FINANCIAL STATEMENTS

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2013

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

(The notes on pages 115 to 175 as well as the Risk Management section on pages 75 to 104 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

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

(The notes on pages 115 to 175 as well as the Risk Management section on pages 75 to 104 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

BALANCE SHEETS

at 31 December 2013

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

(The notes on pages 115 to 175 as well as the Risk Management section on pages 75 to 104 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

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

(The notes on pages 115 to 175 as well as the Risk Management section on pages 75 to 104 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2013

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

(The notes on pages 115 to 175 as well as the Risk Management section on pages 75 to 104 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2013 were authorised for issue by the directors on 13 February 2014.

1 DOMICILE AND ACTIVITIES

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

The Company is listed on the Singapore Exchange.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Compliance with Singapore Financial Reporting Standards (FRS)
The financial statements of the Company and the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (FRS) and related Interpretations promulgated by the Accounting Standards Council (ASC). In accordance with Section 201(19) of the Companies Act (the Act), the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore. As permitted by Section 201(4B) of the Act, the Company's income statement has not been included in these financial statements.

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

Differences between International Financial Reporting Standards (IFRS) and FRS
Beyond the above modification to FRS related to Notice to Banks No. 612, there are no significant differences between IFRS and FRS in terms of their application to the Group for periods covered by these financial statements and consequently there would otherwise be no significant differences had the financial statements been prepared in accordance with IFRS. The consolidated financial statements together with the notes thereon as set out on pages 115 to 175 as well as the Risk Management section on pages 75 to 104 include the aggregate of all disclosures necessary to satisfy IFRS and FRS.

2.2 SIGNIFICANT ESTIMATES AND JUDGEMENT

The preparation of financial statements requires management to exercise judgement, 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 judgement and complexity, are disclosed in Note 3.

2.3 CHANGE IN BALANCE SHEET PRESENTATION

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

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

2.4 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

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

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

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

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

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

A) General Accounting Policies

2.5 GROUP ACCOUNTING

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

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

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

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

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

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

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

2.6 FOREIGN CURRENCY TREATMENT

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

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

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

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

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

Unrealised foreign exchange differences arising from non-monetary financial assets and liabilities classified as fair value through profit or loss are recognised in the income statement as trading income. For non-monetary financial assets such as equity investments classified as available-for-sale, unrealised foreign exchange differences are recorded in other comprehensive income and accumulated in equity until the assets are disposed of or become impaired, in which case they are reclassified to the income statement.

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

- Assets and liabilities are translated at the exchange rates as at the balance sheet date;
- Income and expenses in the income statement are translated at exchange rates prevailing at each month-end, approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income.

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

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

2.7 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to management responsible for allocating resources and assessing performance of the operating segments. Please refer to Note 44 for further details on business and geographical segment reporting.

B) Income Statement

2.8 INCOME RECOGNITION

Interest income and interest expense
Interest income and interest expense as presented in Note 5 represent the income on all assets and liabilities regardless of the classification and measurement of the assets and liabilities on amortised cost or at fair value, with the exception of the Group's structured investment deposits which are carried at fair value through profit or loss. Interest expense on such structured investment deposits are presented together with other fair value changes in trading income.

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

Fee and commission income
The Group earns fee and commission income from a diverse range of products and services provided to its customers.

Fee and commission income is generally recognised on the completion of a transaction. Such fees include underwriting fees, brokerage fees and fees related to completion of corporate finance transactions. For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken. Such fees include the income from issuance of financial guarantees.

Fee and commission income is recorded net of expenses that are required for, directly related to and incremental to generating it. These expenses typically include brokerage fees paid, card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Dividend income
Dividend income is recognised when the right to receive payment is established. This is generally the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities. Dividend income arising from held-for-trading financial assets is recognised in "Net trading income", and dividend arising from available-for-sale financial assets is recognised in "Net income from investment securities".

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

C) Balance Sheet

2.9 FINANCIAL ASSETS

Initial recognition
Purchases and sales of all financial assets, even if their classification and measurement are subsequently changed, are recognised on the date that the Group enters into the contractual arrangements with counterparties. When the Group acts as trustee or in a fiduciary capacity without controlling directly or benefiting directly from the assets, these assets and the corresponding income belonging to a customer are excluded from the financial statements.

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

Classification and subsequent measurement
The Group classifies and measures financial assets based on their nature and the purpose for which they are acquired. This generally corresponds to the business models in which they are applied and how management monitors performance, as follows:

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

- Financial assets that are managed on a fair value basis, which are mainly in the "Treasury" segment, are classified as **financial**

assets at fair value through profit or loss. Such assets include instruments held for the purpose of short term selling and market making ("**Held for trading**"), or designated under the fair value option if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial asset contains an embedded derivative that would otherwise need to be separately recorded ("**Designated at fair value through profit or loss**").

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

Derivatives (including derivatives embedded in other contracts but separated for accounting purposes) are also categorised as "**held for trading**" unless they are designated as hedges in accordance with Note 2.19. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedges are included in "Net trading income".

- Financial assets that the Group intends to hold to maturity are classified as "**held to maturity**". These are Singapore Government securities that the Group holds for satisfying regulatory liquidity requirements and are held within the "Others" segment.

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

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

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

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

Reclassification of financial assets
When the purpose for holding a financial asset changes, or when FRS otherwise requires it, non-derivative financial assets are reclassified accordingly. Financial assets may be classified out of the fair value through profit or loss or available-for-sale categories only in particular circumstances as prescribed by FRS 39. In 2008 and 2009, the Group reclassified certain financial assets between categories as a result of a change in its holding intention. The reclassifications have had no material impact on the income statement and statement of comprehensive income for the current period.

Determination of fair value
The fair value of financial assets is the price that would be received if the asset is sold in an orderly transaction between market participants at the measurement date. Fair value is generally estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value. The determination of fair value is considered a significant accounting policy for the Group and further details are disclosed in Note 40 on fair value measurements.

