

Financial Statements

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DBS Group Holdings Ltd and its Subsidiaries

Consolidated Income Statement*for the year ended 31 December 2014*

In \$ millions	Note	2014	2013
Income			
Interest income		8,948	7,986
Interest expense		2,627	2,417
Net interest income	4	6,321	5,569
Net fee and commission income	5	2,027	1,885
Net trading income	6	901	1,095
Net income from investment securities	7	274	276
Other income	8	293	273
Total income		9,816	9,098
Expenses			
Employee benefits	9	2,294	2,065
Other expenses	10	2,036	1,853
Allowances for credit and other losses	11	667	770
Total expenses		4,997	4,688
Share of profits of associates and joint venture		79	79
Profit before tax		4,898	4,489
Income tax expense	12	713	615
Net profit		4,185	3,874
Attributable to:			
Shareholders		4,046	3,672
Non-controlling interests		139	202
		4,185	3,874
Basic earnings per ordinary share (\$)			
	13	1.63	1.50
Diluted earnings per ordinary share (\$)			
	13	1.61	1.48

(The notes on pages 129 to 179 as well as the Risk Management section on pages 87 to 117 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

In \$ millions	2014	2013
Net profit	4,185	3,874
Other comprehensive income:		
Foreign currency translation differences for foreign operations	96	(87)
Share of other comprehensive income of associates and joint venture	7	(4)
Available-for-sale financial assets and others		
Net valuation taken to equity	467	(542)
Transferred to income statement	(165)	(176)
Tax on items taken directly to or transferred from equity	(14)	41
Other comprehensive income, net of tax	391	(768)
Total comprehensive income	4,576	3,106
Attributable to:		
Shareholders	4,432	2,900
Non-controlling interests	144	206
	4,576	3,106

(The notes on pages 129 to 179 as well as the Risk Management section on pages 87 to 117 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Balance Sheets**as at 31 December 2014**

In \$ millions	Note	Group		Company	
		2014	2013	2014	2013
Assets					
Cash and balances with central banks	15	19,517	18,726		
Government securities and treasury bills	16	29,694	27,497		
Due from banks		42,263	39,817	13	
Derivatives	37	16,995	17,426	14	
Bank and corporate securities	17	37,763	33,546		
Loans and advances to customers	18	275,588	248,654		
Other assets	20	11,249	8,925		
Associates and joint venture	23	995	1,166		
Subsidiaries	22	–	–	19,416	12,547
Properties and other fixed assets	26	1,485	1,449		
Goodwill and intangibles	27	5,117	4,802		
Total assets		440,666	402,008	19,443	12,547
Liabilities					
Due to banks		16,176	13,572		
Deposits and balances from customers	28	317,173	292,365		
Derivatives	37	18,755	18,132		
Other liabilities	29	11,728	11,594	17	11
Other debt securities	30	31,963	23,115	1,661	
Subordinated term debts	31	4,665	5,544		
Total liabilities		400,460	364,322	1,678	11
Net assets		40,206	37,686	17,765	12,536
Equity					
Share capital	32	10,171	9,676	10,194	9,704
Other equity instruments	33	803	803	803	803
Other reserves	34	6,894	6,492	152	136
Revenue reserves	34	19,840	17,262	6,616	1,893
Shareholders' funds		37,708	34,233	17,765	12,536
Non-controlling interests	35	2,498	3,453		
Total equity		40,206	37,686	17,765	12,536

(The notes on pages 129 to 179 as well as the Risk Management section on pages 87 to 117 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 2014

In \$ millions	Share Capital	Other equity instruments	Other reserves	Revenue reserves	Total	Non-controlling interests	Total equity
2014							
Balance at 1 January	9,676	803	6,492	17,262	34,233	3,453	37,686
Issue of shares upon exercise of share options	13				13		13
Cost of share-based payments			88		88		88
Reclassification of reserves upon exercise of share options	4		(4)		–		–
Draw-down of reserves upon vesting of performance shares	68		(68)		–		–
Issue of shares pursuant to Scrip Dividend Scheme	489				489		489
Purchase of treasury shares	(79)				(79)		(79)
Redemption of preference shares of a subsidiary					–	(895)	(895)
Dividends paid to shareholders				(1,468)	(1,468)		(1,468)
Dividends paid to non-controlling interests					–	(141)	(141)
Change in non-controlling interests					–	(63)	(63)
Total comprehensive income			386	4,046	4,432	144	4,576
Balance at 31 December	10,171	803	6,894	19,840	37,708	2,498	40,206
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)
Dividends paid to shareholders				(1,376)	(1,376)		(1,376)
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

(The notes on pages 129 to 179 as well as the Risk Management section on pages 87 to 117 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated Cash Flow Statement

for the year ended 31 December 2014

In \$ millions	2014	2013
Cash flows from operating activities		
Net profit	4,185	3,874
Adjustments for non-cash items:		
Allowances for credit and other losses	667	770
Depreciation of properties and other fixed assets	220	214
Share of profits of associates and joint venture	(79)	(79)
Net gain on disposal (net of write-off) of properties and other fixed assets	(35)	(44)
Net income from investment securities	(274)	(276)
Net gain on disposal of associate	(223)	(221)
Cost of share-based payments	88	76
Income tax expense	713	615
Fair value gain on acquisition of interest in joint venture	(3)	–
Profit before changes in operating assets and liabilities	5,259	4,929
Increase/(Decrease) in:		
Due to banks	2,604	(1,779)
Deposits and balances from customers	24,808	38,901
Other liabilities	1,306	716
Other debt securities and borrowings	8,643	9,323
(Increase)/Decrease in:		
Restricted balances with central banks	111	(998)
Government securities and treasury bills	(1,986)	8,540
Due from banks	(2,446)	(10,427)
Loans and advances to customers	(27,558)	(38,845)
Bank and corporate securities	(3,865)	(8,117)
Other assets	(2,167)	(388)
Tax paid	(733)	(562)
Net cash generated from operating activities (1)	3,976	1,293
Cash flows from investing activities		
Proceeds from disposal of interest in associate	435	425
Acquisition of interest in associate and joint venture	(88)	(65)
Dividends from associates	98	52
Purchase of properties and other fixed assets	(263)	(227)
Proceeds from disposal of properties and other fixed assets	55	63
Acquisition of business (Note 25)	(281)	–
Net cash (used in)/generated from investing activities (2)	(44)	248
Cash flows from financing activities		
Increase in share capital	502	121
Purchase of treasury shares	(79)	(28)
Dividends paid to shareholders of the Company	(1,468)	(1,376)
Dividends paid to non-controlling interests	(141)	(209)
Issue of perpetual capital securities	–	803
Purchase of preference shares of a subsidiary	–	(805)
Payment upon maturity of subordinated term debts	(977)	–
Redemption of preference shares of a subsidiary	(895)	–
Change in non-controlling interests	(63)	–
Net cash used in financing activities (3)	(3,121)	(1,494)
Exchange translation adjustments (4)	91	(91)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	902	(44)
Cash and cash equivalents at 1 January	10,949	10,993
Cash and cash equivalents at 31 December (Note 15)	11,851	10,949

(The notes on pages 129 to 179 as well as the Risk Management section on pages 87 to 117 form part of these financial statements)

Notes to the Financial Statements

for the year ended 31 December 2014

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2014 were authorised for issue by the Directors on 9 February 2015.

1 DOMICILE AND ACTIVITIES

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

The Company is listed on the Singapore Exchange.

The Company is an investment holding, treasury and funding vehicle for the group. Its main subsidiary is DBS Bank Ltd (the Bank), which is 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" (MAS Notice 612) 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 MAS Notice 612, there are no significant differences between IFRS and FRS in terms of their application to the Group. The consolidated financial statements and the notes thereon satisfy all necessary disclosures under IFRS and FRS.

2.2 Significant estimates and judgement

The preparation of financial statements requires management to exercise judgement, use estimates and make assumptions in the application of policies and in reporting the amounts in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 3.

2.3 Adoption of new and revised accounting standards

On 1 January 2014, the Group adopted the following new or revised FRS that are issued by the ASC and relevant for the Group. The adoption of these FRS has no significant impact on the financial statements of the Group.

AMENDMENTS TO FRS 32: OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to FRS 32 clarify the offsetting criteria in FRS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement.

FRS 110: CONSOLIDATED FINANCIAL STATEMENTS

FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power to affect those returns.

FRS 111: JOINT ARRANGEMENTS

FRS 111 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. The two types of joint arrangements are joint operations in which the investors have rights to the assets and obligations for the liabilities of an arrangement and joint ventures in which the investors have rights to the net assets of the arrangement.

FRS 112: DISCLOSURES OF INTERESTS IN OTHER ENTITIES

FRS 112 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles.

INT FRS 121: LEVIES

INT FRS 121 sets out the accounting for an obligation to pay a levy that is not income tax.

In addition to the above, a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014. The Group has not applied these standards or amended standards in preparing these financial statements. None of them is expected to have a significant effect on the financial statements of the Group and the Company other than FRS 109.

FRS 109: Financial Instruments

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

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

A) GENERAL ACCOUNTING POLICIES**2.4 Group Accounting****SUBSIDIARIES**

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases.

The acquisition method is used to account for business combinations. Refer to Note 2.12 for the Group's accounting policy on goodwill.

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

JOINT VENTURES

Joint ventures are arrangements over which the Group has joint control. The Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investment in joint ventures are accounted for using the equity method.

ASSOCIATES

Associates are entities over which the Group has significant influence, but no control where the Group generally holds a shareholding of between and including 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

2.5 Foreign currency treatment**FUNCTIONAL AND PRESENTATION CURRENCY**

Items in the financial statements are measured using the functional currency of each entity in the Group, this being the currency of the primary economic environment in which the entity operates. The Group's financial statements are presented in Singapore dollars, which is the functional currency of the 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 rates 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 rates at the date of the transaction.

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

Unrealised foreign exchange differences arising from non-monetary financial assets and liabilities classified as fair value through profit or loss are recognised in the income statement 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, upon which they are reclassified to the income statement.

SUBSIDIARIES AND BRANCHES

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

- Assets and liabilities are translated at the exchange rates 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 and accumulated under capital reserves in equity. When a foreign operation is disposed of, exchange differences are recognised in the income statement as part of the gain or loss on disposal.

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

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management.

In preparing the segment information, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Please refer to Note 44 for further details on business and geographical segment reporting.

B) INCOME STATEMENT

2.7 Income recognition

INTEREST INCOME AND INTEREST EXPENSE

Interest income and interest expense as presented in Note 4 arise from all interest-bearing financial assets and financial liabilities regardless of their classification and measurement, with the exception of the Group's structured investment deposits which are carried at fair value through profit or loss. Interest expense on such structured investment deposits 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. 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 directly related to it. These expenses typically include brokerage fees paid, card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

DIVIDEND INCOME

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

ALLOWANCES FOR CREDIT AND OTHER LOSSES

Please refer to Note 2.10 for the accounting policy on impairment of financial assets.

C) BALANCE SHEET

2.8 Financial assets

INITIAL RECOGNITION

Purchases and sales of all financial assets, even if their classification and measurement are subsequently changed, are recognised on the date that the Group enters into the contractual arrangements with counterparties. When the Group acts as a trustee or in a fiduciary capacity for assets it does not directly control or benefit from, the assets and the corresponding income belonging to a customer are excluded from the financial statements.

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

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

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

- 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 2.18. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as 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 (if any).

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

Please refer to Note 14 for further details on the types of financial assets classified and measured as above.

