Performing Assets	
Substandard	Indicates that the borrower exhibits definable weaknesses in its business, cash flow or financial position that may jeopardise repayment on existing terms. These credit facilities may be non-defaulting.
Doubtful	Indicates that the borrower exhibits severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.
Loss	Indicates that the amount of recovery is assessed to be insignificant.

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

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

This is consistent with the guidance provided under the MAS Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore" (MAS Notice 637).

Credit facilities are classified as restructured assets when the Group grants non-commercial concessions to a borrower because of deterioration in its financial position or its inability to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade based on the assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

Other than the above, the Group does not grant concessions to borrowers in the normal course of business. Any restructuring of credit facilities are reviewed on a case by case basis and conducted only on commercial terms.

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

Refer to Note 2.10 for the Group's accounting policies on specific and general allowances for credit losses. In general, specific allowances are recognised for defaulting credit exposures rated sub-standard and below. The breakdown of the Group's non-performing assets by loan grading and industry and the related amounts of specific allowances can be found in Note 40.2. A breakdown of past due loans can also be found in the same note.

When required, the Group will take possession of collateral and dispose of them as soon as practicable. Realised proceeds are used to reduce outstanding indebtedness. A breakdown of collateral held for non-performing assets is shown in Note 40.2. Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2015 and 2014 were not material.

Credit Risk Mitigants

Collateral received

Where possible, the Group takes collateral as a secondary recourse to the borrower. Collateral include cash, marketable securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. The Group may also take fixed and floating charges on the assets of borrowers. The Group has put in place policies to determine the eligibility of collateral for credit risk mitigation. These include requiring specific collaterals to meet minimum operational requirements in order to be considered as effective risk mitigants.

The Group's collateral are generally diversified and valued periodically. Properties constitute the largest percentage whilst marketable securities and cash are immaterial.

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

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

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

Other Risk Mitigants

The Group also uses guarantees as credit risk mitigants. Internal thresholds for considering guarantors to be eligible for credit risk mitigation are in place.

40.1 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	**2015**	**2014**
Cash and balances with central banks (excluding cash on hand)	**15,759**	17,581
Government securities and treasury bills	**34,501**	29,694
Due from banks	**38,274**	42,250
Derivatives	**23,631**	16,995
Bank and corporate debt securities	**36,995**	35,524
Loans and advances to customers	**283,289**	275,588
Other assets (excluding deferred tax assets)	**11,288**	11,019
Credit exposure	**443,737**	428,651
Contingent liabilities and commitments (excluding operating lease and capital commitments)	**239,683**	209,707
Total credit exposure	**683,420**	638,358

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 Basel II Pillar 3 Disclosures. These exposures, which include both on-balance sheet and off-balance sheet financial instruments, are shown without taking into account any collateral held or netting arrangements.

Analysis of Collateral

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

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

Balances with central banks, government securities and treasury bills, due from banks and bank and corporate debt securities

Collateral is generally not sought for these assets.

Derivatives

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

Loans and advances to customers, contingent liabilities and commitments

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

The extent to which credit exposures are covered by Basel II-eligible collateral, besides real estate, after the application of the requisite regulatory hair-cuts, is shown in the Group's Basel II Pillar 3 Disclosures. The amounts are a sub-set of the actual collateral arrangements entered by the Group as Basel II 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.

40.2 Loans and advances to customers

In $ millions	The Group 2015	2014
Loans and advances to customers		
Performing Loans		
- Neither past due nor impaired (i)	**282,946**	275,436
- Past due but not impaired (ii)	**1,313**	1,299
Non-Performing Loans		
- Impaired (iii)	**2,612**	2,419
Total gross loans (Note 17)	**286,871**	279,154

(i) Loans and advances neither past due nor impaired, analysed by loan 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[(a)]	Total
2015			
Manufacturing	**29,409**	**791**	**30,200**
Building and construction	**54,646**	**530**	**55,176**
Housing loans	**58,023**	**-**	**58,023**
General commerce	**46,459**	**891**	**47,350**
Transportation, storage and communications	**25,541**	**451**	**25,992**
Financial institutions, investment and holding companies	**13,602**	**18**	**13,620**
Professionals and private individuals (excluding housing loans)	**23,492**	**13**	**23,505**
Others	**28,740**	**340**	**29,080**
Total	**279,912**	**3,034**	**282,946**
2014			
Manufacturing	31,241	1,009	32,250
Building and construction	47,650	594	48,244
Housing loans	52,393	-	52,393
General commerce	54,358	1,686	56,044
Transportation, storage and communications	22,866	381	23,247
Financial institutions, investment and holding companies	16,061	-	16,061
Professionals and private individuals (excluding housing loans)	23,237	29	23,266
Others	23,552	379	23,931
Total	271,358	4,078	275,436

(a) For companies scored by the HK SME Scoring Model, in addition to the ACRR, a further test was introduced in 2015 which evaluates whether the borrower meets the definition of Special Mention. This additional criteria resulted in a reclassification of $1.6 billion Special Mention loans to the Pass category

(ii) Loans and advances past due but not impaired, analysed 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
2015				
Manufacturing	**55**	**18**	**41**	**114**
Building and construction	**63**	**4**	**7**	**74**
Housing loans	**346**	**55**	**23**	**424**
General commerce	**158**	**16**	**20**	**194**
Transportation, storage and communications	**52**	**4**	**2**	**58**
Financial institutions, investment and holding companies	**5**	**-**	**-**	**5**
Professionals and private individuals (excluding housing loans)	**328**	**59**	**10**	**397**
Others	**30**	**5**	**12**	**47**
Total	**1,037**	**161**	**115**	**1,313**
2014				
Manufacturing	51	26	37	114
Building and construction	106	4	1	111
Housing loans	300	39	21	360
General commerce	153	11	16	180
Transportation, storage and communications	36	28	1	65
Financial institutions, investment and holding companies	1	-	-	1
Professionals and private individuals (excluding housing loans)	351	52	14	417
Others	27	3	21	51
Total	1,025	163	111	1,299

(iii) Non-performing assets (NPAs)