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

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

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

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

2.10 CASH AND CASH EQUIVALENTS

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

2.11 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

Specific allowances for credit losses

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

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

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

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

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

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

General allowances for credit losses

Apart from specific allowances, the Group also recognises general allowances for credit losses. The Group maintains a level of allowances that is deemed sufficient to absorb the estimated credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). The Group maintains general allowances of at least 1% of credit exposures arising from both on and off-balance sheet items (against which specific allowances have not been made), adjusted for collateral held. This is in accordance with the transitional arrangements under Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

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

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

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

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

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

2.12 REPURCHASE AGREEMENTS

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

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

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

2.13 GOODWILL

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

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

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

2.14 PROPERTIES AND OTHER FIXED ASSETS

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

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Generally, the useful lives are as follows:

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

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

2.15 FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

Please refer also to Note 40 for further fair value measurement disclosures.

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

2.16 LOAN COMMITMENTS, LETTERS OF CREDIT AND FINANCIAL GUARANTEES

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

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

Financial guarantees
A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee is given. This is generally the amount (fee) paid by the counterparty. Subsequently, the fee is recognised over time as income in accordance with the principles in Note 2.8.

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

2.17 PROVISIONS AND OTHER LIABILITIES

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

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

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

2.18 SHARE CAPITAL AND OTHER INSTRUMENTS CLASSIFIED AS EQUITY

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

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

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

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

D) Other Specific Topics

2.19 HEDGING AND HEDGE ACCOUNTING

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

In some cases, where the strict criteria in FRS 39 are met, hedge accounting is applied as set out in subsequent paragraphs. At the inception of each hedging relationship, the Group documents the relationship between the hedging instrument and hedged item; the risk management objective for undertaking the hedge transaction; and the methods used to assess the effectiveness of the hedge. At inception and on an on-going basis, the Group also documents its assessment of whether the hedging instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

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

For a qualifying fair value hedge, the changes in the fair value of the hedging derivatives are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over its remaining maturity, using the effective interest method.

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

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

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

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

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

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

Please refer to Note 37.2 for disclosures on hedging derivatives.

2.20 EMPLOYEE BENEFITS

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

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

2.21 SHARE-BASED COMPENSATION

Employee benefits also include share-based compensation, namely the DBSH Share Ownership Scheme (the Scheme), the DBSH Share Option Plan, the DBSH Share Plan and the DBSH Employee Share Plan (the Plans). The details of the Scheme and Plans are described in Note 38.

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

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

2.22 CURRENT AND DEFERRED TAXES

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

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exist and settlement in this fashion is intended. This applies generally when they arise from the same tax reporting group and relate to the same tax authority.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

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

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

3 CRITICAL ACCOUNTING ESTIMATES

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

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

3.1 IMPAIRMENT ALLOWANCES

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

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

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

3.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Please refer to Note 40 for details on fair valuation and fair value hierarchy of the Group's financial instruments measured at fair value.

3.3 GOODWILL

The Group performs an impairment review to ensure that the carrying amount of a CGU to which goodwill is allocated does not exceed the recoverable amount of the CGU. Note 27 provides details of goodwill as of the reporting date.

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

3.4 INCOME TAXES

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where uncertainty exists around the Group's tax position including resolution of any related appeals or litigation processes, appropriate provisions are provided based on technical merits of the positions with the same tax authority. Note 22 provides details of the Group's deferred tax assets/liabilities. In general, determination of the value of assets/liabilities relating to carry forward tax losses requires judgement.

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

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

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

5 NET INTEREST INCOME

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

6 NET FEE AND COMMISSION INCOME

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

(a) Includes net fee and commission income of $28 million (2012: $29 million), which is derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss is $671 million (2012: $603 million) during the year
(b) Includes trade & remittances, guarantees and deposit-related fees
(c) Cards fees are net of interchange fees paid

7 NET TRADING INCOME

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

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

8 NET INCOME FROM INVESTMENT SECURITIES

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

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

9 OTHER INCOME

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

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

10 EMPLOYEE BENEFITS

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

11 OTHER EXPENSES

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

(a) Includes hire and maintenance of computer hardware and software
(b) Includes rental expenses of office and branch premises of $216 million (2012: $178 million) and amounts incurred in the maintenance and service of buildings
(c) Includes office administration expenses (e.g. printing, stationery, telecommunications, etc), and legal and professional fees

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

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

12 ALLOWANCES FOR CREDIT AND OTHER LOSSES

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

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

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

13 INCOME TAX EXPENSE

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

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

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

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

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

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

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

14 EARNINGS PER ORDINARY SHARE

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

Amount under $500,000

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

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

15 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

These agreements include derivative master agreements (including the International Swaps and Derivatives Association (ISDA) Master Agreement), global master repurchase agreements and global securities lending agreements. The collateral received and posted under these agreements are generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge those non-cash collateral (i.e. securities) lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to pay additional cash collateral, and typically the counterparty has recourse only to the securities.

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

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the Group's balance sheet but are subject to enforceable master netting arrangement or similar agreement that covers similar financial instruments. The disclosures enable the understanding of both the gross and net amounts (for IFRS and US GAAP readers respectively), as well as provide additional information on how such credit risk is mitigated.

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

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

(a) Derivatives are measured at fair value through profit or loss

(b) Related amounts under "Financial Instruments" are prepared on the same basis as netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) as set out under MAS Notice 637 (unaudited), which incorporates a conservative stance on enforceable netting. Accordingly, the amounts shown under "Financial assets/liabilities not in scope of offsetting disclosures" are those where either no netting agreement exists or where the netting agreement has not been recognised for computation of CAR

(c) Reverse repurchase agreements shown above are the aggregate of transactions recorded in separate line items on the balance sheet, namely "Cash and balances with central banks", "Due from banks", and "Loans and advances to customers". These transactions are measured at either fair value through profit or loss or amortised cost

(d) Cash collateral placed under securities borrowings are presented under "Other assets" on the balance sheet, and are measured at amortised cost

(e) Repurchase agreements shown above is the aggregate of transactions recorded in separate line items on the balance sheet, namely "Due to banks", and "Deposits and balances from customers". These transactions are measured at either fair value through profit or loss or amortised cost

(f) Cash collateral placed under securities lendings are presented under "Other liabilities" on the balance sheet, and are measured at amortised cost

16 CASH AND BALANCES WITH CENTRAL BANKS

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

(a) Mandatory balances with central banks

17 GOVERNMENT SECURITIES AND TREASURY BILLS

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

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

18 BANK AND CORPORATE SECURITIES

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

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

19 LOANS AND ADVANCES TO CUSTOMERS

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

Refer to Note 41.4 for breakdown of loans and advances to customers by country of incorporation of borrower and industry.

