DBS GROUP HOLDINGS LTD

(Incorporated in Singapore. Registration Number: 199901152M)

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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

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

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31 DECEMBER 2014

		Group		Company	
In $ millions	**Note**	**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

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

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

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

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

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

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 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. Investments in joint venture 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 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 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 47 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 exist and settlement in this manner is intended. This applies generally when they arise from the same tax reporting group and relate to the same tax authority.

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

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

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

3 Critical Accounting Estimates

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

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

3.1 Impairment allowances

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

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

Another area requiring judgement is the calculation of general allowances, which are determined after taking into account historical data and management's assessment of the current economic and credit environment, country and portfolio risks, as well as industry practices. Please refer to Note 42 for a further description of the Group's credit risk management.

3.2 Fair value of financial instruments

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

The fair value of financial instruments without an observable market price in 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	The Group 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	The Group 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	The Group 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:

	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					
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

2014	The Group						
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables/ amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
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**

2013			The Group				
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables /amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
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 Financial instruments (C)	Related amounts not set off on balance sheet Cash collateral received/ placed (D)	Net amounts in scope (E)
2014						
Financial Assets						
Derivatives	**16,995**	**7,421**[(a)]	**9,574**	**8,884**[(a)]	**493**	**197**
Reverse repurchase agreements	**4,025**[(b)]	**441**	**3,584**	**3,580**	**-**	**4**
Securities borrowings	**78**[(c)]	**-**	**78**	**74**	**-**	**4**
Total	**21,098**	**7,862**	**13,236**	**12,538**	**493**	**205**
Financial Liabilities						
Derivatives	**18,755**	**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**

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 Financial instruments (C)	Related amounts not set off on balance sheet Cash collateral received/ placed (D)	Net amounts in scope (E)
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	The Group 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

	The Group				
In $ millions	**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

	The Group				
In $ millions	**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 42.4 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.

	The Group	
In $ millions	**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 extended to third parties, but assumes a contractual obligation to pay these cash flows under the issued notes. The carrying amounts and fair values of these financial assets and liabilities both amount to $1,317 million (2013: $883 million).

20 Other Assets

	The Group	
In $ millions	**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:

	The Group	
In $ millions	**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 (HKD 546 million) from Whampoa Limited (refer to 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 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 exposures to third party securitisation structures where the Group holds an interest in the normal course of business.

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

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

	The Group	
In $ millions	**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 year 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:

	The Group	
In $ millions	**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

	The Group				
In $ millions	**Investment properties**	**Owner-occupied properties**	**Other fixed assets[(a)]**	**Subtotal of non-investment properties and other fixed assets**	**Total**
	(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	Investment properties	Owner-occupied properties	Other fixed assets[a]	Subtotal of non-investment properties and other fixed assets	Total
	The Group				
	(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](see 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

	The Group	
In $ millions	**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

	The Group	
In $ millions	**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

	The Group	
In $ millions	**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		The Group	
Currency	**Interest Rate and Repayment Terms**	**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		The Group	
Currency	**Interest Rate and Repayment Terms**	**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	The Group	
Type	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					The Group	
Instrument	**Note**	**Issue Date**	**Maturity Date**	**Interest payment**	**2014**	**2013**
Issued by the Bank						
US$750m 5.00% Subordinated Notes Callable with Step-up in 2014 *The instrument was called on 15 Nov 2014*	31.1	1 Oct 2004	15 Nov 2019	May/Nov	**-**	966
US$900m Floating Rate Subordinated Notes Callable with Step-up in 2016 *Interest rate equal to 3-month LIBOR plus 0.61% until call date.* *Interest rate resets to 3-month LIBOR plus 1.61% thereafter if not called*	31.2	16 Jun 2006	15 Jul 2021	Jan/Apr/ Jul/Oct	**1,189**	1,139
S$500m 4.47% Subordinated Notes Callable with Step-up in 2016 *Interest rate resets to 6-month Singapore Dollar Swap Offer Rate plus 1.58% if not called*		11 Jul 2006	15 Jul 2021	Jan/Jul	**500**	500
S$1,000m 3.30% Subordinated Notes Callable in 2017 *Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.147% if not called*	31.3	21 Feb 2012	21 Feb 2022	Feb/Aug	**999**	1,004
US$750m 3.625% Subordinated Notes Callable in 2017 *Interest rate resets to 5-year US Dollar Swap Offer Rate plus 2.229% if not called*	31.4	21 Mar 2012	21 Sep 2022	Mar/Sep	**994**	953
S$1,000m 3.10% Subordinated Notes Callable in 2018 *Interest rate resets to 5-year Singapore Dollar Swap Offer Rate plus 2.085% if not called*	31.5	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 the 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 2014	2013	The Company 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 2014	2013	The Company 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:

	The Group						
In $ millions	**Available-for-sale revaluation reserves**	**Cash flow hedge reserves**	**General reserves[(a)]**	**Capital reserves[(b)]**	**Share option and share plan reserves**	**Other reserves[(c)]**	**Total**
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	The Group 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	The Group 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 investments 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.

	2014			2013		
In $ millions	**Underlying notional**	**Assets**	**Liabilities**	**Underlying notional**	**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
DBSH Share Plan (Share Plan) • Share Plan is granted to Group executives as determined by the Committee appointed to administer the Share Plan from time to time. • Participants are awarded shares of the Company, their equivalent cash value or a combination. • Awards consist of main award and retention award (20% of main 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
DBSH Employee Share Plan (ESP) • ESP caters to employees not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of the Company, their equivalent cash value or a combination of both (at the discretion of the Committee), when time-based conditions are met. • The awards structure and vesting conditions are similar to Share Plan. • There are no additional retention awards for shares granted to top performers and key employees. • However, in specific cases where the award forms part of an employee's annual performance remuneration, the retention award which constitutes 20% of the shares given in the main award will be granted. The shares in the retention award will vest 4 years after the date of grant.	38.1
DBSH Share Ownership Scheme • All Singapore based employees with at least one year of service who hold the rank of Assistant Vice President and below are eligible. • Participants contribute up to 10% of monthly salary and the Group will match up to 5% of monthly base salary to buy units of the Company's ordinary shares.	38.2
DBSH Share Option Plan (Option Plan) • The Option Plan expired on 19 June 2009. Its termination does not affect the rights of holders of outstanding existing options. • Option Plan is granted to eligible Group executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent). • The exercise price is equal to the average of the last dealt prices for the Company's share as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd, for the three consecutive trading days immediately preceding the date of the grant. • The options vest over a period in accordance to vesting schedule and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. • The fair value of options granted is determined using the Binomial model.	38.3

38.1 DBSH Share Plan and DBSH Employee Share Plan

The following table sets out the 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:

	The Group	
In $ millions	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 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:

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

In $ millions	Level 1	The Group Level 2	Level 3	Total
2013				
Assets				
Financial assets at fair value through profit or loss				
- Singapore Government securities and treasury bills	2,013	-	-	2,013
- Other government securities and treasury bills	4,207	-	-	4,207
- Bank and corporate debt securities	6,808	857	539	8,204
- Equity securities	437	147	-	584
- Other financial assets	-	3,258	-	3,258
Available-for-sale financial assets				
- Singapore Government securities and treasury bills	7,332	-	-	7,332
- Other government securities and treasury bills	13,297	60	-	13,357
- Bank and corporate debt securities	8,982	2,543	26	11,551
- Equity securities[(a)]	889	2	131	1,022
- Other financial assets	253	5,381	-	5,634
Derivatives	50	17,355	21	17,426
Liabilities				
Financial liabilities at fair value through profit or loss				
- Other debt securities	-	3,595	21	3,616
- Other financial liabilities	1,353	2,025	-	3,378
Derivatives	40	18,041	51	18,132

(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: Income statement	Fair value gains or losses: Other comprehensive income	Purchases	Issues	Settlements	Transfers in	Transfers out	Balance at 31 December
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**

