DBS GROUP HOLDINGS LTD
(Incorporated in Singapore. Registration Number: 199901152M)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

Financial Statements
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DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

In $ millions	**Note**	**2013**	**2012**
Income			
Interest income		**7,986**	7,621
Interest expense		**2,417**	2,336
Net interest income	5	**5,569**	5,285
Net fee and commission income	6	**1,885**	1,579
Net trading income	7	**1,095**	689
Net income from investment securities	8	**276**	419
Other income	9	**273**	542
Total income		**9,098**	8,514
Expenses			
Employee benefits	10	**2,065**	1,888
Other expenses	11	**1,853**	1,726
Allowances for credit and other losses	12	**770**	417
Total expenses		**4,688**	4,031
Share of profits of associates		**79**	124
Profit before tax		**4,489**	4,607
Income tax expense	13	**615**	588
Net profit		**3,874**	4,019
Attributable to:			
Shareholders		**3,672**	3,809
Non-controlling interests		**202**	210
		3,874	4,019
Basic earnings per ordinary share ($)	14	**1.50**	1.57
Diluted earnings per ordinary share ($)	14	**1.48**	1.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

In $ millions	**2013**	**2012**
Net profit	**3,874**	4,019
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**(87)**	(110)
Share of other comprehensive income of associates	**(4)**	(3)
Available-for-sale financial assets and others		
Net valuation taken to equity	**(542)**	622
Transferred to income statement	**(176)**	(337)
Tax on items taken directly to or transferred from equity	**41**	(44)
Other comprehensive income, net of tax	**(768)**	128
Total comprehensive income	**3,106**	4,147
Attributable to:		
Shareholders	**2,900**	3,948
Non-controlling interests	**206**	199
	3,106	4,147

(see notes on pages 5 to 71 which form part of these financial statements)

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31 DECEMBER 2013

		Group		Company	
In $ millions	**Note**	**2013**	2012	**2013**	2012
Assets					
Cash and balances with central banks	16	**18,726**	17,772		
Government securities and treasury bills	17	**27,497**	36,426		
Due from banks		**39,817**	29,406		
Derivatives	37	**17,426**	17,280		
Bank and corporate securities	18	**33,546**	25,448		
Loans and advances to customers	19	**248,654**	210,519		
Other assets	21	**8,925**	8,702		
Associates	25	**1,166**	1,236		
Subsidiaries	23	**-**	-	**12,547**	11,159
Properties and other fixed assets	26	**1,449**	1,442		
Goodwill	27	**4,802**	4,802		
Total assets		**402,008**	353,033	**12,547**	11,159
Liabilities					
Due to banks		**13,572**	15,351		
Deposits and balances from customers	28	**292,365**	253,464		
Derivatives	37	**18,132**	17,532		
Other liabilities	29	**11,594**	11,429	**11**	8
Other debt securities	30	**23,115**	13,754		
Subordinated term debts	31	**5,544**	5,505		
Total liabilities		**364,322**	317,035	**11**	8
Net assets		**37,686**	35,998	**12,536**	11,151
Equity					
Share capital	32	**9,676**	9,542	**9,704**	9,574
Other equity instruments	33	**803**	-	**803**	-
Other reserves	34	**6,492**	7,229	**136**	101
Revenue reserves	34	**17,262**	14,966	**1,893**	1,476
Shareholders' funds		**34,233**	31,737	**12,536**	11,151
Non-controlling interests	35	**3,453**	4,261		
Total equity		**37,686**	35,998	**12,536**	11,151

(see notes on pages 5 to 71 which form part of these financial statements)

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

In $ millions	Share Capital	Other equity instruments	Other reserves	Revenue reserves	Total	Non-controlling interests	Total equity
2013							
Balance at 1 January	**9,542**	**-**	**7,229**	**14,966**	**31,737**	**4,261**	**35,998**
Issue of shares upon exercise of share options	**18**				**18**		**18**
Cost of share-based payments			**76**		**76**		**76**
Reclassification of reserves upon exercise of share options	**4**		**(4)**		**-**		**-**
Draw-down of reserves upon vesting of performance shares	**37**		**(37)**		**-**		**-**
Issue of shares pursuant to Scrip Dividend Scheme	**103**				**103**		**103**
Purchase of treasury shares	**(28)**				**(28)**		**(28)**
Issue of perpetual capital securities		**803**			**803**		**803**
Purchase of preference shares of a subsidiary					**-**	**(805)**	**(805)**
Final dividends paid for previous year				**(684)**	**(684)**		**(684)**
Interim dividends paid for current year				**(692)**	**(692)**		**(692)**
Dividends paid to non-controlling interests					**-**	**(209)**	**(209)**
Total comprehensive income			**(772)**	**3,672**	**2,900**	**206**	**3,106**
Balance at 31 December	**9,676**	**803**	**6,492**	**17,262**	**34,233**	**3,453**	**37,686**
2012							
Balance at 1 January	9,196	-	7,075	12,523	28,794	4,275	33,069
Issue of shares upon exercise of share options	25				25		25
Cost of share-based payments			68		68		68
Reclassification of reserves upon exercise of share options	2		(2)		-		-
Draw-down of reserves upon vesting of performance shares	51		(51)		-		-
Issue of shares pursuant to Scrip Dividend Scheme	268				268		268
Final dividends paid for previous year				(677)	(677)		(677)
Interim dividends paid for current year				(689)	(689)		(689)
Dividends paid to non-controlling interests					-	(213)	(213)
Total comprehensive income			139	3,809	3,948	199	4,147
Balance at 31 December	9,542	-	7,229	14,966	31,737	4,261	35,998

(see notes on pages 5 to 71 which form part of these financial statements)

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

In $ millions	2013	2012
Cash flows from operating activities		
Net profit	**3,874**	4,019
Adjustments for non-cash items:		
Allowances for credit and other losses	**770**	417
Depreciation of properties and other fixed assets	**214**	179
Share of profits of associates	**(79)**	(124)
Net gain on disposal (net of write-off) of properties and other fixed assets	**(44)**	(42)
Net income from investment securities	**(276)**	(419)
Net gain on disposal of associate	**(221)**	(450)
Income tax expense	**615**	588
Profit before changes in operating assets and liabilities	**4,853**	4,168
Increase/(Decrease) in:		
Due to banks	**(1,779)**	(2,907)
Deposits and balances from customers	**38,901**	18,288
Other liabilities	**716**	(6,614)
Other debt securities and borrowings	**9,323**	160
(Increase)/Decrease in:		
Restricted balances with central banks	**(998)**	(366)
Government securities and treasury bills	**8,540**	(5,720)
Due from banks	**(10,427)**	(2,237)
Loans and advances to customers	**(38,845)**	(16,208)
Bank and corporate securities	**(8,117)**	(253)
Other assets	**(312)**	5,368
Tax paid	**(562)**	(587)
Net cash generated from/(used in) operating activities (1)	**1,293**	(6,908)
Cash flows from investing activities		
Dividends from associates	**52**	82
Purchase of properties and other fixed assets	**(227)**	(338)
Proceeds from disposal of properties and other fixed assets	**63**	90
Acquisition of interest in associates	**(65)**	(566)
Proceeds from disposal of interest in associate	**425**	757
Net cash generated from investing activities (2)	**248**	25
Cash flows from financing activities		
Increase in share capital	**121**	295
Payment upon maturity of subordinated term debts	**-**	(2,575)
Issue of subordinated term debts	**-**	2,943
Purchase of treasury shares	**(28)**	-
Dividends paid to shareholders of the Company	**(1,376)**	(1,366)
Dividends paid to non-controlling interests	**(209)**	(213)
Issue of perpetual capital securities	**803**	-
Purchase of preference shares of a subsidiary	**(805)**	-
Net cash used in financing activities (3)	**(1,494)**	(916)
Exchange translation adjustments (4)	**(91)**	(99)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(44)**	(7,898)
Cash and cash equivalents at 1 January	**10,993**	18,891
Cash and cash equivalents at 31 December (Note 16)	**10,949**	10,993

(see notes on pages 5 to 71 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 2013 were authorised for issue by the directors on 13 February 2014.

1 Domicile and Activities

The Company, DBS Group Holdings Ltd, is incorporated and domiciled in the Republic of Singapore and has its registered office at 12 Marina Boulevard, Marina Bay Financial Centre Tower Three, Singapore 018982.

The Company is listed on the Singapore Exchange.

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

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

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

Compliance with Singapore Financial Reporting Standards (FRS)
The financial statements of the Company 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(19) 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" issued by the Monetary Authority of Singapore. As permitted by Section 201(4B) of the Act, the Company's income statement has not been included in these financial statements.

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

Differences between International Financial Reporting Standards (IFRS) and FRS
Beyond the above modification to FRS related to Notice to Banks No. 612, there are no significant differences between IFRS and FRS in terms of their application to the Group for periods covered by these financial statements and consequently there would otherwise be no significant differences had the financial statements been prepared in accordance with IFRS. The consolidated financial statements together with the notes thereon as set out on pages 5 to 71 include the aggregate of all disclosures necessary to satisfy IFRS and FRS.

2.2 Significant estimates and judgment

The preparation of financial statements requires management to exercise judgment, use estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. 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 judgment and complexity, are disclosed in Note 3.

2.3 Change in Balance Sheet Presentation

The presentation of the Group's balance sheet has been streamlined to focus on the most material assets and liabilities. "Loans and advances to customers" and "Deposits and balances from customers" on the balance sheet are now consistent with the amounts shown as "Customer loans" and "Customer deposits" in the Group's investor communications. The current presentation also reflects the guidance under IFRS to arrange balance sheet items broadly by their nature and liquidity.

In addition, "Due to Banks" now differentiates interbank money market activities from cash deposits related to fund management activities of institutional investors. The latter are now classified as "Deposits and balances from customers" to better reflect the nature of such deposits. Prior period comparatives have been aligned to the current presentation.

2.4 Adoption of new and revised accounting standards

On 1 January 2013, the Group adopted the following new or revised FRS that are issued by the ASC and relevant for the Group:

- FRS 113 Fair Value Measurement
- Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 1 – Presentation of Other Comprehensive Income
- Improvements to FRS (issued in August 2012).

FRS 113 unifies the definition for fair value and establishes a single framework for measuring fair value. It replaces and expands the disclosure requirements for fair value measurements in other FRSs, including FRS 107. Please refer to Note 40 for additional disclosures in this regard.

Amendments to FRS 107 introduce more extensive disclosures that focus on quantitative information on recognised financial instruments that are offset on the balance sheet as well as those that are subject to master netting or similar arrangements irrespective of whether they are offset on the balance sheet. Please refer to Note 15 for additional disclosures.

Except for the above additional disclosures, there is no significant impact on the Group's financial statements from the adoption of the new or revised FRS.

New or revised FRS to be adopted in future reporting periods are outlined in Note 4.

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

2.5 Group Accounting

Subsidiaries
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The acquisition method is used to account for business combinations. Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases. Refer to Note 2.13 for the Group's accounting policy on goodwill.

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

Special purpose entities
In the course of business, the Group is involved in a number of entities with limited and predetermined activities (special purpose entities or SPEs) in different capacities such as structuring securities issuances for clients via SPEs, entering into derivative transactions with SPEs, or investing in certain assets issued by SPEs. While the Group may hold little or no equity in the SPEs, it may consolidate such entities in certain circumstances where there is evidence to suggest it has control over them.

The main SPEs that the Group controls and consolidates are outlined in Note 23. These entities are used for issuance of structured products on behalf of the Group.

Joint ventures
Joint ventures are entities that are jointly controlled by the Group together with one or more parties through contractual arrangements. The Group recognises its interests in joint ventures using the proportionate consolidation method.

Associates
Associates are entities over which the Group has significant influence, but no control, and generally holds a shareholding of between and including 20% and 50% of the voting rights. The Group recognises its investments in associates using the equity method of accounting.

2.6 Foreign currency treatment

Functional and presentation currency
Items in the financial statements are measured using the functional currency of each entity in the Group, 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 its functional currency of the Company.

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 rate as at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement.

Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rate 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 as 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, in which case 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 as 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.

For acquisitions prior to 1 January 2005, the foreign exchange rates at the respective dates of acquisition were used. Please refer to Note 27 for an overview of goodwill recorded. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On consolidation, foreign exchange differences arising from the translation of net investments in foreign entities, as well as any borrowings and instruments designated as foreign currency hedges of such investments, are recognised in other comprehensive income and accumulated under capital reserves in equity. When a foreign operation is disposed of, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management responsible for allocating resources and assessing performance of the operating segments. Please refer to Note 47 for further details on business and geographical segment reporting.

B) Income Statement

2.8 Income recognition

Interest income and interest expense
Interest income and interest expense as presented in Note 5 represent the income on all assets and liabilities regardless of the classification and measurement of the assets and liabilities on amortised cost or at fair value, 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 are 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 as prescribed by FRS. 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.

Fee and commission income is recorded net of expenses that are required for, directly related to and incremental to generating 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 usually 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", and dividend 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 2.11 for the accounting policy of impairment of financial assets.

C) Balance Sheet

2.9 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 trustee or in a fiduciary capacity without controlling directly or benefiting directly from the assets, these 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:

- Financial assets (other than derivatives) 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 segments "Consumer Banking/Wealth Management" and "Institutional Banking"."Loans and receivables are carried at amortised cost using the effective interest method.

- 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 hedges in accordance with Note 2.19. 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 hedges are included in "Net trading income".

- 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.

- The Group also holds other 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.

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 2.19 for details on hedging and hedge accounting.

Please refer to Note 15 for further details on the types of financial assets classified and measured as above.

Reclassification of financial assets
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 have had no material impact on the income statement and statement of comprehensive income for the current period.

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 40.1 on fair value measurements.

Offsetting
Financial assets and liabilities are presented net when there is a legally enforceable right to set off 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 2.12. They also include transactions where control over the financial asset is retained, for example, by a simultaneous transaction (such as options) with the same counterparty to which the asset is transferred. These are mainly transacted in the "Treasury" segment. In such cases the Group continues to recognise the asset to the extent of its continuing involvement and by the extent to which it is exposed to changes in the value of the transferred asset.

Please refer to Note 20 for disclosures on transferred financial assets.

2.10 Cash and cash equivalents

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

2.11 Impairment of financial assets

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 established 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 Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

(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.

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.

2.12 Repurchase agreements

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

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

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

2.13 Goodwill

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

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

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

2.14 Properties and other fixed assets

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.
Intangible/Computer software	3 - 5 years
Office equipment, furniture and fittings	5 - 10 years

Please refer to Note 26 for the details of properties and other fixed assets and their movements during the year.

2.15 Financial liabilities

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

- Financial liabilities are classified as **financial liabilities at fair value through profit or loss** if they are incurred for the purpose of repurchasing in the near term (held for trading), and this usually pertains to short positions in securities for the purpose of ongoing market-making, hedging or trading. Financial Liabilities at fair value through profit or loss can also be designated by management on initial recognition (designated under the fair value option). Financial liabilities in this classification are usually within the "Treasury" segment.

  In addition, some financial liabilities used to fund specific financial assets measured at fair value through profit or loss are designated under the fair value option when doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise.

  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 are also presented together with other fair value changes in "Net trading income."

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

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

Please refer to Note 15 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 40.1 for further fair value measurement disclosures.

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

2.16 Loan Commitments, Letters of Credit and Financial Guarantees

Loan Commitments
Loan commitments are typically not financial instruments and are not recognised on balance sheet but are disclosed off-balance sheet in accordance with FRS 37. They form part of the disclosures in Note 36. Upon a loan draw-down, the amount of the loan is accounted for under "loans and receivables" as described in Note 2.9.

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 2.8.

Off balance sheet credit exposures are managed for credit risk in the same manner as financial assets. Please refer to Note 2.11 on the Group's accounting policies on specific allowances for credit losses.

2.17 Provisions and other liabilities

Provisions for other liabilities of uncertain timing and amounts are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

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

2.18 Share capital and other instruments classified as equity

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

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

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

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

D) Other Specific Topics

2.19 Hedging and hedge accounting

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 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 (measured at fair value through profit or loss) and the hedged item (measured at amortised cost) 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 hedging is applied to hedge investments which comprise certain subsidiaries, branches, associates and joint ventures with a functional currency different from that of the Company. 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 37.2 for disclosures on hedging derivatives.

2.20 Employee benefits

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

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

2.21 Share-based compensation

Employee benefits also include share-based compensation, namely the DBSH Share 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 38.

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.

2.22 Current and deferred taxes

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

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exist and settlement in this fashion 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 for 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 results. Certain accounting estimates require management's judgment 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 judgment.

3.1 Impairment allowances

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

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 judgment is the calculation of general allowances, which are established 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 42 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 a liquid market may be determined using valuation models. The choice of model requires significant judgment for complex products especially those in the "Treasury" segment.

Policies and procedures have been established to facilitate the exercise of judgment 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 40 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 27 provides details of goodwill as of 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 judgment 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 judgment is involved in determining the Group-wide 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 22 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 judgment.

4 Effects on Financial Statements on Adoption of New or Revised FRS

The Group has not applied the following FRS that have been issued and are most relevant to the Group but are not yet effective. These new/revised standards will be adopted by the Group for annual periods commencing on their effective date of 1 January 2014, and are not expected to have significant impact to the Group's financial statements.

