FINANCIAL STATEMENTS

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

In $ millions	Note	2012	2011
Income			
Interest income		**7,621**	6,555
Interest expense		**2,336**	1,730
Net interest income	5	**5,285**	4,825
Net fee and commission income	6	**1,579**	1,542
Net trading income	7	**737**	698
Net loss from financial instruments designated at fair value	8	**(48)**	(18)
Net income from financial investments	9	**419**	454
Other income	10	**542**	130
Total income		**8,514**	7,631
Expenses			
Employee benefits	11	**1,888**	1,712
Other expenses	12	**1,726**	1,591
Allowances for credit and other losses	13	**417**	722
Total expenses		**4,031**	4,025
Share of profits of associates		**124**	127
Profit before tax		**4,607**	3,733
Income tax expense	14	**588**	443
Net profit for the year		**4,019**	3,290
Attributable to:			
Shareholders		**3,809**	3,035
Non-controlling interests		**210**	255
		4,019	3,290
Basic earnings per ordinary share ($)	15	**1.57**	1.30
Diluted earnings per ordinary share ($)	15	**1.56**	1.26

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

In $ millions	2012	2011
Net profit for the year	**4,019**	3,290
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**(110)**	(38)
Share of other comprehensive income of associates	**(3)**	(1)
Available-for-sale financial assets and others		
Net valuation taken to equity	**622**	398
Transferred to income statement	**(337)**	(425)
Tax on items taken directly to or transferred from equity	**(44)**	31
Other comprehensive income for the year, net of tax	**128**	(35)
Total comprehensive income	**4,147**	3,255
Attributable to:		
Shareholders	**3,948**	3,019
Non-controlling interests	**199**	236
	4,147	3,255

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

BALANCE SHEETS

at 31 December 2012

In $ millions	Note	Group 2012	Group 2011	Company 2012	Company 2011
Assets					
Cash and balances with central banks	17	**17,772**	25,304		
Singapore Government securities and treasury bills	18	**12,092**	12,503		
Due from banks		**28,808**	25,571		
Financial assets at fair value through profit or loss	19	**11,540**	11,927		
Positive fair values for financial derivatives	39	**17,280**	21,164		
Loans and advances to customers	20	**209,395**	194,275		
Financial investments	21	**35,567**	30,491		
Securities pledged and transferred	22	**4,397**	2,634		
Subsidiaries	23	**–**	–	**11,159**	10,957
Investments in associates	25	**1,236**	949		
Goodwill on consolidation	26	**4,802**	4,802		
Properties and other fixed assets	27	**945**	976		
Investment properties	27	**497**	372		
Deferred tax assets	28	**91**	149		
Other assets	29	**8,611**	9,730	**–**	18
Total assets		**353,033**	340,847	**11,159**	10,975
Liabilities					
Due to banks		**25,162**	27,601		
Due to non-bank customers	30	**241,165**	218,992		
Financial liabilities at fair value through profit or loss	31	**7,849**	11,912		
Negative fair values for financial derivatives	39	**17,532**	22,207		
Bills payable		**316**	254		
Current tax liabilities		**824**	837		
Deferred tax liabilities	28	**30**	30		
Other liabilities	32	**8,416**	10,287	**8**	6
Other debt securities in issue	33	**10,236**	10,354		
Subordinated term debts	34	**5,505**	5,304		
Total liabilities		**317,035**	307,778	**8**	6
Net assets		**35,998**	33,069	**11,151**	10,969
Equity					
Share capital	35	**9,645**	9,350	**9,645**	9,350
Treasury shares	35	**(103)**	(154)	**(71)**	(115)
Other reserves	36	**7,229**	7,075	**101**	86
Revenue reserves	36	**14,966**	12,523	**1,476**	1,648
Shareholders' funds		**31,737**	28,794	**11,151**	10,969
Non-controlling interests	37	**4,261**	4,275		
Total equity		**35,998**	33,069	**11,151**	10,969

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 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 2012

In $ millions	Ordinary shares	Convertible preference shares	Treasury shares	Other reserves	Revenue reserves	Total	Non-controlling interests	Total equity
2012								
Balance at 1 January 2012	**9,101**	**249**	**(154)**	**7,075**	**12,523**	**28,794**	**4,275**	**33,069**
Conversion of DBSH Non-voting CPS and Non-voting redeemable CPS to ordinary shares	**86**	**(86)**				**–**		**–**
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 2012	**9,482**	**163**	**(103)**	**7,229**	**14,966**	**31,737**	**4,261**	**35,998**
2011								
Balance at 1 January 2011	8,533	247	(84)	7,084	10,819	26,599	6,503	33,102
Issue of shares upon exercise of share options	19					19		19
Cost of share-based payments				54		54		54
Reclassification of reserves upon exercise of share options	2			(2)		–		–
Draw-down of reserves upon vesting of performance shares			45	(45)		–		–
Issue of shares pursuant to Scrip Dividend Scheme	547	2				549		549
Purchase of Treasury shares			(115)			(115)		(115)
Final dividends paid for previous year					(645)	(645)		(645)
Interim dividends paid for current year					(686)	(686)		(686)
Dividends paid to non-controlling interests						–	(275)	(275)
Redemption of preference shares issued by a subsidiary						–	(2,112)	(2,112)
Change in non-controlling interests						–	(77)	(77)
Total comprehensive income				(16)	3,035	3,019	236	3,255
Balance at 31 December 2011	9,101	249	(154)	7,075	12,523	28,794	4,275	33,069

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012

In $ millions	2012	2011
Cash flows from operating activities		
Net profit for the year	**4,019**	3,290
Adjustments for non-cash items:		
Allowances for credit and other losses	**417**	722
Depreciation of properties and other fixed assets	**179**	185
Share of profits of associates	**(124)**	(127)
Net gain on disposal (net of write-off) of properties and other fixed assets	**(42)**	(6)
Net income from financial investments	**(419)**	(454)
Net gain on disposal of subsidiary	**–**	(47)
Net gain on disposal of associate	**(450)**	–
Income tax expense	**588**	443
Profit before changes in operating assets and liabilities	**4,168**	4,006
Increase/(Decrease) in:		
Due to banks	**(2,439)**	8,790
Due to non-bank customers	**22,173**	31,297
Financial liabilities at fair value through profit or loss	**(4,063)**	1,684
Other liabilities including bills payable	**(6,389)**	8,522
Debt securities and borrowings	**(355)**	7,949
(Increase)/Decrease in:		
Restricted balances with central banks	**(366)**	(322)
Singapore Government securities and treasury bills	**411**	(957)
Due from banks	**(3,250)**	(5,297)
Financial assets at fair value through profit or loss	**387**	(1,748)
Loans and advances to customers	**(15,529)**	(43,215)
Financial investments	**(4,674)**	(3,509)
Other assets	**3,605**	(8,366)
Tax paid	**(587)**	(511)
Net cash used in operating activities (1)	**(6,908)**	(1,677)
Cash flows from investing activities		
Dividends from associates	**82**	46
Purchase of properties and other fixed assets	**(338)**	(177)
Proceeds from disposal of properties and other fixed assets	**90**	47
Acquisition of interest in associates	**(566)**	(55)
Disposal of interest in associate	**757**	–
Net cash generated from/(used in) investing activities (2)	**25**	(139)
Cash flows from financing activities		
Increase in share capital	**295**	570
Payment upon maturity of subordinated term debts	**(2,575)**	(1,046)
Issue of subordinated term debts	**2,943**	–
Purchase of treasury shares	**–**	(115)
Dividends paid to shareholders of the Company	**(1,366)**	(1,331)
Dividends paid to non-controlling interests	**(213)**	(275)
Payment upon redemption of preference shares	**–**	(2,112)
Change in non-controlling interests	**–**	(77)
Net cash used in financing activities (3)	**(916)**	(4,386)
Exchange translation adjustments (4)	**(99)**	(19)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(7,898)**	(6,221)
Cash and cash equivalents at 1 January	**18,891**	25,112
Cash and cash equivalents at 31 December (Note 17)	**10,993**	18,891

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2012 were authorised for issue by the directors on 5 February 2013.

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 principal activity of the Company is that of an investment holding company and the principal activity of its main wholly-owned subsidiary, DBS Bank Ltd (the Bank), is the provision of retail, small and medium-sized enterprise, corporate and investment banking services.

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 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.

The financial statements of the Company are prepared in accordance with FRS including related Interpretations to FRS (INT FRS) promulgated by the ASC. 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. They are prepared on the historical cost convention, except as disclosed in the accounting policies below.

Differences between International Financial Reporting Standards (IFRS) and FRS
Beyond the above modification to FRS related to Notice 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 99 to 159 include the aggregate of all disclosures necessary to satisfy IFRS and FRS.

2.2 SIGNIFICANT ESTIMATES AND JUDGMENT

The preparation of financial statements in conformity with FRS 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 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

On 1 January 2012, the Group adopted the new or revised FRS and INT FRS that are applicable in the current financial year. The financial statements have been prepared in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of these new or revised FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)
The revised Framework is based on fundamental economic concepts rather than a collection of arbitrary conventions. The revisions include stipulating existing or potential investors, lenders and other creditors as primary users of financial statements. It also distinguishes between two types of qualitative characteristics that are necessary to provide useful financial information: (1) fundamental qualitative characteristics, comprising relevance and faithful representation and (2) enhancing qualitative characteristics, comprising comparability, timeliness, verifiability and understandability.

There is no impact on the financial statements, as the chapters only provide more clarity about the underlying principles of financial reporting.

Amendments to FRS 107 Financial Instruments: Disclosures
The amendments require additional disclosures for all transferred financial assets that are not derecognised in their entirety, and those that are derecognised in their entirety but for which the transferor retains continuing involvement existing as at the reporting date, irrespective of when the

related transfer transaction occurred. The amendments also clarify the conditions under which an entity is deemed to have transferred a financial asset.

Please refer to Note 22 for the corresponding disclosures.

Standards to be adopted in future reporting periods are outlined in Note 4.

A summary of the most significant group accounting policies are 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 summary of the accounting policies for areas that are not material for the Group's financial statements for the current year are not presented.

A) General Accounting Policies

2.4 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. It is generally accompanied by a shareholding of more than 50% of voting rights. Potential voting rights that are currently exercisable or convertible are considered when determining whether an entity is considered a subsidiary.

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. The consideration transferred for an acquisition is measured as the acquisition-date fair value of the assets transferred, the liabilities incurred and the equity interests issued. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition. Refer to Note 2.12 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 normal course of business, the Group is involved with a number of entities with limited and predetermined activities (special purpose entities or SPEs) in different capacities such as through derivative transactions. While the Group may hold little or no equity in SPEs, it may consolidate such entities under certain circumstances. These include situations where:

- the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE; or
- the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

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.

Under the equity method of accounting, an investment is initially carried at cost. The carrying amount is increased or decreased to recognise the Group's share of net assets of the associate, less any impairment in value after the date of acquisition. The results of the associates are taken from the latest audited accounts or unaudited management accounts of the associates and adjusted where required to align with the Group's application of FRS. The accounts are prepared at dates not more than three months prior to the end of the financial year of the Group. Adjustments are made for the effects of significant transactions or events that occur between the two dates.

2.5 FOREIGN CURRENCY TREATMENT

Functional and presentation currency

Items in the financial statements of the Company and each of the Group's subsidiaries are measured using the entities' functional currency, being the currency of the primary economic environment in which the entity operates. The Company's financial statements are presented in Singapore dollars, which is its functional currency. It is also the Group's presentation currency because Singapore dollars form the major currency in which the Group transacts, incurs cost and funds its business.

Foreign currency transactions

Transactions in foreign currencies are measured at the exchange rate ruling 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 ruling 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.

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

Foreign currency translation
The results and financial position of the Group's operations whose functional currency is not Singapore dollars are translated into Singapore dollars in the following manner:

- Assets and liabilities are translated at the exchange rates ruling 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, comprising mainly DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd, the foreign exchange rates at the respective dates of acquisition were used. Please refer to Note 26 for an overview of goodwill recorded. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 will be 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.

2.6 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. Segment income, segment profits, segment assets and segment liabilities are also measured on a basis that is consistent with internal reporting.

The Group's operating segments comprise Consumer Banking/Wealth Management, Institutional Banking, Treasury and Others (including activities from corporate decisions, capital and balance sheet management, funding and liquidity). In total, the Group has four reportable segments.

As part of a group that provides integrated financial activities, segments frequently interact with one another including the integrated provision of financial services across its business lines. External client incomes and expenses incurred by internal service providers to reportable segments are allocated on a basis that reflects the relative value generated by each segment. Assets and liabilities of the reportable segments are funded through and invested with the funding management unit within the "Others" segment. Specific and general allowances are generally allocated to the same segment where the corresponding assets to which the provisions pertain to are reported.

The Group also prepares disclosures on its main geographical areas. The segments represent the aggregate financial position of those legal entities that are located in the geographical area (i.e. booking location). The presentation of these segments does not necessarily represent the country to which the Group has exposure due to cross border activities. The credit exposure from customer loans by country of incorporation of borrower is provided in Note 20.

Please refer to Note 47 for further details on business and geographical segment reporting.

B) Income Statement

2.7 REVENUE 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 accrual or at fair value. No interest expense is accrued on the Group's structured investment deposits which are carried at fair value through profit or loss.

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 recognised on the completion of a transaction. 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. Specifically:

- Card-related fee and commission income is recognised net of interchange fees paid;
- Income from issued financial guarantees are generally amortised over the duration of the instruments. For loan commitments, revenue is recognised over the period covered by the commitment. Please see Note 2.15 for the accounting policy on such commitments. Loan syndication fee received as payment for arranging a loan is recognised as revenue when the act has been completed, i.e. when the syndication has been finalised and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants;
- Management and advisory fees are recognised over the period for which the services are provided.

Fees that are recognised upon the completion of a single transaction include underwriting fees, brokerage fees and fees related to completion of corporate finance transactions in general.

Expenses that are required, directly related and incremental to the revenue generation are offset in the net fee and commission. These typically include brokerage fees paid, card-related expenses, sales commissions but do not include expenses for services delivered over a period (service contracts) and other expenses that are not directly related to any specific transaction. Judgment is required in making these determinations.

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 have approved the dividend for unlisted equity securities. Dividend income arising from held for trading financial assets is recognised in "Net trading income", while that arising from available-for-sale financial assets is recognised in "Net income from financial investments".

Allowances for credit and other losses
Please refer to Note 2.10 for the accounting policy on impairment on financial assets including loan loss provisions.

C) Balance Sheet

2.8 FINANCIAL ASSETS

Initial recognition
Purchases and sales of all financial assets regardless of the subsequent classification and measurement are recognised on the date that the Group enters into the contractual provisions of the arrangements with counterparties. When the Group acts in a capacity as trustee or other fiduciary capacity without the direct control or direct benefit 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 usually the transaction price.

Classification and subsequent measurement
The Group attempts to classify and measure financial assets based on the business model in which they are applied and how management monitors performance. The classification is consistently applied across segments and where allowed by FRS. FRS mandates the classification and measurement for financial assets based on their nature and purpose, which broadly means:

- 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 transactions within the segments "Consumer Banking/Wealth Management" and "Institutional Banking". Loans and receivables are carried at amortised cost using the effective interest method. The majority of these assets are reported on the balance sheet under "Due from banks" and "Loans and advances to customers" but also in other captions. The income from these assets is reported in the income statement mainly as "Interest income".

