Financial statements

DBS Group Holdings Ltd and its Subsidiaries

Consolidated income statement

for the year ended 31 December 2016

In $ millions	Note	2016	2015
Interest income		**9,748**	9,644
Interest expense		**2,443**	2,544
Net interest income	4	**7,305**	7,100
Net fee and commission income	5	**2,331**	2,144
Net trading income	6	**1,357**	1,204
Net income from investment securities	7	**330**	339
Other income	8	**166**	150
Non-interest income		**4,184**	3,837
Total income		**11,489**	10,937
Employee benefits	9	**2,725**	2,651
Other expenses	10	**2,247**	2,249
Total expenses		**4,972**	4,900
Profit before allowances		**6,517**	6,037
Allowances for credit and other losses	11	**1,434**	743
Profit before tax		**5,083**	5,294
Income tax expense	12	**723**	727
Net profit		**4,360**	4,567
Attributable to:			
Shareholders		**4,238**	4,454
Non-controlling interests		**122**	113
		4,360	4,567
Basic and diluted earnings per ordinary share ($)	13	**1.66**	1.77

(The notes on pages 126 to 176 as well as the Risk management section on pages 77 to 102 form part of these financial statements)

Consolidated statement of comprehensive income

for the year ended 31 December 2016

In $ millions	2016	2015
Net profit	**4,360**	4,567
Other comprehensive income[a]:		
Foreign currency translation differences for foreign operations	**27**	29
Share of other comprehensive income of associates	**(6)**	2
Available-for-sale financial assets and others		
Net valuation taken to equity	**129**	(218)
Transferred to income statement	**(187)**	61
Tax on items taken directly to or transferred from equity	**12**	7
Other comprehensive income, net of tax	**(25)**	(119)
Total comprehensive income	**4,335**	4,448
Attributable to:		
Shareholders	**4,214**	4,327
Non-controlling interests	**121**	121
	4,335	4,448

(a) Items recorded in "Other comprehensive income" above will be reclassified to the income statement when specific conditions are met (e.g. when foreign operations or available-for-sale financial assets are disposed of)

(The notes on pages 126 to 176 as well as the Risk management section on pages 77 to 102 form part of these financial statements)

Balance sheets

as at 31 December 2016

In $ millions	Note	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Assets					
Cash and balances with central banks	15	**26,840**	18,829		
Government securities and treasury bills	16	**33,401**	34,501		
Due from banks		**30,018**	38,285	**18**	10
Derivatives	37	**25,757**	23,631	**29**	46
Bank and corporate securities	17	**45,417**	40,073		
Loans and advances to customers	18	**301,516**	283,289		
Other assets	20	**11,042**	11,562		
Associates	23	**890**	1,000		
Subsidiaries	22	**–**	–	**22,285**	19,547
Properties and other fixed assets	26	**1,572**	1,547		
Goodwill and intangibles	27	**5,117**	5,117		
Total assets		**481,570**	457,834	**22,332**	19,603
Liabilities					
Due to banks		**15,915**	18,251		
Deposits and balances from customers	28	**347,446**	320,134		
Derivatives	37	**24,497**	22,145	**22**	–
Other liabilities	29	**15,895**	12,404	**50**	24
Other debt securities	30	**27,745**	38,078	**2,400**	1,884
Subordinated term debts	31	**3,102**	4,026	**645**	–
Total liabilities		**434,600**	415,038	**3,117**	1,908
Net assets		**46,970**	42,796	**19,215**	17,695
Equity					
Share capital	32	**10,670**	10,114	**10,690**	10,144
Other equity instruments	33	**1,812**	803	**1,812**	803
Other reserves	34	**4,322**	6,705	**168**	168
Revenue reserves	34	**27,805**	22,752	**6,545**	6,580
Shareholders' funds		**44,609**	40,374	**19,215**	17,695
Non-controlling interests	35	**2,361**	2,422		
Total equity		**46,970**	42,796	**19,215**	17,695

(The notes on pages 126 to 176 as well as the Risk management section on pages 77 to 102 form part of these financial statements)

Consolidated statement of changes in equity

for the year ended 31 December 2016

In $ millions	Share capital	Other equity instruments	Other reserves	Revenue reserves	Total Shareholders' funds	Non-controlling interests	Total equity
2016							
Balance at 1 January	**10,114**	**803**	**6,705**	**22,752**	**40,374**	**2,422**	**42,796**
Cost of share-based payments			**109**		**109**		**109**
Draw-down of reserves upon vesting of performance shares	**108**		**(108)**		**–**		**–**
Issue of shares pursuant to Scrip Dividend Scheme	**508**				**508**		**508**
Purchase of treasury shares	**(60)**				**(60)**		**(60)**
Issue of perpetual capital securities		**1,009**			**1,009**		**1,009**
Transfers			**(2,360)**	**2,360**	**–**		**–**
Dividends paid to shareholders[(a)]				**(1,545)**	**(1,545)**		**(1,545)**
Dividends paid to non-controlling interests					**–**	**(124)**	**(124)**
Change in non-controlling interests					**–**	**(58)**	**(58)**
Total comprehensive income			**(24)**	**4,238**	**4,214**	**121**	**4,335**
Balance at 31 December	**10,670**	**1,812**	**4,322**	**27,805**	**44,609**	**2,361**	**46,970**
2015							
Balance at 1 January	10,171	803	6,894	19,840	37,708	2,498	40,206
Issue of shares upon exercise of share options	4				4		4
Cost of share-based payments			103		103		103
Reclassification of reserves upon exercise of share options	1		(1)		–		–
Draw-down of reserves upon vesting of performance shares	86		(86)		–		–
Issue of shares pursuant to Scrip Dividend Scheme	110				110		110
Purchase of treasury shares	(258)				(258)		(258)
Dividends paid to shareholders[(a)]				(1,542)	(1,542)		(1,542)
Dividends paid to non-controlling interests					–	(125)	(125)
Acquisition of non-controlling interests			(78)		(78)	(72)	(150)
Total comprehensive income			(127)	4,454	4,327	121	4,448
Balance at 31 December	10,114	803	6,705	22,752	40,374	2,422	42,796

(a) Includes distributions paid on capital securities classified as equity

(The notes on pages 126 to 176 as well as the Risk management section on pages 77 to 102 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated cash flow statement

for the year ended 31 December 2016

In $ millions	2016	2015
Cash flows from operating activities		
Net profit	**4,360**	4,567
Adjustments for non-cash items:		
Allowances for credit and other losses	**1,434**	743
Depreciation of properties and other fixed assets	**275**	251
Share of profits or losses of associates	**47**	(14)
Net gain on disposal (net of write-off) of properties and other fixed assets	**(47)**	(82)
Net income from investment securities	**(330)**	(339)
Cost of share-based payments	**109**	103
Interest expense on subordinated term debts	**107**	116
Income tax expense	**723**	727
Profit before changes in operating assets and liabilities	**6,678**	6,072
Increase/(Decrease) in:		
Due to banks	**(2,354)**	1,858
Deposits and balances from customers	**25,659**	(1,592)
Other liabilities	**4,282**	1,624
Other debt securities and borrowings	**(10,426)**	5,958
(Increase)/Decrease in:		
Restricted balances with central banks	**17**	960
Government securities and treasury bills	**1,616**	(4,350)
Due from banks	**8,243**	4,361
Bank and corporate securities	**(5,265)**	(1,911)
Loans and advances to customers	**(17,363)**	(4,076)
Other assets	**(841)**	(5,192)
Tax paid	**(809)**	(730)
Net cash generated from operating activities (1)	**9,437**	2,982
Cash flows from investing activities		
Dividends from associates	**36**	32
Proceeds from disposal of interest in associates	**3**	–
Acquisition of interest in associate	**–**	(21)
Proceeds from disposal of properties and other fixed assets	**76**	140
Purchase of properties and other fixed assets	**(321)**	(334)
Acquisition of non-controlling interests	**–**	(150)
Net cash used in investing activities (2)	**(206)**	(333)
Cash flows from financing activities		
Issue of subordinated term debts	**630**	–
Interest paid on subordinated term debts	**(114)**	(108)
Redemption/purchase of subordinated term debts	**(1,586)**	(743)
Increase in share capital	**–**	4
Purchase of treasury shares	**(60)**	(258)
Issue of perpetual capital securities	**1,009**	–
Dividends paid to shareholders of the Company, net of scrip dividends[(a)]	**(1,037)**	(1,432)
Change in non-controlling interests	**(58)**	–
Dividends paid to non-controlling interests	**(124)**	(125)
Net cash used in financing activities (3)	**(1,340)**	(2,662)
Exchange translation adjustments (4)	**163**	240
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**8,054**	227
Cash and cash equivalents at 1 January	**12,078**	11,851
Cash and cash equivalents at 31 December (Note 15)	**20,132**	12,078

(a) Includes distributions paid on capital securities classified as equity

(The notes on pages 126 to 176 as well as the Risk management section on pages 77 to 102 form part of these financial statements)

Notes to the financial statements

for the year ended 31 December 2016

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2016 were authorised for issue by the Directors on 15 February 2017.

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 wholly owned and 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.

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(18) 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(10)(b) 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

Other than 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.

The Group notes the intention, as announced by the ASC on 29 May 2014, for Singapore-incorporated companies listed on the Singapore Exchange to apply a new financial reporting framework identical to IFRS with effect from 1 January 2018. The implementation of FRS 109's credit impairment requirements will be dependent on any changes that could be made to the current regulatory specifications and the Group will continue to monitor developments on this front.

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 New or amended FRS and Interpretations effective for 2016 year-end

On 1 January 2016, the Group adopted the following revised FRS that are issued by the ASC and relevant for the Group. The adoption has no significant impact on the Group's financial statements.

- Amendments to FRS 1: Disclosure initiatives
- Amendments to FRS 27: Equity Method in Separate Financial Statements
- Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations
- Improvements to FRSs (issued in November 2014)

2.4 New or amended FRS and Interpretations effective for future periods

The significant new or amended FRS and Interpretations that are applicable to the Group in future reporting periods, and which have not been early-adopted, include:

- FRS 115 Revenue from Contracts with Customers (effective 1 January 2018) replaces the existing revenue recognition guidance and establishes a comprehensive framework for determining whether, how much and when revenue is recognised.
- FRS 116 Leases (effective 1 January 2019) replaces the existing lease accounting guidance and requires almost all leases to be recognised on the balance sheet. It also changes the way in which lease expenses are presented in the income statement.
- FRS109 Financial Instruments (effective 1 January 2018)

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; requires a more timely recognition of expected credit losses arising from the impairment of financial assets; and introduces revised requirements for general hedge accounting.

It is currently not yet practical to reliably estimate the financial impact of FRS 109 on the Group's financial statements.

Classification and measurement

FRS 109 will replace the classification and measurement model in FRS 39 with a new model that categorises financial assets based on the business model within which the assets are managed, and whether the contractual cash flows from the financial assets solely represent the payment of principal and interest.

The Group expects that the current measurement approach for most of its financial assets will remain unchanged. The Group is evaluating the impact on (a) a portfolio of financial assets that contains embedded derivatives, which may subsequently be measured at fair value through profit or loss (FVPL), as well as (b) a portfolio of quoted available-for-sale (AFS) debt securities that are held to collect contractual cash flows, which may subsequently be measured at amortised cost.

Subsequent changes in fair value from non-trading equity instruments can be taken through profit or loss or other comprehensive income (FVOCI), as elected.

Impairment

Under FRS 109, expected credit losses (ECL) will be assessed using an approach which classifies financial assets into three categories or stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile in each instance.

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since. A provision for 12-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. A provision for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3. The assessed ECL is expected to be unchanged from the existing specific allowances taken for such assets.

ECL are probability-weighted amounts determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions, and will necessarily involve the use of management judgement.

Hedge accounting

FRS 109 will introduce a more principles-based approach to assess hedge effectiveness. The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

A) General Accounting Policies

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.

2.5 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 2.13 for the Group's accounting policy on goodwill.

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

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.

2.6 Foreign currency treatment

Functional and presentation currency

Items in the financial statements are measured using the functional currency of each entity in the Group, 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 within "Net trading income".

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 partially or fully disposed of, or when share capital is repaid, such exchange differences are recognised in the income statement as part of the gain or loss when share capital is repaid.

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.

2.7 Segment reporting

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

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

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

B) Income Statement

2.8 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 is 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, bancassurance sales commission and variable service 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 and bancassurance fixed service fees.

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 2.11 for the accounting policy on impairment of financial assets.

C) Balance Sheet

2.9 Financial assets

Initial recognition
Purchases and sales of all financial assets, even if their classification and measurement are subsequently changed, are recognised on the date that the Group enters into the contractual arrangements with counterparties. When the Group acts as 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:

- Non-derivative financial assets 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 "Consumer Banking/Wealth Management" and "Institutional Banking" segments. Loans and receivables are carried at amortised cost using the effective interest method.
- Non-derivative 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 hedging instruments in accordance with Note 2.19. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow or net investment hedges are included in "Net trading income".

- Non-derivative 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. These assets are carried at amortised cost using the effective interest method.
- The Group also holds other non-derivative 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 2.19 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 offset the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

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

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

2.10 Cash and cash equivalents

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

2.11 Impairment of financial assets

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

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

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

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

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

Specific allowances for credit losses
A specific allowance for credit losses is 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 as "Allowances for credit and other losses".

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

2.12 Repurchase agreements

Repurchase agreements (Repos) are treated as collateralised borrowings. The amount borrowed is reflected as a 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.

2.13 Goodwill

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

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

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

2.14 Properties and other fixed assets

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

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

Generally, the useful lives are as follows:

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

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

2.15 Financial liabilities

Initial recognition, classification and subsequent measurement

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

- Financial liabilities are classified as **financial liabilities at fair value through profit or loss** if they are incurred for the purpose of repurchasing in the near term ("**held for trading**"), and this 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**") if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial liability contains an embedded derivative that would otherwise need to be separately recorded. Financial liabilities in this classification are usually within the "Treasury" segment.

  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 is also presented together with other fair value changes in "Net trading income".
- Derivative liabilities are treated consistently with derivative assets. Please refer to Note 2.9 for the accounting policy on derivatives.
- Other financial liabilities are carried at **amortised cost** using the effective interest method. These comprise predominantly the Group's "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.

2.16 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 2.9.

Letters of credit

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

Financial guarantees

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

Off-balance sheet credit exposures are managed for credit risk in the same manner as financial assets.

Please refer to Note 2.11 on the Group's accounting policies on allowances for credit losses.

2.17 Provisions and other liabilities

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

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

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

2.18 Share capital and other instruments classified as equity

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

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

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

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

D) Other Specific Topics

2.19 Hedging and hedge accounting

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

In some cases, where the strict criteria in FRS 39 are met, hedge accounting is applied as set out in subsequent paragraphs. At the inception of each hedging relationship, the Group documents the relationship between the hedging instrument and 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 and associates with a functional currency different from that of the Company. Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or not hedged at all.

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

Economic hedges which do not qualify for hedge accounting

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

Please refer to Note 37.2 for disclosures on hedging derivatives.