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

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2013					
Specific allowances[(a)]					
Manufacturing	**222**	**108**	**(100)**	**10**	**240**
Building and construction	**34**	**30**	**(23)**	**1**	**42**
Housing loans	**10**	**(2)**	**–**	**1**	**9**
General commerce	**149**	**139**	**(154)**	**8**	**142**
Transportation, storage and communications	**501**	**(54)**	**(3)**	**21**	**465**
Financial institutions, investment and holding companies	**232**	**13**	**(105)**	**6**	**146**
Professionals and private individuals (excluding housing loans)	**45**	**166**	**(166)**	**3**	**48**
Others	**24**	**16**	**(1)**	**(2)**	**37**
Total specific allowances	**1,217**	**416**	**(552)**	**48**	**1,129**
Total general allowances	**2,092**	**310**	**–**	**(4)**	**2,398**
Total allowances	**3,309**	**726**	**(552)**	**44**	**3,527**
2012					
Specific allowances[(a)]					
Manufacturing	223	26	(19)	(8)	222
Building and construction	37	(3)	1	(1)	34
Housing loans	11	(1)	–	–	10
General commerce	125	46	(17)	(5)	149
Transportation, storage and communications	282	227	(9)	1	501
Financial institutions, investment and holding companies	392	(152)	(5)	(3)	232
Professionals and private individuals (excluding housing loans)	63	76	(90)	(4)	45
Others	55	(21)	(10)	–	24
Total specific allowances	1,188	198	(149)	(20)	1,217
Total general allowances	1,919	181	–	(8)	2,092
Total allowances	3,107	379	(149)	(28)	3,309

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

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

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

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

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was a loss of $77 million (2012: gain of $16 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a gain of $77 million (2012: loss of $16 million).

20 FINANCIAL ASSETS TRANSFERRED

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

Transferred assets are derecognised in the Group's financial statements when substantially all of their risks and rewards are also transferred. Among them is pledged collateral (mainly cash) for derivative transactions under credit support annexes agreements. Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2013 and 2012.

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

Securities

Securities transferred under repurchase agreements and securities lending arrangements are generally conducted under terms in line with normal market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to pay additional cash collateral. The counterparty typically has no further recourse to the Group's other assets beyond the transferred securities.

For repurchase agreements, the securities transferred are either classified as "fair value through profit or loss" or "available-for-sale". The Group receives cash in exchange and records a financial liability for the cash received. The fair value of the associated liabilities approximates the carrying amount of $2,010 million (2012: $3,335 million), which are recorded under "Due to banks" and "Deposits and balances from customers" on the balance sheet.

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

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

Loans

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

21 OTHER ASSETS

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

22 DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in "Other assets" (Note 21) and "Other liabilities" (Note 29) respectively.

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

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

In $ millions	The Group 2013		
Deferred income tax assets	**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January	**136**	**73**	**209**
Credit to income statement	**51**	**12**	**63**
Balance at 31 December	**187**	**85**	**272**

Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale financial assets and others**	**Other temporary differences**	**Total**
Balance at 1 January	**(89)**	**(47)**	**(12)**	**(148)**
(Charge)/Credit to income statement	**(3)**	**–**	**1**	**(2)**
Credit to equity	**–**	**41**	**–**	**41**
Balance at 31 December	**(92)**	**(6)**	**(11)**	**(109)**

In $ millions	The Group 2012		
Deferred income tax assets	**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January	142	84	226
Charge to income statement	(6)	(11)	(17)
Balance at 31 December	136	73	209

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale financial assets and others	Other temporary differences	Total
Balance at 1 January	(82)	(3)	(22)	(107)
Credit/(Charge) to income statement	(7)	–	10	3
Charge to equity	–	(44)	–	(44)
Balance at 31 December	(89)	(47)	(12)	(148)

23 SUBSIDIARIES AND OTHER CONTROLLED ENTITIES

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

23.1 MAIN OPERATING SUBSIDIARIES

The main operating subsidiaries of the Group are listed below:

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

* *Audited by PricewaterhouseCoopers network firms outside Singapore*

23.2 SPECIAL PURPOSE ENTITIES

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

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

24 JOINT VENTURES

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

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

The main joint venture of the Group is listed below:

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

* *Audited by PricewaterhouseCoopers network firms outside Singapore*

25 ASSOCIATES

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

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

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

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

25.1 MAIN ASSOCIATES

The main associates of the Group are listed below:

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

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

25.2 ACQUISITION AND DISPOSAL OF INTERESTS IN ASSOCIATES

Acquisition of 33% equity stake in Central Boulevard Development Pte Ltd (CBDPL)
On 31 December 2012, the Group acquired a 30% stake in Marina Bay Financial Centre Tower 3 by buying a 30% interest in CBDPL. The purchase was done via Heedum Pte Ltd (Heedum), a wholly-owned subsidiary, from Choicewide Group Limited (CGL), a joint venture of Cheung Kong (Holdings) Ltd and Hutchison Whampoa Limited. The acquisition was structured as a purchase from CGL of the 30% equity interest it holds in, and its associated shareholder's loan it had advanced to, CBDPL for an aggregate purchase consideration of $1.04 billion.

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

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

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

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

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

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

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

26 PROPERTIES AND OTHER FIXED ASSETS

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

The minimum lease receivables as at the balance sheet date are as follows:

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

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

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

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

26.2 The market values of investment properties are determined using investment method, or using a combination of comparable sales and investment methods. The properties are classified under Level 3 of the fair value hierarchy and the significant unobservable input used for valuation is market yields. As of 31 December 2013, there were no transfers into or out of Level 3.

27 GOODWILL

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

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

Key assumptions used for value-in-use calculations:

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

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

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

The process of evaluating goodwill impairment involves management judgement and prudent estimates of various factors including future cash flows as well as the cost of capital and long-term growth rates. The results can be highly sensitive to the assumptions used. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating unit to exceed its recoverable amount at 31 December 2013. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be further impaired in future periods.