- Financial assets that are managed on a fair value basis, mainly in "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, 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.

  Financial assets at fair value through profit or loss are reported on the balance sheet mainly under "Financial assets at fair value through profit or loss" and "Singapore Government securities and treasury bills" where these are held either for the purpose of market making and trading purposes. Realised or unrealised gains or losses on such financial assets, except interest income, are taken to "Net trading income" and "Net income from financial instruments designated at fair value" in the income statement in the period they arise.

- **Derivatives** are classified as assets when the fair value is positive ("Positive fair values for financial derivatives") and as liabilities when the fair value is negative ("Negative fair values for financial derivatives"). Changes in the fair value of derivatives other than those designated as hedges in accordance with Note 2.18 are included in "Net trading income". Where a derivative is linked to and settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, cost may be the best and only approximation of fair value for the derivative. In some cases, derivatives may be embedded in financial contracts otherwise carried at amortised cost. Embedded derivatives may be separated from the host contract and accounted for as a standalone derivative instrument at fair value through profit or loss when required by FRS 39. For such cases, the embedded derivatives are reported on the balance sheet under "Positive/Negative fair values for financial derivatives" and are measured at fair value with changes in fair value recognised in "Net trading income".

- The Group holds 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 catergory 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. These assets are presented on the balance sheet under "Singapore Government securities and treasury bills" and "Financial investments".

Where FRS does not allow for a classification and measurement that 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 see Note 2.18 for details on hedging and hedge accounting.

Please refer to Note 16 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 in particular circumstances as prescribed by FRS 39. The Group made a one-off reclassification in 2008 and 2009 as outlined in Note 16.

Reclassifications are made at fair value as of the reclassification date. The fair value becomes the new cost or amortised cost as applicable. Any gain or loss already recognised in the income statement before the reclassification date is not reversed.

Determination of fair value
The fair value of financial assets is the amount for which they could be exchanged between knowledgeable, willing parties in arm's length transaction. Determining fair value is considered a significant accounting policy for the Group and further details are disclosed in Note 42.1 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 have been transferred and the Group has transferred substantially all 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. If all or substantially all risks and rewards are retained, the transferred financial assets are not derecognised from the balance sheet. Transactions where transfers of financial assets result in the Group retaining all or substantially all risks and rewards include repurchase transactions described in Note 2.11. They also include certain transactions where control over the financial asset is retained, for example, by a simultaneous transaction with the same counterparty to which the asset is transferred such as options. They are mainly transacted in the "Treasury" segment. In such cases the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Please refer to Note 22 for disclosures on transferred financial assets.

2.9 CASH AND CASH EQUIVALENTS

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

2.10 IMPAIRMENT OF FINANCIAL ASSETS

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

(a) Financial assets classified as loans and receivables
The Group carries out regular and systematic reviews of all credit facilities extended to customers.

The criteria that the Group uses to determine that there is objective 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; and
- 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 objective 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 a component 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 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. Over-due 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 necessary procedures have been completed 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 carries 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 collaterals 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.

Loans which are restructured as determined in Note 43.2 will no longer be presented as past due but remain classified as non-performing. Accordingly such loans will continue to follow the accounting treatment for the relevant classification as outlined above.

(b) Financial assets classified as available-for-sale
The Group assesses at each balance sheet date whether there is objective 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 considered in determining whether the asset is impaired. When there is objective 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. Impairment losses recognised in the income statement on equity investments are not reversed, until the equity investments are disposed of. A subsequent recovery in the value of an available-for-sale debt instrument whose value has been impaired is reversed through the income statement if there has been an identifiable event that led to the recovery.

2.11 REPURCHASE AGREEMENTS

Repurchase agreements (***Repos***) are treated as collateralised borrowing. The amount borrowed is reflected as a liability either as "Due to non-bank customers", "Due to banks" or "Financial liabilities at fair value through profit or loss" when related to trading activities. 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 either as "Loans and advances to customers", "Due from banks" or "Financial assets at fair value through profit or loss".

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

2.12 GOODWILL ON CONSOLIDATION

Goodwill arising from business combinations on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill in business combinations prior to 1 January 2010 represents the excess of acquisition cost over the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed at the date of exchange. Goodwill is stated at cost less impairment losses and it 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 for the purpose of impairment testing. The determination of CGUs takes into account how the Group manages and reports its businesses and requires judgment.

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

2.13 PROPERTIES AND OTHER FIXED ASSETS

Properties (including investment properties) and other fixed assets are stated at cost less accumulated depreciation and allowances for impairment. The cost of an item of properties and other fixed assets includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to write down the cost of properties and other fixed assets to their residual values over their estimated useful lives. Generally, the useful lives are as follows:

Buildings	50 years or over the remaining lease period, whichever is shorter
Leasehold land	100 years or 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

The estimated useful life and residual values of properties and other fixed assets are reviewed on each balance sheet date.

Subsequent expenditure relating to properties and other fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Other subsequent expenditure is recognised as hire and maintenance expense in the income statement during the financial year in which it is incurred.

Properties and other fixed assets are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

Upon disposal, the difference between the net disposal proceeds and the carrying amount is taken to the income statement.

Please refer to Note 27 for the details of properties and other fixed assets and their movements during the year.

2.14 FINANCIAL LIABILITIES

Initial recognition, classification and subsequent measurement

Financial liabilities are initially recognised at fair value. The Group classifies and measures its financial liabilities where allowed by FRS 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) or designated by management on initial recognition (designated under the fair value option). This is mainly the case within the "Treasury" segment and pertains often to short positions in securities for the purpose of ongoing market making, hedging or trading. Such financial liabilities are reported on the balance sheet under "Financial liabilities at fair value through profit or loss".

  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. Please refer to Note 31 for details on these financial liabilities in the Group's financial statements.

  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" and "Net income from financial instruments designated at fair value" respectively in the income statement in the period they arise.

- Derivative liabilities are treated consistently with derivative assets. Please refer to Note 2.8 for the accounting policy on derivatives.

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

Please refer to Note 16 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 amount the liability can be settled at. The fair value is 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.

Please refer also to Note 42.1 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.

2.15 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 Provisions, Contingent Liabilities and Contingent Assets. They form part of the disclosures in Note 38. Upon a loan draw-down by the counterparty, the amount of the loan is generally accounted for under "Loans and receivables" as described in Note 2.8.

Letters of Credit
Letters of credit are recorded off-balance sheet as contingent liabilities upon issuance, and the corresponding payables/ receivables to/from the beneficiaries/applicants are recorded 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 was given. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the initial measurement less amortisation and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

The exposure to potential losses associated with a financial guarantee is monitored periodically. When there is objective evidence indicating probable losses, a provision is recognised for the financial guarantee.

2.16 PROVISIONS AND OTHER LIABILITIES

Provisions are recognised when:

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

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

2.17 SHARE CAPITAL AND TREASURY SHARES

Ordinary shares and preference shares 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. Incremental external costs directly attributable to the issuance of new shares are deducted against share capital.

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.

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

D) Other Specific Topics

2.18 HEDGING AND HEDGE ACCOUNTING

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

In some cases, these hedges are designated as such for accounting purposes in order to modify the timing of the recognition of the profit or loss from the instruments in accordance with the items they are intended to hedge. Such designation requires the Group to meet strict requirement for documentation and hedge effectiveness as set out in FRS 39. For such hedge accounting relationships, each entity within the Group documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge. Each entity within the Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

Specifically hedge accounting is applied in the following types of hedge relationships.

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 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. Gain or loss arising from hedge ineffectiveness is recognised in the income statement.

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

Cash flow hedge accounting is employed principally for hedges against variability in exchange rates from highly probable forecast transactions including interest cash flows expected to occur at various future dates. In addition, cash flow hedge accounting is applied to currency swaps used to hedge foreign currency cash flows of purchased bonds to avoid volatility from the recognition of changes in forward points in the currency swaps that is inconsistent with the management's strategy. Such hedging is performed mainly by funding management unit in "Others" segment.

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised in other comprehensive income and accumulated under the cash flow hedge reserve in equity, and 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 ultimately 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 Group. Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or fully opened.

Hedges of net investments in the Group's foreign operations are accounted for in a manner similar to cash flow hedges. The gain or loss from the derivative relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the capital reserves in equity. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement under "Net trading income". On disposal of the foreign operations, the cumulative gain or loss in the capital reserves is reclassified to the income statement under "Net trading income".

Economic hedges which do not qualify for hedge accounting

Some hedging instruments serve as fully or partially effective economic hedges but do not qualify for hedge accounting given the exact nature of the derivatives or due to the inability to prove expected effectiveness of the hedging relationship within the strict requirements outlined by FRS 39. This includes entering into swaps and other derivatives (e.g. futures, options) to manage interest rate, foreign exchange and other risks. Such hedges are treated in the same way as derivative instruments used for trading purposes, i.e. realised and unrealised gains and losses are recognised in "Net trading income". Similarly, the hedged exposures are typically recorded at fair value through profit or loss, thereby achieving some measure of offset in the income statement.

Derivatives that do not qualify for hedge accounting include some hedges entered into as part of documented interest rate management strategies. The size and direction of changes in fair value of non-qualifying hedges can be volatile from year to year, but do not alter the cash flows expected as part of the documented management strategies for both the non-qualifying hedge instruments and the assets and liabilities to which the documented interest rate strategies relate. Non-qualifying hedges therefore operate as economic hedges of the related assets and liabilities.

Please refer to Note 39.2 for disclosures on hedging derivatives.

2.19 EMPLOYEE BENEFITS

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

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

2.20 SHARE-BASED COMPENSATION

Employee benefits also include share-based compensation, namely the DBSH Share Ownership Scheme (the Scheme), the DBSH Share Option Plan, the DBSH Share Plan and the DBSH Employee Share Plan (the Plans). The details of the Scheme and Plans are described in Note 40.

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant. The expense is amortised over the vesting period of each award, with a corresponding adjustment to the share option/plan reserves. Monthly contributions to the Scheme are expensed off when incurred.

For the DBSH Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The employee trust funds are consolidated and the DBSH shares held by the trust funds are accounted for as "Treasury shares", which is presented as a deduction within equity.

2.21 CURRENT AND DEFERRED TAXES

Current income tax for current and prior periods is recognised at 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. Temporary differences are not recognised for goodwill that is not deductible for tax purposes and for the initial recognition of assets or liabilities that neither affects accounting nor taxable profit, other than a business combination. 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising from investments in subsidiaries, branches, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

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 exercise of management's judgment in determining the appropriate methodology for valuation of assets and liabilities. In addition, 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 involving 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 2.10.

A significant judgmental area is the calculation of general and other allowances assessed on a collective basis. Such allowances require judgment partly because it is not possible or practical to determine losses on individual loans due to the large number of individual loans and hence a portfolio assessment is required taking into account historical data and combined with professional judgment by management on the current economic and credit environment. In determining such allowances, management considers country and portfolio risks, as well as industry practices. Please refer to the Risk Management section for a further description of the risk management strategies applied.

3.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. 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, such as interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The determination of fair value is subject to the Valuation Framework approved by the Board Risk Management Committee (BRMC) and the oversight of senior management committees. The Valuation Framework is implemented by the Group through policies and procedures approved by the committees. These policies and procedures 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. Judgment may also be applied in adjusting prices for less readily observable external parameters such as through the use of valuation reserves. Other factors such as model assumptions and market dislocations leading to market anomalies can also materially affect these estimates. Please refer to Note 42 for details about the fair value hierarchy of the Group's financial instruments measured at fair value.

The fair value of financial instruments without an observable market price in liquid market may be determined using valuations models. The choice of model requires significant judgment for complex products especially those in the "Treasury" segment and is governed by the above Valuation Framework and subject to approval by an independent control function. Note 42 provides details of financial instruments that are valued with observable and unobservable parameters (Levels 1 to 3). Instruments designated as Levels 2 and 3 are frequently revalued using a valuation technique employing a relevant model.

3.3 GOODWILL ON CONSOLIDATION

The Group performs an impairment review to ensure that the carrying amount of the CGU, to which the goodwill is allocated, does not exceed the recoverable amount of the CGU. Note 26 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 28 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.

Judgment is also required for other areas of the Group's financial statements including the application of hedge accounting and consolidation of entities.

4 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS

The Group has not applied the following FRS that have been issued but are not yet effective. These new/revised standards will be adopted by the Group for annual periods commencing on their effective dates as indicated below, and are not expected to have significant impact to the Group's financial statements. The adoption of FRS 107, FRS 112 and FRS 113 as outlined below, will mandate additional disclosures for the Group's financial statements.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
The amendments require entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially recycled to the income statement (reclassification adjustments). Where an entity presents its comprehensive income in two separate statements, the amendments specifically require these statements to be presented consecutively.

FRS 113 Fair Value Measurement (effective 1 January 2013)
FRS 113 defines fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. It explains how to measure the fair

value when it is required by other FRS. It does not introduce new fair value measurements, neither does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
The amendments require more extensive disclosures than are currently required under FRS. The disclosures focus on quantitative information about recognised financial instruments that are offset on the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset on the balance sheet.

Annual Improvements 2011 (effective 1 January 2013)
As part of IASB's annual improvements project, there are amendments made to 7 standards this year. These revisions are of a technical or clarifying nature.

FRS 110 Consolidated Financial Statements (effective 1 January 2014)
FRS 110 establishes control as the basis for determining which entities are consolidated. It provides a single model to be applied in the control analysis for all investees, including special purpose entities that are currently within the scope of INT FRS 12 Consolidation – Special Purpose Entities. Control exists under FRS 110 when the investor has power, exposure to variable returns and the ability to use that power to affect its returns from the investee.

FRS 111 Joint Arrangements (effective 1 January 2014)
FRS 111 applies to all parties to a joint arrangement including those who participate in, but do not have joint control of, a joint arrangement. The standard prescribes the accounting for joint operations and joint ventures in both consolidated and separate financial statements.

FRS 112 Disclosure of Interests in Other Entities (effective 1 January 2014)
FRS 112 combines the existing disclosure requirements in a single disclosure standard. It requires the disclosure of summarised financial information about each subsidiary that has material non-controlling interests as well as material associates and joint ventures. It also sets out new disclosure requirements such as financial or other support provided to consolidated and unconsolidated structured entities, and financial information about unconsolidated structured entities that the reporting entity had sponsored.

Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
The amendments clarify that to qualify for offsetting in the balance sheet, the right of set-off must not be contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

5 NET INTEREST INCOME

In $ millions	The Group 2012	The Group 2011
Cash and balances with central banks and Due from banks	**496**	532
Loans and advances to customers	**5,644**	4,571
Debt securities	**1,481**	1,452
Total interest income	**7,621**	6,555
Due to banks	**269**	196
Due to non-bank customers	**1,684**	1,267
Others	**383**	267
Total interest expense	**2,336**	1,730
Net interest income	**5,285**	4,825
Comprising:		
Interest income for financial assets at fair value through profit or loss	**353**	317
Interest income for financial assets not at fair value through profit or loss	**7,268**	6,238
Interest expense for financial liabilities at fair value through profit or loss	**(92)**	(87)
Interest expense for financial liabilities not at fair value through profit or loss	**(2,244)**	(1,643)
Total	**5,285**	4,825

6 NET FEE AND COMMISSION INCOME

In $ millions	The Group 2012	The Group 2011
Stockbroking	**179**	214
Investment banking	**148**	190
Trade and remittances	**320**	284
Loan-related	**333**	359
Guarantees	**79**	71
Deposit-related	**74**	82
Cards[b]	**299**	267
Wealth management	**300**	228
Others[c]	**43**	71
Fee and commission income	**1,775**	1,766
Less: fee and commission expense	**196**	224
Net fee and commission income[a]	**1,579**	1,542

(a) Includes net fee and commission income of $29 million (2011: $42 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 $603 million (2011: $607 million) during the year
(b) Cards fees are net of interchange fees paid
(c) 2011 includes fund management fees

7 NET TRADING INCOME

In $ millions	The Group 2012	2011
Foreign exchange	**705**	726
Interest rates, credit and equities[(a)]	**32**	(28)
Total	**737**	698

(a) Includes dividend income of $11 million (2011: $12 million)

8 NET LOSS FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

In $ millions	The Group 2012	2011
Financial assets designated at fair value	**(3)**	(42)
Financial liabilities designated at fair value	**(45)**	24
Total	**(48)**	(18)

Gains or losses from changes in fair value of financial liabilities designated at fair value not attributable to changes in market conditions are not material. Refer to Note 31.

9 NET INCOME FROM FINANCIAL INVESTMENTS

In $ millions	The Group 2012	2011
Debt securities		
– Available-for-sale	**294**	301
– Loans and receivables	**7**	6
Equity securities[(a)(b)]	**118**	147
Total[(c)]	**419**	454
Comprising net gains transferred from:		
Available-for-sale revaluation reserves	**345**	425

(a) Includes gain on sale of unquoted equity securities which were stated at cost of $3 million (2011: $1 million), their carrying amounts were $40,000 (2011: $1) at the time of sale
(b) Includes dividend income of $38 million (2011: $24 million)
(c) Includes fair value impact of hedges for the financial investments

10 OTHER INCOME

In $ millions	The Group 2012	2011
Rental income	**23**	19
Net gain on disposal of properties and other fixed assets	**49**	19
Others[(a)]	**470**	92
Total	**542**	130

(a) 2012 includes a $450 million gain from the partial divestment of the Bank of the Philippine Islands investment. Refer to Note 25 for details. 2011 includes a $47 million gain from the disposal of DBS Asset Management

11 EMPLOYEE BENEFITS

In $ millions	The Group 2012	2011
Salary and bonus	**1,544**	1,434
Contributions to defined contribution plans	**95**	83
Share-based expenses	**68**	54
Others	**181**	141
Total	**1,888**	1,712

12 OTHER EXPENSES

In $ millions	The Group 2012	2011
Computerisation expenses[(a)]	**622**	640
Occupancy expenses[(b)]	**330**	291
Revenue-related expenses	**222**	170
Others[(c)]	**552**	490
Total	**1,726**	1,591

(a) Includes hire and maintenance of computer hardware and software
(b) Includes rental expenses of office and branch premises of $178 million (2011: $148 million) and amounts incurred in the maintenance and service of buildings owned by the Group's subsidiary companies
(c) Includes office administration expenses (e.g. printing and stationery, telecommunications, etc), legal and professional fees

In $ millions	The Group 2012	2011
Depreciation expenses	**179**	185
Hire and maintenance of fixed assets, including building-related expenses	**319**	277
Expenses on investment properties	**1**	1
Audit fees payable to external auditors[(a)]:		
– Auditors of the Company	**3**	3
– Associated firms of Auditors of the Company	**3**	3
Non audit fees payable to external auditors[(a)]:		
– Auditors of the Company	**#**	#
– Associated firms of Auditors of the Company	**1**	1

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

13 ALLOWANCES FOR CREDIT AND OTHER LOSSES

In $ millions	The Group 2012	2011
Loans and advances to customers (Note 20)	**379**	638
Financial investments		
– Available-for-sale	**16**	4
– Loans and receivables	**1**	17
Properties and other fixed assets	**1**	1
Off-balance sheet credit exposures	**5**	26
Others (bank loans and sundry debtors)	**15**	36
Total	**417**	722

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		
2012					
Specific allowances					
Loans and advances to customers (Note 20)	**1,188**	**198**	**(149)**	**(20)**	**1,217**
Financial investments	**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**
2011					
Specific allowances					
Loans and advances to customers (Note 20)	1,152	194	(177)	19	1,188
Financial investments	72	28	(34)	–	66
Properties and other fixed assets	68	1	(6)	(1)	62
Off-balance sheet credit exposures	24	17	–	(1)	40
Others (bank loans and sundry debtors)	119	4	(80)	2	45
Total specific allowances	1,435	244	(297)	19	1,401
Total general allowances for credit exposures	1,852	478	–	9	2,339
Total allowances	3,287	722	(297)	28	3,740

14 INCOME TAX EXPENSE

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

In $ millions	The Group 2012	2011
Current tax expense		
– Current year	**637**	582
– Prior years' provision	**(63)**	(113)
Deferred tax expense		
– Prior years' provision	**(2)**	–
– Effect of change in tax rate	**–**	1
– Origination of temporary differences	**16**	(27)
Total	**588**	443

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

In $ millions	The Group 2012	2011
Accelerated tax depreciation	**7**	(4)
Allowances for loan losses	**6**	8
Other temporary differences	**1**	(30)
Deferred tax charge/(credit) to income statement	**14**	(26)

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 2012	2011
Profit	**4,483**	3,606
Prima facie tax calculated at a tax rate of 17% (2011: 17%)	**762**	613
Effect of different tax rates in other countries	**88**	55
Effect of change in tax rate	**–**	1
Net income not subject to tax	**(96)**	(62)
Net income taxed at concessionary rate	**(69)**	(62)
Others	**(97)**	(102)
Income tax expense charged to income statement	**588**	443

Refer to Note 28 for further information on deferred tax assets/liabilities.

15 EARNINGS PER ORDINARY SHARE

Number of shares (millions)		The Group 2012	2011
Weighted average number of ordinary shares in issue	(a)	**2,413**	2,316
Dilutive effect of share options		**1**	1
Full conversion of non-voting redeemable CPS		**30**	100
Full conversion of non-voting convertible preference shares		**–**	#
Weighted average number of ordinary shares in issue (diluted)	(aa)	**2,444**	2,417

\# *Amount under 500,000*

In $ millions		The Group 2012	2011
Net profit attributable to shareholders (Net Profit)	(b)	**3,809**	3,035
Net profit (less preference dividends)	(c)	**3,800**	3,005
Earnings per ordinary share ($)			
Basic	(c)/(a)	**1.57**	1.30
Diluted	(b)/(aa)	**1.56**	1.26

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 convertible preference shares (CPS) and non-voting redeemable CPS. In addition, the calculation takes into account the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the average share price during the financial year.

16 MEASUREMENT BASIS OF FINANCIAL INSTRUMENTS

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Hedging derivatives	Total
	The Group 2012					
Assets						
Cash and balances with central banks	–	–	14,841	2,931	–	17,772
Singapore Government securities and treasury bills	2,274	–	–	9,818	–	12,092
Due from banks	–	–	27,514	1,294	–	28,808
Financial assets at fair value through profit or loss	10,351	1,189	–	–	–	11,540
Positive fair values for financial derivatives	17,044	–	–	–	236	17,280
Loans and advances to customers	–	–	209,395	–	–	209,395
Financial investments	–	–	9,553	26,014	–	35,567
Securities pledged and transferred	1,662	–	53	2,682	–	4,397
Other 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	–	–	25,162	–	–	25,162
Due to non-bank customers	–	–	241,165	–	–	241,165
Financial liabilities at fair value through profit or loss	5,754	2,095	–	–	–	7,849
Negative fair values for financial derivatives	17,243	–	–	–	289	17,532
Bills payable	–	–	316	–	–	316
Other liabilities	–	–	8,190	–	–	8,190
Other debt securities in issue	–	–	10,236	–	–	10,236
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 investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Hedging derivatives	Total
	The Group 2011					
Assets						
Cash and balances with central banks	–	–	23,401	1,903	–	25,304
Singapore Government securities and treasury bills	2,039	–	–	10,464	–	12,503
Due from banks	–	–	24,193	1,378	–	25,571
Financial assets at fair value through profit or loss	11,394	533	–	–	–	11,927
Positive fair values for financial derivatives	20,989	–	–	–	175	21,164
Loans and advances to customers	–	–	194,275	–	–	194,275
Financial investments	–	–	9,244	21,247	–	30,491
Securities pledged and transferred	1,361	–	–	1,273	–	2,634
Other assets	–	–	9,730	–	–	9,730
Total financial assets	35,783	533	260,843	36,265	175	333,599
Non-financial assets[(a)]						7,248
Total assets						340,847
Liabilities						
Due to banks	–	–	27,601	–	–	27,601
Due to non-bank customers	–	–	218,992	–	–	218,992
Financial liabilities at fair value through profit or loss	6,764	5,148	–	–	–	11,912
Negative fair values for financial derivatives	21,806	–	–	–	401	22,207
Bills payable	–	–	254	–	–	254
Other liabilities	–	–	10,037	–	–	10,037
Other debt securities in issue	–	–	10,354	–	–	10,354
Subordinated term debts	–	–	5,304	–	–	5,304
Total financial liabilities	28,570	5,148	272,542	–	401	306,661
Non-financial liabilities[(b)]						1,117
Total liabilities						307,778

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

In 2008 and 2009, the Group had reclassified certain financial assets between categories as a result of its change in holding intention. Had the Group not reclassified assets out of the available-for-sale category into the loans and receivables category, fair value gains recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $3 million (2011: losses of $16 million) in the revaluation reserves. The impact of other reclassifications would not have a material impact on the income statement for the current period.

The Group has the intention and ability to hold the reclassified assets in the loans and receivables category for the foreseeable future or until maturity.

The fair values and carrying amounts of the reclassified financial assets are as follows:

In $ millions Reclassified from	Reclassified to	The Group 2012 Fair values	The Group 2012 Carrying amounts	The Group 2011 Fair values	The Group 2011 Carrying amounts
Reclassified in 2009					
Held for trading	Loans and receivables	**4**	**4**	17	17
Reclassified in 2008					
Held for trading	Available-for-sale	**106**	**106**	635	635
Available-for-sale	Loans and receivables	**447**	**445**	529	531
Total		**557**	**555**	1,181	1,183

17 CASH AND BALANCES WITH CENTRAL BANKS

In $ millions	The Group 2012	The Group 2011
Cash on hand	**1,656**	1,629
Non-restricted balances with central banks	**9,337**	17,262
Cash and cash equivalents	**10,993**	18,891
Restricted balances with central banks [(a)]	**6,779**	6,413
Total	**17,772**	25,304

(a) Mandatory balances with central banks

18 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In $ millions	The Group 2012	The Group 2011
Held for trading	**2,639**	2,272
Available-for-sale	**10,294**	10,987
Total	**12,933**	13,259
Less: securities pledged and transferred	**841**	756
	12,092	12,503

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2012	The Group 2011
Held for trading		
Other government securities and treasury bills	**6,206**	6,790
Corporate debt securities	**4,609**	3,892
Equity securities	**235**	229
Other financial assets (due from banks)	**598**	1,611
Sub-total	**11,648**	12,522

In $ millions	The Group 2012	The Group 2011
Designated at fair value through profit or loss		
Corporate debt securities	**65**	88
Loans and advances to customers (Note 20)	**1,124**	445
Sub-total	**1,189**	533
Total	**12,837**	13,055
Less: securities pledged and transferred	**1,297**	1,128
	11,540	11,927

Corporate debt, equity and government securities

In $ millions	The Group 2012	The Group 2011
Analysed by industry		
Manufacturing	**308**	313
Building and construction	**175**	227
General commerce	**176**	148
Transportation, storage and communications	**335**	340
Financial institutions, investment and holding companies	**3,137**	2,448
Government	**6,206**	6,790
Others	**778**	733
Total	**11,115**	10,999
Analysed by geography[(a)]		
Singapore	**1,300**	1,173
Hong Kong	**1,206**	1,610
Rest of Greater China	**2,383**	2,029
South and Southeast Asia	**3,029**	2,922
Rest of the World	**3,197**	3,265
Total	**11,115**	10,999

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

In $ millions	The Group 2012	2011
Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	**1,124**	445
Credit derivatives/enhancements – protection bought	**(1,124)**	(445)
Cumulative change in fair value arising from changes in credit risk	**(61)**	(77)
Cumulative change in fair value of related credit derivatives/enhancements	**61**	77

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 gain of $16 million (2011: loss of $63 million).

During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a loss of $16 million (2011: gain of $63 million).

20 LOANS AND ADVANCES TO CUSTOMERS

In $ millions	The Group 2012	2011
Gross	**213,828**	197,827
Less: Specific allowances	**1,217**	1,188
General allowances	**2,092**	1,919
	210,519	194,720
Of which: loans and advances held at fair value through profit or loss (Note 19)	**1,124**	445
	209,395	194,275
Comprising:		
Bills receivable	**32,086**	24,980
Loans	**177,309**	169,295
	209,395	194,275

In $ millions	The Group 2012	2011
Analysed by industry[(a)]		
Manufacturing	**26,625**	24,872
Building and construction	**32,073**	28,527
Housing loans	**45,570**	41,322
General commerce	**38,077**	34,159
Transportation, storage and communications	**17,177**	16,929
Financial institutions, investment and holding companies	**16,914**	19,743
Professionals and private individuals (excluding housing loans)	**14,969**	12,800
Others	**22,423**	19,475
Gross total	**213,828**	197,827
Analysed by product		
Long-term loans	**92,917**	87,860
Short-term facilities	**39,521**	40,204
Overdrafts	**3,424**	3,317
Housing loans	**45,570**	41,322
Bills receivable	**32,396**	25,124
Gross total	**213,828**	197,827
Analysed by currency		
Singapore dollar	**90,503**	78,756
Hong Kong dollar	**29,443**	31,511
US dollar	**67,156**	61,007
Others	**26,726**	26,553
Gross total	**213,828**	197,827
Analysed by geography[(b)]		
Singapore	**101,485**	89,427
Hong Kong	**38,119**	40,369
Rest of Greater China	**30,678**	30,147
South and Southeast Asia	**23,045**	19,290
Rest of the World	**20,501**	18,594
Gross total	**213,828**	197,827

(a) *The industry classifications have been prepared at the level of the borrowing entity. A loan to an entity is classified by the industry in which it operates, even though its parent or group's main business may be in a different industry*

(b) *Based on the country of incorporation of the borrower*

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
2012					
Specific allowances					
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**	**96**	**(9)**	**1**	**370**
Financial institutions, investment and holding companies	**392**	**(21)**	**(5)**	**(3)**	**363**
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**
2011					
Specific allowances					
Manufacturing	305	(29)	(55)	2	223
Building and construction	24	14	(2)	1	37
Housing loans	15	(6)	2	–	11
General commerce	101	55	(32)	1	125
Transportation, storage and communications	180	99	(1)	4	282
Financial institutions, investment and holding companies	380	29	(23)	6	392
Professionals and private individuals (excluding housing loans)	69	54	(61)	1	63
Others	78	(22)	(5)	4	55
Total specific allowances	1,152	194	(177)	19	1,188
Total general allowances	1,476	444	–	(1)	1,919
Total allowances	2,628	638	(177)	18	3,107

21 FINANCIAL INVESTMENTS

In $ millions	The Group 2012	2011
Available-for-sale		
Quoted other government securities and treasury bills	**17,262**	10,343
Quoted corporate debt securities	**9,859**	10,497
Quoted equity securities	**701**	654
Unquoted equity securities	**398**	503
Available-for-sale financial investments	**28,220**	21,997
Loans and receivables		
Other government securities and treasury bills	**25**	107
Corporate debt securities	**9,702**	9,258
Less: Impairment allowances for corporate debt securities	**121**	121
Loans and receivables financial investments[a]	**9,606**	9,244
Total	**37,826**	31,241
Less: securities pledged and transferred	**2,259**	750
	35,567	30,491
Analysed by industry		
Manufacturing	**835**	586
Building and construction	**1,828**	1,623
General commerce	**841**	573
Transportation, storage and communications	**2,177**	1,963
Financial institutions, investment and holding companies	**8,399**	10,738
Government	**17,287**	10,450
Others	**6,459**	5,308
Total carrying value	**37,826**	31,241
Analysed by geography[b]		
Singapore	**8,565**	6,632
Hong Kong	**2,708**	3,117
Rest of Greater China	**1,711**	1,586
South and Southeast Asia	**3,548**	2,824
Rest of the World	**21,294**	17,082
Total carrying value	**37,826**	31,241

(a) The market value of loans and receivables financial investments amounted to $9,887 million (2011: $9,351 million)
(b) Based on the country of incorporation of the issuer

22 SECURITIES PLEDGED AND TRANSFERRED

The Group enters into transactions in the normal course of business by which it transfers financial assets to third parties or to special purpose entities. These transfers may give rise to full or partial derecognition of those financial assets.

