DBS Group Holdings Ltd
Annual Report 2017

~~Development~~ Digital Bank of Singapore

Live more, Bank less

DBS

Digital Bank of Singapore

2018 marks DBS' 50th anniversary. We trace our roots back to 1968, when as the Development Bank of Singapore we played a key role in financing the industrialisation of a newly-independent nation. As Singapore grew, so did we. Today, we are not only Southeast Asia's largest bank, but also one of the safest and best. We are excited about the future. At 50, it is a coming of age. By reimagining and innovating banking, we believe banking can be simpler, faster and more effortless for all. And as the Digital Bank of Singapore, we are committed to enabling all who deal with us to Live more, Bank less.

About us

DBS is a leading financial services group in Asia, with over 280 branches across 18 markets. Headquartered and listed in Singapore, we have a growing presence in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. Our "AA-" and "Aa1" credit ratings are among the highest in the world. We have also been recognised for our leadership in the region, having been named "Asia's Best Bank" by several publications including The Banker, Global Finance, IFR Asia and Euromoney since 2012. In addition, we have been named "Safest Bank in Asia" by Global Finance for nine consecutive years from 2009 to 2017.

View our report online and on the go

*Our Annual Report, accounts and other information about DBS can be found at **www.dbs.com**.*

About this report

The Board of Directors is responsible for the preparation of this Annual Report. It is prepared in accordance with the following regulations, frameworks and guidelines:

- The Banking (Corporate Governance) Regulations 2005, and all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers issued in April 2013 by the Monetary Authority of Singapore.
- Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rules 711A and 711B on Sustainability Report; and Practice Note 7.6 Sustainability Reporting Guide issued in July 2016 by SGX.
- The International Integrated Reporting <IR> Framework issued in December 2014 by the International Integrated Reporting Council.
- The Global Reporting Initiative (GRI) Standards issued in October 2016 by the Global Sustainability Standards Board.
- The Guidelines on Responsible Financing issued in October 2015 by the Association of Banks in Singapore.
- The recommendations on enhanced banks' risk disclosures issued in October 2012 by the Enhanced Disclosure Task Force (EDTF). We have implemented most of the recommendations, including those pertaining to expected credit loss approaches issued in November 2015.

Overview

This section provides information on who we are and our leadership team. It also contains messages from the Chairman and CEO.

Business Model

This section discusses our business model and provides details on how we use our resources and distribute value to our stakeholders.

Performance

This section provides information on our financials, 2017 priorities and performance by customer segments.

Governance and Risk Management

This section details our commitment to sound and effective governance, risk management and sustainability.

Who we are

DBS is a commercial bank headquartered and listed in Singapore. As one of Asia's leading banks, we understand the intricacies of the region's markets, and provide a full range of services in consumer banking, wealth management and institutional banking. To continue staying at the forefront of the industry, we are reimagining banking. We are using digital technology and innovation to extend our reach, enhance our efficiencies and create tomorrow's solutions. We are proud to be recognised not only as Asia's Safest and Best Bank, but also Asia's Best Digital Bank.

Present in 18 markets globally, including six priority markets in Asia

Total Assets (SGD)

518 billion

Income (SGD)

11.9 billion

Net Profit (SGD)

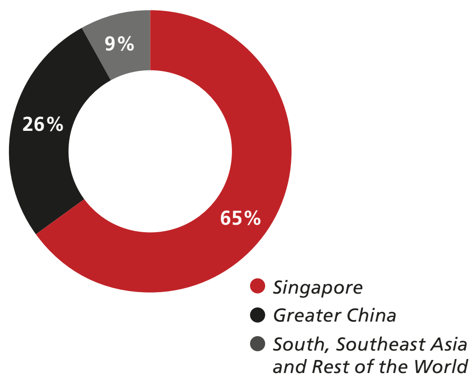
4.39 billion

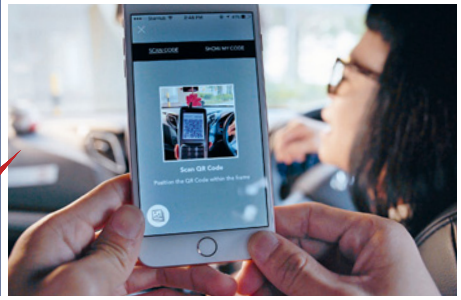
Over
200,000
Institutional Banking customers

Over
8.8 million
Consumer Banking/ Wealth Management customers

Over
24,000
Employees

Group Income





Top of the Digital Class

"DBS is perhaps the only bank that does a good job of quantifying what tech means for profitability. It can dissect to a minute degree the performance of digital versus traditional customers, on return on equity, income, frequency of transaction, cost to service and a host of other metrics." Euromoney

"DBS presented one of the most comprehensive digital strategies of any bank in the world, let alone Asia." Citi

"DBS is rapidly evolving into flagbearer of digital initiatives in ASEAN, where we believe the bank has been ahead of the curve." JP Morgan

"For investors who feel banks need a strong grasp of technology, DBS shows edge." Bernstein

"This could be one of the first banks to develop a methodology in measuring digital value creation." Deutsche Bank

Asia's Safest, Asia's Best

Asia's Best Digital Bank
Euromoney 2017

Best Bank in Asia Pacific
IDC Financial Insights 2017

Safest Bank in Asia
Global Finance 2017

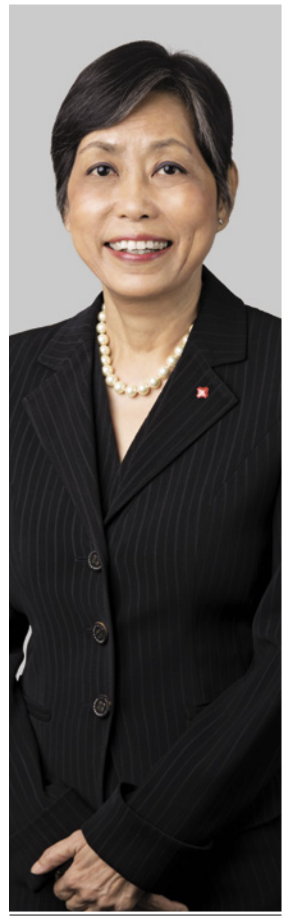
Most Valuable Bank Brand in ASEAN
Brand Finance 2018

Board of Directors


Peter Seah


Piyush Gupta

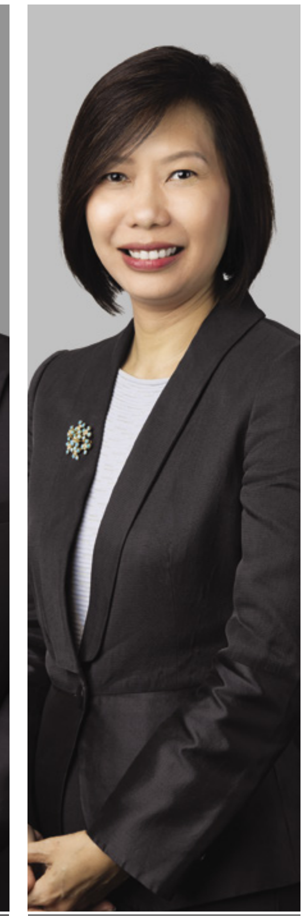

Bart Broadman

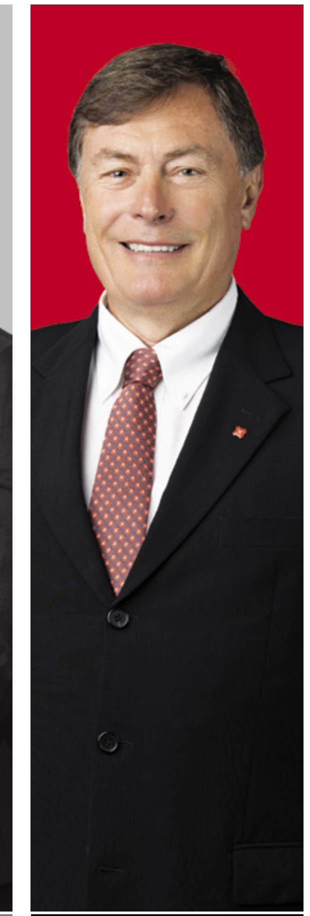

Euleen Goh

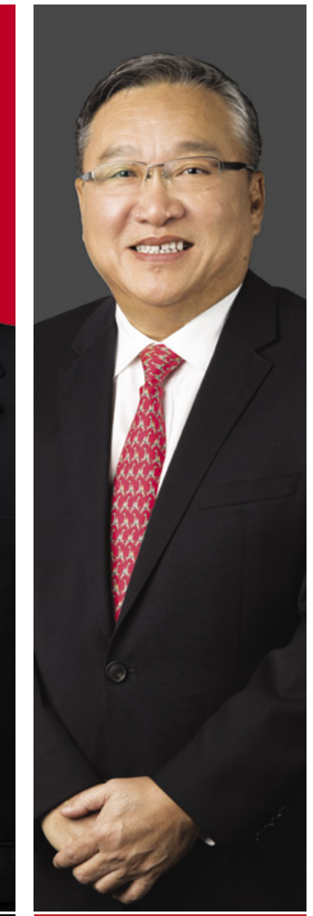

Ho Tian Yee


Nihal Kaviratne


Olivier Lim


Ow Foong Pheng


Andre Sekulic


Danny Teoh

The Board is committed to helping the bank achieve long-term success. The Board provides direction to management by setting the Group's strategy and overseeing its implementation. It ensures risks and rewards are appropriately balanced.

Best Managed Board

Singapore Corporate Awards 2017

Deep banking knowledge and experience

More than two-thirds of the Board are seasoned bankers, while the rest have extensive industry experience ranging from consumer goods to accounting.

Board independence

A majority of our directors including the Chairman are non-executive and independent directors.

Gender diversity

Two of ten directors are female.

Group Management Committee

The Group Management Committee executes the stategy and long-term goals of the Group. It drives business performance and organisational synergies. It is also responsible for protecting and enhancing our brand and reputation.

Piyush Gupta*
Chief Executive Officer

Jerry Chen
Taiwan

Chng Sok Hui*
Finance

Eng-Kwok Seat Moey
Capital Markets

Lam Chee Kin
Legal, Compliance & Secretariat

Lee Yan Hong
Human Resources

Sim S Lim*
Singapore

Andrew Ng*
Treasury & Markets

Pearlyn Phau^
Consumer Banking/
Wealth Management

Shee Tse Koon
Strategy & Planning

Surojit Shome
India

Paulus Sutisna
Indonesia

29

Average years of experience of the Group Management Committee.

About one-third of our Group Management Committee members are women.

Philip Fernandez^
Corporate Treasury

Neil Ge
China

David Gledhill*
Technology & Operations

Derrick Goh^
Audit

Jimmy Ng
Audit

Karen Ngui
Strategic Marketing
& Communications

Sebastian Paredes*
Hong Kong

Elbert Pattijn*
Risk Management

Tan Su Shan*
Consumer Banking/
Wealth Management

Tan Teck Long^
Institutional Banking

Jeanette Wong*
Institutional Banking

*Those marked by * are also in the Group Executive Committee.*

Those marked by ^ are new members of the Group Management Committee in 2018.

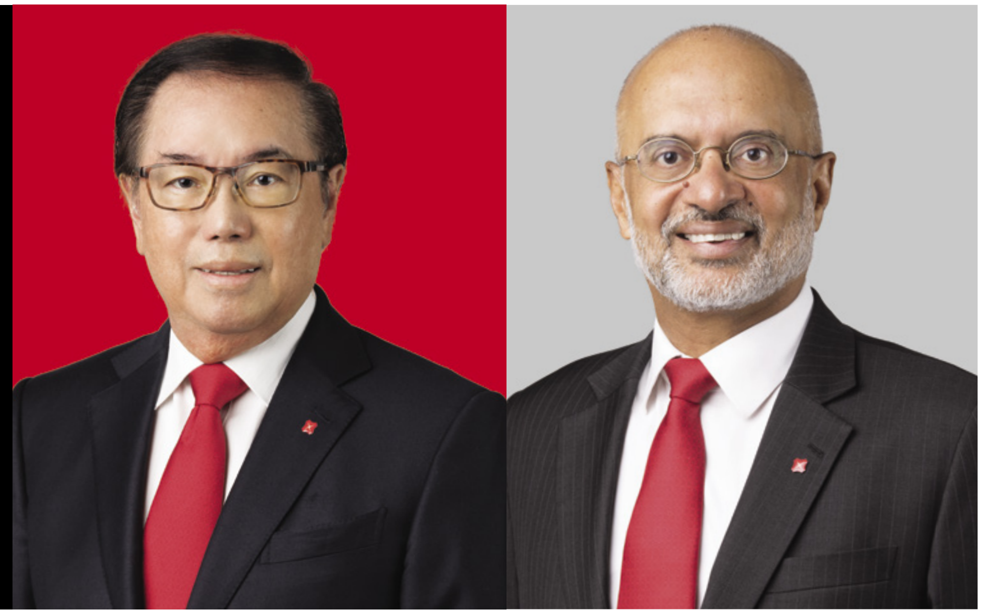
Jimmy stepped down from the Group Management Committee at end 2017 following an appointment to a new role.

Read more about the Group Management Committee on page 206.

Letter from the Chairman and CEO

"2017 was a great year for DBS' business franchise and digital transformation."

Chairman Peter Seah



A strong, resilient franchise

2017 was a great year for DBS' business franchise. However, it was not without challenges. Low crude oil prices stretched into a third year, exerting significant stress on a number of our customers in the oil and gas sector. With technology continuing to disrupt the business of banking, the need to stay on top of the digital agenda was keenly felt.

Notwithstanding these pressures, DBS turned in a strong performance. Total income reached a new high of SGD 11.9 billion, while net profit increased 4% to a record SGD 4.39 billion. This is despite an 8% increase in net allowances to SGD 1.54 billion as we accelerated the recognition of residual weak oil and gas support service exposures as non-performing assets.

Our market shares remained robust. In Singapore, our share of housing loans rose from 29% to 31%, and our share of credit card receivables increased from 20% to 25%.

We continued to do well in wealth management. Wealth income grew 25% to SGD 2.11 billion, while assets under management rose by 24% to SGD 206 billion. In the institutional banking space, SME income increased by 11% to SGD 1.71 billion. Cash management income grew 32% to SGD 1.11 billion while trade loans rose 25% to SGD 45 billion.

In addition, we had some franchise-enhancing developments:

- Completed the integration of ANZ's retail and wealth franchise across five markets. The effort spanned Singapore, Hong Kong, China, Indonesia and Taiwan, and took 15 months, in accordance with schedule. In last year's letter, we shared that the acquisition was expected to be return on equity (ROE) and earnings accretive one year after completion. In fact, we now project that ANZ will contribute net profit in 2018 that is more than initial projections.
- Received approval to establish a wholly-owned subsidiary (WOS) in India. Today, DBS is the largest Singapore bank in India with 12 branches, and the country's fifth-largest foreign bank by assets. However, to bank certain segments of the economy, such as SMEs, a larger physical presence is required. With WOS status, we will be able to accelerate DBS India's growth and expand its footprint, to serve a larger customer base.
- Launched digibank, a mobile-only bank, in Indonesia. The groundbreaking proposition is aimed at the large digitally-savvy population in Asia's third-most populous nation. It follows the introduction of digibank in India in April 2016, which has enabled us to penetrate India's retail banking market with over 1.8 million new customers acquired.

We also had a watershed year in our digital transformation.

Transformation 2.0: making good progress

In last year's letter, we touched on the importance of digital in delivering simple, fast and contextual banking to customers. This is all-important in our next phase of growth, and involves being digital to the core, embedding ourselves in the customer's journey and creating a start-up mindset. Good progress has been made on all three fronts.

Being digital to the core

Being truly digital involves a complete transformation of the bank, from front to back end. To be successful, we have to invest in people and skills differently, re-architect our technology infrastructure in the back end to be cloud-native, have systems and ways of working that shorten the release times of new applications, and enable scalability through ecosystem partnerships.

11.9 **SGD billion**

Total income
Total income reached a new high, bolstered by growth in loans and fee income.

4.39 **SGD billion**

Net profit
Net profit increased 4% to a record SGD 4.39 billion from broad-based growth in business volumes.

93 **cents** + **50** **cents**

Dividend
We proposed a final dividend of 60 cents per share, bringing the full-year ordinary dividend to 93 cents per share, up 55%.

Special dividend
A 50-cent special dividend has been proposed.

2017 was a breakthrough year in each of these areas. In 2009, our technology, hardware, data centres, network management and app development were fundamentally outsourced. At the end of 2017, we were 85% insourced. The shift is important because in order to be more digital, it is imperative that we own the technology resources.

At the same time, we moved from legacy technology – big mainframes in large data centres – to cloud-native technology. By the end of 2017, 66% of our applications were cloud-ready. This, coupled with increased usage of microservices and open-source applications, has enabled us to reduce structural infrastructure costs, and at the same time improve resiliency and nimbleness.

Through increased automation, we have been able to increase our release cadence of new applications in the market by close to 10 times, enabling us to constantly learn, test and iterate, the same way big tech does. In addition, we now have a common platform of services and application programming interfaces (APIs) enabling us to integrate best-in-breed technologies and move faster on the front end. In 2017, we launched the world's largest API platform for a bank. We now have over 180 APIs for Singapore, with more than 60 partners.

Embedding ourselves in the customer's journey

To become more customer-centric, we have continued to embed ourselves in the customer's journey. In so doing, we have overturned our approach to customer service by starting from their perspective, rather than the logic and limitations imposed by our systems and processes.