Non-performing assets by loan grading and industry

	The Group							
	NPAs				Specific allowances			
In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
2015								
Customer loans								
Manufacturing	**367**	**121**	**72**	**560**	**53**	**99**	**72**	**224**
Building and construction	**219**	**87**	**28**	**334**	**19**	**73**	**28**	**120**
Housing loans	**112**	**5**	**5**	**122**	**-**	**2**	**5**	**7**
General commerce	**497**	**165**	**43**	**705**	**14**	**100**	**43**	**157**
Transportation, storage and communications	**223**	**25**	**59**	**307**	**10**	**25**	**59**	**94**
Financial institutions, investment and holding companies	**36**	**50**	**14**	**100**	**10**	**36**	**14**	**60**
Professional and private individuals (excluding housing loans)	**176**	**19**	**8**	**203**	**34**	**16**	**8**	**58**
Others	**206**	**52**	**23**	**281**	**40**	**38**	**23**	**101**
Total customer loans	**1,836**	**524**	**252**	**2,612**	**180**	**389**	**252**	**821**
Debt securities	**4**	**-**	**1**	**5**	**2**	**-**	**1**	**3**
Contingent liabilities and others	**84**	**70**	**21**	**175**	**24**	**46**	**21**	**91**
Total	**1,924**	**594**	**274**	**2,792**	**206**	**435**	**274**	**915**
Of which: restructured loans	**236**	**142**	**8**	**386**	**30**	**82**	**8**	**120**

	The Group							
	NPAs				Specific allowances			
In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
2014								
Customer loans								
Manufacturing	366	203	91	660	60	180	91	331
Building and construction	289	47	21	357	57	37	21	115
Housing loans	101	6	6	113	-	2	6	8
General commerce	293	116	25	434	25	90	25	140
Transportation, storage and communications	182	113	43	338	3	107	43	153
Financial institutions, investment and holding companies	-	83	23	106	-	67	23	90
Professional and private individuals (excluding housing loans)	139	14	13	166	26	14	13	53
Others	167	53	25	245	29	39	25	93
Total customer loans	1,537	635	247	2,419	200	536	247	983
Debt securities	5	1	1	7	2	-	1	3
Contingent liabilities and others	50	16	21	87	10	13	21	44
Total	1,592	652	269	2,513	212	549	269	1,030
Of which: restructured loans	317	120	25	462	32	111	25	168

Non-performing assets by region[(a)]

	The Group	
In $ millions	NPAs	Specific allowances
2015		
Singapore	**527**	**117**
Hong Kong	**480**	**129**
Rest of Greater China	**435**	**118**
South and Southeast Asia	**909**	**454**
Rest of the World	**441**	**97**
Total	**2,792**	**915**
2014		
Singapore	432	147
Hong Kong	269	107
Rest of Greater China	361	137
South and Southeast Asia	948	445
Rest of the World	503	194
Total	2,513	1,030

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

Non-performing assets by past due period

	The Group	
In $ millions	2015	2014
Not overdue	**520**	597
Less than 90 days past due	**508**	273
91 to180 days past due	**424**	162
More than 180 days past due	**1,340**	1,481
Total past due assets	**2,272**	1,916
Total	**2,792**	2,513

Collateral value for non-performing assets

	The Group	
In $ millions	2015	2014
Properties	**670**	441
Shares and debentures	**268**	316
Fixed deposits	**21**	11
Others	**467**	367
Total	**1,426**	1,135

40.3 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 rating agency designation as at 31 December:

The Group External Rating In $ millions	Singapore Government securities and treasury bills	Other government securities and treasury bills	Bank and corporate debt securities
2015			
AAA	**12,312**	**5,812**	**11,024**
AA- to AA+	**-**	**12,466**	**4,845**
A- to A+	**-**	**1,016**	**5,272**
Lower than A-	**-**	**2,895**	**4,296**
Unrated	**-**	**-**	**11,558**
Total	**12,312**	**22,189**	**36,995**
2014			
AAA	9,493	6,696	8,713
AA- to AA+	-	10,050	3,850
A- to A+	-	625	6,501
Lower than A-	-	2,830	4,333
Unrated	-	-	12,127
Total	9,493	20,201	35,524

40.4 Credit risk by Geography[(a)] and Industry

				The Group		
Analysed by geography **In $ millions**	**Government securities and treasury bills**	**Due from banks**	**Derivatives**	**Bank and corporate debt securities**	**Loans and advances to customers (Gross)**	**Total**
2015						
Singapore	**12,312**	**261**	**2,475**	**12,476**	**135,860**	**163,384**
Hong Kong	**2,708**	**474**	**2,999**	**1,779**	**50,976**	**58,936**
Rest of Greater China	**4,199**	**16,054**	**1,966**	**3,907**	**45,129**	**71,255**
South and Southeast Asia	**2,892**	**3,011**	**1,124**	**4,669**	**26,443**	**38,139**
Rest of the World	**12,390**	**18,474**	**15,067**	**14,164**	**28,463**	**88,558**
Total	**34,501**	**38,274**	**23,631**	**36,995**	**286,871**	**420,272**
2014						
Singapore	9,493	89	2,194	13,192	129,167	154,135
Hong Kong	2,958	1,176	1,637	1,730	49,881	57,382
Rest of Greater China	3,012	19,706	1,114	3,258	50,865	77,955
South and Southeast Asia	2,816	4,973	1,052	5,018	25,446	39,305
Rest of the World	11,415	16,319	10,998	12,326	23,795	74,853
Total	29,694	42,263	16,995	35,524	279,154	403,630