- FRS 110 Consolidated Financial Statements
- FRS 111 Joint Arrangements
- FRS 112 Disclosure of Interests in Other Entities
- Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities

5 Net Interest Income

In $ millions	The Group 2013	2012
Cash and balances with central banks and Due from banks	**460**	496
Customer non-trade loans	**4,710**	4,341
Trade assets	**1,458**	1,303
Debt securities	**1,358**	1,481
Total interest income	**7,986**	7,621
Deposits and balances from customers	**1,926**	1,782
Other borrowings	**491**	554
Total interest expense	**2,417**	2,336
Net interest income	**5,569**	5,285
Comprising:		
Interest income for financial assets at fair value through profit or loss	**329**	353
Interest income for financial assets not at fair value through profit or loss	**7,657**	7,268
Interest expense for financial liabilities at fair value through profit or loss	**(107)**	(92)
Interest expense for financial liabilities not at fair value through profit or loss	**(2,310)**	(2,244)
Total	**5,569**	5,285

6 Net Fee and Commission Income

In $ millions	The Group 2013	2012
Stockbroking	**214**	179
Investment banking	**191**	148
Trade and transaction services[b]	**531**	473
Loan-related	**367**	333
Cards[c]	**337**	299
Wealth management	**412**	300
Others	**69**	43
Fee and commission income	**2,121**	1,775
Less: fee and commission expense	**236**	196
Net fee and commission income[a]	**1,885**	1,579

(a) Includes net fee and commission income of $28 million (2012: $29 million), which is 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 is $671 million (2012: $603 million) during the year
(b) Includes trade & remittances, guarantees and deposit-related fees
(c) Cards fees are net of interchange fees paid

7 Net Trading Income

In $ millions	The Group 2013	2012
Net trading income		
- Foreign exchange	**981**	705
- Interest rates, credit, equities and others[a]	**138**	32
Net loss from financial assets designated at fair value	**(24)**	(3)
Net loss from financial liabilities designated at fair value	**#**	(45)
Total	**1,095**	689

\# Amount under $500,000
(a) Includes dividend income of $14 million (2012:$11 million)

8 Net Income from Investment Securities

In $ millions	The Group 2013	2012
Debt securities		
- Available-for-sale	**89**	294
- Loans and receivables	**5**	7
Equity securities[a]	**182**	118
Total [b]	**276**	419
Comprising net gains transferred from: Available-for-sale revaluation reserves	**197**	345

(a) Includes dividend income of $69 million (2012: $38 million)
(b) Includes fair value impact of hedges for the investment securities

9 Other Income

In $ millions	The Group 2013	2012
Rental income	**29**	23
Net gain on disposal of properties and other fixed assets	**44**	49
Others[a]	**200**	470
Total	**273**	542

(a) 2013 includes an amount of $171 million, comprising a gain of $221 million (2012:$450 million) for the partial divestment of a stake in the Bank of the Philippine Islands less a sum of $50 million set aside to establish the DBS Foundation to further the Group's commitment to social and community development. Refer to Note 25.

10 Employee Benefits

In $ millions	The Group 2013	2012
Salaries and bonus	**1,689**	1,544
Contributions to defined contribution plans	**98**	95
Share-based expenses	**76**	68
Others	**202**	181
Total	**2,065**	1,888

11 Other Expenses

In $ millions	The Group 2013	2012
Computerisation expenses[(a)]	**678**	622
Occupancy expenses[(b)]	**365**	330
Revenue-related expenses	**231**	222
Others[(c)]	**579**	552
Total	**1,853**	1,726

(a) Includes hire and maintenance of computer hardware and software
(b) Includes rental expenses of office and branch premises of $216 million (2012: $178 million) 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

In $ millions	The Group 2013	2012
Depreciation expenses	**214**	179
Hire and maintenance of fixed assets, including building-related expenses	**355**	319
Expenses on investment properties	**7**	7
Audit fees payable to external auditors[(a)]:		
- Auditors of the Company	**3**	3
- Associated firms of Auditors of the Company	**4**	3
Non audit fees payable to external auditors[(a)]:		
- Auditors of the Company	**1**	#
- Associated firms of Auditors of the Company	**1**	1

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

12 Allowances for Credit and Other Losses

In $ millions	The Group 2013	2012
Loans and advances to customers (Note 19)	**726**	379
Investment securities		
- Available-for-sale	**8**	16
- Loans and receivables	**8**	1
Properties and other fixed assets	**(1)**	1
Off-balance sheet credit exposures	**23**	5
Others (bank loans and sundry debtors)	**6**	15
Total	**770**	417

The table below shows the movements in specific and general allowances during the year for the Group:

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
			The Group		
2013					
Specific allowances					
Loans and advances to customers (Note 19)	**1,217**	**416**	**(552)**	**48**	**1,129**
Investment securities	**71**	**7**	**(11)**	**2**	**69**
Properties and other fixed assets	**50**	**(1)**	**(1)**	**-**	**48**
Off-balance sheet credit exposures	**2**	**1**	**-**	**(2)**	**1**
Others (bank loans and sundry debtors)	**39**	**7**	**(2)**	**9**	**53**
Total specific allowances	**1,379**	**430**	**(566)**	**57**	**1,300**
Total general allowances for credit exposures	**2,511**	**340**	**-**	**14**	**2,865**
Total allowances	**3,890**	**770**	**(566)**	**71**	**4,165**
2012					
Specific allowances					
Loans and advances to customers (Note 19)	1,188	198	(149)	(20)	1,217
Investment securities	66	17	(10)	(2)	71
Properties and other fixed assets	62	1	(12)	(1)	50
Off-balance sheet credit exposures	40	(8)	-	(30)	2
Others (bank loans and sundry debtors)	45	(2)	(3)	(1)	39
Total specific allowances	1,401	206	(174)	(54)	1,379
Total general allowances for credit exposures	2,339	211	-	(39)	2,511
Total allowances	3,740	417	(174)	(93)	3,890

13 Income Tax Expense

Income tax expense in respect of profit for the financial year is analysed as follows:

In $ millions	The Group 2013	2012
Current tax expense		
- Current year	**704**	637
- Prior years' provision	**(28)**	(63)
Deferred tax expense		
- Prior years' provision	**(3)**	(2)
- Origination of temporary differences	**(58)**	16
Total	**615**	588

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

In $ millions	The Group 2013	2012
Accelerated tax depreciation	**3**	7
Allowances for loan losses	**(51)**	6
Other temporary differences	**(13)**	1
Deferred tax charge/(credit) to income statement	**(61)**	14

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

In $ millions	The Group 2013	2012
Profit	**4,410**	4,483
Prima facie tax calculated at a tax rate of 17% (2012: 17%)	**750**	762
Effect of different tax rates in other countries	**23**	88
Net income not subject to tax	**(97)**	(96)
Net income taxed at concessionary rate	**(74)**	(69)
Others	**13**	(97)
Income tax expense charged to income statement	**615**	588

Refer to Note 22 for further information on deferred tax assets/liabilities.

14 Earnings Per Ordinary Share

Number of shares (millions)		The Group 2013	2012
Weighted average number of ordinary shares in issue	(a)	**2,441**	2,413
Dilutive effect of share options		**#**	1
Full conversion of non-voting redeemable CPS		**30**	30
Weighted average number of ordinary shares in issue (diluted)	(aa)	**2,472**	2,444

\# Amount under $500,000

In $ millions		The Group 2013	2012
Net profit attributable to shareholders (Net Profit less dividends on other equity instruments)	(b)	**3,669**	3,809
Net profit (less preference dividends and dividends on other equity instruments)	(c)	**3,660**	3,800
Earnings per ordinary share ($)			
Basic	(c)/(a)	**1.50**	1.57
Diluted	(b)/(aa)	**1.48**	1.56

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the effect of a full conversion of non-voting redeemable convertible preference shares and the exercise of all outstanding share options granted to employees when such shares would be issued at a price lower than the average share price during the financial year.

15 Classification of Financial Instruments

	The Group 2013						
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**
Assets							
Cash and balances with central banks	-	-	14,789	3,937	-	-	18,726
Government securities and treasury bills	6,220	-	39	20,689	549	-	27,497
Due from banks	2,375	-	35,745	1,697	-	-	39,817
Derivatives	17,174	-	-	-	-	252	17,426
Bank and corporate securities	8,713	75	11,907	12,851	-	-	33,546
Loans and advances to customers	-	883	247,771	-	-	-	248,654
Other financial assets	-	-	8,720	-	-	-	8,720
Total financial assets	34,482	958	318,971	39,174	549	252	394,386
Non-financial assets[(a)]							7,622
Total assets							402,008
Liabilities							
Due to banks	82	-	13,490	-	-	-	13,572
Deposits and balances from customers	569	1,374	290,422	-	-	-	292,365
Derivatives	17,914	-	-	-	-	218	18,132
Other financial liabilities	1,353	-	9,012	-	-	-	10,365
Other debt securities	2,651	965	19,499	-	-	-	23,115
Subordinated term debts	-	-	5,544	-	-	-	5,544
Total financial liabilities	22,569	2,339	337,967	-	-	218	363,093
Non-financial liabilities[(b)]							1,229
Total liabilities							364,322

	The Group 2012						
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**
Assets							
Cash and balances with central banks	-	-	14,841	2,931	-	-	17,772
Government securities and treasury bills	8,845	-	25	27,556	-	-	36,426
Due from banks	598	-	27,514	1,294	-	-	29,406
Derivatives	17,044	-	-	-	-	236	17,280
Bank and corporate securities	4,844	65	9,581	10,958	-	-	25,448
Loans and advances to customers	-	1,124	209,395	-	-	-	210,519
Other financial assets	-	-	8,611	-	-	-	8,611
Total financial assets	31,331	1,189	269,967	42,739	-	236	345,462
Non-financial assets[(a)]							7,571
Total assets							353,033
Liabilities							
Due to banks	746	-	14,605	-	-	-	15,351
Deposits and balances from customers	792	950	251,722	-	-	-	253,464
Derivatives	17,243	-	-	-	-	289	17,532
Other financial liabilities	1,843	-	8,506	-	-	-	10,349
Other debt securities	2,373	1,145	10,236	-	-	-	13,754
Subordinated term debts	-	-	5,505	-	-	-	5,505
Total financial liabilities	22,997	2,095	290,574	-	-	289	315,955
Non-financial liabilities[(b)]							1,080
Total liabilities							317,035

(a) Includes associates, goodwill, 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

Financial assets and liabilities are presented net when there is a legally enforceable right to set off 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 2013, "Loans and advances to customers" of $2,452 million (2012: $3,710 million) were set off against "Deposits and balances from customers" of $2,600 million (2012: $3,734 million) because contractually the Group has a legally enforceable right to set off these amounts, and intends to settle the loans and the deposits simultaneously at maturity or termination dates. This resulted in a net amount of $148 million being reported under "Deposits and balances from customers" as at 31 December 2013 (2012: $24 million).

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 set off 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 posted under these agreements are generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or repledge 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 pay 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 strategies 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 Group's 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 (for IFRS and US GAAP readers respectively), as well as provide additional information on how such credit risk is mitigated.

In $ millions 2013				Related amounts not set off on balance sheet		
Types of financial assets/liabilities	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/ pledged (D)	Net amounts in scope (E)
Financial Assets						
Derivatives	**17,426**[(a)]	**7,205**[(b)]	**10,221**	**9,802**[(b)]	**309**	**110**
Reverse repurchase agreements	**4,780**[(c)]	**597**	**4,183**	**4,171**	**-**	**12**
Securities borrowings	**35**[(d)]	**-**	**35**	**34**	**-**	**1**
Total	**22,241**	**7,802**	**14,439**	**14,007**	**309**	**123**
Financial Liabilities						
Derivatives	**18,132**[(a)]	**6,028**[(b)]	**12,104**	**9,845**[(b)]	**1,637**	**622**
Repurchase agreements	**2,010**[(e)]	**39**	**1,971**	**1,970**	**-**	**1**
Securities lendings	**-**[(f)]	**-**	**-**	**-**	**-**	**-**
Total	**20,142**	**6,067**	**14,075**	**11,815**	**1,637**	**623**

In $ millions 2012				**Related amounts not set off on balance sheet**		
Types of financial assets/liabilities	**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/ pledged (D)**	**Net amounts in scope (E)**
Financial Assets						
Derivatives	17,280[(a)]	7,139[(b)]	10,141	9,624[(b)]	447	70
Reverse repurchase agreements	2,429[(c)]	-	2,429	2,429	-	-
Securities borrowings	76[(d)]	-	76	71	-	5
Total	19,785	7,139	12,646	12,124	447	75
Financial Liabilities						
Derivatives	17,532 [(a)]	5,521 [(b)]	12,011	9,662[(b)]	1,936	413
Repurchase agreements	3,335 [(e)]	420	2,915	2,914	-	1
Securities lendings	1 [(f)]	-	1	-	-	1
Total	20,868	5,941	14,927	12,576	1,936	415

(a) Derivatives are measured at fair value through profit or loss.
(b) 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 assets/liabilities 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.
(c) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely "Cash and balances with central banks" , "Due from banks", and "Loans and advances to customers". These transactions are measured at either fair value through profit or loss or amortised cost.
(d) Cash collateral placed under securities borrowings are presented under "Other assets" on the balance sheet, and are measured at amortised cost.
(e) Repurchase agreements shown above is the aggregate of transactions recorded in separate line items on the balance sheet, namely "Due to banks", and "Deposits and balances from customers". These transactions are measured at either fair value through profit or loss or amortised cost.
(f) Cash collateral placed under securities lendings are presented under "Other liabilities" on the balance sheet, and are measured at amortised cost.

16 Cash and Balances with Central Banks

In $ millions	**The Group 2013**	**2012**
Cash on hand	**1,803**	1,656
Non-restricted balances with central banks	**9,146**	9,337
Cash and cash equivalents	**10,949**	10,993
Restricted balances with central banks[(a)]	**7,777**	6,779
Total	**18,726**	17,772

(a) Mandatory balances with central banks

17 Government Securities and Treasury Bills

	The Group				
In $ millions	**Held for trading**	**Available-for-sale**	**Loans and receivables[c]**	**Held to maturity[d]**	**Total**
2013					
Singapore Government securities and treasury bills [a]	**2,013**	**7,332**	**-**	**549**	**9,894**
Other government securities and treasury bills [b]	**4,207**	**13,357**	**39**	**-**	**17,603**
Total	**6,220**	**20,689**	**39**	**549**	**27,497**
2012					
Singapore Government securities and treasury bills [a]	2,639	10,294	-	-	12,933
Other government securities and treasury bills [b]	6,206	17,262	25	-	23,493
Total	8,845	27,556	25	-	36,426

(a) Includes financial assets transferred of $564 million (2012: $841 million) (See Note 20)
(b) Includes financial assets transferred of $1,450 million (2012: $2,207 million) (See Note 20)
(c) The fair value of securities classified as loans and receivables amounted to $39 million (2012: $25 million)
(d) The fair value of securities classified as held to maturity amounted to $537 million (2012: Nil)

18 Bank and Corporate Securities

	The Group				
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Available-for-sale**	**Loans and receivables[a]**	**Total**
2013					
Bank and corporate debt securities [b]	**8,129**	**75**	**11,551**	**12,036**	**31,791**
Less: impairment allowances	**-**	**-**	**-**	**(129)**	**(129)**
Equity securities	**584**	**-**	**1,300**	**-**	**1,884**
Total	**8,713**	**75**	**12,851**	**11,907**	**33,546**
2012					
Bank and corporate debt securities [b]	4,609	65	9,859	9,702	24,235
Less: impairment allowances	-	-	-	(121)	(121)
Equity securities	235	-	1,099	-	1,334
Total	4,844	65	10,958	9,581	25,448

(a) The fair value of securities classified as loans and receivables amounted to $11,992 million (2012: $9,862 million)
(b) Includes financial assets transferred of $902 million (2012: $1,349 million) (See Note 20)

19 Loans and Advances to Customers

In $ millions	The Group 2013	2012
Gross	**252,181**	213,828
Less: Specific allowances	**1,129**	1,217
General allowances	**2,398**	2,092
	248,654	210,519
Analysed by product		
Long-term loans	**100,950**	92,917
Short-term facilities	**51,896**	36,048
Housing loans	**49,147**	45,570
Trade loans	**50,188**	39,293
Gross total	**252,181**	213,828
Analysed by currency		
Singapore dollar	**101,456**	90,503
Hong Kong dollar	**29,463**	29,443
US dollar	**84,998**	67,156
Others	**36,264**	26,726
Gross total	**252,181**	213,828

Refer to Note 42.4 for breakdown of loans and advances to customers by country of incorporation of borrower and industry.