A case in point is the DBS Car Marketplace, which we introduced following the Monetary Authority of Singapore's proposal to allow banks to operate adjacency businesses. Launched in partnership with sgCarMart and Carro, it is not only Singapore's largest direct seller-to-buyer car marketplace, but also Singapore's first online consumer marketplace helmed by a bank.

At launch, the marketplace had some 3,500 direct-owner car listings. An on-site car budget calculator provides the estimated loan amount the buyer is eligible for, and then serves them a list of cars based on their budget. The initiative exemplifies how we are reimagining banking, using digital technology and innovation to seamlessly integrate banking in the lives of customers.

Another example is POSB Smart Buddy, the world's first in-school wearable tech savings and payments programme. In developing the initiative, we took input from parents who indicated that they wanted to teach their children the value of saving, but did not want the hassle of handling cash. The result was a groundbreaking solution that creates a contactless payments ecosystem within schools, enabling young students to cultivate sensible savings and spending habits in an engaging manner. An accompanying mobile app allows parents to remotely manage their children's spending and savings, while empowering students to monitor their own finances. Since its official launch in August 2017, more than 30 schools in Singapore have signed up for it.

Creating a start-up mindset

To create a start-up culture and mindset, we have found that learning by doing and learning by partnering are key. We have facilitated this by creating immersion programmes such as sprints, scrums and hackathons. We have also collaborated with schools, universities and start-ups through incubator and accelerator programmes. In the last couple of years, we have conducted over 1,000 experiments in the bank and now have over 15,000 people engaged in innovation programmes.

We have also refurbished our workspaces to encourage collaboration and fresh perspectives, created dedicated areas for design and experimentation, and fostered new project management systems to shorten the trial cycle for new ideas. We have hired user experience professionals and anthropologists, and co-located technology specialists and traditional bankers for better collaboration. Progress has been palpable. Ideas and initiatives are springing up spontaneously from the ground up, generating productivity gains and improving customer experience.

Deeper, Broader and Smarter

Having invested time and resources in digitalising the bank, we have seen visible results in a number of areas:

- Deepened wallet share in the consumer and SME business in our core markets. In Singapore and Hong Kong, where we are a major player, becoming more digital has been key in helping us gain market share and create new income streams. In Singapore, for example, we are the leader in mortgages, auto loans, cards and bancassurance. Our digital strategy has enabled us to grow income from this segment from SGD 4.14 billion in 2015 to SGD 5.22 billion today.
- Broadened our reach in growth markets. In these large geographies, digital has enabled the creation of new distribution models which reduce dependency on expensive brick and mortar outlets. While our consumer and SME franchise in these markets is still nascent, there is good traction in digital customer acquisition with our investments being a bet on the future.
- Improved efficiency of traditionally more high-touch businesses such as large corporate banking and private banking. Digitalisation has helped our teams work smarter, reducing manual processes and increasing productivity. This has enabled us to support higher business volumes, without a commensurate increase in resources.

Sustainability

Sustainability has been at the core of our purpose-driven DNA. From the time of DBS' and POSB's founding as the Development Bank of Singapore and "People's Bank" respectively, we have believed in the importance of good citizenship.

This involves providing responsible banking, creating social impact by giving back to the community through the bank and DBS Foundation, as well as doing our part for the environment and combating climate change.

In September 2015, the United Nations announced a set of 17 Sustainable Development Goals (SDGs) to end poverty, protect the planet and ensure that all people enjoy peace and prosperity as part of a new sustainable development agenda. DBS has chosen to focus on four of the 17 goals:

- SDG 7 – Affordable and Clean Energy
- SDG 8 – Decent Work and Economic Growth
- SDG 12 – Responsible Consumption and Production
- SDG 13 – Climate Action

While we contribute towards the other SDGs, these four have been prioritised because they are where we can make the most positive impact given our heritage, client base, markets, ability to innovate and the strategic business opportunities that are increasingly emerging.

In support of the sustainability agenda, DBS was one of the first Singapore companies to launch a green bond in 2017. In addition, DBS was the first Singapore bank to be included as an index constituent of the FTSE4Good Global Index, a global sustainability index. We were also the first Asian bank and Singapore company to join global renewable energy initiative RE100, and to commit to using 100% renewable energy for our Singapore operations by 2030. The DBS Foundation, which champions social enterprises (SEs) and social innovation, also had an active year. In 2017, the Foundation reached out to more than 4,800 SEs.

"Having invested time and resources in digitalising the bank, we have seen visible results."

CEO Piyush Gupta

Dividend

The recent finalisation of the Basel III capital reforms has provided clarity on future regulatory requirements. They have a benign impact on DBS, enabling our capital requirements to be rationalised. In view of this, the Board suspended the scrip dividend with immediate effect. It also determined that the ordinary dividend can be sustained at higher levels and affirmed the policy of increasing it over time in line with earnings growth.

The Board has proposed a final dividend of 60 cents per share for approval at the forthcoming annual general meeting. This will bring the full-year ordinary dividend to 93 cents per share, which represents an increase of 55% over the previous year. In addition, a special dividend of 50 cents per share has been proposed as a one-time return of the capital buffers that had been built up and to mark the 50th anniversary of DBS.

Acknowledgements

We would like to express our gratitude to Bart Broadman, who is stepping down as board member in April 2018, for his invaluable contributions over the years. At the same time, we would like to thank our shareholders and customers for their continued support, and to acknowledge our employees and the Board for their hard work throughout the year.

Going forward

Having focused on digital transformation over the last three years, we showcased this work to the investor community in November 2017. We also shared a methodology we developed on measuring digital's contribution to our income and profitability. The reception to this was highly favourable, with some analysts acknowledging that DBS' digital strategy is one of the most comprehensive in the world. Our market capitalisation rose 44% in 2017, making DBS the most valuable company in Southeast Asia.

We dare not rest on our laurels. While the global economy is stronger than it has been for a number of years, there are a number of stress points that bear watching. They include continuing geopolitical uncertainty as well as growing trade friction.

In addition, the pace of change in our industry remains relentless, and it is imperative that we continue to further our digital agenda in the coming year. We have good momentum.

2018 is DBS' 50th anniversary. As the former Development Bank of Singapore, we have always been a different kind of bank. From the early days, our people have been trailblazers and path-breakers. With DBS' mandate to finance Singapore's industrialisation, we also had a mission that was bigger than ourselves. Today, that DNA – to break boundaries and innovate, as well as be purpose-driven in all that we do – continues to be very much a part of us. The Development Bank of Singapore is increasingly making our presence felt as the Digital Bank of Singapore.

Peter Seah Lim Huat
Chairman
DBS Group Holdings

Piyush Gupta
CEO
DBS Group Holdings

Images from left to right:
(1) Refurbished our workspaces to encourage collaboration and fresh perspectives
(2) Launched digibank, a mobile-only bank, in Indonesia
(3) In 2017, we launched the world's largest API platform for a bank

Deeper. Broader. Smarter.

Deeper

Consumer Banking/ Wealth Management

DBS PayLah!

DBS PayLah! is Singapore's fastest-growing personal mobile wallet with more than 785,000 users. We were the first e-wallet in Singapore to enable QR code payments and now process more than 15,000 peer-to-peer transactions a day.

Through our digital strategy, DBS continues to deepen wallet share of consumer and institutional customers in our core markets of Singapore and Hong Kong.

Our relentless focus on digitalising the bank is paying off. It has been instrumental in helping us create new income streams and gain market share.

In a mature market like Singapore, this strategy has propelled us to top position in mortgages, auto loans, cards and bancassurance.

Acquiring wealth management customers online

37% of our new wealth management customers started their relationship with us online.

DBS iWealth

Our wealth management customers are the first in Singapore to be able to conduct banking transactions, manage their investment portfolio and trade from one single app.

Today, 92% of our equity transactions are done digitally. Of these, in the fourth quarter of 2017, 30% were done via the mobile phone.

POSB Smart Buddy

POSB Smart Buddy is the world's first in-school wearable tech savings and payments programme. Since its official launch in August 2017, more than 30 schools have signed up for it.

World's largest financial services application programming interface (API) platform

With over 180 APIs across more than 20 categories such as funds transfers, rewards, DBS PayLah! and real-time payments, DBS' API platform counts as the world's largest in the financial industry. Household names such as AIG, McDonald's, MSIG and PropertyGuru have already plugged into it to develop solutions that help customers live more, bank less.

DBS Home360

The DBS Home360 app is the first app that introduced the power of virtual reality to the Hong Kong residential property market. It was developed in partnership with Century 21, one of Hong Kong's largest realtors. Homebuyers are now able to get an affordability assessment on-the-go, while browsing shortlisted properties that DBS Home360 identifies. They can also make use of the virtual reality function and "tour" properties in the comfort of their own home.

SMEs

SME online account opening

80% of our new SME customers in Singapore started their relationship with us digitally.

Online payments

We saw a 2.7 times increase in corporate Fast and Secure Transfers payments in 2017.

Deeper. Broader. Smarter.

Our digital strategy has enabled us to broaden our footprint in growth markets. It has made it possible for us to expand our reach into new customer segments without expensive physical distribution networks.

Broader

India

digibank India

India's first mobile-only bank – which is branchless, paperless and signatureless – has signed on over 1.8 million customers since its launch.

Tally partnership for SME banking

The integration of DBS India's e-banking platform with Tally, a popular SME accounting software, has improved customers' ability to access financial information and manage cash flow. The value proposition has accelerated the growth of our SME base in India.

Indonesia

digibank Indonesia

Following the launch of digibank in India, we introduced digibank in Indonesia in 12 months instead of 24.

China

Onboarding through WeChat

Customers in China can complete their onboarding process for DBS online banking in just three steps on the WeChat platform. Once done, they can enjoy banking services 24/7.

Taiwan

Personal loan collaboration with ibon at 7-Eleven

DBS Taiwan collaborated with ibon at 7-Eleven to allow customers to apply for personal loans at 5,000 outlets in Taiwan. The partnership offers greater customer convenience, and accounts for around 15% of new personal loan applications.

Deeper. Broader. Smarter.

Smarter

Digitalisation has helped us work smarter, reduce manual processes, and increase productivity.

From improving the way our customers pay for their everyday coffee to growing their businesses and wealth, we understand that our customers want to live more, bank less.

We improved the way we work so that we can provide solutions that are joyful to all our customers from large corporates to the man-on-the-street.

IDEAL RAPID

The IDEAL RAPID API helps verify and expedite customer payments and claims instantly.

Customers of global insurance firms such as AIG, Chubb and MSIG can now get their travel insurance claims verified and paid out instantly.

Treasury Prism

With Treasury Prism, the world's first online treasury and cash management simulation tool, chief financial officers and corporate treasurers can manage and project their cash positions at the click of a button.

More than 200 corporate treasurers signed up to use the solution in the first four weeks of launch.

CYCLE

With the CYCLE tool, our wealth management relationship managers (RMs) have a full view of a customer's life stage, investment patterns and lifestyle preferences at their fingertips. This has resulted in strong gains in RM productivity across all wealth segments.

Talent management

People are our greatest asset and we want them to have meaningful careers with us.

With this in mind, the human resources team uses predictive data analytics to proactively identify potential employee attrition so that their managers can provide the necessary career guidance.

@live app

Like other customer centres, ours suffered from high employee attrition and absenteeism. To address this, we worked with our customer service officers (CSOs) to develop an app that would enable them to bid for shifts, get instant feedback on their performance, and receive peer compliments.

Since the @live app was introduced, it has imbued the CSOs with a sense of belonging and purpose. Attrition and absenteeism rates have since dropped to one of the lowest among our industry peers.

The higher morale has resulted in a 23 times increase in customer compliments.

Audit

Through predictive data analytics, internal audit teams can now better monitor sales processes, trading activities and branch risk profiles. We also receive early warning of possible credit deterioration.

These insights have led to better risk management through timely alerts to senior management.

CEO reflections

Piyush Gupta shares his thoughts on some pertinent matters.

Q1: You recently spoke about a return on equity (ROE) target of 13%. It is a level that DBS has barely achieved in the past; at the same time, banks are finding it difficult to maintain their historical returns because of more stringent capital requirements. Why would it be different for DBS?

A: Our ROE since 2010 has been around 11%, similar to the preceding decade. Normalising for allowances, our 2017 ROE would also have been at that level. However, the underlying returns of our business have been rising since 2010. Wealth management income has quadrupled during the period to SGD 2.11 billion and now accounts for 18% of group income, while cash management income crossed SGD 1 billion this year from almost nothing. Both are low-capital-usage and high-returns businesses. The proportion of capital-intensive trading income has halved to one-tenth of group income. These improvements have been masked by the low interest rate environment and a build-up of our capital, both of which are now being reversed.

Interest rates have been low over the past decade. Three-month Singapore-dollar interbank rates, the benchmark for pricing domestic loans, last peaked in 2006 at 3.5%, declined during the global financial crisis and then stayed below 1% until 2015. Since then they have been hovering around 1%. With reflation in the global economy well under way, the general view is that interest rates around the world are on a cyclical upturn. Given our balance sheet structure, a one-percentage-point increase in domestic interest rates roughly translates into a one-percentage-point improvement in ROE.

With the publication of Basel regulatory requirements in December, we finally have clarity on capital requirements. The impact on us is not significant – risk-weighted assets rise by only 5% on a pro forma basis when the rules are fully implemented in 2022. The capital we have been building up because of the uncertainty can now be returned. The special dividend of 50 cents per share is the initial step to recalibrate our Common Equity Tier 1 (CET1) ratio closer to our long-term target of 13% compared to the 14% we have been operating on. Barring unforeseen circumstances, we are also raising the annual payout to SGD 1.20 per share. The reduction in CET1 will be another driver for improving ROE.

A third ROE driver is the improvement to the cost-income ratio that digitalisation brings. Digitalisation enables us to increase wallet share at lower marginal costs in developed markets and scale profitably into the granular SME and mass consumer segments in emerging markets. These gains should reduce the cost-income ratio by at least half a percentage point annually in the near term. Over the intermediate term, the rate of cost-income ratio improvements will pick up if our digital strategy enables emerging markets to contribute more meaningfully to DBS. A five-percentage-point improvement in the cost-income ratio translates into a one-percentage-point improvement in ROE.

These three drivers will contribute to DBS' ROE at their own pace and cycles, but their combined effect should result in a discernible improvement in our returns over the next few years. We believe a ROE of 13% is readily achievable.

Q2: How do you feel about DBS at 50?

A: DBS at 50 is an amazing success story.

Our story is intertwined with Singapore's, and our achievement mirrors hers.

In our early years as the Development Bank of Singapore, we anchored Singapore's development as a manufacturing and financial hub. During our adolescent years, we expanded out of Singapore. While we learnt some lessons along the way, DBS has built a credible regional franchise.

Today, we are Southeast Asia's largest bank, with a diversified franchise across businesses and geographies. Our credit ratings are among the highest in the world. In the past few years, we have also been increasingly recognised for our leadership in Asia.

But at 50, DBS is at a crossroads. So, too, is banking. What is clear is that what has got us this far will not take us into the future.

With the digital revolution, banking is being fundamentally redefined. The ubiquity of the mobile phone is rendering the paradigm of going to the bank, or an ATM, or interfacing with the desktop, irrelevant. The explosion of big data means that as we go forward, a huge part of the battle for the customer will be fought along data lines. With the rise of the network economy, there is also no longer a premium on scale.

While the pressure is on, it is not all doom and gloom. Banks have some innate advantages: robust networks and infrastructure, and established risk management frameworks. We are also generally seen as safer and more trustworthy.

To successfully navigate the change, however, banks have to embrace what the big tech companies do. We need to develop new ways of working, and organisational culture has to be more customer-centred and data-driven.

I am optimistic that DBS will make the transition well. With 24,000 people, the bank is of a "Goldilocks size" – big enough to matter but small enough to be nimble. In the last few years, we have made significant strides in advancing the digital agenda. Today, digital innovation in the bank is pervasive and cuts across all units, from front to back.

Few people realise that when DBS was formed in 1968, we were younger than many of our local competitors – a "Johnny-come-lately". As a latecomer to the scene, our people had to constantly innovate and think out-of-the-box to gain market share. Fifty years on, that same spark which helped finance the development of Singapore is spurring us on to become a future-forward bank.

Q3: DBS, along with its Singapore peer banks, has come under the spotlight for lending to controversial sectors such as palm oil and coal. Does DBS have plans to exit these sectors?

A: Let me say that even though being purpose-driven is becoming a cliché in today's business world, the truth is that DBS does have this sense of purpose embedded in our DNA. This comes from our roots as a development bank, created for the express purpose of helping Singapore's industrialisation, as well as our heritage in POSB, where "Neighbours first, bankers second" is more than a tagline. We recognise that not all returns can be found in financial statements. Our responsibility to shareholders is complemented by our responsibility to society at large.

Climate change is one of the biggest challenges facing mankind. We are therefore committed to taking a leadership role in promoting sustainable development, including the transition to a low-carbon economy.

However, it would be foolhardy to assume that the transition can happen overnight.

In ASEAN, 65 million people remain without access to electricity today. While the region has made efforts in adopting low-carbon energy, by 2040, coal will still account for 40% of the generation mix to support the region's economic and population growth[1]. To tackle climate change, developed and developing countries made differentiated pledges based on their respective financial and technological capabilities, levels of economic development, limitations and needs.

Given this reality, we have adopted a framework that allows us to make meaningful impact in a planned and phased way. Our philosophy is anchored on three principles:

i. In developed markets, we will actively finance sustainable alternatives given that factors such as grid capacity, electrification ratio and tariff reform present a relatively mature environment for renewable energy.

ii. In developing markets, we will pursue viable renewable projects, and at a minimum, direct our financing towards more efficient fossil-fuel-based technologies. We will also work with clients to establish safeguards in line with regulation and best practice.

iii. We will rebalance our portfolio towards sustainable activities by consciously seeking such projects to work on.