2.20 Employee benefits

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

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

2.21 Share-based compensation

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

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

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

2.22 Current and deferred taxes

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

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exist and settlement in this 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 of financial assets

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 2.11.

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

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

3.2 Fair value of financial instruments

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

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

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

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

3.3 Goodwill impairment

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 2016	2015
Cash and balances with central banks and Due from banks	**371**	466
Customer non-trade loans	**6,628**	6,126
Trade assets	**958**	1,294
Securities and others	**1,791**	1,758
Total interest income	**9,748**	9,644
Deposits and balances from customers	**1,726**	1,940
Other borrowings	**717**	604
Total interest expense	**2,443**	2,544
Net interest income	**7,305**	7,100
Comprising:		
Interest income from financial assets at fair value through profit or loss	**552**	648
Interest income from financial assets not at fair value through profit or loss	**9,196**	8,996
Interest expense from financial liabilities at fair value through profit or loss	**(193)**	(204)
Interest expense from financial liabilities not at fair value through profit or loss	**(2,250)**	(2,340)
Total	**7,305**	7,100

5 Net Fee and Commission Income

In $ millions	The Group 2016	2015
Brokerage	**155**	180
Investment banking	**189**	165
Transaction services[(b)]	**585**	556
Loan-related	**434**	442
Cards[(c)]	**483**	434
Wealth management	**714**	599
Others	**86**	76
Fee and commission income	**2,646**	2,452
Less: fee and commission expense	**315**	308
Net fee and commission income[(a)]	**2,331**	2,144

(a) Includes net fee and commission income of $56 million (2015: $51 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 $793 million (2015: $776 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 2016	2015
Net trading income		
– Foreign exchange	**822**	989
– Interest rates, credit, equities and others[(a)]	**538**	224
Net gain/(loss) from financial assets designated at fair value	**80**	(89)
Net (loss)/gain from financial liabilities designated at fair value	**(83)**	80
Total	**1,357**	1,204

(a) Includes dividend income of $24 million (2015: $23 million)

7 Net Income from Investment Securities

In $ millions	The Group 2016	2015
Debt securities		
– Available-for-sale	**247**	117
– Loans and receivables	**5**	#
Equity securities[(a)(b)]	**78**	222
Total[(c)]	**330**	339
Of which: net gains transferred from available-for-sale revaluation reserves	**268**	140

 # Amount under $500,000
(a) Includes dividend income of $60 million (2015: $63 million)
(b) 2015 includes an amount of $136 million relating to gain from disposal of a property investment
(c) Includes fair value impact of hedges for the investment securities

8 Other Income

In $ millions	The Group 2016	2015
Rental income	**37**	37
Net gain on disposal of properties and other fixed assets	**54**	90
Others[(a)]	**75**	23
Total	**166**	150

(a) Includes share of profits or losses of associates

9 Employee Benefits

In $ millions	The Group 2016	2015
Salaries and bonuses	**2,203**	2,149
Contributions to defined contribution plans	**149**	135
Share-based expenses	**108**	102
Others	**265**	265
Total	**2,725**	2,651

10 Other Expenses

In $ millions	The Group 2016	2015
Computerisation expenses[(a)]	**877**	883
Occupancy expenses[(b)]	**402**	398
Revenue-related expenses	**273**	301
Others[(c)]	**695**	667
Total	**2,247**	2,249

(a) Includes hire and maintenance costs of computer hardware and software
(b) Includes rental expenses of office and branch premises of $247 million (2015: $241 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 2016	2015
Depreciation expenses	**275**	251
Hire and maintenance costs of fixed assets, including building-related expenses	**476**	453
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 2016	2015
Loans and advances to customers (Note 18)	**1,000**	676
Investment securities		
– Available-for-sale	**7**	19
– Loans and receivables	**17**	(8)
Properties and other fixed assets	**–**	(14)
Off-balance sheet credit exposures	**157**	8
Others	**253**	62
Total	**1,434**	743

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

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	The Group Net write-off during the year	Exchange and other movements	Balance at 31 December
2016					
Specific allowances					
Loans and advances to customers (Note 18)	**821**	**1,111**	**(788)**	**126**	**1,270**
Investment securities	**92**	**7**	**(19)**	**1**	**81**
Properties and other fixed assets	**27**	**–**	**–**	**1**	**28**
Off-balance sheet credit exposures	**10**	**122**	**–**	**(63)**	**69**
Others	**85**	**253**	**(95)**	**(17)**	**226**
Total specific allowances	**1,035**	**1,493**	**(902)**	**48**	**1,674**
Total general allowances for credit losses	**3,222**	**(59)**	**–**	**3**	**3,166**
Total allowances	**4,257**	**1,434**	**(902)**	**51**	**4,840**
2015					
Specific allowances					
Loans and advances to customers (Note 18)	983	551	(748)	35	821
Investment securities	80	19	(12)	5	92
Properties and other fixed assets	47	(14)	(8)	2	27
Off-balance sheet credit exposures	5	4	–	1	10
Others	44	62	(24)	3	85
Total specific allowances	1,159	622	(792)	46	1,035
Total general allowances for credit losses	3,054	121	–	47	3,222
Total allowances	4,213	743	(792)	93	4,257

12 Income Tax Expense

In $ millions	The Group 2016	2015
Current tax expense		
– Current year	**804**	828
– Prior years' provision	**(59)**	(55)
Deferred tax expense		
– Prior years' provision	**–**	(10)
– Origination of temporary differences	**(22)**	(36)
Total	**723**	727

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

In $ millions	The Group 2016	2015
Accelerated tax depreciation	**3**	5
Allowances for loan losses	**(46)**	(49)
Other temporary differences	**21**	(2)
Deferred tax credit to income statement	**(22)**	(46)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In $ millions	The Group 2016	2015
Profit before tax	**5,083**	5,294
Prima facie tax calculated at a tax rate of 17% (2015: 17%)	**864**	900
Effect of different tax rates in other countries	**(1)**	9
Net income not subject to tax	**(60)**	(51)
Net income taxed at concessionary rate	**(114)**	(79)
Expenses not deductible for tax	**15**	17
Others	**19**	(69)
Income tax expense charged to income statement	**723**	727

Deferred income tax relating to available-for-sale financial assets and others of $12 million (2015: $7 million) was credited directly 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 2016	2015
Weighted average number of ordinary shares in issue (basic and diluted)	(a)	**2,517**	2,496

In $ millions		The Group 2016	2015
Net profit attributable to shareholders (Net profit less dividends on other equity instruments)	(b)	**4,188**	4,417
Earnings per ordinary share ($)			
Basic and diluted	(b)/(a)	**1.66**	1.77

14 Classification of Financial Instruments

	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
2016							
Assets							
Cash and balances with central banks	**2,822**	**–**	**20,783**	**3,235**	**–**	**–**	**26,840**
Government securities and treasury bills	**8,998**	**–**	**–**	**22,441**	**1,962**	**–**	**33,401**
Due from banks	**5,852**	**–**	**22,984**	**1,182**	**–**	**–**	**30,018**
Derivatives	**25,307**	**–**	**–**	**–**	**–**	**450**	**25,757**
Bank and corporate securities	**7,750**	**57**	**21,145**	**16,465**	**–**	**–**	**45,417**
Loans and advances to customers	**–**	**459**	**301,057**	**–**	**–**	**–**	**301,516**
Other financial assets	**–**	**–**	**10,709**	**–**	**–**	**–**	**10,709**
Total financial assets	**50,729**	**516**	**376,678**	**43,323**	**1,962**	**450**	**473,658**
Other asset items outside the scope of FRS 39[(a)]							**7,912**
Total assets							**481,570**
Liabilities							
Due to banks	**481**	**–**	**15,434**	**–**	**–**	**–**	**15,915**
Deposits and balances from customers	**81**	**1,306**	**346,059**	**–**	**–**	**–**	**347,446**
Derivatives	**24,230**	**–**	**–**	**–**	**–**	**267**	**24,497**
Other financial liabilities	**2,303**	**–**	**12,450**	**–**	**–**	**–**	**14,753**
Other debt securities	**4,450**	**599**	**22,696**	**–**	**–**	**–**	**27,745**
Subordinated term debts	**–**	**–**	**3,102**	**–**	**–**	**–**	**3,102**
Total financial liabilities	**31,545**	**1,905**	**399,741**	**–**	**–**	**267**	**433,458**
Other liability items outside the scope of FRS 39[(b)]							**1,142**
Total liabilities							**434,600**

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	The Group Available-for-sale	Held to maturity	Hedging derivatives	Total
2015							
Assets							
Cash and balances with central banks	241	–	14,364	4,224	–	–	18,829
Government securities and treasury bills	7,569	–	–	25,267	1,665	–	34,501
Due from banks	4,961	–	32,571	753	–	–	38,285
Derivatives	23,190	–	–	–	–	441	23,631
Bank and corporate securities	9,035	77	17,380	13,581	–	–	40,073
Loans and advances to customers	–	1,269	282,020	–	–	–	283,289
Other financial assets	–	–	11,263	–	–	–	11,263
Total financial assets	44,996	1,346	357,598	43,825	1,665	441	449,871
Other asset items outside the scope of FRS 39[(a)]							7,963
Total assets							457,834
Liabilities							
Due to banks	954	–	17,297	–	–	–	18,251
Deposits and balances from customers	91	1,254	318,789	–	–	–	320,134
Derivatives	21,971	–	–	–	–	174	22,145
Other financial liabilities	886	–	10,439	–	–	–	11,325
Other debt securities	4,114	1,424	32,540	–	–	–	38,078
Subordinated term debts	–	–	4,026	–	–	–	4,026
Total financial liabilities	28,016	2,678	383,091	–	–	174	413,959
Other liability items outside the scope of FRS 39[(b)]							1,079
Total liabilities							415,038

(a) Includes associates, 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 offset 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 2016, there was no offset of financial assets and liabilities. As at 31 December 2015, "Loans and advances to customers" of $170 million were offset against "Deposits and balances from customers" of $170 million because contractually the Group has a legally enforceable right to offset these amounts, and intends to settle the loans and the deposits simultaneously at maturity or termination dates.

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 offset 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 pledged 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.

The Group

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 offset on balance sheet: Financial instruments (C)	Related amounts not offset on balance sheet: Financial collateral received/ pledged (D)	Net amounts in scope (E)
2016						
Financial Assets						
Derivatives	**25,757**	**8,699**[(a)]	**17,058**	**14,788**[(a)]	**1,575**	**695**
Reverse repurchase agreements	**6,845**[(b)]	**228**	**6,617**	**–**	**6,617**	**–**
Securities borrowings	**74**[(c)]	**–**	**74**	**57**	**–**	**17**
Total	**32,676**	**8,927**	**23,749**	**14,845**	**8,192**	**712**
Financial Liabilities						
Derivatives	**24,497**	**6,835**[(a)]	**17,662**	**14,788**[(a)]	**1,750**	**1,124**
Repurchase agreements	**1,423**[(d)]	**1,343**	**80**	**–**	**80**	**–**
Short sale of securities	**2,303**[(e)]	**845**	**1,458**	**1,458**	**–**	**–**
Total	**28,223**	**9,023**	**19,200**	**16,246**	**1,830**	**1,124**
2015						
Financial Assets						
Derivatives	23,631	11,203[(a)]	12,428	11,047[(a)]	1,074	307
Reverse repurchase agreements	5,227[(b)]	124	5,103	–	5,097	6
Securities borrowings	47[(c)]	–	47	44	–	3
Total	28,905	11,327	17,578	11,091	6,171	316
Financial Liabilities						
Derivatives	22,145	8,505[(a)]	13,640	11,047[(a)]	2,066	527
Repurchase agreements	2,930[(d)]	1,050	1,880	–	1,880	–
Short sale of securities	886[(e)]	561	325	325	–	–
Total	25,961	10,116	15,845	11,372	3,946	527

(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 pledged 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) Short sale of securities are presented under "Other liabilities" on the balance sheet

15 Cash and Balances with Central Banks

In $ millions	The Group 2016	2015
Cash on hand	**2,938**	3,070
Non-restricted balances with central banks	**17,194**	9,008
Cash and cash equivalents	**20,132**	12,078
Restricted balances with central banks[(a)]	**6,708**	6,751
Total	**26,840**	18,829

(a) Mandatory balances with central banks

16 Government Securities and Treasury Bills

In $ millions	Held for trading	The Group Available-for-sale	Held to maturity	Total
2016				
Singapore Government securities and treasury bills[(a)]	**3,567**	**6,454**	**1,962**	**11,983**
Other government securities and treasury bills[(b)]	**5,431**	**15,987**	**–**	**21,418**
Total	**8,998**	**22,441**	**1,962**	**33,401**
2015				
Singapore Government securities and treasury bills[(a)]	2,569	8,078	1,665	12,312
Other government securities and treasury bills[(b)]	5,000	17,189	–	22,189
Total	7,569	25,267	1,665	34,501

(a) Includes financial assets transferred of $70 million (2015: $579 million) (See Note 19)
(b) Includes financial assets transferred of $2,740 million (2015: $1,900 million) (See Note 19)

17 Bank and Corporate Securities

In $ millions	Held for trading	Designated at fair value through profit or loss	The Group Loans and receivables	Available-for-sale	Total
2016					
Bank and corporate debt securities[(a)]	**5,340**	**57**	**21,299**	**14,897**	**41,593**
Less: Impairment allowances	**–**	**–**	**(154)**	**–**	**(154)**
Equity securities	**2,410**	**–**	**–**	**1,568**	**3,978**
Total	**7,750**	**57**	**21,145**	**16,465**	**45,417**
2015					
Bank and corporate debt securities[(a)]	7,654	77	17,530	11,884	37,145
Less: Impairment allowances	–	–	(150)	–	(150)
Equity securities	1,381	–	–	1,697	3,078
Total	9,035	77	17,380	13,581	40,073

(a) Includes financial assets transferred of $414 million (2015: $787 million) (See Note 19)

18 Loans and Advances to Customers

In $ millions	The Group 2016	2015
Gross	**305,415**	286,871
Less: Specific allowances	**1,270**	821
General allowances	**2,629**	2,761
	301,516	283,289
Analysed by product		
Long-term loans	**136,305**	124,362
Short-term facilities	**65,894**	62,976
Housing loans	**64,465**	58,569
Trade loans	**38,751**	40,964
Gross total	**305,415**	286,871
Analysed by currency		
Singapore dollar	**123,733**	117,587
Hong Kong dollar	**35,588**	34,386
US dollar	**102,120**	89,283
Chinese yuan	**11,577**	19,516
Others	**32,397**	26,099
Gross total	**305,415**	286,871

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

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

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
2016					
Specific allowances					
Manufacturing	**224**	**204**	**(143)**	**13**	**298**
Building and construction	**120**	**39**	**(26)**	**3**	**136**
Housing loans	**7**	**1**	**–**	**–**	**8**
General commerce	**157**	**239**	**(146)**	**21**	**271**
Transportation, storage and communications	**94**	**404**	**(261)**	**79**	**316**
Financial institutions, investment and holding companies	**60**	**13**	**(59)**	**1**	**15**
Professionals and private individuals (excluding housing loans)	**58**	**125**	**(116)**	**4**	**71**
Others	**101**	**86**	**(37)**	**5**	**155**
Total specific allowances	**821**	**1,111**	**(788)**	**126**	**1,270**
Total general allowances	**2,761**	**(111)**	**–**	**(21)**	**2,629**
Total allowances	**3,582**	**1,000**	**(788)**	**105**	**3,899**
2015					
Specific allowances					
Manufacturing	331	185	(303)	11	224
Building and construction	115	43	(43)	5	120
Housing loans	8	(2)	–	1	7
General commerce	140	144	(133)	6	157
Transportation, storage and communications	153	25	(87)	3	94
Financial institutions, investment and holding companies	90	14	(48)	4	60
Professionals and private individuals (excluding housing loans)	53	102	(99)	2	58
Others	93	40	(35)	3	101
Total specific allowances	983	551	(748)	35	821
Total general allowances	2,583	125	–	53	2,761
Total allowances	3,566	676	(748)	88	3,582

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

In $ millions	The Group 2016	2015
Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	**459**	1,269
Credit derivatives/enhancements – protection bought	**(459)**	(1,269)
Cumulative change in fair value arising from changes in credit risk	**(98)**	(280)
Cumulative change in fair value of related credit derivatives/enhancements	**98**	280

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 gain of $182 million (2015: loss of $86 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a loss of $182 million (2015: gain of $86 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 2016 and 2015.