28 DEPOSITS AND BALANCES FROM CUSTOMERS[a]

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

(a) Refer to Note 2.3 on change in balance sheet presentation

29 OTHER LIABILITIES

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

30 OTHER DEBT SECURITIES

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

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

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

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

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

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

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

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

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

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

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

31 SUBORDINATED TERM DEBTS

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

In $ million					The Group	
Instrument	Note	Issue date	Maturity date	Interest payment	2013	2012
Issued by the Bank						
US$750m 5.00% Subordinated Notes Callable with Step-up in 2014 *Interest rate resets to 6-month LIBOR plus 1.61% if not called*	31.1	1 Oct 2004	15 Nov 2019	May/Nov	**966**	951
US$900m Floating Rate Subordinated Notes Callable with Step-up in 2016 *Interest rate equal to 3-month LIBOR plus 0.61% until call date* *Interest rate resets to 3-month LIBOR plus 1.61% thereafter if not called*		16 Jun 2006	15 Jul 2021	Jan/Apr/Jul/Oct	**1,139**	1,100
S$500m 4.47% Subordinated Notes Callable with Step-up in 2016 *Interest rate resets to 6-month Singapore Dollar Swap Offer Rate plus 1.58% if not called*		11 Jul 2006	15 Jul 2021	Jan/Jul	**500**	500
S$1,000m 3.30% Subordinated Notes Callable in 2017 *Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.147% if not called*	31.2	21 Feb 2012	21 Feb 2022	Feb/Aug	**1,004**	1,013
US$750m 3.625% Subordinated Notes Callable in 2017 *Interest rate resets to 5-year US Dollar Swap Offer Rate plus 2.229% if not called*	31.3	21 Mar 2012	21 Sep 2022	Mar/Sep	**953**	939
S$1,000m 3.10% Subordinated Notes Callable in 2018 *Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.085% if not called*	31.4	14 Aug 2012	14 Feb 2023	Feb/Aug	**982**	1,002
Total					**5,544**	5,505
Due within 1 year					**–**	–
Due after 1 year					**5,544**	5,505
Total					**5,544**	5,505

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

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

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

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

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

32 SHARE CAPITAL

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

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

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

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

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

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

33 OTHER EQUITY INSTRUMENTS

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

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

The Company purchased existing Preference Shares representing an aggregate liquidation preference of S$805 million and issued S$805 million Capital Securities on 3 December 2013 at 4.70%.

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

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

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

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

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

34 OTHER RESERVES AND REVENUE RESERVES

34.1 OTHER RESERVES

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

Movements in other reserves during the year are as follows:

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
	The Group						
2013							
Balance at 1 January	**634**	**(1)**	**2,453**	**(229)**	**101**	**4,271**	**7,229**
Net exchange translation adjustments	**–**	**–**	**–**	**(91)**	**–**	**–**	**(91)**
Share of associates' reserves	**–**	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Cost of share-based payments	**–**	**–**	**–**	**–**	**76**	**–**	**76**
Reclassification of reserves upon exercise of share options	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Draw down of reserves upon vesting of performance shares	**–**	**–**	**–**	**–**	**(37)**	**–**	**(37)**
Available-for-sale financial assets and others:							
– net valuation taken to equity	**(507)**	**(35)**	**–**	**–**	**–**	**–**	**(542)**
– transferred to income statement	**(197)**	**21**	**–**	**–**	**–**	**–**	**(176)**
– tax on items taken directly to or transferred from equity	**40**	**1**	**–**	**–**	**–**	**–**	**41**
Balance at 31 December	**(30)**	**(14)**	**2,453**	**(324)**	**136**	**4,271**	**6,492**
2012							
Balance at 1 January	411	(16)	2,453	(130)	86	4,271	7,075
Net exchange translation adjustments	–	–	–	(99)	–	–	(99)
Share of associates' reserves	(3)	–	–	–	–	–	(3)
Cost of share-based payments	–	–	–	–	68	–	68
Reclassification of reserves upon exercise of share options	–	–	–	–	(2)	–	(2)
Draw down of reserves upon vesting of performance shares	–	–	–	–	(51)	–	(51)
Available-for-sale financial assets and others:							
– net valuation taken to equity	613	9	–	–	–	–	622
– transferred to income statement	(345)	8	–	–	–	–	(337)
– tax on items taken directly to or transferred from equity	(42)	(2)	–	–	–	–	(44)
Balance at 31 December	634	(1)	2,453	(229)	101	4,271	7,229

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

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

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

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

34.2 REVENUE RESERVES

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

Amount under $500,000

34.3 PROPOSED DIVIDEND

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

35 NON-CONTROLLING INTERESTS

The following preference shares issued by subsidiaries of the Group are classified as non-controlling interests. These instruments have a deeply subordinated claim on the issuing entity's assets in the event of a default or liquidation. These instruments are in the first instance ineligible as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-down at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Tier 1 capital for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

In $ millions Instrument	Note	Issuance date	Liquidation preference	Dividend payment	The Group 2013	2012
Issued by the Bank						
S$1,700m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	35.1	22 Oct 2010	$250,000	Apr/Oct	**895**	1,700
S$800m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	35.2	22 Nov 2010	$100	May/Nov	**800**	800
Issued by DBS Capital Funding II Corporation						
S$1,500m 5.75% Non-Cumulative, Non-Convertible, Non-Voting, Guaranteed Preference Shares Callable with Step-up in 2018	35.3	27 May 2008	$250,000	Jun/Dec	**1,500**	1,500
Non-controlling interests in subsidiaries					**258**	261
Total					**3,453**	4,261

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

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

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

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

36 CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

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

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

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

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

37 FINANCIAL DERIVATIVES

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

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

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

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

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

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

Foreign exchange derivatives

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

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

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

Equity derivatives

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

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

Credit derivatives

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

Commodity derivatives

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

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

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

37.1 TRADING DERIVATIVES

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

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

37.2 HEDGING DERIVATIVES

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

Fair value hedges

The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. For the year ended 31 December 2013, the gain on hedging instruments was $59 million (2012: $144 million). The total loss on hedged items attributable to the hedged risk amounted to $59 million (2012: $143 million).