The table below shows the movements in specific and general allowances for loans and advances to customers during the year for 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
2013					
Specific allowances [(a)]					
Manufacturing	**222**	**108**	**(100)**	**10**	**240**
Building and construction	**34**	**30**	**(23)**	**1**	**42**
Housing loans	**10**	**(2)**	**-**	**1**	**9**
General commerce	**149**	**139**	**(154)**	**8**	**142**
Transportation, storage and communications	**501**	**(54)**	**(3)**	**21**	**465**
Financial institutions, investment and holding companies	**232**	**13**	**(105)**	**6**	**146**
Professionals and private individuals (excluding housing loans)	**45**	**166**	**(166)**	**3**	**48**
Others	**24**	**16**	**(1)**	**(2)**	**37**
Total specific allowances	**1,217**	**416**	**(552)**	**48**	**1,129**
Total general allowances	**2,092**	**310**	**-**	**(4)**	**2,398**
Total allowances	**3,309**	**726**	**(552)**	**44**	**3,527**
2012					
Specific allowances [(a)]					
Manufacturing	223	26	(19)	(8)	222
Building and construction	37	(3)	1	(1)	34
Housing loans	11	(1)	-	-	10
General commerce	125	46	(17)	(5)	149
Transportation, storage and communications	282	227	(9)	1	501
Financial institutions, investment and holding companies	392	(152)	(5)	(3)	232
Professionals and private individuals (excluding housing loans)	63	76	(90)	(4)	45
Others	55	(21)	(10)	-	24
Total specific allowances	1,188	198	(149)	(20)	1,217
Total general allowances	1,919	181	-	(8)	2,092
Total allowances	3,107	379	(149)	(28)	3,309

(a) Certain loans to investment holding companies have been reclassified to better reflect the underlying principal activity of the companies owned by the holding company. The amounts for prior period have also been reclassified to conform to the current presentation.

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

In $ millions	The Group 2013	2012
Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	**883**	1,124
Credit derivatives/enhancements – protection bought	**(883)**	(1,124)
Cumulative change in fair value arising from changes in credit risk	**(138)**	(61)
Cumulative change in fair value of related credit derivatives /enhancements	**138**	61

Changes in fair value arising from changes in credit risk are determined as the amount of change in their fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk 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 $77 million (2012: gain of $16 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a gain of $77 million (2012: loss of $16 million).

20 Financial Assets Transferred

The Group transfers financial assets to third parties or special purpose 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 2013 and 2012.

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 pay 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 fair value of the associated liabilities approximates the carrying amount of $2,010 million (2012: $3,335 million), which are recorded under "Due to banks" and "Deposits and balances from customers" 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.

In $ millions	The Group 2013	2012
Financial assets transferred		
Singapore Government securities and treasury bills	**564**	841
Other government securities and treasury bills	**1,450**	2,207
Bank and corporate debt securities	**902**	1,349
Total financial assets transferred	**2,916**	4,397

Loans

The Group also enters into structured funding transactions where it retains the contractual rights to receive cash flows of loans extended to third parties, but assumes a contractual obligation to pay these cash flows under the issued notes. The carrying amounts and fair values of these financial assets and liabilities both amount to $883 million (2012: $1,124 million).

21 Other Assets

In $ millions	The Group 2013	2012
Accrued interest receivable	**941**	844
Deposits and prepayments	**290**	297
Clients' monies receivable from securities business	**633**	778
Sundry debtors and others	**6,856**	6,692
Deferred tax assets (Note 22)	**205**	91
Total	**8,925**	8,702

22 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 to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in "Other assets" (Note 21) and "Other liabilities" (Note 29) respectively.

In $ millions	The Group 2013	2012
Deferred tax assets	**205**	91
Deferred tax liabilities	**(42)**	(30)
Total	**163**	61

The movement in deferred tax (prior to offsetting of balances within the same tax jurisdiction) is as follows:

In $ millions		The Group 2013		
Deferred income tax assets		**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January		**136**	**73**	**209**
Credit to income statement		**51**	**12**	**63**
Balance at 31 December		**187**	**85**	**272**
Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale financial assets and others**	**Other temporary differences**	**Total**
Balance at 1 January	**(89)**	**(47)**	**(12)**	**(148)**
(Charge)/Credit to income statement	**(3)**	**-**	**1**	**(2)**
Credit to equity	**-**	**41**	**-**	**41**
Balance at 31 December	**(92)**	**(6)**	**(11)**	**(109)**

In $ millions		The Group 2012		
Deferred income tax assets		**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January		142	84	226
Charge to income statement		(6)	(11)	(17)
Balance at 31 December		136	73	209
Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale financial assets and others**	**Other temporary differences**	**Total**
Balance at 1 January	(82)	(3)	(22)	(107)
Credit/(Charge) to income statement	(7)	-	10	3
Charge to equity	-	(44)	-	(44)
Balance at 31 December	(89)	(47)	(12)	(148)

23 Subsidiaries and Other Controlled Entities

In $ millions	The Company 2013	2012
Unquoted equity shares, at cost	**10,326**	10,326
Preference shares, at cost (Note 35)	**805**	-
Due from subsidiaries	**1,416**	833
	12,547	11,159

23.1 Main operating subsidiaries

The main operating subsidiaries of the Group are listed below:

Name of subsidiary	Country of incorporation	Effective shareholding % 2013	2012
Commercial Banking			
DBS Bank Ltd	Singapore	**100**	100
DBS Bank (China) Limited*	China	**100**	100
PT Bank DBS Indonesia*	Indonesia	**99**	99
DBS Bank (Taiwan) Limited*	Taiwan	**100**	100
DBS Bank (Hong Kong) Limited*	Hong Kong	**100**	100
Merchant Banking			
The Islamic Bank of Asia Limited	Singapore	**50**	50
Stockbroking			
DBS Vickers Securities (Singapore) Pte Ltd	Singapore	**100**	100

* Audited by PricewaterhouseCoopers network firms outside Singapore

23.2 Special purpose entities

The main special purpose entities controlled and consolidated by the Group are listed below:

Name of entity	Purpose of special purpose entity	Country of incorporation
Zenesis SPC	Issuance of structured notes	Cayman Islands
Constellation Investment Ltd	Issuance of structured notes	Cayman Islands

24 Joint Ventures

The Group's share of income and expenses, and assets and liabilities of joint venture at 31 December are as follows:

In $ millions	The Group 2013	2012
Income statement		
Share of income	**25**	25
Share of expenses	**(19)**	(19)
Balance sheet		
Share of total assets	**232**	205
Share of total liabilities	**173**	153

The main joint venture of the Group is listed below:

Name of joint venture	Country of incorporation	Effective shareholding % 2013	2012
Hutchinson DBS Card Limited*	British Virgin Islands	50	50

* Audited by PricewaterhouseCoopers network firms outside Singapore

25 Associates

In $ millions	The Group 2013	2012
Unquoted		
Cost	**783**	718
Share of post acquisition reserves	**134**	130
Sub-total	**917**	848
Quoted		
Cost	**153**	246
Net exchange translation adjustments	**(5)**	(14)
Share of post acquisition reserves	**101**	156
Sub-total[(a)]	**249**	388
Total	**1,166**	1,236

(a) The market value of quoted associates amounted to $525 million (2012: $1,063 million)

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

In $ millions	The Group 2013	2012
Income statement		
Share of income	**342**	472
Share of expenses	**(263)**	(348)
Balance sheet		
Share of total assets	**3,705**	4,779
Share of total liabilities	**2,539**	3,543
Off-balance sheet		
Share of contingent liabilities and commitments	**46**	57

25.1 Main associates

The main associates of the Group are listed below:

Name of associate	Country of incorporation	Effective shareholding % 2013	2012
Quoted			
Bank of the Philippine Islands [(a)] **	The Philippines	**5.0**	9.9
Hwang - DBS (Malaysia) Bhd [(b)] *	Malaysia	**27.7**	27.7
Unquoted			
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	**33.3**	33.3
Changsheng Fund Management Company**	China	**33.0**	33.0
Central Boulevard Development Pte Ltd	Singapore	**33.3**	30.0

* Audited by PricewaterhouseCoopers network firms outside Singapore
** Audited by other auditors
(a) The Group's effective interest in Bank of the Philippine Islands (BPI) is held via Ayala DBS Holdings Inc.(ADHI). BPI is an associate of ADHI.
(b) Shareholding includes 4.15% held through the Bank

25.2 Acquisition and disposal of interests in associates

Acquisition of 33% equity stake in Central Boulevard Development Pte Ltd (CBDPL)

On 31 December 2012, the Group acquired a 30% stake in Marina Bay Financial Centre Tower 3 by buying a 30% interest in CBDPL. The purchase was done via Heedum Pte Ltd (Heedum), a wholly-owned subsidiary, from Choicewide Group Limited (CGL), a joint venture of Cheung Kong (Holdings) Ltd and Hutchison Whampoa Limited. The acquisition was structured as a purchase from CGL of the 30% equity interest it holds in, and its associated shareholder's loan it had advanced to, CBDPL for an aggregate purchase consideration of $1.04 billion.

Both parties also entered into a conditional put option agreement for the Group to take up CGL's remaining 3.33% equity stake in CBDPL and its associated loan, for an estimated aggregate price of $115 million (Put Option). Following the exercise of the Put Option by CGL on 15 July 2013, the Group owns a one-third equity stake in CBDPL.

The Group does not equity account for the results of Marina Bay Suites Pte Ltd (MBSPL), a wholly-owned subsidiary of CBDPL as the acquisition of the 33% interest in CBDPL is structured to effectively exclude any significant interest in MBSPL. The Group, through Heedum, has entered into a deed of undertaking with CGL whereby the Group agrees not to participate in the financial and operating policy decisions in MBSPL and that the Group would exercise all voting rights and other rights and powers that it directly or indirectly has or controls in CBDPL and MBSPL in accordance with the written instructions of CGL on all matters arising from, relating to, or otherwise connected with MBSPL and/or CGL's ownership of MBSPL.

Divestment of Bank of the Philippine Islands (BPI)

On 11 October 2012, the Group divested 10.4% of its total effective interest of 20.3% of its investment in BPI to Ayala Corporation for a total cash consideration of $757 million (PHP 25.6 billion). A $450 million gain was recognised from the transaction (Note 9). After the divestment, the Group held an effective interest of 9.9% through a joint venture company, Ayala DBS Holdings Inc (ADHI), in which the Group owned 34.1%.

On 11 November 2013, the Group entered into an agreement to divest its shares in ADHI for a total consideration of $850 million (PHP 29.6 billion). The transaction was to be completed in two equal tranches, the first by the end of 2013 and the second in January 2014. The first tranche was completed at end-November 2013 and a gain of $171 million was recorded (Note 9). $171 million comprised a gain of $221 million for the partial divestment of a stake in the BPI less a sum of $50 million set aside to establish the DBS Foundation to further the Group's commitment to social and community development.

As at end December 2013, the Group retained significant influence over ADHI and had representation on the ADHI board. The Group continued to equity account for its effective remaining shareholding of 5.0% in BPI until the completion of the second tranche on 8 January 2014.

Divestment of HwangDBS Investment Bank

On 22 January 2014, Hwang-DBS (Malaysia) Berhad ("HDBS"), in which the Group owned an effective shareholding of 27.7%, entered into a conditional share sale and purchase agreement with Affin Holdings Berhad ("Affin") to sell to Affin 100% equity interest in HwangDBS Investment Bank Berhad, 100% equity interest in HDM Futures Sdn Bhd, 53% equity interest in Hwang Investment Management Berhad and 49% equity interest in Asian Islamic Investment Management Sdn Bhd.

As at 31 December 2013, HDBS was accounted for as investment in an associated company.

26 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	
In $ millions	**2013**	**2012**
Minimum lease receivable		
Not later than 1 year	**30**	22
Later than 1 year but not later than 5 years	**66**	64
Later than 5 years	**-**	3
Total	**96**	89

	The Group				
		Non-investment properties			
In $ millions	**Investment properties**	**Owner-occupied properties**	**Other fixed assets[(a)]**	**Subtotal of non-investment properties**	**Total**
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2013					
Cost					
Balance at 1 January	**654**	**514**	**1,234**	**1,748**	**2,402**
Additions	**-**	**10**	**217**	**227**	**227**
Disposals	**-**	**(18)**	**(77)**	**(95)**	**(95)**
Transfers	**7**	**(7)**	**-**	**(7)**	**-**
Exchange differences	**2**	**14**	**8**	**22**	**24**
Balance at 31 December	**663**	**513**	**1,382**	**1,895**	**2,558**
Less: Accumulated depreciation					
Balance at 1 January	**157**	**89**	**664**	**753**	**910**
Depreciation charge	**8**	**13**	**193**	**206**	**214**
Disposals	**-**	**(9)**	**(67)**	**(76)**	**(76)**
Transfers	**3**	**(3)**	**-**	**(3)**	**-**
Exchange differences	**1**	**6**	**6**	**12**	**13**
Balance at 31 December	**169**	**96**	**796**	**892**	**1,061**
Less: Allowances for impairment	**-**	**48**	**-**	**48**	**48**
Net book value at 31 December	**494**	**369**	**586**	**955**	**1,449**
Market value at 31 December	**793**	**756**			
2012					
Cost					
Balance at 1 January	491	760	1,027	1,787	2,278
Additions[(b)]	2	3	333	336	338
Disposals	(1)	(71)	(78)	(149)	(150)
Transfers	172	(155)	(17)	(172)	-
Exchange differences	(10)	(23)	(31)	(54)	(64)
Balance at 31 December	654	514	1,234	1,748	2,402
Less: Accumulated depreciation					
Balance at 1 January	119	124	625	749	868
Depreciation charge	8	16	155	171	179
Disposals	-	(19)	(77)	(96)	(96)
Transfers	31	(17)	(14)	(31)	-
Exchange differences	(1)	(15)	(25)	(40)	(41)
Balance at 31 December	157	89	664	753	910
Less: Allowances for impairment	-	50	-	50	50
Net book value at 31 December	497	375	570	945	1,442
Market value at 31 December	772	704			

(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets
(b) 2012 includes additions relating to the Group's move to Marina Bay Financial Centre

26.1 PWC Building is held as an investment property following the Group's move to Marina Bay Financial Centre in 2012. Its net book value was $398 million as at 31 December 2013 (2012: $404 million), and its fair value was independently appraised at $599 million (2012: $583 million).

26.2 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 of 31 December 2013, there were no transfers into or out of Level 3.

27 Goodwill

The carrying value of the Group's goodwill arising from acquisition of subsidiaries is allocated to the Group's cash-generating units (CGUs) or groups of CGUs as follows:

In $ millions	The Group 2013	2012
DBS Bank (Hong Kong) Limited	**4,631**	4,631
DBS Vickers Securities Holdings Pte Ltd	**154**	154
Primefield Company Pte Ltd	**17**	17
Total	**4,802**	4,802

Key assumptions used for value-in-use calculations:

	DBS Bank (Hong Kong) Limited		DBS Vickers Securities Holdings Pte Ltd	
	2013	**2012**	**2013**	**2012**
Growth rate	**4.5%**	4.5%	**4.0%**	4.0%
Discount rate	**9.0%**	9.5%	**9.0%**	9.0%

The carrying values 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 value 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.

The process of evaluating goodwill impairment involves management judgment 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 2013. 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.

28 Deposits and balances from customers [a]

	The Group	
In $ millions	**2013**	**2012**
Analysed by currency		
Singapore dollar	**134,758**	131,000
US dollar	**75,023**	52,607
Hong Kong dollar	**29,840**	27,339
Others	**52,744**	42,518
Total	**292,365**	253,464
Analysed by product		
Savings accounts	**112,429**	103,512
Current accounts	**48,809**	42,841
Fixed deposits	**122,500**	102,516
Other deposits	**8,627**	4,595
Total	**292,365**	253,464

(a) See Note 2.3 on change in balance sheet presentation

29 Other Liabilities

	The Group	
In $ millions	**2013**	**2012**
Cash collateral received in respect of derivative portfolios	**695**	745
Accrued interest payable	**623**	624
Provision for loss in respect of off-balance sheet credit exposures	**249**	226
Clients' monies payable in respect of securities business	**564**	679
Sundry creditors and others	**6,864**	6,142
Bills payable	**266**	316
Current tax liabilities	**938**	824
Payable in respect of short sale of securities	**1,353**	1,843
Deferred tax liabilities (Note 22)	**42**	30
Total	**11,594**	11,429

30 Other Debt Securities

	The Group	
In $ millions	**2013**	**2012**
Negotiable certificates of deposit (Note 30.1)	**1,235**	1,149
Senior medium term notes (Note 30.2)	**5,635**	3,168
Commercial papers (Note 30.3)	**12,142**	5,820
Other debt securities (Note 30.4)	**4,103**	3,617
Total	**23,115**	13,754
Due within 1 year	**17,108**	8,498
Due after 1 year	**6,007**	5,256
Total	**23,115**	13,754

30.1 Details of negotiable certificates of deposit issued and outstanding at 31 December 2013 are as follows:

In $ millions		The Group	
Currency	**Interest Rate and Repayment Terms**	**2013**	**2012**
Issued by other subsidiaries			
CNH	1.6% to 2.99%, payable semi-annually	**-**	48
CNH	2.8%, payable yearly	**-**	88
HKD	2.25% to 4.22%, payable quarterly	**452**	462
HKD	3M HIBOR +0.9%, payable quarterly	**220**	244
HKD	1.2% to 4.2%, payable yearly	**313**	307
HKD	0% to 0.9%, payable on maturity	**250**	-
Total		**1,235**	1,149

The negotiable certificates of deposit were issued by DBS Bank (Hong Kong) Limited under its HKD 28 billion Certificate of Deposit Programme. The outstanding negotiable certificates of deposit as at 31 December 2013 were issued between 22 August 2008 and 31 December 2013 (2012: 21 August 2008 and 31 January 2012) and mature between 9 January 2014 and 16 March 2021 (2012: 16 January 2013 and 16 March 2021).