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 $2,881 million (2015: $3,255 million), which are recorded under "Due to banks", "Deposits and balances from customers" and "Other liabilities" on the balance sheet.

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

In $ millions	The Group 2016	2015
Securities pledged and transferred		
Singapore Government securities and treasury bills	**70**	579
Other government securities and treasury bills	**2,740**	1,900
Bank and corporate debt securities	**414**	787
Total securities pledged and transferred	**3,224**	3,266

Covered bonds

Pursuant to the Bank's Global Covered Bond Programme, selected pools of residential mortgages originated by the Bank have been assigned to a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd (see Notes 22.2 and 30.4). These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2016, the carrying value of the covered bonds in issue was $2,227 million (2015: $1,412 million), while the carrying value of assets assigned was $8,636 million (2015: $4,268 million). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

Other financial assets

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 $516 million (2015: $1,355 million).

20 Other Assets

In $ millions	The Group 2016	2015
Accrued interest receivable	**1,165**	1,258
Deposits and prepayments	**423**	317
Receivables from securities business	**643**	316
Sundry debtors and others	**5,512**	6,415
Cash collateral pledged[(a)]	**2,966**	2,957
Deferred tax assets (Note 21)	**333**	299
Total	**11,042**	11,562

(a) Mainly relates to cash collateral pledged in respect of derivative portfolios

21 Deferred Tax Assets/Liabilities

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

Deferred tax assets and liabilities comprise the following temporary differences:

In $ millions	The Group 2016	The Group 2015
Deferred income tax assets		
Allowances for loan losses	**356**	310
Available-for-sale financial assets and others	**6**	1
Other temporary differences	**177**	146
	539	457
Amounts offset against deferred tax liabilities	**(206)**	(158)
Total	**333**	299
Deferred income tax liabilities		
Accelerated tax depreciation	**114**	111
Available-for-sale financial assets and others	**7**	14
Other temporary differences	**118**	66
	239	191
Amounts offset against deferred tax assets	**(206)**	(158)
Total	**33**	33
Net deferred tax assets	**300**	266

22 Subsidiaries and Consolidated Structured Entities

In $ millions	The Company 2016	The Company 2015
Investment in subsidiaries[(a)]		
Ordinary shares	**17,376**	16,726
Additional Tier 1 instruments	**2,446**	344
Other equity instruments	**344**	344
	20,166	17,414
Due from subsidiaries		
Subordinated term debts	**1,699**	1,046
Other receivables	**420**	1,087
	2,119	2,133
Total	**22,285**	19,547

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

22.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below:

Name of subsidiary	Country of incorporation	Effective shareholding % 2016	Effective shareholding % 2015
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
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 2015 and 2016.

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

22.2 Consolidated structured entity

The structured entity consolidated by the Group is listed below:

Name of entity	Purpose of consolidated structured entity	Country of incorporation
Bayfront Covered Bonds Pte Ltd	Covered bond guarantor	Singapore

Bayfront Covered Bonds Pte Ltd is a bankruptcy-remote structured entity established in conjunction with the Bank's USD 10 billion Global Covered Bond Programme (see Note 30.4). As part of the contractual structures that are integral to this programme, the Bank provides funding and hedging facilities to it.

23 Associates

In $ millions	The Group 2016	2015
Quoted equity securities[(a)]	**57**	71
Unquoted equity securities[(b)]	**812**	800
Sub-total	**869**	871
Share of post-acquisition reserves	**21**	129
Total	**890**	1,000

(a) The market value of the quoted associate amounted to $60 million (2015: $51 million) and was based on the last traded price on 1 September 2016 prior to its trading suspension
(b) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

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

In $ millions	The Group 2016	2015
Income statement		
Share of income	**155**	166
Share of expenses	**(202)**	(152)
Balance sheet		
Share of total assets	**1,701**	1,721
Share of total liabilities	**811**	721
Off-balance sheet		
Share of contingent liabilities and commitments	**#**	#

 # Amount under $500,000

23.1 Main associates

The main associates of the Group are listed below:

Name of associate	Country of incorporation	Effective shareholding % 2016	2015
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

***Audited by other auditors*

As of 31 December 2016 and 31 December 2015, no associate 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 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 as well as its commitments to finance or otherwise provide resources to them are not material.

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 table below represents the Group's maximum exposure to loss which for on-balance sheet assets and liabilities is represented by the carrying amount, and does not reflect mitigating effects from the availability of netting arrangements 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	
In $ millions	**2016**	**2015**
Derivatives	**–**	2
Bank and corporate securities	**1,267**	1,317
Loans and advances to customers	**19**	109
Other assets	**#**	1
Total assets	**1,286**	1,429
Commitments and guarantees	**23**	203
Maximum Exposure to Loss	**1,309**	1,632
Derivatives	**107**	85
Total liabilities	**107**	85

 # Amount under $500,000

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 Acquisition

On 31 October 2016, DBS Bank Ltd agreed to acquire the wealth management and retail banking business of Australian and New Zealand Banking Group Limited (ANZ) in five markets for approximately $110 million above book value.

The portfolio of businesses being acquired is in Singapore, Hong Kong, China, Taiwan and Indonesia, representing total deposits of $17 billion and loans of $11 billion.

The acquisition of the businesses in each jurisdiction is independent of each other. Subject to obtaining regulatory approvals, the transaction is expected to be completed progressively from the second quarter of 2017 onwards, and the target is for full completion in all markets by early 2018. The transaction has no impact to 2016's financial statements.

26 Properties and Other Fixed Assets

In $ millions	Investment properties	The Group Owner-occupied properties	Other fixed assets[a]	Subtotal of owner-occupied properties and other fixed assets	Total
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
2016					
Cost					
Balance at 1 January	**627**	**529**	**1,840**	**2,369**	**2,996**
Additions	**–**	**4**	**317**	**321**	**321**
Disposals	**(25)**	**(2)**	**(115)**	**(117)**	**(142)**
Exchange differences	**1**	**14**	**14**	**28**	**29**
Balance at 31 December	**603**	**545**	**2,056**	**2,601**	**3,204**
Less: Accumulated depreciation					
Balance at 1 January	**172**	**139**	**1,111**	**1,250**	**1,422**
Depreciation charge	**7**	**13**	**255**	**268**	**275**
Disposals	**(15)**	**(2)**	**(96)**	**(98)**	**(113)**
Exchange differences	**1**	**11**	**8**	**19**	**20**
Balance at 31 December	**165**	**161**	**1,278**	**1,439**	**1,604**
Less: Allowances for impairment	**–**	**28**	**–**	**28**	**28**
Net book value at 31 December	**438**	**356**	**778**	**1,134**	**1,572**
Market value at 31 December	**848**	**856**			
2015					
Cost					
Balance at 1 January	644	538	1,553	2,091	2,735
Additions	–	6	328	334	334
Disposals	(24)	(53)	(69)	(122)	(146)
Transfers	(2)	2	–	2	–
Exchange differences	9	36	28	64	73
Balance at 31 December	627	529	1,840	2,369	2,996
Less: Accumulated depreciation					
Balance at 1 January	170	120	913	1,033	1,203
Depreciation charge	7	12	232	244	251
Disposals	(6)	(11)	(58)	(69)	(75)
Transfers	(1)	1	–	1	–
Exchange differences	2	17	24	41	43
Balance at 31 December	172	139	1,111	1,250	1,422
Less: Allowances for impairment	–	27	–	27	27
Net book value at 31 December	455	363	729	1,092	1,547
Market value at 31 December	868	831			

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

26.1 PWC Building was held as an asset for sale. Its net book value was $380 million as at 31 December 2016 (2015: $386 million) and its fair value based on the agreed property value in the sale of DBS China Square Limited (DCS), which owns PWC Building, was $747 million. As at 31 December 2015, its fair value was independently appraised at $711 million. Refer to Note 45 for the subsequent event disclosure on the sale of DCS.

26.2 The market values of the other 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 2016, there were no transfers into or out of Level 3.

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

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

In $ millions	The Group 2016	2015
Minimum lease receivables[a]		
Not later than 1 year	**31**	33
Later than 1 year but not later than 5 years	**44**	34
Total	**75**	67

(a) Includes lease receivables from operating leases under PWC Building, an asset held for sale. Refer to Note 45 for subsequent event disclosure on the sale of DBS China Square Limited, which owns PWC Building

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 2016	2015
DBS Bank (Hong Kong) Limited	**4,631**	4,631
Others	**486**	486
Total	**5,117**	5,117

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 its 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% (2015: 4.5%) and discount rate of 9.0% (2015: 9.0%) were assumed in the value-in-use calculation for DBS Bank (Hong Kong) Limited's franchise.

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 2016. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be further impaired in future periods.

28 Deposits and Balances from Customers

In $ millions	The Group 2016	2015
Analysed by currency		
Singapore dollar	**152,115**	140,772
US dollar	**112,107**	101,298
Hong Kong dollar	**36,234**	31,849
Chinese yuan	**9,822**	14,500
Others	**37,168**	31,715
Total	**347,446**	320,134
Analysed by product		
Savings accounts	**140,617**	131,065
Current accounts	**73,984**	65,989
Fixed deposits	**130,178**	120,269
Other deposits	**2,667**	2,811
Total	**347,446**	320,134

29 Other Liabilities

In $ millions	The Group 2016	2015
Cash collateral received[(a)]	**1,710**	981
Accrued interest payable	**434**	465
Provision for loss in respect of off-balance sheet credit exposures	**453**	324
Payables in respect of securities business	**641**	318
Sundry creditors and others[(b)]	**9,665**	8,675
Current tax liabilities	**656**	722
Short sale of securities	**2,303**	886
Deferred tax liabilities (Note 21)	**33**	33
Total	**15,895**	12,404

(a) Mainly relates to cash collateral received in respect of derivative portfolios
(b) Includes income received in advance of $1,493 million (2015: $800 million) arising from a 15-year regional distribution agreement entered with Manulife

30 Other Debt Securities

In $ millions	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Negotiable certificates of deposit (Note 30.1)	**2,137**	1,200	**–**	–
Senior medium term notes (Note 30.2)	**6,410**	9,870	**2,400**	1,884
Commercial papers (Note 30.3)	**11,586**	19,174	**–**	–
Covered bonds (Note 30.4)	**2,227**	1,412	**–**	–
Other debt securities (Note 30.5)	**5,385**	6,422	**–**	–
Total	**27,745**	38,078	**2,400**	1,884
Due within 1 year	**17,539**	26,839	**–**	103
Due after 1 year	**10,206**	11,239	**2,400**	1,781
Total	**27,745**	38,078	**2,400**	1,884

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

In $ millions Currency	Interest Rate and Repayment Terms	The Group 2016	2015
Issued by the Bank and other subsidiaries			
HKD	2.25% to 4.22%, payable quarterly	**314**	503
HKD	3M HIBOR +0.25%, payable quarterly	**–**	46
HKD	3M HIBOR +0.2%, payable quarterly	**–**	70
HKD	2.5% to 4.2%, payable annually	**118**	156
HKD	Zero-coupon, payable on maturity	**84**	–
AUD	1.74% to 2.51%, payable on maturity	**1,455**	165
USD	0.7%, payable on maturity	**–**	42
IDR	10.4% to 10.65%, payable on maturity	**–**	46
TWD	0.438% to 0.468%, payable on maturity	**–**	172
INR	Zero-coupon, payable on maturity	**41**	–
CNY	2.97%, payable on maturity	**125**	–
Total		**2,137**	1,200

The outstanding negotiable certificates of deposit as at 31 December 2016 were issued between 22 August 2008 and 22 December 2016 (2015: 22 August 2008 and 15 December 2015) and mature between 5 January 2017 and 16 March 2021 (2015: 5 January 2016 and 16 March 2021).

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

In $ millions Currency	Interest Rate and Repayment Terms	The Group 2016	 2015	The Company 2016	 2015
Issued by the Company					
USD	2.246%, payable semi-annually	**1,093**	1,074	**1,093**	1,074
HKD	1.87%, payable annually	**97**	–	**97**	–
SGD	2.78%, payable semi-annually	**487**	–	**487**	–
USD	Floating rate note, payable quarterly	**723**	707	**723**	707
AUD	Floating rate note, payable quarterly	**–**	103	**–**	103
Issued by the Bank					
GBP	Floating rate note, payable quarterly	**–**	3,604	**–**	–
USD	2.35%, payable semi-annually	**1,447**	1,418	**–**	–
USD	1.27% to 1.41%, payable quarterly	**984**	–	**–**	–
USD	Floating rate note, payable quarterly	**1,273**	2,658	**–**	–
USD	1.454%, payable annually	**145**	141	**–**	–
HKD	2.24%, payable quarterly	**93**	92	**–**	–
CNH	4.4%, payable annually	**68**	73	**–**	–
Total		**6,410**	9,870	**2,400**	1,884

The senior medium term notes were issued by the Company and the Bank under its USD 30 billion Global Medium Term Note Programme. The outstanding senior medium term notes as at 31 December 2016 were issued between 21 February 2012 and 7 September 2016 (2015: 21 February 2012 and 16 November 2015) and mature between 20 January 2017 and 11 January 2021 (2015: 14 January 2016 and 15 January 2020).

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 2016 were issued between 21 September 2016 and 16 December 2016 (2015: 2 July 2015 and 30 December 2015) and mature between 3 January 2017 and 12 April 2017 (2015: 4 January 2016 and 24 May 2016).