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

	The Group					
Analysed by industry **In $ millions**	**Government securities and treasury bills**	**Due from banks**	**Derivatives**	**Bank and corporate debt securities**	**Loans and advances to customers (Gross)**	**Total**
2015						
Manufacturing	**-**	**-**	**1,038**	**2,849**	**30,874**	**34,761**
Building and construction	**-**	**-**	**330**	**2,976**	**55,584**	**58,890**
Housing loans	**-**	**-**	**-**	**-**	**58,569**	**58,569**
General commerce	**-**	**-**	**920**	**980**	**48,249**	**50,149**
Transportation, storage and communications	**-**	**-**	**801**	**2,192**	**26,357**	**29,350**
Financial institutions, investment and holding companies	**-**	**38,274**	**19,406**	**15,547**	**13,725**	**86,952**
Government	**34,501**	**-**	**-**	**-**	**-**	**34,501**
Professionals and private individuals (excluding housing loans)	**-**	**-**	**606**	**-**	**24,105**	**24,711**
Others	**-**	**-**	**530**	**12,451**	**29,408**	**42,389**
Total	**34,501**	**38,274**	**23,631**	**36,995**	**286,871**	**420,272**
2014						
Manufacturing	-	-	641	2,350	33,024	36,015
Building and construction	-	-	174	2,983	48,712	51,869
Housing loans	-	-	-	-	52,866	52,866
General commerce	-	-	646	947	56,658	58,251
Transportation, storage and communications	-	-	591	2,467	23,650	26,708
Financial institutions, investment and holding companies	-	42,263	14,017	16,688	16,168	89,136
Government	29,694	-	-	-	-	29,694
Professionals and private individuals (excluding housing loans)	-	-	266	-	23,849	24,115
Others	-	-	660	10,089	24,227	34,976
Total	29,694	42,263	16,995	35,524	279,154	403,630

41 Market Risk

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

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

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

Market Risk Management

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

- **Policies**
  The Market Risk Framework sets out the overall approach while the Core Market Risk Policy (CMRP) establishes the base standards for market risk management within the Group. The Policy Implementation Guidance and Requirements (PIGR) complement the CMRP with more details for specific subject matters. Both CMRP and PIGR facilitate the identification, measurement, control, monitoring and reporting of market risk in a consistent manner. The Market Risk Stress Test Framework sets out the overall approach, standards and controls governing market risk stress testing across the Group. The criteria for determining the positions to be included in the trading book are stipulated in the Trading Book Policy Statement.

- **Risk Methodologies**
  Value-at-Risk (VaR) is a method that computes the potential losses on risk positions as a result of movements in market rates and prices, over a specified time horizon and to a given level of confidence. The Group's VaR model is based on historical simulation with a one-day holding period. The Group uses Expected Shortfall (ES), previously known as Tail VaR, to monitor and limit market risk exposures. With effect from 2 November 2015, ES is the average of potential losses beyond the given 97.5% level of confidence. Previously the Group used the 95% level of confidence. In the third quarter of 2015, the Group enhanced its credit spread risk modelling by deriving an implied spread from the bond prices and removing the use of proxies. The market risk economic capital that is allocated by the BRMC is linked to ES by a multiplier. ES is supplemented by risk control metrics such as sensitivities to risk factors and loss triggers for management action.

  The Group conducts backtesting to verify the predictiveness of the VaR model. Backtesting compares VaR calculated for positions at the close of each business day with the Profit and Loss (P&L) which actually arise on those positions on the following business day. The backtesting P&L exclude fees and commissions, and revenues from intra-day trading. For backtesting, VaR at the 99% level of confidence and over a one-day holding period is used. The Group adopts the standardised approach to compute the market risk regulatory capital under MAS Notice 637 for the trading book positions. As such, VaR backtesting does not impact the Group's regulatory capital for market risk.

  VaR models such as historical simulation VaR permit the estimation of the aggregate portfolio market risk potential loss due to a range of market risk factors and instruments. VaR models have limitations; for example, past changes in market risk factors may not provide accurate predictions of the future market movements, and the risk arising from severe market risk related events may be understated.

  To monitor the Group's vulnerability to unexpected but plausible extreme market risk related events, the Group implemented a stress testing policy for market risk. Regular and multiple stress tests are run covering trading and non-trading portfolios through a combination of historical and hypothetical scenarios depicting risk factors movement. ES is the key risk metric used to manage the Group's assets and liabilities. As an exception, credit spread risk under loans and receivables is managed under the credit risk management framework. The Group manages banking book interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges), including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risk and embedded optionality. Behavioural assumptions are applied in managing the interest rate risk of banking book deposits with indeterminate maturities. The Group measures interest rate risk in the banking book on a weekly basis.

  Credit derivatives are used in the trading book with single name or index underlyings to support business strategy in building a regional Fixed Income franchise. The Group actively monitors its counterparty credit risk in credit derivative contracts. More than 90% of the gross notional value of the Group's credit derivative positions as at 31 December 2015 was to 18 established names with which the Group maintains collateral agreements.

- **Processes, Systems and Reports**
  Robust internal control processes and systems are designed and implemented to support the Group's approach for market risk management. Additionally, regular reviews of these control processes and systems are conducted. These reviews provide senior management with objective and timely assessments of the control processes and systems' appropriateness and effectiveness.

The day-to-day market risk monitoring, control and analysis is managed by the RMG Market and Liquidity Risk unit – an independent market risk management function that reports to the CRO. This group comprises risk control, risk analytics, production and reporting teams.

Market Risk

The Group level ES considers the market risks of both the trading and banking books. The Group level ES (based on the 97.5% level of confidence) is tabulated below, showing the period-end, average, high and low ES.

		The Group 1 Jan 2015 to 31 Dec 2015		
In $ millions	**As at 31 Dec 2015**	**Average**	**High**	**Low**
Total	**101**	**117**	**147**	**75**

		The Group 1 Jan 2014 to 31 Dec 2014		
In $ millions	**As at 31 Dec 2014**	**Average**	**High**	**Low**
Total	77	105	159	58

The Group's major market risk driver is interest rate risk in the trading and banking books. The average ES for 2015 was higher than 2014 mainly due to more volatile rates scenarios for ES calculation and updates of models for non-maturity deposits.

The following table shows the period-end, average, high and low diversified ES and ES by risk class for Treasury's trading portfolios. The ES reported below are based on the 97.5% level of confidence.