RECLASSIFICATION

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

DETERMINATION OF FAIR VALUE

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

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 2.11. They also include transactions where control over the financial asset is retained, for example, by a simultaneous transaction (such as options) with the same counterparty to which the asset is transferred. These are mainly transacted in the “Treasury” segment. In such cases the Group continues to recognise the asset to the extent of its continuing involvement which is the extent to which it is exposed to changes in the value of the transferred asset.

Please refer to Note 19 for disclosures on transferred financial assets.

2.9 Cash and cash equivalents

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

2.10 Impairment of financial assets

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

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

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

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

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

SPECIFIC ALLOWANCES FOR CREDIT LOSSES

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

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

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

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

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

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

GENERAL ALLOWANCES FOR CREDIT LOSSES

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

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

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

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

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

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

2.11 Repurchase agreements

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

value depending on their classification.

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

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

2.12 Goodwill

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

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

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

2.13 Properties and other fixed assets

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

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, the useful lives are as follows:

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

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

2.14 Financial liabilities

INITIAL RECOGNITION, CLASSIFICATION AND SUBSEQUENT MEASUREMENT

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

- Financial liabilities are classified as **financial liabilities at fair value through profit or loss** if they are incurred for the purpose of repurchasing in the near term ("**held for trading**"), and this may include debt securities issued and short positions in securities for the purpose of ongoing market-making or trading. Financial liabilities at fair value through profit or loss can also be designated by management on initial recognition ("**designated at fair value through profit or loss**"). 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 2.8 for the accounting policy on derivatives.
- Other financial liabilities are carried at **amortised cost** using the effective interest method. These comprise predominantly the Group's "Deposits and balances from customers", "Due to banks" and "Other debt securities".

Please refer to Note 14 for further details on the types of financial liabilities classified and measured as above.

DETERMINATION OF FAIR VALUE

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

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

DERECOGNITION

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

2.15 Loan commitments, Letters of credit and Financial guarantees

LOAN COMMITMENTS

Loan commitments are typically not financial instruments and are not recognised on the balance sheet. They are disclosed in

accordance with FRS 37 and form part of the disclosures in Note 36. Upon a loan draw-down, the amount of the loan is accounted for under "loans and receivables" as described in Note 2.8.

LETTERS OF CREDIT

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

FINANCIAL GUARANTEES

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

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

2.16 Provisions and other liabilities

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

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

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

2.17 Share capital and other instruments classified as equity

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

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

2.18 Hedging and hedge accounting

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

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

FAIR VALUE HEDGE

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

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

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

CASH FLOW HEDGE

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

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

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

NET INVESTMENT HEDGE

Net investment hedge accounting is applied to hedged investments in foreign operations which comprise certain subsidiaries, branches, 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.

2.19 Employee benefits

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

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

2.20 Share-based compensation

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

2.21 Current and deferred taxes

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

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES

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

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

3.1 Impairment allowances

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

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

Another area requiring judgement is the calculation of general allowances, which are determined after taking into account historical data and management’s assessment of the current economic and credit environment, country and portfolio risks, as well as industry practices. Please refer to 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 an active market may be determined using valuation models. The choice of model requires significant judgement for complex products especially those in the “Treasury” segment.

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

Please refer to Note 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 at the reporting date.

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

3.4 Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group’s provision for income taxes. The Group recognises liabilities for

expected tax issues based on reasonable estimates of whether additional taxes will be due. Where uncertainty exists around the Group's tax position including resolution of any related appeals or litigation processes, appropriate provisions are provided based on technical merits of the positions with the same tax authority. Note 21 provides details of the Group's deferred tax assets/liabilities. In general, determination of the value of assets/liabilities relating to carry forward tax losses requires judgement.

4 NET INTEREST INCOME

In \$ millions	The Group	
	2014	2013
Cash and balances with central banks and Due from banks	577	460
Customer non-trade loans	5,256	4,710
Trade assets	1,583	1,458
Debt securities	1,532	1,358
Total interest income	8,948	7,986
Deposits and balances from customers	2,086	1,926
Other borrowings	541	491
Total interest expense	2,627	2,417
Net interest income	6,321	5,569
Comprising:		
Interest income for financial assets at fair value through profit or loss	595	329
Interest income for financial assets not at fair value through profit or loss	8,353	7,657
Interest expense for financial liabilities at fair value through profit or loss	(142)	(107)
Interest expense for financial liabilities not at fair value through profit or loss	(2,485)	(2,310)
Total	6,321	5,569

5 NET FEE AND COMMISSION INCOME

In \$ millions	The Group	
	2014	2013
Brokerage	173	214
Investment banking	243	191
Trade and transaction services ^(b)	515	531
Loan-related	385	367
Cards ^(c)	369	337
Wealth management	507	412
Others	83	69
Fee and commission income	2,275	2,121
Less: fee and commission expense	248	236
Net fee and commission income^(a)	2,027	1,885

(a) Includes net fee and commission income of \$35 million (2013: \$28 million), which was derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss was \$687 million (2013: \$671 million) during the year

(b) Includes trade & remittances, guarantees and deposit-related fees

(c) Card fees are net of interchange fees paid

6 NET TRADING INCOME

In \$ millions	The Group	
	2014	2013
Net trading income		
– Foreign exchange	558	981
– Interest rates, credit, equities and others ^(a)	346	138
Net gain/(loss) from financial assets designated at fair value	9	(24)
Net loss from financial liabilities designated at fair value	(12)	#
Total	901	1,095

Amount under \$500,000

(a) Includes dividend income of \$19 million (2013: \$14 million)

7 NET INCOME FROM INVESTMENT SECURITIES

In \$ millions	The Group	
	2014	2013
Debt securities		
– Available-for-sale	122	89
– Loans and receivables	4	5
Equity securities ^(a)	148	182
Total^(b)	274	276
Comprising net gains transferred from:		
Available-for-sale revaluation reserves	212	197

(a) Includes dividend income of \$57 million (2013: \$69 million)

(b) Includes fair value impact of hedges for the investment securities

8 OTHER INCOME

In \$ millions	The Group	
	2014	2013
Rental income	35	29
Net gain on disposal of properties and other fixed assets	43	44
Others ^(a)	215	200
Total	293	273

(a) 2014 includes an amount of \$198 million, comprising a gain of \$223 million for the divestment of remaining stake in the Bank of the Philippine Islands (BPI) less a sum of \$25 million donated to National Gallery Singapore. 2013 includes an amount of \$171 million, comprising a gain of \$221 million for the partial divestment of 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. Refer to Note 23

9 EMPLOYEE BENEFITS

In \$ millions	The Group	
	2014	2013
Salaries and bonus	1,887	1,689
Contributions to defined contribution plans	111	98
Share-based expenses	85	76
Others	211	202
Total	2,294	2,065

10 OTHER EXPENSES

In \$ millions	The Group	
	2014	2013
Computerisation expenses ^(a)	777	678
Occupancy expenses ^(b)	369	365
Revenue-related expenses	240	231
Others ^(c)	650	579
Total	2,036	1,853

(a) Includes hire and maintenance costs of computer hardware and software

(b) Includes rental expenses of office and branch premises of \$220 million (2013: \$216 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	
	2014	2013
Depreciation expenses	220	214
Hire and maintenance of fixed assets, including building-related expenses	388	355
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	4
Non audit fees payable to external auditors ^(a) :		
– Auditors of the Company	1	1
– Associated firms of Auditors of Company	1	1

(a) PricewaterhouseCoopers network firms

11 ALLOWANCES FOR CREDIT AND OTHER LOSSES

In \$ millions	The Group	
	2014	2013
Loans and advances to customers (Note 18)	620	726
Investment securities		
– Available-for-sale	15	8
– Loans and receivables	2	8
Properties and other fixed assets	–	(1)
Off-balance sheet credit exposures	23	23
Others (bank loans and sundry debtors)	7	6
Total	667	770

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	The Group		Balance at 31 December
			Net write-off during the year	Exchange and other movements	
2014					
Specific allowances					
Loans and advances to customers (Note 18)	1,129	478	(687)	63	983
Investment securities	69	15	(8)	4	80
Properties and other fixed assets	48	–	–	(1)	47
Off-balance sheet credit exposures	1	7	(3)	–	5
Others (bank loans and sundry debtors)	53	7	(17)	1	44
Total specific allowances	1,300	507	(715)	67	1,159
Total general allowances for credit exposures	2,865	160	–	29	3,054
Total allowances	4,165	667	(715)	96	4,213
2013					
Specific allowances					
Loans and advances to customers (Note 18)	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

12 INCOME TAX EXPENSE

In \$ millions	The Group	
	2014	2013
Current tax expense		
– Current year	756	704
– Prior years' provision	15	(28)
Deferred tax expense		
– Prior years' provision	(10)	(3)
– Origination of temporary differences	(48)	(58)
Total	713	615

The deferred tax credit in the income statement comprises the following temporary differences:

In \$ millions	The Group	
	2014	2013
Accelerated tax depreciation	12	3
Allowances for loan losses	(67)	(51)
Other temporary differences	(3)	(13)
Deferred tax credit to income statement	(58)	(61)

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

In \$ millions	The Group	
	2014	2013
Profit	4,819	4,410
Prima facie tax calculated at a tax rate of 17% (2013: 17%)	819	750
Effect of different tax rates in other countries	(5)	23
Net income not subject to tax	(107)	(97)
Net income taxed at concessionary rate	(117)	(74)
Others	123	13
Income tax expense charged to income statement	713	615

Deferred income tax relating to available-for-sale financial assets and others of \$14 million was charged directly to equity (2013: \$41 million credited to equity).

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

13 EARNINGS PER ORDINARY SHARE

Number of shares (millions)	The Group	
	2014	2013
Weighted average number of ordinary shares in issue	(a) 2,457	2,441
Dilutive effect of share options	#	#
Full conversion of non-voting redeemable CPS	30	30
Weighted average number of ordinary shares in issue (diluted)	(aa) 2,487	2,472

Amount under \$500,000

In \$ millions	The Group	
	2014	2013
Net profit attributable to shareholders (Net profit less dividends on other equity instruments)	(b) 4,007	3,669
Net profit (less dividends on CPS and other equity instruments)	(c) 3,999	3,660
Earnings per ordinary share (\$)		
Basic	(c)/(a) 1.63	1.50
Diluted	(b)/(aa) 1.61	1.48

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 (CPS) 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.

14 CLASSIFICATION OF FINANCIAL INSTRUMENTS

In \$ millions	The Group 2014						Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Held to maturity	Hedging derivatives	
Assets							
Cash and balances with central banks	841	–	14,464	4,212	–	–	19,517
Government securities and treasury bills	6,943	–	27	21,551	1,173	–	29,694
Due from banks	6,127	–	34,924	1,212	–	–	42,263
Derivatives	16,786	–	–	–	–	209	16,995
Bank and corporate securities	10,631	70	13,346	13,716	–	–	37,763
Loans and advances to customers	–	1,228	274,360	–	–	–	275,588
Other financial assets	–	–	10,992	–	–	–	10,992
Total financial assets	41,328	1,298	348,113	40,691	1,173	209	432,812
Other asset items outside the scope of FRS 39 ^(a)							7,854
Total assets							440,666
Liabilities							
Due to banks	567	–	15,609	–	–	–	16,176
Deposits and balances from customers	369	742	316,062	–	–	–	317,173
Derivatives	18,571	–	–	–	–	184	18,755
Other financial liabilities	1,189	–	9,494	–	–	–	10,683
Other debt securities	3,674	1,297	26,992	–	–	–	31,963
Subordinated term debts	–	–	4,665	–	–	–	4,665
Total financial liabilities	24,370	2,039	372,822	–	–	184	399,415
Other liability items outside the scope of FRS 39 ^(b)							1,045
Total liabilities							400,460

(a) Includes associates and joint venture, goodwill and intangibles, properties and other fixed assets and deferred tax assets

(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

In \$ millions	The Group 2013						Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Held to maturity	Hedging derivatives	
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
Other asset items outside the scope of FRS 39 ^(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
Other liability items outside the scope of FRS 39 ^(b)							1,229
Total liabilities							364,322

(a) Includes associates and joint venture, goodwill and intangibles, properties and other fixed assets and deferred tax assets

(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

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 2014, “Loans and advances to customers” of \$2,168 million (2013: \$2,452 million) were set off against “Deposits and balances from customers” of \$2,176 million (2013: \$2,600 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 \$8 million being reported under “Deposits and balances from customers” as at 31 December 2014 (2013: \$148 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 placed under these agreements is generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge those non-cash collateral (i.e. securities) lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional cash collateral, and typically the counterparty has recourse only to the securities.