30.4 To augment its sources of wholesale funding, the Bank established a USD 10 billion Global Covered Bond Programme on 16 June 2015. A covered bond is a senior obligation of the Bank backed by a cover pool comprising assets that have been ring-fenced via contractual structures in a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd. Bayfront Covered Bonds Pte Ltd has provided an unconditional and irrevocable guarantee, which is secured over the cover pool, to the covered bond holders.

The outstanding covered bonds as at 31 December 2016 were issued between 6 August 2015 and 3 June 2016 (2015: on 6 August 2015) and mature between 6 August 2018 and 3 June 2019 (2015: on 6 August 2018).

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

In $ millions Type	The Group 2016	 2015
Issued by the Bank and other subsidiaries		
Equity linked notes	**1,521**	1,603
Credit linked notes	**1,202**	2,058
Interest linked notes	**2,042**	1,817
Foreign exchange linked notes	**220**	63
Fixed rate bonds	**400**	881
Total	**5,385**	6,422

The outstanding securities as at 31 December 2016 were issued between 4 October 2011 and 30 December 2016 (2015: 31 March 2006 and 31 December 2015) and mature between 3 January 2017 and 30 August 2046 (2015: 4 January 2016 and 13 November 2045).

31 Subordinated Term Debts

The following subordinated term debts issued by the Company and the Bank are classified as liabilities. These term debt instruments have a junior or lower priority claim on the issuing entity's assets in the event of a default or liquidation.

The subordinated term debts issued by the Company include provisions for them to be written-off if and when the Monetary Authority of Singapore notifies the Company that a write-off of the instruments, or a public sector injection of capital (or equivalent support), is necessary, without which the Company or the Group would become non-viable. These instruments qualify as Tier 2 capital under the Monetary Authority of Singapore 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 subordinated term debts issued by the Bank are in the first instance ineligible as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-off at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Tier 2 capital (subject to a cap) for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

In $ millions Instrument	Note	Issue Date	Maturity Date	Interest Payment	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Issued by the Company								
S$250m 3.80% Subordinated Notes due 2028 Callable in 2023	31.1	20 Jan 2016	20 Jan 2028	Jan/Jul	**252**	–	**252**	–
JPY10,000m 0.918% Subordinated Notes due 2026	31.2	8 Mar 2016	8 Mar 2026	Mar/Sep	**123**	–	**123**	–
HK$1,500m 3.24% Subordinated Notes due 2026 Callable in 2021	31.3	19 Apr 2016	19 Apr 2026	Jan/Apr/ Jul/Oct	**270**	–	**270**	–
Issued by the Bank								
US$900m Floating Rate Subordinated Notes due 2021 Callable with Step-up in 2016	31.4	16 Jun 2006	15 Jul 2021	Jan/Apr/ Jul/Oct	**–**	495	**–**	–
S$500m 4.47% Subordinated Notes due 2021 Callable with Step-up in 2016	31.4	11 Jul 2006	15 Jul 2021	Jan/Jul	**–**	500	**–**	–
S$1,000m 3.30% Subordinated Notes due 2022 Callable in 2017	31.5	21 Feb 2012	21 Feb 2022	Feb/Aug	**866**	991	**–**	–
US$750m 3.625% Subordinated Notes due 2022 Callable in 2017	31.6	21 Mar 2012	21 Sep 2022	Mar/Sep	**1,085**	1,064	**–**	–
S$1,000m 3.10% Subordinated Notes due 2023 Callable in 2018	31.7	14 Aug 2012	14 Feb 2023	Feb/Aug	**506**	976	**–**	–
Total					**3,102**	4,026	**645**	–
Due within 1 year					**866**	613	**–**	–
Due after 1 year					**2,236**	3,413	**645**	–
Total					**3,102**	4,026	**645**	–

31.1 Interest on the notes is payable at 3.80% per annum up to 20 January 2023. Thereafter, the interest rate resets to the then-prevailing five-year Singapore Dollar Swap Offer Rate plus 1.10% per annum. Interest is paid semi-annually on 20 January and 20 July each year. The notes are redeemable on 20 January 2023 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate.

31.2 Interest on the notes is payable semi-annually at 0.918% per annum on 8 March and 8 September each year. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate.

31.3 Interest on the notes is payable at 3.24% per annum up to 19 April 2021. Thereafter, the interest rate resets to the then-prevailing five-year Hong Kong Dollar Swap Rate plus 1.90% per annum. Interest is paid quarterly on 19 January, 19 April, 19 July and 19 October each year. The notes are redeemable on 19 April 2021 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the three-month Hong Kong Interbank Offered Rate.

31.4 These notes have been fully redeemed on 15 July 2016.

31.5 Interest on the notes is payable at 3.30% per annum up to 21 February 2017. Thereafter, the interest rate resets to the then-prevailing five-year Singapore Dollar Swap Offer Rate plus 2.147% per annum. Interest is paid semi-annually on 21 February and 21 August each year. The notes are redeemable on 21 February 2017 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate. On 11 January 2016, the Company purchased $134.25 million of the notes. Pursuant to a notice of redemption issued on 11 January 2017, all of the outstanding notes will be redeemed on 21 February 2017.

31.6 Interest on the notes is payable at 3.625% per annum up to 21 September 2017. Thereafter, the interest rate resets to the then-prevailing five-year U.S. Dollar Swap Rate plus 2.229% per annum. Interest is paid semi-annually on 21 March and 21 September each year. The notes are redeemable on 21 September 2017 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the three-month U.S. Dollar London Interbank Offered Rate.

31.7 Interest on the notes is payable at 3.10% per annum up to 14 February 2018. Thereafter, the interest rate resets to the then-prevailing 5-year Singapore Dollar Swap Offer Rate plus 2.085% per annum. Interest is paid semi-annually on 14 February and 14 August each year. The notes are redeemable on 14 February 2018 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate. On 11 January 2016, the Company purchased $491.75 million of the notes.

For more information on each instrument, please refer to the "Capital Disclosures" section (unaudited) at the Group's website (http://www.dbs.com/investor/capital-disclosures.html).

32 Share Capital

The Company issued 34,181,336 (2015: 5,292,246) ordinary shares during the year to eligible shareholders who elected to participate in the Scrip Dividend Scheme.

In 2015, pursuant to the DBSH Share Option Plan, the Company issued 350,623 ordinary shares, fully paid in cash upon the exercise of the options granted. Any outstanding unexercised options as of 1 March 2015 has lapsed following the expiry of all options granted under the Plan. In 2015, the Company also issued 30,011,421 ordinary shares upon the conversion of the outstanding 30,011,421 non-voting redeemable convertible preference shares (CPS). The newly issued shares rank pari passu in all respects with the previously issued shares.

As at 31 December 2016, the number of treasury shares held by the Group is 12,851,873 (2015: 14,873,769), which is 0.51% (2015: 0.59%) of the total number of issued shares net of 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	
	2016	2015	2016	2015	2016	2015	2016	2015
Ordinary shares								
Balance at 1 January	**2,514,781**	2,479,126	**10,391**	10,113	**2,514,781**	2,479,126	**10,391**	10,113
Issue of shares pursuant to Scrip Dividend Scheme	**34,181**	5,293	**508**	110	**34,181**	5,293	**508**	110
Issue of shares upon exercise of share options	**–**	351	**–**	4	**–**	351	**–**	4
Reclassification of reserves upon exercise of share options	**–**	–	**–**	1	**–**	–	**–**	1
Conversion from non-voting redeemable CPS	**–**	30,011	**–**	163	**–**	30,011	**–**	163
Balance at 31 December	**2,548,962**	2,514,781	**10,899**	10,391	**2,548,962**	2,514,781	**10,899**	10,391
Treasury shares								
Balance at 1 January	**(14,874)**	(6,762)	**(277)**	(105)	**(13,000)**	(5,109)	**(247)**	(82)
Purchase of treasury shares	**(4,010)**	(13,716)	**(60)**	(258)	**(4,010)**	(13,000)	**(60)**	(246)
Draw-down of reserves upon vesting of performance shares	**6,059**	5,604	**108**	86	**–**	–	**–**	–
Issue of shares pursuant to Scrip Dividend Scheme	**(27)**	–	**#**	–	**–**	–	**–**	–
Transfer of treasury shares	**–**	–	**–**	–	**5,282**	5,109	**98**	81
Balance at 31 December	**(12,852)**	(14,874)	**(229)**	(277)	**(11,728)**	(13,000)	**(209)**	(247)
Convertible preference shares (CPS)								
Balance at 1 January	**–**	30,011	**–**	163	**–**	30,011	**–**	163
Conversion to ordinary shares	**–**	(30,011)	**–**	(163)	**–**	(30,011)	**–**	(163)
Balance at 31 December	**–**	–	**–**	–	**–**	–	**–**	–
Issued share capital at 31 December			**10,670**	10,114			**10,690**	10,144

Amount under $500,000

33 Other Equity Instruments

The following perpetual capital securities issued by the Company are classified as other equity instruments. These instruments are subordinated to all liabilities of the Company and senior only to ordinary shareholders of the Company. Their terms require them to be written-off if and when the Monetary Authority of Singapore notifies the Company that a write-off of the instruments, or a public sector injection of capital (or equivalent support), is necessary, without which the Company or the Group would become non-viable. These instruments qualify as Additional Tier 1 capital under MAS Notice 637, on the basis that the Company is subject to the application of MAS Notice 637.

In $ millions	Note	Issue Date	Distribution Payment	The Group and The Company 2016	2015
Issued by the Company					
S$805m 4.70% Non-Cumulative Non-Convertible Perpetual Capital Securities First Callable in 2019	33.1	3 Dec 2013	Jun/Dec	**803**	803
US$750m 3.60% Non-Cumulative Non-Convertible Perpetual Capital Securities First Callable in 2021	33.2	7 Sep 2016	Mar/Sep	**1,009**	–
Total				**1,812**	803

33.1 Distributions are payable at 4.70% per annum up to 3 June 2019. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year Singapore Dollar Swap Offer Rate plus 3.061% per annum. Distributions are paid semi-annually on 3 June and 3 December each year, unless cancelled by the Company. The capital securities are redeemable on 3 June 2019 or on any date thereafter.

33.2 Distributions are payable at 3.60% per annum up to 7 September 2021. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year U.S. Dollar Swap Rate plus 2.39% per annum. Distributions are paid semi-annually on 7 March and 7 September each year, unless cancelled by the Company. The capital securities are redeemable on 7 September 2021 or on any distribution payment date thereafter.

For more information on each instrument, please refer to the "Capital Disclosures" section (unaudited) at the Group's website (http://www.dbs.com/investor/capital-disclosures.html).

34 Other Reserves and Revenue Reserves

34.1 Other reserves

In $ millions	The Group 2016	2015	The Company 2016	2015
Available-for-sale revaluation reserves	**26**	96	**–**	–
Cash flow hedge reserves	**19**	8	**(1)**	#
General reserves	**95**	2,453	**–**	–
Capital reserves	**(180)**	(213)	**–**	–
Share option and share plan reserves	**169**	168	**169**	168
Others	**4,193**	4,193	**–**	–
Total	**4,322**	6,705	**168**	168

 # Amount under $500,000

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**
2016							
Balance at 1 January	**96**	**8**	**2,453**	**(213)**	**168**	**4,193**	**6,705**
Net exchange translation adjustments	**(5)**	**–**	**2**	**31**	**–**	**–**	**28**
Share of associates' reserves	**(3)**	**(5)**	**–**	**2**	**–**	**–**	**(6)**
Cost of share-based payments	**–**	**–**	**–**	**–**	**109**	**–**	**109**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**–**	**–**	**(108)**	**–**	**(108)**
Transfer to revenue reserves (Note 34.2)	**–**	**–**	**(2,360)**	**–**	**–**	**–**	**(2,360)**
Available-for-sale (AFS) financial assets and others:							
– net valuation taken to equity	**185**	**(56)**	**–**	**–**	**–**	**–**	**129**
– transferred to income statement	**(261)[(d)]**	**74**	**–**	**–**	**–**	**–**	**(187)**
– tax on items taken directly to or transferred from equity	**14**	**(2)**	**–**	**–**	**–**	**–**	**12**
Balance at 31 December	**26**	**19**	**95**	**(180)**	**169**	**4,193**	**4,322**
2015							
Balance at 1 January	284	(33)	2,453	(233)	152	4,271	6,894
Net exchange translation adjustments	1	1	–	19	–	–	21
Share of associates' reserves	(1)	2	–	1	–	–	2
Cost of share-based payments	–	–	–	–	103	–	103
Reclassification of reserves upon exercise of share options	–	–	–	–	(1)	–	(1)
Draw-down of reserves upon vesting of performance shares	–	–	–	–	(86)	–	(86)
Acquisition of non-controlling interests	–	–	–	–	–	(78)	(78)
Available-for-sale (AFS) financial assets and others:							
– net valuation taken to equity	(74)	(144)	–	–	–	–	(218)
– transferred to income statement	(125)[(d)]	186	–	–	–	–	61
– tax on items taken directly to or transferred from equity	11	(4)	–	–	–	–	7
Balance at 31 December	96	8	2,453	(213)	168	4,193	6,705

(a) During the year, the Group transferred $2.36 billion of general reserves to revenue reserves
(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency financial instruments designated as a hedge
(c) Other reserves mainly relate to 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
(d) Includes impairment of AFS financial assets of $7 million (2015: $15 million)

In $ millions	The Company Cash flow hedge reserves	Share option and share plan reserves	Total
2016			
Balance at 1 January	**#**	**168**	**168**
Cost of share-based payments	**–**	**109**	**109**
Draw-down of reserves upon vesting of performance shares	**–**	**(108)**	**(108)**
Available-for-sale financial assets and others:			
– net valuation taken to equity	**(2)**	**–**	**(2)**
– transferred to income statement	**1**	**–**	**1**
Balance at 31 December	**(1)**	**169**	**168**
2015			
Balance at 1 January	–	152	152
Cost of share-based payments	–	103	103
Reclassification of reserves upon exercise of share options	–	(1)	(1)
Draw-down of reserves upon vesting of performance shares	–	(86)	(86)
Available-for-sale financial assets and others:			
– net valuation taken to equity	#	–	#
– transferred to income statement	–	–	–
Balance at 31 December	#	168	168

 # Amount under $500,000

34.2 Revenue reserves

In $ millions	The Group 2016	2015
Balance at 1 January	**22,752**	19,840
Transfer from general reserves (Note 34.1)	**2,360**	–
Net profit attributable to shareholders	**4,238**	4,454
Amount available for distribution	**29,350**	24,294
Less: Final dividends on ordinary shares of $0.30 (one-tier tax-exempt) paid for the previous financial year (2015: $0.30 one-tier tax-exempt)	**751**	751
Interim dividends on ordinary shares of $0.30 (one-tier tax-exempt) paid for the current financial year (2015: $0.30 one-tier tax-exempt)	**756**	753
Dividends on other equity instruments	**38**	38
Balance at 31 December	**27,805**	22,752

34.3 Proposed dividends

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.30 per share have not been accounted for in the financial statements for the year ended 31 December 2016. This is to be approved at the Annual General Meeting on 27 April 2017.