		The Group 1 Jan 2015 to 31 Dec 2015		
In $ millions	**As at 31 Dec 2015**	**Average**	**High**	**Low**
Diversified	**16**	**20**	**32**	**15**
Interest Rates	**17**	**15**	**21**	**9**
Foreign Exchange	**11**	**8**	**19**	**3**
Equity	**3**	**3**	**5**	**2**
Credit Spread	**8**	**16**	**23**	**7**
Commodity	**#**	**1**	**2**	**#**

		The Group 1 Jan 2014 to 31 Dec 2014		
In $ millions	**As at 31 Dec 2014**	**Average**	**High**	**Low**
Diversified	19	14	25	9
Interest Rates	11	12	23	7
Foreign Exchange	6	5	10	3
Equity	2	2	3	1
Credit Spread	18	7	18	5
Commodity	#	1	3	#

Amount under $500,000

The main risk factors driving Treasury's trading portfolios in 2015 were interest rates, foreign exchange and credit spreads. Treasury's trading portfolios' average diversified ES increased by $6 million (43%) and this was driven by the market volatility observed in 2015.

Similar to 2014, Treasury's trading portfolios experienced three back-testing exceptions in 2015. The exceptions occurred in January, August and December. Pronounced volatilities in SGD interest rate led to the exceptions in January and December. In August, the exception was triggered by the volatile swings in RMB interest rates and foreign exchange.

The key market risk drivers of the Group's non-trading portfolios are SGD and USD interest rate positions. The economic value impact of changes in interest rates was simulated under various assumptions for the non-trading risk portfolio. The economic value changes were negative $250 million and $425 million (2014: negative $275 million and $489 million) based on parallel shifts to all yield curves of 100 basis points and 200 basis points respectively. The reported figures were based on the worse of an upward or downward parallel shift in the yield curves.

42 Liquidity Risk

The Group's liquidity risk arises from the Group's obligations to honour withdrawals of deposits, repayments of borrowed funds at maturity, and commitments to its customers to extend loans.

The Group seeks to manage its liquidity in a manner that ensures that its liquidity obligations would continue to be honoured under normal as well as adverse circumstances.

Liquidity Risk Management

Liquidity Management and Funding Strategy
The Group strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The Group's funding strategy is anchored on strengthening the core deposit franchise as the foundation of the Group's long-term funding advantage.

With increasing diversification of funding sources, optimising the mismatch in fund deployment against sources with respect to pricing, size, currency and tenor remains challenging. To this end, where practicable and transferable without loss in value, the Group makes appropriate use of the swap markets for different currencies, commensurate with the liquidity of each, in the conversion and deployment of surplus funds across locations. As these swaps typically mature earlier than loans, the Group is exposed to potential cashflow mismatches arising from the risk that counterparties may not roll over maturing swaps to support the continual funding of loans. The Group mitigates this risk by setting triggers on the amount of swaps transacted with the market and making conservative assumptions on the cashflow behaviour of swaps under the Group's cashflow maturity gap analysis.

Overseas locations are encouraged but not required to centralise majority of their borrowing and deployment of funds with Head Office, taking into account the relevant regulatory restrictions while maintaining a commensurate level of presence and participation in the local funding markets. Intra-group funding transactions are priced on an arm's length basis with reference to prevailing market rates and parameters set within the Group Funds Transfer Pricing policy.

During the Group's annual budget and planning process, each overseas location conducts an in-depth review of their projected loan and deposit growth as well as their net funding and liquidity profile for the next year. The consolidated Group funding and liquidity profiles are reviewed and revised as necessary by senior management. Each overseas location is required to provide justification if Head Office funding support is required.

The Group Assets and Liabilities Committee and respective Location Assets and Liabilities Committee regularly review balance sheet composition, growth in loans and deposits, utilisation of wholesale funding, momentum in business activities, market competition, economic outlook, market conditions and other factors that may affect liquidity in the continual refinement of the Group's funding strategy.

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

- **Policies**
  The Group Liquidity Risk Management Policy sets out the Group's overall approach towards liquidity risk management and describes the range of strategies employed by the Group to manage the Group's liquidity. These include maintaining an adequate counterbalancing capacity to address potential cashflow shortfalls and diversified sources of liquidity. Counterbalancing capacity includes liquid assets, the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity. In the event of a potential or actual crisis, the Group has in place a set of liquidity contingency and recovery plans to ensure that the Group maintains adequate liquidity.

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

- **Risk Methodologies**
  The primary measure used to manage liquidity within the tolerance defined by the Board is the cashflow maturity mismatch analysis. This analysis is performed on a regular basis under normal and adverse scenarios. It assesses the adequacy of the Group's counterbalancing capacity to fund or mitigate any cashflow shortfalls that may occur as forecasted in the cashflow movements across successive time bands. To ensure that liquidity is managed in line with the Risk Appetite, core parameters underpinning the performance of the analysis, such as the types of scenarios, the survival period and the minimum level of liquid assets, are pre-specified for monitoring and control on a group-wide basis. Any occurrences of forecasted shortfalls that cannot be covered by the counterbalancing capacity would be escalated to the relevant committees for deliberation and actions.

  Stress testing is performed under the cashflow maturity mismatch analysis, and covers adverse scenarios involving shocks that are general market and/or name-specific in nature Stress tests assess the Group's vulnerability when liability run-offs increase, asset rollovers increase and/or liquid asset buffers reduce. In addition, ad-hoc stress tests are performed as part of the Group's recovery planning and ICAAP exercises.

Liquidity risk control measures, such as liquidity-related ratios and balance sheet analysis, are complementary tools to the cashflow maturity mismatch analysis and are performed regularly to obtain deeper insights and finer control over the liquidity profile across locations. The liquidity risk control measures also include concentration measures on top depositors, wholesale borrowing and swapped funds ratios.

- **Processes, systems and reports**
  Robust internal control processes and systems underlie the Group's overall approach to identifying, measuring, aggregating, controlling and monitoring liquidity risk across the Group. In 2015, the Group further enhanced the capabilities of its' in-house data platform to improve the timeliness of cash flow information as well as to perform more in depth analysis of the Group's liquidity position.

  The day-to-day liquidity risk monitoring, control reporting and analysis are managed by the RMG Market and Liquidity Risk unit – an independent liquidity risk management function that reports to the CRO. This unit comprises of risk control, risk analytics, production and reporting teams.