30.2 Details of senior medium term notes issued and outstanding at 31 December 2013 are as follows:

In $ millions		The Group	
Currency	**Interest Rate and Repayment Terms**	**2013**	**2012**
Issued by the Bank			
USD	2.375%, payable half yearly	**1,298**	1,281
USD	2.35%, payable half yearly	**1,265**	1,221
USD	Floating rate note, payable quarterly	**569**	37
GBP	Floating rate note, payable quarterly	**2,398**	494
HKD	2.24%, payable quarterly	**82**	79
IDR	7.25%, payable yearly	**23**	28
IDR	6.89%, payable yearly	**-**	28
Total		**5,635**	3,168

The senior medium term notes were issued by the Bank under its USD 10 billion Euro Medium Term Note Programme which was first established in June 2010 and updated to a USD 15 billion Global Medium Term Note Programme in October 2011. The outstanding senior medium term notes as at 31 December 2013 were issued between 14 September 2010 and 16 October 2013 (2012: 8 September 2010 and 12 September 2012) and mature between 4 March 2014 and 30 March 2017 (2012: 4 April 2013 and 30 March 2017).

30.3 The zero-coupon commercial papers which are payable on maturity were issued by the Bank under its USD 5 billion Euro Commercial Paper programme established in August 2011 and US Commercial Paper programme originally established in December 2011 with a programme size of USD 5 billion. The US Commercial Paper programme was upsized from USD 5 billion to USD 15 billion in June 2012. The outstanding notes as at 31 December 2013 were issued between 21 March 2013 and 6 December 2013 (2012: 31 January 2012 and 31 December 2012) and mature between 3 January 2014 and 11 December 2014 (2012: 3 January 2013 and 18 September 2013).

30.4 Details of other debt securities issued and outstanding at 31 December 2013 are as follows:

In $ millions	The Group	
Type	**2013**	**2012**
Issued by the Bank and other subsidiaries		
Equity linked notes	**708**	459
Credit linked notes	**1,525**	1,696
Interest linked notes	**800**	766
Foreign exchange linked notes	**585**	597
Fixed rate bonds	**485**	99
Total	**4,103**	3,617

The outstanding securities as at 31 December 2013 were issued between 31 March 2006 and 30 December 2013 (2012: 31 March 2006 and 31 December 2012) and mature between 2 January 2014 and 6 November 2043 (2012: 2 January 2013 and 31 October 2042).

31 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**	
Instrument	**Note**	**Issue Date**	**Maturity Date**	**Interest payment**	**2013**	**2012**
Issued by the Bank						
US$750m 5.00% Subordinated Notes Callable with Step-up in 2014 *Interest rate resets to 6-month LIBOR plus 1.61% if not called.*	31.1	1 Oct 2004	15 Nov 2019	May/Nov	**966**	951
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.*		16 June 2006	15 Jul 2021	Jan/Apr/ Jul/Oct	**1,139**	1,100
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
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.*	31.2	21 Feb 2012	21 Feb 2022	Feb/Aug	**1,004**	1,013
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.*	31.3	21 Mar 2012	21 Sep 2022	Mar/Sep	**953**	939
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.*	31.4	14 Aug 2012	14 Feb 2023	Feb/Aug	**982**	1,002
Total					**5,544**	5,505
Due within 1 year					**-**	-
Due after 1 year					**5,544**	5,505
Total					**5,544**	5,505

31.1 Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.61% via interest rate swaps.

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

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

31.4 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 "Capital Instruments" section at the Group's website (http://www.dbs.com/investor/preferenceshares/default.aspx) (unaudited).

32 Share Capital

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 1,699,266 (2012: 2,104,176) ordinary shares, fully paid in cash upon the exercise of the options granted. The Company also issued 5,996,350 (2012: 19,579,969) ordinary shares to eligible shareholders who elected to participate in the scrip dividend scheme.

On 28 February 2012, the Company issued 70,026,649 ordinary shares upon the conversion of 180,915 non-voting convertible preference shares (CPS) and 69,845,734 non-voting redeemable CPS. The newly issued shares rank pari passu in all respects with the previously issued shares.

The non-voting CPS and non-voting redeemable CPS enjoy the same dividend rate paid on ordinary shares except that the dividend payable is subject to maximum of $0.30 per annum (non-cumulative). All non-voting CPS have been converted to ordinary shares on 28 February 2012. The CPS do not carry voting rights, except in certain instances e.g. where any relevant dividend due is not paid up in full or where a resolution is proposed varying the rights of the preference shares. Subject to the terms set out in the Company's Articles of Association, each CPS may be converted into one fully paid ordinary share at the option of the holder. The Company may also redeem the non-voting redeemable CPS in accordance with the Articles of Association.

As at 31 December 2013, the number of treasury shares held by the Group is 6,727,074 (2012: 7,648,152), which is 0.27% (2012: 0.31%) of the total number of issued shares excluding treasury shares**.**

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

	The Group				The Company			
	Shares ('000)		In $ millions		Shares ('000)		In $ millions	
	2013	2012	2013	2012	2013	2012	2013	2012
Ordinary shares								
Balance at 1 January	**2,442,028**	2,350,317	**9,482**	9,101	**2,442,028**	2,350,317	**9,482**	9,101
Issue of shares pursuant to Scrip Dividend Scheme	**5,997**	19,580	**103**	268	**5,997**	19,580	**103**	268
Issue of shares upon exercise of share options	**1,699**	2,104	**18**	25	**1,699**	2,104	**18**	25
Reclassification of reserves upon exercise of share options	**-**	-	**4**	2	**-**	-	**4**	2
Conversion of non-voting CPS & non-voting redeemable CPS to ordinary shares	**-**	70,027	**-**	86	**-**	70,027	**-**	86
Balance at 31 December	**2,449,724**	2,442,028	**9,607**	9,482	**2,449,724**	2,442,028	**9,607**	9,482
Treasury shares								
Balance at 1 January	**7,648**	11,321	**(103)**	(154)	**5,344**	8,644	**(71)**	(115)
Purchase of treasury shares	**1,800**	-	**(28)**	-	**1,800**	-	**(28)**	-
Draw-down of reserves upon vesting of performance shares	**(2,721)**	(3,673)	**37**	51	**-**	-	**-**	-
Transfer of treasury shares	**-**	-	**-**	-	**(2,500)**	(3,300)	**33**	44
Balance at 31 December	**6,727**	7,648	**(94)**	(103)	**4,644**	5,344	**(66)**	(71)
Convertible preference shares								
Balance at 1 January	**30,011**	100,038	**163**	249	**30,011**	100,038	**163**	249
Conversion of non-voting CPS & non-voting redeemable CPS to ordinary shares	**-**	(70,027)	**-**	(86)	**-**	(70,027)	**-**	(86)
Balance at 31 December	**30,011**	30,011	**163**	163	**30,011**	30,011	**163**	163
Issued share capital, as at 31 December			**9,676**	9,542			**9,704**	9,574

33 Other Equity Instruments

In $ millions	The Group 2013	The Group 2012	The Company 2013	The Company 2012
S$805m 4.70% Non-Cumulative Non-Convertible Perpetual Capital Securities First Callable in 2019	**803**	-	**803**	-
Total	**803**	-	**803**	-

On 7 November 2013, the Company invited holders of the outstanding S$1.7 billion 4.70% Non-Cumulative Non-Convertible Non-Voting Class N Preference Shares Callable in 2020 issued by the Bank (the "Existing Preference Shares") to tender their Existing Preference Shares for purchase by the Company for consideration comprising Perpetual Capital Securities issued by DBSH ("Capital Securities") and accrued dividends on the Existing Preference Shares.

The Company purchased existing Preference Shares representing an aggregate liquidation preference of S$805 million and issued S$805 million Capital Securities on 3 December 2013 at 4.7%.

The Capital Securities are non-cumulative non-convertible perpetual capital securities and qualify as Additional Tier 1 Capital under the Monetary Authority of Singapore ("MAS") Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore ("MAS 637") on the basis that the Company is subject to the application of MAS Notice 637.

The Capital Securities are subordinated to all liabilities of the Company and senior only to shareholders of the Company. They do not have any voting rights. They are first callable at the option of the Company on 3 June 2019, subject to regulatory approval. Their terms include a write-down feature that is triggered if and when MAS notifies the Company that without the write-off of the principal, partially or in full, or a public sector injection of capital (or equivalent support), it considers that the Company or the Group would become non-viable. In addition to the first call in June 2019, the terms permit redemption for a change in qualification event and for taxation reasons.

The Capital Securities yield 4.70% per annum up to the first call date, 3 June 2019. If not called, the distribution rate resets every 5 years to the then applicable five-year Swap Offer Rate plus 3.061% per annum. Distributions are paid semi-annually in June and December.

The non-cumulative distributions may only be paid out of distributable reserves and may be cancelled at the option of the Company. As long as any distribution on the Capital Securities has not been made, certain restrictions are placed on the distributions and redemptions that may be made by the Group on parity obligations and junior obligations as defined in the terms governing the Capital Securities.

For more information on each instrument, please refer to "Capital Instruments" section at the Group's website (http://www.dbs.com/investor/preferenceshares/default.aspx) (unaudited).

34 Other Reserves and Revenue Reserves

34.1 Other reserves

In $ millions	The Group 2013	The Group 2012	The Company 2013	The Company 2012
Available-for-sale revaluation reserves	**(30)**	634	**-**	-
Cash flow hedge reserves	**(14)**	(1)	**-**	-
General reserves	**2,453**	2,453	**-**	-
Capital reserves	**(324)**	(229)	**-**	-
Share option and share plan reserves	**136**	101	**136**	101
Others	**4,271**	4,271	**-**	-
Total	**6,492**	7,229	**136**	101

Movements in other reserves during the year are as follows:

2013				**The Group**			
In $ millions	**Available-for-sale revaluation reserves**	**Cash flow hedge reserves**	**General reserves[(a)]**	**Capital reserves[(b)]**	**Share option and share plan reserves**	**Other reserves[(c)]**	**Total**
Balance at 1 January	**634**	**(1)**	**2,453**	**(229)**	**101**	**4,271**	**7,229**
Net exchange translation adjustments	**-**	**-**	**-**	**(91)**	**-**	**-**	**(91)**
Share of associates' reserves	**-**	**-**	**-**	**(4)**	**-**	**-**	**(4)**
Cost of share-based payments	**-**	**-**	**-**	**-**	**76**	**-**	**76**
Reclassification of reserves upon exercise of share options	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
Draw-down of reserves upon vesting of performance shares	**-**	**-**	**-**	**-**	**(37)**	**-**	**(37)**
Available-for-sale financial assets and others:							
- net valuation taken to equity	**(507)**	**(35)**	**-**	**-**	**-**	**-**	**(542)**
- transferred to income statement	**(197)**	**21**	**-**	**-**	**-**	**-**	**(176)**
- tax on items taken directly to or transferred from equity	**40**	**1**	**-**	**-**	**-**	**-**	**41**
Balance at 31 December	**(30)**	**(14)**	**2,453**	**(324)**	**136**	**4,271**	**6,492**

2012				**The Group**			
In $ millions	**Available-for-sale revaluation reserves**	**Cash flow hedge reserves**	**General reserves[(a)]**	**Capital reserves[(b)]**	**Share option and share plan reserves**	**Other reserves[(c)]**	**Total**
Balance at 1 January	411	(16)	2,453	(130)	86	4,271	7,075
Net exchange translation adjustments	-	-	-	(99)	-	-	(99)
Share of associates' reserves	(3)	-	-	-	-	-	(3)
Cost of share-based payments	-	-	-	-	68	-	68
Reclassification of reserves upon exercise of share options	-	-	-	-	(2)	-	(2)
Draw-down of reserves upon vesting of performance shares	-	-	-	-	(51)	-	(51)
Available-for-sale financial assets and others:							
- net valuation taken to equity	613	9	-	-	-	-	622
- transferred to income statement	(345)	8	-	-	-	-	(337)
- tax on items taken directly to or transferred from equity	(42)	(2)	-	-	-	-	(44)
Balance at 31 December	634	(1)	2,453	(229)	101	4,271	7,229

(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, joint ventures, associates and branches, and the related foreign currency financial instruments designated as a hedge

(c) Other reserves relate to the share premium of the Bank prior to the restructuring of the Bank under a financial services holding company, DBSH, pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on 26 June 1999

	The Company	
	Share option and share plan reserves	
In $ millions	**2013**	**2012**
Balance at 1 January	**101**	86
Cost of share-based payments	**76**	68
Reclassification of reserves upon exercise of share options	**(4)**	(2)
Draw-down of reserves upon vesting of performance shares	**(37)**	(51)
Balance at 31 December	**136**	101

34.2 Revenue reserves

	The Group	
In $ millions	**2013**	**2012**
Balance at 1 January	**14,966**	12,523
Net profit attributable to shareholders	**3,672**	3,809
Amount available for distribution	**18,638**	16,332
Less: Final dividend on ordinary shares of $0.28 (one-tier tax-exempt) paid for the previous financial year (2012: $0.28 one-tier tax-exempt)	**684**	677
Final dividends on non-voting CPS and non-voting redeemable CPS of $0.02 (one-tier tax-exempt) paid for the previous financial year (2012: $0.02 one-tier tax-exempt)	**#**	#
Interim dividends on ordinary shares of $0.28 (one-tier tax-exempt) paid for the current financial year (2012: $0.28 one-tier tax-exempt)	**684**	681
Interim dividends on non-voting redeemable CPS of $0.28 (one-tier tax-exempt) paid for the current financial year (2012: $0.28 one-tier tax-exempt)	**8**	8
Balance at 31 December	**17,262**	14,966

\# Amount under $500,000

34.3 Proposed dividend

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.30 per share and DBSH non-voting redeemable CPS of $0.02 per share has not been accounted for in the financial statements for the year ended 31 December 2013. They are to be approved at the Annual General Meeting on 28 April 2014.

35 Non-controlling Interests

The following preference shares issued by subsidiaries of the Group are classified as non-controlling interests. These instruments have a deeply subordinated claim on the issuing entity's assets in the event of a 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 1 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**	
Instrument	**Note**	**Issuance Date**	**Liquidation preference**	**Dividend payment**	**2013**	**2012**
Issued by the Bank						
S$1,700m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	35.1	22 Oct 2010	$250,000	Apr/ Oct	**895**	1,700
S$800m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	35.2	22 Nov 2010	$100	May/ Nov	**800**	800
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	35.3	27 May 2008	$250,000	Jun/ Dec	**1,500**	1,500
Non-controlling interests in subsidiaries					**258**	261
Total					**3,453**	4,261

35.1 Dividends are payable if declared by the Board of Directors of the Bank. DBSH purchased S$805 million of the Bank's preference shares tendered at 4.70% on 3 December 2013 (refer to Note 33).

35.2 Dividends are payable if declared by the Board of Directors of the Bank.

35.3 Dividends, when declared by the Board of Directors of DBS Capital Funding II Corporation, are payable semi-annually in arrears each year at a fixed rate of 5.75% per annum up to 15 June 2018 and in arrears on 15 June, and 15 December. If these are not redeemed at the tenth year, dividends will be payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December at a floating rate of three-month Singapore Dollar Swap Offer Rate plus a stepped-up spread of 3.415% per annum.

For more information on each instrument, please refer to "Capital Instruments" section at the Group's website (http://www.dbs.com/investor/preferenceshares/default.aspx) (unaudited).

36 Contingent Liabilities and Commitments

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

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

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

In $ millions	The Group 2013	2012
Guarantees on account of customers	**14,921**	12,578
Endorsements and other obligations on account of customers	**5,998**	8,481
Undrawn loan commitments[(a)]	**158,027**	135,513
Undisbursed commitments in securities	**22**	291
Sub-total	**178,968**	156,863
Operating lease commitments (Note 36.2)	**772**	875
Capital commitments	**18**	19
Total	**179,758**	157,757
Analysed by industry (excluding operating lease and capital commitments)		
Manufacturing	**28,994**	25,680
Building and construction	**12,940**	10,973
Housing loans	**11,547**	9,783
General commerce	**38,337**	29,185
Transportation, storage and communications	**10,018**	10,767
Government	**1**	319
Financial institutions, investment and holding companies	**15,965**	16,317
Professionals and private individuals (excluding housing loans)	**43,020**	39,069
Others	**18,146**	14,770
Total	**178,968**	156,863

In $ millions	The Group 2013	2012
Analysed by geography (excluding operating lease and capital commitments) [(b)]		
Singapore	**79,779**	71,403
Hong Kong	**37,644**	32,231
Rest of Greater China	**10,834**	11,354
South and Southeast Asia	**18,366**	14,849
Rest of the World	**32,345**	27,026
Total	**178,968**	156,863

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group (2013: $124,031 million, 2012: $103,666 million)
(b) Based on the country of incorporation of the counterparty or borrower

36.1 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.

36.2 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.

37 Financial Derivatives

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

Interest rate derivatives

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

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

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

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

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

Foreign exchange derivatives

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

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

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

Equity derivatives

Equity options 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.

37.1 Trading derivatives

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

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

37.2 Hedging derivatives

The accounting treatment of the hedge derivative transactions varies according to the nature of the hedge and whether the hedge meets the specified criteria to qualify for hedge accounting. Derivatives transacted as economic hedges but do not qualify for hedge accounting are treated in the same way as derivative instruments used 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 2013, the gain on hedging instruments was $59 million (2012: $144 million). The total loss on hedged items attributable to the hedged risk amounted to $59 million (2012: $143 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 hedged cash flows are expected to occur over next 3 years following the balance sheet date, and are expected to affect profit or loss in the same period these cash flows occur. The ineffectiveness arising from these hedges is 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 is insignificant. The Group regularly reviews its hedging strategy and rebalance based on long term outlook of the currency fundamentals.