Cash flow hedges

The Group's cash flow hedges consist principally of currency forwards and currency swaps transacted to hedge highly probable forecast transactions expected to occur at various future dates against variability in exchange rates. The currency forwards and currency swaps have maturity dates that coincide within the expected occurrence of these transactions. The hedged cash flows are expected to occur over next 3 years following the balance sheet date, and are expected to affect profit or loss in the same period these cash flows occur. The ineffectiveness arising from these hedges was insignificant.

Net investment hedges

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

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

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

The table on the following page summarises the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes. The notional or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet date, and do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as derivative assets or derivative liabilities. Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There was no offset of derivative assets and liabilities in 2013 and 2012.

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

Amounts less than $500,000

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,122 billion (2012: $1,025 billion) and $437 billion (2012: $401 billion) respectively. These positions were mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

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

38 SHARE-BASED COMPENSATION PLANS

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

Main Scheme/Plan	Note
DBSH Share Plan (Share Plan) • Share Plan is granted to Group executives as determined by the Committee appointed to administer the Share Plan from time to time. • Participants are awarded shares of the Company, their equivalent cash value or a combination. • Awards consist of main award and retention award (20% of main awards). • The vesting of main award is staggered between 2 – 4 years after grant i.e. 33% will vest 2 years after grant. Another 33% will vest on the third year and the remainder 34% plus the retention award will vest 4 years after grant. • The fair value of the shares awarded is computed based on the market price of the ordinary shares at the time of the award.	38.1
DBSH Employee Share Plan (ESP) • ESP caters to employees not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of the Company, their equivalent cash value or a combination of both (at the discretion of the Committee), when time-based conditions are met. • The awards structure and vesting conditions are similar to Share Plan. • There are no additional retention awards for shares granted to top performers and key employees. • However, in specific cases where the award forms part of an employee's annual performance remuneration, the retention award which constitutes 20% of the shares given in the main award will be granted. The shares in the retention award will vest 4 years after the date of grant.	38.1
DBSH Share Ownership Scheme • All Singapore based employees with at least one year of service who hold the rank of Assistant Vice President and below are eligible. • Participants contribute up to 10% of monthly salary and the Group will match up to 5% of monthly base salary to buy units of the Company's ordinary shares.	38.2
DBSH Share Option Plan (Option Plan) • The Option Plan expired on 19 June 2009. Its termination does not affect the rights of holders of outstanding existing options. • Option Plan is granted to eligible Group executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent). • The exercise price is equal to the average of the last dealt prices for the Company's share as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd, for the three consecutive trading days immediately preceding the date of the grant. • The options vest over a period in accordance to vesting schedule and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. • The fair value of options granted is determined using the Binomial model.	38.3

38.1 DBSH SHARE PLAN AND DBSH EMPLOYEE SHARE PLAN

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

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

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

38.2 DBSH SHARE OWNERSHIP SCHEME

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

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

38.3 DBSH SHARE OPTION PLAN

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

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

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

39 RELATED PARTY TRANSACTIONS

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

39.2 During the financial year, the Group had banking transactions with related parties, consisting of associates, joint ventures and key management personnel of the Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and were not material. In addition, key management personnel received remuneration for services rendered during the financial year. Non-cash benefits including performance shares were also granted.

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

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

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

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

40.1 VALUATION PROCESS

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

The Rates framework governs the daily revaluation of all financial assets and liabilities that are fair value measured, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model. Products with a liquid market or those traded via an exchange will fall under the former while most over-the-counter (OTC) exotic products will form the latter. Market parameters include interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates.

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

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

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

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

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

Where unobservable inputs are used in these models resulting in Level 3 classification, valuation adjustments or reserves will be taken for the purpose of adjusting for uncertainty in valuations. Valuation adjustment or reserve methodologies are used to substantiate the unobservable inputs and attempt to quantify the level of uncertainty in valuations. Such methodologies are governed by the Reserve Framework and require approval by the Group Market and Liquidity Risk Committee.

The main valuation adjustments and reserves are described below:

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

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

Credit risk adjustment

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

Day 1 profit or loss (P&L) reserve

In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, Day 1 P&L reserve is utilised to defer the P&L arising from the difference between the transaction price and the model value. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to income statement 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 was not material.

Bid offer adjustment

The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid market levels. Bid offer adjustments are then made to adjust net open position valuations to the respective bid or offer levels as appropriate.

40.2 FAIR VALUE HIERARCHY

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

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

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

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data such as correlation or volatilities as well as unquoted equity securities. The fair value of unquoted equity securities is measured in comparison with recent transactions in the equity of the company in question or comparable companies in similar industries. Level 3 inputs also include all quoted security prices that have not been updated for more than 3 months, quoted proxies in active markets for non-similar asset classes (e.g. bonds marked over credit default swap spreads), as well as prices/valuations that are obtained from counterparties. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

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

In $ millions	The Group Level 1	Level 2	Level 3	Total
2013				
Assets				
Financial assets at fair value through profit or loss				
– Singapore Government securities and treasury bills	**2,013**	**–**	**–**	**2,013**
– Other government securities and treasury bills	**4,207**	**–**	**–**	**4,207**
– Bank and corporate debt securities	**6,808**	**857**	**539**	**8,204**
– Equity securities	**437**	**147**	**–**	**584**
– Other financial assets	**–**	**3,258**	**–**	**3,258**
Available-for-sale financial assets				
– Singapore Government securities and treasury bills	**7,332**	**–**	**–**	**7,332**
– Other government securities and treasury bills	**13,297**	**60**	**–**	**13,357**
– Bank and corporate debt securities	**8,982**	**2,543**	**26**	**11,551**
– Equity securities[(a)]	**889**	**2**	**131**	**1,022**
– Other financial assets	**253**	**5,381**	**–**	**5,634**
Derivatives	**50**	**17,355**	**21**	**17,426**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Other debt securities	**–**	**3,595**	**21**	**3,616**
– Other financial liabilities	**1,353**	**2,025**	**–**	**3,378**
Derivatives	**40**	**18,041**	**51**	**18,132**
2012				
Assets				
Financial assets at fair value through profit or loss				
– Singapore Government securities and treasury bills	2,639	–	–	2,639
– Other government securities and treasury bills	6,206	–	–	6,206
– Bank and corporate debt securities	3,470	1,107	97	4,674
– Equity securities	235	–	–	235
– Other financial assets	–	1,722	–	1,722
Available-for-sale financial assets				
– Singapore Government securities and treasury bills	10,294	–	–	10,294
– Other government securities and treasury bills	17,262	–	–	17,262
– Bank and corporate debt securities	7,204	2,619	36	9,859
– Equity securities[(a)]	702	43	126	871
– Other financial assets	–	4,225	–	4,225
Derivatives	29	17,229	22	17,280
Liabilities				
Financial liabilities at fair value through profit or loss				
– Other debt securities	–	3,493	25	3,518
– Other financial liabilities	1,861	2,469	1	4,331
Derivatives	19	17,502	11	17,532