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 liquidation. The 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-off at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded eligibility as Additional Tier 1 capital (subject to a cap) 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**	**Liquidation Preference**	**Distribution Payment**	**2016**	**2015**
Issued by the Bank						
S$800m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	35.1	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	35.2	27 May 2008	$250,000	Jun/Dec	**1,500**	1,500
Non-controlling interests in subsidiaries					**61**	122
Total					**2,361**	2,422

35.1 Dividends are payable if declared by the Board of Directors of the Bank. They are payable semi-annually on 22 May and 22 November each year at 4.70% per annum. The preference shares are redeemable on 22 November 2020 or on any date thereafter.

35.2 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 each year at 5.75% per annum up to 15 June 2018 and thereafter quarterly on 15 March, 15 June, 15 September and 15 December each year at a floating rate of the three-month Singapore Dollar Swap Offer Rate plus 3.415% per annum. The preference shares are redeemable on 15 June 2018 or any dividend payment date thereafter.

For more information on each instrument, please refer to the "Capital Disclosures" section (unaudited) at the Group's website (http://www.dbs.com/investor/capital-disclosures.html).

36 Contingent Liabilities and Commitments

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

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

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

	The Group	
In $ millions	**2016**	**2015**
Guarantees on account of customers	**15,078**	13,605
Endorsements and other obligations on account of customers	**7,636**	6,296
Undrawn credit commitments[(a)]	**235,324**	219,773
Undisbursed and underwriting commitments in securities	**9**	9
Sub-total	**258,047**	239,683
Operating lease commitments (Note 36.2)	**549**	661
Capital commitments	**69**	48
Total	**258,665**	240,392
Analysed by industry (excluding operating lease and capital commitments)		
Manufacturing	**42,718**	38,188
Building and construction	**23,436**	17,210
Housing loans	**7,155**	9,239
General commerce	**50,338**	52,695
Transportation, storage and communications	**13,933**	13,203
Financial institutions, investment and holding companies	**22,686**	22,007
Professionals and private individuals (excluding housing loans)	**75,615**	67,140
Others	**22,166**	20,001
Total	**258,047**	239,683
Analysed by geography (excluding operating lease and capital commitments)[(b)]		
Singapore	**105,141**	101,521
Hong Kong	**48,334**	48,550
Rest of Greater China	**22,533**	18,073
South and Southeast Asia	**25,750**	22,732
Rest of the World	**56,289**	48,807
Total	**258,047**	239,683

(a) Includes commitments that are unconditionally cancellable at any time by the Group (2016: $193,016 million, 2015: $183,125 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 give 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, on payment of a premium, 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 2016, the gain on hedging instruments was $72 million (2015: $12 million). The total loss on hedged items attributable to the hedged risk amounted to $76 million (2015: $12 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 ten 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.

The Group **In $ millions**	**Net investments in foreign operations**[(a)]	**Financial instruments which hedge the net investments**	**Remaining unhedged currency exposures**
2016			
Hong Kong dollar	**10,422**	**9,326**	**1,096**
US dollar	**866**	**865**	**1**
Others	**6,960**	**1,951**	**5,009**
Total	**18,248**	**12,142**	**6,106**
2015			
Hong Kong dollar	8,398	8,392	6
US dollar	934	943	(9)
Others	6,391	2,211	4,180
Total	15,723	11,546	4,177

(a) Refers to net tangible assets of subsidiaries, associates 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 2016 and 2015.

The Group		**2016**			**2015**	
In $ millions	**Underlying notional**	**Assets**	**Liabilities**	**Underlying notional**	**Assets**	**Liabilities**
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements	**1,000**	**#**	**#**	–	–	–
Interest rate swaps	**1,079,582**	**6,728**	**6,591**	971,155	6,482	6,391
Interest rate futures	**14,554**	**5**	**3**	25,240	4	8
Interest rate options	**8,002**	**72**	**84**	8,270	85	120
Interest rate caps/floors	**27,707**	**510**	**953**	20,662	275	730
Sub-total	**1,130,845**	**7,315**	**7,631**	1,025,327	6,846	7,249
Foreign exchange (FX) derivatives						
FX contracts	**576,320**	**8,221**	**8,063**	579,745	6,425	5,931
Currency swaps	**207,853**	**8,368**	**7,106**	187,576	7,390	6,329
Currency options	**94,173**	**983**	**1,008**	198,269	1,774	1,629
Sub-total	**878,346**	**17,572**	**16,177**	965,590	15,589	13,889
Equity derivatives						
Equity options	**2,934**	**29**	**69**	2,798	43	80
Equity swaps	**1,766**	**21**	**33**	903	7	25
Sub-total	**4,700**	**50**	**102**	3,701	50	105
Credit derivatives						
Credit default swaps and others	**31,969**	**191**	**192**	46,132	284	389
Sub-total	**31,969**	**191**	**192**	46,132	284	389
Commodity derivatives						
Commodity contracts	**1,072**	**115**	**52**	2,078	335	154
Commodity futures	**1,217**	**52**	**62**	3,062	70	173
Commodity options	**742**	**12**	**14**	366	16	12
Sub-total	**3,031**	**179**	**128**	5,506	421	339
Total derivatives held for trading	**2,048,891**	**25,307**	**24,230**	2,046,256	23,190	21,971
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**13,398**	**141**	**90**	10,978	98	133
Interest rate swaps held for cash flow hedge	**900**	**5**	**1**	100	–	#
FX contracts held for cash flow hedge	**3,630**	**106**	**133**	5,755	100	8
FX contracts held for hedge of net investment	**1,635**	**7**	**21**	2,201	44	4
Currency swaps held for fair value hedge	**–**	**–**	**–**	1,924	120	13
Currency swaps held for cash flow hedge	**2,089**	**191**	**22**	939	79	16
Currency swaps held for hedge of net investment	**–**	**–**	**–**	1,441	#	#
Total derivatives held for hedging	**21,652**	**450**	**267**	23,338	441	174
Total derivatives	**2,070,543**	**25,757**	**24,497**	2,069,594	23,631	22,145
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)		**(14,788)**	**(14,788)**		(11,047)	(11,047)
		10,969	**9,709**		12,584	11,098

 # Amount under $500,000

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,125 billion (2015: $1,082 billion) and $946 billion (2015: $988 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 foster a culture that aligns employees' interests with shareholders, enable employees to share in the bank's performance and enhance talent retention.

Main Scheme/Plan	Note
DBSH Share Plan (Share Plan)	
• The 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 or, at the Committee's discretion, their equivalent cash value or a combination. • Awards consist of main award and retention award (20% of main award). Dividends on unvested shares do not accrue to employees. • The vesting of main award is staggered between 2 to 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 market price of shares on the grant date is used to estimate the fair value of the shares awarded. • Vested and unvested shares are subject to clawback/malus. Conditions that trigger such clawback/malus are in the Corporate Governance section of the Annual Report. • 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)	
• The 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. For such cases, vested and unvested shares are subject to clawback/malus. Conditions that trigger such clawback/malus are in the Corporate Governance section of the Annual Report.	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 DBSH's ordinary shares.	38.2
DBSH Share Option Plan (Option Plan)	
• The Option Plan expired on 19 June 2009. Any outstanding unexercised options as of 1 March 2015 had lapsed following the expiry of all options granted under the plan.	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.

	The Group			
	2016		2015	
Number of shares	Share Plan	ESP	Share Plan	ESP
Balance at 1 January	**17,368,488**	**1,998,781**	17,216,431	1,777,193
Granted	**8,251,608**	**1,067,078**	5,718,522	889,166
Vested	**(5,507,188)**	**(551,646)**	(5,154,074)	(471,393)
Forfeited	**(449,630)**	**(226,799)**	(412,391)	(196,185)
Balance at 31 December	**19,663,278**	**2,287,414**	17,368,488	1,998,781
Weighted average fair value of the shares granted during the year	**$13.72**	**$13.69**	$19.50	$19.51

38.2 DBSH Share Ownership Scheme

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

The Group	Ordinary shares			
	Number		Market value (in $ millions)	
	2016	2015	2016	2015
Balance at 1 January	**7,282,740**	6,593,283	**122**	136
Balance at 31 December	**8,388,820**	7,282,740	**145**	122

38.3 DBSH Share Option Plan

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

	The Group			
	Unissued number of ordinary shares under outstanding options		Weighted average exercise price ($)	
	2016	2015	2016	2015
Balance at 1 January	**–**	354,877	**–**	12.81
Movements during the year:				
– Exercised	**–**	(350,623)	**–**	12.81
– Forfeited/Expired	**–**	(4,254)	**–**	12.81
Balance at 31 December	**–**	–	**–**	–

In 2015, 350,623 options were exercised at their contractual exercise prices and the corresponding weighted average market price of the DBSH's shares was $19.63.

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 and key management personnel of the Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and were not material.

In addition, key management personnel received remuneration for services rendered during the financial year. Non-cash benefits including performance shares were also granted.

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

In $ millions	The Group 2016	2015
Short-term benefits[(b)]	**40**	46
Share-based payments[(c)]	**30**	26
Total	**70**	72
Of which: Company Directors' remuneration and fees	**14**	15

(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 FRS 102

40 Fair Value of Financial Instruments

40.1 Valuation Process

The valuation processes within the Group are governed by the Valuation Policy and supporting Standards, which are approved by the Board Risk Management Committee and the Group Market and Liquidity Risk Committee respectively. The policy and standards apply to financial assets and liabilities where mark-to-market or model valuation is required.

The Valuation Policy and supporting Standards govern the 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) 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 or market parameters.

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 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 using 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 process 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 significant 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 adjustments or reserve methodologies are also used to substantiate the significance of unobservable inputs. Such methodologies are approved by the Group Market and Liquidity Risk Committee and governed by the Valuation Policy and supporting Standards.

The main valuation adjustments and reserves are described below:

Model and Parameter Uncertainty Adjustments
Valuation uncertainties may occur during fair value measurement either due to uncertainties in the required input parameters or uncertainties in the modelling methods used in the 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 Valuation Adjustments
Credit valuation adjustments are taken to reflect the impact on fair value of counterparty credit risk. Credit valuation adjustments are based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting and collateral arrangements, and the maturity of the underlying transactions.

Funding Valuation Adjustments
Funding valuation adjustments represent an estimate of the adjustment to fair value that a market participant would make in incorporating funding costs and benefits that arise in relation to uncollateralised derivatives positions.

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 Adjustments
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 account for close-out costs.

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 OTC derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data, for example asset correlations or certain volatilities as well as unquoted equity securities. The fair value of unquoted equity securities is measured based on the net asset value of the investments. Level 3 inputs also include all quoted security prices that have not been updated for more than 3 months, quoted proxies in active markets for non-similar asset classes (e.g. bonds valued using 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							
	2016				2015			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets at fair value through profit or loss (FVPL)								
– Government securities and treasury bills	**7,713**	**1,285**	**–**	**8,998**	4,897	2,672	–	7,569
– Bank and corporate securities	**5,022**	**2,743**	**42**	**7,807**	4,416	3,858	838	9,112
– Other financial assets	**–**	**9,133**	**–**	**9,133**	–	6,471	–	6,471
Available-for-sale (AFS) financial assets								
– Government securities and treasury bills	**21,352**	**1,089**	**–**	**22,441**	24,094	1,173	–	25,267
– Bank and corporate securities[(a)]	**14,510**	**1,598**	**115**	**16,223**	10,364	2,487	156	13,007
– Other financial assets	**–**	**4,417**	**–**	**4,417**	–	4,977	–	4,977
Derivatives	**57**	**25,699**	**1**	**25,757**	76	23,535	20	23,631
Liabilities								
Financial liabilities at fair value through profit or loss (FVPL)								
– Other debt securities	**–**	**5,045**	**4**	**5,049**	–	5,521	17	5,538
– Other financial liabilities	**2,290**	**1,881**	**–**	**4,171**	886	2,226	73	3,185
Derivatives	**66**	**24,415**	**16**	**24,497**	181	21,841	123	22,145

(a) Excludes unquoted equities stated at cost of $242 million (2015: $574 million).

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

	The Group					
	Financial assets			Financial liabilities		
	FVPL	AFS	Derivatives	FVPL		Derivatives
In $ millions	**Bank and corporate securities**	**Bank and corporate securities**		**Other debt securities**	**Other financial liabilities**	
2016						
Balance at 1 January	**838**	**156**	**20**	**(17)**	**(73)**	**(123)**
Purchases/ Issues	**68**	**20**	**–**	**(4)**	**–**	**–**
Settlements	**(747)**	**(35)**	**(24)**	**16**	**–**	**137**
Transfers:						
– Transfers into Level 3	**14**	**1**	**3**	**–**	**–**	**(16)**
– Transfers out of Level 3	**(127)**	**(20)**	**(4)**	**1**	**72**	**2**
Gains/(losses) recorded in the income statement	**(4)**	**6**	**6**	**–**	**1**	**(16)**
Gains/(losses) recognised in other comprehensive income	**–**	**(13)**	**–**	**–**	**–**	**–**
Balance at 31 December	**42**	**115**	**1**	**(4)**	**–**	**(16)**
2015						
Balance at 1 January	692	144	11	(8)	–	(135)
Purchases/ Issues	8	1	–	(4)	(48)	–
Settlements	(19)	(18)	(2)	9	–	2
Transfers:						
– Transfers into Level 3	144	21	4	(14)	(49)	(2)
– Transfers out of Level 3	–	(3)	(8)	1	24	14
Gains/(losses) recorded in the income statement	13	10	15	(1)	–	(2)
Gains/(losses) recognised in other comprehensive income	–	1	–	–	–	–
Balance at 31 December	838	156	20	(17)	(73)	(123)

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

	The Group		
In $ millions	Net trading income	Net income from investment securities	Total
2016			
Total gain/(loss) for the period included in income statement	**(13)**	**6**	**(7)**
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	**(8)**	**–**	**(8)**
2015			
Total gain for the period included in income statement	25	10	35
Of which:			
Change in unrealised gain for assets and liabilities held at the end of the reporting period	25	–	25

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 2016, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included 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 as 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.

	The Group				
In $ millions	2016	2015	Classification	Valuation technique	Unobservable input
Assets					
Bank and corporate debt securities	**42**	815	FVPL	Discounted cash flows	Credit spreads
Bank and corporate debt securities	**20**	46	AFS	Discounted cash flows	Credit spreads
Equity securities	**–**	23	FVPL	Equity pricing model	Prices
Equity securities (Unquoted)	**95**	110	AFS	Net asset value	Net asset value of securities
Derivatives	**1**	20	FVPL	Discounted cash flows/ CDS models/Option & interest rate pricing model	Credit spreads/ Correlations/ Volatility
Total	**158**	1,014			
Liabilities					
Other debt securities	**4**	17	FVPL	Discounted cash flows/ Option pricing model	Credit spreads/ Correlations
Other financial liabilities	**–**	73	FVPL	CDS models/Option & interest rate pricing model	Credit spreads/ Correlations
Derivatives	**16**	123	FVPL	Discounted cash flows/ CDS models/Option & interest rate pricing model	Credit spreads/ Correlations/ Volatility
Total	**20**	213			

40.3 Financial assets & liabilities not carried at fair value

For financial assets and liabilities not carried at fair value in 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 $242 million as at 31 December 2016 (2015: $574 million) were stated at cost less accumulated impairment losses because the fair value cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of such instruments through public listing or trade sale.