In $ millions	Net investments in foreign operations[(a)]	Financial instruments which hedge the net investments[(b)]	Remaining unhedged currency exposures
2013			
Hong Kong dollar	**6,236**	**6,156**	**80**
US dollar	**885**	**880**	**5**
Others	**5,414**	**1,639**	**3,775**
Total	**12,535**	**8,675**	**3,860**
2012			
Hong Kong dollar	5,417	5,394	23
US dollar	801	797	4
Others	4,957	1,997	2,960
Total	11,175	8,188	2,987

(a) Refer to net tangible assets of subsidiaries, joint ventures and associates, and capital funds/retained earnings of overseas operations
(b) Includes forwards, non-deliverable forwards and borrowings used to hedge the investments

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes. The notional or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet date, and 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 2013 and 2012.

	2013			2012		
In $ millions	**Underlying notional**	**Assets**	**Liabilities**	**Underlying notional**	**Assets**	**Liabilities**
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	**604,785**	**6,445**	**6,626**	545,166	8,013	7,987
Financial futures	**8,057**	**7**	**3**	4,801	1	1
Interest rate options	**7,621**	**74**	**98**	7,788	87	110
Interest rate caps/floors	**22,544**	**309**	**448**	23,249	356	534
Sub-total	**643,007**	**6,835**	**7,175**	581,004	8,457	8,632
Foreign exchange (FX) derivatives						
FX contracts	**555,055**	**5,341**	**5,925**	511,736	3,794	3,779
Currency swaps	**134,668**	**3,319**	**3,151**	107,227	3,452	3,511
Currency options	**146,913**	**1,048**	**986**	146,528	610	490
Sub-total	**836,636**	**9,708**	**10,062**	765,491	7,856	7,780
Equity derivatives						
Equity options	**1,861**	**42**	**56**	1,933	207	245
Equity swaps	**286**	**4**	**6**	409	6	8
Sub-total	**2,147**	**46**	**62**	2,342	213	253
Credit derivatives						
Credit default swaps and others	**53,890**	**481**	**520**	60,665	457	520
Sub-total	**53,890**	**481**	**520**	60,665	457	520
Commodity derivatives						
Commodity contracts	**2,376**	**41**	**45**	1,255	31	36
Commodity futures	**3,081**	**48**	**39**	2,006	28	17
Commodity options	**1,178**	**15**	**11**	500	2	5
Sub-total	**6,635**	**104**	**95**	3,761	61	58
Total derivatives held for trading	**1,542,315**	**17,174**	**17,914**	1,413,263	17,044	17,243
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**8,824**	**129**	**163**	8,554	228	231
FX contracts held for fair value hedge	**-**	**-**	**-**	20	-	#
FX contracts held for cash flow hedge	**853**	**-**	**8**	586	#	1
FX contracts held for hedge of net investment	**1,578**	**6**	**4**	1,930	8	26
Currency swaps held for fair value hedge	**1,322**	**-**	**43**	61	-	2
Currency swaps held for cash flow hedge	**2,690**	**116**	**-**	160	-	2
Currency swaps held for hedge of net investment	**1,075**	**1**	**-**	1,635	-	27
Total derivatives held for hedging	**16,342**	**252**	**218**	12,946	236	289
Total derivatives	**1,558,657**	**17,426**	**18,132**	1,426,209	17,280	17,532
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)		**(9,746)**	**(9,746)**		(9,616)	(9,616)
		7,680	**8,386**		7,664	7,916

Amounts less than $500,000

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,122 billion (2012: $1,025 billion) and $437 billion (2012: $ 401 billion) respectively. 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.

As at 31 December 2012, the conditional put option agreement for the Bank through Heedum Pte Ltd to take up Choicewide Group Limited's remaining 3.33% equity stake in Central Boulevard Development Pte Ltd and its associated loan for an aggregate of $115 million was carried at cost (Refer to Note 25.2). The fair value cannot be reliably estimated because of the lack of comparable market data points and the associated uncertain parameters in the option valuation model. The put option was exercised on 15 July 2013 at $115 million.

38 Share based compensation plans

As part of the Group's remuneration policy, the Group provides various share based compensation plans to reward good performers, support retention of key employees and enable employees to share in the success of the Group.

Main Scheme/ Plan	Note
DBSH Share Plan (Share Plan) • 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 the Company, their equivalent cash value or a combination. • Awards consist of Main award and Retention award (20% of main awards). • 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 remainder 34% plus the retention awards will vest 4 years after grant. • The fair value of the shares awarded is computed based on the market price of the ordinary shares at the time of the award.	38.1
DBSH Employee Share Plan (ESP) • ESP caters to employees not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of the Company, 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 form part of an employee's annual performance remuneration, the "retention" award which constitute 20% of the shares given in the main award will be granted. The shares in the retention award will vest four years after the date of grant.	38.1
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 Company's ordinary shares.	38.2
DBSH Share Option Plan (Option Plan) • The Option Plan expired on 19 June 2009. Its termination does not affect the rights of holders of outstanding existing options • Option Plan is granted to eligible Group executives who holds 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 Company'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 to 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.	38.3

38.1 DBSH Share Plan and DBSH Employee Share Plan

The following table sets out the outstanding awards at the end of each reporting period and the movement during the year:

Number of shares	2013		2012	
	Share Plan	**ESP**	**Share Plan**	**ESP**
Balance at 1 January	**13,642,125**	**1,232,926**	11,595,571	846,050
Granted	**5,741,878**	**707,960**	6,002,356	639,213
Vested	**(2,482,772)**	**(238,788)**	(3,500,581)	(171,934)
Forfeited	**(892,704)**	**(167,657)**	(455,221)	(80,403)
Balance at 31 December	**16,008,527**	**1,534,441**	13,642,125	1,232,926
Weighted average fair value of the shares granted during the year	$**15.11**	$**15.07**	$14.09	$14.10

Since the inception of the Share Plan and ESP, no awards have been cash-settled.

38.2 DBSH Share Ownership Scheme

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

	Ordinary shares			
	Number		Market value (In $ millions)	
	2013	2012	2013	2012
Balance at 1 January	**6,509,414**	5,933,584	**97**	68
Balance at 31 December	**6,658,006**	6,509,414	**114**	97

38.3 DBSH Share Option Plan

The following table sets out the fair value of the outstanding time-based awards and the movement during the year.

	2013 Unissued number of ordinary shares under outstanding options	Weighted average exercise price ($)	2012 Unissued number of ordinary shares under outstanding options	Weighted average exercise price ($)
Balance at 1 January	**3,245,412**	**11.32**	5,769,925	11.56
Movements during the year:				
- Exercised	**(1,699,266)**	**10.34**	(2,104,176)	11.69
- Forfeited/Expired	**(111,271)**	**9.35**	(420,337)	12.55
Balance at 31 December	**1,434,875**	**12.64**	3,245,412	11.32
Additional information:				
Weighted average remaining contractual life of options outstanding at 31 December	**0.55 years**		1.04 years	
Range of exercise price of options outstanding at 31 December	**$12.53 to $12.81**		$8.84 to $12.81	

In 2013, 1,699,266 options (2012: 2,104,176) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the Company's shares was $15.44 (2012: $14.08).

39 Related Party Transactions

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

39.2 During the financial year, the Group had banking transactions with related parties, consisting of associates, joint ventures 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.

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

	The Group	
In $ millions	**2013**	**2012**
Short-term benefits[(b)]	**42**	41
Share-based payments[(c)]	**20**	16
Total	**62**	57
Of which: Company Directors' remuneration and fees	**12**	10

(a) Includes Company Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group. The composition and number of Directors and Management Committee members may differ from year to year
(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year
(c) Share-based payments are expensed over the vesting period in accordance with FRS102

40 Fair Value of Financial Instruments

40.1 Valuation Process

The valuation processes used by the Group are governed by the Valuation, the Rates and the Reserves frameworks. These frameworks apply to financial assets and liabilities where mark-to-market or model valuation is required.

The Rates framework governs the daily revaluation of all financial assets and liabilities that are fair value measured, 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) exotic 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 would review 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 (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

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 complex 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 from approved market reliable sources. Where possible, the inputs must be checked against multiple sources for reliability and accuracy. Reliance will be placed on the model assurance framework 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 resulting in Level 3 classification, valuation adjustments or reserves will be taken for the purpose of adjusting for uncertainty in valuations. Valuation adjustment or reserve methodologies are used to substantiate the unobservable inputs and attempt to quantify the level of uncertainty in valuations. Such methodologies are governed by the Reserve Framework and require approval by the Group Market and Liquidity Risk Committee.

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 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 risk adjustment
Credit risk adjustment is incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk. Credit risk adjustment is based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting arrangements, collateral arrangements, and the maturity of the underlying transactions.

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, Day 1 P&L reserve is utilised to defer the P&L arising from the difference between the transaction price and the model value. 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 income statement the parameters become observable or the transaction closed out or amortised over the duration of the transaction. At year end, the unamortised Day 1 P&L is 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 adjust net open position

valuations to the respective bid or offer levels as appropriate.

40.2 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 to 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 as 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 and so reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Group's over-the-counter 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 such as correlation or volatilities as well as unquoted equity securities. The fair value of unquoted equity securities is measured in comparison with recent transactions in the equity of the company in question or comparable companies in similar industries. 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 marked over credit default swap spreads), as well as prices/valuations that are obtained from counterparties. Valuation reserves or pricing adjustments where applicable will be 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**
2013				
Assets				
Financial assets at fair value through profit or loss				
- Singapore government securities and treasury bills	**2,013**	**-**	**-**	**2,013**
- Other government securities and treasury bills	**4,207**	**-**	**-**	**4,207**
- Bank and corporate debt securities	**6,808**	**857**	**539**	**8,204**
- Equity securities	**437**	**147**	**-**	**584**
- Other financial assets	**-**	**3,258**	**-**	**3,258**
Available-for-sale financial assets				
- Singapore government securities and treasury bills	**7,332**	**-**	**-**	**7,332**
- Other government securities and treasury bills	**13,297**	**60**	**-**	**13,357**
- Bank and corporate debt securities	**8,982**	**2,543**	**26**	**11,551**
- Equity securities[(a)]	**889**	**2**	**131**	**1,022**
- Other financial assets	**253**	**5,381**	**-**	**5,634**
Derivatives	**50**	**17,355**	**21**	**17,426**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Other debt securities	**-**	**3,595**	**21**	**3,616**
- Other financial liabilities	**1,353**	**2,025**	**-**	**3,378**
Derivatives	**40**	**18,041**	**51**	**18,132**

In $ millions	The Group Level 1	Level 2	Level 3	Total
2012				
Assets				
Financial assets at fair value through profit or loss				
- Singapore government securities and treasury bills	2,639	-	-	2,639
- Other government securities and treasury bills	6,206	-	-	6,206
- Bank and corporate debt securities	3,470	1,107	97	4,674
- Equity securities	235	-	-	235
- Other financial assets	-	1,722	-	1,722
Available-for-sale financial assets				
- Singapore government securities and treasury bills	10,294	-	-	10,294
- Other government securities and treasury bills	17,262	-	-	17,262
- Bank and corporate debt securities	7,204	2,619	36	9,859
- Equity securities[(a)]	702	43	126	871
- Other financial assets	-	4,225	-	4,225
Derivatives	29	17,229	22	17,280
Liabilities				
Financial liabilities at fair value through profit or loss				
- Other debt securities	-	3,493	25	3,518
- Other financial liabilities	1,861	2,469	1	4,331
Derivatives	19	17,502	11	17,532

(a) Excludes unquoted equities stated at cost of $278 million (2012: $228 million)

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

In $ millions	Balance at 1 January	Fair value gains or losses Profit or loss	Other comprehensive income	Purchases	Issues	Settlements	Transfers in	Transfers out	Balance at 31 December
2013									
Assets									
Financial assets at fair value through profit or loss									
- Bank and corporate debt securities	**97**	**(23)**	**-**	**477**	**-**	**(12)**	**-**	**-**	**539**
Available-for-sale financial assets									
- Bank and corporate debt securities	**36**	**-**	**1**	**-**	**-**	**(11)**	**-**	**-**	**26**
- Equity securities	**126**	**8**	**16**	**3**	**-**	**(22)**	**-**	**-**	**131**
Derivatives	**22**	**2**	**-**	**-**	**-**	**-**	**6**	**(9)**	**21**
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	**25**	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**21**
- Other financial liabilities	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**
Derivatives	**11**	**(4)**	**-**	**51**	**-**	**-**	**-**	**(7)**	**51**

In $ millions	Balance at 1 January	Fair value gains or losses		Pur-chases	Issues	Settle-ments	Transfers in	Transfers out	Balance at 31 December
		Profit or loss	Other compre-hensive income						
2012									
Assets									
Financial assets at fair value through profit or loss									
- Bank and corporate debt securities	210	(38)	-	6	-	(97) [(a)]	25	(9)	97
Available-for-sale financial assets									
- Bank and corporate debt securities	286	-	(15)	-	-	(216) [(a)]	-	(19)	36
- Equity securities	278	15	(12)	18	-	(27)	-	(146)	126
Derivatives	18	(21)	-	-	-	(5)	34	(4)	22
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	28	(3)	-	-	-	(24)	25	(1)	25
- Other financial liabilities	-	-	-	-	1	-	-	-	1
Derivatives	18	-	-	-	3	(6)	7	(11)	11

(a) Principally reflects settlement of Level 3 debt securities which were called back/matured during the year

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 consisting primarily corporate bonds of $264 million (2012: $112 million) from Level 1 to Level 2 due to reduced market activity for these financial instruments.

Gain and losses on Level 3 financial assets and liabilities measured at fair value

In $ millions	Category reported in the Income Statement		
2013	**Net trading Income**	**Net income from investment securities**	**Total**
Total gains or losses for the period included in profit or loss	**(17)**	**8**	**(9)**
Of which:			
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**(17)**	**-**	**(17)**

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 2013, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted equity investments, bank and corporate debt securities, interest rate 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 into 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.

In $ millions	Fair Value at 31 Dec 2013	Classification	Valuation technique	Unobservable Input
Assets				
Bank and corporate debt securities	539	FVPL[(a)]	Discounted Cash Flows	Credit spreads
Bank and corporate debt securities	26	AFS[(b)]	Discounted Cash Flows	Credit spreads
Equity securities (Unquoted)	131	AFS[(b)]	Net Asset Value	Net asset value of securities
Derivatives	21	FVPL[(a)]	CDS models / Option & interest rate pricing model	Credit spreads / Correlations/ Basis Volatility
Total	717			
Liabilities				
Other debt securities	21	FVPL[(a)]	Discounted Cash Flows	Credit spreads
Derivatives	51	FVPL[(a)]	CDS models / Option & interest rate pricing model	Credit spreads / Correlations
Total	72			

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

40.3 Financial assets & liabilities not carried at fair value

For financial assets and liabilities not carried at fair value on 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 currency.

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 reference to the net tangible asset backing of the investee. Unquoted equities of $278 million as at 31 December 2013 (2012: $228 million) 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.

41 Risk Governance

Under the Group's risk management framework, the Board of Directors, through the Board Risk Management Committee (BRMC), sets 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 Chief Risk Officer (CRO) has been appointed to oversee the risk management function. The CRO is a member of the Group Executive Committee and has a dual reporting line to the CEO and to the Board which is also responsible for the appointment, remuneration, resignation or dismissal of the CRO. The CRO is independent of business lines and is actively involved in key decision making processes.

The CRO also engages the firm's Regulator on a regular basis to discuss risk matters.

Working closely with the established 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 and development of risk controls and mitigation processes;

- Ensuring the effectiveness of risk management and adherence to the risk appetite established by the Board.

To facilitate BRMC's risk oversight, senior management committees have been established as follows.

1. Risk Executive Committee (Risk ExCo)
2. Product Approval Committee (PAC)
3. Group Credit Risk Committee
4. Group Market and Liquidity Risk Committee
5. Group Operational Risk Committee.

The Risk ExCo provides comprehensive 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 comprehensive group-wide oversight and direction relating to the new product approval - an important risk mitigation element within the Group.

Other than the PAC, each of these committees reporting to the Risk ExCo are broadly mandated – within the specific risk areas – to serve as an executive forum for discussion and decisions on all aspects of risk and its management.

This includes:
- Assessing risk taking
- Maintaining oversight on effectiveness of the Group's risk management infrastructure, including framework, decision criteria, authorities, policies, people, processes, information, systems and methodologies
- Approving risk model governance standards as well as stress testing scenarios
- Assessing the risk-return trade-offs across the Group
- Identifying specific concentrations of risk.

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

The above committees are supported in all major locations by local risk committees. The local risk committees provide oversight over local risk positions across all businesses and support units and ensure compliance with limits set by the group risk committees. They also approve country specific risk policies and ensure compliance with local regulatory risk limits and requirements.