42.1 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:

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
2015									
Cash and balances with central banks	**14,208**	**1,064**	**595**	**1,935**	**1,026**	**-**	**-**	**-**	**18,828**
Government securities and treasury bills	**544**	**334**	**2,328**	**4,535**	**12,089**	**4,338**	**10,333**	**-**	**34,501**
Due from banks	**19,265**	**3,020**	**5,799**	**9,511**	**381**	**298**	**-**	**-**	**38,274**
Derivatives[(a)]	**23,631**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,631**
Bank and corporate securities	**117**	**241**	**988**	**5,148**	**13,384**	**9,083**	**8,034**	**3,078**	**40,073**
Loans and advances to customers	**24,711**	**36,063**	**28,343**	**45,259**	**51,893**	**34,646**	**62,374**	**-**	**283,289**
Other assets	**5,884**	**952**	**1,437**	**1,422**	**1,217**	**14**	**12**	**649**	**11,587**
Associates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,000**	**1,000**
Properties and other fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,547**	**1,547**
Goodwill and intangibles	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,117**	**5,117**
Total assets	**88,360**	**41,674**	**39,490**	**67,810**	**79,990**	**48,379**	**80,753**	**11,391**	**457,847**
Due to banks	**13,575**	**2,634**	**1,835**	**98**	**36**	**73**	**-**	**-**	**18,251**
Deposits and balances from customers	**218,063**	**42,716**	**34,018**	**23,237**	**1,278**	**170**	**652**	**-**	**320,134**
Derivatives[(a)]	**22,191**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22,191**
Other liabilities	**4,222**	**1,174**	**1,678**	**2,032**	**928**	**16**	**19**	**2,294**	**12,363**
Other debt securities	**1,765**	**6,622**	**13,279**	**5,070**	**5,195**	**2,241**	**2,022**	**-**	**36,194**
Due to holding company	**2,133**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,133**
Subordinated term debts	**-**	**-**	**-**	**-**	**-**	**-**	**4,026**	**-**	**4,026**
Total liabilities	**261,949**	**53,146**	**50,810**	**30,437**	**7,437**	**2,500**	**6,719**	**2,294**	**415,292**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,308**	**2,308**
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,247**	**40,247**
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,555**	**42,555**
2014									
Cash and balances with central banks	11,663	1,894	2,742	2,152	1,054	-	-	-	19,505
Government securities and treasury bills	67	746	2,595	4,690	11,266	2,312	8,018	-	29,694
Due from banks	14,685	4,865	11,308	10,974	418	-	-	-	42,250
Derivatives[(a)]	16,995	-	-	-	-	-	-	-	16,995
Bank and corporate securities	61	457	2,981	5,186	10,376	8,262	8,201	2,239	37,763
Loans and advances to customers	20,650	34,324	31,291	48,010	54,794	30,244	56,275	-	275,588
Other assets	5,258	491	791	3,522	488	4	-	721	11,275
Associates	-	-	-	-	-	-	-	995	995
Properties and other fixed assets	-	-	-	-	-	-	-	1,485	1,485
Goodwill and intangibles	-	-	-	-	-	-	-	5,117	5,117
Total assets	69,379	42,777	51,708	74,534	78,396	40,841	72,475	10,557	440,667
Due to banks	10,205	3,401	2,501	3	66	-	-	-	16,176
Deposits and balances from customers	207,405	49,032	32,720	25,279	2,429	19	289	-	317,173
Derivatives[(a)]	18,769	-	-	-	-	-	-	-	18,769
Other liabilities	2,548	522	2,483	3,943	517	227	207	1,264	11,711
Other debt securities	37	2,569	9,236	11,351	3,602	1,834	1,673	-	30,302
Due to holding company	4,088	-	-	-	-	-	-	-	4,088
Subordinated term debts	-	726	-	-	-	-	3,939	-	4,665
Total liabilities	243,052	56,250	46,940	40,576	6,614	2,080	6,108	1,264	402,884
Non-controlling interests	-	-	-	-	-	-	-	1,695	1,695
Shareholders' funds	-	-	-	-	-	-	-	36,088	36,088
Total equity	-	-	-	-	-	-	-	37,783	37,783

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. On a behavioural basis for liquidity risk analysis, the assets and liabilities cash flows may differ from contractual basis.

42.2 Derivatives

The table below shows the contractual undiscounted cash flows for derivatives settled on net and gross settlement basis.

	The Group					
In $ millions[(a)]	**Less than 7 days**	**1 week to 1 month**	**1 to 3 months**	**3 to 12 months**	**More than 1 year**	**Total**
2015						
Derivatives settled on a net basis	**(402)**	**(3)**	**41**	**151**	**450**	**237**
Derivatives settled on a gross basis						
- inflow	**48,301**	**93,374**	**141,698**	**263,973**	**136,811**	**684,157**
- outflow	**(48,045)**	**(93,041)**	**(141,708)**	**(264,009)**	**(136,252)**	**(683,055)**
2014						
Derivatives settled on a net basis	(490)	13	20	142	449	134
Derivatives settled on a gross basis						
- inflow	51,768	92,889	165,736	307,503	155,025	772,921
- outflow	(51,476)	(92,575)	(165,570)	(307,689)	(155,044)	(772,354)

(a) Positive indicates inflow and negative indicates outflow of funds

42.3 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**
2015					
Guarantees, endorsements and other contingent liabilities	**19,901**	**-**	**-**	**-**	**19,901**
Undrawn credit commitments[(a)] and other facilities	**197,676**	**8,985**	**10,389**	**2,732**	**219,782**
Operating lease commitments	**226**	**342**	**84**	**9**	**661**
Capital commitments	**33**	**8**	**7**	**-**	**48**
Total	**217,836**	**9,335**	**10,480**	**2,741**	**240,392**
2014					
Guarantees, endorsements and other contingent liabilities	22,231	-	-	-	22,231
Undrawn credit commitments[(a)] and other facilities	166,719	8,345	9,637	2,775	187,476
Operating lease commitments	207	308	158	56	729
Capital commitments	22	-	-	-	22
Total	189,179	8,653	9,795	2,831	210,458

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

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

43 Operational Risk

Operational risk includes processing errors, fraudulent acts, inappropriate behaviour of staff, vendors' misperformance, system failure and natural disasters. Operational risk is inherent in most of the Group's businesses and activities.