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

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the 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, as well as provide additional information on how such credit risk is mitigated.

Types of financial assets/liabilities In \$ millions	Carrying amounts on balance sheet (A)	Financial instruments not in scope of offsetting disclosures (B)	Gross recognised financial instruments in scope (A - B = C + D + E)	Related amounts not set off on balance sheet		Net amounts in scope (E)
				Financial instruments (C)	Cash collateral received/placed (D)	
2014						
Financial Assets						
Derivatives	16,995	7,421 ^(a)	9,574	8,884 ^(a)	493	197
Reverse repurchase agreements	4,025 ^(b)	441	3,584	3,580	-	4
Securities borrowings	78 ^(c)	-	78	74	-	4
Total	21,098	7,862	13,236	12,538	493	205
Financial Liabilities						
Derivatives	18,755	6,653 ^(a)	12,102	8,729 ^(a)	2,867	506
Repurchase agreements	1,821 ^(d)	480	1,341	1,328	13	-
Payable in respect of short sale of securities	1,189 ^(e)	553	636	635	-	1
Securities lendings	4 ^(f)	-	4	4	-	-
Total	21,769	7,686	14,083	10,696	2,880	507
2013						
Financial Assets						
Derivatives	17,426	7,205 ^(a)	10,221	9,802 ^(a)	309	110
Reverse repurchase agreements	4,780 ^(b)	597	4,183	4,171	-	12
Securities borrowings	35 ^(c)	-	35	34	-	1
Total	22,241	7,802	14,439	14,007	309	123
Financial Liabilities						
Derivatives	18,132	6,028 ^(a)	12,104	9,845 ^(a)	1,637	622
Repurchase agreements	1,501 ^(d)	39	1,462	1,462	-	-
Payable in respect of short sale of securities	1,353 ^(e)	844	509	508	-	1
Securities lendings	-	-	-	-	-	-
Total	20,986	6,911	14,075	11,815	1,637	623

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

(b) Reverse repurchase agreements are presented under separate line items on the balance sheet, namely "Cash and balances with central banks", "Due from banks" and "Loans and advances to customers"

(c) Cash collateral placed under securities borrowings are presented under "Other assets" on the balance sheet

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

(e) Payable in respect of short sale of securities are presented under "Other liabilities" on the balance sheet

(f) Cash collateral received under securities lendings are presented under "Other liabilities" on the balance sheet

15 CASH AND BALANCES WITH CENTRAL BANKS

In \$ millions	The Group	
	2014	2013
Cash on hand	1,936	1,803
Non-restricted balances with central banks	9,915	9,146
Cash and cash equivalents	11,851	10,949
Restricted balances with central banks ^(a)	7,666	7,777
Total	19,517	18,726

(a) Mandatory balances with central banks

16 GOVERNMENT SECURITIES AND TREASURY BILLS

In \$ millions	The Group				
	Held for trading	Loans and receivables ^(c)	Available-for-sale	Held to maturity ^(d)	Total
2014					
Singapore Government securities and treasury bills ^(a)	1,963	–	6,357	1,173	9,493
Other government securities and treasury bills ^(b)	4,980	27	15,194	–	20,201
Total	6,943	27	21,551	1,173	29,694
2013					
Singapore Government securities and treasury bills ^(a)	2,013	–	7,332	549	9,894
Other government securities and treasury bills ^(b)	4,207	39	13,357	–	17,603
Total	6,220	39	20,689	549	27,497

(a) Includes financial assets transferred of \$522 million (2013: \$564 million) (See Note 19)

(b) Includes financial assets transferred of \$1,571 million (2013: \$1,450 million) (See Note 19)

(c) The fair value of securities classified as loans and receivables amounted to \$27 million (2013: \$39 million)

(d) The fair value of securities classified as held to maturity amounted to \$1,189 million (2013: \$537 million)

17 BANK AND CORPORATE SECURITIES

In \$ millions	The Group				
	Held for trading	Designated at fair value through profit or loss	Loans and receivables ^(a)	Available-for-sale	Total
2014					
Bank and corporate debt securities ^(b)	9,851	70	13,503	12,257	35,681
Less: Impairment allowances	–	–	(157)	–	(157)
Equity securities	780	–	–	1,459	2,239
Total	10,631	70	13,346	13,716	37,763
2013					
Bank and corporate debt securities ^(b)	8,129	75	12,036	11,551	31,791
Less: Impairment allowances	–	–	(129)	–	(129)
Equity securities	584	–	–	1,300	1,884
Total	8,713	75	11,907	12,851	33,546

(a) The fair value of securities classified as loans and receivables amounted to \$13,567 million (2013: \$11,992 million)

(b) Includes financial assets transferred of \$623 million (2013: \$902 million) (See Note 19)

18 LOANS AND ADVANCES TO CUSTOMERS

In \$ millions	The Group	
	2014	2013
Gross	279,154	252,181
Less: Specific allowances	983	1,129
General allowances	2,583	2,398
	275,588	248,654
Analysed by product		
Long-term loans	116,633	100,950
Short-term facilities	58,819	51,896
Housing loans	52,866	49,147
Trade loans	50,836	50,188
Gross total	279,154	252,181
Analysed by currency		
Singapore dollar	109,493	101,456
Hong Kong dollar	32,476	29,463
US dollar	96,552	84,998
Chinese yuan	20,399	18,401
Others	20,234	17,863
Gross total	279,154	252,181

Refer to Note 41.4 for breakdown of loans and advances to customers by geography and by industry.

The table below shows the movements in specific and general allowances for loans and advances to customers during the year 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
2014					
Specific allowances					
Manufacturing	240	151	(80)	20	331
Building and construction	42	156	(91)	8	115
Housing loans	9	1	(2)	–	8
General commerce	142	49	(61)	10	140
Transportation, storage and communications	465	(32)	(290)	10	153
Financial institutions, investment and holding companies	146	19	(80)	5	90
Professionals and private individuals (excluding housing loans)	48	76	(76)	5	53
Others	37	58	(7)	5	93
Total specific allowances	1,129	478	(687)	63	983
Total general allowances	2,398	142	–	43	2,583
Total allowances	3,527	620	(687)	106	3,566
2013					
Specific allowances					
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

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

In \$ millions	The Group	
	2014	2013
Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	1,228	883
Credit derivatives/enhancements – protection bought	(1,228)	(883)
Cumulative change in fair value arising from changes in credit risk	(194)	(138)
Cumulative change in fair value of related credit derivatives /enhancements	194	138

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

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was a loss of \$56 million (2013: loss of \$77 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a gain of \$56 million (2013: gain of \$77 million).

19 FINANCIAL ASSETS TRANSFERRED

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

Transferred assets are derecognised in the Group's financial statements when substantially all of their risks and rewards are also transferred. Among them is pledged collateral (mainly cash) for derivative transactions under credit support annexes agreements. Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2014 and 2013.

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

SECURITIES

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

For repurchase agreements, the securities transferred are either classified as "fair value through profit or loss" or "available-for-sale". The Group receives cash in exchange and records a financial liability for the cash received. The Group also pledged assets to secure its short position in securities and to facilitate settlement operations. The fair value of the associated liabilities approximates the carrying amount of \$2,457 million (2013: \$2,010 million), which are recorded under "Due to banks", "Deposits and balances from customers" and "Other liabilities" on the balance sheet.

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

In \$ millions	The Group	
	2014	2013
Securities pledged and transferred		
Singapore Government securities and treasury bills	522	564
Other government securities and treasury bills	1,571	1,450
Bank and corporate debt securities	623	902
Total securities pledged and transferred	2,716	2,916

The Group also enters into structured funding transactions where it retains the contractual rights to receive cash flows of financial assets, but assumes a contractual obligation to pay these cash flows under the issued notes. The carrying amounts and fair values of these financial assets and liabilities both amount to \$1,317 million (2013: \$883 million).

20 OTHER ASSETS

In \$ millions	The Group	
	2014	2013
Accrued interest receivable	1,194	941
Deposits and prepayments	268	290
Clients' monies receivable from securities business	636	633
Sundry debtors and others	8,894	6,856
Deferred tax assets (Note 21)	257	205
Total	11,249	8,925

21 DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The deferred tax assets and liabilities are determined after appropriate offsetting, as shown in "Other assets" (Note 20) and "Other liabilities" (Note 29) respectively.

Deferred tax assets and liabilities comprise the following temporary differences:

In \$ millions	The Group	
	2014	2013
Deferred income tax assets		
Allowances for loan losses	254	187
Other temporary differences	137	85
	391	272
Amounts offset against deferred tax liabilities	(134)	(67)
Total	257	205
Deferred income tax liabilities		
Accelerated tax depreciation	104	92
Available-for-sale financial assets and others	20	6
Other temporary differences	60	11
	184	109
Amounts offset against deferred tax assets	(134)	(67)
Total	50	42
Net deferred tax assets	207	163

22 SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

In \$ millions	The Company	
	2014	2013
Unquoted equity shares, at cost	15,326	10,326
Preference shares, at cost (Note 35)	–	805
Due from subsidiaries	4,090	1,416
	19,416	12,547

22.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below:

Name of subsidiary	Country of incorporation	Effective shareholding %	
		2014	2013
Commercial Banking			
DBS Bank Ltd	Singapore	100	100
DBS Bank (Hong Kong) Limited*	Hong Kong	100	100
DBS Bank (China) Limited*	China	100	100
DBS Bank (Taiwan) Limited*	Taiwan	100	100
PT Bank DBS Indonesia*	Indonesia	99	99
Merchant Banking			
The Islamic Bank of Asia Limited	Singapore	50	50
Stockbroking			
DBS Vickers Securities Holdings Pte Ltd	Singapore	100	100

* Audited by PricewaterhouseCoopers network firms outside Singapore

The Group's main subsidiaries are regulated banks and non-bank financial institutions. Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests may restrict the ability of the Company to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests as at the balance sheet dates, any protective rights associated with these did not give rise to significant restrictions in 2013 and 2014.

Refer to Note 35 for information on non-controlling interests.

22.1.1 Acquisition of interest in joint venture

ACQUISITION OF HUTCHISON DBS CARD LIMITED (SINCE RENAMED AS DBS COMPASS LIMITED)

On 16 June 2014, DBS Bank (Hong Kong) Limited, an indirect wholly-owned subsidiary, acquired the remaining 50% stake it did not own in Hutchison DBS Card Limited (since renamed as DBS Compass Limited) for a cash consideration of \$88 million (HK\$ 546 million) from Whampoa Limited (Note 23). The acquisition resulted in the recognition of goodwill amounting to \$27 million and intangible assets of \$6 million. The Group equity accounted the profits of DBS Compass Limited up to 30 June 2014. With effect from 1 July 2014, DBS Compass Limited was consolidated as a subsidiary.

22.2 Consolidated structured entities

The main structured entities controlled and consolidated by the Group are listed below. These entities are inactive as at 31 December 2014.