42 Credit Risk

Credit risk arises out of the Group's daily activities in various areas of business – lending to retail, corporate and institutional customers; trading activities such as foreign exchange, derivatives and debt securities; and settlement of transactions. Credit risk is one of the most significant measurable risks 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 undertakings that the Group will make payments in the event that a customer cannot 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 is 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 is formulated on the following building blocks:

- **Framework**
  The Credit Risk Management Framework, approved by the BRMC, defines credit risk and the scope of its application; establishes the dimensions of credit risk; and provides a consistent Group-wide framework for managing credit risk across the Group.

- **Policies**
  Senior management sets the overall direction and policy for managing credit risk at the enterprise level. A Core Credit Risk Policy sets forth the principles by which the Group conducts its credit

risk management activities. This policy, supported by a number of operational policies, ensure consistency in credit risk underwriting across the Group and provide guidance in the formulation of business-specific and/or location-specific credit policies. The Core Credit Risk Policy is considered and approved by the Risk ExCo based on recommendations from the Group Credit Policy Committee. The business-specific and/or location-specific credit policies are established to provide greater details on the implementation of the credit principles within the Core Credit Risk Policy and are adapted to reflect different credit environments and portfolio risk profiles.

Collateral
Where possible, the Group takes collateral as a secondary recourse to the borrower. Collateral includes 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. It has put in place policies to determine the eligibility of collateral for credit risk mitigation, which include requiring specific collaterals to meet minimum operational requirements in order to be considered as effective risk mitigants.

When a collateral arrangement is in place for financial market counterparties 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.

Collateral taken for commercial banking is revalued periodically, depending on the type of collateral. While real estate properties constitute the largest percentage of collateral assets, the Group generally considers the collateral assets to be diversified.

Helping our customers to restructure repayment liabilities, in times of difficulty, is the Group's preferred approach. However, should the need arise, expeditious disposal and recovery processes are in place for disposal of collaterals held by the Group. The Group also maintains a panel of agents and solicitors for the expeditious disposal of non-liquid assets and specialized equipment.

Other Risk Mitigants
The Group manages its credit exposure from derivatives, repo and other repo-style transactions by entering into netting and collateral arrangements with counterparties where it is appropriate and feasible to do so. The credit risk associated with outstanding contracts with positive mark to market is reduced by master netting arrangements to the extent that if an event of default occurs, all amounts with a single counterparty in a netting eligible jurisdiction are settled on a net basis.

The Group may also enter into agreements which govern the posting of collateral with derivative counterparties for credit risk mitigation (e.g. Credit Support Annexes under ISDA master agreements). These are governed by internal guidelines with respect to the eligibility of collateral types and the frequency of collateral calls.

In addition, the Group also uses guarantees, as credit risk mitigants. While the Group may accept guarantees from any counterparty, it sets internal thresholds for considering guarantors to be eligible for credit risk mitigation.

- **Risk Methodologies**
Managing credit risk is performed through the Group's deep understanding of our 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 in both the corporate and retail space. Most are built internally using the Group's own loss data. Limits and "rules for the business" are driven from the Group's Risk Appetite Statement and Target Market Risk Acceptance Criteria respectively.

Retail exposures are typically managed on a portfolio basis and assessed based on credit scoring models, credit bureau record, internal and available external customers' behavior records and supplemented by risk acceptance criteria.

Wholesale exposures are assessed using approved credit models, reviewed and analysed by experienced credit risk managers taking into consideration the relevant credit risk factors. 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.

Counterparty risk that may arise from traded products and securities is measured on a loan equivalent basis and included under the Group's overall credit limits to counterparties. Issuer Default Risk that may arise from traded products 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. In addition, the Group's risk measurement methodology takes into account the higher risks associated with transactions that exhibit a strong relationship between the creditworthiness of a counterparty and the expected future replacement value of a relevant transaction (so called wrong-way risk) as identified during the trade booking process. The current exposure method is used for calculating the Group's net credit exposure and regulatory capital for counterparty exposures, using the mark-to-market exposures with an appropriate add-on factor for potential future exposures.

Concentration Risk Management
The Group's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Group on an ongoing basis. Limits are established and regularly monitored in respect of country exposures and major industry groups, as well as for single counterparty exposures. Control structures exist to ensure that appropriate limits are in place, exposures are monitored against these limits, and appropriate actions are taken if limits are breached.

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 risk, exchange rate risk, economic risk, sovereign risk and transfer & convertibility (T&C) risk. The Group manages country risk as part of concentration risk management under the risk appetite framework.

T&C risk event could lead to a default of an otherwise solvent borrower. The principles and approach in the management of transfer risk are set out in the Group's Country Risk Management Framework. The framework includes an internal T&C risk and sovereign risk rating system where the assessments are made independent of business decisions. T&C risk limits are set in accordance with 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 the extent of potential loss versus the risk appetite. There are active discussions amongst 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 strategic intent of the Group. All country limits are subject to Board approval.

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, and capital adequacy and liquidity.

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

The stress testing program of work is comprehensive in nature and spans all major functions and areas of business bringing together an expert view of the macro-economic environment, market, and portfolio, for the purpose of driving model and expert oriented stress testing results which facilitate mitigation specific actions where appropriate.

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 test regularly as required by regulators. Under the Pillar 1 credit stress test, the Group assessed the impact of a mild stress scenario (at least 2 quarters of zero GDP growth) on internal rating 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 test once a year as part of the internal capital adequacy assessment process (ICAAP). Under the Pillar 2 credit stress test, the Group assesses the impact of stress scenarios, with different severity, on asset quality, earnings performance, internal and regulatory capital. The results of the credit stress tests will also form the 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 manner, the possible events or changes in market conditions that could adversely impact the bank.
Industry Wide Stress Testing	The Group participates in the industry wide stress test (IWST) undertaken annually. This is a supervisory driven stress test conducted as part of the supervisory process and ongoing assessment of financial stability by regulator. Under the IWST, the bank is to assess the impact of adverse scenarios, provided by the regulator, on asset quality, earnings performance, and capital adequacy.
Other Stress Testing	The Group also conducts multiple independent credit stress tests and sensitivity analyses on its portfolio or sub-portfolio to evaluate the impact of the economic environment or specific risk factors on its portfolio or sub-portfolio 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 both the wholesale and consumer businesses. The end-to-end credit process is constantly subject to review and improvement through various front-to-back initiatives involving the Business, Risk Management, Operations 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 are being taken and maintained in compliance with Group-wide credit policies and guidelines. These functions ensure proper activation of approved limits, ensure appropriate endorsement of excesses and policy exceptions, and monitor compliance with credit standards and credit covenants established by management and regulators.

  An independent credit risk review team conducts regular reviews of credit exposures and judgmental credit risk management processes. It also conducts independent validation of internal credit risk rating processes on an annual basis. These reviews provide senior management with objective and timely assessments of the effectiveness of credit risk management practices and ensure Group-wide policies, internal rating models and guidelines are being adopted consistently across different business units including relevant subsidiaries.

Non-performing assets

The Group classifies its credit facilities as 'Performing Assets' or 'Non-performing assets' in accordance with MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning". These guidelines require the Group to categorise its credit portfolios according to its assessment of a borrower's ability to repay a credit facility from the borrower's normal sources of income. There are five categories of assets as follows:

Classification	Description
Performing Assets	
Pass grade	Indicates that the timely repayment of the outstanding credit facilities is not in doubt
Special mention grade	Indicates that the credit facilities exhibit 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 grade	Indicates that the credit facilities exhibit definable weaknesses either in respect of business, cash flow or financial position of the borrower that may jeopardise repayment on existing terms
Doubtful grade	Indicates that the credit facilities exhibit 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 grade	Indicates the amount of recovery is assessed to be insignificant

Credit facilities are classified as restructured assets when the Group grants concessions to a borrower because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade depending 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.

Refer to Note 2.11 for the Group's accounting policies on the assessment of 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 Non Performing Assets for the Group according to the MAS 612 requirements by loan grading and industry and the related amounts of specific allowances recognised can be found in Note 42.2. A breakdown of Group's past due loans can also be found in the same note.

When required, the Group will take possession of collateral it holds as securities and will dispose of them as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. A breakdown of collateral held for non-performing assets is shown in Note 42.2. Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2013 and 2012 were not material.

42.1 Maximum exposure to credit risk

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

	The Group	
In $ millions	**2013**	**2012**
Cash and balances with central banks (excluding cash on hand)	**16,923**	16,116
Government securities and treasury bills	**27,497**	36,426
Due from banks	**39,817**	29,406
Derivatives	**17,426**	17,280
Bank and corporate debt securities	**31,662**	24,114
Loans and advances to customers	**248,654**	210,519
Other assets (excluding deferred tax assets)	**8,720**	8,611
Credit exposure	**390,699**	342,472
Contingent liabilities and commitments (excluding operating lease and capital commitments)	**178,968**	156,863
Total credit exposure	**569,667**	499,335

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

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

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

Derivatives
The Group maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions. Please refer to Note 37 for the impact of netting arrangements recognised for the computation of Capital Adequacy Ratio (CAR).

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

42.2 Loans and advances to customers

Loans and advances to customers are summarised as follows:

In $ millions	The Group 2013	2012
Loans and advances to customers		
Performing Loans		
- Neither past due nor impaired (i)	**247,811**	210,541
- Past due but not impaired (ii)	**1,488**	745
Non-Performing Loans		
- Impaired (iii)	**2,882**	2,542
Total gross loans (Note 19)	**252,181**	213,828

(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 to Banks No. 612, "Credit Files, Grading and Provisioning" are as follows:

	The Group		
In $ millions	Pass	Special mention	Total
2013			
Manufacturing	**28,664**	**771**	**29,435**
Building and construction	**42,206**	**341**	**42,547**
Housing loans	**48,611**	**-**	**48,611**
General commerce	**50,304**	**1,023**	**51,327**
Transportation, storage and communications	**19,744**	**350**	**20,094**
Financial institutions, investments and holding companies	**10,585**	**90**	**10,675**
Professionals and private individuals (excluding housing loans)	**18,544**	**22**	**18,566**
Others	**26,205**	**351**	**26,556**
Total	**244,863**	**2,948**	**247,811**

	The Group		
In $ millions	Pass	Special mention	Total
2012			
Manufacturing	25,785	804	26,589
Building and construction	35,829	183	36,012
Housing loans	45,119	150	45,269
General commerce	36,711	1,105	37,816
Transportation, storage and communications	16,100	447	16,547
Financial institutions, investments and holding companies	10,745	50	10,795
Professionals and private individuals (excluding housing loans)	14,684	23	14,707
Others	22,365	441	22,806
Total	207,338	3,203	210,541

(ii) Loans and advances past due but not impaired, analysed by past due period and industry

	The Group			
In $ millions	Less than 30 days past due	30-59 days past due	60-90 days past due	Total
2013				
Manufacturing	**79**	**29**	**3**	**111**
Building and construction	**133**	**87**	**23**	**243**
Housing loans	**354**	**43**	**27**	**424**
General commerce	**65**	**10**	**4**	**79**
Transportation, storage and communications	**20**	**4**	**2**	**26**
Financial institutions, investment and holding companies	**73**	**-**	**-**	**73**
Professionals and private individuals (excluding housing loans)	**373**	**71**	**15**	**459**
Others	**63**	**7**	**3**	**73**
Total	**1,160**	**251**	**77**	**1,488**

In $ millions	The Group Less than 30 days past due	30-59 days past due	60-90 days past due	Total
2012				
Manufacturing	93	17	4	114
Building and construction	82	1	6	89
Housing loans	180	14	3	197
General commerce	122	18	3	143
Transportation, storage and communications	5	-	-	5
Financial institutions, investment and holding companies	-	-	-	-
Professionals and private individuals (excluding housing loans)	88	10	2	100
Others	84	12	1	97
Total	654	72	19	745

(iii) Non-performing assets (NPAs)

The table below shows the movements in non-performing assets during the year for the Group:

In $ millions	The Group 2013	2012
Balance as at 1 January	**2,726**	2,904
New NPAs	**1,085**	364
Upgrades, recoveries and translations	**(123)**	(364)
Write-offs	**(692)**	(178)
Balance as at 31 December	**2,996**	2,726

Non-performing assets by loan grading and industry

In $ millions	The Group NPAs Sub-standard	Doubtful	Loss	Total	Specific allowances Sub-standard	Doubtful	Loss	Total
2013								
Customer loans								
Manufacturing	**295**	**139**	**54**	**488**	**56**	**130**	**54**	**240**
Building and construction	**184**	**41**	**1**	**226**	**11**	**30**	**1**	**42**
Housing loans	**100**	**3**	**9**	**112**	**-**	**-**	**9**	**9**
General commerce	**250**	**98**	**49**	**397**	**21**	**72**	**49**	**142**
Transportation, storage and communications	**832**	**295**	**18**	**1,145**	**164**	**283**	**18**	**465**
Financial institutions, investment and holding companies	**48**	**143**	**74**	**265**	**-**	**72**	**74**	**146**
Professional and private individuals (excluding housing loans)	**130**	**14**	**11**	**155**	**24**	**13**	**11**	**48**
Others	**76**	**3**	**15**	**94**	**19**	**3**	**15**	**37**
Total customer loans	**1,915**	**736**	**231**	**2,882**	**295**	**603**	**231**	**1,129**
Debt securities	**5**	**1**	**3**	**9**	**-**	**-**	**3**	**3**
Contingent items and others	**61**	**16**	**28**	**105**	**11**	**11**	**28**	**50**
Total	**1,981**	**753**	**262**	**2,996**	**306**	**614**	**262**	**1,182**
Of which: restructured loans	**878**	**343**	**56**	**1,277**	**168**	**326**	**56**	**550**

	The Group							
	NPAs[b]				Specific allowances[b]			
In $ millions	**Sub-standard**	**Doubtful**	**Loss**	**Total**	**Sub-standard**	**Doubtful**	**Loss**	**Total**
2012								
Customer loans [(a)]								
Manufacturing	108	152	92	352	9	139	92	240
Building and construction	47	32	4	83	8	26	4	38
Housing loans	92	4	10	106	1	1	10	12
General commerce	140	63	74	277	23	58	74	155
Transportation, storage and communications	708	207	286	1,201	152	82	286	520
Financial institutions, investment and holding companies	105	258	41	404	43	181	41	265
Professional and private individuals (excluding housing loans)	138	12	12	162	23	11	12	46
Others	18	7	17	42	4	5	17	26
Total customer loans	1,356	735	536	2,627	263	503	536	1,302
Debt securities	7	2	4	13	-	-	4	4
Contingent items and others	42	15	29	86	5	15	29	49
Total	1,405	752	569	2,726	268	518	569	1,355
Of which: restructured loans	888	223	276	1,387	200	114	276	590

(a) Certain loans to investment holding companies have been reclassified to better reflect the underlying principal activity of the companies owned by the holding company. The amounts for prior periods have also been reclassified to conform to the current presentation.
(b) 2012 NPAs and specific allowances for customer loans each includes $85 million in interest receivables

Non-performing assets by region[(a)]

	The Group		
In $ millions	**NPAs**	**Specific allowances**	**General allowances**
2013			
Singapore	**440**	**113**	**1,066**
Hong Kong	**235**	**117**	**461**
Rest of Greater China	**284**	**146**	**602**
South and Southeast Asia	**638**	**227**	**342**
Rest of the World	**1,399**	**579**	**394**
Total	**2,996**	**1,182**	**2,865**
2012			
Singapore	411	133	1,056
Hong Kong	245	127	431
Rest of Greater China	237	132	354
South and Southeast Asia	257	159	330
Rest of the World	1,576	804	340
Total	2,726	1,355	2,511

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

Non-performing assets by past due period

	The Group	
In $ millions	**2013**	**2012**
Not overdue	**1,281**	1,245
< 90 days past due	**275**	297
91-180 days past due	**272**	193
> 180 days past due	**1,168**	991
Total past due assets	**1,715**	1,481
Total	**2,996**	2,726

Collateral value for non-performing assets

	The Group	
In $ millions	**2013**	**2012**
Properties	**351**	269
Shares and debentures	**323**	58
Fixed deposits	**33**	32
Others	**303**	252
Total	**1,010**	611

Past due non-performing assets by industry

	The Group	
In $ millions	**2013**	**2012**
Manufacturing	**468**	341
Building and construction	**123**	73
Housing loans	**93**	105
General commerce	**368**	231
Transportation, storage and	**189**	193
Financial institutions, investment and holding companies	**197**	312
Professional and private individuals (excluding housing loans)	**111**	118
Others	**83**	39
Sub-total	**1,632**	1,412
Debt securities, contingent items and others	**83**	69
Total	**1,715**	1,481

Past due non-performing assets by region[a]

	The Group	
In $ millions	**2013**	**2012**
Singapore	**409**	346
Hong Kong	**191**	198
Rest of Greater China	**261**	215
South and Southeast Asia	**471**	194
Rest of the World	**300**	459
Sub-total	**1,632**	1,412
Debt securities, contingent items and others	**83**	69
Total	**1,715**	1,481

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

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

The table below presents an analysis of Government securities and treasury bills and Bank and corporate debt securities for the Group by rating agency designation as at 31 December:

In $ millions **External Rating**	**Singapore Government securities and treasury bills**	**Other government securities and treasury bills**	**Bank and corporate debt securities**
2013			
AAA	**9,894**	**560**	**8,108**
AA- to AA+	**-**	**13,376**	**2,064**
A- to A+	**-**	**430**	**6,419**
Lower than A-	**-**	**3,237**	**3,589**
Unrated	**-**	**-**	**11,482**
Total	**9,894**	**17,603**	**31,662**
2012			
AAA	12,933	1,642	3,271
AA- to AA+	-	16,174	1,733
A- to A+	-	861	5,675
Lower than A-	-	4,816	2,753
Unrated	-	-	10,682
Total	12,933	23,493	24,114

42.4 Credit risk by Geography and Industry

The exposures are determined based on the country of incorporation of borrower, issuer or counterparty.