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						
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 cash flows	Credit spreads
Bank and corporate debt securities	**27**	26	AFS[(b)]	Discounted cash flows	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 Cash Flows	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 Risk Governance

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

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

1. Risk Executive Committee (Risk ExCo)
2. Product Approval Committee (PAC)*
3. Group Credit Risk Models Committee (GCRMC)*
4. Group Credit Policy Committee (GCPC)*
5. Group Credit Risk Committee (GCRC)
6. Group Market and Liquidity Risk Committee (GMLRC)
7. Group Operational Risk Committee (GORC)

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

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

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

Key responsibilities:
- Assess risk taking
- Maintain oversight on effectiveness of the Group's risk management infrastructure, including frameworks, decision criteria, authorities, policies, people, processes, information, systems and methodologies
- Approve risk model governance standards, stress testing scenarios, risk models and assess performance of the risk models
- Assess the risk-return trade-offs across the Group
- Identify specific concentrations of risk.

The members in these committees comprise representatives from Risk Management Group (RMG) as well as key business and support units.

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

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

The CRO also engages the regulator(s) on a regular basis to discuss risk matters.

Working closely with the established risk and business committees, the CRO is responsible for the following:

- Management of the risks in the Group; including developing and maintaining systems and processes to identify, approve, measure, monitor, control and report risks

- Engagement of senior management on material matters relating to the various types of risks and development of risk controls and mitigation processes

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

42 Credit Risk

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

Lending exposures are typically represented by the notional value or principal amount of on-balance sheet financial instruments. Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans even though they are contingent in nature. Pre-settlement Credit Exposures (PCE) for trading and securities transactions are measured taking into account collateral and netting arrangements. Settlement risk is the risk of loss due to the counterparty's failure to perform its obligation after the Group has performed its obligation under an exchange of cash or securities.

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

- **Policies**
  As established in the Group Credit Risk Management Framework, the dimensions of credit risk and the scope of its application are defined. Senior management sets the overall direction and policy for managing credit risk at the enterprise level. The Group Core Credit Risk Policy (CCRP) sets forth the principles by which the Group conducts its credit risk management and control

activities. This policy, supplemented by a number of operational policies, ensures consistency in credit risk underwriting across the Group and provides guidance in the formulation of business-specific and/or location-specific credit risk policies. These latter policies are established to provide greater details on the implementation of the credit principles within the Group CCRP and are adapted to reflect different credit environments and portfolio risk profiles. The Group CCRP is considered and approved by the Risk ExCo based on recommendations from the GCPC.

- **Risk Methodologies**
  Managing credit risk is performed through the Group's deep understanding of its customers, the businesses they are in and the economies in which they operate. This is facilitated through the use of credit ratings and lending limits. The Group uses an array of rating models in both the corporate and retail portfolios. Most are built internally using the Group's own loss data. Limits and "rules for the business" are driven from the Group's Risk Appetite Statement and Target Market and Risk Acceptance Criteria respectively. Significant deals are also reviewed and approved by the Group Credit Committee which is chaired by the Deputy CRO and comprises representatives from RMG and Institutional Banking Group.

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

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

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

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

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

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

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

Transfer risk is the risk that capital and foreign exchange controls may be imposed by government authorities that would prevent or materially impede the conversion of local currency into foreign currency and/or transfer funds to non-residents. A transfer risk event could therefore lead to a default of an otherwise solvent borrower. The principles and approach in the management of transfer risk are set out in the Group's Country Risk Management Framework. The framework includes an internal transfer risk and sovereign risk rating system where the assessments are made independent of business decisions. Transfer risk limits are set in accordance to the Group's Risk Appetite Framework. Limits for non-strategic countries are set using a model-based approach. Limits for strategic countries are set based on country-specific strategic business considerations and acceptable potential loss versus the Risk Appetite. There are active discussions among the senior management and credit management in right-sizing transfer risk exposures to take into account not only risks and rewards, but also whether such exposures are in line with the Group's strategic intent. All country limits are subject to approval by the BRMC.