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

The Group uses these entities for the issuance of rated credit linked notes and enters into credit default swaps to provide hedging on the credit risks of the reference portfolio. The Group has contractual arrangements which may require it to provide financial support. No financial support was provided by the Group.

23 ASSOCIATES AND JOINT VENTURE

In \$ millions	The Group	
	2014	2013
Quoted equity securities, at cost ^(a)	71	148
Unquoted equity securities, at cost	779	783
Sub-total	850	931
Share of post acquisition reserves	145	235
Total	995	1,166

(a) The market value of quoted associates amounted to \$50 million (2013: \$525 million)

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

In \$ millions	The Group	
	2014	2013
Income statement		
Share of income	222	367
Share of expenses	(143)	(282)
Balance sheet		
Share of total assets	1,700	3,937
Share of total liabilities	705	2,712
Off-balance sheet		
Share of contingent liabilities and commitments	#	46

Amount under \$500,000

23.1 Main associates and joint venture

The main associates and joint venture of the Group are listed below:

Name of associate or joint venture	Country of incorporation	Effective shareholding %	
		2014	2013
Quoted			
Bank of the Philippine Islands ^(a) *	The Philippines	–	5.0
Hwang Capital (Malaysia) Bhd ^(b) * (previously known as Hwang – DBS (Malaysia) Bhd)	Malaysia	27.7	27.7
Unquoted			
Central Boulevard Development Pte Ltd**	Singapore	33.3	33.3
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	33.3	33.3
Changsheng Fund Management Company**	China	33.0	33.0
DBS Compass Limited*	British Virgin Islands	100.0 ^(c)	50.0

* Audited by PricewaterhouseCoopers network firms outside Singapore

** Audited by other auditors

(a) The Group's effective interest in Bank of the Philippine Islands (BPI) was held via Ayala DBS Holdings Inc. (ADHI). BPI is an associate of ADHI

(b) Shareholding includes 4.15% held through the Bank

(c) Refer to Note 22

As of 31 December 2014 and 31 December 2013, no associate or joint venture was individually material to the Group. As a non-controlling shareholder, the Group's ability to receive dividends is subject to agreement with other shareholders. The associates and joint venture may also be subject to statutory, contractual or regulatory requirements restricting dividend payments or to repay loans or advances made.

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

23.2 Disposal of interests in associates

DIVESTMENT OF BANK OF THE PHILIPPINE ISLANDS (BPI)

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). ADHI was a joint venture through which the Group held an effective interest of 9.9% in BPI. The transaction was completed in two equal tranches. After the first tranche was completed in November 2013, the Group was left with an effective stake of 5.0% in BPI. The remaining tranche was completed on 8 January 2014 and a net gain of \$198 million was recorded (Note 8) for the year ended 31 December 2014.

DIVESTMENT OF OPERATING BUSINESS BY HWANG CAPITAL (MALAYSIA) BERHAD

On 7 April 2014, Hwang Capital (Malaysia) Berhad sold 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 for an aggregate cash consideration of \$537 million (RM 1,396 million). A profit of \$38 million was recognised as the Group's share of associate's profit from the transaction.

24 UNCONSOLIDATED STRUCTURED ENTITIES

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

While the economic exposures may be the same as those to other type of entities, FRS 112 specifically requires companies to disclose such exposures arising from transactions with unconsolidated structured entities. The table below reflects the exposures to third party securitisation structures where the Group holds an interest in the normal course of business.

As is the case with other types of counterparties, the carrying amount from transactions with unconsolidated structured entities have been included in the Group’s financial statements.

The risks arising from such transactions are subject to the Group’s risk management practices.

In \$ millions	The Group	
	2014	2013
The Group’s maximum exposure:		
Derivatives	4	8
Bank and corporate securities	968	459
Loans and advances to customers	96	87
Other assets	1	1
Total assets	1,069	555
Commitments and guarantees	202	208
Maximum Exposure to Loss	1,271	763
Derivatives	17	5
Total liabilities	17	5
Total income from the Group’s interest	18	19

The table above represents the Group’s maximum exposure to loss which for on-balance sheet assets and liabilities are represented by the carrying amount, and does not reflect mitigating effects from the availability of netting and financial instruments that the Group may utilise to economically hedge the risks inherent in third party structured entities, or risk-reducing effects of collateral or other credit enhancements.

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

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

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

25 ACQUISITIONS

On 17 March 2014, the Group entered into an agreement to acquire the Asian private banking business of Societe Generale in Singapore and Hong Kong, as well as selected parts of its trust business, for a total cash consideration of \$281 million (US\$220 million). This amount, which represented approximately 1.75% of assets under management of US\$12.6 billion as at 31 December 2013, was recorded as goodwill. The transaction was completed on 6 October 2014.

On the same day, the Group received cash of \$1,187 million, being the difference between the assets of \$2,560 million and liabilities of \$3,747 million transferred from Societe Generale.

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:

In \$ millions	The Group	
	2014	2013
Minimum lease receivable		
Not later than 1 year	32	30
Later than 1 year but not later than 5 years	49	66
Later than 5 years	#	–
Total	81	96

Amount under \$500,000

In \$ millions	The Group				Total
	Investment properties	Owner-occupied properties	Other fixed assets ^(a)	Subtotal of non-investment properties and other fixed assets	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
2014					
Cost					
Balance at 1 January	663	513	1,382	1,895	2,558
Additions	–	5	258	263	263
Disposals	(17)	(3)	(105)	(108)	(125)
Transfers	(4)	4	–	4	–
Exchange differences	2	19	18	37	39
Balance at 31 December	644	538	1,553	2,091	2,735
Less: Accumulated depreciation					
Balance at 1 January	169	96	796	892	1,061
Depreciation charge	7	13	200	213	220
Disposals	(5)	(3)	(97)	(100)	(105)
Transfers	(2)	2	–	2	–
Exchange differences	1	12	14	26	27
Balance at 31 December	170	120	913	1,033	1,203
Less: Allowances for impairment	–	47	–	47	47
Net book value at 31 December	474	371	640	1,011	1,485
Market value at 31 December	913	817			

In \$ millions	The Group			Subtotal of non-investment properties and other fixed assets	Total
	Investment properties	Owner-occupied properties	Other fixed assets ^(a)		
	(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			

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

26.1 PWC Building is held as an investment property. Its net book value was \$392 million as at 31 December 2014 (2013: \$398 million), and its fair value was independently appraised at \$692 million (2013: \$599 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 at 31 December 2014, there were no transfers into or out of Level 3.

27 GOODWILL AND INTANGIBLES

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

In \$ millions	The Group	
	2014	2013
DBS Bank (Hong Kong) Limited	4,631	4,631
Wealth Management Business ^(a) (Note 25)	281	–
DBS Vickers Securities Holdings Pte Ltd	154	154
Others	51	17
Total	5,117	4,802

(a) Relates to acquisition of Societe Generale's Asian private banking business

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

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

A growth rate of 4.5% (2013: 4.5%) and discount rate of 9.0% (2013: 9.0%) were assumed in the value-in-use calculation for DBS Bank (Hong Kong) Limited.

The process of evaluating goodwill impairment involves management judgement and prudent estimates of various factors including future cash flows as well as the cost of capital and long-term growth rates. The results can be highly sensitive to the assumptions used. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating unit to exceed its recoverable amount at 31 December 2014. 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

In \$ millions	The Group	
	2014	2013
Analysed by currency		
Singapore dollar	138,332	134,758
US dollar	93,445	75,023
Hong Kong dollar	31,450	29,840
Chinese yuan	20,463	22,647
Others	33,483	30,097
Total	317,173	292,365
Analysed by product		
Savings accounts	119,753	112,429
Current accounts	60,876	48,809
Fixed deposits	130,904	122,500
Other deposits	5,640	8,627
Total	317,173	292,365

29 OTHER LIABILITIES

In \$ millions	The Group	
	2014	2013
Cash collateral received in respect of derivative portfolios	734	695
Accrued interest payable	585	623
Provision for loss in respect of off-balance sheet credit exposures	322	249
Clients' monies payable in respect of securities business	570	564
Sundry creditors and others	7,396	6,864
Bills payable	209	266
Current tax liabilities	673	938
Payable in respect of short sale of securities	1,189	1,353
Deferred tax liabilities (Note 21)	50	42
Total	11,728	11,594

30 OTHER DEBT SECURITIES

In \$ millions	The Group	
	2014	2013
Negotiable certificates of deposit (Note 30.1)	1,072	1,235
Senior medium term notes (Note 30.2)	10,857	5,635
Commercial papers (Note 30.3)	14,561	12,142
Other debt securities (Note 30.4)	5,473	4,103
Total	31,963	23,115
Due within 1 year	23,193	17,108
Due after 1 year	8,770	6,007
Total	31,963	23,115

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

In \$ millions Currency	Interest Rate and Repayment Terms	The Group	
		2014	2013
Issued by other subsidiaries			
HKD	2.25% to 4.22%, payable quarterly	471	452
HKD	3M HIBOR +0.9%, payable quarterly	–	220
HKD	3M HIBOR +0.2%, payable quarterly	66	–
HKD	1.2% to 4.2%, payable yearly	242	313
HKD	0% to 0.9%, payable on maturity	–	250
USD	0.2%, payable on maturity	66	–
IDR	9.75% to 10.65%, payable on maturity	122	–
TWD	0.73% to 0.79%, payable on maturity	105	–
Total		1,072	1,235

The outstanding negotiable certificates of deposit as at 31 December 2014 were issued between 22 August 2008 and 30 December 2014 (2013: 22 August 2008 and 31 December 2013) and mature between 16 January 2015 and 16 March 2021 (2013: 9 January 2014 and 16 March 2021).

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

In \$ millions Currency	Interest Rate and Repayment Terms	The Group	
		2014	2013
Issued by the Company			
USD	2.246%, payable half yearly	1,000	–
USD	Floating rate note, payable quarterly	661	–
Issued by the Bank			
AUD	Floating rate note, payable quarterly	108	–
GBP	Floating rate note, payable quarterly	4,079	2,398
USD	2.35%, payable half yearly	1,327	1,265
USD	2.375%, payable half yearly	1,331	1,298
USD	Floating rate note, payable quarterly	2,133	569
USD	1.454%, payable yearly	132	–
HKD	2.24%, payable quarterly	86	82
IDR	7.25%, payable yearly	–	23
Total		10,857	5,635

The senior medium term notes were issued by the Company and the Bank under its USD 15 billion Global Medium Term Note Programme. The outstanding senior medium term notes as at 31 December 2014 were issued between 14 September 2010 and 2 December 2014 (2013: 14 September 2010 and 16 October 2013) and mature between 25 February 2015 and 20 November 2019 (2013: 4 March 2014 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 and USD 15 billion US Commercial Paper Programme. The outstanding notes as at 31 December 2014 were issued between 4 February 2014 and 16 December 2014 (2013: 21 March 2013 and 6 December 2013) and mature between 13 January 2015 and 1 July 2015 (2013: 3 January 2014 and 11 December 2014).

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

In \$ millions Type	The Group	
	2014	2013
Issued by the Bank and other subsidiaries		
Equity linked notes	1,381	708
Credit linked notes	1,914	1,525
Interest linked notes	1,413	800
Foreign exchange linked notes	264	585
Fixed rate bonds	501	485
Total	5,473	4,103

The outstanding securities as at 31 December 2014 were issued between 31 March 2006 and 31 December 2014 (2013: 31 March 2006 and 30 December 2013) and mature between 2 January 2015 and 30 September 2044 (2013: 2 January 2014 and 6 November 2043).