The Group's objective is to keep operational risk at appropriate levels, taking into account the markets the Group operates in, the characteristics of the businesses as well as the competitive and regulatory environment the Group is subject to.

Operational Risk Management

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

- **Policies**
  The Group Operational Risk Management (ORM) Policy provides a group-wide approach for managing operational risk in a structured, systematic and consistent manner. There are policies, standards, tools and programmes in place to govern ORM practices across the Group. These include corporate operational risk policies and standards which are owned by the respective corporate oversight and control functions and include key subject-specific policies such as Technology Risk Management Framework, Group Compliance Policy, Fraud Management Policy and Group Anti-Money Laundering, Countering the Financing of Terrorism and Sanctions Policy, New Product Approval Policy and Outsourcing Risk Policy.

- **Risk Methodologies**
  The Group adopts the standardised approach to compute operational risk regulatory capital. To manage and control operational risk, the Group uses various tools including risk and control self-assessment, operational risk event management and key risk indicators monitoring. Risk and control self-assessment is used by each business or support unit to identify key operational risks and assess the degree of effectiveness of the internal controls. For control issues identified, the units are responsible for developing action plans and tracking the timely resolution. Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact the Group's reputation, are required to be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward- looking manner.

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

  Technology Risk
  Information Technology (IT) risk is managed in accordance with a Technology Risk Management Framework. This covers risk governance, communication, monitoring, assessment, mitigation and acceptance and is supported by a set of IT policies and standards, control processes and risk mitigation programmes.

  The Group has also established policies and standards to manage and address cyber security risk. To enhance the Group's management of this risk, the Group has appointed a Chief Information Security Officer who is responsible for the Group's cyber security risk management strategy and programme.

  Compliance Risk
  Compliance risk is the risk of impairment to the Group's ability to successfully conduct business as a result of any failure to comply with law, regulatory requirement, industry code or standard of professional conduct applicable to the conduct of business in the financial sector. This includes in particular laws and regulations applicable to the licensing and conduct of banking or other financial businesses, financial crime such as anti-money laundering and countering the financing of terrorism, fraud, and bribery/corruption.

  The Group maintains a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy, and relevant systems and controls. The Group also provides relevant training and executes assurance processes. The Group strongly believes in the need to promote a strong compliance culture. This is established through the leadership of the Board and senior management and aims to comply with the letter and spirit of the laws and regulatory standards in the environment in which the Group operates.

  Fraud Risk
  The Group has established minimum standards for its business and support units to prevent, detect, investigate and remediate against fraud and related events. This is based on the Fraud Management Programme through which standards are to be implemented on a unit and geographical level. These standards aim to provide end-to-end management of fraud and related issues within the Group.

  Money Laundering, Financing of Terrorism and Sanctions Risks
  There are minimum standards for the Group's business and support units to mitigate and manage the Group's actual and/or potential exposure to money laundering, terrorist financing, sanctions, corruption, or other illicit financial activity. Accountabilities have also been established for the protection of the assets and reputation of the Group and the interests of customers and shareholders.

New Product Approval and Outsourcing Risks
Each new product, service or outsourcing initiative is subjected to a risk review and sign-off process where relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service. Variations of existing products or services and outsourcing initiatives are also subjected to a similar process.

Other Mitigation Programmes
Business continuity management plays an integral role in the Group's risk mitigation programme to manage business disruptions. A robust crisis management and business continuity management programme is in place within essential business services during unforeseen events. Planning for business resilience includes identification of key business processes via Business Impact Analysis as well as the documentation and maintenance of Business Continuity Plan (BCP). Overall BCP objectives are aimed at minimising the impact of business interruption arising from severe loss scenarios and to provide a reasonable level of service until normal business operations are resumed. The crisis management structure encompasses an incident management process from the point of incident to crisis declaration and activation of the relevant committees or teams to manage the crisis. Exercises are conducted annually simulating varying scenarios to test the BCPs and crisis management protocol. Scenarios include incidents such as technology incidents having enterprise-wide impact on essential banking services, natural disasters with wide geographical area impact, safety-at-risk incidents (e.g. terrorism) and other events leading to significant business disruption. Senior management provides an attestation to the BRMC on an annual basis including the state of business continuity readiness, extent of alignment to regulatory guidelines and disclosure of residual risks.

To mitigate losses from specific unexpected and significant event risks, the Group purchases group-wide insurance policies, under the Group Insurance Programme, from third-party insurers. The Group has acquired insurance policies relating to crime and professional indemnity; directors and officers liability; property damage and business interruption; general liability and terrorism.

- **Processes, Systems and Reports**
  Robust internal control processes and systems are integral to identifying, monitoring, managing and reporting operational risk. The Group has implemented a web-based system that supports multiple operational risk management processes and tools including operational risk event reporting, risk and control self-assessment, key risk indicators, tracking of issues or action plans and operational risk reporting.

  Units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities in accordance with the various frameworks and policies. RMG Operational Risk and other corporate oversight and control functions provide oversight and monitor the effectiveness of operational risk management, assess key operational risk issues with the units to determine the impact across the Group, report and/or escalate key operational risks to relevant senior management and Board-level committees with recommendations on appropriate risk mitigation strategies.

44 Capital Management

The capital management and planning process is overseen by the Capital Committee which is chaired by the Chief Financial Officer. Regular updates on the Group's current and projected capital positions are provided to the Board of Directors, which holds ultimate responsibility for the Group's capital management objective and capital structure.

The Group's capital management objective is to maintain a strong capital position consistent with regulatory requirements under the MAS' Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" (MAS Notice 637) and the expectations of various stakeholders, e.g., customers, investors and rating agencies. 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.

The Group is subject to the capital adequacy requirements set out in the Monetary Authority of Singapore's Notice to Banks No. 637, which effects the Basel Committee on Banking Supervision's capital adequacy framework in Singapore. The Group has complied with all externally imposed capital requirements (whether prescribed by regulation or by contract) throughout the financial year (unaudited).