In $ millions Analysed by geography	Government securities and treasury bills	Due from banks	Derivatives	Bank and corporate debt securities	Loans and advances to customers (Gross)	Total
2013						
Singapore	**9,894**	**856**	**2,095**	**14,214**	**119,463**	**146,522**
Hong Kong	**2,452**	**3,027**	**1,565**	**1,122**	**41,418**	**49,584**
Rest of Greater China	**2,594**	**20,337**	**1,248**	**1,971**	**47,910**	**74,060**
South and Southeast Asia	**2,780**	**4,217**	**1,136**	**3,008**	**23,004**	**34,145**
Rest of the World	**9,777**	**11,380**	**11,382**	**11,347**	**20,386**	**64,272**
Total	**27,497**	**39,817**	**17,426**	**31,662**	**252,181**	**368,583**
2012						
Singapore	12,933	625	2,609	9,273	101,485	126,925
Hong Kong	2,693	1,004	1,358	1,137	38,119	44,311
Rest of Greater China	2,466	15,912	927	1,524	30,678	51,507
South and Southeast Asia	4,314	4,017	661	2,115	23,045	34,152
Rest of the World	14,020	7,848	11,725	10,065	20,501	64,159
Total	36,426	29,406	17,280	24,114	213,828	321,054

In $ millions Analysed by industry [(a)]	Government securities and treasury bills	Due from banks	Derivatives	Bank and corporate debt securities	Loans and advances to customers (Gross)	Total
2013						
Manufacturing	-	**-**	**454**	**1,770**	**30,034**	**32,258**
Building and construction	**-**	**-**	**137**	**2,641**	**43,016**	**45,794**
Housing loans	**-**	**-**	**-**	**-**	**49,147**	**49,147**
General commerce	**-**	**-**	**568**	**1,115**	**51,803**	**53,486**
Transportation, storage and communications	**-**	**-**	**545**	**2,524**	**21,265**	**24,334**
Financial institutions, investment and holding companies	**-**	**39,817**	**14,699**	**13,542**	**11,013**	**79,071**
Government	**27,497**	**-**	**-**	**-**	-	**27,497**
Professionals and private individuals (excluding housing loans)	**-**	**-**	**145**	**-**	**19,180**	**19,325**
Others	**-**	**-**	**878**	**10,070**	**26,723**	**37,671**
Total	**27,497**	**39,817**	**17,426**	**31,662**	**252,181**	**368,583**
2012						
Manufacturing	-	-	319	1,065	27,037	28,421
Building and construction	-	-	238	1,590	36,179	38,007
Housing loans	-	-		-	45,570	45,570
General commerce	-	-	289	1,012	38,230	39,531
Transportation, storage and communications	-	-	498	2,359	17,745	20,602
Financial institutions, investment and holding companies	-	29,406	14,700	10,997	11,155	66,258
Government	36,426	-	-	-	-	36,426
Professionals and private individuals (excluding housing loans)	-	-	68	-	14,969	15,037
Others	-	-	1,168	7,091	22,943	31,202
Total	36,426	29,406	17,280	24,114	213,828	321,054

(a) Certain loans to investment holding companies have been reclassified to better reflect the underlying principal activity of the companies owned by the holding company. The amounts for prior period have also been reclassified to conform to the current presentation.

43 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 retail and commercial 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.

Market Risk Management

The Group's approach to market risk management is formulated on the following building blocks:

- **Framework**
  The Market Risk Framework, approved by the BRMC, sets out the Group's overall approach towards market risk management.

- **Policies**
  The Core Market Risk Policy ("CMRP") establishes the base standards for market risk management within the Group. The Policy Implementation Guidance and Requirements ("PIGR") complements the CMRP and sets out guidance and requirements 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 within the Group.

- **Risk Methodologies**
  The Group's market risk appetite framework links market risk Economic Capital by a multiplier to Tail Value-at-Risk (TVaR) metric as a tool to monitor and limit market risk exposures. TVaR, or more commonly referenced as Expected Shortfall, is calculated using the historical simulation value-at-risk (VaR) approach and averaging the losses beyond the 95% confidence interval, over a one-day holding period. TVaR 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 revenues which actually arise on those positions on the following business day. The backtesting revenues exclude fees and commissions, and revenues from intra-day trading. For backtesting, VaR at the 99% confidence interval and over a one-day holding period is derived from the same TVaR potential loss distribution.

  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 which include but not limited to: (i) past changes in market risk factors may not provide accurate predictions of the future market movements and (ii) may understate the risk arising from severe market risk related events.

  To monitor the Group's vulnerability to unexpected but plausible extreme market risk related events, the Group has implemented an extensive stress testing policy for market risk where regular and multiple stress testing were run over trading and non-trading portfolios through a combination of historical and hypothetical scenarios depicting risk factors movement.

  TVaR is the key risk metric used to manage the Group's assets and liabilities' except for credit spread risk under Loans and Receivables where it is under the credit 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 risks and embedded optionality. Behavioral assumptions are applied in managing the interest rate risk of banking book deposits with indeterminate maturities.

  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 2013 is to 13 large, 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, Group Audit conducts regular independent reviews of these control processes and systems. 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 of risk control, risk analytics, production and reporting teams.

Market Risk Metrics

The Group level TVaR considers both trading and non-trading portfolios. The Group level TVaR is tabulated below, showing the period-end, average, high and low TVaR.

The Group				
		1 Jan 2013 to 31 Dec 2013		
In $ millions	**As at 31 Dec 2013**	**Average**	**High**	**Low**
Total	87	66	89	31

The Group				
		1 Jan 2012 to 31 Dec 2012		
In $ millions	**As at 31 Dec 2012**	**Average**	**High**	**Low**
Total	40	52	62	38

The following table shows the Treasury's trading portfolios, the period-end, average, high and low diversified TVaR and TVaR by risk class:

		1 Jan 2013 to 31 Dec 2013		
In $ millions	**As at 31 Dec 2013**	**Average**	**High**	**Low**
Diversified	11	10	14	8
Interest Rates	9	9	11	7
Foreign Exchange	4	6	9	3
Equity	1	1	1	0
Credit Spread	4	4	5	3
Commodity	1	1	1	0

		1 Jan 2012 to 31 Dec 2012		
In $ millions	**As at 31 Dec 2012**	**Average**	**High**	**Low**
Diversified	8	15	24	8
Interest Rates	6	10	15	6
Foreign Exchange	3	4	5	3
Equity	1	2	3	1
Credit Spread	5	11	19	5
Commodity	0	1	2	0

With effect from fourth quarter 2013, the table excludes structural foreign exchange positions. The definitions in this table have been realigned to follow the demarcation of the banking and trading books based on intent and in-use risk management measures based on TVaR. The structural foreign exchange positions are captured in non-trading book TVaR. If the structural foreign exchange positions were to be included in the above two tables, the diversified TVaR as of 31 Dec 2013 would be $24 million (2012: $14 million). The average, highest and lowest TVaR would be $20 million, $26 million, $13 million respectively (2012: $20 million, $30 million and $13 million).

Treasury's trading portfolio experienced five back-testing exceptions in 2013 compared with none in 2012. The exceptions occurred in June and July, when there was pronounced market volatility.

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 is simulated under various assumptions for the non-trading risk portfolio. The simulated economic value changes are negative $288 million and $532 million (2012: negative $449 million and $848 million) based on parallel shocks to all yield curves of 100 basis points and 200 basis points respectively. The reported figures are based on the worst case of an upward and downward parallel shift in the yield curves.

44 Liquidity Risk

The Group's liquidity risk arises from its obligations to honour withdrawals of deposits, repayments of borrowed funds at maturity, and commitments to extend credit and support working capital needs.

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. In particular, the Group has continuously made inroads in growing, deepening and diversifying its deposit base, spanning retail, wealth management, corporate and institutional customers across markets that it operates in. Supplementing the deposit base, the Group continues to maintain access to wholesale channels, to support the growth of its investor base, as well as to increase flexibility and reduce funding cost in capitalising on business opportunities.

In deploying the funds, the Group aims to predominantly fund its lending activities via customer deposits and borrowings. In the event where market conditions lead to insufficient or prohibitively expensive customer funding, flexibility is maintained to fund lending growth with duration matched wholesale funding. With increasing diversification of funding sources, optimising the mismatch in fund deployments against sources with respect to pricing, size, currency and tenor remains challenging. To this end, the Group actively makes use of the swap markets in the conversion of funds across currencies to deploy surplus funds across locations, where practicable and transferable without loss in value.

The Group Assets and Liabilities Committee regularly reviews the growth in loans and deposits, momentum in business activities, market competition, economic outlooks, 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 is formulated on the following building blocks:

- **Framework**
  The Liquidity Risk Framework, approved by the BRMC, sets out the Group's overall approach towards liquidity risk management. The Framework describes the range of strategies employed by the Group to manage its liquidity. These include maintaining an adequate counterbalancing capacity (comprising liquid assets, the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity) to address potential cashflow shortfalls and maintaining diversified sources of 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 decisive actions are taken to ensure the Group maintains adequate liquidity.

- **Policies**
  The Core Liquidity Risk Policy establishes the baseline standards for liquidity risk management within the Group. Policies and guidance documents communicate the base standards and detailed requirements throughout the Group and enhance the ability of the Group to manage its liquidity risk

- **Risk Methodologies**
  The primary measure used to manage liquidity within the tolerance defined by the Board is the cashflow maturity mismatch analysis. The analysis is performed on a regular basis under normal and adverse scenarios, and assesses the adequacy of the 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 tolerance, 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 at the Group. 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 mainly under the cashflow maturity mismatch analysis, and covers adverse scenarios involving shocks that are general market and/or bank-specific in nature to assess the vulnerability when runoffs in liabilities increase, rollovers of assets increase and/or liquidity assets buffer reduce. In addition, ad-hoc stress tests are performed in the formulation of the Group's recovery plan and internal capital adequacy assessment process.

  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 the Group.

- **Processes and systems**
  Robust internal control processes and systems underlie the overall approach to identifying, measuring, aggregating, controlling and monitoring liquidity risk across the Group.

  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 group comprises of risk control, risk analytics, production and reporting teams.

Behavioural Profiling

For the purpose of risk management, the Group actively monitors and manages its liquidity profile based on the cashflow maturity mismatch analysis.

In forecasting the cashflows under the analysis, behavioural profiling is necessary in cases where a product has indeterminate maturity or the contractual maturity does not realistically reflect the expected cashflows. An example would be maturity-indeterminate savings and current account deposits which are generally viewed as a source of stable funding for commercial banks and consistently exhibited stability even under historical periods of stress.

A conservative view is therefore adopted in the Group's behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cashflow patterns that differ significantly from the contractual maturity profile shown under note 44.1.

The table below shows the Group's behavioural net and cumulative maturity mismatch between assets and liabilities over a 1-year period under a normal scenario without incorporating growth projections:

In $ millions [(a)]	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year
2013					
Net liquidity mismatch	**18,638**	**(2,642)**	**7,052**	**10,539**	**11,800**
Cumulative mismatch	**18,638**	**15,996**	**23,048**	**33,587**	**45,387**
2012					
Net liquidity mismatch	18,190	(6,941)	2,199	8,134	2,321
Cumulative mismatch	18,190	11,249	13,448	21,582	23,903

(a) Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has to be funded.

As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the information presented above is not directly comparably past balance sheet dates.

44.1 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	More than 3 years	No specific maturity	Total
2013								
Cash and balances with central banks	**15,240**	**586**	**671**	**2,007**	**222**	**-**	**-**	**18,726**
Government securities and treasury bills	**94**	**1,803**	**4,284**	**9,739**	**4,453**	**7,124**	**-**	**27,497**
Due from banks	**14,134**	**5,124**	**9,143**	**11,013**	**403**	**-**	**-**	**39,817**
Derivatives[(a)]	**17,426**	**-**	**-**	**-**	**-**	**-**	**-**	**17,426**
Bank and corporate securities	**83**	**1,548**	**4,267**	**3,800**	**6,956**	**15,008**	**1,884**	**33,546**
Loans and advances to customers	**16,115**	**29,755**	**27,852**	**47,190**	**48,153**	**79,589**	**-**	**248,654**
Other assets	**1,898**	**468**	**583**	**2,807**	**390**	**2,168**	**611**	**8,925**
Associates	**-**	**-**	**-**	**-**	**-**	**-**	**1,166**	**1,166**
Properties and other fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,449**	**1,449**
Goodwill	**-**	**-**	**-**	**-**	**-**	**-**	**4,802**	**4,802**
Total assets	**64,990**	**39,284**	**46,800**	**76,556**	**60,577**	**103,889**	**9,912**	**402,008**
Due to banks	**6,414**	**2,268**	**2,566**	**1,285**	**1,039**	**-**	**-**	**13,572**
Deposits and balances from customers	**187,914**	**40,730**	**34,087**	**26,196**	**2,992**	**446**	**-**	**292,365**
Derivatives[(a)]	**18,132**	**-**	**-**	**-**	**-**	**-**	**-**	**18,132**
Other liabilities	**2,215**	**1,083**	**141**	**3,711**	**555**	**2,558**	**1,331**	**11,594**
Other debt securities	**682**	**2,512**	**5,939**	**7,975**	**2,779**	**3,228**	**-**	**23,115**
Subordinated term debts	**-**	**-**	**-**	**-**	**-**	**5,544**	**-**	**5,544**
Total liabilities	**215,357**	**46,593**	**42,733**	**39,167**	**7,365**	**11,776**	**1,331**	**364,322**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**3,453**	**3,453**
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**34,233**	**34,233**
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**37,686**	**37,686**
2012								
Cash and balances with central banks	10,257	1,974	4,160	1,381	-	-	-	17,772
Government securities and treasury bills	172	1,616	5,166	10,747	11,486	7,239	-	36,426
Due from banks	7,588	4,307	5,664	10,509	1,245	93	-	29,406
Derivatives[(a)]	17,280	-	-	-	-	-	-	17,280
Bank and corporate securities	17	758	855	3,921	7,731	10,832	1,334	25,448
Loans and advances to customers	14,566	23,445	21,014	34,295	44,614	72,585	-	210,519
Other assets	3,313	159	505	1,454	2,947	233	91	8,702
Associates	-	-	-	-	-	-	1,236	1,236
Properties and other fixed assets	-	-	-	-	-	-	1,442	1,442
Goodwill	-	-	-	-	-	-	4,802	4,802
Total assets	53,193	32,259	37,364	62,307	68,023	90,982	8,905	353,033
Due to banks	9,619	2,221	1,827	126	1,192	366	-	15,351
Deposits and balances from customers	159,738	34,136	28,735	26,609	3,575	671	-	253,464
Derivatives[(a)]	17,532	-	-	-	-	-	-	17,532
Other liabilities	6,434	1,169	381	2,152	587	676	30	11,429
Other debt securities	1,222	2,729	2,488	2,059	2,124	3,132	-	13,754
Subordinated term debts	-	-	-	-	-	5,505	-	5,505
Total liabilities	194,545	40,255	33,431	30,946	7,478	10,350	30	317,035
Non-controlling interests	-	-	-	-	-	-	4,261	4,261
Shareholders' funds	-	-	-	-	-	-	31,737	31,737
Total equity	-	-	-	-	-	-	35,998	35,998

(a) Derivatives financial assets and liabilities are included in the less than 7 days bucket as they are mainly held for trading. Refer to the table in Note 44.2 on cash flows associated with these derivatives.

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

44.2 Derivatives

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

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	Total
2013						
Derivatives settled on a net basis [a]	**(407)**	**(7)**	**44**	**7**	**(379)**	**(742)**
Derivatives settled on a gross basis						
- outflow	**33,741**	**58,422**	**92,906**	**182,712**	**102,481**	**470,262**
- inflow	**34,051**	**58,514**	**93,062**	**182,626**	**102,036**	**470,289**
2012						
Derivatives settled on a net basis [a]	(469)	(8)	(10)	53	151	(283)
Derivatives settled on a gross basis						
- outflow	30,018	63,640	111,228	136,208	77,202	418,296
- inflow	30,017	63,741	111,257	136,421	76,786	418,222

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

44.3 Contingent liabilities and commitments

The table below shows the Group's contingent liabilities and commitments. For commitments, it refers to the period where they expire based on the remaining period to contractual maturity date as at the balance sheet date:

In $ millions	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2013					
Guarantees, endorsements and other contingent items	**20,919**	-	-	-	**20,919**
Undrawn loan commitments[a] and other facilities	**139,109**	**8,261**	**8,037**	**2,642**	**158,049**
Operating lease commitments	**184**	**277**	**244**	**67**	**772**
Capital commitments	**18**	**-**	**-**	**-**	**18**
Total	**160,230**	**8,538**	**8,281**	**2,709**	**179,758**
2012					
Guarantees, endorsements and other contingent items	21,059	-	-	-	21,059
Undrawn loan commitments[a] and other facilities	126,127	3,656	3,744	2,277	135,804
Operating lease commitments	211	301	255	108	875
Capital commitments	17	2	-	-	19
Total	147,414	3,959	3,999	2,385	157,757

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group

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

45 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 is formulated on the following building blocks:

- **Framework**
  The Operational Risk Management Framework (the Framework), approved by the BRMC, has been developed with the objective to ensure that operational risks within the Group are identified, monitored, managed and reported in a structured, systematic and consistent manner.