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

41 Credit Risk

41.1 Maximum exposure to credit risk

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

	The Group	
In $ millions	**2016**	**2015**
On-Balance sheet		
Cash and balances with central banks (excluding cash on hand)	**23,902**	15,759
Government securities and treasury bills	**33,401**	34,501
Due from banks	**30,018**	38,285
Derivatives	**25,757**	23,631
Bank and corporate debt securities	**41,439**	36,995
Loans and advances to customers	**301,516**	283,289
Other assets (excluding deferred tax assets)	**10,709**	11,263
	466,742	443,723
Off-Balance sheet		
Contingent liabilities and commitments (excluding operating lease and capital commitments)	**258,047**	239,683
Total	**724,789**	683,406

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

Analysis of Collateral

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

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

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

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

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

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

41.2 Loans and advances to customers

In $ millions	The Group 2016	2015
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	**299,602**	282,946
– Past due but not impaired (ii)	**1,397**	1,313
Non-Performing Loans		
– Impaired (iii)	**4,416**	2,612
Total gross loans (Note 18)	**305,415**	286,871

(i) Neither past due nor impaired loans by grading and industry

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

In $ millions	Pass	The Group Special Mention	Total
2016			
Manufacturing	**29,184**	**1,053**	**30,237**
Building and construction	**57,416**	**514**	**57,930**
Housing loans	**63,859**	**3**	**63,862**
General commerce	**44,873**	**1,005**	**45,878**
Transportation, storage and communications	**28,815**	**1,585**	**30,400**
Financial institutions, investment and holding companies	**16,535**	**71**	**16,606**
Professionals and private individuals (excluding housing loans)	**24,387**	**37**	**24,424**
Others	**29,941**	**324**	**30,265**
Total	**295,010**	**4,592**	**299,602**
2015			
Manufacturing	29,409	791	30,200
Building and construction	54,646	530	55,176
Housing loans	58,023	–	58,023
General commerce	46,459	891	47,350
Transportation, storage and communications	25,541	451	25,992
Financial institutions, investment and holding companies	13,602	18	13,620
Professionals and private individuals (excluding housing loans)	23,492	13	23,505
Others	28,740	340	29,080
Total	279,912	3,034	282,946

(ii) Past due but not impaired loans by past due period and industry

In $ millions	The Group Less than 30 days past due	30 to 59 days past due	60 to 90 days past due	Total
2016				
Manufacturing	**87**	**3**	**4**	**94**
Building and construction	**45**	**1**	**1**	**47**
Housing loans	**370**	**76**	**23**	**469**
General commerce	**108**	**10**	**5**	**123**
Transportation, storage and communications	**104**	**24**	**9**	**137**
Financial institutions, investment and holding companies	**53**	**–**	**–**	**53**
Professionals and private individuals (excluding housing loans)	**298**	**65**	**24**	**387**
Others	**82**	**4**	**1**	**87**
Total	**1,147**	**183**	**67**	**1,397**
2015				
Manufacturing	55	18	41	114
Building and construction	63	4	7	74
Housing loans	346	55	23	424
General commerce	158	16	20	194
Transportation, storage and communications	52	4	2	58
Financial institutions, investment and holding companies	5	–	–	5
Professionals and private individuals (excluding housing loans)	328	59	10	397
Others	30	5	12	47
Total	1,037	161	115	1,313

(iii) Non-performing assets (NPAs)

In $ millions	The Group 2016	2015
Balance at 1 January	**2,792**	2,513
New NPAs	**3,556**	1,398
Upgrades, recoveries and translations	**(571)**	(293)
Write-offs	**(921)**	(826)
Balance at 31 December	**4,856**	2,792

Non-performing assets by grading and industry

In $ millions	The Group							
	NPAs				Specific allowances			
	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
2016								
Manufacturing	**661**	**142**	**101**	**904**	**73**	**124**	**101**	**298**
Building and construction	**263**	**111**	**7**	**381**	**29**	**100**	**7**	**136**
Housing loans	**121**	**8**	**5**	**134**	**–**	**3**	**5**	**8**
General commerce	**523**	**310**	**47**	**880**	**48**	**176**	**47**	**271**
Transportation, storage and communications	**1,147**	**44**	**236**	**1,427**	**37**	**43**	**236**	**316**
Financial institutions, investment and holding companies	**62**	**21**	**–**	**83**	**11**	**4**	**–**	**15**
Professional and private individuals (excluding housing loans)	**254**	**18**	**8**	**280**	**46**	**17**	**8**	**71**
Others	**238**	**29**	**60**	**327**	**71**	**24**	**60**	**155**
Total non-performing loans	**3,269**	**683**	**464**	**4,416**	**315**	**491**	**464**	**1,270**
Debt securities, contingent liabilities and others	**170**	**109**	**161**	**440**	**23**	**87**	**161**	**271**
Total	**3,439**	**792**	**625**	**4,856**	**338**	**578**	**625**	**1,541**
Of which: restructured assets	**467**	**139**	**7**	**613**	**91**	**93**	**7**	**191**
2015								
Manufacturing	367	121	72	560	53	99	72	224
Building and construction	219	87	28	334	19	73	28	120
Housing loans	112	5	5	122	–	2	5	7
General commerce	497	165	43	705	14	100	43	157
Transportation, storage and communications	223	25	59	307	10	25	59	94
Financial institutions, investment and holding companies	36	50	14	100	10	36	14	60
Professional and private individuals (excluding housing loans)	176	19	8	203	34	16	8	58
Others	206	52	23	281	40	38	23	101
Total non-performing loans	1,836	524	252	2,612	180	389	252	821
Debt securities, contingent liabilities and others	88	70	22	180	26	46	22	94
Total	1,924	594	274	2,792	206	435	274	915
Of which: restructured assets	236	142	8	386	30	82	8	120

Non-performing assets by geography[a]

In $ millions	The Group NPAs	The Group Specific allowances
2016		
Singapore	**1,725**	**383**
Hong Kong	**687**	**187**
Rest of Greater China	**432**	**136**
South and Southeast Asia	**1,188**	**425**
Rest of the World	**384**	**139**
Total non-performing loans	**4,416**	**1,270**
Debt securities, contingent liabilities and others	**440**	**271**
Total	**4,856**	**1,541**
2015		
Singapore	506	115
Hong Kong	433	99
Rest of Greater China	387	96
South and Southeast Asia	856	415
Rest of the World	430	96
Total non-performing loans	2,612	821
Debt securities, contingent liabilities and others	180	94
Total	2,792	915

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

Non-performing assets by past due period

In $ millions	The Group 2016	2015
Not overdue	**705**	520
Less than 90 days past due	**698**	508
91 to 180 days past due	**1,215**	424
More than 180 days past due	**2,238**	1,340
Total past due assets	**4,151**	2,272
Total	**4,856**	2,792

Secured non-performing assets by collateral type

In $ millions	The Group 2016	2015
Properties	**973**	670
Shares and debentures	**312**	268
Fixed deposits	**11**	21
Others	**1,318**	467
Total	**2,614**	1,426

Past due non-performing assets by industry

In $ millions	The Group 2016	2015
Manufacturing	**822**	502
Building and construction	**349**	267
Housing loans	**110**	95
General commerce	**687**	604
Transportation, storage and communications	**1,295**	183
Financial institutions, investment and holding companies	**74**	85
Professional and private individuals (excluding housing loans)	**232**	158
Others	**208**	249
	3,777	2,143
Debt securities, contingent liabilities and others	**374**	129
Total	**4,151**	2,272

Past due non-performing assets by geography[a]

In $ millions	The Group 2016	2015
Singapore	**1,551**	410
Hong Kong	**522**	361
Rest of Greater China	**359**	312
South and Southeast Asia	**1,048**	771
Rest of the World	**297**	289
	3,777	2,143
Debt securities, contingent liabilities and others	**374**	129
Total	**4,151**	2,272

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

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

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

Analysed by issue ratings In $ millions	The Group Singapore Government securities and treasury bills	Other government securities and treasury bills	Bank and corporate debt securities
2016			
AAA	**11,983**	**5,454**	**16,158**
AA- to AA+	**–**	**10,715**	**5,116**
A- to A+	**–**	**1,283**	**4,141**
Lower than A-	**–**	**3,966**	**4,001**
Unrated	**–**	**–**	**12,023**
Total	**11,983**	**21,418**	**41,439**
2015			
AAA	12,312	5,812	11,024
AA- to AA+	–	12,466	4,845
A- to A+	–	1,016	5,272
Lower than A-	–	2,895	4,296
Unrated	–	–	11,558
Total	12,312	22,189	36,995

41.4 Credit risk by geography[(a)] and industry

Analysed by geography In $ millions	Government securities and treasury bills	Due from banks	The Group Derivatives	Bank and corporate debt securities	Loans and advances to customers (Gross)	Total
2016						
Singapore	**11,983**	**569**	**2,352**	**13,310**	**145,025**	**173,239**
Hong Kong	**3,845**	**148**	**1,744**	**1,717**	**50,223**	**57,677**
Rest of Greater China	**2,440**	**15,576**	**2,903**	**2,595**	**43,060**	**66,574**
South and Southeast Asia	**3,964**	**2,817**	**1,498**	**4,580**	**27,389**	**40,248**
Rest of the World	**11,169**	**10,908**	**17,260**	**19,237**	**39,718**	**98,292**
Total	**33,401**	**30,018**	**25,757**	**41,439**	**305,415**	**436,030**
2015						
Singapore	12,312	261	2,475	12,476	135,860	163,384
Hong Kong	2,708	474	2,999	1,779	50,976	58,936
Rest of Greater China	4,199	16,054	1,966	3,907	45,129	71,255
South and Southeast Asia	2,892	3,011	1,124	4,669	26,443	38,139
Rest of the World	12,390	18,485	15,067	14,164	28,463	88,569
Total	34,501	38,285	23,631	36,995	286,871	420,283

(a) Based on the country of incorporation of the issuer (for debt securities), counterparty (for derivatives), borrower (for loans) or the issuing bank in the case of bank backed export financing

			The Group			
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**
2016						
Manufacturing	**–**	**–**	**457**	**2,632**	**31,235**	**34,324**
Building and construction	**–**	**–**	**414**	**3,215**	**58,358**	**61,987**
Housing loans	**–**	**–**	**–**	**–**	**64,465**	**64,465**
General commerce	**–**	**–**	**460**	**1,063**	**46,881**	**48,404**
Transportation, storage and communications	**–**	**–**	**669**	**2,509**	**31,964**	**35,142**
Financial institutions, investment and holding companies	**–**	**30,018**	**22,716**	**19,291**	**16,742**	**88,767**
Government	**33,401**	**–**	**–**	**–**	**–**	**33,401**
Professionals and private individuals (excluding housing loans)	**–**	**–**	**740**	**–**	**25,091**	**25,831**
Others	**–**	**–**	**301**	**12,729**	**30,679**	**43,709**
Total	**33,401**	**30,018**	**25,757**	**41,439**	**305,415**	**436,030**
2015						
Manufacturing	–	–	1,038	2,849	30,874	34,761
Building and construction	–	–	330	2,976	55,584	58,890
Housing loans	–	–	–	–	58,569	58,569
General commerce	–	–	920	980	48,249	50,149
Transportation, storage and communications	–	–	801	2,192	26,357	29,350
Financial institutions, investment and holding companies	–	38,285	19,406	15,547	13,725	86,963
Government	34,501	–	–	–	–	34,501
Professionals and private individuals (excluding housing loans)	–	–	606	–	24,105	24,711
Others	–	–	530	12,451	29,408	42,389
Total	34,501	38,285	23,631	36,995	286,871	420,283

42 Liquidity Risk

42.1 Contractual maturity profile of assets and liabilities

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

	The Group								
In $ millions	**Less than 7 days**	**1 week to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**No specific maturity**	**Total**
2016									
Cash and balances with central banks	**15,674**	**6,853**	**2,394**	**1,300**	**619**	**–**	**–**	**–**	**26,840**
Government securities and treasury bills	**470**	**1,475**	**3,178**	**7,524**	**6,874**	**4,452**	**9,428**	**–**	**33,401**
Due from banks	**11,476**	**2,971**	**4,197**	**10,078**	**1,082**	**214**	**–**	**–**	**30,018**
Derivatives[a]	**25,757**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,757**
Bank and corporate securities	**23**	**1,196**	**919**	**4,183**	**14,889**	**12,213**	**8,016**	**3,978**	**45,417**
Loans and advances to customers	**27,832**	**39,568**	**28,797**	**44,478**	**54,008**	**39,447**	**67,386**	**–**	**301,516**
Other assets	**5,543**	**917**	**1,316**	**2,324**	**143**	**24**	**32**	**743**	**11,042**
Associates	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**890**	**890**
Properties and other fixed assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,572**	**1,572**
Goodwill and intangibles	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,117**	**5,117**
Total assets	**86,775**	**52,980**	**40,801**	**69,887**	**77,615**	**56,350**	**84,862**	**12,300**	**481,570**
Due to banks	**10,660**	**2,877**	**1,094**	**926**	**179**	**179**	**–**	**–**	**15,915**
Deposits and balances from customers	**239,622**	**43,131**	**34,511**	**26,475**	**3,127**	**187**	**393**	**–**	**347,446**
Derivatives[a]	**24,497**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,497**
Other liabilities	**6,500**	**1,095**	**2,095**	**3,231**	**37**	**7**	**128**	**2,802**	**15,895**
Other debt securities	**1,074**	**3,516**	**8,891**	**4,058**	**5,972**	**2,168**	**2,066**	**–**	**27,745**
Subordinated term debts	**–**	**–**	**866**	**–**	**–**	**–**	**2,236**	**–**	**3,102**
Total liabilities	**282,353**	**50,619**	**47,457**	**34,690**	**9,315**	**2,541**	**4,823**	**2,802**	**434,600**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,361**	**2,361**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**44,609**	**44,609**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**46,970**	**46,970**