In line with this philosophy, we have decided to discontinue financing new greenfield coal-fired power generation projects in developed markets. In developing markets, we will be changing our focus to more efficient technologies. On coal mining, we will cease project financing of greenfield thermal coal mines going forward. Our commitment reflects a balanced approach to the energy trilemma – the trade-off between security, affordability and sustainability of supply.

Similarly, palm oil accounts for the livelihoods of millions of small-scale farmers and the accompanying supply chain in some of the most populous countries in our neighbourhood. It is a highly versatile and productive crop. However, its production, if not conducted properly, can have negative impact on the environment, economy and people.

While our credit exposure to palm oil is not material, we promote sustainable production by being discerning in our lending practices. We now require new lending relationships in the sector to demonstrate alignment with no deforestation, no peat and no exploitation – otherwise known as NDPE, the best-in-class policies that are increasingly being adopted in the palm oil sector. We will also consider new customers who have achieved Roundtable on Sustainable Palm Oil (RSPO) certification or are able to demonstrate that they are working towards achieving RSPO certification within a satisfactory timeframe. These commitments must include a zero-burning policy.

In 2017, we started the systematic integration of environmental, social and governance risk factors into the credit assessment process. This is a milestone for our responsible financing agenda. We do this not only to protect our reputation, but also because it is the right thing to do.

Read more about our responsible financing approach on page 100.

(1) Source: Southeast Asia Energy Outlook 2017, International Energy Agency

How we create value – our business model

Our business model seeks to create value for stakeholders in a sustainable way.

Our strategy is clear and simple. It defines the businesses that we will do and will not do. We use our resources to build competitive advantages. We have put in place a governance framework to ensure effective execution and risk management. Further, we have a balanced scorecard to measure our performance and align compensation to desired behaviours.

Read more about how we use our resources on pages 22 to 23.

Our resources

- Brand
- Customer relationships
- Digital capital
- Employees
- Financial
- Physical infrastructure
- Natural resources
- Societal relationships

How we create value

Our strategy

Our strategy

Our strategy is predicated on Asia's megatrends, including the rising middle class, growing intra-regional trade, urbanisation, and the rapid adoption of technology that is fuelling new innovations.

We seek to intermediate trade and capital flows as well as support wealth creation in Asia. Our established and growing presence in Greater China, South Asia and Southeast Asia makes us a compelling Asian bank of choice.

In Singapore, we traditionally serve all customer segments. Outside Singapore, we have begun to engage individuals and SMEs through a digital strategy as we leverage digital technologies to extend our reach in growth markets.

Making Banking Joyful

Our vision in our next phase of growth is to "Make Banking Joyful" – embedding ourselves seamlessly in our customers' lives and delivering simple, fast and contextual banking in the digital age. To achieve this, we are building five key capabilities: leveraging digital for customer acquisition, eliminating paper and creating instant fulfilment in transactions, engaging customers digitally, building ecosystem partnerships, and becoming a data-first organisation.

To build these capabilities, we are focused on three execution priorities: transforming the bank to be digital to the core, embedding ourselves in the customer's journey to be truly customer-centric, and re-wiring the organisation to create a start-up mindset.

Read more about our digital strategy on pages 8 to 11.

We periodically review our strategy, taking into account emerging megatrends, the operating environment and what our stakeholders are telling us. These are material matters that can impact our ability to create value.

Read more about our material matters and stakeholder engagement on pages 25 and 28.

Our businesses

We have three core business segments:
- **Institutional Banking**
- **Consumer Banking/ Wealth Management**
- **Treasury Markets**

Read more about our businesses on pages 42 to 47 and 180 to 181.

Differentiating ourselves

Banking the Asian Way

We marry the professionalism of a best-in-class bank with an understanding of Asia's cultural nuances.

Asian relationships
We recognise that relationships have swings and roundabouts, and stay by our clients through down cycles.

Asian service
Our service ethos is to be **R**espectful, **E**asy to deal with and **D**ependable.

Asian insights
We know Asia better; we provide unique Asian insights and create bespoke Asian products.

Asian innovation
We constantly innovate new ways of banking as we strive to make banking faster and simpler, while delivering contextualised and relevant Asian products and services.

Asian connectivity
We work in a collaborative manner across geographies and businesses, supporting our customers as they expand across Asia.

Technology and infrastructure

Over the years, we have invested in our people and skills, and re-architected our technological backbone to be cloud-native, resilient and scalable. Today, we have a common platform of microservices and application programming interfaces that enables us to automate for faster releases and better leverage ecosystem partners to shift to a platform model. We have embraced the practices of global technology companies – adopting agile methodology, user interface and human-centred designs to deliver customer-centric front-end applications.

Nimbleness and agility

We are of a "goldilocks" size – big enough to have meaningful scale yet nimble enough to quickly act on opportunities. We are continuing to foster a start-up culture to embed customer centricity and drive internal collaboration by embracing experimentation, entrepreneurship and innovation.

Governing ourselves

Competent leadership

A strong, well-informed and fully engaged board provides strategic direction to management. Management executes on strategy and drives performance and organisational synergies. A matrix reporting structure drives joint ownership between regional function heads and local country heads.

Read more about our leaders on pages 4 to 7 and 201 to 208.

Effective internal controls

Three lines of defence guard our operational excellence: identification and management of risks by units, corporate oversight exercised by control functions, and independent assurance by Group Audit.

Read more about our internal controls on pages 58 to 60.

Values-led culture

Our PRIDE! values shape the way we do business and work with each other: **P**urpose-driven, **R**elationship-led, **I**nnovative, **D**ecisive, **E**verything Fun!

Rooted in our DNA is a role beyond short-term profit maximisation: doing real things for real people to create social value in the long run, while ensuring that DBS is a joy to deal with.

Read more about our sustainability efforts on pages 97 to 107.

Measuring ourselves

Balanced scorecard

We use a balanced scorecard approach to assess our performance, track the progress we have made in executing our strategy and determine remuneration.

The scorecard is divided into three parts and is balanced in the following ways:
- Between financial and non-financial performance indicators. Almost one-quarter of the total weighting is focused on control and compliance metrics. On top of that, in line with our digital agenda of "Making Banking Joyful", we have key performance indicators (KPIs) to track progress made on our digital transformation and the value created from digitalisation
- Across multiple stakeholders
- Between current year targets and long-term strategic outcomes

The scorecard is updated yearly and approved by the Board before being cascaded throughout the organisation, ensuring that the goals of every business, country and support function are aligned to those of the Group. Performance is assessed against the scorecard to determine remuneration, providing a clear line of sight between employee goals and organisational imperatives. We have achieved a well-established rhythm towards performance monitoring and our rewards are closely linked to scorecard outcomes.

Read more about our balanced scorecard on pages 38 to 41.

Read more about our remuneration policy on pages 62 to 67.

Our stakeholders

- Shareholders
- Customers
- Employees
- Society
- Regulators and policy makers

How we use our resources

We utilise or enhance our resources to differentiate ourselves and maximise value creation for our stakeholders in the long run. Read more about how we distribute the value created to our stakeholders on page 24.

Resources	Indicators	2016	2017	Key initiatives driving outcomes in 2017
Brand A strong brand is an important business driver and allows us to compete not just locally, but also regionally.	Brand value according to "Brand Finance Banking 500" report	**USD 5.4 bn** *as at Feb 17*	**USD 6.5 bn** *as at Feb 18*	DBS was the most valuable bank brand in ASEAN for the eleventh consecutive year, and the first ASEAN bank to make it to the top 40 in the global banks ranking. Our strong and growing brand value reflects our efforts to make banking simple, effortless and seamlessly integrated into our customers' digital lifestyles. *Read more about this on pages 42 to 47.*
Customer relationships Putting customers at the heart of what we do helps differentiate ourselves in an industry as commoditised as banking, enabling us to build lasting relationships and deepen wallet share.	Customers – Institutional Banking – Consumer Banking/ Wealth Management Customer engagement measures[1] (1=worst, 5=best) – Wealth Management – Consumer Banking – SME Banking – Large corporates market penetration ranking	 **> 200,000** **> 6.9 m** **4.17** **4.09** **4.10** **4th**	 **> 200,000** **> 8.8 m** **4.22** **4.12** **4.07** **4th**	We continued to grow our customer base with digibank in India and Indonesia, the successful integration of ANZ wealth management and retail business across five markets, and through our continued efforts to enhance our "Live more, Bank less" value proposition to customers. We maintained satisfactory customer scores across segments through our relentless focus on customer journeys and digital innovations. *Read more about this on pages 42 to 47.*
Digital capital Our digital transformation is pervasive and encompasses technology, customer journey thinking and a start-up culture.	Digital customers[2] Contribution to total income from digital customers Cost-income ratio from digital customers (vs. traditional customers) Return on equity (ROE) from digital customers (vs. traditional customers)	**2.2 m** **55%** **35% (vs. 55%)** **27% (vs. 19%)**	**2.5 m** **63%** **36% (vs. 58%)** **27% (vs. 18%)**	Our digital transformation has enabled us to gain market share through delivering superior customer experience, and to create new markets through ecosystems. *Refer to "Deeper. Broader. Smarter." on pages 12 to 17, and "CFO statement" on pages 36 to 37.*
Employees An agile and engaged workforce enables us to be nimble and react quickly to opportunities.	Employees Employee engagement score Voluntary attrition rate Training hours per employee	**22,194** **81%** **12%** **36.4**	**24,174** **82%** **13%** **31.5**	One of our priorities is to future-proof our people and equip them with the necessary skills and tools to stay ahead of the curve. In 2017, we launched DigiFY – a platform where our employees can acquire digital skills and knowledge. *Read more about this on page 106.*

Resources	Indicators	2016	2017	Key initiatives driving outcomes in 2017
Financial Our strong capital base and diversified funding sources allow us to support our customers through good and bad times, and enable us to provide banking solutions competitively.	Shareholders' funds Customer deposits Wholesale funding	**SGD 45 bn** **SGD 347 bn** **SGD 28 bn**	**SGD 47 bn** **SGD 374 bn** **SGD 41 bn**	We continued to build up shareholders' funds by retaining a portion of our record net profits. We also grew our customer deposits and continued to widen our investor base as well as diversify wholesale funding sources. *Read more about this on page 30 and page 85.*
Physical infrastructure Our best-in-class technology and physical infrastructure allow us to be nimble and resilient.	Cumulative expenditure in technology – rolling four years *Of which relating to building for digital*[3] Branches	**SGD 3.9 bn** ***SGD 1.4 bn*** **>280**	**SGD 4.3 bn** ***SGD 1.7 bn*** **>280**	Over the past years, we have invested in our technology platforms to become digital to the core. *Read more about this on pages 12 to 17.*
Natural resources We impact the natural environment directly in our operations, as well as indirectly through our customers and suppliers.	Carbon emissions from purchased electricity (tCO_2e) Energy consumption (MWh) Peak capacity of solar panels installed on premises	**45,307** **77,612** **–**	**41,189** **68,006** **386 kW**	We recognise the impact of climate change and are committed to reducing our environmental footprint as well as influencing our customers and suppliers towards more sustainable operations. *Refer to "Sustainability" on page 97.*
Societal relationships We recognise that not all returns can be found in the financial statements and our licence to operate comes from society at large.	Customers under Social Enterprise Package Number of social enterprises awarded grants Volunteer hours	**459** **12** **37,000**	**490** **14** **53,000**	We rolled out our enhanced responsible financing policies and processes in 2017 and undertook various sustainable finance initiatives, contributing to the Sustainable Development Goals. Through DBS Foundation, we continue to nurture social enterprises across the region to enable them to scale and enhance their social impact through innovative and sustainable businesses. *Refer to "Sustainability" on page 97.*

Through the enhancement of our resources, value is created. We distribute this value to our stakeholders in several ways. Read more on page 24.

(1) Based on Ipsos Customer Satisfaction Survey (CSS) for Wealth Management, Scorpio Partnership CSS for Consumer Banking, and Nielsen SME Survey. Large corporates market penetration ranking from Greenwich.
(2) This relates to the consumer and SME businesses in Singapore and Hong Kong.
(3) This relates to technology spend on specific IT initiatives and enhancements, depreciation and new licence costs.

How we distribute value created

We distribute value to our stakeholders in several ways. Some manifest themselves in financial value while others bring about intangible benefits.

We define distributable financial value as net profit before discretionary bonus, taxes (direct and indirect) and community investments. In 2017, the distributable financial value amounted to SGD 5.92 billion (2016: SGD 5.80 billion).

In addition, we distribute non-financial value to our stakeholders in the following ways.

Customers
Delivering suitable products in an innovative, easily accessible and responsible way.

Read more about this on pages 42 to 47.

Employees
Training, enhanced learning experiences as well as health and other benefits for our employees.

Read more about this on pages 106 to 107.

Society
Supporting social enterprises, promoting financial inclusion, investing in and implementing environmentally-friendly practices.

Read more about this on pages 98 to 99.

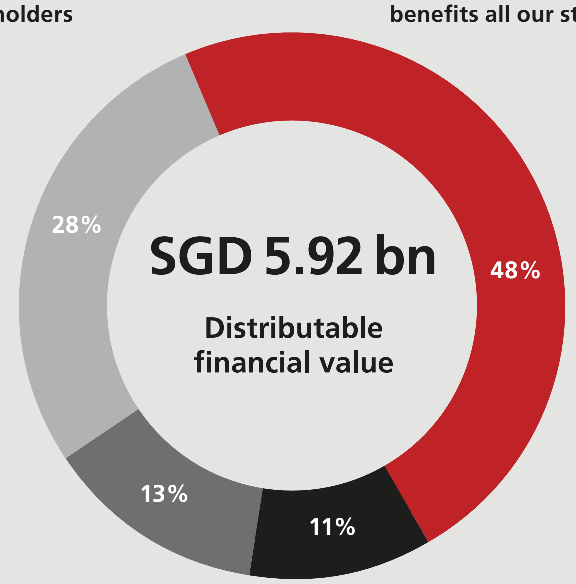
Regulators
Active engagement with local and global regulators and policy makers on reforms and new initiatives that help to maintain the integrity of the banking industry.

Read more about this on page 29.

Distributable financial value

28%
Shareholders
Dividends paid to ordinary and preference shareholders and perpetual capital securities holders

48%
Retained earnings
Retained for reinvestment in our resources and businesses for growth which over time benefits all our stakeholders



13%
Society
Contributions to society through direct and indirect taxes, and community investments including donations, in-kind contributions and associated management costs

11%
Employees
Discretionary bonus paid to employees through variable cash bonus and long-term incentives

Material matters

Identify
We identify matters that may impact the execution of our strategy. This is a group-wide effort taking into account input from all business and support units, and incorporating feedback from stakeholders.

Read more about our stakeholder engagement on pages 28 to 29.

Prioritise
From the list of identified matters, we prioritise those that most significantly impact our ability to successfully execute our strategy and deliver long-term value to our stakeholders.

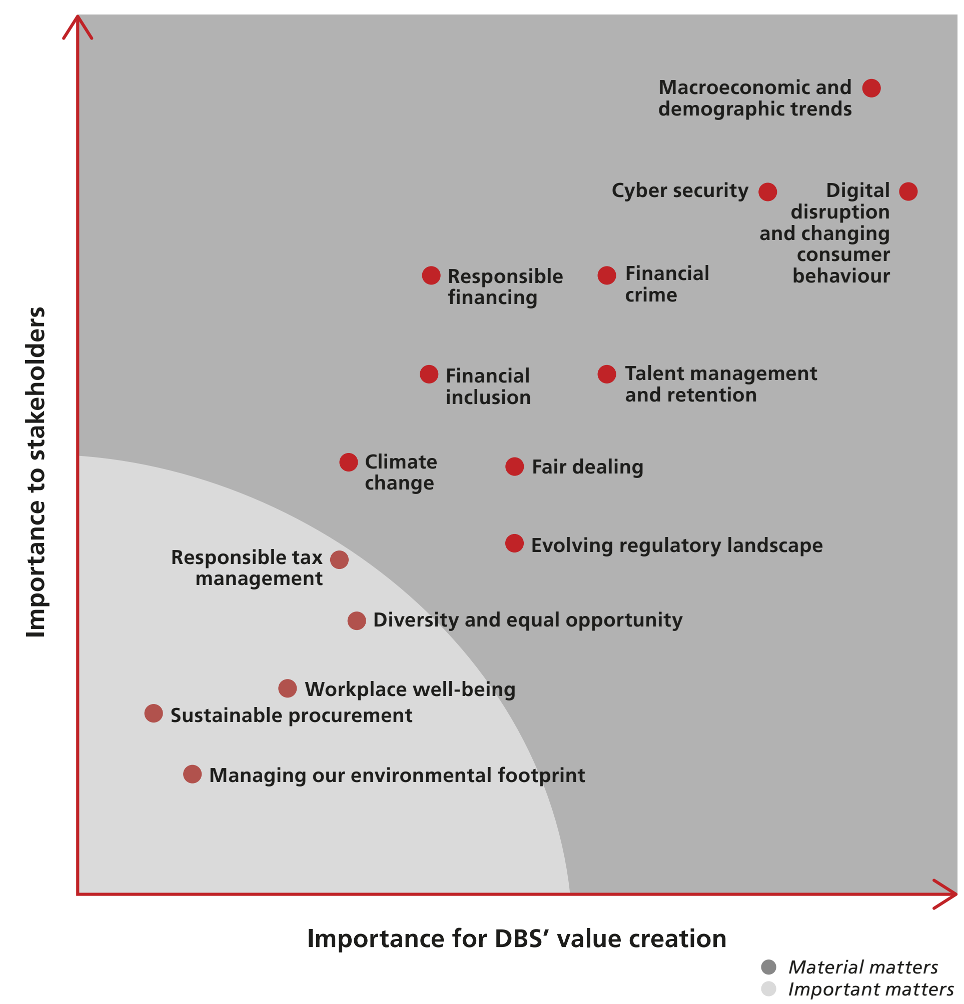
Integrate
Those matters that are material to value creation are integrated into our balanced scorecard, which is used to set objectives, drive behaviours, measure performance and determine the remuneration of our people. Important matters are managed as part of our business and operational processes.