31 SUBORDINATED TERM DEBTS

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

In \$ millions Instrument	Note	Issue Date	Maturity Date	Interest payment	The Group	
					2014	2013
Issued by the Bank						
US\$750m 5.00% Subordinated Notes Callable with Step-up in 2014 <i>The instrument was called on 15 Nov 2014</i>	31.1	1 Oct 2004	15 Nov 2019	May/Nov	–	966
US\$900m Floating Rate Subordinated Notes Callable with Step-up in 2016 <i>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</i>	31.2	16 June 2006	15 Jul 2021	Jan/Apr/ Jul/Oct	1,189	1,139
S\$500m 4.47% Subordinated Notes Callable with Step-up in 2016 <i>Interest rate resets to 6-month Singapore Dollar Swap Offer Rate plus 1.58% if not called</i>		11 Jul 2006	15 Jul 2021	Jan/Jul	500	500
S\$1,000m 3.30% Subordinated Notes Callable in 2017 <i>Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.147% if not called</i>	31.3	21 Feb 2012	21 Feb 2022	Feb/Aug	999	1,004
US\$750m 3.625% Subordinated Notes Callable in 2017 <i>Interest rate resets to 5-year US Dollar Swap Offer Rate plus 2.229% if not called</i>	31.4	21 Mar 2012	21 Sep 2022	Mar/Sep	994	953
S\$1,000m 3.10% Subordinated Notes Callable in 2018 <i>Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.085% if not called</i>	31.5	14 Aug 2012	14 Feb 2023	Feb/Aug	983	982
Total					4,665	5,544
Due within 1 year					726	–
Due after 1 year					3,939	5,544
Total					4,665	5,544

31.1 Part of the fixed rate funding was converted to floating rate at three-month LIBOR + 0.61% via interest rate swaps. The instrument was called on 15 November 2014.

31.2 On 19 November 2014, the Bank offered to purchase for cash, up to US\$550 million of its US\$900 million Floating Rate Subordinated Notes due 2021 Callable with Step-up in 2016. The transaction was completed on 8 January 2015, when US\$550 million of the notes were purchased and subsequently cancelled. The remaining US\$350 million of notes that were not repurchased are subject to original terms and conditions of the notes.

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

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

31.5 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 1,051,456 (2013: 1,699,266) ordinary shares, fully paid in cash upon the exercise of the options granted. The Company also issued 28,350,961 (2013: 5,996,350) ordinary shares to eligible shareholders who elected to participate in the scrip dividend scheme.

The non-voting redeemable CPS enjoy the same dividend rate paid on ordinary shares except that the dividend payable is subject to a maximum of \$0.30 per annum (non-cumulative). 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 2014, the number of treasury shares held by the Group is 6,762,134 (2013: 6,727,074), which is 0.27% (2013: 0.27%) of the total number of issued shares excluding treasury shares.

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

	The Group				The Company			
	Shares ('000)		In \$ millions		Shares ('000)		In \$ millions	
	2014	2013	2014	2013	2014	2013	2014	2013
Ordinary shares								
Balance at 1 January	2,449,724	2,442,028	9,607	9,482	2,449,724	2,442,028	9,607	9,482
Issue of shares pursuant to Scrip Dividend Scheme	28,351	5,997	489	103	28,351	5,997	489	103
Issue of shares upon exercise of share options	1,051	1,699	13	18	1,051	1,699	13	18
Reclassification of reserves upon exercise of share options	–	–	4	4	–	–	4	4
Balance at 31 December	2,479,126	2,449,724	10,113	9,607	2,479,126	2,449,724	10,113	9,607
Treasury shares								
Balance at 1 January	(6,727)	(7,648)	(94)	(103)	(4,644)	(5,344)	(66)	(71)
Purchase of treasury shares	(4,927)	(1,800)	(79)	(28)	(4,927)	(1,800)	(79)	(28)
Draw-down of reserves upon vesting of performance shares	4,892	2,721	68	37	–	–	–	–
Transfer of treasury shares	–	–	–	–	4,462	2,500	63	33
Balance at 31 December	(6,762)	(6,727)	(105)	(94)	(5,109)	(4,644)	(82)	(66)
Convertible preference shares								
Balance at 1 January and 31 December	30,011	30,011	163	163	30,011	30,011	163	163
Issued share capital at 31 December			10,171	9,676			10,194	9,704

33 OTHER EQUITY INSTRUMENTS

In \$ millions	The Group		The Company	
	2014	2013	2014	2013
S\$805m 4.70% Non-Cumulative Non-Convertible Perpetual Capital Securities First Callable in 2019	803	803	803	803
Total	803	803	803	803

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		The Company	
	2014	2013	2014	2013
Available-for-sale revaluation reserves	284	(30)	–	–
Cash flow hedge reserves	(33)	(14)	–	–
General reserves	2,453	2,453	–	–
Capital reserves	(233)	(324)	–	–
Share option and share plan reserves	152	136	152	136
Others	4,271	4,271	–	–
Total	6,894	6,492	152	136

Movements in other reserves during the year are as follows:

In \$ millions	The Group						Total
	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves ^(a)	Capital reserves ^(b)	Share option and share plan reserves	Other reserves ^(c)	
2014							
Balance at 1 January	(30)	(14)	2,453	(324)	136	4,271	6,492
Net exchange translation adjustments	–	–	–	91	–	–	91
Share of associates and joint venture's reserves	7	–	–	–	–	–	7
Cost of share-based payments	–	–	–	–	88	–	88
Reclassification of reserves upon exercise of share options	–	–	–	–	(4)	–	(4)
Draw-down of reserves upon vesting of performance shares	–	–	–	–	(68)	–	(68)
Available-for-sale financial assets and others:							
– net valuation taken to equity	534	(67)	–	–	–	–	467
– transferred to income statement	(212)	47	–	–	–	–	(165)
– tax on items taken directly to or transferred from equity	(15)	1	–	–	–	–	(14)
Balance at 31 December	284	(33)	2,453	(233)	152	4,271	6,894
2013							
Balance at 1 January	634	(1)	2,453	(229)	101	4,271	7,229
Net exchange translation adjustments	–	–	–	(91)	–	–	(91)
Share of associates and joint venture's 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

(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 the Company 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	
	2014	2013
Balance at 1 January	136	101
Cost of share-based payments	88	76
Reclassification of reserves upon exercise of share options	(4)	(4)
Draw-down of reserves upon vesting of performance shares	(68)	(37)
Balance at 31 December	152	136

34.2 Revenue reserves

In \$ millions	The Group	
	2014	2013
Balance at 1 January	17,262	14,966
Net profit attributable to shareholders	4,046	3,672
Amount available for distribution	21,308	18,638
Less: Final dividends on ordinary shares of \$0.30 (one-tier tax-exempt) paid for the previous financial year (2013: \$0.28 one-tier tax-exempt)	734	684
Final dividends on non-voting redeemable CPS of \$0.02 (one-tier tax-exempt) paid for the previous financial year (2013: \$0.02 one-tier tax-exempt)	#	#
Interim dividends on ordinary shares of \$0.28 (one-tier tax-exempt) paid for the current financial year (2013: \$0.28 one-tier tax-exempt)	688	684
Interim dividends on non-voting redeemable CPS of \$0.28 (one-tier tax-exempt) paid for the current financial year (2013: \$0.28 one-tier tax-exempt)	8	8
Dividends on other equity instruments	38	–
Balance at 31 December	19,840	17,262

Amount under \$500,000

34.3 Proposed dividends

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 have not been accounted for in the financial statements for the year ended 31 December 2014. They are to be approved at the Annual General Meeting on 23 April 2015.

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	
					2014	2013
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
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					198	258
Total					2,498	3,453

35.1 Dividends are payable if declared by the Board of Directors of the Bank. The Company purchased S\$805 million of the Bank's preference shares tendered at 4.70% on 3 December 2013. The preference shares were fully redeemed on 21 March 2014.

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.

In \$ millions	The Group	
	2014	2013
Guarantees on account of customers	15,672	14,921
Endorsements and other obligations on account of customers	6,559	5,998
Undrawn loan commitments ^(a)	187,423	158,027
Undisbursed and underwriting commitments in securities	53	22
Sub-total	209,707	178,968
Operating lease commitments (Note 36.2)	729	772
Capital commitments	22	18
Total	210,458	179,758
Analysed by industry (excluding operating lease and capital commitments)		
Manufacturing	34,642	28,994
Building and construction	17,594	12,940
Housing loans	9,980	11,547
General commerce	46,191	38,337
Transportation, storage and communications	10,153	10,018
Financial institutions, investment and holding companies	18,081	15,965
Professionals and private individuals (excluding housing loans)	53,362	43,020
Others	19,704	18,147
Total	209,707	178,968

In \$ millions	The Group	
	2014	2013
Analysed by geography (excluding operating lease and capital commitments)^(b)		
Singapore	90,622	79,779
Hong Kong	43,428	37,644
Rest of Greater China	14,413	10,834
South and Southeast Asia	20,285	18,366
Rest of the World	40,959	32,345
Total	209,707	178,968

(a) Undrawn loan commitments are recognised at activation stage and include commitments that are unconditionally cancellable at any time by the Group (2014: \$151,854 million, 2013: \$124,031 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 held for trading purposes.

FAIR VALUE HEDGES

The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. For the year ended 31 December 2014, the gain on hedging instruments was \$27 million (2013: \$59 million). The total loss on hedged items attributable to the hedged risk amounted to \$27 million (2013: \$59 million).

CASH FLOW HEDGES

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

The ineffectiveness arising from these hedges was insignificant.

NET INVESTMENT HEDGES

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

In \$ millions	Net investment in foreign operations ^(a)	Financial instruments which hedge the net investments	Remaining unhedged currency exposures
2014			
Hong Kong dollar	7,158	7,150	8
US dollar	939	938	1
Others	5,668	1,703	3,965
Total	13,765	9,791	3,974
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

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

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes outstanding at balance sheet date. They do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as derivative assets or derivative liabilities. Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There was no offset of derivative assets and liabilities in 2014 and 2013.

In \$ millions	Underlying notional	2014		Underlying notional	2013	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	721,269	5,237	5,075	604,785	6,445	6,626
Financial futures	8,606	3	1	8,057	7	3
Interest rate options	6,655	66	83	7,621	74	98
Interest rate caps/floors	21,879	277	644	22,544	309	448
Sub-total	758,409	5,583	5,803	643,007	6,835	7,175
Foreign exchange (FX) derivatives						
FX contracts	641,978	4,838	5,810	555,055	5,341	5,925
Currency swaps	169,772	4,137	4,619	134,668	3,319	3,151
Currency options	227,440	1,346	1,225	146,913	1,048	986
Sub-total	1,039,190	10,321	11,654	836,636	9,708	10,062
Equity derivatives						
Equity options	2,458	31	142	1,861	42	56
Equity swaps	706	9	10	286	4	6
Sub-total	3,164	40	152	2,147	46	62
Credit derivatives						
Credit default swaps and others	52,288	425	608	53,890	481	520
Sub-total	52,288	425	608	53,890	481	520
Commodity derivatives						
Commodity contracts	2,016	303	203	2,376	41	45
Commodity futures	3,274	79	107	3,081	48	39
Commodity options	1,801	35	44	1,178	15	11
Sub-total	7,091	417	354	6,635	104	95
Total derivatives held for trading	1,860,142	16,786	18,571	1,542,315	17,174	17,914
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	9,994	98	151	8,824	129	163
FX contracts held for cash flow hedge	1,093	12	16	853	–	8
FX contracts held for hedge of net investment	1,472	47	4	1,578	6	4
Currency swaps held for fair value hedge	1,532	34	6	1,322	–	43
Currency swaps held for cash flow hedge	623	16	7	2,690	116	–
Currency swaps held for hedge of net investment	2,301	2	–	1,075	1	–
Total derivatives held for hedging	17,015	209	184	16,342	252	218
Total derivatives	1,877,157	16,995	18,755	1,558,657	17,426	18,132
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)						
		(8,729)	(8,729)		(9,746)	(9,746)
		8,266	10,026		7,680	8,386

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to \$1,198 billion (2013: \$1,122 billion) and \$679 billion (2013: \$437 billion) respectively. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

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
<p>DBSH Share Plan (Share Plan)</p> <ul style="list-style-type: none"> • 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 award). • The vesting of main award is staggered between 2 – 4 years after grant i.e. 33% will vest 2 years after grant. Another 33% will vest on the third year and the remaining 34% plus the retention award will vest 4 years after grant. • The fair value of the shares awarded is computed based on the market price of the ordinary shares at the time of the award. • Shares are awarded to non-executive directors as part of director's remuneration. Details of these awards are disclosed in the Corporate Governance section of the Annual Report. 	38.1
<p>DBSH Employee Share Plan (ESP)</p> <ul style="list-style-type: none"> • 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
<p>DBSH Share Ownership Scheme</p> <ul style="list-style-type: none"> • 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
<p>DBSH Share Option Plan (Option Plan)</p> <ul style="list-style-type: none"> • 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 movements of the awards during the year.