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	The Group 1 to 3 years	3 to 5 years	More than 5 years	No specific maturity	Total
2015									
Cash and balances with central banks	14,209	1,064	595	1,935	1,026	–	–	–	18,829
Government securities and treasury bills	544	334	2,328	4,535	12,089	4,338	10,333	–	34,501
Due from banks	19,276	3,020	5,799	9,511	381	298	–	–	38,285
Derivatives[a]	23,631	–	–	–	–	–	–	–	23,631
Bank and corporate securities	117	241	988	5,148	13,384	9,083	8,034	3,078	40,073
Loans and advances to customers	24,711	36,063	28,343	45,259	51,893	34,646	62,374	–	283,289
Other assets	5,874	949	1,435	1,421	1,211	14	12	646	11,562
Associates	–	–	–	–	–	–	–	1,000	1,000
Properties and other fixed assets	–	–	–	–	–	–	–	1,547	1,547
Goodwill and intangibles	–	–	–	–	–	–	–	5,117	5,117
Total assets	88,362	41,671	39,488	67,809	79,984	48,379	80,753	11,388	457,834
Due to banks	13,575	2,634	1,835	98	36	73	–	–	18,251
Deposits and balances from customers	218,063	42,716	34,018	23,237	1,278	170	652	–	320,134
Derivatives[a]	22,145	–	–	–	–	–	–	–	22,145
Other liabilities	4,226	1,189	1,670	2,037	931	16	19	2,316	12,404
Other debt securities	1,765	6,622	13,278	5,174	5,195	4,022	2,022	–	38,078
Subordinated term debts	–	613	–	–	–	–	3,413	–	4,026
Total liabilities	259,774	53,774	50,801	30,546	7,440	4,281	6,106	2,316	415,038
Non-controlling interests	–	–	–	–	–	–	–	2,422	2,422
Shareholders' funds	–	–	–	–	–	–	–	40,374	40,374
Total equity	–	–	–	–	–	–	–	42,796	42,796

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

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

42.2 Derivatives

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

In $ millions[a]	The Group Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	Total
2016						
Derivatives settled on a net basis	**(461)**	**3**	**140**	**265**	**1,403**	**1,350**
Derivatives settled on a gross basis						
– inflow	**59,091**	**104,497**	**171,874**	**232,808**	**184,251**	**752,521**
– outflow	**(58,909)**	**(104,280)**	**(171,858)**	**(232,889)**	**(184,409)**	**(752,345)**
2015						
Derivatives settled on a net basis	(398)	3	41	153	457	256
Derivatives settled on a gross basis						
– inflow	48,301	93,374	141,698	263,871	136,811	684,055
– outflow	(48,045)	(93,041)	(141,707)	(263,906)	(136,252)	(682,951)

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

42.3 Contingent liabilities and commitments

The table below shows the Group's contingent liabilities and commitments based on the remaining period as at the balance sheet date to contractual expiry date:

In $ millions	The Group Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2016					
Guarantees, endorsements and other contingent liabilities	**22,714**	**–**	**–**	**–**	**22,714**
Undrawn credit commitments[a] and other facilities	**206,183**	**11,970**	**13,028**	**4,152**	**235,333**
Operating lease commitments	**234**	**267**	**42**	**6**	**549**
Capital commitments	**54**	**12**	**3**	**–**	**69**
Total	**229,185**	**12,249**	**13,073**	**4,158**	**258,665**
2015					
Guarantees, endorsements and other contingent liabilities	19,901	–	–	–	19,901
Undrawn credit commitments[a] and other facilities	197,676	8,985	10,389	2,732	219,782
Operating lease commitments	226	342	84	9	661
Capital commitments	33	8	7	–	48
Total	217,836	9,335	10,480	2,741	240,392

(a) Includes commitments that are unconditionally cancellable at any time by the Group

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

43 Capital Management

The Board is responsible for setting the Group's capital management objective, which is to maintain a strong capital position consistent with regulatory requirements under MAS Notice 637 and the expectations of various stakeholders, e.g. customers, investors and rating agencies. The Board articulates this objective in the form of capital targets. This objective is pursued while delivering returns to shareholders and ensuring that adequate capital resources are available for business growth and investment opportunities as well as adverse situations, taking into consideration our strategic plans and risk appetite.

The Group's capital management objective is implemented via a capital management and planning process that is overseen by the Capital Committee. The Chief Financial Officer chairs the Capital Committee. The Capital Committee receives regular updates on the Group's current and projected capital position. A key tool for capital planning is the annual Internal Capital Adequacy Assessment Process (ICAAP) through which the Group assesses its forecast capital supply and demand relative to regulatory requirements and internal capital targets. The ICAAP has a three-year horizon and covers various scenarios, including stress scenarios of differing scope and severity.

The Group is subject to and has compiled with the capital adequacy requirements set out in the MAS Notice 637, which effects the Basel Committee on Banking Supervision's capital adequacy framework in Singapore throughout the year. The Group's capital adequacy ratios as at 31 December 2016 have been subject to an external limited assurance review, pursuant to the MAS Notice 609 "Auditor's Report and Additional Information to be submitted with Annual Accounts".

44 Segment Reporting

44.1 Business segment reporting

The Group's various business segments are described below:

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

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

Treasury
Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primarily involved in sales, structuring, market-making and trading across a broad range of financial products including foreign exchange, interest rate, debt, credit, equity and other structured derivatives. Income from these financial products and services offered to the customers of 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 segment:

In $ millions	The Group Consumer Banking/ Wealth Management	Institutional Banking	Treasury	Others	Total
2016					
Net interest income	**2,715**	**3,487**	**578**	**525**	**7,305**
Non-interest income	**1,564**	**1,729**	**551**	**340**	**4,184**
Total income	**4,279**	**5,216**	**1,129**	**865**	**11,489**
Expenses	**2,384**	**1,737**	**564**	**287**	**4,972**
Allowances for credit and other losses	**129**	**1,499**	**–**	**(194)**	**1,434**
Profit before tax	**1,766**	**1,980**	**565**	**772**	**5,083**
Income tax expense					**723**
Net profit attributable to shareholders					**4,238**
Total assets before goodwill and intangibles	**96,405**	**231,929**	**102,701**	**45,418**	**476,453**
Goodwill and intangibles					**5,117**
Total assets					**481,570**
Total liabilities	**187,387**	**167,598**	**47,836**	**31,779**	**434,600**
Capital expenditure	**87**	**19**	**17**	**198**	**321**
Depreciation[(a)]	**39**	**20**	**4**	**212**	**275**
2015					
Net interest income	2,157	3,538	694	711	7,100
Non-interest income	1,390	1,752	446	249	3,837
Total income	3,547	5,290	1,140	960	10,937
Expenses	2,261	1,722	572	345	4,900
Allowances for credit and other losses	116	558	(38)	107	743
Profit before tax	1,170	3,010	606	508	5,294
Income tax expense					727
Net profit attributable to shareholders					4,454
Total assets before goodwill and intangibles	90,685	224,196	91,257	46,579	452,717
Goodwill and intangibles					5,117
Total assets					457,834
Total liabilities	172,723	155,231	43,354	43,730	415,038
Capital expenditure	75	28	12	219	334
Depreciation[(a)]	37	11	4	199	251

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

44.2 Geographical segment reporting

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

	The Group					
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China[(a)]**	**South and Southeast Asia[(b)]**	**Rest of the World[(c)]**	**Total**
2016						
Net interest income	**4,888**	**1,317**	**464**	**425**	**211**	**7,305**
Non-interest income	**2,652**	**785**	**370**	**292**	**85**	**4,184**
Total income	**7,540**	**2,102**	**834**	**717**	**296**	**11,489**
Expenses	**2,871**	**961**	**645**	**399**	**96**	**4,972**
Allowances for credit and other losses	**658**	**302**	**191**	**196**	**87**	**1,434**
Profit before tax	**4,011**	**839**	**(2)**	**122**	**113**	**5,083**
Income tax expense	**494**	**126**	**19**	**29**	**55**	**723**
Net profit attributable to shareholders	**3,396**	**713**	**(21)**	**92**	**58**	**4,238**
Total assets before goodwill and intangibles	**316,908**	**73,338**	**40,436**	**21,613**	**24,158**	**476,453**
Goodwill and intangibles	**5,083**	**34**	**–**	**–**	**–**	**5,117**
Total assets	**321,991**	**73,372**	**40,436**	**21,613**	**24,158**	**481,570**
Non-current assets[(d)]	**1,941**	**382**	**80**	**53**	**6**	**2,462**
2015						
Net interest income	4,658	1,330	547	382	183	7,100
Non-interest income	2,151	959	485	179	63	3,837
Total income	6,809	2,289	1,032	561	246	10,937
Expenses	2,816	951	699	343	91	4,900
Allowances for credit and other losses	320	58	140	181	44	743
Profit before tax	3,673	1,280	193	37	111	5,294
Income tax expense	469	189	26	5	38	727
Net profit attributable to shareholders	3,091	1,091	167	32	73	4,454
Total assets before goodwill and intangibles	303,530	73,013	41,784	16,304	18,086	452,717
Goodwill and intangibles	5,083	34	–	–	–	5,117
Total assets	308,613	73,047	41,784	16,304	18,086	457,834
Non-current assets[(d)]	2,022	386	85	46	8	2,547

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

45 Subsequent Event

On 10 February 2017, the Company announced that the Bank had agreed to sell its entire equity interest in DBS China Square Limited (DCS) to an indirect subsidiary of Manulife Financial Corporation. The sale is expected to be completed by the end of March 2017 and will result in a net gain of approximately $350 million to be recognised in the first quarter of 2017.

As at 31 December 2016, DCS' main asset, PWC Building, was classified as an asset held for sale (refer to Note 26.1). The remaining assets, liabilities and reserves of DCS were not material and hence not classified as held for sale.

DBS Bank Ltd

Income statement

for the year ended 31 December 2016

In $ millions	Note	Bank 2016	2015
Income			
Interest income		**7,568**	7,080
Interest expense		**2,007**	1,691
Net interest income		**5,561**	5,389
Net fee and commission income		**1,700**	1,536
Net trading income		**818**	274
Net income from investment securities		**299**	319
Other income	2	**163**	514
Non-interest income		**2,980**	2,643
Total income		**8,541**	8,032
Employee benefits		**1,753**	1,667
Other expenses		**1,474**	1,450
Total expenses		**3,227**	3,117
Profit before allowances		**5,314**	4,915
Allowances for credit and other losses		**979**	435
Profit before tax		**4,335**	4,480
Income tax expense		**615**	636
Net profit attributable to shareholders		**3,720**	3,844

(see notes on pages 180 to 182 which form part of these financial statements)

Statement of comprehensive income

for the year ended 31 December 2016

In $ millions	Bank 2016	2015
Net profit	**3,720**	3,844
Other comprehensive income[(a)]:		
Foreign currency translation differences for foreign operations	**48**	20
Available-for-sale financial assets and others:		
Net valuation taken to equity	**168**	(222)
Transferred to income statement	**(181)**	58
Tax on items taken directly to or transferred from equity	**4**	7
Other comprehensive income, net of tax	**39**	(137)
Total comprehensive income attributable to shareholders	**3,759**	3,707

(a) Items recorded in "Other comprehensive income" above will be reclassified to the income statement when specific conditions are met (e.g. when foreign operations or available-for-sale financial assets are disposed of)

(see notes on pages 180 to 182 which form part of these financial statements)

DBS Bank Ltd

Balance sheet

as at 31 December 2016

In $ millions	Note	Bank 2016	2015
Assets			
Cash and balances with central banks		**20,001**	11,021
Government securities and treasury bills		**27,281**	29,181
Due from banks		**24,971**	32,704
Derivatives		**23,994**	22,791
Bank and corporate securities		**41,700**	35,978
Loans and advances to customers		**249,744**	229,287
Other assets		**7,632**	8,818
Associates		**192**	239
Subsidiaries	3	**26,381**	25,331
Properties and other fixed assets		**670**	635
Goodwill and intangibles		**281**	281
Total assets		**422,847**	396,266
Liabilities			
Due to banks		**12,694**	15,797
Deposits and balances from customers		**266,934**	250,082
Derivatives		**22,944**	21,386
Other liabilities		**10,339**	8,726
Other debt securities		**24,393**	34,554
Due to holding company		**1,029**	1,085
Due to subsidiaries	4	**41,205**	24,432
Subordinated term debts		**2,457**	4,026
Total liabilities		**381,995**	360,088
Net assets		**40,852**	36,178
Equity			
Share capital	5	**24,146**	23,496
Other equity instruments	6	**1,813**	–
Other reserves	7	**114**	2,435
Revenue reserves	7	**14,779**	10,247
Shareholders' funds		**40,852**	36,178
Total equity		**40,852**	36,178

(see notes on pages 180 to 182 which form part of these financial statements)

Notes to the supplementary financial statements

for the year ended 31 December 2016

The supplementary financial statements of DBS Bank Ltd (the Bank) are extracted from the Audited Statutory Financial Statements of DBS Bank Ltd and its subsidiaries (the Bank Group) for the financial year ended 31 December 2016. The statutory financial statements of the Bank and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1 Summary of Significant Accounting Policies

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

2 Other Income

Other income includes the following:

In $ millions	2016	2015
Dividends from subsidiaries	**#**	475
Dividends from associates	**14**	10
Total	**14**	485

Amount under $500,000

3 Subsidiaries

In $ millions	2016	2015
Investment in subsidiaries[(a) (b)]	**11,471**	11,407
Due from subsidiaries	**14,910**	13,924
Total	**26,381**	25,331

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

4 Due to Subsidiaries

In $ millions	2016	2015
Subordinated term debts issued to DBS Capital Funding II Corporation (Note 4.1)	**1,500**	1,500
Due to subsidiaries	**39,705**	22,932
Total	**41,205**	24,432

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

5 Share Capital

	Shares ('000) 2016	2015	in $ millions 2016	2015
Ordinary shares				
Balance at 1 January	**2,574,643**	2,489,381	**22,697**	21,297
Issue of shares	**36,599**	85,262	**650**	1,400
Balance at 31 December	**2,611,242**	2,574,643	**23,347**	22,697
Non-cumulative preference shares				
Balance at 1 January				
S$800m 4.7% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares callable in 2020	**8,000**	8,000	**799**	799
Balance at 31 December	**8,000**	8,000	**799**	799
Issued share capital at 31 December			**24,146**	23,496

6 Other Equity Instruments

The following perpetual capital securities issued by the Bank are classified as other equity instruments. These instruments are subordinated to all liabilities of the Bank and senior only to ordinary shareholders of the Bank. Their terms require them to be written-off if and when the Monetary Authority of Singapore notifies the Bank that a write-off of the instruments, or a public sector injection of capital (or equivalent support), is necessary, without which the Group would become non-viable. These instruments qualify as Additional Tier 1 capital under the MAS Notice 637.