The following table provides information on the financial assets which are sold or transferred under repurchase agreements and securities lending arrangements, which are generally conducted under terms that are in accordance with normal market practice. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In these transactions, the counterparty is typically allowed to sell or repledge those 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.

For repurchase agreements, the securities transferred are either classified as “fair value through profit or loss” or “available-for-sale” (see Note 16). The Group recognises a financial liability for cash received. The fair values of the associated liabilities approximate the carrying value and amount to $3,335 million (2011: $2,627 million).

For securities lending transactions, the securities lent are classified as "available-for-sale" or "loans and receivables" on the balance sheet (see Note 16), and the carrying amount is equal to the fair value. As the Group receives mainly other financial assets in exchange, the associated liabilities recorded are not material.

In $ millions	The Group 2012	2011
Securities pledged and transferred		
Singapore Government securities and treasury bills	**841**	756
Other government securities and treasury bills	**2,207**	1,856
Corporate debt securities	**1,349**	22
Total securities pledged and transferred[a]	**4,397**	2,634

(a) Securities transferred under securities lending transactions ($1,328 million) were presented under financial investments in 2011

The Group also enters into structured funding transactions where the Group 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 $1,124 million (2011: $445 million).

Collaterals pledged in connection with derivative transactions under Credit Support Annexes (CSA) agreement are mainly cash.

Transferred financial assets which are subject to partial continuing involvement were not material in 2012 and 2011.

23 SUBSIDIARIES AND OTHER CONTROLLED ENTITIES

In $ millions	The Company 2012	2011
Unquoted equity shares, at cost	**10,326**	9,426
Due from subsidiaries	**833**	1,531
Total	**11,159**	10,957

23.1 MAIN OPERATING SUBSIDIARIES

The main operating subsidiaries of the Group are listed below:

Name of subsidiary	Country of incorporation	Effective shareholding % 2012	2011
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 2012	2011
Income statement		
Share of income	**25**	25
Share of expenses	**(19)**	(19)
Balance sheet		
Share of total assets	**205**	205
Share of total liabilities	**153**	156

The main joint venture of the Group is listed below:

Name of joint venture	Country of incorporation	Effective shareholding % 2012	2011
Hutchinson DBS Card Limited*	British Virgin Islands	**50**	50

* *Audited by PricewaterhouseCoopers network firms outside Singapore*

25 INVESTMENTS IN ASSOCIATES

In $ millions	The Group 2012	2011
Unquoted		
Cost	**718**	160
Share of post acquisition reserves	**130**	143
Sub-total	**848**	303
Quoted		
Cost	**246**	426
Net exchange translation adjustments	**(14)**	(40)
Share of post acquisition reserves	**156**	260
Sub-total(a)	**388**	646
Total	**1,236**	949

(a) The market value of quoted associates amounted to $1,063 million (2011: $1,247 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 2012	2011
Income statement		
Share of income	**472**	476
Share of expenses	**(348)**	(349)
Balance sheet		
Share of total assets	**4,779**	5,807
Share of total liabilities	**3,543**	4,858
Off-balance sheet		
Share of contingent liabilities and commitments	**57**	53

25.1 MAIN ASSOCIATES

The main associates of the Group are listed below:

Name of associate	Country of incorporation	Effective shareholding % 2012	2011
Quoted			
Bank of the Philippine Islands[(a)]**	The Philippines	9.9	20.3
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	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.(Ayala), in which the Group owns 34.1% (2011: 40%). BPI is an associate of Ayala*
(b) *Shareholding includes 4.15% held through the Bank*

25.2 ACQUISITION AND DISPOSAL OF INTERESTS IN ASSOCIATES

Acquisition of 30% 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 is structured as a purchase from CGL of the 30% equity interest it holds in, and its associated shareholder's loan it has 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). If the Put Option is exercised by CGL, the Group will own 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 30% 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.

Partial Divestment of Bank of the Philippine Islands (BPI)
On 11 October 2012, the Group entered into an agreement to divest 10.4% 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 10).

The Group held an effective interest of 20.3% in the BPI prior to the divestment and 9.9% after the divestment. The effective shareholding of 9.9% is held through joint venture company, Ayala DBS Holdings Inc, in which the Group owns 34.1%. The Group continues to have representation on the BPI's board and to equity account for the investment in BPI.

26 GOODWILL ON CONSOLIDATION

The carrying value of the Group's goodwill arising from acquisition of subsidiaries is allocated to the Group's CGUs or groups of CGUs as follows:

In $ millions	The Group 2012	2011
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
Growth rate[(a)]	4.5%	4.0%
Discount rate[(a)]	9.5%	9.0%

(a) No change from 2011

The recoverable amounts are determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets and forecasts approved by senior management, taking into account projected regulatory capital requirements. The recoverable value is determined by discounting the cash flow projections to their present values. The terminal value reflecting all periods beyond the fifth year is calculated based on the forecast fifth year profit, the cost of equity and the long term growth rate stated above. The growth rates do not exceed the long term average growth rate for the market in which the businesses operate.

The process of evaluating goodwill impairment requires significant management judgment, the results of which are highly sensitive to the assumptions used. The review of goodwill impairment represents management's prudent estimate of the various factors, including the future cash flows and the discount and growth rates used.

If the estimated long term growth rates for DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd are reduced by 25 basis points or the estimated discount rates increased by 25 basis points, the impact on the recoverable amounts for these entities is not material. On this basis, the Group concluded that goodwill remains recoverable at 31 December 2012. 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.

27 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	**2012**	**2011**
Minimum lease receivable		
Not later than 1 year	**22**	7
Later than 1 year but not later than 5 years	**64**	4
Later than 5 years	**3**	–
Total	**89**	11

In $ millions	Investment properties	The Group Non-investment properties Owner-occupied properties	Other fixed assets[a]	Subtotal of non-investment properties	Total
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
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**			
2011					
Cost					
Balance at 1 January	465	825	911	1,736	2,201
Additions	–	3	174	177	177
Disposals	(3)	(45)	(63)	(108)	(111)
Transfers	27	(27)	–	(27)	–
Exchange differences	2	4	5	9	11
Balance at 31 December	491	760	1,027	1,787	2,278
Less: Accumulated depreciation					
Balance at 1 January	107	126	517	643	750
Depreciation charge	5	18	162	180	185
Disposals	(1)	(15)	(55)	(70)	(71)
Transfers	8	(8)	–	(8)	–
Exchange differences	–	3	1	4	4
Balance at 31 December	119	124	625	749	868
Less: Allowances for impairment	–	62	–	62	62
Net book value at 31 December	372	574	402	976	1,348
Market value at 31 December	532	994			

(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

27.1 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 $404 million as at 31 December 2012 (2011: $410 million), and its fair value was independently appraised at $583 million (2011: $578 million).

28 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 the balance sheet.

In $ millions	The Group 2012	2011
Deferred tax assets	**91**	149
Deferred tax liabilities	**(30)**	(30)
Total	**61**	119

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

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 investments 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)**

In $ millions — The Group 2011

Deferred income tax assets	Allowances for losses	Other temporary differences	Total
Balance at 1 January	150	39	189
Credit/(Charge) to income statement	(8)	45	37
Balance at 31 December	142	84	226

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments and others	Other temporary differences	Total
Balance at 1 January	(86)	(34)	(7)	(127)
Credit/(Charge) to income statement	4	–	(15)	(11)
Credit to equity	–	31	–	31
Balance at 31 December	(82)	(3)	(22)	(107)

29 OTHER ASSETS

In $ millions	The Group 2012	2011
Accrued interest receivable	**844**	847
Deposits and prepayments	**297**	263
Clients' monies receivable from securities business	**778**	435
Sundry debtors and others	**6,692**	8,185
Total	**8,611**	9,730

30 DUE TO NON-BANK CUSTOMERS

In $ millions	The Group 2012	2011
Due to non-bank customers	**241,165**	218,992
Due to non-bank customers which are at fair value through profit or loss (Note 31)	**1,742**	6,354
Total Due to non-bank customers	**242,907**	225,346
Analysed by currency		
Singapore dollar	**131,000**	122,992
US dollar	**45,981**	40,336
Hong Kong dollar	**25,730**	21,733
Others	**40,196**	40,285
Total	**242,907**	225,346
Analysed by product		
Savings accounts	**103,512**	97,314
Current accounts	**42,841**	38,145
Fixed deposits	**91,959**	82,922
Other deposits	**4,595**	6,965
Total	**242,907**	225,346

31 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2012	2011
Trading		
Other debt securities in issue (Note 33)	**2,373**	2,443
Due to non-bank customers (Note 30)		
– structured investments	**792**	1,531
– others	**–**	235
Payable in respect of short sale of securities	**1,843**	2,068
Other financial liabilities	**746**	487
Sub-total	**5,754**	6,764
Fair value designated[(a)]		
Due to non-bank customers (Note 30)		
– structured investments[(b)]	**950**	4,588
Other debt securities in issue (Note 33)	**1,145**	560
Sub-total	**2,095**	5,148
Total	**7,849**	11,912

(a) Changes in fair value arising from changes in credit risks are determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in benchmark interest rate, foreign exchange rate or index of prices or rates. Change in fair value arising from change in credit risks is not significant. Net unrealised loss for the fair value designated liabilities amount to $10 million at 31 December 2012 (2011: $73 million)

(b) Certain structured investments issued in 2012 are bifurcated and the host contract amounts are carried at amortised cost

32 OTHER LIABILITIES

In $ millions	The Group 2012	2011
Cash collaterals received in respect of derivative portfolios	**745**	821
Accrued interest payable	**624**	382
Provision for loss in respect of off-balance sheet credit exposures	**226**	250
Clients' monies payable in respect of securities business	**679**	372
Sundry creditors and others	**6,142**	8,462
Total	**8,416**	10,287

33 OTHER DEBT SECURITIES IN ISSUE

In $ millions	The Group 2012	2011
Negotiable certificates of deposit[(a)] (Note 33.1)	**1,149**	2,767
Medium term notes (Note 33.2)	**3,168**	1,381
Commercial papers (Note 33.3)	**5,820**	6,228
Other debt securities in issue[(a)] (Note 33.4)	**3,617**	2,981
Total	**13,754**	13,357
Of which: Debt securities in issue at fair value through profit or loss (Note 31)	**3,518**	3,003
	10,236	10,354
Due within 1 year	**8,498**	9,270
Due after 1 year	**5,256**	4,087
Total	**13,754**	13,357

(a) Includes debt securities in issue at fair value through profit or loss

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

In $ millions Currency	Interest Rate and Repayment Terms	The Group 2012	2011
Issued by other subsidiaries			
CNH	1.95%, payable quarterly	**–**	10
CNH	1.6% to 2.99%, payable semi-annually	**48**	34
CNH	2.8%, payable yearly	**88**	–
HKD	0.4% to 4.22%, payable quarterly	**462**	931
HKD	3M HIBOR* + 0.3% to 0.9%, payable quarterly	**244**	258
HKD	1.5% to 4.2%, payable yearly	**307**	422
HKD	Zero coupon certificate of deposit, payable on maturity	**–**	657
USD	Zero coupon certificate of deposit, payable on maturity	**–**	165
JPY	Zero coupon certificate of deposit, payable on maturity	**–**	168
GBP	Zero coupon certificate of deposit, payable on maturity	**–**	122
Total		**1,149**	2,767

* *HIBOR: Hong Kong Interbank Offer Rate*

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 2012 were issued between 21 August 2008 and 31 January 2012 (2011: 21 August 2008 and 20 December 2011) and mature between 16 January 2013 and 16 March 2021 (2011: 18 January 2012 and 25 November 2021).

33.2 Details of medium term notes issued and outstanding at 31 December are as follows:

In $ millions Currency	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2012	2011
Issued by the Bank					
USD	2.35%, payable half yearly	21 Feb 2012	28 Feb 2017	**1,219**	–
USD	2.35%, payable half yearly	19 Jun 2012	28 Feb 2017	**2**	–
USD	2.375%, payable half yearly	08 Sep 2010	14 Sep 2015	**1,281**	1,318
USD	Floating rate note, payable quarterly	24 Aug 2012	04 Sep 2013	**37**	–
GBP	Floating rate note, payable quarterly	28 Mar 2012	04 Apr 2013	**247**	–
GBP	Floating rate note, payable quarterly	12 Sep 2012	19 Sep 2013	**247**	–
HKD	2.24%, payable quarterly	21 Mar 2012	30 Mar 2017	**79**	–
IDR	6.89%, payable yearly	09 Dec 2011	23 Dec 2013	**28**	31
IDR	7.25%, payable yearly	22 Feb 2011	04 Mar 2014	**28**	32
Total				**3,168**	1,381

The 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.

33.3 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 2012 were issued between 31 January 2012 and 31 December 2012 (2011: 19 August 2011 and 28 December 2011) and mature between 3 January 2013 and 18 September 2013 (2011: 6 January 2012 and 29 November 2012).

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

In $ millions Type	The Group 2012	 2011
Issued by the Bank and other subsidiaries		
Equity linked notes	**459**	368
Credit linked notes	**1,696**	945
Interest linked notes	**766**	1,592
Foreign exchange linked notes	**597**	76
Bonds	**99**	–
Total	**3,617**	2,981

The outstanding securities as at 31 December 2012 were issued between 31 March 2006 and 31 December 2012 (2011: 27 March 2006 and 30 December 2011) and mature between 2 January 2013 and 31 October 2042 (2011: 3 January 2012 and 4 March 2041).

34 SUBORDINATED TERM DEBTS

Subordinated term debts issued by subsidiaries 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, and qualify as Tier 2 capital for capital adequacy purposes.