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

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

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

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

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

- **Processes, Systems and Reports**
The Group continues to invest in systems to support risk monitoring and reporting for both the wholesale and consumer businesses. The end-to-end credit process is constantly subject to review and improvement through various front-to-back initiatives involving the business units, RMG, Operations and other key stakeholders.

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

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

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

Non-performing assets
The Group classifies its credit facilities as ‘Performing Assets’ or ‘Non-performing assets’ in accordance with MAS Notice 612. These guidelines require the Group to categorise its credit portfolios according to its assessment of a borrower’s ability to repay a credit facility from the borrower's normal sources of income. There are five categories of assets as follows:

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

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

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

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

Refer to Note 2.10 for the Group’s accounting policies on the assessment of specific and general allowances for credit losses. In general, specific allowances are recognised for defaulting credit exposures rated sub-standard and below. The breakdown of non-performing assets for the Group according to MAS Notice 612 requirements by loan grading and industry and the related amounts of specific allowances recognised can be found in Note 42.2. A breakdown of the Group’s past due loans can also be found in the same note.

When required, the Group will take possession of the collateral it holds as security and will dispose of them as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. A breakdown of collateral held for non-performing assets is shown in Note 42.2. Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2014 and 2013 were not material.

Credit Risk Mitigants

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

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

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

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

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

42.1 Maximum exposure to credit risk

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

	The Group	
In $ millions	**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.

42.2 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:

	The Group		
In $ millions	Pass	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, investment 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 Less than 30 days past due	30-59 days past due	60-90 days past due	Total
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 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

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

	The Group	
In $ millions	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

	The Group	
In $ millions	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

	The Group	
In $ millions	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

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

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

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

42.4 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, 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, 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

43 Market Risk

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

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

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

Market Risk Management

The Group's framework for market risk management comprises the following building blocks:

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

- **Risk Methodologies**
  Value-at-Risk (VaR) is a method that computes the potential losses on risk positions as a result of movements in market rates and prices, over a specified time horizon and to a given level of confidence. The Group's VaR model is based on historical simulation with a one-day holding period and a 95% level of confidence. Tail VaR (TVaR), which is an average of the potential losses beyond the given 95% level of confidence, is used by the Group to monitor and limit market risk exposures. The market risk economic capital that is allocated by the BRMC is linked to TVaR by a multiplier. TVaR is supplemented by risk control metrics such as sensitivities to risk factors and loss triggers for management action.

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

  VaR models such as historical simulation VaR permit the estimation of the aggregate portfolio market risk potential loss due to a range of market risk factors and instruments. VaR models have limitations which include but are not limited to: (i) past changes in market risk factors may not provide accurate predictions of the future market movements and (ii) may understate the risk arising from severe market risk related events.

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

  TVaR is the key risk metric used to manage the Group's assets and liabilities except for credit spread risk under Loans and Receivables where it is under the credit framework. The Group manages banking book interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges), including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risk and embedded optionality. Behavioural assumptions are applied in managing the interest rate risk of banking book deposits with indeterminate maturities. The Group measures interest rate risk in the banking book on a weekly basis.

  Credit derivatives are used in the trading book with single name or index underlyings to support business strategy in building a regional Fixed Income franchise. The Group actively monitors its counterparty credit risk in credit derivative contracts. More than 90% of the gross notional value of the Group's credit derivative positions as at 31 December 2014 is to 17 large, established names with which the Group maintains collateral agreements.

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

and timely assessments of the control processes and systems' appropriateness and effectiveness.

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

Market Risk

The Group level TVaR considers the market risks of both the trading and banking books. The Group level TVaR is tabulated below, showing the period-end, average, high and low TVaR.