In $ millions	Issue Date	Distribution Payment	2016	2015
S$550m 3.85% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	**550**	–
US$185m 4.0% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	**252**	–
US$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	7 Sep 2016	Mar/Sep	**1,011**	–
Total			**1,813**	–

7 Other Reserves and Revenue Reserves

7.1 Other reserves

In $ millions	2016	2015
Available-for-sale revaluation reserves	**66**	92
Cash flow hedge reserves	**21**	6
General reserves	**–**	2,360
Capital reserves	**27**	(23)
Total	**114**	2,435

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

In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves[(a)]	Capital reserves[(b)]	Total
2016					
Balance at 1 January	**92**	**6**	**2,360**	**(23)**	**2,435**
Net exchange translation adjustments	**(2)**	**–**	**–**	**50**	**48**
Transfer to revenue reserves (Note 7.2)			**(2,360)**	**–**	**(2,360)**
Available-for-sale (AFS) financial assets and others:					
– net valuation taken to equity	**210**	**(42)**	**–**	**–**	**168**
– transferred to income statement	**(240)**[(c)]	**59**	**–**	**–**	**(181)**
– tax on items taken directly to or transferred from equity	**6**	**(2)**	**–**	**–**	**4**
Balance at 31 December	**66**	**21**	**–**	**27**	**114**
2015					
Balance at 1 January	288	(33)	2,360	(43)	2,572
Net exchange translation adjustments	–	1	–	20	21
Available-for-sale (AFS) financial assets and others:					
– net valuation taken to equity	(79)	(144)	–	–	(223)
– transferred to income statement	(128)[(c)]	186	–	–	58
– tax on items taken directly to or transferred from equity	11	(4)	–	–	7
Balance at 31 December	92	6	2,360	(23)	2,435

(a) During the year, the Bank transferred $2.36 billion of general reserves to revenue reserves
(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign branches and the related foreign currency instruments designated as a hedge
(c) Include impairment of AFS financial assets of $1 million (2015: $NIL)

7.2 Revenue reserves

In $ millions	2016	2015
Balance at 1 January	**10,247**	7,941
Transfer from general reserves (Note 7.1)	**2,360**	–
Net profit attributable to shareholders	**3,720**	3,844
Amount available for distribution	**16,327**	11,785
Less: Dividends paid to holding company	**1,510**	1,500
Dividends paid on preference shares	**38**	38
Balance at 31 December	**14,779**	10,247

Directors' statement

The Directors are pleased to submit their statement to the Members, together with the audited balance sheet of DBS Group Holdings Ltd (the Company or DBSH) and the consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 December 2016. These 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.

In the opinion of the Directors, the balance sheet of the Company and the consolidated financial statements of the Group, together with the notes thereon, as set out on pages 121 to 176, are drawn up so as to give a true and fair view of the financial position of the Company and the Group as at 31 December 2016, and the performance, changes in equity and cash flows of the Group for the financial year ended on that date. As at the date of this statement, 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.

DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 8,251,608 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Group. This included 487,626 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 68,136 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)	36,253	43,892
Piyush Gupta	487,626(1)	338,811
Bart Broadman(2)	4,367	6,014
Euleen Goh(2)	7,188	10,149
Ho Tian Yee(2)	4,157	5,165
Nihal Kaviratne CBE(2)	4,995	6,359
Andre Sekulic(2)	5,284	5,284
Danny Teoh(2)	5,892	8,148

(1) Mr Gupta's awards formed part of his remuneration for 2015
(2) The awards of these non-executive Directors formed part of their directors' fees for 2015, which had been approved by the shareholders at DBSH's annual general meeting held on 28 April 2016. 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 or, at the Compensation and Management Development Committee's discretion, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Dividends on unvested shares do not accrue to employees.

(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 employment or misconduct of the participant, except in cases such as retirement, redundancy, ill health, injury, disability, death, bankruptcy 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.

Board of Directors

The Directors in office at the date of this statement 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)		

Dr Bart Broadman, Mr Ho Tian Yee and Mrs Ow Foong Pheng will retire in accordance with Article 99 of the Company's Constitution at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

Arrangements to enable Directors to acquire shares or debentures

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

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 2016	As at 1 Jan 2016	As at 31 Dec 2016	As at 1 Jan 2016
DBSH ordinary shares				
Peter Seah	175,911	125,994	–	–
Piyush Gupta	962,007	623,196	318,000	118,000
Bart Broadman	109,876	28,862	–	–
Euleen Goh	45,209	34,245	–	–
Ho Tian Yee	38,591	12,017	–	–
Nihal Kaviratne CBE	16,224	9,865	–	–
Andre Sekulic	17,476	11,611	–	–
Danny Teoh	34,636	25,966	19,099	18,723
Ow Foong Pheng	25,464	24,466	–	–
Share awards (unvested) granted under the DBSH Share Plan				
Peter Seah	–	7,639	–	–
Piyush Gupta[(1)]	1,201,521	1,052,706	–	–
Bart Broadman	–	1,647	–	–
Euleen Goh	–	2,961	–	–
Ho Tian Yee	–	1,008	–	–
Nihal Kaviratne CBE	–	1,364	–	–
Danny Teoh	–	2,256	–	–
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 2016 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 2017.

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 2012, 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 2016, 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 has recommended, to the Board of Directors, the re-appointment of PwC as independent external auditor at the forthcoming AGM of the Company on 27 April 2017.

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

15 February 2017
Singapore

Independent auditor's report

To the members of DBS Group Holdings Ltd (incorporated in Singapore)

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs"), 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 the Monetary Authority of Singapore ("MAS 612") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group, as set out on pages 121 to 176, comprise:

- the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our audit approach

Overview

Audit scope	Materiality	Key audit matters
• Audit procedures were performed over the Singapore Operations of DBS Bank Ltd and DBS Group (HK) Limited. • We identified DBS Bank Ltd Hong Kong Branch, DBS Bank (China) Limited, PT Bank DBS Indonesia, DBS Bank (Taiwan) Limited and DBS Bank Ltd India Branch as component entities where certain account balances were considered to be significant in size in relation to the Group. Consequently, specific audit procedures for these components were performed to obtain sufficient appropriate audit evidence.	• We determined the overall Group materiality based on 5% of the Group's profit before tax.	• Specific and general allowances for loans and advances to customers • Goodwill and intangibles • Complex or illiquid financial instruments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality together with qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as set out in the table below:

How we determined overall Group materiality	**5% of the Group's profit before tax**
Rationale for benchmark applied	**We chose 'profit before tax' as it is a commonly used benchmark for materiality. We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit-related thresholds.**

In performing our audit, we allocated materiality levels to the significant components of the Group. These are less than the overall Group materiality.

How we developed the audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall Group audit approach, we determined the extent of audit procedures that are needed to be performed across the Group by us, or by other PwC network firms operating under our instruction who are familiar with the local laws and regulations in each of these territories (the "component auditors"). Where the work was performed by component auditors, we determined the level of involvement we needed to have in the procedures to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

In addition, we visited several of the Group's key locations and held a Group audit planning meeting. We also held regular conference calls with the component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole; and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Specific and general allowances for loans and advances to customers At 31 December 2016, the specific allowances for loans and advances to customers of the Group was S$1,270 million, the majority of which related to Institutional Banking Group ("IBG") customers. Apart from specific allowances, the Group also recognised general allowances for loans and advances to customers in accordance to the transitional provision set out in MAS 612 ("general provision") of S$2,629 million at that date. We focused on this area because of the subjective judgements by management in determining the necessity for, and then estimating the size of, allowances against loans and advances. In particular, we focused on specific allowances for loans and advances to IBG customers because any assessment of impairment can be inherently subjective and involve significant judgement over both timing of recognition of any impairment and the estimation of the size of such impairment. This includes: • the principal assumptions underlying the calculation of specific allowances for loans and advances to IBG customers; and • how impairment events that have not yet resulted in a payment default are identified and measured. In view of the current difficult economic conditions, we focused on borrowers with exposures to China, India and Indonesia, and to the oil and gas support services and other commodities sectors. *(Refer also to Note 18 to the financial statements)*	We assessed the design and evaluated the operating effectiveness of the controls over the specific allowances for loans and advances to IBG customers. These controls included: • oversight of credit risk by the Credit Risk Committee; • timely review of credit risk; • watch-list identification and monitoring process; • timely identification of impairment events; • classification of loans and advances in line with MAS 612; and • the collateral monitoring and valuation processes. We determined that we could rely on these controls for the purposes of our audit. We inspected a sample of loans and advances to IBG customers to assess whether we agreed with the classification of loans and advances in line with MAS 612 and, where there is evidence of an impairment loss, whether it had been identified in a timely manner including, where relevant, how forbearance had been considered. Where impairment had been identified, for a sample, we considered the latest developments in relation to the borrower; examined the forecasts of future cash flows prepared by management, the collateral valuation and other sources of repayment to support the calculation of the impairment; challenged the assumptions; tested the calculation; and compared estimates against external evidence where available. For a sample of performing loans and advances to IBG customers which had not been identified by management as potentially impaired, considering the latest developments in relation to the borrower, we challenged management's assumptions on whether management's classification was appropriate, using external evidence where available in respect of the relevant borrower. In addition to the controls detailed above on the specific allowances for loans and advances to IBG customers, we also tested the key reconciliations of the underlying data used for the general loan loss provisioning. We determined that we could rely on these controls for the purposes of our audit. The key considerations used by management in assessing the general provision are historical data and management's assessment of the current economic and credit environment, country and portfolio risks as well as industry practices. We reviewed management's assessment of the overall calculation of the general provision, including testing management's calculation of the general provision as at 31 December 2016 in accordance with MAS 612. The amount of the general provision exceeded the minimum MAS 612 requirements.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangibles As at 31 December 2016, the Group had S$5,117 million of goodwill and intangibles as a result of acquisitions in previous years. We focused on this area as management makes significant judgements when estimating future cash flows and growth rates in undertaking its annual goodwill impairment testing. We specifically focused on the following key assumptions used in the discounted cash flow analyses: • Cash flow forecasts; • Discount rate; and • Growth rate. ***(Refer also to Note 27 to the financial statements)***	We assessed the appropriateness of management's identification of the Group's cash generating units and the process by which indicators of impairment were identified. There were no significant issues noted. For DBS Bank (Hong Kong) Limited's franchise (goodwill of S$4,631 million as at 31 December 2016), we evaluated management's cash flow forecasts and the process by which they were developed, including verifying the mathematical accuracy of the underlying calculations. Valuation specialists in our team critically assessed the assumptions and methodologies used to forecast the value-in-use and compared key inputs (such as the discount rates and long-term growth rates) to the Group's own historical data, performance and external available trend analysis, industry and economic indicators. Based on the evidence obtained, we found that the estimates used by management were within a reasonable range of expectations in the context of the value-in-use calculations. We reviewed management's stress test over the key assumptions to determine whether any reasonably possible change in these assumptions would not cause an impairment. Additionally, we considered whether the Group's disclosure of the application of judgement in estimating cash flow projections and the sensitivity of the results of those estimates adequately reflects the uncertainties and risks associated with goodwill impairment.
Complex or illiquid financial instruments At 31 December 2016, the Group had financial assets of S$158 million and financial liabilities of S$20 million carried at fair value which are classified as Level 3. We focused on the valuation of Level 3 financial assets and financial liabilities, as management makes significant judgements and assumptions (using valuation models) when valuing these financial instruments, as they are complex or illiquid and the external evidence supporting the Group's valuations is limited due to the lack of a liquid market. Management also makes significant judgements when calculating derivative valuation adjustments, including those made to reflect the cost of funding of uncollateralised derivatives and counterparty credit risk. The methods for calculating some of the adjustments continue to evolve across the banking industry. ***(Refer also to Note 40 to the financial statements)***	We assessed the design and tested the operating effectiveness of the controls over the Group's complex or illiquid financial instrument valuation processes. These included the controls over: • the completeness and accuracy of the data feeds and other inputs into valuation models; • management's testing and approval of new models or revalidation of existing models; and • follow-up on collateral disputes to identify possibly inappropriate valuations. We determined that we could rely on the controls for the purposes of our audit. We assessed the reasonableness of the methodologies used and the assumptions made for a sample of financial instrument valuations with significant unobservable valuation inputs. We determined that the methodologies and assumptions made were appropriate. In addition, we assessed the appropriateness of the methodologies for the derivative valuation adjustments and did not note any exception.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 183 to 186 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the Annual Report ("the Other Sections") which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Karen Loon.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 15 February 2017

Five-year summary

Group	2016	2015	2014	2013	2012
Selected income statement items ($ millions)					
Total income(1)	**11,489**	10,801	9,618	8,927	8,064
Profit before allowances(1)	**6,517**	5,901	5,288	5,009	4,450
Allowances	**1,434**	743	667	770	417
Profit before tax	**5,083**	5,158	4,700	4,318	4,157
Net profit excluding one-time items	**4,238**	4,318	3,848	3,501	3,359
One-time items(2)	**–**	136	198	171	450
Net profit	**4,238**	4,454	4,046	3,672	3,809
Selected balance sheet items ($ millions)					
Total assets	**481,570**	457,834	440,666	402,008	353,033
Customer loans	**301,516**	283,289	275,588	248,654	210,519
Total liabilities	**434,600**	415,038	400,460	364,322	317,035
Customer deposits(3)	**347,446**	320,134	317,173	292,365	253,464
Total shareholders' funds	**44,609**	40,374	37,708	34,233	31,737
Per ordinary share ($)					
Earnings excluding one-time items and goodwill charges	**1.66**	1.71	1.55	1.43	1.39
Earnings	**1.66**	1.77	1.63	1.50	1.57
Net asset value	**16.87**	15.82	14.85	13.61	12.96
Dividends	**0.60**	0.60	0.58	0.58	0.56
Selected financial ratios (%)					
Dividend cover for ordinary shares (number of times)	**2.78**	2.94	2.80	2.58	2.79
Net interest margin	**1.80**	1.77	1.68	1.62	1.70
Cost-to-income	**43.3**	45.4	45.0	43.9	44.8
Return on assets(4)	**0.92**	0.96	0.91	0.91	0.97
Return on shareholders' funds(4) (5)	**10.1**	11.2	10.9	10.8	11.2
Loan/deposit ratio	**86.8**	88.5	86.9	85.0	83.1
Non-performing loan rate	**1.4**	0.9	0.9	1.1	1.2
Loss allowance coverage	**97**	148	163	135	142
Capital adequacy(6)					
Common Equity Tier 1	**14.1**	13.5	13.1	13.7	–
Tier I	**14.7**	13.5	13.1	13.7	14.0
Total	**16.2**	15.4	15.3	16.3	17.1
Basel III fully phased-in Common Equity Tier 1(7)	**13.3**	12.4	11.9	11.9	–

(1) Total income and profit before allowances for FY2016 and FY2015 include share of profit or losses of associates
(2) One-time items include gains on sale of investments, an amount set aside to establish the DBS Foundation and a sum donated to National Gallery Singapore
(3) Includes deposits related to fund management activities of institutional investors from 2012 onwards. Prior to 2012, these deposits were classified as "Due to Banks"
(4) Excludes one-time items
(5) Calculated based on net profit attributable to the shareholders net of dividends on preference shares and other equity instruments. Non-controlling interests, preference shares and other equity instruments are not included as equity in the computation of return of equity
(6) With effect from 1 January 2013, Basel III capital adequacy requirements came into effect in Singapore. Changes due to Basel III affected both eligible capital and risk-weighted assets. Unless otherwise stated, capital adequacy disclosures relating to dates prior to 1 January 2013 are calculated in accordance with the then prevailing capital adequacy regulations and are thus not directly comparable to those pertaining to dates from 1 January 2013
(7) Calculated by dividing Common Equity Tier 1 capital after all regulatory adjustments (e.g. goodwill and capital investments exceeding certain thresholds) applicable from 1 January 2018 by RWA as at each reporting date