Read more about our balanced scorecard on page 38.

Material matters have the most impact on our ability to create long-term value. These matters influence how the Board and senior management steer the bank.

Material environmental and social matters are denoted with the symbols Ⓔ and Ⓢ respectively, and are further discussed in "Sustainability" on page 97. Governance matters are discussed in "Corporate Governance" on page 48.

DBS Materiality Matrix



Balanced scorecard indicator	Material matters	What are the risks?	Where do we see the opportunities?	What are we doing about it?
Shareholders	Macroeconomic and demographic trends	China's structural changes and multi-year reform agenda, geopolitical events such as rising tensions in North Korea or a step-up in trade barriers between the United States and China, and sociopolitical risks caused by tensions surfacing from the disenfranchised and underprivileged in society, could trigger corrections that adversely impact economic growth.	Asia megatrends – from growing affluence, increasing urbanisation, surging consumption to huge infrastructure investments – provide massive opportunities for banks to provide financing and financial services, particularly in our growth markets.	Our multiple business lines, nimble execution and strong balance sheet will enable us to mitigate the risks and capture opportunities across the region. *Refer to "CEO statement" on page 18.*
Employees	S Talent management and retention	Failure to attract and retain talent impedes succession planning and expansion into new areas. Employees risk obsolescence if they are not well-equipped with changing skillsets required in this new digital age.	We see the opportunity to transform our workforce into an innovative and tech-savvy 24,000-person start-up. This will enable us to be nimble and agile in responding to changes in our operating environment.	*Refer to "Employer of Choice" on page 105.*
Digital transformation	Digital disruption and changing consumer behaviour	Technology and mobility are increasingly shaping consumer behaviour. Traditional banks risk losing relevance to platform companies and fintechs.	A successful digital transformation will allow us to respond and innovate quickly to deliver simple, fast and contextual banking to our customers. This will help us protect our position in core markets as well as extend our reach into emerging markets.	*Refer to "Deeper. Broader. Smarter." on pages 12 to 17.*
Regulators	Evolving regulatory and reporting landscape	The evolving regulatory and reporting landscape – including Basel reforms, overhaul of accounting standards, taxation rules around technology/ digital businesses, and extraterritorial application of laws (e.g. Markets in Financial Instruments Directive and General Data Protection Regulation) – may affect banks' existing business models and give rise to compliance risks.	With capital well above regulatory requirements, we are in a strong position to serve existing and new customers. We also have greater flexibility for capital and liquidity planning. As a leading bank in our markets, we are well placed to provide appropriate responses to regulators and policy makers on regulatory developments.	*Refer to "CFO Statement" on page 30, "CRO statement" on page 68 and "Capital management and planning" on page 92.* *See also "Regulators and policy makers" on page 29.*
Enablers	S Cyber security	The prevalent threat of cyber attacks on financial institutions remains one of our top concerns.	A well-defined cyber security strategy that is well-executed gives confidence to customers and can differentiate us.	*Refer to "CRO statement" on page 70 and "Cyber security and data protection" on page 99*
	S Financial crime	Financial crime risks, including money laundering, sanctions and corruption, give rise to compliance and reputational risks.	A reputation for being clean and trustworthy can help us attract and retain customers and investors.	*Refer to "CRO statement" on page 70 and "Preventing financial crime" on page 99.*
	S Fair dealing	Banks are expected to deal honestly, transparently and fairly with customers, concepts which are articulated more explicitly in fair dealing standards. Failure to observe such standards gives rise to compliance and reputational risks, and erodes the trust of stakeholders.	Customers are more likely to do business with us if they believe that we are fair and transparent.	*Refer to "Fair dealing" on page 99.*
Society	E S Responsible financing	The public demands that banks lend only for appropriate corporate activities. Failure to do so gives rise to reputational and credit risks.	We have an opportunity to make a positive impact on society and the environment through our lending practices. Investors are increasingly looking to invest in companies engaged in sustainable practices.	*Refer to "Responsible financing" and "Sustainable finance" on page 100.*
	E Climate change	Climate change poses serious threats to the global economy and can give rise to reputational, credit and operational risks.	Banks can play an influential role in shaping the transition to a low carbon economy, which in turn brings new opportunities and business growth.	Climate change is a wide topic addressed in various parts of our business, including "Responsible financing", "Managing our environmental footprint" and "Sustainable sourcing". *Read more about this on pages 97 to 103.*
	S Financial inclusion	While Asia's rapid economic growth and development have led to an improvement in living standards across the region, certain marginalised segments remain underserved in financial services. Developing niche products for such segments may come at relatively high operating and credit costs for banks and erode shareholder value.	With technological advancements, we see opportunities to drive costs down and develop a more inclusive financial system. This aligns with our digital agenda.	*Refer to "Sustainable finance" and "Financial inclusion" on pages 100 to 101.*

What our stakeholders are telling us

Dialogue and collaboration with our key stakeholders provide insights into the matters of relevance to them.

Our key stakeholders are those who most materially impact our strategy, or are directly impacted by it. They comprise our shareholders, customers, employees, regulators and society at large.

Engagement with stakeholders provides us with an understanding of the matters they are most concerned with. These matters help us define our strategic priorities and guide our initiatives.

	Shareholders **We provide investors with relevant information to make informed investment decisions about DBS as well as seek their perspectives on our financial performance and strategy.**	**Customers** **We interact with customers to better understand their requirements so that we can propose the right financial solutions for them.**
How did we engage?	• Quarterly briefings on financial performance • Regular one-on-one or group meetings with top management and senior business heads • Investor roadshows • Participation in investor conferences	• Multiple channels including digital banking, call centres and branches • One-on-one interactions with relationship managers and senior management • Active interaction and prompt follow-up to queries/ feedback received via social media such as Facebook, LinkedIn and Twitter • Annual customer engagement and satisfaction surveys • Involvement of customers through customer journeys in the redesign of our processes
What were the key topics raised and feedback received?	• Business growth prospects in the face of digital disruption • Credit risks of our oil and gas sector exposures and asset quality in general • Impact of Basel III capital reforms • Embedding sustainability considerations in our business practices	• Sustained strong customer satisfaction scores across markets and segments • Positive feedback on how we delivered our products and services to customers, particularly investment solutions and the relevance of digital channels • Through customer journeys, customers provided insights on how we could make banking simpler, faster and more intuitive
How did we respond?	At DBS Investor Day 2017, we shared our digital transformation strategy and demonstrated how digitalisation has increased the value of each customer relationship. On asset quality, we sought to remove uncertainty by accelerating the recognition of residual weak oil and gas support service exposures as non-performing. With clarity around the Basel capital reforms, the Board proposed a special dividend to return the capital buffers that had been built up over the years and determined that ordinary dividends could be sustained at higher levels. We continue to take proactive steps to embed sustainability in our business model and are committed to transparent disclosures. *Refer to "CFO statement" on page 30 and "Sustainability" on page 97.*	We continued to incorporate customer feedback obtained as part of our customer journeys in the design of our products and services. *Refer to "Institutional Banking" on page 42, "Consumer Banking/ Wealth Management" on page 44 and "POSB" on page 46.*

	Employees **We communicate with our employees using multiple channels to ensure they are aligned with our strategic priorities. This also allows us to be up to date with their concerns.**	**Society** **We engage the community to better understand the role we can play to address the needs of society.**	**Regulators and policy makers** **We strive to be a good corporate citizen and long-term participant in our markets by providing input to and implementing public policies. More broadly, we seek to be a strong representative voice for Asia in industry and global forums.**
How did we engage?	• "DBS Open" – quarterly group-wide townhalls hosted by CEO Piyush Gupta • "Tell Piyush" – an online forum where employees can freely share their feedback and post their questions to the CEO • "Yammer" – our digital community platform where employees across all levels engage and interact • Regular department townhalls and events held by senior management to engage their teams on business plans, performance goals and other areas of interest • Annual employee engagement survey	• Active monitoring of mainstream and social media • In Singapore, staying true to our mission of being the "People's Bank", POSB plays an active role in engaging the community within our neighbourhoods and partnering with various agencies such as Community Development Councils and the People's Association to make a difference in the lives of Singaporeans • Working with social enterprises (SEs) across our key markets to understand their needs and help them become commercially viable while pursuing their social objectives • Community engagement through staff volunteerism	• Frequent meetings and consultations with governments, regulators and other public policy agencies, led by our country chief executives and supported by their respective heads of legal and compliance • Provided data and thought leadership in support of regulators' efforts towards ensuring financial stability • Active participation in various industry forums, such as the Bank for International Settlements annual roundtable and the EU-Asia Forum on Financial Regulation
What were the key topics raised and feedback received?	• In 2017, 223 questions and comments covering topics such as strategy and business, DBS culture, customer service, human resources, technology and operations, and workplace management were raised by employees through "Tell Piyush" • In our engagement survey, we scored well on "Customer Focus", "Learning & Development" and "Branding". While the results for "Performance Management" improved, there is more work to be done in this area together with "Work-Life Balance"	• Increased focus on sustainability and climate change matters – the public is demanding that banks exert greater influence on their customers and employees to act responsibly in environmental, social and governance matters • Addressing the needs of an ageing population and supporting Singapore's Smart Nation drive • SEs continue to face challenges such as lack of funding and commercial expertise, inability to attract talent and inadequate public awareness about the work they do	During the year, key regulatory and reporting issues surrounding the banking industry included: • Financial crime • Cyber security • Data governance and data privacy • Fair dealing and conduct • Credit risk management • Finalisation of Basel III capital reforms • Implementation of new major accounting standard SFRS(I) 9 • Tax reforms to address the needs of technology/ digital business models including base erosion and profit shifting (BEPS)
How did we respond?	Piyush personally responded to all the questions and comments raised on "Tell Piyush" to address employees' concerns. Where applicable, issues or suggestions were directed to relevant departments for follow-up. Results from the employee survey were analysed and taskforces set up to address specific areas of concern. Each department is accountable for devising and implementing plans for improving their engagement results. Examples of initiatives rolled out during the year include Horizon, a cloud-based AI-powered e-learning platform that enables our staff to easily search for courses to support their career aspirations and passions. We also enhanced DBS Power Up (DPU) – our exclusive staff mobile app – across key markets. DPU integrates various tools to make working-on-the-go easier for our employees: from completing online learning, to showing appreciation to fellow colleagues and accessing work-related information. *Refer to "Employer of choice" on page 105.*	During the year, we significantly enhanced our responsible financing policies in line with the Guidelines on Responsible Financing issued by the Association of Banks in Singapore to support sustainable development across our key markets. POSB rolled out various initiatives during the year including providing digital literacy training to seniors and launching Smart Buddy – the world's first wearable tech – to cultivate financial literacy among the young and create a digital payment system within schools. We continued to generate awareness and advocacy for SEs in our key markets through digital outreach and signature events. *Refer to "POSB" on page 46 and "Sustainability" on page 97.*	Read more about how we address key regulatory and reporting issues on pages 30, 32 and 70. In addition, we participated in various regulatory initiatives in 2017, including leading the implementation of a national-level e-Know Your Client utility and development of a cross-border trade platform. We also led discussions on developing digital ecosystems for consumer and SME banking, and on using data and analytics to improve financial crime risk management. We contributed responses to consultations and sponsored ongoing initiatives in fintech, RegTech as well as developing initiatives in legal technology.

CFO statement

We believe we are the only bank to have developed a methodology for measuring the financial value created by digitalisation. And because one can manage only what one measures, we have been able to draw up an effective business plan to drive digital behaviour among customers.

Record performance underscores quality of customer franchise enhanced by digital transformation

We achieved record net profit of SGD 4.39 billion in 2017, up 4% from the previous year, driven by broad-based growth in loan volumes and fee income. Total income rose 4% to a new high of SGD 11.9 billion as we captured opportunities in a reflationary environment across the region. Business momentum accelerated over the course of the year; quarterly total income crossed SGD 3 billion for the first time in the third quarter and, despite seasonally lower non-interest income, stayed above the mark in the fourth quarter.

The growth in business volumes more than offset the impact of a weaker trading performance and lower net interest margin, which caused a combined drag of three percentage points to total income. In addition, total net allowances increased 8% to SGD 1.54 billion as we accelerated the recognition of residual weak oil and gas support service exposures as non-performing assets (NPA). The step was taken to remove uncertainty about the outlook for asset quality and earnings in 2018.

Digitalisation contributed significantly to the increase in total income by boosting our share of customers' wallet. At the same time, it lowered customer acquisition and transaction costs. Together with other cost management initiatives, digitalisation enabled expense growth to be contained to 3%. Profit before allowances increased 4% to SGD 6.79 billion. The performance underscored the breadth and nimbleness of a customer franchise enhanced by digital transformation.

Capital and dividends

Uncertainty about the impact of Basel III capital reforms had led us to build up capital buffers in recent years. Our fully phased-in Common Equity Tier 1 (CET1) capital adequacy ratio of 13.9% and our leverage ratio of 7.6% were well above regulatory requirements.

On 7 December 2017, the Basel reforms were announced. They pertained to revisions to the standardised approach for calculating credit risk, market risk, credit valuation adjustment and operational risk; constraints on the use of internal models as well as the introduction of a RWA output floor based on the credit standardised approach. These revisions, together with changes known as the Fundamental Review of the Trading Book, will not be implemented until 1 January 2022. For DBS, the aggregate impact of these rule changes and the changes to the standardised approach for counterparty credit risk effective 1 January 2019 will be benign, increasing RWA by about 5% on a pro-forma basis.

The Board therefore suspended the scrip dividend with immediate effect. It also determined that ordinary dividends can be sustained at higher levels and affirmed the policy of increasing them over time in line with earnings growth. For the final dividend of 2017, it proposed a payout of 60 cents per share, which will bring the full-year ordinary dividend to 93 cents per share, an increase of 55% over the previous year. In addition, it proposed a special dividend of 50 cents per share as a one-time return of the capital buffers we had built up and to mark our 50th anniversary in the coming year.

Total shareholder returns for the calendar year amounted to 47%, comprising a 43% appreciation in the share price and a dividend payout of 63 cents per share (consisting of the 2016 final dividend of 30 cents and 2017 interim dividend of 33 cents). The returns exceeded the increase in net book value per share of 6% to SGD 17.85. DBS had a market capitalisation of SGD 64 billion as at 31 December 2017.

For the coming financial year 2018, we expect to pay a dividend of SGD 1.20 per share barring unforeseen circumstances.

Broad-based growth in customer franchise

Loans increased by an underlying 9% or SGD 25 billion in constant-currency terms. The growth broadened and accelerated over the course of the year. The consolidation – in Singapore, Hong Kong, China and Taiwan – of the retail and wealth management business acquired from ANZ added another SGD 8 billion of loans, resulting in overall constant-currency loan growth of 11% or

SGD 33 billion. The reported overall loan growth was four percentage points lower at 7% due to the appreciation of the Singapore dollar against the US dollar.

Consumer and corporate loans contributed evenly to overall loan growth. In constant-currency terms, consumer loans rose 17% to SGD 109 billion after the ANZ consolidation. Our market share of Singapore housing loans crossed 30%, rising two percentage points for the third consecutive year to reach 31%. After contracting for the past two years due to the absence of onshore-offshore RMB arbitrage opportunities, trade loans expanded 25% to SGD 45 billion from growth across the region. Non-trade corporate loans increased 6% to SGD 171 billion, led by real estate and deal-related financing for Singapore and Greater China corporates.

Partially offsetting the loan growth was a five-basis-point decline in net interest margin to 1.75% as domestic interest rates used for pricing Singapore-dollar loans were on average lower than the previous year. The brunt of the year-on-year margin pressure was felt in the first half; net interest margin stabilised in the third quarter and was higher in the fourth compared to the year-ago period. As a result, the full-year net interest income growth of 7% to SGD 7.79 billion was due largely to the second half.

Net fee income rose 12% to SGD 2.62 billion from a wide range of activities. Leading the increase was an underlying 25% growth in wealth management fees as buoyant market sentiment boosted demand for unit trusts and other investment products. Increased fixed income and equity underwriting resulted in a 14% increase in investment banking fees. Transaction banking fees increased 6%, led by higher cash management income. Card fees were also higher due to higher credit and debit card transactions in Singapore and Hong Kong.

Digitalisation boosts income and productivity

Digitalisation was a major factor for the growth of our customer franchise during the year.

There are two principal reasons how digitalisation boosts operating performance. First, it lowers the costs of signing up customers and serving them – the marginal cost of transacting over digital platforms is significantly lower than for traditional methods where relationship managers or sales people are needed. Second, the convenience, ease of use and instant completion of transactions that digital platforms offer improve customer engagement. As a result, customers transact multiple times more than non-digital customers, giving us a higher share of wallet across all products. The higher level of engagement also results in consistently faster income growth for digital customers over time.

In the consumer and SME businesses in Singapore and Hong Kong, where the impact of digitalisation is most visible, digital customers formed 42% of the base in 2017 but accounted for a larger 63% of total income and 72% of profit before allowances. The return of equity (ROE) of digitally engaged customers was 27%, a significant nine percentage points higher than for traditional customers.