45 Segment Reporting

45.1 Business segment reporting

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
Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primary involved in sales, structuring, market-making and trading across a broad range of financial products including foreign exchange, interest rate, debt, credit, equity and other structured derivatives. Income from these financial products and services offered to the customers of other business segments, such as Consumer Banking/Wealth Management and Institutional Banking, is reflected in the respective segments. Treasury is also responsible for managing surplus funds.

Others
Others encompass a range of activities from corporate decisions and include income and expenses not attributed to other business segments, including capital and balance sheet management, funding and liquidity. DBS Vickers Securities and 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:

In $ millions	Consumer Banking/ Wealth Management	Institutional Banking	Treasury	Others	Total
2015					
Net interest income	**2,157**	**3,538**	**694**	**697**	**7,086**
Non-interest income	**1,390**	**1,752**	**446**	**252**	**3,840**
Total income	**3,547**	**5,290**	**1,140**	**949**	**10,926**
Expenses	**2,261**	**1,722**	**572**	**338**	**4,893**
Allowances for credit and other losses	**116**	**558**	**(38)**	**107**	**743**
Share of profits of associates	**-**	**-**	**-**	**14**	**14**
Profit before tax	**1,170**	**3,010**	**606**	**518**	**5,304**
Income tax expense					**725**
Net profit attributable to shareholders					**4,503**
Total assets before goodwill and intangibles	**90,685**	**224,196**	**91,257**	**46,592**	**452,730**
Goodwill and intangibles					**5,117**
Total assets					**457,847**
Total liabilities	**172,723**	**155,231**	**43,354**	**43,984**	**415,292**
Capital expenditure	**75**	**28**	**12**	**219**	**334**
Depreciation[(a)]	**37**	**11**	**4**	**199**	**251**

In $ millions	Consumer Banking/ Wealth Management	Institutional Banking	Treasury	Others	Total
2014					
Net interest income	1,689	3,258	996	379	6,322
Non-interest income	1,193	1,709	106	487	3,495
Total income	2,882	4,967	1,102	866	9,817
Expenses	1,920	1,536	510	357	4,323
Allowances for credit and other losses	89	540	(1)	39	667
Share of profits of associates	3	-	-	76	79
Profit before tax	876	2,891	593	546	4,906
Income tax expense					716
Net profit attributable to shareholders					4,190
Total assets before goodwill and intangibles	84,451	225,504	90,586	35,009	435,550
Goodwill and intangibles					5,117
Total assets					440,667
Total liabilities	162,146	164,788	36,229	39,721	402,884
Capital expenditure	72	25	13	153	263
Depreciation[(a)]	32	13	7	168	220

(a) Amounts for each business segment are shown before allocation of centralised cost

45.2 Geographical segment reporting

Income and net profit attributable to shareholders (Net profit) are based on the country in which the transactions are booked. Total assets are shown by geographical area in which the assets are booked. The total assets, income and net profit are stated after elimination of inter-group assets and revenues.

	The Group					
In $ millions	Singapore	Hong Kong	Rest of Greater China[(a)]	South and Southeast Asia[(b)]	Rest of the World[(c)]	Total
2015						
Net interest income	**4,644**	**1,330**	**547**	**382**	**183**	**7,086**
Non-interest income	**2,171**	**959**	**472**	**175**	**63**	**3,840**
Total income	**6,815**	**2,289**	**1,019**	**557**	**246**	**10,926**
Expenses	**2,809**	**951**	**699**	**343**	**91**	**4,893**
Allowances for credit and other losses	**320**	**58**	**140**	**181**	**44**	**743**
Share of profits of associates	**(3)**	**-**	**13**	**4**	**-**	**14**
Profit before tax	**3,683**	**1,280**	**193**	**37**	**111**	**5,304**
Income tax expense	**467**	**189**	**26**	**5**	**38**	**725**
Net profit attributable to shareholders	**3,140**	**1,091**	**167**	**32**	**73**	**4,503**
Total assets before goodwill and intangibles	**303,543**	**73,013**	**41,784**	**16,304**	**18,086**	**452,730**
Goodwill and intangibles	**5,083**	**34**	**-**	**-**	**-**	**5,117**
Total assets	**308,626**	**73,047**	**41,784**	**16,304**	**18,086**	**457,847**
Non-current assets[(d)]	**2,022**	**386**	**85**	**46**	**8**	**2,547**
2014						
Net interest income	4,019	1,098	598	404	203	6,322
Non-interest income	2,130	802	352	148	63	3,495
Total income	6,149	1,900	950	552	266	9,817
Expenses	2,514	789	622	310	88	4,323
Allowances for credit and other losses	254	52	68	272	21	667
Share of profits of associates	18	3	8	50	-	79
Profit before tax	3,399	1,062	268	20	157	4,906
Income tax expense	490	180	31	(25)	40	716
Net profit attributable to shareholders	2,818	882	237	44	117	4,098
Total assets before goodwill and intangibles	286,634	72,487	44,637	17,254	14,538	435,550
Goodwill and intangibles	5,083	34	-	-	-	5,117
Total assets	291,717	72,521	44,637	17,254	14,538	440,667
Non-current assets[(d)]	1,959	382	96	41	2	2,480

(a) Rest of Greater China includes branch, subsidiary and associate operations in Mainland China and Taiwan
(b) South and Southeast Asia includes branch, subsidiary and associate operations in India, Indonesia, Malaysia and Vietnam
(c) Rest of the World includes branch operations in South Korea, Japan, Dubai, United States of America, United Kingdom and Australia. Los Angeles Agency became a representative office on 31 March 2015 and its business was transferred to Singapore
(d) Includes investments in associates, properties and other fixed assets

This page is intentionally left blank.

This page is intentionally left blank.

DBS Bank Ltd and its subsidiaries

Directors' Statement

The Directors are pleased to submit their statement to the Member, together with the audited consolidated financial statements of DBS Bank Ltd (the Bank) and its subsidiaries (the Group) and the financial statements of the Bank for the financial year ended 31 December 2015. These have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and the Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 “Credit Files, Grading and Provisioning” issued by the Monetary Authority of Singapore.