Number of shares	2014		2013	
	Share Plan	ESP	Share Plan	ESP
Balance at 1 January	16,008,527	1,534,441	13,642,125	1,232,926
Granted	5,848,665	815,748	5,741,878	707,960
Vested	(4,496,850)	(395,370)	(2,482,772)	(238,788)
Forfeited	(143,911)	(177,626)	(892,704)	(167,657)
Balance at 31 December	17,216,431	1,777,193	16,008,527	1,534,441
Weighted average fair value of the shares granted during the year	\$16.66	\$16.65	\$15.11	\$15.07

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)	
	2014	2013	2014	2013
Balance at 1 January	6,658,006	6,509,414	114	97
Balance at 31 December	6,593,283	6,658,006	136	114

38.3 DBSH Share Option Plan

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

	2014		2013	
	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	1,434,875	12.64	3,245,412	11.32
Movements during the year:				
– Exercised	(1,051,456)	12.58	(1,699,266)	10.34
– Forfeited/Expired	(28,542)	12.56	(111,271)	9.35
Balance at 31 December	354,877	12.81	1,434,875	12.64
Weighted average remaining contractual life of options outstanding at 31 December	0.16 years		0.55 years	
Exercise price of options outstanding at 31 December	\$12.81		\$12.53 to \$12.81	

In 2014, 1,051,456 options (2013: 1,699,266) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the Company's shares was \$16.71 (2013: \$15.44).

39 RELATED PARTY TRANSACTIONS

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

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:

In \$ millions	The Group	
	2014	2013
Short-term benefits ^(b)	44	42
Share-based payments ^(c)	23	20
Total	67	62
Of which: Company Directors' remuneration and fees	14	12

(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 measured at fair value, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model. Products with a liquid market or those traded via an exchange will fall under the former while most over-the-counter (OTC) 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 covers the review of the underlying methodology including its logic and conceptual soundness together with the model inputs and outputs. Model assurances are conducted prior to implementation and subject to regular review or when there are significant changes arising from market or portfolio changes. Where necessary, the Group also imposes model reserves and other adjustments in determining fair value. Models are approved by the Group Market and Liquidity Risk Committee.

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

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 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, the financial instruments are classified as Level 3 in the fair value hierarchy and valuation adjustments or reserves are taken to provide for any uncertainty in valuations. Valuation adjustment or reserve methodologies are also used to substantiate the significance of unobservable inputs. Such methodologies are governed by the Reserve Framework and require approval by the Group Market and Liquidity Risk Committee.

The main valuation adjustments and reserves are described below:

Model and Parameter Uncertainty adjustments

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

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

Credit risk adjustment

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

Day 1 profit or loss (P&L) reserve

In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, the Day 1 P&L arising from the difference in transacted price and end-of-day model valuation is set aside as reserves. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to the income statement when the parameters become observable or when the transaction is closed out or amortised over the duration of the transaction. At year end, the unamortised Day 1 P&L was not material.

Bid Offer adjustment

The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid market levels. Bid offer adjustments are then made to 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 with the same level of the fair value hierarchy as the input with the lowest level that is significant to the entire measurement. If unobservable inputs are deemed significant, the financial instrument will be categorised as Level 3.

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

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group will determine the fair value based on valuation techniques that use market parameters as inputs including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data so that reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Group's 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 based on the net asset value of the investments. Level 3 inputs also include all quoted security prices that have not been updated for more than 3 months, quoted proxies in active markets for non-similar asset classes (e.g. bonds marked over credit default swap spreads), as well as prices/valuations that are obtained from counterparties. Valuation reserves or pricing adjustments where applicable are used to converge to fair value.

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

In \$ millions	The Group			Total
	Level 1	Level 2	Level 3	
2014				
Assets				
Financial assets at fair value through profit or loss				
– Singapore Government securities and treasury bills	1,963	–	–	1,963
– Other government securities and treasury bills	3,056	1,924	–	4,980
– Bank and corporate debt securities	5,675	3,554	692	9,921
– Equity securities	769	11	–	780
– Other financial assets	–	8,196	–	8,196
Available-for-sale financial assets				
– Singapore Government securities and treasury bills	6,357	–	–	6,357
– Other government securities and treasury bills	14,522	672	–	15,194
– Bank and corporate debt securities	10,257	1,973	27	12,257
– Equity securities ^(a)	1,081	2	117	1,200
– Other financial assets	–	5,424	–	5,424
Derivatives	82	16,902	11	16,995
Liabilities				
Financial liabilities at fair value through profit or loss				
– Other debt securities	–	4,963	8	4,971
– Other financial liabilities	1,189	1,678	–	2,867
Derivatives	110	18,510	135	18,755
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

(a) Excludes unquoted equities stated at cost of \$259 million (2013: \$278 million)

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

In \$ millions	Balance at 1 January	Fair value gains or losses		Purchases	Issues	Settlements	Transfers in	Transfers out	Balance at 31 December
		Income statement	Other comprehensive income						
2014									
Assets									
Financial assets at fair value through profit or loss									
– Bank and corporate debt securities	539	80	–	148	–	(101)	26	–	692
Available-for-sale financial assets									
– Bank and corporate debt securities	26	1	–	–	–	–	–	–	27
– Equity securities	131	20	(18)	–	–	(16)	–	–	117
Derivatives	21	1	–	–	–	–	10	(21)	11
Total	717	102	(18)	148	–	(117)	36	(21)	847
Liabilities									
Financial liabilities at fair value through profit or loss									
– Other debt securities	21	–	–	–	–	(13)	–	–	8
Derivatives	51	56	–	17	–	–	11	–	135
Total	72	56	–	17	–	(13)	11	–	143
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
Total	281	(13)	17	480	–	(45)	6	(9)	717
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
Total	37	(4)	–	51	–	(4)	–	(8)	72

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

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

GAINS AND LOSSES ON LEVEL 3 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

In \$ millions	Net trading Income	Net income from investment securities	Total
2014			
Total gain/(loss) for the period included in income statement	25	21	46
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	16	–	16
2013			
Total gain/(loss) for the period included in income statement	(17)	8	(9)
Of which:			
Change in unrealised gain/(loss) for assets and liabilities 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 2014, 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	2014	2013	Classification	Valuation technique	Unobservable Input
Assets					
Bank and corporate debt securities	692	539	FVPL ^(a)	Discounted cashflows	Credit spreads
Bank and corporate debt securities	27	26	AFS ^(b)	Discounted cashflows	Credit spreads
Equity securities (Unquoted)	117	131	AFS ^(b)	Net asset value	Net asset value of securities
Derivatives	11	21	FVPL ^(a)	CDS models/Option & interest rate pricing model	Credit spreads/Correlations
Total	847	717			
Liabilities					
Other debt securities	8	21	FVPL ^(a)	Discounted cashflows	Credit spreads
Derivatives	135	51	FVPL ^(a)	CDS models/Option & interest rate pricing model	Credit spreads/Correlations
Total	143	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 currencies.

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

For unquoted equities not carried at fair value, fair values have been estimated by referencing to the net tangible asset backing of the investee. Unquoted equities of \$259 million as at 31 December 2014 (2013: \$278 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.

In \$ millions	The Group	
	2014	2013
Cash and balances with central banks (excluding cash on hand)	17,581	16,923
Government securities and treasury bills	29,694	27,497
Due from banks	42,263	39,817
Derivatives	16,995	17,426
Bank and corporate debt securities	35,524	31,662
Loans and advances to customers	275,588	248,654
Other assets (excluding deferred tax assets)	10,992	8,720
Credit exposure	428,637	390,699
Contingent liabilities and commitments (excluding operating lease and capital commitments)	209,707	178,968
Total credit exposure	638,344	569,667

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

ANALYSIS OF COLLATERAL

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

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

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

Collateral is generally not sought for these assets.

Derivatives

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

Loans and advances to customers, contingent liabilities and commitments

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

The extent to which credit exposures are covered by Basel 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

In \$ millions	The Group	
	2014	2013
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	275,436	247,811
– Past due but not impaired (ii)	1,299	1,488
Non-Performing Loans		
– Impaired (iii)	2,419	2,882
Total gross loans (Note 18)	279,154	252,181

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

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice 612:

In \$ millions	Pass	The Group	
		Special mention	Total
2014			
Manufacturing	31,241	1,009	32,250
Building and construction	47,650	594	48,244
Housing loans	52,393	–	52,393
General commerce	54,358	1,686	56,044
Transportation, storage and communications	22,866	381	23,247
Financial institutions, investment and holding companies	16,061	–	16,061
Professionals and private individuals (excluding housing loans)	23,237	29	23,266
Others	23,552	379	23,931
Total	271,358	4,078	275,436
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

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

In \$ millions	The Group			Total
	Less than 30 days past due	30-59 days past due	60-90 days past due	
2014				
Manufacturing	51	26	37	114
Building and construction	106	4	1	111
Housing loans	300	39	21	360
General commerce	153	11	16	180
Transportation, storage and communications	36	28	1	65
Financial institutions, investment and holding companies	1	–	–	1
Professionals and private individuals (excluding housing loans)	351	52	14	417
Others	27	3	21	51
Total	1,025	163	111	1,299
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

(iii) Non-performing assets (NPAs)

In \$ millions	The Group	
	2014	2013
Balance at 1 January	2,996	2,726
New NPAs	1,156	1,085
Upgrades, recoveries and translations	(873)	(123)
Write-offs	(766)	(692)
Balance at 31 December	2,513	2,996

Non-performing assets by loan grading and industry

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

Non-performing assets by region^(a)

In \$ millions	The Group	
	NPAs	Specific allowances
2014		
Singapore	432	147
Hong Kong	269	107
Rest of Greater China	361	137
South and Southeast Asia	948	445
Rest of the World	503	194
Total	2,513	1,030
2013		
Singapore	440	113
Hong Kong	235	117
Rest of Greater China	284	146
South and Southeast Asia	638	227
Rest of the World	1,399	579
Total	2,996	1,182

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

Non-performing assets by past due period

In \$ millions	The Group	
	2014	2013
Not overdue	597	1,281
< 90 days past due	273	275
91-180 days past due	162	272
> 180 days past due	1,481	1,168
Total past due assets	1,916	1,715
Total	2,513	2,996

Collateral value for non-performing assets

In \$ millions	The Group	
	2014	2013
Properties	441	351
Shares and debentures	316	323
Fixed deposits	11	33
Others	367	303
Total	1,135	1,010