In $ millions Face Value		Issue Date	Maturity Date	The Group 2012	 2011
Issued by the Bank					
US$750m	5.00% Subordinated notes callable with step-up in 2014 (Note 34.1)	1 Oct 2004	15 Nov 2019	**951**	1,025
US$900m	Floating rate subordinated notes callable with step-up in 2016 (Note 34.2)	16 Jun 2006	15 Jul 2021	**1,100**	1,170
S$500m	4.47% Subordinated notes callable with step-up in 2016 (Note 34.3)	11 Jul 2006	15 Jul 2021	**500**	500
US$500m	5.13% Subordinated notes callable with step-up in 2012 (Note 34.4)	15 May 2007	#	**–**	660
US$1,500m	Floating rate subordinated notes callable with step-up in 2012 (Note 34.5)	15 May 2007	#	**–**	1,949
S$1,000m	3.30% Callable subordinated notes with step-up in 2017 (Note 34.6)	21 Feb 2012	21 Feb 2022	**1,013**	–
US$750m	3.625% Callable subordinated notes with step-up in 2017 (Note 34.7)	21 Mar 2012	21 Sep 2022	**939**	–
S$1,000m	3.10% Callable subordinated notes with step-up in 2018 (Note 34.8)	14 Aug 2012	14 Feb 2023	**1,002**	–
Total				**5,505**	5,304
Due within 1 year				**–**	–
Due after 1 year				**5,505**	5,304
Total				**5,505**	5,304

\# *The notes were called in May 2012*

34.1 Interest is payable semi-annually on 15 May and 15 November commencing 15 May 2005. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.61% via interest rate swaps. If the notes are not called at the tenth year, the interest rate steps up and will be reset at six-month LIBOR + 1.61% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.2 Interest is payable quarterly on 15 January, 15 April, 15 July and 15 October commencing 15 October 2006. Interest on the notes will be paid initially at three-month LIBOR + 0.61%. If the notes are not called at the tenth year, the interest rate steps up and will be set at three-month LIBOR + 1.61% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.3 Interest is payable semi-annually on 15 January and 15 July commencing 15 January 2007. If the notes are not called at the tenth year, the interest rate steps up and will be reset at a floating rate per annum equal to six-month Singapore Dollar Swap Offer Rate + 1.58% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.4 Interest was payable semi-annually on 16 May and 16 November commencing 16 November 2007. The fixed rate funding was converted to floating rate at three-month LIBOR + 0.22% via interest rate swaps. The notes were called in May 2012. If the notes had not been called, the interest rate will have been reset with a step up to three-month LIBOR + 1.22% on the call date.

34.5 Interest was payable quarterly on 16 February, 16 May, 16 August and 16 November commencing 16 August 2007. Interest on the notes was paid initially at three-month LIBOR + 0.22%. The notes were called in May 2012. If the notes had not been called, the interest rate will have been reset with a step up to three-month LIBOR + 1.22% on the call date.

34.6 Interest is payable semi-annually on 21 August and 21 February commencing 21 August 2012. The fixed rate funding has been converted to floating rate at six-month Singapore Dollar Swap Offer Rate + 2.22% via interest rate swaps. If the notes are not called on 21 February 2017, the interest rate from that date will be reset at a fixed rate per annum of the then-prevailing five-year Swap Offer Rate + 2.147%. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.7 Interest is payable semi-annually on 21 September and 21 March commencing 21 September 2012. The fixed rate funding has been converted to floating rate at three-month LIBOR + 2.21% via interest rate swaps. If the notes are not called on 21 September 2017, the interest rate from that date will be reset at a fixed rate per annum of the then-prevailing five-year US Dollar Swap Rate + 2.229%. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.8 Interest is payable semi-annually on 14 February and 14 August commencing 14 February 2013. The fixed rate funding has been converted to floating rate at six-month Singapore Dollar Swap Offer Rate + 2.16% via interest rate swaps. If the notes are not called on 14 February 2018, the interest rate from that date will be reset at a fixed rate per annum of the then-prevailing five-year Swap Offer Rate + 2.085%. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

35 SHARE CAPITAL AND TREASURY SHARES

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 2,104,176 (2011: 1,667,402) ordinary shares, fully paid in cash upon the exercise of the options granted. The Company also issued 19,579,969 (2011: 39,859,969) 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 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 movements in number of ordinary shares and Convertible Preference Shares (CPS) are as follows:

	The Company	
Number of shares (millions)	**2012**	**2011**
Balance at 1 January	**2,450**	2,409
Issue of shares pursuant to Scrip Dividend Scheme	**20**	39
Issue of shares upon exercise of share options	**2**	2
Balance at 31 December	**2,472**	2,450
The balance includes the following:		
2,442,028,426 (2011: 2,350,317,632) ordinary shares[(a)]	**2,442**	2,350
Nil (2011: 180,915) non-voting CPS	**–**	#
30,011,421 (2011: 99,857,155) non-voting redeemable CPS	**30**	100
Total	**2,472**	2,450

(a) The ordinary shares are fully paid-up and do not have par value
 # Amount under $500,000

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.

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

In $ millions	The Group Issued share capital	The Group Treasury shares	The Company Issued share capital	The Company Treasury shares
Balance at 1 January 2012	**9,350**	**(154)**	**9,350**	**(115)**
Issue of shares pursuant to Scrip Dividend Scheme	**268**	**–**	**268**	**–**
Transfer of treasury shares	**–**	**–**	**–**	**44**
Draw-down of reserves upon vesting of performance shares	**–**	**51**	**–**	**–**
Issue of shares upon exercise of share options	**25**	**–**	**25**	**–**
Reclassification of reserves upon exercise of share options	**2**	**–**	**2**	**–**
Balance at 31 December 2012	**9,645**	**(103)**	**9,645**	**(71)**
Balance at 1 January 2011	8,780	(84)	8,780	–
Issue of shares pursuant to Scrip Dividend Scheme	549	–	549	–
Draw-down of reserves upon vesting of performance shares	–	45	–	–
Issue of shares upon exercise of share options	19	–	19	–
Reclassification of reserves upon exercise of share options	2	–	2	–
Purchase of treasury shares	–	(115)	–	(115)
Balance at 31 December 2011	9,350	(154)	9,350	(115)

As at 31 December 2012, the number of treasury shares held by the Group is 7,648,152 (2011: 11,320,681), which is 0.31% (2011: 0.46%) of the total number of issued shares excluding treasury shares.

Movements in the number of treasury shares are as follows:

Number of shares	The Group 2012	The Group 2011	The Company 2012	The Company 2011
Balance at 1 January	**11,320,681**	5,762,894	**8,644,000**	–
Purchase of treasury shares	**–**	8,644,000	**–**	8,644,000
Vesting of performance shares	**(3,672,529)**	(3,086,213)	**–**	–
Transfer of treasury shares	**–**	–	**(3,300,000)**	–
Balance at 31 December	**7,648,152**	11,320,681	**5,344,000**	8,644,000

36 OTHER RESERVES AND REVENUE RESERVES

36.1 OTHER RESERVES

In $ millions	The Group 2012	The Group 2011	The Company 2012	The Company 2011
Available-for-sale revaluation reserves	**634**	411	**–**	–
Cash flow hedge reserves	**(1)**	(16)	**–**	–
General reserves	**2,453**	2,453	**–**	–
Capital reserves	**(229)**	(130)	**–**	–
Share option and share plan reserves	**101**	86	**101**	86
Others	**4,271**	4,271	**–**	–
Total	**7,229**	7,075	**101**	86

Movements in other reserves during the year are as follows:

	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 2012	**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 2012	**634**	**(1)**	**2,453**	**(229)**	**101**	**4,271**	**7,229**
Balance at 1 January 2011	387	–	2,453	(106)	79	4,271	7,084
Net exchange translation adjustments	–	–	–	(19)	–	–	(19)
Share of associates' reserves	4	–	–	(5)	–	–	(1)
Cost of share-based payments	–	–	–	–	54	–	54
Reclassification of reserves upon exercise of share options	–	–	–	–	(2)	–	(2)
Draw-down of reserves upon vesting of performance shares	–	–	–	–	(45)	–	(45)
Available-for-sale financial assets and others:							
– net valuation taken to equity	416	(18)	–	–	–	–	398
– transferred to income statement	(425)	–	–	–	–	–	(425)
– tax on items taken directly to or transferred from equity	29	2	–	–	–	–	31
Balance at 31 December 2011	411	(16)	2,453	(130)	86	4,271	7,075

(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

Movements in share option and share plan reserves of the Company during the year are as follows:

In $ millions	The Company Share option and share plan reserves
Balance at 1 January 2012	**86**
Cost of share-based payments	**68**
Reclassification of reserves upon exercise of share options	**(2)**
Draw-down of reserves upon vesting of performance shares	**(51)**
Balance at 31 December 2012	**101**
Balance at 1 January 2011	79
Cost of share-based payments	54
Reclassification of reserves upon exercise of share options	(2)
Draw-down of reserves upon vesting of performance shares	(45)
Balance at 31 December 2011	86

36.2 REVENUE RESERVES

In $ millions	The Group 2012	 2011
Balance at 1 January	**12,523**	10,819
Net profit attributable to shareholders	**3,809**	3,035
Amount available for distribution	**16,332**	13,854
Less: Final dividend on ordinary shares of $0.28 (one-tier tax-exempt) paid for the previous financial year (2011: $0.28 one-tier tax-exempt)	**677**	643
Final dividends on non-voting CPS and non-voting redeemable CPS of $0.02 (one-tier tax-exempt) paid for the previous financial year (2011: $0.02 one-tier tax-exempt)	**#**	2
Interim dividends on ordinary shares of $0.28 (one-tier tax-exempt) paid for the current financial year (2011: $0.28 one-tier tax-exempt)	**681**	658
Interim dividends on non-voting redeemable CPS of $0.28 (one-tier tax-exempt) paid for the current financial year (2011: $0.28 one-tier tax-exempt)	**8**	28
Balance at 31 December	**14,966**	12,523

Amount under $500,000

36.3 PROPOSED DIVIDEND

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.28 per share and DBSH non-voting redeemable CPS of $0.02 per share will not be accounted for in the financial statements for the year ended 31 December 2012 until they are approved at the Annual General Meeting on 29 April 2013.

37 NON-CONTROLLING INTERESTS

In $ millions	The Group 2012	2011
Preference shares issued by the Bank (Note 37.1)	**1,700**	1,700
Preference shares issued by the Bank (Note 37.2)	**800**	800
Preference shares issued by DBS Capital Funding II Corporation (Note 37.3)	**1,500**	1,500
Other subsidiaries	**261**	275
Total	**4,261**	4,275

37.1 $1,700 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $250,000 each, was issued on 22 October 2010 by the Bank, a subsidiary of the Company, to third parties. They qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 April and 22 October at a fixed rate of 4.7% of the liquidation preference per annum.

37.2 $800 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $100 each, was issued on 22 November 2010 by the Bank, a subsidiary of the Company, to third parties. They qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 May and 22 November at a fixed rate of 4.7% of the liquidation preference per annum.

37.3 $1,500 million 5.75% non-cumulative non-convertible non-voting guaranteed preference shares, with a liquidation preference of $250,000 was issued on 27 May 2008 by DBS Capital Funding II Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding II Corporation, are payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018 and quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Dollar Swap Offer Rate + 3.415% per annum. In computing the Group's capital adequacy ratios, these guaranteed preference shares qualify as Tier 1 capital.

38 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 2012	2011
Guarantees on account of customers	**12,578**	11,246
Endorsements and other obligations on account of customers		
– Letters of credit	**6,487**	7,324
– Others	**1,994**	2,198
Other contingent items (Note 38.2)	**–**	21
Undrawn loan commitments[a]	**135,513**	116,278
Undisbursed commitments in securities	**291**	133
Sub-total	**156,863**	137,200
Operating lease commitments (Note 38.3)	**875**	881
Capital commitments	**19**	33
Total	**157,757**	138,114
Analysed by industry (excluding operating lease commitments and capital commitments)		
Manufacturing	**25,680**	24,428
Building and construction	**10,973**	9,291
Housing loans	**9,783**	8,779
General commerce	**29,185**	22,083
Transportation, storage and communications	**10,767**	6,232
Government	**319**	340
Financial institutions, investment and holding companies	**16,317**	19,902
Professionals and private individuals (excluding housing loans)	**39,069**	29,534
Others	**14,770**	16,611
Total	**156,863**	137,200
Analysed by geography (excluding operating lease commitments and capital commitments)[b]		
Singapore	**71,403**	57,301
Hong Kong	**32,231**	27,542
Rest of Greater China	**11,354**	14,855
South and Southeast Asia	**14,849**	14,144
Rest of the World	**27,026**	23,358
Total	**156,863**	137,200

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group (2012: $103,666 million, 2011: $90,458 million)
(b) Based on the country of incorporation of the counterparty or borrower

38.1 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.

38.2 Included in "Other contingent items" at 31 December 2011, was an amount representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely prior to December 2011. Under the terms of the agreement, the termination fee payable reduces upon achieving the sales volume target. The liability was extinguished during the course of 2012.

38.3 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.

39 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.

39.1 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.

39.2 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 2012, the gain on hedging instruments was $144 million (2011: $44 million). The total loss on hedged items attributable to the hedged risk amounted to $143 million (2011: $43 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 5 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
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**
2011			
Hong Kong dollar	5,176	5,139	37
US dollar	862	859	3
Others	4,578	3,076	1,502
Total	10,616	9,074	1,542

(a) Refer to net tangible assets of subsidiaries, joint ventures and associates, and capital funds/retained earnings of overseas branches 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 assets (Positive fair values for financial derivatives) or liabilities (Negative fair values for financial derivatives). 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 2012 and 2011.

In $ millions	2012 Underlying notional	2012 Year-end positive fair values	2012 Year-end negative fair values	2011 Underlying notional	2011 Year-end positive fair values	2011 Year-end negative fair values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements	**–**	**–**	**–**	2,109	1	1
Interest rate swaps	**545,166**	**8,013**	**7,987**	711,406	9,123	9,166
Financial futures	**4,801**	**1**	**1**	22,725	2	4
Interest rate options	**7,788**	**87**	**110**	7,655	73	83
Interest rate futures options	**–**	**–**	**–**	780	–	#
Interest rate caps/floors	**23,249**	**356**	**534**	21,809	334	575
Sub-total	**581,004**	**8,457**	**8,632**	766,484	9,533	9,829
Foreign exchange (FX) derivatives						
FX contracts	**511,736**	**3,794**	**3,779**	485,450	5,927	5,736
Currency swaps	**107,227**	**3,452**	**3,511**	98,537	2,515	3,479
Currency options	**146,528**	**610**	**490**	150,713	1,275	927
Sub-total	**765,491**	**7,856**	**7,780**	734,700	9,717	10,142
Equity derivatives						
Equity options	**1,933**	**207**	**245**	2,809	163	166
Equity swaps	**409**	**6**	**8**	994	6	15
Sub-total	**2,342**	**213**	**253**	3,803	169	181
Credit derivatives						
Credit default swaps and others	**60,665**	**457**	**520**	94,902	1,544	1,635
Sub-total	**60,665**	**457**	**520**	94,902	1,544	1,635
Commodity derivatives						
Commodity contracts	**1,255**	**31**	**36**	737	11	8
Commodity futures	**2,006**	**28**	**17**	45	1	#
Commodity options	**500**	**2**	**5**	504	14	11
Sub-total	**3,761**	**61**	**58**	1,286	26	19
Total derivatives held for trading	**1,413,263**	**17,044**	**17,243**	1,601,175	20,989	21,806
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**8,554**	**228**	**231**	5,526	154	265
FX contracts held for fair value hedge	**20**	**–**	**#**	65	–	6
FX contracts held for cash flow hedge	**586**	**#**	**1**	605	–	18
FX contracts held for hedge of net investment	**1,930**	**8**	**26**	2,830	17	81
Currency swaps held for fair value hedge	**61**	**–**	**2**	97	1	1
Currency swaps held for cash flow hedge	**160**	**–**	**2**	–	–	–
Currency swaps held for hedge of net investment	**1,635**	**–**	**27**	1,740	3	30
Total derivatives held for hedging	**12,946**	**236**	**289**	10,863	175	401
Total derivatives	**1,426,209**	**17,280**	**17,532**	1,612,038	21,164	22,207
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)		**(9,616)**	**(9,616)**		(11,812)	(11,812)
		7,664	**7,916**		9,352	10,395

\# *Amounts less than $500,000*

Year-end positive fair values Analysed by geography[(a)]	2012	2011
Singapore	**2,609**	2,496
Hong Kong	**1,358**	1,788
Rest of Greater China	**927**	720
South and Southeast Asia	**661**	1,082
Rest of the World	**11,725**	15,078
Total	**17,280**	21,164

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

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,025 billion (2011: $1,277 billion) and $401 billion (2011: $335 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.