- **Policies**
  A key component of the Framework is a set of Core Operational Risk Standards which provides guidance on the baseline controls to ensure a controlled and sound operating environment. Each new product or service introduced or outsourcing initiative is subject 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 subject to a similar process.

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

  Compliance risk is the risk of impairment to the Group's ability to successfully conduct its business as a result of any failure to comply with applicable regulatory requirement, industry code or standard of professional conduct. The Group Compliance Policy is a key tool to help management, employees and stakeholders understand the Group's approach to compliance risk, which includes the responsibility, guiding principles and processes involved in managing compliance risk. To address compliance risk, the Group strongly believes in the need to inculcate a strong compliance culture in its employees, mindset and DNA, and in its processes and systems. The Group seeks to establish a strong compliance culture through the leadership of its Board and senior management and aims to comply with the letter and spirit of the laws and regulatory standards in the environment in which it operates.

  The Group has a Fraud Management Policy which establishes minimum standards for its businesses and functional units to prevent, detect, investigate and remediate against fraud and related events. This Policy also establishes the components, key roles and the framework of the Fraud Management Programme through which the 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 for the Group.

  The Group Anti Money Laundering, Countering the Financing of Terrorism and Sanctions Policy establishes minimum standards for the business and functional units to mitigate and manage actual and/or potential exposure of the Group to money laundering, terrorist financing, sanctions, corruption, or other illicit financial activity. The Policy also establishes accountabilities for the protection of the assets and reputation of the Group and the interests of customers and shareholders.

- **Risk Methodologies**
  To manage and control operational risk, the Framework encompasses various tools including control self-assessment, operational risk event management and key risk indicators monitoring. Control self-assessment is used by each business or support unit to identify key operational risk and assess the degree of effectiveness of the internal controls. For those control issues identified, the units are responsible to develop action plans and track the timely resolution of these issues. 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.

  Major operational risk mitigation programmes include Business Continuity Management and Global Insurance Programme. A robust crisis management and business continuity management program is in place within the Group to oversee the continuity of essential business services during unforeseen events. Types of incidents being managed include 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 Global Insurance Programme, from third-party insurers. These policies cover fraud and civil liability, property damage and general liability and directors' and officers' liability.

- **Processes, Systems and Reports**
  The Group has implemented a web-based system that supports multiple operational risk management processes and tools including operational risk event reporting, 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 ORM Framework and policies. RMG Operational Risk provides oversight and monitors the effectiveness of operational risk management, assesses key operational risk issues with units to determine the impact across the Group, and reports and/or escalates key operational risks to relevant senior management and Board-level committees with recommendations on appropriate risk mitigation strategies.

46 Capital Management

The Group's capital management objectives are to diversify its sources of capital, to allocate capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses, and to meet the expectations of key constituencies, including investors, regulators and rating agencies. The Group has complied with all externally imposed capital requirements (whether prescribed by regulation or by contract) throughout the financial year.

The capital management process, which is under the oversight of the Capital Committee, includes periodic reviews of both the demand for and supply of capital across the Group. Overseas subsidiaries and non-banking subsidiaries of the Group may be required to comply with country-specific and industry-specific capital requirements depending on the jurisdiction and industry in which they operate, and are allocated capital accordingly to ensure regulatory compliance. Quarterly updates on the Group's capital position are provided to the Board of Directors.

The Group is subject to the capital adequacy requirements set out in the Monetary Authority of Singapore's Notice to Banks No. 637 (Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore), which effects the Basel Committee on Banking Supervision's capital adequacy framework in Singapore.

47 Segment Reporting

47.1 Business segment reporting

The business segment results are prepared based on the Group's internal management reporting which reflects the organisation management structure. As the activities of the Group are highly integrated, internal allocation has been made in preparing the segment information. Amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The 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. In addition, Institutional Banking also includes Islamic Bank of Asia. From 1 January 2013, DBS Vickers Securities, which provides equities and derivatives brokerage services, has been classified under the "Others" segment. Historical figures have been reclassified accordingly.

Treasury
Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primarily 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 customer 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 encompasses a range of activities from corporate decisions and income and expenses not attributed to the business segments, including capital and balance sheet management, funding and liquidity. DBS Vickers Securities has also been included in this segment.

During the year, no one group of related customers as defined under banking regulations accounted for more than 10% of the Group's revenues.

The following table analyses the results, total assets and total liabilities of the Group by business segments:

In $ millions	Consumer Banking/ Wealth Management	Institutional Banking	Treasury	Others	Total
2013					
Net interest income	**1,500**	**3,024**	**694**	**351**	**5,569**
Non-interest income	**1,038**	**1,652**	**340**	**499**	**3,529**
Total income	**2,538**	**4,676**	**1,034**	**850**	**9,098**
Expenses	**1,740**	**1,377**	**478**	**323**	**3,918**
Allowances for credit and other losses	**88**	**544**	**(3)**	**141**	**770**
Share of profits of associates	**-**	**-**	**-**	**79**	**79**
Profit before tax	**710**	**2,755**	**559**	**465**	**4,489**
Income tax expense					**615**
Net profit attributable to shareholders					**3,672**
Total assets before goodwill	**72,887**	**207,264**	**83,049**	**34,006**	**397,206**
Goodwill					**4,802**
Total assets					**402,008**
Total liabilities	**143,325**	**132,206**	**75,349**	**13,442**	**364,322**
Capital expenditure	**63**	**30**	**15**	**119**	**227**
Depreciation[(a)]	**32**	**9**	**8**	**165**	**214**
2012					
Net interest income	1,427	2,747	692	419	5,285
Non-interest income	873	1,405	427	524	3,229
Total income	2,300	4,152	1,119	943	8,514
Expenses	1,602	1,269	462	281	3,614
Allowances for credit and other losses	93	215	(3)	112	417
Share of profits of associates	-	-	-	124	124
Profit before tax	605	2,668	660	674	4,607
Income tax expense					588
Net profit attributable to shareholders					3,809
Total assets before goodwill	63,232	175,329	75,434	34,236	348,231
Goodwill					4,802
Total assets					353,033
Total liabilities	136,639	101,700	75,697	2,999	317,035
Capital expenditure	57	12	13	256	338
Depreciation[(a)]	32	13	7	127	179

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

47.2 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. It would not be materially different if total assets shown are based on the country in which the counterparty or assets are located. The total assets, income and net profit are stated after elimination of inter-group assets and revenues.

In $ millions	Singapore	Hong Kong	The Group Rest of Greater China(a)	South and Southeast Asia(b)	Rest of the World(c)	Total
2013						
Net interest income	**3,487**	**1,016**	**456**	**405**	**205**	**5,569**
Non-interest income	**2,099**	**847**	**287**	**195**	**101**	**3,529**
Total income	**5,586**	**1,863**	**743**	**600**	**306**	**9,098**
Expenses	**2,288**	**717**	**548**	**283**	**82**	**3,918**
Allowances for credit and other losses	**335**	**142**	**76**	**126**	**91**	**770**
Share of profits of associates	**13**	**-**	**8**	**58**	**-**	**79**
Profit before tax	**2,976**	**1,004**	**127**	**249**	**133**	**4,489**
Income tax expense	**344**	**153**	**35**	**50**	**33**	**615**
Net profit attributable to shareholders	**2,431**	**851**	**92**	**198**	**100**	**3,672**
Total assets before goodwill	**258,580**	**65,783**	**43,132**	**16,466**	**13,245**	**397,206**
Goodwill	**4,802**	**-**	**-**	**-**	**-**	**4,802**
Total assets	**263,382**	**65,783**	**43,132**	**16,466**	**13,245**	**402,008**
Non-current assets(d)	**2,124**	**355**	**103**	**31**	**2**	**2,615**
2012						
Net interest income	3,209	886	510	451	229	5,285
Non-interest income	2,207	646	153	140	83	3,229
Total income	5,416	1,532	663	591	312	8,514
Expenses	2,088	678	498	275	75	3,614
Allowances for credit and other losses	318	11	34	38	16	417
Share of profits of associates	19	-	6	99	-	124
Profit before tax	3,029	843	137	377	221	4,607
Income tax expense	290	127	27	84	60	588
Net profit attributable to shareholders	2,529	716	110	293	161	3,809
Total assets before goodwill	225,678	56,577	35,317	16,860	13,799	348,231
Goodwill	4,802	-	-	-	-	4,802
Total assets	230,480	56,577	35,317	16,860	13,799	353,033
Non-current assets(d)	2,189	355	111	21	2	2,678

(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, Vietnam and the Philippines
(c) Rest of the World includes branch operations in South Korea, Japan, Dubai, United States of America and United Kingdom
(d) Includes investment in associates, properties and other fixed assets

48 Comparatives

Prior period comparatives have been aligned to the current presentation (refer to Note 2.3). The table below provides a reconciliation of the current Balance Sheet presentation to the old Balance Sheet presentation for 2012 balances.

2013 Line Item	2012 Line Item	Current Presentation	Prior Presentation
Government securities and treasury bills		**36,426**	
	Singapore government securities and treasury bills		**12,092**
	Financial assets at fair value through profit or loss		**5,334**
	Financial investments		**15,952**
	Securities pledged and transferred		**3,048**
Due from banks		**29,406**	
	Due from banks		**28,808**
	Financial assets at fair value through profit or loss		**598**
Bank and corporate securities		**25,448**	
	Financial assets at fair value through profit or loss		**4,484**
	Financial investments		**19,615**
	Securities pledged and transferred		**1,349**
Loans and advances to customers		**210,519**	
	Financial assets at fair value through profit or loss		**1,124**
	Loans and advances to customers		**209,395**
Other assets		**8,702**	
	Other assets		**8,611**
	Deferred tax assets		**91**
Properties and other fixed assets		**1,442**	
	Properties and other fixed assets		**945**
	Investment properties		**497**
Due to banks		**15,351**	
	Due to banks		**25,162**
	Financial liabilities at fair value through profit or loss		**746**
	Reclassification to deposits and balances from customers		**(10,557)**
Deposits and balances from customers		**253,464**	
	Due to non-bank customers		**241,165**
	Financial liabilities at fair value through profit or loss		**1,742**
	Reclassification from due to banks		**10,557**
Other liabilities		**11,429**	
	Financial liabilities at fair value through profit or loss		**1,843**
	Bills payable		**316**
	Current tax liabilities		**824**
	Deferred tax liabilities		**30**
	Other liabilities		**8,416**
Other debt securities		**13,754**	
	Financial liabilities at fair value through profit or loss		**3,518**
	Other debt securities in issue		**10,236**

DBS Group Holdings Ltd and its subsidiaries

Directors' Report

The Directors are pleased to submit their report to the Members together with the audited consolidated financial statements of DBS Group Holdings Ltd (the Company or DBSH) and its subsidiaries (the Group) and the balance sheet of the Company for the financial year ended 31 December 2013, which have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and 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.

Board of Directors

The Directors in office at the date of this report 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)		

Mr Piyush Gupta, Dr Bart Joseph Broadman and Mr Ho Tian Yee will retire in accordance with Article 95 of the Company’s Articles of Association at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

Mr Nihal Vijaya Devadas Kaviratne CBE, who will be attaining the age of 70 years before the forthcoming AGM, is required to retire pursuant to Section 153 of the Companies Act. As such, Mr Kaviratne has to be re-appointed by the Members at the forthcoming AGM to continue in office as a director until the next AGM.

Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year, was the Company 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 Company or any other body corporate, save as disclosed in this report.

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 Company 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 2013	As at 1 Jan 2013	As at 31 Dec 2013	As at 1 Jan 2013
DBS Group Holdings Ltd (DBSH) ordinary shares				
Peter Seah	38,532	16,306	-	-
Piyush Gupta	200,140	100,576	118,000	118,000
Bart Broadman	15,449	10,000	-	-
Euleen Goh	12,545	4,185	-	-
Ho Tian Yee	3,444	-	-	-
Nihal Kaviratne CBE	4,767	300	-	-
Andre Sekulic	2,693	-	-	-
Danny Teoh	11,540	6,000	18,723	18,427
Ow Foong Pheng	4,257	4,120	-	-
Share awards (unvested) granted under the DBSH Share Plan				
Peter Seah	32,697	37,736	-	-
Piyush Gupta[(1)]	937,553	669,629	-	-
Bart Broadman	8,248	9,926	-	-
Euleen Goh	13,410	15,726	-	-
Ho Tian Yee	2,960	2,960	-	-
Nihal Kaviratne CBE	4,008	4,008	-	-
Danny Teoh	7,534	7,977	-	-
DBS Bank 4.7% non-cumulative non-convertible perpetual preference shares				
Euleen Goh	3,000	3,000	-	-
Piyush Gupta	-	-	-	10,000
Danny Teoh	-	2,000	-	-

(1) Mr Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 38 of Notes to the 2013 Company's financial statements

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2014.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed by Section 201(8) of the Companies Act save as disclosed in this report or in the financial statements of the Company and of the Group.

DBSH Share Option Plan

Particulars of the share options granted under the DBSH Share Option Plan in 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 2003, 2004 and 2005 respectively. No grants were made under the DBSH Share Option Plan since 2006.

The movements of the unissued ordinary shares of the Company 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 2013	Exercised	Forfeited/Expired	31 December 2013		
February 2003	1,118,407	1,021,655	96,752	-	$8.84	24 February 2013
March 2004	1,403,654	519,088	3,935	880,631	$12.53	02 March 2014
March 2005	723,351	158,523	10,584	554,244	$12.81	01 March 2015
	3,245,412	1,699,266	111,271	1,434,875		

The DBSH Share Option Plan expired on 19 June 2009 and it was not extended or replaced. Therefore, no further options were granted by the Company 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.

DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 5,741,878 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the Group. This included 367,488 ordinary shares comprised in awards granted to executive director Mr Piyush Gupta, which formed part of his remuneration. During the financial year, certain non-executive directors received an aggregate of 41,815 ordinary shares comprised in time-based awards, which formed part of their directors' fees. Details are set out below.

Directors of the Company	Share awards granted during the financial year under review	Share awards vested during the financial year under review
Peter Seah(2)	16,299	21,338
Piyush Gupta	367,488(1)	99,564
Bart Broadman(2)	3,771	5,449
Euleen Goh(2)	6,044	8,360
Ho Tian Yee(2)	3,444	3,444
Nihal Kaviratne CBE(2)	4,467	4,467
Andre Sekulic(3)	2,693	2,693
Danny Teoh(2)	5,097	5,540

(1) Mr Gupta's awards formed part of his remuneration for 2012
(2) The awards of these non-executive directors formed part of their directors' fees for 2012, which had been approved by the shareholders at DBSH's Annual General Meeting held on 29 April 2013

Information on the DBSH Share Plan is as follows:

(i) Awards over DBSH's ordinary shares may be granted to DBSH 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 DBSH 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, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee.

(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 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 the Company 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.

Audit Committee

The Audit Committee comprised non-executive directors Mr Danny Teoh (Chairman), Mr Nihal Kaviratne CBE, Mr Peter Seah, Mr Andre Sekulic and Mrs Ow Foong Pheng.

The Audit Committee performed its functions in accordance with the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005, the MAS Guidelines for Corporate Governance and the Code of Corporate Governance, which include, inter alia, the following:

(i) reviewing the Group's consolidated financial statements and financial announcements prior to submission to the Board;
(ii) reviewing the adequacy and effectiveness of the Group's internal controls;
(iii) reviewing with the external auditor, its audit plan, its audit report, its evaluation of the internal accounting controls of DBS and assistance given by the management to the external auditor;
(iv) reviewing the internal auditor's plans and the scope and results of audits; and

(iv) reviewing the internal auditor's plans and the scope and results of audits; and
(v) overseeing the adequacy and effectiveness of the internal audit function, and the effectiveness, independence and objectivity of the external auditor.

In its review of the audited financial statements for the financial year ended 31 December 2013, the Audit Committee has discussed with management and the external auditor the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditor, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from PricewaterhouseCoopers LLP (PwC) and has considered the financial, business and professional relationship between PwC and the Group. It is of the view that such relationship is compatible with maintaining PwC's independence.

The Audit Committee recommends to the Board of Directors the re-appointment of PwC as independent external auditor at the forthcoming Annual General Meeting of the Company on 28 April 2014.

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

13 February 2014
Singapore

Statement by the Directors

We, Peter Seah Lim Huat and Piyush Gupta, being two of the Directors of DBS Group Holdings Ltd (the Company), state that, in the opinion of the Directors, the consolidated financial statements of the Group, consisting of the Company and its subsidiaries and the balance sheet of the Company, together with the notes thereon, as set out on pages 1 to 71, are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date and there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

13 February 2014
Singapore

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBS GROUP HOLDINGS LTD (INCORPORATED IN SINGAPORE)

Report on the Financial Statements

We have audited the accompanying financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 1 to 71, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2013, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group 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 profit and loss accounts and balance sheets 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 Group and the balance sheet of the Company 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 state of affairs of the Group and of the Company as at 31 December 2013, and the results, changes in equity and cash flows of the Group 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 Company and by those subsidiaries 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, 13 February 2014