We believe we are the only bank to have developed a methodology for measuring the financial value created by digitalisation. And because one can manage only what one measures, we have been able to draw up an effective business plan to drive digital behaviour among customers. The intent is to make it easy for customers to sign up and transact with us online. The proportion of customers that are digital has risen nine percentage points since 2015 to 42% today, contributing to the improvement in the group's cost-income ratio.

For top-tier private banking and large corporate customers, the differentiation between digital and traditional customers is less meaningful. These customers require solutions that are bespoke, necessitating regular engagement with relationship managers even as they increasingly transact digitally.

In the broader wealth management business, income has been growing at an annual 24% since 2014, when the impact of digitalisation began to be felt in earnest, compared to 18% for the five years before. The number of customers acquired digitally quadrupled from 2014 and now accounts for two-fifths of the total. By providing online research relevant to customers' trading and portfolio to improve engagement, online equity transactions tripled. At the same time, productivity improved as relationship managers were provided with customer analytics on a mobile platform, raising the income per head in Treasures, our entry-level wealth management customer segment, by 57% over three years.

In the large-corporate business, a focus on embracing digitalisation and delivering agile solutions enabled cash management income to double since 2014 to over SGD 1 billion. Income grew 32% in 2017 with the launch of over 30 new solutions including corporate multi-currency accounts and cross-border pooling, a world-first online solutioning and advisory platform as well as a comprehensive suite of corporate and institutional application programming interfaces. Growth was broad based across all priority markets as we worked with corporates to enhance their digital commercial ecosystems and connected SMEs' business systems with our cash management platform.

Read more about digitalisation on page 12.

Accelerated recognition of weak oil and gas support services as non-performing removes asset quality overhang

We took the decision to recognise residual weak oil and gas support service exposures as NPA during the year to remove uncertainty about our asset quality and earnings. Of the SGD 5.1 billion of exposures we had to the sector, which accounted for less than 2% of the Group's overall portfolio, we have conservatively recognised SGD 3.0 billion as non-performing.

We also took a conservative approach to valuing vessel collateral by marking them down to liquidation valuations. This reduced collateral values to SGD 1.5 billion, or half of the NPA. We then took specific allowances during the year to cover the other SGD 1.5 billion of NPA that was uncollateralised.

We were able to partially offset the profit and loss impact of the specific allowances by writing back general allowances. Under Singapore Financial Reporting Standards (International) 9 (SFRS(I) 9), the amount of general allowance reserves we were permitted to maintain on 1 January 2018 was substantially lower than the amounts we had been holding. We wrote back SGD 855 million to bring cumulative general allowances closer to the permitted amount. With the general allowance write-back, net total allowance charges amounted to SGD 1.54 billion for the year, an increase of 8% over 2016.

Balance sheet remains strong

Outside of oil and gas support services sector, asset quality for the rest of the portfolio remained healthy. New NPA formation remained low and specific allowances were at SGD 552 million.

We maintained prudent levels of allowance coverage. The 50% coverage for the oil and gas support services NPA was prudent because of the conservative approach we took for both NPA recognition and collateral valuation. For the rest of the portfolio, allowance coverage was 118%. Our reported overall allowance coverage of 85% was the composite of both portfolios.

We had adequate liquidity to support asset growth. The loan-deposit ratio was comfortable at 86%. Deposits rose 11% or SGD 38 billion to SGD 374 billion, which included SGD 11 billion from the consolidation of ANZ. The liquidity coverage ratio in the fourth quarter of the year was 131%, which was above the final regulatory requirement of 100% due in 2019. Our net stable funding ratio was also above the regulatory requirement effective 2018.

New methodology for allowances

In addition to taking specific allowances for impaired loans, Singapore banks have been required by MAS Notice 612 to maintain general allowances of at least 1% of uncollateralised credit exposures.

From 1 January 2018, SFRS(I) 9 requires banks to classify financial assets into three categories based on their risk profile. For impaired (or Stage 3) assets, we will continue to take specific allowances as before. For unimpaired (or Stage 1 and 2) assets, we will calculate an expected credit loss (ECL) balance. The starting point of the ECL estimate is risk measures from Basel models modified to incorporate point-in-time and forward-looking adjustments. For non-retail portfolios, these are based on current and forecasted credit-risk-cycle indices for significant industries and regions. For retail portfolios, these are based on latest loss experience and macroeconomic forecast models. Changes to the ECL from period to period will then be reflected as allowance charges in the profit and loss account. The Stage 1 and 2 ECL, and hence the allowance charges, are likely to be lower but more volatile than the general allowances we previously took. We will factor the volatility into our capital planning as it affects earnings and ultimately CET1 capital.

While Singapore banks will fully adhere to SFRS(I) 9 standards in their financial reporting from 2018, they will also be required to continue maintaining general allowances of at least 1%. For periods when the Stage 1 and 2 ECL falls below the 1% mark, the shortfall is appropriated from retained earnings in shareholders' funds into an account called the Regulatory Loss Allowance Reserves (RLAR). Unlike retained earnings, the RLAR is non-distributable and is considered as Tier-2 capital instead of CET1. When the Stage 1 and 2 ECL exceeds the 1% mark, no RLAR is required.

The general allowances we had maintained as at 31 December 2017 were at the 1% mark and amounted to SGD 2.62 billion. The estimated Stage 1 and 2 ECL that was computed as we transited to SFRS(I) 9 standards on 1 January 2018 was lower at SGD 2.53 billion. The difference of SGD 95 million was transferred to shareholders' funds as RLAR on 1 January 2018.

Read more about SFRS(I) 9 on page 115.

Outlook

We enter the new year with the region's economies registering healthy momentum in synchrony with the US and Europe. Our multiple business engines, bolstered by the consolidation of the ANZ businesses we acquired, will enable us to continue capturing growth opportunities in the reflationary environment.

At the same time, we are well-positioned to improve returns. Higher interest rates will boost our net interest margin. Our systematic and pervasive digitalisation efforts will improve the cost-income ratio by raising our productivity in developed markets and by expanding our reach in emerging markets with lower structural costs. With regulatory requirements now clear, our capital buffers that had been built are being returned.

The combination of healthy growth and higher returns will enable us to deliver superior shareholder value in the coming years.

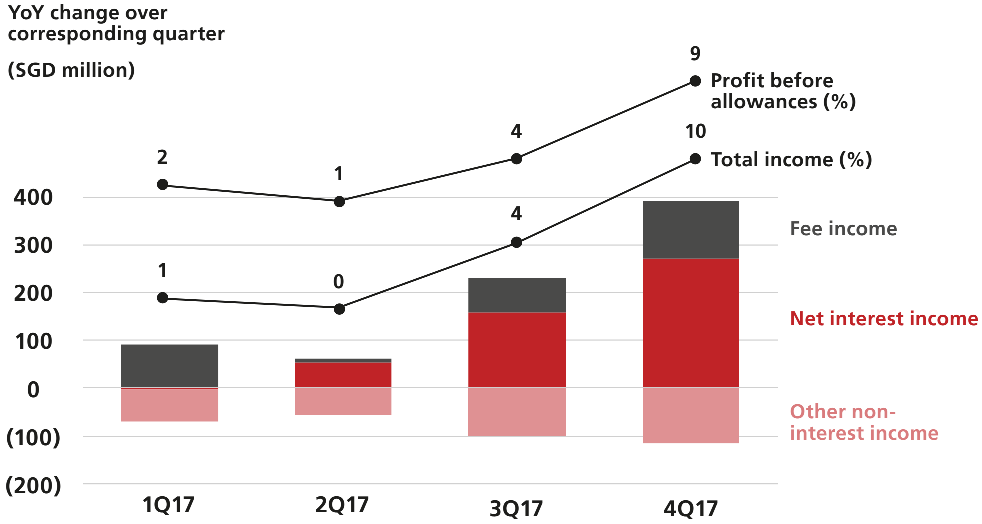
Business momentum increased over course of year

Business momentum accelerated over the course of the year, resulting in a progressive increase in the year-on-year growth of total income and profit before allowances. A large part of the year's income and operating earnings growth occurred in the second half.

At the same time, the growth in income and operating earnings was due fully to net interest income and fee income. Other non-interest income was lower for each of the four quarters due to a weaker trading performance.

The acceleration in net interest income growth was due to both net interest margin and loans. Net interest margin in the first half was lower than the year-ago period, but stabilised in the third quarter and rose in the fourth. Loan growth had a slow start in the first quarter and progressively accelerated in the subsequent quarters.

Fee income growth was also faster in the second half as both business momentum and buoyant market sentiment boosted a range of fee income activities.



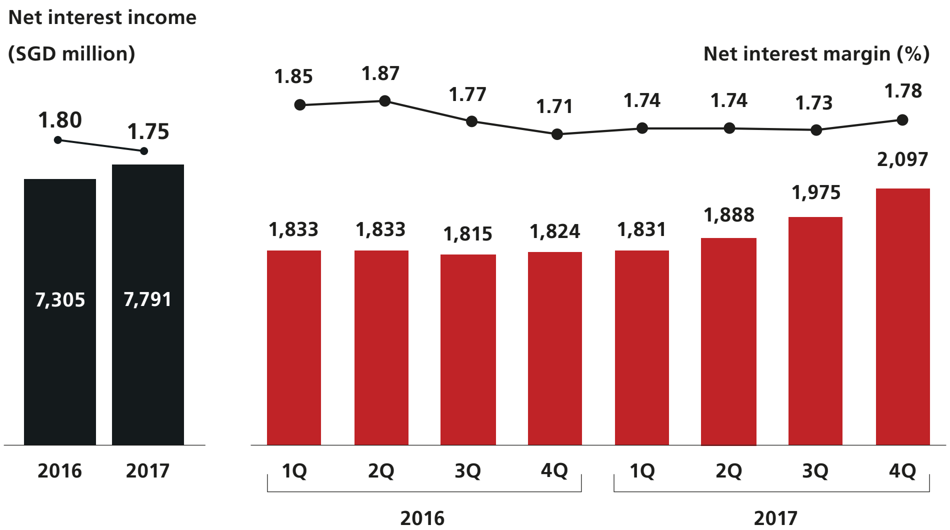
Net interest income

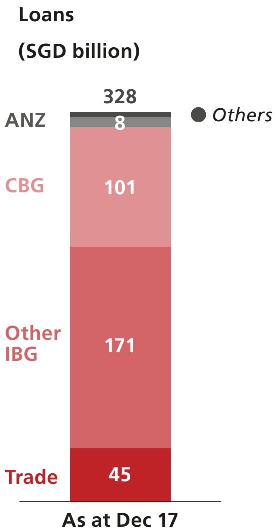
Net interest income increased 7% to SGD 7.79 billion.

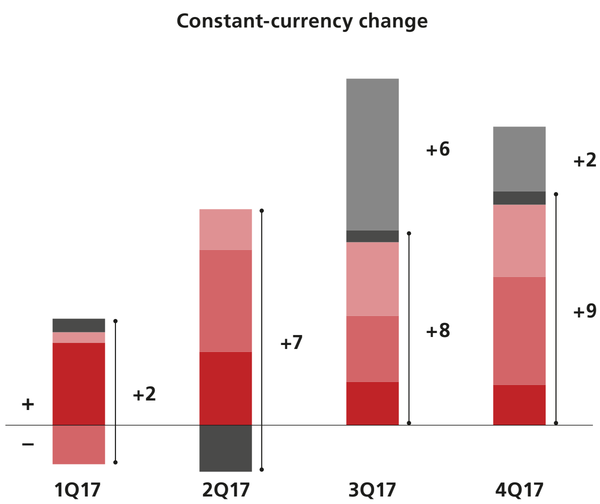
Net interest margin declined five basis points to 1.75% as benchmark Singapore-dollar interest rates used for pricing Singapore-dollar loans were lower on average. The margin pressure occurred in the first half; compared to the year-ago period, net interest margin was stable in third quarter and higher in the fourth.

Gross loans grew 11% or SGD 33 billion in constant-currency terms to SGD 328 billion, of which SGD 8 billion was from the consolidation of the Singapore, Hong Kong, China and Taiwan businesses acquired from ANZ. The underlying growth of 9% was broad based. Non-trade corporate loans expanded 6%, led by borrowers in Singapore and Greater China, while trade loans rose by 25%. Consumer loans increased 8%, led by Singapore housing loans.

Deposits rose 11% or SGD 38 billion to SGD 374 billion. Savings and current accounts continued to account for the majority of the underlying increase, in line with efforts to grow transactional accounts.







Non-interest income

Net fee income increased 12% to SGD 2.62 billion. Wealth management fees rose by an underlying 25% as buoyant markets boosted demand for investment products including unit trusts. Investment banking fees were 14% higher from stronger equity underwriting and fixed income activities. Transaction services fees rose 6% as cash management fees grew. Card fees also rose from higher customer transactions in Singapore and Hong Kong.

Other non-interest income fell 18% to SGD 1.51 billion due to weaker trading income as well as corporate customer treasury income. An increase in net gain on investment securities was partially offset by lower gains on fixed assets.

Fee income

SGD million	2017	2016	YoY%
Brokerage	**154**	155	(1)
Investment banking	**216**	189	14
Transaction services[1]	**618**	585	6
Loan-related	**409**	434	(6)
Cards[2]	**543**	483	12
Wealth management[3]	**966**	714	35
Others	**88**	86	2
Fee and commission income	**2,994**	**2,646**	**13**
Less: Fee and commission expense	**372**	315	18
Total	**2,622**	**2,331**	**12**

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

(2) Net of interchange fees paid

(3) 2017 includes SGD 72 million that would have been previously classified as other non-interest income. The amount represents fees earned from wealth management treasury products sold on open investment architecture platforms. The change in classification was applied prospectively from 1 April 2017

Other non-interest income

SGD million	2017	2016	YoY%
Net trading income	**1,058**	1,357	(22)
Net income from investment securities	**424**	330	28
Net gain on fixed assets	**1**	54	(98)
Others[4]	**28**	112	(75)
Total	**1,511**	**1,853**	**(18)**

(4) Includes share of profits or losses of associates

Business unit and geography performance

By business unit, total income from Consumer Banking/ Wealth Management rose 9% to SGD 4.67 billion. The growth was broad based across loans, deposits, investment products and cards. The Wealth Management customer segment increased 25% to SGD 2.11 billion as assets under management grew 24% to SGD 206 billion, which included SGD 18 billion from the consolidation of ANZ. The acquisition cements DBS' position as one of the largest wealth management banks in Asia Pacific. Institutional Banking income was little changed at SGD 5.28 billion. Growth in income from cash management was offset by declines in loan-related and treasury customer income. Trading-related income in Treasury Markets fell 24% to SGD 856 million.

By geography, Singapore income increased 3% to SGD 7.80 billion from loan and fee income growth. Hong Kong income grew 6% to SGD 2.22 billion, also from higher loan volumes and fee income. The Rest of Greater China income increased 3% to SGD 855 million as net interest income growth was partially offset by lower trading income. South and Southeast Asia income declined 3% to SGD 696 million from lower loan volumes and trading income, partially offset by a higher net interest margin.

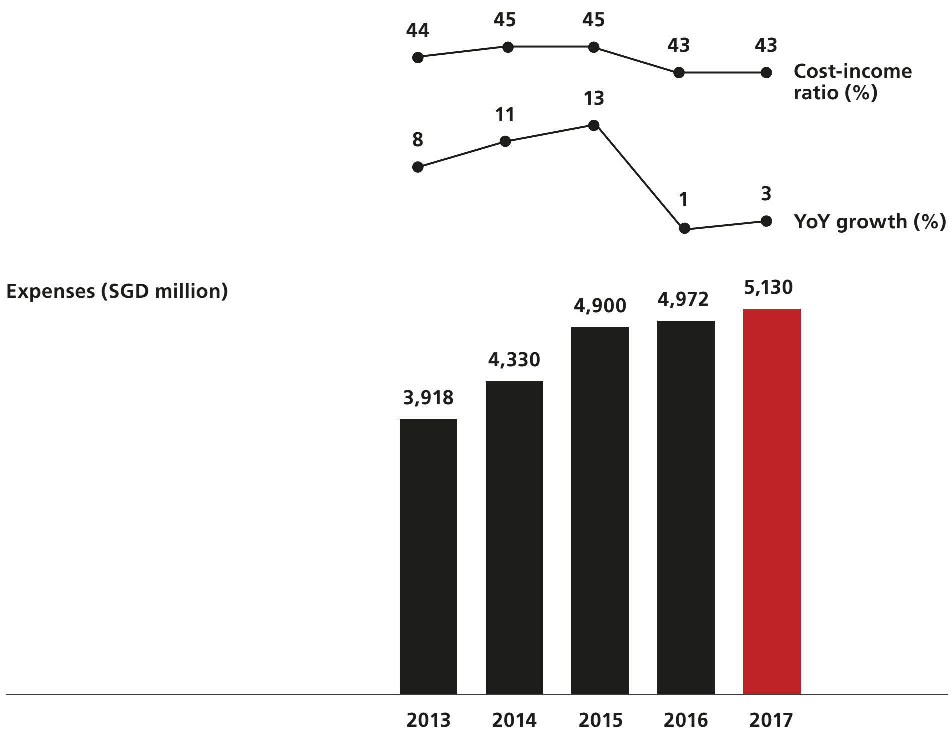
Total income

SGD million	2017	2016	YoY%
By business unit			
Consumer Banking/ Wealth Management	**4,671**	4,279	9
Retail	**2,564**	2,598	(1)
Wealth Management	**2,107**	1,681	25
Institutional Banking	**5,275**	5,216	1
Corporate	**3,561**	3,670	(3)
SME	**1,714**	1,546	11
Treasury	**856**	1,129	(24)
Others	**1,122**	865	30
Total	**11,924**	**11,489**	**4**
By market			
Singapore	**7,798**	7,540	3
Hong Kong	**2,223**	2,102	6
Rest of Greater China	**855**	834	3
South and Southeast Asia	**696**	717	(3)
Rest of the World	**352**	296	19
Total	**11,924**	**11,489**	**4**

Expenses

Expenses rose 3% to SGD 5.13 billion as productivity gains from digitalisation and cost management initiatives contained expense growth.