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 for $115 million and its associated loan of $59 million (Refer to Note 25.2) is carried at cost. 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.

40 SHARE-BASED COMPENSATION PLANS

40.1 DBSH SHARE OWNERSHIP SCHEME

The DBSH Share Ownership Scheme is a fund set up to hold units of the Company's ordinary shares. All employees based in Singapore with at least one year of service and who hold the rank of Assistant Vice President and below are eligible.

Under the Scheme, participants and the Group contribute up to 10% and 5% of monthly base salary respectively to buy units of the Company's ordinary shares. Amounts contributed by the Group under the Scheme are recognised as employee benefits when paid.

	Ordinary shares			
	Number		Market value (In $ millions)	
	2012	2011	2012	2011
Balance at 1 January	**5,933,584**	5,473,697	**68**	78
Balance at 31 December	**6,509,414**	5,933,584	**97**	68

40.2 DBSH SHARE OPTION PLAN

Under the DBSH Share Option Plan (the Option Plan), options to subscribe for the Company's ordinary shares may be granted to Group executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent).

The exercise price of the granted options is equal to the average of the last dealt prices for the Company's shares, 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.

These share options vest over a period in accordance with a vesting schedule determined by the Compensation and Management Development Committee (Committee), 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.

The DBSH Share Option Plan expired on 19 June 2009 and the Plan was neither extended nor replaced. The termination of this Plan will, however, not affect the rights of holders of any outstanding existing options.

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

	2012		2011	
	Unissued number of ordinary shares under outstanding options	**Weighted average exercise price ($)**	**Unissued number of ordinary shares under outstanding options**	**Weighted average exercise price ($)**
Balance at 1 January	**5,769,925**	**11.56**	11,417,819	12.58
Movements during the year:				
– Exercised	**(2,104,176)**	**11.69**	(1,667,402)	11.38
– Forfeited/Expired	**(420,337)**	**12.55**	(3,980,492)	14.53
Balance at 31 December	**3,245,412**	**11.32**	5,769,925	11.56
Additional information:				
Weighted average remaining contractual life of options outstanding at 31 December	**1.04 years**		1.51 years	
Range of exercise price of options outstanding at 31 December	**$8.84 to $12.81**		$8.84 to $12.81	

In 2012, 2,104,176 options (2011: 1,667,402) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the Company's shares was $14.08 (2011: $14.10).

40.3 DBSH SHARE PLAN

Under the DBSH Share Plan (the Share Plan), the Company's ordinary shares may be granted to Group executives who hold such rank as may be determined by the Committee appointed to administer the Share Plan from time to time. The awards could be performance-based and/or time-based.

Where time-based awards are granted, they will only vest after the satisfactory completion of time-based service conditions. Participants are awarded shares of the Company, their equivalent cash value or a combination of both as part of their deferred bonus (at the discretion of the Committee).

A time-based award comprises two elements, namely, the main award and the retention award. The shares comprised in the retention award constitute twenty percent of the shares comprised in the main award. Awards made under the plans vest over a 4-year period. Thirty-three percent of the shares comprised in the main award will vest two years after the date of grant. A further thirty-three percent of the shares comprised in the main award will vest three years after the date of grant. The remainder thirty-four percent of the shares comprised in the main award, together with the shares comprised in the retention award, will vest four years after the date of grant. For time-based awards, the fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement and Share Plan reserves.

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

Number of shares	2012	2011
Balance at 1 January	**11,595,571**	9,444,365
Granted	**6,002,356**	5,319,354
Vested	**(3,500,581)**	(2,932,204)
Forfeited	**(455,221)**	(235,944)
Balance at 31 December	**13,642,125**	11,595,571

The weighted average fair value of the shares granted during the year is $14.09 (2011: $14.40).

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

40.4 DBSH EMPLOYEE SHARE PLAN

The DBSH Employee Share Plan (the ESP) caters to all employees of the Group who are not eligible to participate in the DBSH Share Option Plan, the DBSH Share Plan or other equivalent plans.

Under the ESP, eligible employees are awarded ordinary shares of the Company, their equivalent cash value or a combination of both as part of their deferred bonus (at the discretion of the Committee), when time-based conditions are met.

A time-based award comprises two elements, namely, the main award and the retention award. The shares comprised in the retention award constitute twenty percent of the shares comprised in the main award. Shares awarded are subject to a 4-year vesting period. Under the vesting schedule, thirty-three percent of the shares comprised in the main award will vest two years after the date of grant. A further thirty-three percent of the shares comprised in the main award will vest three years after the date of grant. The remainder thirty-four percent of the shares comprised in the main award, together with the shares comprised in the retention award, will vest four years after the date of grant. In addition, shares can also be awarded to selected individuals as part of talent retention. Shares awarded in such cases only comprise one element - the main award and have similar vesting arrangements as those awarded under the Share Plan and ESP. The fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement and Share Plan reserves.

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

Number of shares	2012	2011
Balance at 1 January	**846,050**	575,426
Granted	**639,213**	526,400
Vested	**(171,934)**	(154,009)
Forfeited	**(80,403)**	(101,767)
Balance at 31 December	**1,232,926**	846,050

The weighted average fair value of the shares granted during the year is $14.10 (2011: $14.48).

Since the inception of the ESP, no awards have been cash-settled under the ESP.

41 RELATED PARTY TRANSACTIONS

41.1 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.

41.2 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.

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

In $ millions	The Group 2012	2011
Short-term benefits[(b)]	**41**	40
Share-based payments[(c)]	**16**	14
Total	**57**	54
Of which: Company Directors' Remuneration and fees	**10**	9

(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

42 FAIR VALUE OF FINANCIAL INSTRUMENTS

42.1 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 overall framework is endorsed by Group Market and Liquidity Risk Committee and Risk Executive Committee before approval by the BRMC.

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.

Valuation models go through an assurance process carried out by the Risk Management Group, 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 Risk Management Group 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 profit or loss as 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.

42.2 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 of the valuation 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 OTC derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data 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 of the fair value hierarchies:

	The Group			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
2012				
Assets				
Singapore Government securities and treasury bills	**12,092**	**–**	**–**	**12,092**
Financial assets at fair value through profit or loss[a]				
– Debt securities	**8,803**	**683**	**97**	**9,583**
– Equity securities	**235**	**–**	**–**	**235**
– Other financial assets	**–**	**1,722**	**–**	**1,722**
Available-for-sale financial investments				
– Debt securities	**22,260**	**2,619**	**36**	**24,915**
– Equity securities[b]	**702**	**43**	**126**	**871**
– Other financial assets	**–**	**4,225**	**–**	**4,225**
Securities pledged and transferred	**3,920**	**424**	**–**	**4,344**
Positive fair values for financial derivatives	**29**	**17,229**	**22**	**17,280**
Liabilities				
Financial liabilities at fair value through profit or loss[c]				
– Other debt securities in issue	**–**	**3,493**	**25**	**3,518**
– Other financial liabilities	**1,861**	**2,469**	**1**	**4,331**
Negative fair values for financial derivatives	**19**	**17,502**	**11**	**17,532**

In $ millions	The Group Level 1	Level 2	Level 3	Total
2011				
Assets				
Singapore Government securities and treasury bills	12,503	–	–	12,503
Financial assets at fair value through profit or loss[a]				
– Debt securities	9,103	329	210	9,642
– Equity securities	229	–	–	229
– Other financial assets	–	2,056	–	2,056
Available-for-sale financial investments				
– Debt securities	17,608	2,196	286	20,090
– Equity securities[b]	553	192	278	1,023
– Other financial assets	1,903	1,378	–	3,281
Securities pledged and transferred	2,634	–	–	2,634
Positive fair values for financial derivatives	2	21,144	18	21,164
Liabilities				
Financial liabilities at fair value through profit or loss[c]				
– Other debt securities in issue	–	2,975	28	3,003
– Other financial liabilities	2,069	6,840	–	8,909
Negative fair values for financial derivatives	5	22,184	18	22,207

(a) Includes other government securities, corporate debt securities, equity securities and other financial assets at fair value through profit or loss
(b) Excludes unquoted equities stated at cost of $228 million (2011: $134 million)
(c) Includes debt securities in issue, due to non-bank customers (structured investments) and other financial liabilities at fair value through profit or loss

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

In $ millions	Opening balance	Fair value gains or losses: Profit or loss	Fair value gains or losses: Other comprehensive income	Purchases	Issues	Settlement	Transfer in	Transfer out	Closing balance
2012									
Assets									
Financial assets at fair value through profit or loss									
– Debt securities	**210**	**(38)**	**–**	**6**	**–**	**(97)[a]**	**25**	**(9)**	**97**
Available-for-sale financial investments									
– Debt securities	**286**	**–**	**(15)**	**–**	**–**	**(216)[a]**	**–**	**(19)**	**36**
– Equity securities	**278**	**15**	**(12)**	**18**	**–**	**(27)**	**–**	**(146)**	**126**
Positive fair values for financial derivatives	**18**	**(21)**	**–**	**–**	**–**	**(5)**	**34**	**(4)**	**22**
Liabilities									
Financial liabilities at fair value through profit or loss									
– Other debt securities in issue	**28**	**(3)**	**–**	**–**	**–**	**(24)**	**25**	**(1)**	**25**
– Other financial liabilities	**–**	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**1**
Negative fair values for financial derivatives	**18**	**–**	**–**	**–**	**3**	**(6)**	**7**	**(11)**	**11**

In $ millions	Opening balance	Fair value gains or losses		Purchases	Issues	Settlement	Transfer in	Transfer out	Closing balance
		Profit or loss	Other compre-hensive income						
2011									
Assets									
Financial assets at fair value through profit or loss									
– Debt securities	489	19	–	4	–	(190)	–	(112)[d]	210
Available-for-sale financial investments									
– Debt securities	230	–	(23)	107	–	(26)	104[c]	(106)[d]	286
– Equity securities	137	21	(26)	162	–	(13)	–	(3)	278
Positive fair values for financial derivatives	25	8	–	–	–	(2)	6	(19)	18
Liabilities									
Financial liabilities at fair value through profit or loss									
– Other debt securities in issue	176	1	–	–	25	(63)	1	(112)[e]	28
– Other financial liabilities	82[b]	–	–	–	–	–	–	(82)[f]	–
Negative fair values for financial derivatives	35	(2)	–	–	–	(2)	14	(27)	18

(a) Principally reflects settlement of Level 3 debt securities which were called back/matured during the year
(b) Principal amounts totalling $82 million are included within the fair value figures for structured investments
(c) Principally reflects transfers from Level 1 & 2 within the fair value hierarchy due to reduced transparency for selected bonds
(d) Principally reflects transfers to Level 1 & 2 within the fair value hierarchy due to availability of price quotes on the back of improved liquidity conditions
(e) Principally reflects transfers to Level 2 within the fair value hierarchy for credit derivatives due to availability of in-house pricing model within significant observable inputs
(f) Principally reflects transfers to Level 2 within the fair value hierarchy for interest rate derivatives due to correlation inputs having reduced impact on overall fair value of the instrument

Total fair value losses for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2012 is $56 million (2011: $29 million).

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.

Effect of changes in significant unobservable assumptions to reasonably possible alternatives
As at 31 December 2012, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include some of the following: private equity investments, corporate debt securities, equity, interest rate and credit derivatives and financial liabilities from structured product issuances.

In estimating significance, the Group performed a sensitivity analysis based on methodologies currently used for fair value adjustments. These adjustments reflect the values that the Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

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

42.3 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, placements with banks, loans and advances to non-bank customers, as well as deposits of bank and non-bank 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 $228 million as at 31 December 2012 (2011: $134 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 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.

43 CREDIT RISK

43.1 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	**Average 2012**	**Average 2011**	**2012**	**2011**
Cash and balances with central banks (excluding cash on hand)	**19,896**	26,754	**16,116**	23,675
Singapore Government securities and treasury bills	**12,298**	12,024	**12,092**	12,503
Due from banks	**27,190**	22,939	**28,808**	25,571
Financial assets at fair value through profit or loss (excluding equity securities)				
Other government securities and treasury bills	**5,498**	4,254	**5,334**	5,662
Corporate debt securities	**4,114**	3,791	**4,249**	3,980
Loans and advances to customers	**784**	420	**1,124**	445
Other financial assets	**1,104**	2,301	**598**	1,611
Positive fair values for financial derivatives	**19,222**	18,965	**17,280**	21,164
Loans and advances to customers	**201,835**	172,986	**209,395**	194,275
Financial investments (excluding equity securities)				
Other government securities and treasury bills	**12,837**	9,098	**15,952**	9,723
Corporate debt securities	**19,063**	18,273	**18,516**	19,611
Securities pledged and transferred				
Singapore Government securities and treasury bills	**798**	585	**841**	756
Other government securities and treasury bills	**2,032**	1,706	**2,207**	1,856
Corporate debt securities	**686**	17	**1,349**	22
Other assets	**9,171**	8,055	**8,611**	9,730
Credit exposure	**336,528**	302,168	**342,472**	330,584
Contingent liabilities and commitments (excluding operating lease and capital commitments)	**147,032**	124,094	**156,863**	137,200
Total credit exposure	**483,560**	426,262	**499,335**	467,784

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 annual 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, Singapore Government securities and treasury bills, due from banks, financial assets at fair value through profit or loss and financial investments

Collateral is generally not sought for these assets.

Positive fair values for financial derivatives

The Group maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions. Please refer to Note 39 for the impact of netting arrangements recognised for the computation of Capital Adequacy Ratio (CAR).

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 into 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.