Past due non-performing assets by industry

In \$ millions	The Group	
	2014	2013
Manufacturing	581	468
Building and construction	255	123
Housing loans	94	93
General commerce	325	368
Transportation, storage and communications	201	189
Financial institutions, investment and holding companies	106	197
Professional and private individuals (excluding housing loans)	123	111
Others	177	83
Sub-total	1,862	1,632
Debt securities, contingent liabilities and others	54	83
Total	1,916	1,715

Past due non-performing assets by region^(a)

In \$ millions	The Group	
	2014	2013
Singapore	401	409
Hong Kong	222	191
Rest of Greater China	221	261
South and Southeast Asia	740	471
Rest of the World	278	300
Sub-total	1,862	1,632
Debt securities, contingent liabilities and others	54	83
Total	1,916	1,715

(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:

External Rating In \$ millions	Singapore Government securities and treasury bills	Other government securities and treasury bills	Bank and corporate debt securities
2014			
AAA	9,493	6,696	8,713
AA- to AA+	–	10,050	3,850
A- to A+	–	625	6,501
Lower than A-	–	2,830	4,333
Unrated	–	–	12,127
Total	9,493	20,201	35,524
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

41.4 Credit risk by Geography and Industry

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

Analysed by geography In \$ millions	Government securities and treasury bills	Due from banks	Derivatives	Bank and corporate debt securities	Loans and advances to customers (Gross)	Total
2014						
Singapore	9,493	89	2,194	13,192	129,167	154,135
Hong Kong	2,958	1,176	1,637	1,730	49,881	57,382
Rest of Greater China	3,012	19,706	1,114	3,258	50,865	77,955
South and Southeast Asia	2,816	4,973	1,052	5,018	25,446	39,305
Rest of the World	11,415	16,319	10,998	12,326	23,795	74,853
Total	29,694	42,263	16,995	35,524	279,154	403,630
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

Analysed by industry In \$ millions	Government securities and treasury bills	Due from banks	Derivatives	Bank and corporate debt securities	Loans and advances to customers (Gross)	Total
2014						
Manufacturing	–	–	641	2,350	33,024	36,015
Building and construction	–	–	174	2,983	48,712	51,869
Housing loans	–	–	–	–	52,866	52,866
General commerce	–	–	646	947	56,658	58,251
Transportation, storage and communications	–	–	591	2,467	23,650	26,708
Financial institutions, investment and holding companies	–	42,263	14,017	16,688	16,168	89,136
Government	29,694	–	–	–	–	29,694
Professionals and private individuals (excluding housing loans)	–	–	266	–	23,849	24,115
Others	–	–	660	10,089	24,227	34,976
Total	29,694	42,263	16,995	35,524	279,154	403,630
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

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
2014								
Cash and balances with central banks	11,675	1,894	2,742	2,152	1,054	–	–	19,517
Government securities and treasury bills	67	746	2,595	4,690	11,266	10,330	–	29,694
Due from banks	14,685	4,865	11,321	10,974	418	–	–	42,263
Derivatives ^(a)	16,995	–	–	–	–	–	–	16,995
Bank and corporate securities	61	457	2,981	5,186	10,376	16,463	2,239	37,763
Loans and advances to customers	20,650	34,324	31,291	48,010	54,794	86,519	–	275,588
Other assets	5,253	490	790	3,505	486	4	721	11,249
Associates and joint venture	–	–	–	–	–	–	995	995
Properties and other fixed assets	–	–	–	–	–	–	1,485	1,485
Goodwill and intangibles	–	–	–	–	–	–	5,117	5,117
Total assets	69,386	42,776	51,720	74,517	78,394	113,316	10,557	440,666
Due to banks	10,205	3,401	2,501	3	66	–	–	16,176
Deposits and balances from customers	207,405	49,032	32,720	25,279	2,429	308	–	317,173
Derivatives ^(a)	18,755	–	–	–	–	–	–	18,755
Other liabilities	2,548	522	2,478	3,942	517	434	1,287	11,728
Other debt securities	37	2,569	9,236	11,351	3,602	5,168	–	31,963
Subordinated term debts	–	726	–	–	–	3,939	–	4,665
Total liabilities	238,950	56,250	46,935	40,575	6,614	9,849	1,287	400,460
Non-controlling interests	–	–	–	–	–	–	2,498	2,498
Shareholders' funds	–	–	–	–	–	–	37,708	37,708
Total equity	–	–	–	–	–	–	40,206	40,206

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	3,905	468	583	2,807	390	161	611	8,925
Associates and joint venture	–	–	–	–	–	–	1,166	1,166
Properties and other fixed assets	–	–	–	–	–	–	1,449	1,449
Goodwill and intangibles	–	–	–	–	–	–	4,802	4,802
Total assets	66,997	39,284	46,800	76,556	60,577	101,882	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	1,520	1,083	141	3,711	555	3,253	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	214,662	46,593	42,733	39,167	7,365	12,471	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

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
2014						
Derivatives settled on a net basis ^(a)	(490)	18	20	149	451	148
Derivatives settled on a gross basis						
– outflow	51,476	92,575	165,570	307,689	155,044	772,354
– inflow	51,768	92,889	165,736	307,503	155,025	772,921
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

(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. Commitments are shown below based on the remaining period to contractual expiry 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
2014					
Guarantees, endorsements and other contingent liabilities	22,231	–	–	–	22,231
Undrawn loan commitments ^(a) and other facilities	166,719	8,345	9,637	2,775	187,476
Operating lease commitments	207	308	158	56	729
Capital commitments	22	–	–	–	22
Total	189,179	8,653	9,795	2,831	210,458
2013					
Guarantees, endorsements and other contingent liabilities	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

(a) Undrawn loan commitments are recognised at activation stage and include commitments that are unconditionally cancellable at any time 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 capital management and planning process is overseen by the Capital Committee which is chaired by the Chief Financial Officer. Quarterly updates on the Group's capital position are provided to the Board of Directors, who hold ultimate responsibility for the Group's capital management objective and capital structure. The Group's capital management objective is to maintain a strong capital position consistent with regulatory requirements and the expectations of customers, investors and rating agencies. This objective is pursued while ensuring that adequate returns are delivered to shareholders and there is adequate capital for business growth, investment opportunities and meeting contingencies.

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. The Group has complied with all externally-imposed capital requirements (whether prescribed by regulation or by contract) throughout the financial year (unaudited).

44 SEGMENT REPORTING

44.1 Business segment reporting

The Group's various business segments are described below:

CONSUMER BANKING/ WEALTH MANAGEMENT

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

INSTITUTIONAL BANKING

Institutional Banking provides financial services and products to institutional clients including bank and non-bank financial institutions, government-linked companies, large corporates and small and medium-sized businesses. The business focuses on broadening and deepening customer relationships. Products and services comprise the full range of credit facilities from short-term working capital financing to specialised lending. It also provides global transactional services such as cash management, trade finance and securities and fiduciary services; treasury and markets products; corporate finance and advisory banking as well as capital markets solutions.

TREASURY

Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is 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 encompass a range of activities from corporate decisions and includes income and expenses not attributed to other business segments, including capital and balance sheet management, funding and liquidity. DBS Vickers Securities and Islamic Bank of Asia are also included in this segment.

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

In \$ millions	Consumer Banking/ Wealth Management	Institutional Banking	Treasury	Others	Total
2014					
Net interest income	1,689	3,258	996	378	6,321
Non-interest income	1,193	1,709	106	487	3,495
Total income	2,882	4,967	1,102	865	9,816
Expenses	1,920	1,536	510	364	4,330
Allowances for credit and other losses	89	540	(1)	39	667
Share of profits of associates and joint venture	3	–	–	76	79
Profit before tax	876	2,891	593	538	4,898
Income tax expense					713
Net profit attributable to shareholders					4,046
Total assets before goodwill and intangibles	84,451	225,504	90,586	35,008	435,549
Goodwill and intangibles					5,117
Total assets					440,666
Total liabilities	162,146	164,788	36,229	37,297	400,460
Capital expenditure	72	25	13	153	263
Depreciation ^(a)	32	13	7	168	220
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 and joint venture	–	–	–	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 and intangibles	72,887	207,264	83,049	34,006	397,206
Goodwill and intangibles					4,802
Total assets					402,008
Total liabilities	143,325	147,171	60,384	13,442	364,322
Capital expenditure	63	30	15	119	227
Depreciation ^(a)	32	9	8	165	214

(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. The total assets, income and net profit are stated after elimination of inter-group assets and revenues.

In \$ millions	The Group					Total
	Singapore	Hong Kong	Rest of Greater China ^(a)	South and Southeast Asia ^(b)	Rest of the World ^(c)	
2014						
Net interest income	4,018	1,098	598	404	203	6,321
Non-interest income	2,130	802	352	148	63	3,495
Total income	6,148	1,900	950	552	266	9,816
Expenses	2,521	789	622	310	88	4,330
Allowances for credit and other losses	254	52	68	272	21	667
Share of profits of associates and joint venture	18	3	8	50	–	79
Profit before tax	3,391	1,062	268	20	157	4,898
Income tax expense	487	180	31	(25)	40	713
Net profit attributable to shareholders	2,766	882	237	44	117	4,046
Total assets before goodwill and intangibles	286,633	72,487	44,637	17,254	14,538	435,549
Goodwill and intangibles	5,083	34	–	–	–	5,117
Total assets	291,716	72,521	44,637	17,254	14,538	440,666
Non-current assets ^(d)	1,959	382	96	41	2	2,480
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 and joint venture	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 and intangibles	258,580	65,783	43,132	16,466	13,245	397,206
Goodwill and intangibles	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

(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 investments in associates and joint venture, properties and other fixed assets

DBS Bank Ltd

Income Statement

for the year ended 31 December 2014

In \$ millions	Note	Bank 2014	2013
Income			
Interest income		6,282	5,614
Interest expense		1,617	1,502
Net interest income		4,665	4,112
Net fee and commission income		1,431	1,276
Net trading income		312	491
Net income from investment securities		233	248
Other income	2	456	372
Total income		7,097	6,499
Expenses			
Employee benefits		1,464	1,298
Other expenses		1,304	1,177
Allowances for credit and other losses		547	556
Total expenses		3,315	3,031
Profit before tax		3,782	3,468
Income tax expense		533	463
Net profit		3,249	3,005
Attributable to:			
Shareholders		3,249	3,005
Non-controlling interests		–	–
		3,249	3,005

(see notes on pages 183 to 184 which form part of these financial statements)

DBS Bank Ltd

Statement of Comprehensive Income

for the year ended 31 December 2014

In \$ millions	Bank	
	2014	2013
Net profit	3,249	3,005
Other comprehensive income:		
Foreign currency translation differences for foreign operations	19	(52)
Available-for-sale financial assets and others:		
Net valuation taken to equity	427	(530)
Transferred to income statement	(134)	(163)
Tax on items taken directly to or transferred from equity	(14)	40
Other comprehensive income, net of tax	298	(705)
Total comprehensive income	3,547	2,300
Attributable to:		
Shareholders	3,547	2,300
Non-controlling interests	–	–
	3,547	2,300

(see notes on pages 183 to 184 which form part of these financial statements)