With a greater proportion of transactions and processing taking place digitally, the unit cost of serving customers fell. We redesigned our operations, moving from manual to paperless straight-through operations. This enabled us to handle higher business volumes with fewer resources, improving operating leverage as more of the additional income earned flowed to the bottom line. In addition, the shift away from traditional channels enabled us to reduce structural enterprise-wide overhead costs.

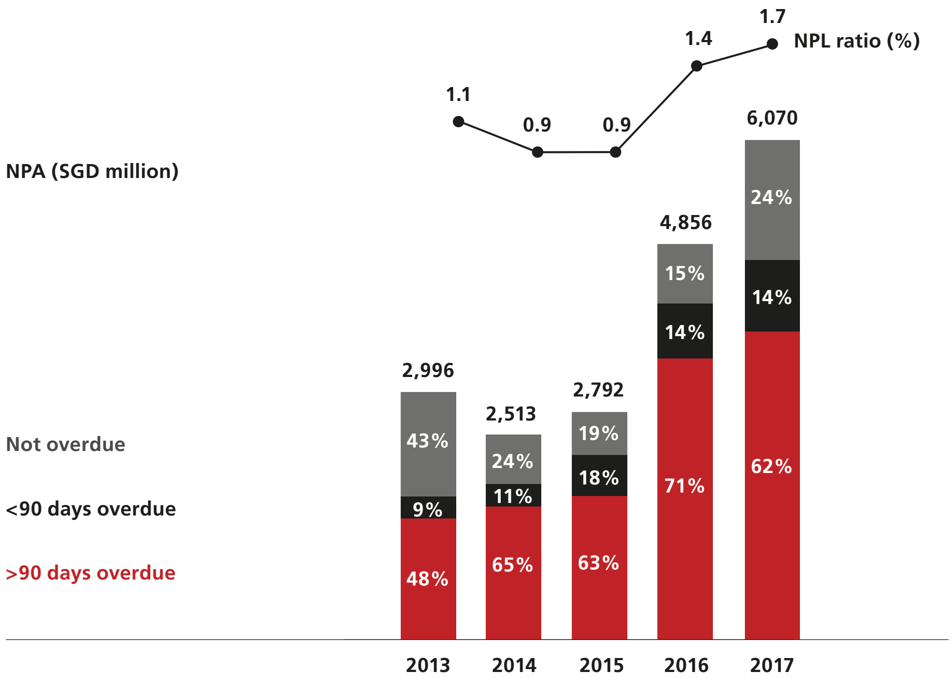


Asset quality and allowances

We took the decision to recognise residual weak exposures in the oil and gas support services sector as NPA during the year to remove uncertainty about asset quality. Three-fifths of our SGD 5.1 billion exposure to the sector have now been classified as NPA.

Asset quality for the rest of our loan portfolio remained benign during the year. NPA formation amounted to SGD 1.0 billion compared to SGD 2.0 billion in the previous year. The NPL rate for the rest of the portfolio was unchanged at 0.9%.

The allowance coverage of 50% for oil and gas support service exposures was prudent given the conservative approach we took in recognising NPAs and valuing collateral. For the rest of the portfolio, the allowance coverage was at 118%.



	2013	2014	2015	2016	2017
SP/loans (bp)	18	18	19	38	72
Cumulative general and specific allowances as % of:					
NPA	135	163	148	97	85
Unsecured NPA	204	296	303	210	173

Digitalisation

First bank to develop methodology to measure digital value creation

Banks often tout operating metrics to demonstrate the progress of their digitalisation efforts. However, the impact on earnings is unclear. We believe we are the first bank to have developed a methodology, which has been tested over three years, to measure the financial impact of digitalisation. We intend to provide updates to the financial data annually.

Our profit and loss measurement is for the consumer and SME businesses in Singapore and Hong Kong, where the impact of digitalisation is most clearly visible. The businesses currently account for 44% of the group and could rise to half in five years.

Customers in these businesses are delineated into two segments – digital and traditional – based on how they interact with us. Digital customers are those who have used digital channels to either purchase a product or upgrade to a higher customer segment; or carry out more than half of their financial transactions; or carry out more than half of non-financial transactions over a 12-month period. Those that do not continue to do so revert to being classified as traditional.

Digital customers made up 42% of the total base in 2017 but contributed 63% of income and 72% of profit before allowances. Since 2015, income from these customers has also grown at a compounded annual growth rate (CAGR) of 27% compared to a 4% decline for traditional ones. Digital customers gave us a ROE[5] of 27% in 2017, nine percentage points ahead of the traditional segment.

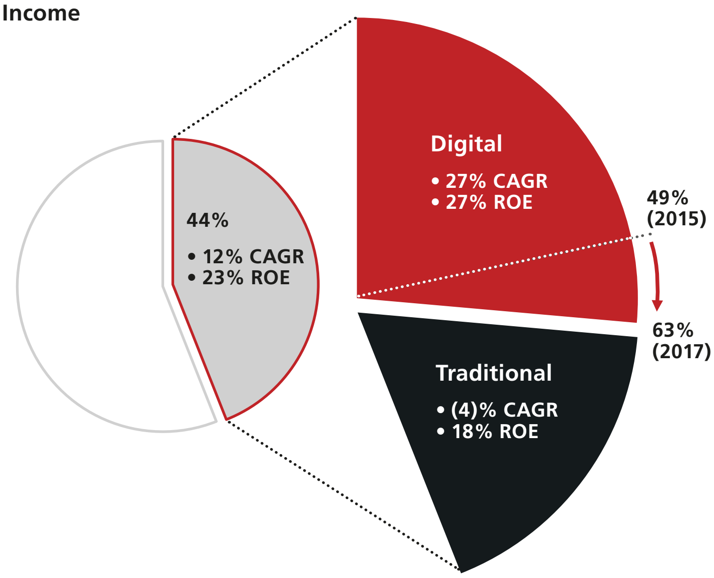
(5) 2017 ROE adjusted for accelerated provisioning in SME; without adjustments, 2017 ROE is 20% overall, 15% for traditional segment and 23% for digital segment

Consistently superior returns from Digital segment over time

Consumer and SME (Singapore, Hong Kong)

Profit and loss (SGD billion)	Digital (D)		Share of total (%)		Digital increasingly material
	2017	2015	2017	2015	
Customers (million)	2.5	1.9	**42**	**33**	Strong growth momentum – driven by customer migration and uplift in income per customer
Income	3.3	2.0	**63**	**49**	
Costs	1.2	0.8	**51**	**40**	
Profit before allowances	2.1	1.2	**72**	**58**	
Key indicators			**Differential over Traditional (T)**		**Digital increasingly valuable**
Income per customer (SGD '000)	1.3	1.1	**2X**	**2X**	Higher income per customer
Cost-income ratio (%)	36	40	**-22pp**	**-18pp**	Lower cost-income ratio
Return on equity (%)	27	25	**+9pp**	**+8pp**	Higher ROE

2017 Income

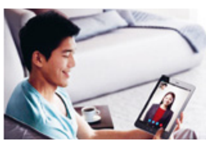


Robust, well-tested methodology based on customer behaviour

Three behavioural criteria for "Digital customers"

1

Product purchase or segment upgrade via digital channels



- **Account opening**
- **iWealth**

OR

2

More than 50% of financial transactions via digital channels

- **DBS Remit**
- **Pay bills online**

OR

3

More than 50% of non-financial transactions via digital channels

- **Add/ delete payee**
- **Change personal details**

For each customer, all associated income and all associated costs are completely and accurately attributed

Customers must re-qualify on a rolling 12-month basis

The drivers of digitalisation's superior financial metrics

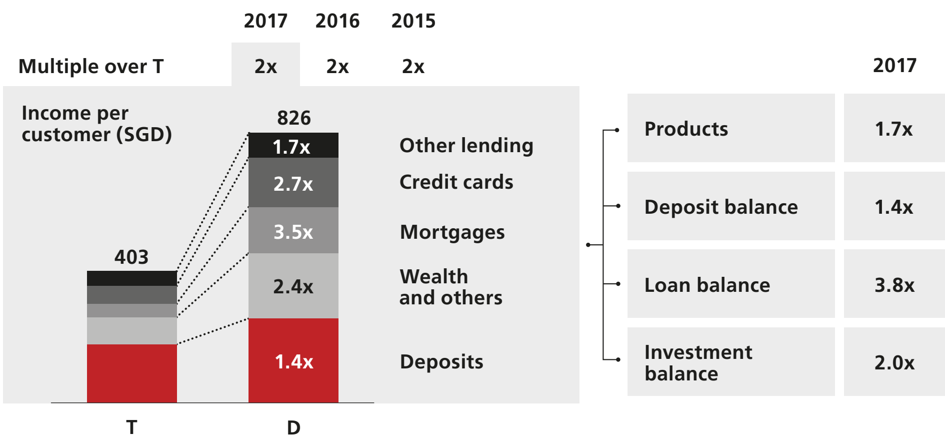
There are two reasons for the superior financial metrics of digitalisation. First, the costs of acquiring and serving customers are lower each time digital channels are used. As customers increasingly adopt digital behaviours, we are able to reduce reliance on physical infrastructure such as branches to support customers. This will enable us to optimise enterprise costs over time. All these mean that more of the income earned from customers contributes directly to the bottom line.

Second, digital consumer and SME customers bring twice as much income per head than their traditional peers. This is because digitalisation improves customer engagement, translating into a higher share of wallet. The deeper relationship is broad based across multiple products and has been consistently so over the years.

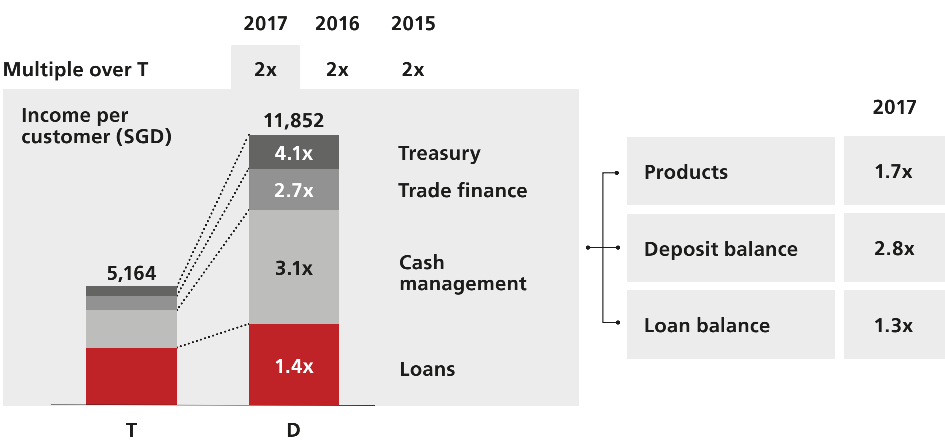
We also found that when traditional customers adopted digital behaviours, they would become more engaged and transact more with us. This provided corroborating evidence that digitalisation increases the stickiness of customer relationships.

The third chart on the right shows that, in 2017, the income we earned from digital customers and from traditional customers who adopted digital behaviours grew more quickly than the average of the total customer base. By contrast, income growth from customers that stayed traditional was below the average.

Consumer: Consistently higher income from broad-based engagement

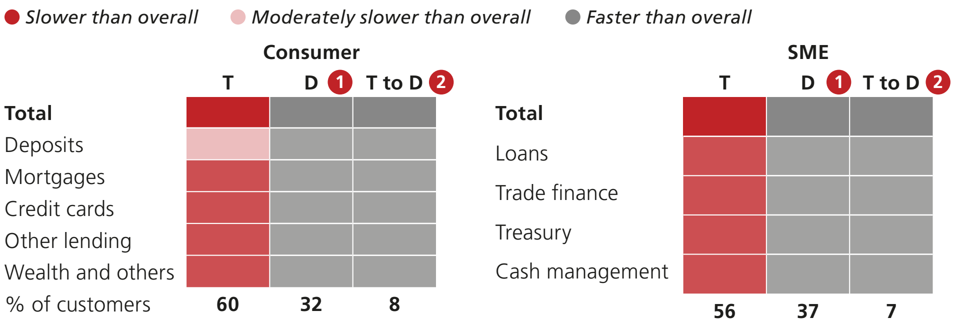


SME: Consistently higher income from broad-based engagement



Digital customers: Consistently faster growth in income per customer

Relative income growth for same customer cohort, 2017 vs. 2016

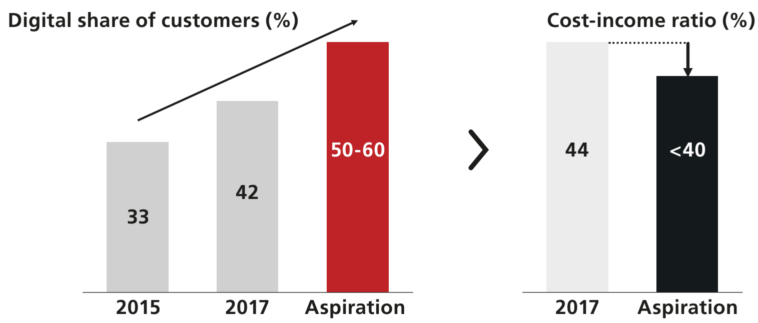


1 *Existing digital customers: Faster income growth*

2 *Newly migrated digital customers (T to D): Also show faster income growth*

Encouraging customers to become digital

Our business plans include initiatives to encourage customers to adopt digital behaviours. The growing size of such customers will drive shareholder value creation. Over time, we expect the proportion of digital customers to increase from the current 42% to 50-60%. This will lead to further improvements in the cost-income ratio, which we expect to decline to below 40%. Over time, the cost-income ratio will become a more significant driver of ROE.



Our 2017 priorities

We use a balanced scorecard approach to measure how successfully we are serving multiple stakeholders and driving the execution of our long-term strategy. Our scorecard is based on our strategy and is used to set objectives, drive behaviours, measure performance and determine the remuneration of our people, making this a living tool.

Traditional Key Performance Indicators (KPIs) (40%)

Shareholders

Achieve sustainable growth
Shareholder metrics measure both financial outcomes achieved for the year as well as risk-related KPIs to ensure that growth is balanced against the level of risk taken, including compliance and control.

Read more about this on page 39.

Customers

Position DBS as bank of choice
Customer metrics measure DBS' achievement in increasing customer satisfaction and depth of customer relationships.

Read more about this on page 39 and pages 42 to 47.

Employees

Position DBS as employer of choice
Employee metrics measure the progress made in being an employer of choice, including employee engagement and people development.

Read more about this on page 40 and pages 105 to 107.

"Making Banking Joyful" KPIs (20%)

Digital transformation

Ecosystems
Measure the progress made in developing meaningful relationships with ecosystem partners.

Acquire
Measure the progress made in leveraging digital channels to acquire new customers with increased digital channel share.

Transact
Measure the reduction in manual efforts by driving straight-through processing and instant fulfilment.

Engage
Measure the progress made in growing customers' digital engagements with the bank.

Read more about this on pages 40 to 41.

Capturing value created from digitalisation

Measure the progress made in driving digital behaviours of our consumer and SME customers in Singapore and Hong Kong and increasing the income from digital customers.

Our hypothesis is that digital customers give us higher income, better cost-income ratio and higher return on equity (ROE) vs. traditional customers.

Read more about this on pages 36 to 37 and page 41.

Reimagining customer and employee experiences

Measure the progress in embedding ourselves in the customer and employee journey to deliver superior experiences.

Read more about this on page 41.

Creating a start-up culture

Measure the progress in re-wiring mindsets to be a 24,000-person start-up anchored on our PRIDE! values.

Read more about this on page 41.

Areas of focus (40%)

Regional businesses

Grow our regional businesses in Consumer Banking/ Wealth Management (CBG) and Institutional Banking (IBG).

Read more about this on pages 42 to 47.

Geographic mix

Scale our growth in our priority markets of China, India, Indonesia and Taiwan to rebalance our geographic mix.

Read more about this on page 34.

Enablers

Strengthen management processes, technology and infrastructure platform.

Read more about cyber security and fair dealing on pages 99 to 100.

Read more about our technology on page 20 and pages 22 to 23.

Regulators

Contribute to the stability of the financial system.

Read more about this on page 29.

Society

Enhance the communities we serve, driving sustainable outcomes.

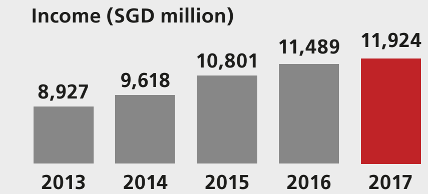
Read more about this on page 29 and pages 97 to 104.

Traditional KPIs

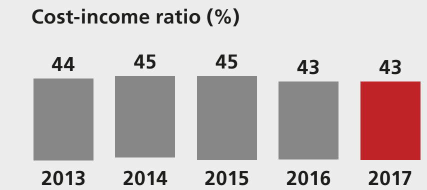
Shareholders

Read more about this on pages 30 to 37 "CFO statement".