43.2 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are summarised as follows:

In $ millions	The Group 2012	2011
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	**210,541**	194,594
– Past due but not impaired (ii)	**745**	633
Non-Performing Loans		
– Impaired (iii)	**2,542**	2,600
Total gross loans (Note 20)	**213,828**	197,827

(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:

In $ millions	Pass	The Group Special mention	Total
2012			
Manufacturing	**25,373**	**804**	**26,177**
Building and construction	**31,723**	**183**	**31,906**
Housing loans	**45,119**	**150**	**45,269**
General commerce	**36,558**	**1,105**	**37,663**
Transportation, storage and communications	**16,041**	**447**	**16,488**
Financial institutions, investments and holding companies	**15,995**	**50**	**16,045**
Professionals and private individuals (excluding housing loans)	**14,684**	**23**	**14,707**
Others	**21,845**	**441**	**22,286**
Total	**207,338**	**3,203**	**210,541**
2011			
Manufacturing	23,614	835	24,449
Building and construction	27,902	395	28,297
Housing loans	40,779	297	41,076
General commerce	32,664	1,141	33,805
Transportation, storage and communications	15,671	631	16,302
Financial institutions, investments and holding companies	18,586	225	18,811
Professionals and private individuals (excluding housing loans)	12,485	52	12,537
Others	19,033	284	19,317
Total	190,734	3,860	194,594

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

In $ millions	The Group Less than 30 days past due	30-59 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**
2011				
Manufacturing	50	7	1	58
Building and construction	134	5	–	139
Housing loans	132	4	2	138
General commerce	73	17	1	91
Transportation, storage and communications	62	1	4	67
Financial institutions, investment and holding companies	12	–	–	12
Professionals and private individuals (excluding housing loans)	80	5	4	89
Others	34	5	–	39
Total	577	44	12	633

(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 2012	2011
Balance as at 1 January	**2,904**	3,213
New NPAs	**364**	487
Upgrades, recoveries and translations	**(364)**	(493)
Write-offs	**(178)**	(303)
Balance as at 31 December	**2,726**	2,904

Non-performing assets by loan grading and industry

	The Group							
	NPAs[a]				Specific allowances[a]			
In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
2012								
Customer loans								
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	**199**	**207**	**286**	**692**	**10**	**82**	**286**	**378**
Financial institutions, investment and holding companies	**614**	**258**	**41**	**913**	**185**	**181**	**41**	**407**
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**
2011								
Customer loans								
Manufacturing	140	122	121	383	8	112	121	241
Building and construction	53	34	5	92	7	26	5	38
Housing loans	97	–	11	108	2	–	11	13
General commerce	133	79	57	269	–	73	58	131
Transportation, storage and communications	138	360	65	563	8	212	65	285
Financial institutions, investment and holding companies	632	264	34	930	184	182	34	400
Professional and private individuals (excluding housing loans)	134	13	28	175	24	12	27	63
Others	69	15	35	119	6	15	35	56
Total customer loans	1,396	887	356	2,639	239	632	356	1,227
Debt securities	5	2	3	10	–	–	3	3
Contingent items and others	125	96	34	255	2	55	34	91
Total	1,526	985	393	2,904	241	687	393	1,321
Of which: restructured loans	835	120	35	990	199	97	35	331

(a) NPAs and specific allowances for customer loans each includes $85 million (2011: $39 million) in interest receivables

Non-performing assets by region[(a)]

In $ millions	NPAs	The Group Specific allowances	General allowances
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**
2011			
Singapore	602	227	923
Hong Kong	337	178	469
Rest of Greater China	239	134	350
South and Southeast Asia	301	140	275
Rest of the World	1,425	642	322
Total	2,904	1,321	2,339

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

Non-performing assets by past due period

In $ millions	The Group 2012	2011
Not overdue	**1,245**	1,161
< 90 days past due	**297**	169
91-180 days past due	**193**	607
> 180 days past due	**991**	967
Total past due assets	**1,481**	1,743
Total	**2,726**	2,904

Collateral value for non-performing assets

In $ millions	The Group 2012	2011
Properties	**269**	355
Shares and debentures	**58**	78
Fixed deposits	**32**	41
Others	**252**	213
Total	**611**	687

Past due non-performing assets by industry

In $ millions	The Group 2012	2011
Manufacturing	**341**	318
Building and construction	**73**	74
Housing loans	**105**	98
General commerce	**231**	161
Transportation, storage and communications	**193**	365
Financial institutions, investment and holding companies	**312**	400
Professional and private individuals (excluding housing loans)	**118**	136
Others	**39**	93
Sub-total	**1,412**	1,645
Debt securities, contingent items and others	**69**	98
Total	**1,481**	1,743

Past due non-performing assets by region[(a)]

In $ millions	The Group 2012	2011
Singapore	**346**	315
Hong Kong	**198**	273
Rest of Greater China	**215**	147
South and Southeast Asia	**194**	151
Rest of the World	**459**	759
Sub-total	**1,412**	1,645
Debt securities, contingent items and others	**69**	98
Total	**1,481**	1,743

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

43.3 CREDIT QUALITY OF SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS, FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL INVESTMENTS (INCLUDING SECURITIES PLEDGED AND TRANSFERRED)[a]

The table below presents an analysis of Singapore Government securities and treasury bills, financial assets at fair value through profit or loss and financial investments (including securities pledged and transferred) for the Group by rating agency designation as at 31 December:

In $ millions External rating	Singapore Government securities and treasury bills[c]	Financial assets at fair value through profit or loss[c] Other government securities and treasury bills	Corporate debt securities	Loans and advances to customer	Other financial assets (due from banks)[b]	Total	Financial investments[c] Other government securities and treasury bills	Corporate debt securities	Total
	(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)	(9)=(7+8)
2012									
AAA	**12,933**	**5**	**750**	**–**	**–**	**755**	**1,637**	**2,521**	**4,158**
AA- to AA+	**–**	**3,894**	**133**	**–**	**–**	**4,027**	**12,280**	**1,600**	**13,880**
A- to A+	**–**	**358**	**667**	**–**	**–**	**1,025**	**503**	**5,008**	**5,511**
Lower than A-	**–**	**1,949**	**1,169**	**–**	**–**	**3,118**	**2,867**	**1,584**	**4,451**
Unrated	**–**	**–**	**1,955**	**1,124**	**598**	**3,677**	**–**	**8,727**	**8,727**
Total	**12,933**	**6,206**	**4,674**	**1,124**	**598**	**12,602**	**17,287**	**19,440**	**36,727**
2011									
AAA	13,259	863	625	–	–	1,488	1,250	2,885	4,135
AA- to AA+	–	2,166	158	–	–	2,324	6,344	2,272	8,616
A- to A+	–	1,514	1,322	–	–	2,836	1,386	5,573	6,959
Lower than A-	–	2,247	952	–	–	3,199	1,470	1,918	3,388
Unrated	–	–	923	445	1,611	2,979	–	6,986	6,986
Total	13,259	6,790	3,980	445	1,611	12,826	10,450	19,634	30,084

(a) The amount of securities that are past due but not impaired is not material
(b) For amounts due from banks, majority of the bank counterparties are accorded "Pass" grade in accordance with the loan grading per MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning"
(c) Include securities pledged and transferred

43.4 CREDIT EXPOSURES OUTSIDE SINGAPORE- BY COUNTRY OF INCORPORATION

The top 10 exposures of the Group (outside Singapore) as at 31 December are set out below. The exposures are determined based on the country of incorporation of borrower or issuer.

In $ millions Assets in	Loans and debt securities Banks	Central banks and Government securities	Non-banks[a]	Investments	Total exposure Amount	As a % of Total assets
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2012						
Top 10 countries						
Hong Kong SAR	**1,135**	**3,712**	**39,127**	**85**	**44,059**	**12.5**
China	**16,705**	**1,297**	**23,718**	**159**	**41,879**	**11.9**
India	**3,716**	**2,583**	**14,407**	**36**	**20,742**	**5.9**
United States	**1,710**	**9,641**	**2,454**	**125**	**13,930**	**3.9**
Taiwan	**92**	**4,808**	**7,163**	**2**	**12,065**	**3.4**
South Korea	**1,561**	**2,731**	**5,216**	**–**	**9,508**	**2.7**
Indonesia	**145**	**936**	**6,960**	**3**	**8,044**	**2.3**
United Kingdom	**1,270**	**874**	**3,481**	**1**	**5,626**	**1.6**
Japan	**1,757**	**1**	**1,424**	**124**	**3,306**	**0.9**
Malaysia	**469**	**219**	**2,460**	**103**	**3,251**	**0.9**
Total	**28,560**	**26,802**	**106,410**	**638**	**162,410**	**46.0**
2011						
Top 10 countries						
Hong Kong SAR	1,955	3,584	41,689	75	47,303	13.9
China	6,067	2,157	23,226	192	31,642	9.3
India	3,130	2,222	11,197	39	16,588	4.9
South Korea	3,597	2,680	5,377	–	11,654	3.4
Taiwan	114	3,954	6,616	3	10,687	3.1
United Kingdom	3,715	321	3,692	6	7,734	2.3
Indonesia	70	1,433	5,820	9	7,332	2.1
United States	1,042	3,893	2,230	119	7,284	2.1
Australia	2,582	319	1,800	97	4,798	1.4
Malaysia	240	157	2,731	101	3,229	1.0
Total	22,512	20,720	104,378	641	148,251	43.5

(a) Non-bank loans include loans to government and quasi-government entities

44 MARKET RISK

The Group has a comprehensive risk appetite framework for all types of market risk across both the trading and banking books, (including structural foreign exchange risk arising from the Group's strategic investments). The Group level total TVaR associated with this framework is tabulated below, showing the period-end, average, high and low TVaR (at a 95% confidence level over a one-day holding period).

The Group

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

The Group

In $ millions	As at 31 Dec 2011	1 Jan 2011 to 31 Dec 2011 Average	High	Low
Total	44	41	48	35

The Group's interest rate trading business is the major contributor of trading book risk and the significant exposures are in SGD and USD.

The following table shows the period-end, average, high and low VaR (at a 99% confidence level over a one-day holding period) for trading book market risk:

The Group

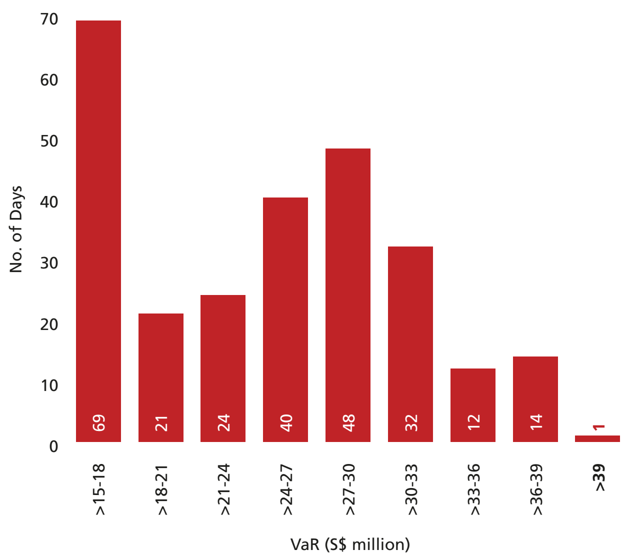
In $ millions	As at 31 Dec 2012	1 Jan 2012 to 31 Dec 2012 Average	High	Low
Total	**17**	**25**	**40**	**15**

The Group

In $ millions	As at 31 Dec 2011	1 Jan 2011 to 31 Dec 2011 Average	High	Low
Total	37	27	42	14

The chart below (unaudited) provides the range of VaR for the trading portfolio for the period from 1 January 2012 to 31 December 2012

DBSH GROUP VAR FOR TRADING BOOK



Back-testing is a procedure used to verify the predictive power of the VaR model involving comparison of daily profits and losses adjusted with the estimates from the VaR model. In the back-testing for the period from 1 January 2012 to 31 December 2012, there were no backtesting exceptions (2011: 5 exceptions).

For the banking book market risk the main risk drivers are SGD and USD interest rate positions. The economic value impact of changes in interest rates is simulated under various assumptions for the banking book. The simulated economic value changes are negative $449 million and $848 million (2011: negative $243 million and $433 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.

45 LIQUIDITY RISK

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	2012 Up to 1 year	2012 More than 1 year	2012 Total	2011 Up to 1 year	2011 More than 1 year	2011 Total
Cash and balances with central banks	**17,772**	**–**	**17,772**	25,304	–	25,304
Singapore Government securities and treasury bills	**5,675**	**6,417**	**12,092**	6,209	6,294	12,503
Due from banks	**27,470**	**1,338**	**28,808**	24,383	1,188	25,571
Financial assets at fair value through profit or loss	**6,397**	**5,143**	**11,540**	6,633	5,294	11,927
Positive fair values for financial derivatives	**17,280**	**–**	**17,280**	21,164	–	21,164
Loans and advances to customers	**92,629**	**116,766**	**209,395**	86,134	108,141	194,275
Financial investments	**9,709**	**25,858**	**35,567**	9,509	20,982	30,491
Securities pledged and transferred	**2,576**	**1,821**	**4,397**	1,423	1,211	2,634
Investments in associates	**–**	**1,236**	**1,236**	–	949	949
Goodwill on consolidation	**–**	**4,802**	**4,802**	–	4,802	4,802
Properties and other fixed assets	**–**	**945**	**945**	–	976	976
Investment properties	**–**	**497**	**497**	–	372	372
Deferred tax assets	**–**	**91**	**91**	–	149	149
Other assets	**5,430**	**3,181**	**8,611**	7,595	2,135	9,730
Total assets	**184,938**	**168,095**	**353,033**	188,354	152,493	340,847
Due to banks	**23,603**	**1,559**	**25,162**	26,124	1,477	27,601
Due to non-bank customers	**237,675**	**3,490**	**241,165**	217,075	1,917	218,992
Financial liabilities at fair value through profit or loss	**4,508**	**3,341**	**7,849**	7,624	4,288	11,912
Negative fair values for financial derivatives	**17,532**	**–**	**17,532**	22,207	–	22,207
Bills payable	**316**	**–**	**316**	254	–	254
Current tax liabilities	**824**	**–**	**824**	837	–	837
Deferred tax liabilities	**–**	**30**	**30**	–	30	30
Other liabilities	**8,073**	**343**	**8,416**	8,330	1,957	10,287
Other debt securities in issue	**6,629**	**3,607**	**10,236**	7,945	2,409	10,354
Subordinated term debts	**–**	**5,505**	**5,505**	–	5,304	5,304
Total liabilities	**299,160**	**17,875**	**317,035**	290,396	17,382	307,778
Non-controlling interests	**–**	**4,261**	**4,261**	–	4,275	4,275
Shareholders' funds	**–**	**31,737**	**31,737**	–	28,794	28,794
Total equity	**–**	**35,998**	**35,998**	–	33,069	33,069

The table below shows the assets and liabilities of the Group as at 31 December based on contractual undiscounted repayment obligations:

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	No specific maturity	Total
2012							
Cash and balances with central banks	**10,261**	**1,975**	**4,161**	**1,381**	**–**	**–**	**17,778**
Due from banks	**7,233**	**4,120**	**5,662**	**10,521**	**1,352**	**–**	**28,888**
Financial assets at fair value through profit or loss	**419**	**1,371**	**1,676**	**3,143**	**5,243**	**235**	**12,087**
Other securities[(a)]	**169**	**1,249**	**5,230**	**12,058**	**35,312**	**1,099**	**55,117**
Loans and advances to customers	**14,772**	**23,637**	**20,711**	**35,661**	**125,456**	**–**	**220,237**
Other assets[(b)]	**2,467**	**159**	**506**	**1,453**	**3,181**	**7,572**	**15,338**
Total assets	**35,321**	**32,511**	**37,946**	**64,217**	**170,544**	**8,906**	**349,445**
Due to banks	**10,489**	**6,289**	**5,166**	**1,679**	**1,561**	**–**	**25,184**
Due to non-bank customers	**158,547**	**29,605**	**25,372**	**24,497**	**3,498**	**–**	**241,519**
Financial liabilities at fair value through profit or loss	**771**	**1,019**	**1,433**	**1,347**	**3,464**	**–**	**8,034**
Other liabilities[(c)]	**6,596**	**3,408**	**1,627**	**3,689**	**4,098**	**30**	**19,448**
Subordinated term debts	**–**	**14**	**49**	**113**	**6,268**	**–**	**6,444**
Total liabilities	**176,403**	**40,335**	**33,647**	**31,325**	**18,889**	**30**	**300,629**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**4,261**	**4,261**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**31,737**	**31,737**
Total equity	**–**	**–**	**–**	**–**	**–**	**35,998**	**35,998**
Derivatives settled on a net basis[(d)]	**(469)**	**(8)**	**(10)**	**53**	**151**	**–**	**(283)**
Net liquidity gap	**(141,551)**	**(7,832)**	**4,289**	**32,945**	**151,806**	**(27,122)**	**12,535**
2011							
Cash and balances with central banks	10,703	5,904	7,248	1,462	–	–	25,317
Due from banks	10,144	3,211	4,792	6,361	1,213	–	25,721
Financial assets at fair value through profit or loss	422	1,210	1,557	3,532	5,863	229	12,813
Other securities[(a)]	197	2,276	4,876	9,428	31,294	1,157	49,228
Loans and advances to customers	11,193	24,729	18,282	33,698	118,986	–	206,888
Other assets[(b)]	3,975	216	622	37	2,134	9,380	16,364
Total assets	36,634	37,546	37,377	54,518	159,490	10,766	336,331
Due to banks	12,843	7,770	4,314	1,211	1,478	–	27,616
Due to non-bank customers	146,846	25,772	25,417	19,282	1,928	–	219,245
Financial liabilities at fair value through profit or loss	1,526	1,242	1,408	3,421	4,480	60	12,137
Other liabilities[(c)]	4,285	4,166	4,642	1,441	4,529	2,748	21,811
Subordinated term debts	–	14	3	96	5,868	–	5,981
Total liabilities	165,500	38,964	35,784	25,451	18,283	2,808	286,790
Non-controlling interests	–	–	–	–	–	4,275	4,275
Shareholders' funds	–	–	–	–	–	28,794	28,794
Total equity	–	–	–	–	–	33,069	33,069
Derivatives settled on a net basis[(d)]	(440)	(22)	26	(73)	(119)	–	(628)
Net liquidity gap	(129,306)	(1,440)	1,619	28,994	141,088	(25,111)	15,844

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged and transferred
(b) Other assets include investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets
(c) Other liabilities include bills payable, other debt securities in issue, current and deferred tax liabilities and other liabilities
(d) Positive indicates inflow and negative indicates outflow of funds

The balances in the above table will not agree with the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, relating to both principal as well as future interest payments.

Customer assets and liabilities (including non-maturing savings/current deposits) are represented on a contractual basis or in a period when it can legally be withdrawn. On a behavioural basis for liquidity risk analysis, the assets and liabilities cash flows may differ from contractual basis.

45.1 DERIVATIVES SETTLED ON A GROSS BASIS

The table below shows the Group's derivative financial instruments in the period where they mature based on the remaining period to contractual maturity date as at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows on a 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
2012						
Foreign exchange derivatives						
– 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**
2011						
Foreign exchange derivatives						
– outflow	62,640	61,447	112,085	147,500	65,387	449,059
– inflow	62,494	61,360	112,600	147,560	64,508	448,522

45.2 CONTINGENT LIABILITIES AND COMMITMENTS

The table below shows the Group's contingent liabilities and commitments in 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
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**
2011					
Guarantees, endorsements and other contingent items	20,789	–	–	–	20,789
Undrawn loan commitments[(a)] and other facilities	109,321	3,255	3,333	502	116,411
Operating lease commitments	149	300	241	191	881
Capital commitments	30	3	–	–	33
Total	130,289	3,558	3,574	693	138,114

(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.

45.3 LIQUID ASSETS

The table below shows the Group's liquid assets by instrument and counterparty based on the carrying value as at the balance sheet date. The composition of the pool of liquid assets is internally defined under the guiding principle that the assets should be readily available and can be easily monetised to meet liquidity shortfalls under times of stress.

Liquid assets are maintained across key locations to ensure that each location is able to manage liquidity stresses on a standalone basis. The main portion of the Group's liquid assets is centrally maintained under DBS Bank Ltd to support liquidity needs in smaller overseas subsidiaries and branches.

In $ millions	2012
Cash and holdings at central banks[a]	2,779
Deposits in other banks available overnight	2,428
Securities issued or guaranteed by sovereigns and central banks[b]	36,370
Other corporate securities[b][c]	16,753
Total Liquid assets	58,330

(a) Holdings at central banks consist only of unrestricted balances available overnight
(b) Securities are based on market value, excluding pledged bonds and including collateral received in reverse repo transactions
(c) Other corporate securities consist of corporate bonds and equities that are internally assessed to be liquid

45.4 BEHAVIOURAL PROFILING

For the purpose of liquidity risk management, the Group actively monitors and manages its liquidity profile within a 1-year period. A conservative view is adopted in the behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the actual contractual maturity profile. Examples where behavioural profiling is applied include the profiling of run-offs on deposits and the rate of draw downs on committed facilities. Assumptions made in behavioural profiling are subject to the governance of the Group internal risk committees.

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
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**
2011					
Net liquidity mismatch	15,272	(1,120)	9,694	4,586	2,670
Cumulative mismatch	15,272	14,152	23,846	28,432	31,102

(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 comparable across past balance sheet dates.

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 prescribed regulatory capital adequacy ratios.

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 includes DBS Vickers Securities, which provides equities and derivatives brokerage services, and Islamic Bank of Asia.

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 deposits relative to approved benchmarks.

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.

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
2012					
Net interest income	**1,427**	**2,767**	**692**	**399**	**5,285**
Non-interest income	**873**	**1,545**	**427**	**384**	**3,229**
Total income	**2,300**	**4,312**	**1,119**	**783**	**8,514**
Expenses	**1,602**	**1,416**	**462**	**134**	**3,614**
Allowances for credit and other losses	**93**	**212**	**(3)**	**115**	**417**
Share of profits of associates	**–**	**6**	**–**	**118**	**124**
Profit before tax	**605**	**2,690**	**660**	**652**	**4,607**
Income tax expense					**588**
Net profit attributable to shareholders					**3,809**
Total assets before goodwill	**63,232**	**177,073**	**75,434**	**32,492**	**348,231**
Goodwill on consolidation					**4,802**
Total assets					**353,033**
Total liabilities	**136,639**	**103,450**	**75,697**	**1,249**	**317,035**
Capital expenditure	**57**	**29**	**13**	**239**	**338**
Depreciation[(a)]	**32**	**18**	**7**	**122**	**179**
2011					
Net interest income	1,446	2,317	951	111	4,825
Non-interest income	758	1,693	201	154	2,806
Total income	2,204	4,010	1,152	265	7,631
Expenses	1,561	1,319	420	3	3,303
Allowances for credit and other losses	71	453	2	196	722
Share of profits of associates	–	21	–	106	127
Profit before tax	572	2,259	730	172	3,733
Income tax expense					443
Net profit attributable to shareholders					3,035
Total assets before goodwill	56,167	165,930	103,900	10,048	336,045
Goodwill on consolidation					4,802
Total assets					340,847
Total liabilities	127,475	103,977	71,166	5,160	307,778
Capital expenditure	31	29	21	96	177
Depreciation[(a)]	43	26	13	103	185

(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.

	The Group					
In $ millions	Singapore	Hong Kong	Rest of Greater China[(a)]	South and Southeast Asia[(b)]	Rest of the World[(c)]	Total
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 on consolidation	**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**
2011						
Net interest income	2,906	789	550	361	219	4,825
Non-interest income	1,813	664	62	196	71	2,806
Total income	4,719	1,453	612	557	290	7,631
Expenses	1,948	646	397	247	65	3,303
Allowances for credit and other losses	492	130	19	39	42	722
Share of profits of associates	20	–	22	85	–	127
Profit before tax	2,299	677	218	356	183	3,733
Income tax expense	168	106	40	70	59	443
Net profit attributable to shareholders	1,877	571	178	285	124	3,035
Total assets before goodwill	212,002	63,869	31,281	16,224	12,669	336,045
Goodwill on consolidation	4,802	–	–	–	–	4,802
Total assets	216,804	63,869	31,281	16,224	12,669	340,847
Non-current assets[(d)]	1,759	376	133	27	2	2,297

(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, and investment properties

DBS Bank Ltd

INCOME STATEMENT

for the year ended 31 December 2012

In $ millions	Note	2012	2011
Income			
Interest income		**5,396**	4,763
Interest expense		**1,571**	1,260
Net interest income		**3,825**	3,503
Net fee and commission income		**1,085**	1,068
Net trading income		**716**	456
Net loss from financial instruments designated at fair value		**(26)**	(9)
Net income from financial investments	2	**455**	593
Other income		**291**	144
Total income		**6,346**	5,755
Expenses			
Employee benefits		**1,140**	1,121
Other expenses		**1,116**	1,074
Allowances for credit and other losses		**342**	587
Total expenses		**2,598**	2,782
Profit before tax		**3,748**	2,973
Income tax expense		**450**	325
Net profit for the year		**3,298**	2,648

(see notes on pages 163 to 164, which form part of these financial statements)

DBS Bank Ltd

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

In $ millions	2012	2011
Net profit for the year	**3,298**	2,648
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**2**	(12)
Available-for-sale financial assets and others:		
Net valuation taken to equity	**599**	411
Transferred to income statement	**(327)**	(420)
Tax on items taken directly to or transferred from equity	**(43)**	29
Other comprehensive income for the year, net of tax	**231**	8
Total comprehensive income	**3,529**	2,656

(see notes on pages 163 to 164, which form part of these financial statements)

DBS Bank Ltd

BALANCE SHEET

as at 31 December 2012

In $ millions	Note	2012	2011
Assets			
Cash and balances with central banks		**11,652**	21,728
Singapore Government securities and treasury bills		**12,092**	12,503
Due from banks		**22,063**	19,537
Financial assets at fair value through profit or loss		**10,178**	9,867
Positive fair values for financial derivatives		**16,982**	21,034
Loans and advances to customers		**159,443**	149,600
Financial investments		**31,765**	25,325
Securities pledged and transferred		**1,901**	1,236
Subsidiaries	3	**15,688**	14,435
Due from special purpose entities		**2**	15
Investments in joint ventures		**–**	1
Investments in associates		**649**	1,109
Properties and other fixed assets		**509**	467
Investment properties		**43**	43
Deferred tax assets		**28**	60
Other assets		**5,055**	4,933
Total assets		**288,050**	281,893
Liabilities			
Due to banks		**23,844**	25,846
Due to non-bank customers		**182,228**	176,684
Financial liabilities at fair value through profit or loss		**5,435**	5,890
Negative fair values for financial derivatives		**17,283**	22,009
Bills payable		**240**	204
Current tax liabilities		**769**	742
Other liabilities		**4,170**	4,987
Other debt securities in issue		**8,989**	7,609
Due to holding company		**822**	1,533
Due to subsidiaries	4	**7,129**	2,449
Due to special purpose entities		**–**	112
Subordinated term debts		**5,505**	5,304
Total liabilities		**256,414**	253,369
Net assets		**31,636**	28,524
Equity			
Share capital	5	**17,096**	16,196
Other reserves	6	**2,979**	2,748
Revenue reserves	6	**11,561**	9,580
Shareholders' funds		**31,636**	28,524
Total equity		**31,636**	28,524

(see notes on pages 163 to 164, which form part of these financial statements)

DBS Bank Ltd

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

for the year ended 31 December 2012

The supplementary financial statements of DBS Bank Ltd (the Bank) are extracted from the Audited Statutory Financial Statements of DBS Bank Ltd and its subsidiaries (the Bank Group) for the financial year ended 31 December 2012. The statutory financial statements of the Bank and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2 NET INCOME FROM FINANCIAL INVESTMENTS

Net income from financial investments includes the following:

In $ millions	2012	2011
Dividends from subsidiaries	**7**	123
Dividends from joint ventures/associates	**82**	34
Total	**89**	157

3 SUBSIDIARIES

In $ millions	2012	2011
Unquoted equity shares[a]	**12,434**	11,185
Less: impairment allowances	**736**	813
Sub-total	**11,698**	10,372
Due from subsidiaries	**3,990**	4,063
Total	**15,688**	14,435

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

Movements in impairment allowances during the year are as follows:

In $ millions	2012	2011
Balance at 1 January	**813**	819
Write-back to income statement	**(7)**	(6)
Write-off against investment cost	**(70)**	–
Balance at 31 December	**736**	813

4 DUE TO SUBSIDIARIES

In $ millions	2012	2011
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 4.1)	**1,500**	1,500
Due to subsidiaries	**5,629**	949
Total	**7,129**	2,449

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

5 SHARE CAPITAL

Issued and fully paid up	2012	2011
2,233,102,635 (2011: 2,172,821,322) ordinary shares	**2,233**	2,173
6,800 (2011: 6,800) 4.7% non-cumulative non-convertible perpetual preference shares	**#**	#
8,000,000 (2011: 8,000,000) 4.7% non-cumulative non-convertible perpetual preference shares	**8**	8
Total number of shares (millions)	**2,241**	2,181
Total Share Capital (in $ millions)	**17,096**	16,196

Amount under 500,000

6 OTHER RESERVES

6.1 OTHER RESERVES

In $ millions	2012	2011
Available-for-sale revaluation reserves	**630**	416
Cash flow hedge reserves	**(1)**	(16)
General reserves	**2,360**	2,360
Capital reserves	**(10)**	(12)
Total	**2,979**	2,748

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

In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves[a]	Capital reserves[b]	Total
Balance at 1 January 2012	**416**	**(16)**	**2,360**	**(12)**	**2,748**
Net exchange translation adjustments	**–**	**–**	**–**	**2**	**2**
Available-for-sale financial assets and others:					
– net valuation taken to equity	**590**	**9**	**–**	**–**	**599**
– transferred to income statement	**(335)**	**8**	**–**	**–**	**(327)**
– tax on items taken directly to or transferred from equity	**(41)**	**(2)**	**–**	**–**	**(43)**
Balance at 31 December 2012	**630**	**(1)**	**2,360**	**(10)**	**2,979**
Balance at 1 January 2011	380	–	2,360	–	2,740
Net exchange translation adjustments	–	–	–	(12)	(12)
Available-for-sale financial assets and others:					
– net valuation taken to equity	429	(18)	–	–	411
– transferred to income statement	(420)	–	–	–	(420)
– tax on items taken directly to or transferred from equity	27	2	–	–	29
Balance at 31 December 2011	416	(16)	2,360	(12)	2,748

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

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

6.2 REVENUE RESERVES

In $ millions	2012	2011
Balance at 1 January	**9,580**	8,432
Net profit attributable to shareholders	**3,298**	2,648
Amount available for distribution	**12,878**	11,080
Less: Special dividend	**1,200**	1,350
4.7% tax exempt preference dividends (2011: 4.7% tax exempt)	**117**	117
6% tax exempt preference dividends (2011: 6% tax exempt)	**–**	33
Balance at 31 December	**11,561**	9,580