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

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

	Balance at 1 January	Fair value gains or losses		Purchases	Issues	Settlements	Transfers in	Transfers out	Balance at 31 December
In $ millions		**Profit or loss**	**Other comprehensive income**						
2013									
Assets									
Financial assets at fair value through profit or loss									
– Bank and corporate debt securities	**97**	**(23)**	**–**	**477**	**–**	**(12)**	**–**	**–**	**539**
Available-for-sale financial assets									
– Bank and corporate debt securities	**36**	**–**	**1**	**–**	**–**	**(11)**	**–**	**–**	**26**
– Equity securities	**126**	**8**	**16**	**3**	**–**	**(22)**	**–**	**–**	**131**
Derivatives	**22**	**2**	**–**	**–**	**–**	**–**	**6**	**(9)**	**21**
Liabilities									
Financial liabilities at fair value through profit or loss									
– Other debt securities	**25**	**–**	**–**	**–**	**–**	**(4)**	**–**	**–**	**21**
– Other financial liabilities	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**
Derivatives	**11**	**(4)**	**–**	**51**	**–**	**–**	**–**	**(7)**	**51**
2012									
Assets									
Financial assets at fair value through profit or loss									
– Bank and corporate debt securities	210	(38)	–	6	–	(97)[a]	25	(9)	97
Available-for-sale financial assets									
– Bank and corporate debt securities	286	–	(15)	–	–	(216)[a]	–	(19)	36
– Equity securities	278	15	(12)	18	–	(27)	–	(146)	126
Derivatives	18	(21)	–	–	–	(5)	34	(4)	22
Liabilities									
Financial liabilities at fair value through profit or loss									
– Other debt securities	28	(3)	–	–	–	(24)	25	(1)	25
– Other financial liabilities	–	–	–	–	1	–	–	–	1
Derivatives	18	–	–	–	3	(6)	7	(11)	11

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

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

During the year, the Group transferred financial assets and liabilities consisting primarily corporate bonds of $264 million (2012: $112 million) from Level 1 to Level 2 due to reduced market activity for these financial instruments.

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

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

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

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

As at 31 December 2013, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted equity investments, bank and corporate debt securities, interest rate and credit derivatives and financial liabilities from structured product issuances.

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

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

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

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

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

40.3 FINANCIAL ASSETS & LIABILITIES NOT CARRIED AT FAIR VALUE

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

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

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

For unquoted equities not carried at fair value, fair values have been estimated by reference to the net tangible asset backing of the investee. Unquoted equities of $278 million as at 31 December 2013 (2012: $228 million) were stated at cost less accumulated impairment losses because the fair value cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of such instruments through public listing or trade sale.

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

41 CREDIT RISK

41.1 MAXIMUM EXPOSURE TO CREDIT RISK

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

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

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

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

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

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

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

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

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

41.2 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are summarised as follows:

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

(i) Loans and advances neither past due nor impaired, analysed by loan grading and industry

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice to Banks No. 612, "Credit Files, Grading and Provisioning" are as follows:

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

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

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

	The Group			
In $ millions	Less than 30 days past due	30-59 days past due	60-90 days past due	Total
2013				
Manufacturing	**79**	**29**	**3**	**111**
Building and construction	**133**	**87**	**23**	**243**
Housing loans	**354**	**43**	**27**	**424**
General commerce	**65**	**10**	**4**	**79**
Transportation, storage and communications	**20**	**4**	**2**	**26**
Financial institutions, investment and holding companies	**73**	**–**	**–**	**73**
Professionals and private individuals (excluding housing loans)	**373**	**71**	**15**	**459**
Others	**63**	**7**	**3**	**73**
Total	**1,160**	**251**	**77**	**1,488**
2012				
Manufacturing	93	17	4	114
Building and construction	82	1	6	89
Housing loans	180	14	3	197
General commerce	122	18	3	143
Transportation, storage and communications	5	–	–	5
Financial institutions, investment and holding companies	–	–	–	–
Professionals and private individuals (excluding housing loans)	88	10	2	100
Others	84	12	1	97
Total	654	72	19	745

(iii) Non-performing assets (NPAs)

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

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

Non-performing assets by loan grading and industry

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

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

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

(b) 2012 NPAs and specific allowances for customer loans each includes $85 million in interest receivables

Non-performing assets by region[a]

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

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

Non-performing assets by past due period

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

Collateral value for non-performing assets

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

Past due non-performing assets by industry

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

Past due non-performing assets by region[a]