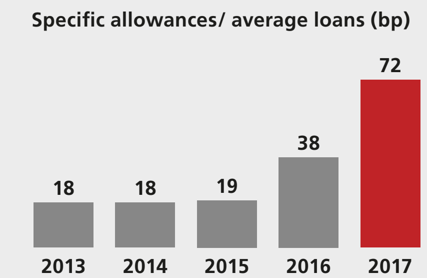
KPI: Grow income
Target: Deliver consistent income growth
Outcome: 4% income growth to SGD 11.9 billion driven by broad-based loan growth and fee income.



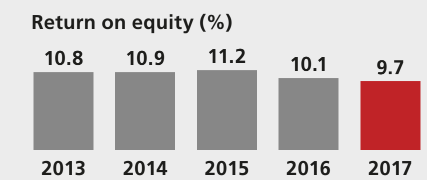
KPI: Manage expenses
Target: Be cost-efficient while investing for growth, with cost-income ratio improving over time
Outcome: Cost-income ratio maintained at 43%, the result of productivity gains from digitalisation efforts and strategic cost management initiatives.



KPI: Manage portfolio risks
Target: Grow exposures prudently, aligned to risk appetite
Outcome: Specific allowances rose to 72 basis points of loans due to the accelerated recognition of weak oil and gas support service exposures as non-performing assets (NPA). Net allowances were at 44 basis points of loans after writebacks of general allowances offset a significant portion of the increase in specific allowances. Specific allowances in other sectors were stable.



KPI: Deliver returns
Target: Deliver consistent ROE
Outcome: ROE fell to 9.7% as total allowances increased due to accelerated NPA recognition in the oil and gas support services sector.



Customers

KPI: Increase customer satisfaction
Target: Achieve broad-based increase in customer satisfaction across markets and segments
Outcome: Improved customer satisfaction in Consumer Banking. We were also awarded the inaugural CSISG Award(1), presented to the top performing company in the Finance and Insurance sector over the last decade.

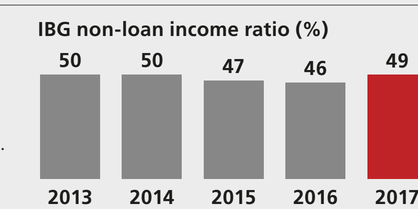
For Institutional Banking, we won the Gold award for Best Customer Experience Organisation at the Customer Experience Asia Excellence Awards 2017(2).

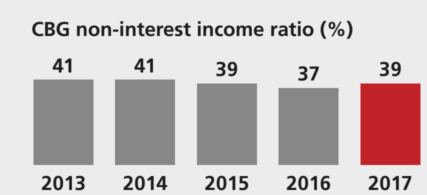
Customer engagement score(3)

	2016	2017
Wealth Management	4.17	4.22
Consumer Banking	4.09	4.12
SME Banking	4.10	4.07
Large corporates market penetration ranking	4th	4th

(1) The CSISG Award is awarded by the Institute of Service Excellence at Singapore Management University
(2) The Customer Experience Asia Excellence Awards is awarded by the International Quality and Productivity Centre
(3) (1 = worst; 5 = best) from Ipsos Customer Satisfaction Survey (CSS) for Wealth Management, Scorpio Partnership CSS for Consumer Banking and Nielsen SME Survey. Large corporates penetration ranking from Greenwich

KPI: Deepen customer relationships
Target: Deepen wallet share of individual and corporate customers
Outcome: IBG non-loan income ratio was higher as a decline in treasury flows was mitigated by strong growth in cash management. CBG non-interest income ratio increased on the back of higher investment income.

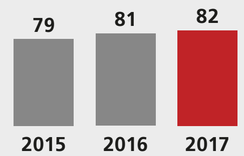




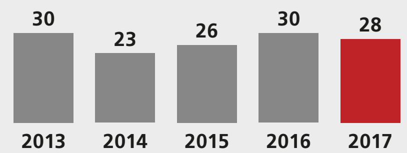
Traditional KPIs (continued)

	KPI	Target	Outcome
Employees	Employee engagement	Improve employee engagement levels; top quartile of My Voice engagement peer group	Ranked among top quartile in Aon Hewitt My Voice survey; score increased by one percentage point. In 2017, Aon recognised us as "Asia Pacific Regional Best Employer". We were also named "Best of the Best Employer" in Singapore, Indonesia and Taiwan.
	People development	Provide our people with opportunities for internal mobility to enhance professional and personal growth	Enabled our people to broaden their exposure across businesses, functions and markets; 28% of positions were filled by internal candidates in 2017[4]. *(4) Excluding ANZ integration headcount*
	Turnover	Maintain or reduce voluntary attrition; top quartile in all key markets	The voluntary attrition rate remained relatively stable; in 2017, DBS' turnover was best-in-class vs. peer group in Singapore and India.

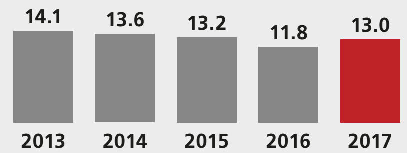
My Voice employee engagement score (%)



Mobility: positions filled internally (%)



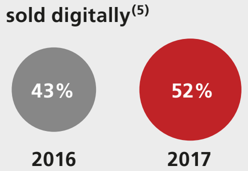
Turnover (%)



"Making Banking Joyful" KPIs

	KPI	Target	Outcome
Digital Transformation	**Ecosystems** Grow ecosystem partnerships	Leverage ecosystems and our digital footprint to grow digital interactions with customers	We launched the world's largest banking application programming interface (API) developer platform, making available a wide array of APIs for external partners to plug into. We have since published over 180 APIs and connected with more than 60 partners. We grew our digital footprint, broadened access to customers, increased our social media fanbase by 15% to 8 million and grew engagements by 12 million through the SPARKS mini-series.
	Acquire Grow number of customers acquired digitally	Grow digital acquisition of customers and increase digital channel share	See charts below
	Transact Reduce manual efforts by driving straight-through processing and instant fulfilment	Reduce current efforts in targeted manual transacting processes	Achieved 9% reduction in efforts in 2017 by driving straight-through processing and instant fulfilment, as well as increasing customer-initiated transactions through digital channels.

Channel share of retail products sold digitally[5]



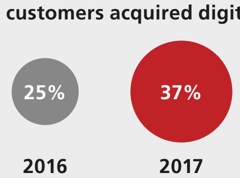
(5) Includes digitally-assisted channels for bancassurance

Growth in digibank India

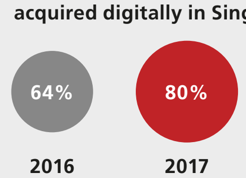
digibank by DBS

Over 1.8 million customers acquired since launch

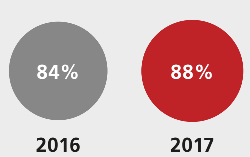
Channel share of wealth customers acquired digitally



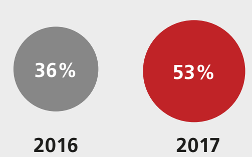
Channel share of SMEs acquired digitally in Singapore



Digital channel share of customers' financial transactions (Consumer, Singapore and Hong Kong)



Digital channel share of customers' financial transactions (SME, Singapore and Hong Kong)



"Making Banking Joyful" KPIs (continued)

	KPI	Target	Outcome
	Engage Grow customers' digital engagements with the bank	Drive engagement of customers through digital channels	The use of big data analytics and models has allowed us to better engage customers in contextual marketing, resulting in a double-digit increase in campaign revenues for CBG in Singapore and allowing us to garner incremental deposits in the SME space. We improved the user experience in our retail digital platforms, resulting in higher usage rates and better user ratings. Digital customers are more engaged. For example, users of our OMNI credit card companion app in Hong Kong grew more than 50% year-on-year (yoy) with users spending 2.5 times more than non-users. We offer differentiated insights on key Asian economies and industries via our Asian Insights platform across our digital channels. The traffic to our Asian Insights content continues to grow. We observed a 59% increase in monthly page views yoy as a greater number of customers value our depth of insights and advice.
Capturing value created from digitalisation		Grow digital customers (Consumer and SME, Singapore and Hong Kong)	The number of digital customers increased from 2.2 million in 2016 to 2.5 million in 2017[6]. *(6) A digital customer has either (within the past 12 months): (i) made a product purchase or segment upgrade via a digital channel; (ii) done more than 50% of financial transactions via digital channels; (iii) done more than 50% of non-financial transactions via digital channels*
		Drive digital customers' income (Consumer and SME, Singapore and Hong Kong)	The income from digital customers increased 21% yoy. In addition, the income of a digital customer was two times the income of a traditional customer.
Reimagining customer and employee experiences		Drive journey thinking and demonstrate outcomes from journeys started in 2016	448 journeys across the bank, with 71% of them delivering or having delivered outcomes during the year. In total, 1.1 million customer hours and 327,000 employee hours were saved. Many of these journeys leverage data analytics to make banking joyful for both customers and employees.
Creating a start-up culture		Inculcate a start-up culture and mindset	We made good progress, with many of our people embracing a spirit of experimentation and innovation through immersion programmes, experiential learning platforms and ecosystem partnerships. During the year, over 15,000 employees were involved in immersion programmes such as hackathons, incubators, accelerators and partnerships with the fintech community. We are seeing progress in changing the way we work to be more agile and nimble. Increasing pockets of the bank are adopting agile @ work across business and support units. We drove the use of data and analytics, increased data resources embedded with the business and support units, and pioneered a new meeting culture to increase meeting effectiveness. We expanded our JoySpace programme, investing in transforming spaces to build a start-up culture, foster collaboration and ideation, and enable the future way of working. Close to 300,000 square feet of JoySpace has been created through the programme in 2017, impacting over 4,000 staff in the region. The organisation is now on Office365, a cloud-based collaborative platform. During the year, we further drove its adoption and usage.

Institutional Banking

Institutional Banking's performance remained stable in 2017. Total income increased 1% to SGD 5.28 billion. Net interest income grew 4% supported by broad-based asset and deposit growth offset by lower treasury customer income.

Underlying growth from the large corporate segment was healthy, supported by strong balance sheet growth despite the impact of residual headwinds from the oil and gas support services sector. The SME segment grew 11%. Expenses were tightly managed and grew at 1%.

Total allowances increased by SGD 827 million to SGD 2.33 billion to remove lingering uncertainty over the oil and gas support services portfolio.

SGD million	2017	2016	%
Total income	**5,275**	**5,216**	**1**
• Corporate	**3,561**	**3,670**	**(3)**
• SME	**1,714**	**1,546**	**11**
Expenses	**1,755**	**1,737**	**1**
Profit before allowances	**3,520**	**3,479**	**1**
Allowances	**2,326**	**1,499**	**55**
Profit before tax	**1,194**	**1,980**	**(40)**

Key highlights

We place customers at the centre of all we do. We are committed to helping our large corporate and SME clients with their financial needs. Our relationship teams, organised by industry segments, are able to understand and anticipate our customers' business needs better. Our insights into the region and digital engagements with clients have elevated our partnership with them well beyond conventional bank-customer interactions. This has helped us foster deeper conversations and relationships with clients.

In 2017, we continued to make investments in product capabilities and digital innovation to support the transformational and financial objectives of our clients. We delivered cutting-edge, industry leading solutions centred around increasing efficiency, enhancing risk management and reducing costs for clients.

Here are some key highlights during the year.

A leading innovative cash management franchise

Our cash management income grew 32% and growth was broad-based across all key markets. We closed a record number of mandates as clients continued to reap the value of our digital investments and the quality of the solutions that we provide.

With the continued rise of Asian economies, companies in the region have become more sophisticated in their cash management needs and the way they manage their operations. To meet these needs, we developed best-in-class digital cash management solutions. We pioneered a market-shaping application programming interface (API)-based instant settlement solution, DBS IDEAL RAPID, for clients to create new payments and receivables value propositions.

Read more about this on page 16.

We also launched the world's first online simulation platform, Treasury Prism, to help chief financial officers and corporate treasurers design and derive optimised cash management solutions at the click of a button.

Read more about this on page 16.

Our clients were also the first in Singapore and Hong Kong to leverage SWIFT Global Payments Innovation to execute cross-border payments with end-to-end tracking. This helped them improve supplier relationships and drive efficiencies across their global cash management operations.

Our efforts to shape the Asian cash management scene were duly recognised as we garnered several marquee awards including "Best Regional Cash Management Bank" by Global Finance, "Best Overall Bank for Cash Management in Asia Pacific" by The Asset and "Top 5 Best Global Cash Management Providers" by Euromoney. We won three global innovation awards, including the "Best Innovation Award" at EuroFinance Barcelona 2017.

Strong growth in open account trade (OAT)

Our OAT business delivered revenue growth of 14%. Much of the growth was attributed to 195 new client mandates.

We also played an active role in the digitalisation of trade finance through leadership roles on the MAS National Trade Platform and Global Trade Connectivity Network, a blockchain utility programme. We were named "Best Regional Trade Finance Provider" by Global Finance.

Strong momentum in investment banking

We had another banner year in investment banking. We were named "Best REIT House in Asia" by The Asset and also recognised as the "Best Investment Bank in Singapore" by Global Finance.

Our fixed income franchise continued to grow as capital markets were buoyant throughout 2017. The business benefitted from a cyclical upswing in the world's major economies. We maintained our leadership position in the SGD bond market, with a market share of 34%. We were also ranked by Dealogic to be among the top 10 bookrunners in Asia ex-Japan in the US dollar corporate space.

With Asian enterprises growing their businesses globally and in the region, we continued to bring more debut issuers to the market such as Haier Group Corporation (USD 1 billion 3.875% senior perpetual capital securities), PT Paiton Energy (USD 2 billion dual tranche senior secured notes), Dr Peng Telecom & Media Group (USD 500 million 5.05% three-year senior unsecured notes) and also worked with repeat issuers such as CapitaLand (SGD 500 million 3.08% 10-year senior unsecured notes), Huawei (USD 1.5 billion dual tranche senior unsecured notes) and Telstra Corporation (USD 500 million 3.25% 10-year senior unsecured notes).

As the top equity house in Singapore, we participated in 89% of equity funds raised, including 92% of initial public offerings (IPOs). As the leading REIT house in Southeast Asia, we played a key role in milestone transactions such as the USD 533 million IPO of Keppel-KBS US REIT, SGD 640 million secondary fund raising for Mapletree Logistics Trust and SGD 700 million secondary fund raising for CapitaLand Commercial Trust. We also lead managed the landmark SGD 2.4 billion IPO of NetLink NBN Trust, Singapore's largest IPO since Hutchison Port Holdings Trust in 2011. We were also active in helping SME clients in their listings and equity fund-raising transactions which included the IPOs of APAC Realty, Mindchamps Preschool, RE&S Holdings, as well as the private placement of shares for mm2 Asia.

In other Asian markets, we were joint bookrunner on the USD 345 million Hong Kong IPO of FIT Hon Teng, IDR 5,400 billion placement for PT Sarana Menara Nusantara and the IDR 325 billion IPO of PT Integra Indocabinet.

Our expertise and knowledge of Asia's key markets allowed us to secure roles as sole financial advisor and/ or underwriter in multiple transactions where we supported Singapore-listed entities in equity fund-raising for cross-border acquisitions and other expansion plans.

Supporting SMEs in Asia through regional connectivity and digital innovation

With SMEs as the backbone of the global and regional economy, we continued to invest in this segment by reimagining how SMEs could be better served in the markets in which we operate.

Emphasis was given to redesigning traditional customer journeys such as account opening, credit approval, transaction initiation and cash management leveraging innovative digital solutions. These improvements in the customer journey and experience enabled SMEs to focus more of their time on seizing business opportunities in their home markets and across the region.

Increasing cross-border trade globally means that the need to trade in multiple currencies has also become more pressing. We introduced the Corporate Multi-Currency Account (MCA) to help SMEs and corporates manage their foreign exchange costs more efficiently. The MCA allows clients to transact and manage up to 13 currencies with only one account.

Capturing opportunities from China's Belt and Road cross-border mergers and acquisitions activity

Chinese companies continued to execute on acquisition strategies in 2017 as part of China's Belt and Road initiative. We captured these opportunities by connecting Chinese acquirers with prospective targets in Asia, providing tailored buy-side or sell-side advice, and supporting due diligence efforts and transaction negotiations.

Our Strategic Advisory team served either as buy-side or sell-side adviser for the majority of takeovers of Singapore Exchange listed entities in which buyers and/ or targets were Chinese companies. A prominent transaction that we advised on in 2017 was the SGD 15.9 billion buyout of Global Logistics Properties, Asia's largest-ever private equity buyout.

Our efforts in helping Chinese enterprises expand overseas and for providing comprehensive financial services along the Belt and Road were recognised as we were awarded the inaugural "Best Regional Bank in Southeast Asia for Belt and Road Initiatives" by Asiamoney.

Deepening relationships with Institutional Investors and Multinational Corporations (MNCs)

Asia remained a top growth destination for businesses globally. Our extensive network in key markets in Asia, as well as our presence in Japan, Korea, United Arab Emirates, United Kingdom and United States enabled us to grow our Institutional Investor and Western Multinational businesses. Income from the latter segment grew double-digit of which income from European and US MNCs grew the fastest.

Sustainability

We expanded our Group Core Credit Risk Policy to incorporate the principles and approach for managing Environmental, Social and Governance (ESG) issues in our lending practices and capital markets activities. Our risk assessment approach ensures that material ESG issues are considered for all new credit applications, capital markets transactions and during periodic reviews. We also made public our approach to the palm oil and coal sectors.

We were the first financial institution in Singapore to issue a green bond. The launch of our green bond amplifies our commitment to sustainability and to supporting projects which have positive impact. We also participated in financing a wide spectrum of renewable energy technologies across our key markets.