DBS Bank Ltd

Balance Sheet

as at 31 December 2014

In \$ millions	Note	Bank 2014	2013
Assets			
Cash and balances with central banks		12,395	11,652
Government securities and treasury bills		24,034	23,640
Due from banks		35,716	31,686
Derivatives		16,488	16,764
Bank and corporate securities		33,686	30,481
Loans and advances to customers		218,232	191,887
Other assets		8,000	4,997
Associates and joint venture		205	431
Subsidiaries	3	18,641	18,222
Properties and other fixed assets		569	567
Goodwill and intangibles		281	–
Total assets		368,247	330,327
Liabilities			
Due to banks		14,310	12,276
Deposits and balances from customers		244,669	224,649
Derivatives		18,383	17,535
Other liabilities		7,062	6,031
Other debt securities		28,835	21,476
Due to holding company		3,373	1,406
Due to subsidiaries	4	14,341	9,391
Subordinated term debts		4,665	5,544
Total liabilities		335,638	298,308
Net assets		32,609	32,019
Equity			
Share capital	5	22,096	17,096
Other reserves	6	2,572	2,274
Revenue reserves	6	7,941	12,649
Shareholders' funds		32,609	32,019
Total equity		32,609	32,019

(see notes on pages 183 to 184 which form part of these financial statements)

DBS Bank Ltd

Notes to the Supplementary Financial Statements

for the year ended 31 December 2014

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 2014. 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	2014	2013
Dividends from subsidiaries	243	193
Dividends from associates	19	41
Total	262	234

3 SUBSIDIARIES

In \$ millions	2014	2013
Unquoted equity shares ^{(a)(b)}	11,846	11,837
Due from subsidiaries	6,795	6,382
Total	18,641	18,219

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

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

4 DUE TO SUBSIDIARIES

In \$ millions	2014	2013
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 4.1)	1,500	1,500
Due to subsidiaries	12,841	7,891
Total	14,341	9,391

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

	Shares ('000)		In \$ millions	
	2014	2013	2014	2013
Ordinary shares				
Balance at 1 January	2,233,103	2,233,103	14,597	14,597
Issue of shares	256,278	–	5,000	–
Redemption of preference shares	–	–	1,700	–
Balance at 31 December	2,489,381	2,233,103	21,297	14,597
Preference shares				
Balance at 1 January				
S\$1,700m 4.7% non-cumulative non-convertible perpetual preference shares	7	7	1,700	1,700
S\$800m 4.7% non-cumulative non-convertible perpetual preference shares	8,000	8,000	799	799
	8,007	8,007	2,499	2,499
Redemption of preference shares	(7)	–	(1,700)	–
Balance at 31 December	8,000	8,007	799	2,499
Issued share capital at 31 December			22,096	17,096

6 OTHER RESERVES

6.1 Other reserves

In \$ millions	2014	2013
Available-for-sale revaluation reserves	288	(10)
Cash flow hedge reserves	(33)	(14)
General reserves	2,360	2,360
Capital reserves	(43)	(62)
Total	2,572	2,274

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
2014					
Balance at 1 January	(10)	(14)	2,360	(62)	2,274
Net exchange translation adjustments	–	–	–	19	19
Available-for-sale financial assets and others:					
– net valuation taken to equity	494	(67)	–	–	427
– transferred to income statement	(182)	47	–	–	(135)
– tax on items taken directly to or transferred from equity	(14)	1	–	–	(13)
Balance at 31 December	288	(33)	2,360	(43)	2,572
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

(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	2014	2013
Balance at 1 January	12,649	11,561
Redemption of preference shares	(1,700)	–
Remeasurement of defined benefit plan	(1)	–
Net profit attributable to shareholders	3,249	3,005
Amount available for distribution	14,197	14,566
Less: Dividends paid to holding company	6,197	1,800
Dividends paid on preference shares	59	117
Balance at 31 December	7,941	12,649

DBS Group Holdings Ltd and its Subsidiaries

Directors' Report

The Directors are pleased to submit their report to the Members together with the audited consolidated financial statements of DBS Group Holdings Ltd (the Company or DBSH) and its subsidiaries (the Group) and the balance sheet of the Company for the financial year ended 31 December 2014, which have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

BOARD OF DIRECTORS

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

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

Mr Peter Seah, Mrs Ow Foong Pheng and Mr Andre Sekulic will retire in accordance with Article 95 of the Company's Articles of Association at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2014	As at 1 Jan 2014	As at 31 Dec 2014	As at 1 Jan 2014
DBSH ordinary shares				
Peter Seah	84,838	38,532	–	–
Piyush Gupta	403,849	200,140	118,000	118,000
Bart Broadman	22,515	15,449	–	–
Euleen Goh	24,123	12,545	–	–
Ho Tian Yee	7,973	3,444	–	–
Nihal Kaviratne CBE	5,014	4,767	–	–
Andre Sekulic	7,539	2,693	–	–
Danny Teoh	19,254	11,540	18,723	18,723
Ow Foong Pheng	4,403	4,257	–	–

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2014	As at 1 Jan 2014	As at 31 Dec 2014	As at 1 Jan 2014
Share awards (unvested) granted under the DBSH Share Plan				
Peter Seah	20,245	32,697	–	–
Piyush Gupta ⁽¹⁾	1,059,968	937,553	–	–
Bart Broadman	4,973	8,248	–	–
Euleen Goh	8,222	13,410	–	–
Ho Tian Yee	1,984	2,960	–	–
Nihal Kaviratne CBE	2,686	4,008	–	–
Danny Teoh	4,902	7,534	–	–
DBS Bank 4.7% non-cumulative non-convertible redeemable perpetual preference shares				
Euleen Goh	3,000	3,000	–	–

(1) Mr Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 38 of the Notes to the 2014 Company's financial statements

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2015.

DIRECTORS' CONTRACTUAL BENEFITS

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

DBSH SHARE OPTION PLAN

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

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

DBSH Options	Number of unissued ordinary shares	During the year		Number of unissued ordinary shares	Exercise price per share	Expiry date
	1 January 2014	Exercised	Forfeited/Expired	31 December 2014		
March 2004	880,631	855,615	25,016	–	\$12.53	02 March 2014
March 2005	554,244	195,841	3,526	354,877	\$12.81	01 March 2015
	1,434,875	1,051,456	28,542	354,877		

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

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

DBSH SHARE PLAN

During the financial year, time-based awards in respect of an aggregate of 5,789,096 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Group. This included 326,124 ordinary shares comprised in awards granted to the executive Director, Mr Piyush Gupta, which formed part of his remuneration. During the financial year, certain non-executive Directors received an aggregate of 59,569 share awards, which formed part of their directors' fees. Details are set out below.

Directors of the Company	Share awards granted during the financial year under review	Share awards vested during the financial year under review
Peter Seah ⁽²⁾	31,845	44,297
Piyush Gupta	326,124 ⁽¹⁾	203,709
Bart Broadman ⁽²⁾	3,791	7,066
Euleen Goh ⁽²⁾	6,080	11,268
Ho Tian Yee ⁽²⁾	3,553	4,529
Nihal Kaviratne CBE ⁽²⁾	4,490	5,812
Andre Sekulic ⁽²⁾	4,728	4,728
Danny Teoh ⁽²⁾	5,082	7,714

(1) Mr Gupta's awards formed part of his remuneration for 2013

(2) The awards of these non-executive Directors formed part of their directors' fees for 2013, which had been approved by the shareholders at DBSH's Annual General Meeting held on 28 April 2014. All the awards granted to these non-executive Directors during the financial year under review vested immediately upon grant.

Information on the DBSH Share Plan is as follows:

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

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

- (ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee.
- (iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary General Meeting held on 8 April 2009, the DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- (iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or by reason of the participant, being a non-executive Director, ceasing to be a Director, or in the event of a take-over, winding up or reconstruction of DBSH.
- (v) Subject to the prevailing legislation and the rules of the Singapore Exchange, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares (which may include ordinary shares held by the Company in treasury).
- (vi) The class and/or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

AUDIT COMMITTEE

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

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

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

In its review of the audited financial statements for the financial year ended 31 December 2014, the Audit Committee has discussed with management and the external auditor the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditor, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

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

The Audit Committee recommends to the Board of Directors the re-appointment of PwC as independent external auditor at the forthcoming Annual General Meeting of the Company on 23 April 2015.

INDEPENDENT AUDITOR

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

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

9 February 2015
Singapore

DBS Group Holdings Ltd and its Subsidiaries

Statement by the Directors

We, Peter Seah Lim Huat and Piyush Gupta, being two of the Directors of DBS Group Holdings Ltd (the Company), state that, in the opinion of the Directors, the consolidated financial statements of the Group, consisting of the Company and its subsidiaries and the balance sheet of the Company, together with the notes thereon, as set out on pages 124 to 179, are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date and there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

9 February 2015
Singapore

DBS Group Holdings Ltd and its Subsidiaries

Independent Auditor's Report

TO THE MEMBERS OF DBS GROUP HOLDINGS LTD (INCORPORATED IN SINGAPORE)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 179, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

Singapore, 9 February 2015

Five-Year Summary

Group	2014	2013	2012	2011	2010
Selected income statement items (\$ millions)					
Total income	9,618	8,927	8,064	7,631	7,066
Profit before allowances	5,288	5,009	4,450	4,328	4,141
Allowances	667	770	417	722	911
Profit before tax	4,700	4,318	4,157	3,733	3,332
Net profit excluding one-time items and goodwill charges	3,848	3,501	3,359	3,035	2,650
One-time items ⁽¹⁾	198	171	450	–	–
Goodwill charges	–	–	–	–	1,018
Net profit	4,046	3,672	3,809	3,035	1,632
Selected balance sheet items (\$ millions)					
Total assets	440,666	402,008	353,033	340,847	283,710
Customer loans	275,588	248,654	210,519	194,720	152,094
Total liabilities	400,460	364,322	317,035	307,778	250,608
Customer deposits ⁽²⁾	317,173	292,365	253,464	225,346	193,692
Total shareholders' funds	37,708	34,233	31,737	28,794	26,599
Per ordinary share (\$)					
Earnings excluding one-time items and goodwill charges	1.55	1.43	1.39	1.30	1.15
Earnings	1.63	1.50	1.57	1.30	0.70
Net asset value	14.85	13.61	12.96	11.99	11.25
Dividends	0.58	0.58	0.56	0.56	0.56
Selected financial ratios (%)					
Dividend cover for ordinary shares (number of times)	2.80	2.58	2.79	2.28	1.25
Net interest margin	1.68	1.62	1.70	1.77	1.84
Cost-to-income	45.0	43.9	44.8	43.3	41.4
Return on assets ⁽³⁾	0.91	0.91	0.97	0.97	0.98
Return on equity ⁽³⁾⁽⁴⁾	10.9	10.8	11.2	11.0	10.2
Loan/deposit ratio	86.9	85.0	83.1	86.4	78.5
Non-performing loan rate	0.9	1.1	1.2	1.3	1.9
Loss allowance coverage	163	135	142	126	100
Capital adequacy ⁽⁵⁾					
Common Equity Tier 1 – Transitional	13.1	13.7	–	–	–
Common Equity Tier 1 – Final	11.9	11.9	–	–	–
Tier I	13.1	13.7	14.0	12.9	15.1
Total	15.3	16.3	17.1	15.8	18.4

(1) One-time items include gains on sale of investments, an amount set aside to establish the DBS Foundation and a sum donated to National Gallery Singapore

(2) Includes deposits related to fund management activities of institutional investors from 2012 onwards. Prior to 2012, these deposits were classified as "Due to Banks"

(3) Excludes one-time items and goodwill charges

(4) Calculated based on net profit attributable to the shareholders net of dividends on preference shares and other equity instruments. Non-controlling interests, preference shares and other equity instruments are not included as equity in the computation of return of equity

(5) With effect from 1 January 2013, Basel III capital adequacy requirements came into effect in Singapore. Changes due to Basel III affected both eligible capital and risk-weighted assets. Unless otherwise stated, capital adequacy disclosures relating to dates prior to 1 January 2013 are calculated in accordance with the then prevailing capital adequacy regulations and are thus not directly comparable to those pertaining to dates from 1 January 2013