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

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

41.3 CREDIT QUALITY OF GOVERNMENT SECURITIES AND TREASURY BILLS AND BANK AND CORPORATE DEBT SECURITIES

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

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

41.4 CREDIT RISK BY GEOGRAPHY AND INDUSTRY

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

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

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

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

42 LIQUIDITY RISK

42.1 CONTRACTUAL MATURITY PROFILE OF ASSETS AND LIABILITIES

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

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	More than 3 years	No specific maturity	Total
2013								
Cash and balances with central banks	15,240	586	671	2,007	222	–	–	18,726
Government securities and treasury bills	94	1,803	4,284	9,739	4,453	7,124	–	27,497
Due from banks	14,134	5,124	9,143	11,013	403	–	–	39,817
Derivatives[(a)]	17,426	–	–	–	–	–	–	17,426
Bank and corporate securities	83	1,548	4,267	3,800	6,956	15,008	1,884	33,546
Loans and advances to customers	16,115	29,755	27,852	47,190	48,153	79,589	–	248,654
Other assets	1,898	468	583	2,807	390	2,168	611	8,925
Associates	–	–	–	–	–	–	1,166	1,166
Properties and other fixed assets	–	–	–	–	–	–	1,449	1,449
Goodwill	–	–	–	–	–	–	4,802	4,802
Total assets	64,990	39,284	46,800	76,556	60,577	103,889	9,912	402,008
Due to banks	6,414	2,268	2,566	1,285	1,039	–	–	13,572
Deposits and balances from customers	187,914	40,730	34,087	26,196	2,992	446	–	292,365
Derivatives[(a)]	18,132	–	–	–	–	–	–	18,132
Other liabilities	2,215	1,083	141	3,711	555	2,558	1,331	11,594
Other debt securities	682	2,512	5,939	7,975	2,779	3,228	–	23,115
Subordinated term debts	–	–	–	–	–	5,544	–	5,544
Total liabilities	215,357	46,593	42,733	39,167	7,365	11,776	1,331	364,322
Non-controlling interests	–	–	–	–	–	–	3,453	3,453
Shareholders' funds	–	–	–	–	–	–	34,233	34,233
Total equity	–	–	–	–	–	–	37,686	37,686

(a) Derivatives financial assets and liabilities are included in the "Less than 7 days" bucket as they are mainly held for trading. Refer to the table in Note 42.2 on cash flows associated with these derivatives

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	More than 3 years	No specific maturity	Total
2012								
Cash and balances with central banks	10,257	1,974	4,160	1,381	–	–	–	17,772
Government securities and treasury bills	172	1,616	5,166	10,747	11,486	7,239	–	36,426
Due from banks	7,588	4,307	5,664	10,509	1,245	93	–	29,406
Derivatives[(a)]	17,280	–	–	–	–	–	–	17,280
Bank and corporate securities	17	758	855	3,921	7,731	10,832	1,334	25,448
Loans and advances to customers	14,566	23,445	21,014	34,295	44,614	72,585	–	210,519
Other assets	3,313	159	505	1,454	2,947	233	91	8,702
Associates	–	–	–	–	–	–	1,236	1,236
Properties and other fixed assets	–	–	–	–	–	–	1,442	1,442
Goodwill	–	–	–	–	–	–	4,802	4,802
Total assets	53,193	32,259	37,364	62,307	68,023	90,982	8,905	353,033
Due to banks	9,619	2,221	1,827	126	1,192	366	–	15,351
Deposits and balances from customers	159,738	34,136	28,735	26,609	3,575	671	–	253,464
Derivatives[(a)]	17,532	–	–	–	–	–	–	17,532
Other liabilities	6,434	1,169	381	2,152	587	676	30	11,429
Other debt securities	1,222	2,729	2,488	2,059	2,124	3,132	–	13,754
Subordinated term debts	–	–	–	–	–	5,505	–	5,505
Total liabilities	194,545	40,255	33,431	30,946	7,478	10,350	30	317,035
Non-controlling interests	–	–	–	–	–	–	4,261	4,261
Shareholders' funds	–	–	–	–	–	–	31,737	31,737
Total equity	–	–	–	–	–	–	35,998	35,998

(a) Derivatives financial assets and liabilities are included in the "Less than 7 days" bucket as they are mainly held for trading. Refer to the table in Note 42.2 on cash flows associated with these derivatives

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

42.2 DERIVATIVES

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

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

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

42.3 CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

43 CAPITAL MANAGEMENT

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

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

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

44 SEGMENT REPORTING

44.1 BUSINESS SEGMENT REPORTING

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

The various business segments are described below:

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

Institutional Banking
Institutional Banking provides financial services and products to institutional clients including bank and non-bank financial institutions, government-linked companies, large corporates and small and medium-sized businesses. The business focuses on broadening and deepening customer relationships. Products and services comprise the full range of credit facilities from short term working capital financing to specialised lending. It also provides global transactional services such as cash management, trade finance and securities and fiduciary services; treasury and markets products; corporate finance and advisory banking as well as capital markets solutions. In addition, Institutional Banking also includes Islamic Bank of Asia. From 1 January 2013, DBS Vickers Securities, which provides equities and derivatives brokerage services, has been classified under the "Others" segment. Historical figures have been reclassified accordingly.

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

Others
Others encompasses a range of activities from corporate decisions and income and expenses not attributed to the business segments, including capital and balance sheet management, funding and liquidity. DBS Vickers Securities has also been included in this segment.

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

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

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

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

44.2 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**
2013						
Net interest income	**3,487**	**1,016**	**456**	**405**	**205**	**5,569**
Non-interest income	**2,099**	**847**	**287**	**195**	**101**	**3,529**
Total income	**5,586**	**1,863**	**743**	**600**	**306**	**9,098**
Expenses	**2,288**	**717**	**548**	**283**	**82**	**3,918**
Allowances for credit and other losses	**335**	**142**	**76**	**126**	**91**	**770**
Share of profits of associates	**13**	**–**	**8**	**58**	**–**	**79**
Profit before tax	**2,976**	**1,004**	**127**	**249**	**133**	**4,489**
Income tax expense	**344**	**153**	**35**	**50**	**33**	**615**
Net profit attributable to shareholders	**2,431**	**851**	**92**	**198**	**100**	**3,672**
Total assets before goodwill	**258,580**	**65,783**	**43,132**	**16,466**	**13,245**	**397,206**
Goodwill	**4,802**	**–**	**–**	**–**	**–**	**4,802**
Total assets	**263,382**	**65,783**	**43,132**	**16,466**	**13,245**	**402,008**
Non-current assets[(d)]	**2,124**	**355**	**103**	**31**	**2**	**2,615**
2012						
Net interest income	3,209	886	510	451	229	5,285
Non-interest income	2,207	646	153	140	83	3,229
Total income	5,416	1,532	663	591	312	8,514
Expenses	2,088	678	498	275	75	3,614
Allowances for credit and other losses	318	11	34	38	16	417
Share of profits of associates	19	–	6	99	–	124
Profit before tax	3,029	843	137	377	221	4,607
Income tax expense	290	127	27	84	60	588
Net profit attributable to shareholders	2,529	716	110	293	161	3,809
Total assets before goodwill	225,678	56,577	35,317	16,860	13,799	348,231
Goodwill	4,802	–	–	–	–	4,802
Total assets	230,480	56,577	35,317	16,860	13,799	353,033
Non-current assets[(d)]	2,189	355	111	21	2	2,678