In the opinion of the Directors, the consolidated financial statements of the Group, consisting of the Bank and its subsidiaries and the financial statements of the Bank, together with the notes thereon, as set out on pages 1 to 83, are drawn up so as to give a true and fair view of the financial position of the Bank and Group, as at 31 December 2015, and the performance and changes in equity of the Bank and Group, and cash flow statement of the Group for the financial year ended on that date. As at the date of this statement, there are reasonable grounds to believe that the Bank and the Group will be able to pay their debts as and when they fall due.

DBS Group Holdings Ltd (DBSH) Share Option Plan

Particulars of the share options granted under the DBSH Share Option Plan in 2004 and 2005 have been set out in the Directors’ Reports for the years ended 31 December 2004 and 2005 respectively. No grants have been made under the DBSH Share Option Plan since 2006.

The movements of the unissued ordinary shares of DBSH in outstanding DBSH options granted under the DBSH Share Option Plan were as follows:

DBSH Options	Number of unissued ordinary shares	During the year		Number of unissued ordinary shares	Exercise price per share	Expiry date
	1 January 2015	Exercised	Forfeited/Expired	31 December 2015		
March 2005	354,877	350,623	4,254	-	$12.81	01 March 2015
	354,877	350,623	4,254	-		

The DBSH Share Option Plan expired on 19 June 2009 and it was not extended or replaced. Therefore, no further options were granted by DBSH during the financial year. The termination of the DBSH Share Option Plan will not affect the rights of holders of any outstanding existing options.

The persons to whom the DBSH options have been granted do not have any right to participate by virtue of the DBSH options in any share issue of any other company. No Director has received any DBSH option under the DBSH Share Option Plan.

DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 5,718,522 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Group. This included 312,085 ordinary shares comprised in awards granted to the executive Director, Mr Piyush Gupta, which formed part of his remuneration. During the financial year, certain non-executive Directors received an aggregate of 47,545 share awards, which formed part of their directors’ fees for acting as Directors of DBSH. Details are set out below.

Directors of the Bank	Share awards granted during the financial year under review	Share awards vested during the financial year under review
Peter Seah [2]	25,496	38,102
Piyush Gupta	312,085 [1]	319,347
Bart Broadman[2]	3,021	6,347
Euleen Goh [2]	4,861	10,122
Ho Tian Yee[2]	2,778	3,754
Nihal Kaviratne CBE[2]	3,529	4,851
Andre Sekulic[2]	3,794	3,794
Danny Teoh [2]	4,066	6,712

(1) Mr Gupta's awards formed part of his remuneration for 2014
(2) The awards of these non-executive Directors formed part of their directors' fees for acting as Directors of DBSH in 2014. All the awards granted to these non-executive Directors during the financial year under review vested immediately upon grant.

Information on the DBSH Share Plan is as follows:

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

The participants of the DBSH Share Plan shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

(ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH or, at the Compensation and Management Development Committee's discretion, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Dividends on unvested shares do not accrue to employees.

(iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary General Meeting of DBSH held on 8 April 2009, the DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.

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

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

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

Board of Directors

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

Peter Seah Lim Huat	-	Chairman
Piyush Gupta	-	Chief Executive Officer
Bart Joseph Broadman		
Euleen Goh Yiu Kiang		
Ho Tian Yee		
Nihal Vijaya Devadas Kaviratne CBE		
Andre Sekulic		
Danny Teoh Leong Kay		
Woo Foong Pheng (Mrs Ow Foong Pheng)		

Ms Euleen Goh, Mr Danny Teoh and Mr Piyush Gupta will retire in accordance with Article 95 of the Bank’s Constitution at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

Mr Nihal Vijaya Devadas Kaviratne CBE, who is over the age of 70 years, will retire under the resolution passed at the AGM held on 23 April 2015 pursuant to Section 153(6) of the Companies Act, Chapter 50 which was then in force. As such, Mr Kaviratne has to be re-appointed by the Member at the forthcoming AGM to continue in office as a Director.

Arrangements to enable Directors to acquire shares or debentures

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

Directors' interest in shares or debentures

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

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2015	As at 1 Jan 2015	As at 31 Dec 2015	As at 1 Jan 2015
DBSH ordinary shares				
Peter Seah	125,994	84,838	-	-
Piyush Gupta	623,196	403,849	118,000	118,000
Bart Broadman	28,862	22,515	-	-
Euleen Goh	34,245	24,123	-	-
Ho Tian Yee	12,017	7,973	-	-
Nihal Kaviratne CBE	9,865	5,014	-	-
Andre Sekulic	11,611	7,539	-	-
Danny Teoh	25,966	19,254	18,723	18,723
Ow Foong Pheng	24,466	4,403	-	-
Share awards (unvested) granted under the DBSH Share Plan				
Peter Seah	7,639	20,245	-	-
Piyush Gupta[1]	1,052,706	1,059,968	-	-
Bart Broadman	1,647	4,973	-	-
Euleen Goh	2,961	8,222	-	-
Ho Tian Yee	1,008	1,984	-	-
Nihal Kaviratne CBE	1,364	2,686	-	-
Danny Teoh	2,256	4,902	-	-
DBS Bank 4.7% non-cumulative non-convertible redeemable perpetual preference shares				
Euleen Goh	3,000	3,000	-	-

(1) Mr Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 36 of the Notes to the 2015 Group's financial statements

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2016.

Independent Auditor

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

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

19 February 2016
Singapore

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DBS BANK LTD (INCORPORATED IN SINGAPORE)

Report on the Financial Statements

We have audited the accompanying financial statements of DBS Bank Ltd (the "Bank") and its subsidiaries (the "Bank Group") set out on pages 1 to 83, which comprise the consolidated balance sheet of the Bank Group and balance sheet of the Bank as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Bank Group and the income statement, the statement of comprehensive income and statement of changes in equity of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements of the Bank Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by Monetary Authority of Singapore, so as to give a true and fair view of the financial position of the Bank Group and of the Bank as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Bank Group and of the financial performance and changes in equity of the Bank for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 19 February 2016