	The Group			
		1 Jan 2014 to 31 Dec 2014		
In $ millions	**As at 31 Dec 2014**	**Average**	**High**	**Low**
Total	**68**	**85**	**124**	**49**
		1 Jan 2013 to 31 Dec 2013		
In $ millions	**As at 31 Dec 2013**	**Average**	**High**	**Low**
Total	87	66	89	31

The Group's major market risk driver is interest rate risk in the trading and banking books. The average TVaR for 2014 was higher than 2013 mainly due to more volatile rate scenarios for VaR calculation, changes of duration due to capital management, update of models for non- maturity deposits and increase in liquid assets.

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

	The Group			
		1 Jan 2014 to 31 Dec 2014		
In $ millions	**As at 31 Dec 2014**	**Average**	**High**	**Low**
Diversified	**16**	**12**	**19**	**8**
Interest Rates	**9**	**10**	**17**	**7**
Foreign Exchange	**5**	**5**	**8**	**2**
Equity	**2**	**1**	**3**	**1**
Credit Spread	**14**	**6**	**14**	**4**
Commodity	**#**	**1**	**2**	**#**
		1 Jan 2013 to 31 Dec 2013		
In $ millions	**As at 31 Dec 2013**	**Average**	**High**	**Low**
Diversified	11	10	14	8
Interest Rates	9	9	11	7
Foreign Exchange	4	6	9	3
Equity	1	1	1	#
Credit Spread	4	4	5	3
Commodity	1	1	1	#

\# Amount under $500,000

The main risk factors driving Treasury's trading portfolios in 2014 for the Group were interest rates, credit spreads and foreign exchange. Treasury's trading portfolios' average TVaR increased by $2 million (20%) and this was driven partly by the recalibration of the Group's own funding spread curve in February 2014.

Treasury's trading portfolio experienced three back-testing exceptions in 2014 compared with five in 2013. The exceptions occurred in February, September and December. Pronounced volatilities in foreign exchange and interest rate led to the exceptions in February and the second half of 2014 respectively.

The key market risk drivers of the Group's non-trading portfolios are SGD and USD interest rate positions. The economic value impact of changes in interest rates is simulated under various assumptions for the non-trading risk portfolio. The economic value changes are negative $275 million and $489 million (2013: negative $288 million and $532 million) based on parallel shifts to all yield curves of 100 basis points and 200 basis points respectively. The reported figures are based on the worse case of an upward or downward parallel shift in the yield curves.

44 Liquidity Risk

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

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

Liquidity Risk Management

Liquidity Management and Funding Strategy
The Group strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The Group's funding strategy is anchored on strengthening the core deposit franchise, which constituted 91% of total funding sources as at 31 December 2014. Strong and sustainable growth of the Group's customer deposit base in retail, wealth management, corporate and institutional segments across the markets that the Group operates in, is key to extending its long-term funding advantage.

With increasing diversification of funding sources, optimising the mismatch in fund deployment against sources with respect to pricing, size, currency and tenor remains challenging. To this end, where practicable and transferable without loss in value, the Group actively makes use of the swap markets in the conversion of funds across currencies to deploy surplus funds across locations. As the swaps are typically shorter in contractual maturity than the deployment in loans, the Group is exposed to potential cashflow mismatches arising from the risk that counterparties may not roll over maturing swaps to support the continual funding of loans. This risk is mitigated by the setting of triggers on the amount of swaps transacted with the market and conservative assumptions on the cashflow treatment of swaps under the behavioural profiling of the Group's cashflow maturity gap analysis.

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

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

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

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

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

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

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

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

Liquidity risk control measures, such as liquidity-related ratios and balance sheet analysis, are complementary tools to the cashflow maturity mismatch analysis and are performed regularly to obtain deeper insights and finer control over the liquidity profile across locations.

- **Processes and systems**
  Robust internal control processes and systems underlie the overall approach to identifying, measuring, aggregating, controlling and monitoring liquidity risk across the Group. In 2014, the Group completed the development of an in-house integrated data platform that serves to aggregate relevant source data in a complete and accurate manner that facilitates timely and granular reporting of liquidity risk for internal and regulatory purposes.