(a) Rest of Greater China includes branch, subsidiary and associate operations in Mainland China and Taiwan
(b) South and Southeast Asia includes branch, subsidiary and associate operations in India, Indonesia, Malaysia, Vietnam and the Philippines
(c) Rest of the World includes branch operations in South Korea, Japan, Dubai, United States of America and United Kingdom
(d) Includes investment in associates, properties and other fixed assets

45 COMPARATIVES

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

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

DBS Bank Ltd

INCOME STATEMENT

for the year ended 31 December 2013

In $ millions	Note	2013	2012
Income			
Interest income		**5,614**	5,396
Interest expense		**1,502**	1,571
Net interest income		**4,112**	3,825
Net fee and commission income		**1,276**	1,085
Net trading income		**491**	690
Net income from investment securities		**248**	366
Other income	2	**372**	380
Total income		**6,499**	6,346
Expenses			
Employee benefits		**1,298**	1,140
Other expenses		**1,177**	1,116
Allowances for credit and other losses		**556**	342
Total expenses		**3,031**	2,598
Profit before tax		**3,468**	3,748
Income tax expense		**463**	450
Net profit		**3,005**	3,298

(see notes on pages 179 to 180, which form part of these financial statements)

DBS Bank Ltd

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

In $ millions	2013	2012
Net profit	**3,005**	3,298
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**(52)**	2
Available-for-sale financial assets and others:		
Net valuation taken to equity	**(530)**	599
Transferred to income statement	**(163)**	(327)
Tax on items taken directly to or transferred from equity	**40**	(43)
Other comprehensive income, net of tax	**(705)**	231
Total comprehensive income	**2,300**	3,529

(see notes on pages 179 to 180, which form part of these financial statements)

DBS Bank Ltd

BALANCE SHEET

as at 31 December 2013

In $ millions	Note	2013	2012
Assets			
Cash and balances with central banks		**11,652**	11,652
Government securities and treasury bills		**23,640**	31,520
Due from banks		**31,686**	22,661
Derivatives		**16,764**	16,982
Bank and corporate securities		**30,481**	22,694
Loans and advances to customers		**191,887**	160,567
Other assets		**4,997**	5,083
Associates		**431**	649
Subsidiaries	3	**18,222**	15,690
Properties and other fixed assets		**567**	552
Total assets		**330,327**	288,050
Liabilities			
Due to banks		**12,276**	13,613
Deposits and balances from customers		**224,649**	193,577
Derivatives		**17,535**	17,283
Other liabilities		**6,031**	5,999
Other debt securities		**21,476**	12,486
Due to holding company		**1,406**	822
Due to subsidiaries	4	**9,391**	7,129
Subordinated term debts		**5,544**	5,505
Total liabilities		**298,308**	256,414
Net assets		**32,019**	31,636
Equity			
Share capital	5	**17,096**	17,096
Other reserves	6	**2,274**	2,979
Revenue reserves	6	**12,649**	11,561
Shareholders' funds		**32,019**	31,636
Total equity		**32,019**	31,636

(see notes on pages 179 to 180, which form part of these financial statements)

DBS Bank Ltd

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

for the year ended 31 December 2013

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 2013. The statutory financial statements of the Bank and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2 OTHER INCOME

Other income includes the following:

In $ millions	2013	2012
Dividends from subsidiaries	**193**	7
Dividends from associates	**41**	82
Total	**234**	89

3 SUBSIDIARIES

In $ millions	2013	2012
Unquoted equity shares[(a)]	**12,578**	12,434
Less: impairment allowances	**741**	736
Sub-total	**11,837**	11,698
Due from subsidiaries	**6,382**	3,990
Total	**18,219**	15,688

(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	2013	2012
Balance at 1 January	**736**	813
Charge/(Write-back) to income statement	**5**	(7)
Write-off against investment cost	**–**	(70)
Balance at 31 December	**741**	736

4 DUE TO SUBSIDIARIES

In $ millions	2013	2012
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 4.1)	**1,500**	1,500
Due to subsidiaries	**7,891**	5,629
Total	**9,391**	7,129

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 semi-annually on 15 June and 15 December at a fixed rate of 5.75% per annum up to 15 June 2018. If these are not redeemed at the tenth year, interest will be payable quarterly on 15 March, 15 June, 15 September and 15 December at a floating rate of three-month Singapore Dollar Swap Offer Rate plus a stepped-up spread of 3.415% per annum.

5 SHARE CAPITAL

Issued and fully paid up	2013	2012
2,233,102,635 (2012: 2,233,102,635) ordinary shares	**2,233**	2,233
6,800 (2012: 6,800) 4.7% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	**#**	#
8,000,000 (2012: 8,000,000) 4.7% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	**8**	8
Total number of shares (millions)	**2,241**	2,241
Total Share Capital (in $ millions)	**17,096**	17,096

\# *Amount under 500,000*

6 OTHER RESERVES

6.1 OTHER RESERVES

In $ millions	2013	2012
Available-for-sale revaluation reserves	**(10)**	630
Cash flow hedge reserves	**(14)**	(1)
General reserves	**2,360**	2,360
Capital reserves	**(62)**	(10)
Total	**2,274**	2,979

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
2013					
Balance at 1 January	**630**	**(1)**	**2,360**	**(10)**	**2,979**
Net exchange translation adjustments	**–**	**–**	**–**	**(52)**	**(52)**
Available-for-sale financial assets and others:					
– net valuation taken to equity	**(495)**	**(35)**	**–**	**–**	**(530)**
– transferred to income statement	**(184)**	**21**	**–**	**–**	**(163)**
– tax on items taken directly to or transferred from equity	**39**	**1**	**–**	**–**	**40**
Balance at 31 December	**(10)**	**(14)**	**2,360**	**(62)**	**2,274**
2012					
Balance at 1 January	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	630	(1)	2,360	(10)	2,979

(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	2013	2012
Balance at 1 January	**11,561**	9,580
Net profit attributable to shareholders	**3,005**	3,298
Amount available for distribution	**14,566**	12,878
Less: Special dividend	**1,800**	1,200
4.7% tax exempt preference dividends (2012: 4.7% tax exempt)	**117**	117
Balance at 31 December	**12,649**	11,561