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

Behavioural Profiling

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

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

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

The table below shows the Group's behavioural net and cumulative maturity mismatch between assets and liabilities over a 1-year period under a normal scenario without incorporating growth projections. The Group's liquidity is observed to remain adequate under the maturity mismatch analysis, amidst sustained growth in loans supported largely by stable sources of funds from deposits gathering and the issuance of medium term notes and commercial papers.

In $ millions [(a)]	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year
As at 31 Dec 2014[(b)]					
Net liquidity mismatch	**21,364**	**(6,553)**	**7,767**	**8,404**	**10,803**
Cumulative mismatch	**21,364**	**14,811**	**22,578**	**30,982**	**41,785**
As at 31 Dec 2013[(b)]					
Net liquidity mismatch	18,638	(2,642)	7,052	10,539	11,800
Cumulative mismatch	18,638	15,996	23,048	33,587	45,387

(a) Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has to be funded
(b) As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the liquidity mismatches may not be directly comparable across past balance sheet dates

44.1 Contractual maturity profile of assets and liabilities

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

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	More than 3 years	No specific maturity	Total
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**
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 44.2 on cash flows associated with these derivatives

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

44.2 Derivatives

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

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	Total
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

44.3 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.

45 Operational Risk

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

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

Operational Risk Management

The Group's framework for operational risk management comprises the following building blocks:

- **Policies**
  To govern Operational Risk Management (ORM) practices in a consistent manner, the Group Operational Risk Management Framework includes a set of Core Operational Risk Standards which provides guidance on the baseline controls to ensure a controlled and sound operating environment. There are also corporate operational risk policies which are owned by the respective corporate oversight functions and include key subject-specific policies such as Technology Risk Management Framework, Group Compliance Policy, Fraud Management Policy and Group Anti-Money Laundering, Countering the Financing of Terrorism and Sanctions Policy, New Product Approval Policy and Outsourcing Risk Policy.

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

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

  Technology Risk
  Information Technology (IT) risk is managed in accordance with a Technology Risk Management Framework (which covers risk governance, communication, monitoring, assessment, mitigation and acceptance), supported by a set of IT policies and standards, control processes and risk mitigation programmes. The Group has also established policies and standards to manage and address cyber security risk.

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

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

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

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

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

Mitigation Programmes

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

To mitigate losses from specific unexpected and significant event risks, the Group purchases group-wide insurance policies, under the Global Insurance Programme, from third-party insurers. These policies cover fraud and civil liability, property damage, general liability and directors' and officers' liability.

- **Processes, Systems and Reports**

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

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

46 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).

47 Segment Reporting

47.1 Business segment reporting

The Group's various business segments are described below:

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

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

Treasury
Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primary involved in sales, structuring, market-making and trading across a broad range of financial products including foreign exchange, interest rate, debt, credit, equity and other structured derivatives. Income from these financial products and services offered to the 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 include income and expenses not attributed to other business segments, including capital and balance sheet management, funding and liquidity. DBS Vickers Securities and Islamic Bank of Asia are also included in this segment.

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

47.2 Geographical segment reporting

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

	The Group					
In $ millions	Singapore	Hong Kong	Rest of Greater China[(a)]	South and Southeast Asia[(b)]	Rest of the World[(c)]	Total
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

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 the Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 “Credit Files, Grading and Provisioning” issued by the Monetary Authority of Singapore.

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	-	-
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 1 January 2014	During the year Exercised	Forfeited/Expired	Number of unissued ordinary shares 31 December 2014	Exercise price per share	Expiry date
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 AGM 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 had 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 AGM 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

Statement by the Directors

We, Peter Seah Lim Huat and Piyush Gupta, being two of the Directors of DBS Group Holdings Ltd (the Company), state that, in the opinion of the Directors, the consolidated financial statements of the Group, consisting of the Company and its subsidiaries and the balance sheet of the Company, together with the notes thereon, as set out on pages 1 to 71, are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 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

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

Report on the Financial Statements

We have audited the accompanying financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 1 to 71, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 9 February 2015