Read more about this on page 100.

Customer-centricity through digital transformation

Being digital to the core is a key pillar of our strategy. Over the years, we have built a technology backbone that is scalable and resilient.

Today, we are able to serve customers from a common platform of services and APIs that enables us to integrate best-in-breed technologies to the solutions that we provide. Our focus on digital investments has allowed us to build an ecosystem of partners, suppliers and vendors to deliver financial solutions that are faster, simpler and better for our clients.

We redesigned more than 60 customer experiences in 2017 based on journey thinking and human-centred design principles. One such solution designed to improve customer experience and make payments more flexible is PriorityPay. It provides our clients with faster and cheaper fund transfers across the DBS network.

We also prioritised digitalisation initiatives for our SME customers across the region so that they can spend more time developing their business. For example, customers can now apply for a banking account online without visiting a branch. In some cases, accounts can be opened within 24 hours of online application. Today, across the group, more than 57% of SME accounts are opened online.

2018 focus areas

1. **Further develop digital and data analytics capabilities**
2. **Continue to accelerate our cash management capabilities and grow OAT**
3. **Build sustainable SME Banking businesses in our growth markets**
4. **Deepen wallet share with large corporates and institutional investors**
5. **Progress further on the sustainability agenda**

Consumer Banking/ Wealth Management

Delivering strong financial performance

Total income for Consumer Banking rose 9% to a new high of SGD 4.67 billion on the back of broad-based growth across our markets and the successful integration of the ANZ retail and wealth management business in the region. With cost-income ratio low in the mid-50s range, profit before tax grew 10% to SGD 1.95 billion.

Wealth Management segment income rose 25% to a record SGD 2.11 billion. Assets under management grew 24% to SGD 206 billion, including SGD 18 billion from ANZ.

Net interest income grew 5% underpinned by strong growth in customer deposits, mortgage loans and cards. In Singapore, we continue to lead in Singapore-dollar savings deposit market share, while our market share in housing loans crossed 30%. Taiwan, Indonesia and China also delivered solid performances with double-digit net interest income growth.

Investment and bancassurance product sales contributed to the 17% increase in non-interest income. Bolstered by positive market sentiment, our enhanced investment product initiatives yielded good results. We saw strong trade volumes on equity structured products. Fixed income strategies focusing on bond portfolio optimisation in view of the rising rate environment also paid off. Mutual fund sales almost doubled across both retail and wealth management segments driven by strong demand for income funds, as well as diversified or balanced portfolio solutions. We also launched three new discretionary portfolio management (DPM) mandates – ETF Mandate, Asia-Focus Mandate and Mutual Funds Mandate, which complemented our current product offerings and made DPM suitable to a wider range of customers.

2017 marked the second year of our 15-year regional bancassurance partnership with Manulife. Life insurance sales volume grew steadily across key markets. Our extensive distribution network, strong insurer partnership, innovative new products and straight-through digital processing capabilities were key in meeting the varied insurance needs of our retail, wealth and institutional banking customers. As part of our financial planning initiative, we launched "NAV – Your Financial GPS", the first financial planning centre introduced by a bank in Singapore which offers free advisory services in a no-sales, no-obligation environment.

SGD million	2017	2016	YoY %
Total income	**4,671**	**4,279**	**9**
• **Retail**	**2,564**	**2,598**	**(1)**
• **Wealth Management**	**2,107**	**1,681**	**25**
Expenses	**2,562**	**2,384**	**7**
Profit before allowances	**2,109**	**1,895**	**11**
Allowances	**161**	**129**	**25**
Profit before tax	**1,948**	**1,766**	**10**

To cater to customers' general insurance needs, we entered into a 15-year regional general insurance distribution partnership with Chubb, a global leader in general insurance and reinsurance, effective January 2018. This partnership represents the coming together of two leading organisations, providing DBS' customers access to Chubb's suite of market-leading home, contents and selected personal accident and supplemental health insurance products, as well as general insurance products for SMEs.

Key highlights

Integrating ANZ retail and wealth management business

We successfully integrated ANZ retail and wealth management business across four markets in 2017 – China in July, followed by Singapore in August, Hong Kong in September, and Taiwan in December. Integration in Indonesia was completed in February 2018.

While it has been a complex process that spanned multiple markets with different regulations, systems, clientele and business models, the successful completion of this acquisition highlights our expertise in seamlessly integrating an acquired business and generating value inorganically. In particular, the transaction gives us a sizeable cards business in Taiwan and Indonesia, and bolsters our position as a leading wealth manager in Asia.

Creating shareholder value from digitalisation

In November, we held our inaugural digital investor day and were one of the first banks to tangibly quantify and articulate the financial benefits of digitalisation. We noted that, compared to a traditional customer, a digital customer brings in two times the income, with higher deposit, loan and investment balances. A digital customer, on average, also costs less to acquire and is more engaged, with over 16 times more self-initiated transactions.

Relentless in our pursuit to be digital to the core, we launched several digital innovations across our markets.

In Singapore, in support of the Smart Nation agenda to adopt cashless payments, we developed a groundbreaking mobile payment solution in which all DBS PayLah! users – including non-DBS/ POSB customers – can pay using QR codes and receive funds by generating their own QR code. This was well-received by our customers and we saw daily transactions increase by about three times. This service has also been extended to DBS iWealth and DBS/ POSB digibank app users.

We also set a global milestone with the launch of a banking application programming interface (API) developer platform that is the largest by a bank worldwide. We now have over 180 APIs for Singapore, with more than 60 partners. These partners include household names such as AIG, McDonald's, MSIG, PropertyGuru, as well as start-ups like Activpass, FoodPanda and soCash. By plugging into our platform, they can develop solutions that will bring more convenience and value to our customers.

In Hong Kong, we launched DBS Home360 in partnership with Century 21, one of the largest realtors in Hong Kong. DBS Home360 is the first banking mortgage app in Hong Kong to leverage the power of virtual reality, enabling homebuyers to stay abreast of changes in the industry and enjoy greater convenience with access to pertinent information within a single app. The app garnered over 10,000 downloads within the first month of launch, and was ranked #1 in the Apple App Store Finance category and #2 in Google Play Store in less than one week.

In China, we bring an enhanced onboarding experience to customers via social network platform WeChat. With three simple digital steps on the WeChat platform, customers can complete their onboarding process for DBS online banking and enjoy our 24/7 banking services such as account management, funds transfer, insurance and investments. Leveraging WeChat's ubiquitous presence across a typical Chinese customer's daily activities, we bundled bank offerings with ecosystem partner offers, creating more attractive propositions for them.

Disrupting growth markets with digibank

With its revolutionary value proposition of a completely paperless and signatureless account opening process, digibank India has since acquired over 1.8 million customers, of which over 500,000 have a savings account relationship with us. Customer adoption has been encouraging with over 27 million transactions, vindicating the increasing trust in digital platforms. Heartened by these positive results, we continue to develop more solutions that address customer needs in a fully paperless model. Digi Mutual Fund, which is a first-of-its-kind solution to invest in capital markets, was introduced in October. We are also looking to add Digi Loans and Digi Bancassurance in 2018.

Leveraging our experience in India, we officially launched digibank in Indonesia in August, giving customers the ability to bank anytime, anywhere.

Growing our wealth management business from strength to strength

Our wealth franchise continues to grow from strength to strength, contributing 18% of total group income, an increase of three percentage points from 2016. Five markets delivered high double-digit wealth income growth, with China hitting a high of over 60%. This strong performance is attributed to robust organic growth and the acquisition of the ANZ business which added more than 100,000 affluent clients regionally.

Testament to the strides we have made in our digital and wealth strategies, our Private Banking business won numerous accolades, including clinching three consecutive wins in two key awards – "Best Asian Private Bank" by FinanceAsia and "Best Private Bank for Innovation" by PWM/ The Banker. Our Treasures Private Client (TPC) business, which caters to high net-worth individuals with investible assets of SGD 1.5-5 million, also remains a key driver of our wealth business. Building on this momentum, we look to expand our unique wealth continuum strategy in Taiwan and Indonesia.

We rolled out various enhancements to DBS iWealth, our digital wealth management platform. New features include "Online FX", where clients can seamlessly perform foreign currency transactions based on real time quotes with three available settlement dates, and "Online Leveraging", a first-of-its-kind feature where clients can draw down from their multi-currency revolving term loan online.

Combining wealth management and banking in one for mobile devices, the DBS iWealth app further provides clients, on the move, with a comprehensive digital experience. With the DBS iWealth platform, we were able to lower marketing cost of client acquisition, grow transaction volumes and deepen client engagement digitally. Online acquisition as a percentage of total client acquisition for Treasures and TPC segments increased from 25% in 2016 to 37% in 2017.

Digitalisation also extends to the lifestyle privileges offered to our wealth clients. DBS Asia Treasures, an exclusive by-invitation membership for wealth clients, introduced a digital membership card in the new Asia Treasures app. The intuitive and convenient app provides clients with fingertip access to curated travel privileges.

In addition to digitally engaging with our clients, we continue to invest in re-wiring our wealth services to enable relationship managers (RMs) to have richer engagements with clients. With the use of API-driven architecture for seamless communication across applications, we integrated data-driven insights from over 12 sources onto one platform, equipping RMs with a comprehensive view of the client. This resulted in strong gains in RM productivity across all three wealth segments, with the Treasures segment experiencing the greatest lift of 57% over three years.

Areas of Focus

- **Maximise value from the acquisition of ANZ retail and wealth business**
- **Drive benefits of digitalisation and deliver on our digital strategies**
- **Accelerate growth of digibank in India and Indonesia**
- **Embed DBS iWealth 2.0 and enhance our wealth value proposition in key markets**
- **Continue to advance customer journey thinking, data analytics and agile thinking**

POSB
Neighbours first, bankers second

This was a milestone year for POSB, Singapore's oldest and most loved bank, as it celebrated its 140th anniversary. Since our founding in 1877, we have always been deeply woven into the fabric of our nation and we stay true to our mission of being the "People's Bank".

We take pride in serving generations of Singaporeans from all walks of life and till today, we remain committed to bringing value to all segments of the population which include children, young adults, families, seniors and the community at large.

To celebrate our 140th anniversary, we also rolled out a series of initiatives to engage our staff, customers and members of the community to thank them for their support all these years.

For children and families

POSB has always played a key role in encouraging the people of Singapore to save for their future with initiatives such as the POSB National School Savings Campaign. In 2017, we officially launched the "POSB Smart Buddy" programme, the world's first in-school savings and payments programme. This groundbreaking initiative uses wearable tech to teach students how to save and spend wisely by helping them track their savings and spending habits digitally.

This initiative is an updated take on the iconic savings campaign, designed to engage a new generation of digitally-savvy kids by encouraging them to cultivate a sensible savings habit in an interactive and engaging manner. It transforms the age-old "pocket money" tradition, teaches students how to manage their expenses and save wisely, and provides small business owners in schools greater incentive to adopt digital payments.

Feedback from students and parents has been positive and we have plans to develop a similar programme tailored for secondary schools and tertiary institutions.

To further engage children, we launched a financial literacy book for kids named "Savings and Spending Money". Our POSB staff conducted storytelling sessions with children islandwide to inculcate the value of good savings and spending habits. The book is available in all public libraries and reading corners at selected Community Development Councils.

POSB and the People's Association (PA) marked their strong partnership with the ninth annual instalment of POSB PAssion Run for Kids. We encouraged the spirit of giving back to the community through a new "Sponsor a Buddy" programme. Under this initiative, participants were able to co-sponsor underprivileged children and their parents to participate in the event. Close to 10,000 participants joined the event and we managed to again raise SGD 1 million for the POSB PAssion Kids Fund, bringing the total amount raised to SGD 7 million. The fund has benefitted over 400,000 children to date.

Together with PA and other corporate partners, we also launched the "POSB KidStarter Programme" to teach more than 140 children how to manage their money wisely. The children learnt basic coding skills as part of the programme and put theory into practice by creating animations and games which reinforced the importance of thrift and saving money.

For seniors

We seek to encourage active ageing in our continuous employment of seniors as our POSB Active Neighbours, who are also POSB digital ambassadors, at our branches. They play a proactive role in engaging seniors on how simple going digital will be for them.

To ensure that seniors in the community are not left behind in this fast-changing world, we collaborated with various community partners such as C3A, Infocomm Media Development Authority and PA to familiarise seniors with digital banking services. The workshop titled "Introduction to Digital Banking", is a SkillsFuture credit-approved course and available for seniors to register at any community club. Close to 10,000 seniors have benefitted from these workshops. We also reached out to new community partners such as WINGS, RSVP Singapore and NTUC Club to engage their communities too.

We will be collaborating with IMDA on their Home Access Programme to reach out to more than 8,000 seniors over the next three years. The programme entitles eligible seniors to apply for subsidised internet access and tablets.

With society experiencing the impact of a rapidly ageing population, over 1,000 branch staff attended training on mental wellness by speakers from the "Forget Us Not" initiative to gain a deeper understanding on how to handle persons showing signs of dementia. POSB also collaborated with partners like Khoo Teck Puat Hospital and the Office of the Public Guardian to provide joint mental wellness talks to vulnerable seniors as part of the bank's support of PA's ProjectWeCare initiative.

For the community at large

Guided by our promise of being "Neighbours first, bankers second", POSB actively reaches out to the community to make a difference in the lives of Singaporeans.

We officially launched Video Teller Machines (VTMs) across the island, raising the bar for banking services in Singapore. Customers can get their debit cards or internet banking tokens replaced instantly at any time of the day. They can also speak to our service staff "face-to-face" via live video for other banking needs. The VTMs are an example of how we are reimagining banking, using digital technology and innovation to extend our reach, enhance efficiencies, and create tomorrow's solutions today.

To celebrate POSB's 140th anniversary, a special POSB Gallery was curated to share the bank's heritage. During the course of the year, we went around Singapore to show how the bank continues to be entrenched in the community. In all, the roving gallery attracted close to 200,000 visitors across 10 heartland locations. A digital version of the POSB Gallery was also developed to share the POSB story with Singaporeans.

Corporate governance

Contents

Governance framework

Our governance framework is anchored on (i) competent leadership, (ii) effective internal controls, (iii) a strong risk culture and (iv) accountability to shareholders.

We believe that it is crucial to have a good balance between continuity and fresh perspectives on the Board. Our Board plays a key role in setting our governance standards to meet our stakeholders' expectations. Our leadership model ensures an appropriate balance of power, accountability and independence in decision-making.

We provide a summary disclosure on our compliance with the Guidelines* on pages 108 to 111.

** defined on page 108*

Board highlights - 2017

Board renewal was a key issue for us in 2017. We believe that it is important to appoint new Directors to supplement the collective skillsets of the Directors and replace skillsets of Directors who step down from the Board. New Directors also bring different perspectives to the Board.

The Nominating Committee (NC) began the Board renewal process in 2017. It considered candidates recommended by Board members. It also appointed a global search firm to recommend candidates. The NC shortlisted potential candidates and began the process of interviewing them. Diversity is one of the key considerations in the board renewal process to ensure that the Board is appropriately balanced to support the long-term success of DBS.

The NC looks for candidates who meet regulatory requirements and possess the qualities required of a DBS Director. We use a skills matrix to assess if the skills and experiences of a candidate complements those of the existing Board members. The NC also considers whether a candidate would fit in with our Board culture and chemistry. We inform potential candidates of the level of contribution and commitment expected of a DBS Director. Separately, the NC makes its own assessment whether a candidate would be able to commit sufficient time to fulfil the duties of a Director.

All our Directors go through our induction programme. The programme covers the duties and obligations of a Director. It also covers the responsibilities of and work carried out by the Board committees. We provide a Director's pack, which acts as an aide memoire for the information covered by the induction programme. We have briefing sessions for Directors given by members of senior management on the various businesses of DBS and its supporting functions.

We shall be introducing new Directors gradually so that the Board and Board Committees have a smooth transition period.

We appointed Mr Olivier Lim Tse Ghow as a Director of DBS Group Holdings Ltd (DBSH) and DBS Bank Ltd (DBS Bank) on 7 November 2017. Mr Olivier Lim is a former banker with credit risk and investment banking experiences. He has prior experience as a Director of listed entities. The Board, with the recommendation of the NC, considered his qualifications, track record, experiences and capabilities and considered him suitable to act as a Director. Mr Olivier Lim serves on the Board Risk Management Committee (BRMC) and the Compensation and Management Development Committee (CMDC).

Having served as an Independent Director for more than nine years, Ms Euleen Goh and Dr Bart Broadman are deemed non-independent under the Banking (Corporate Governance) Regulations 2005 (Banking Regulations) with effect from 1 December and 17 December 2017 respectively. Dr Bart Broadman has decided to step down as a Director of DBSH and DBS Bank after the DBSH Annual General Meeting, which is scheduled to be held on 25 April 2018 (2018 AGM). The Board and Management of DBS thank Dr Broadman for his invaluable contributions to the Board and the DBS Group.

The Board, upon the recommendation of the NC, reviews the composition of the Board committees on a regular basis to ensure that staffing needs and regulatory requirements are met.

In view of the risk landscape and challenging credit environment, it was agreed that Ms Euleen Goh, who is a former banker with strong credit risk expertise and experience, should continue to serve as a Non-Executive Director and as Chairperson of the BRMC.

On 1 November 2017, Mr Ho Tian Yee, who has market and liquidity risk expertise and experience, was appointed as a Board Executive Committee (EXCO) member and Mr Piyush Gupta stepped down as an EXCO member. These changes were made so that the EXCO continues to comprise a majority of Independent Directors. Mr Gupta will continue to attend the EXCO meetings by invitation of the EXCO.

"Over the last few years, with strategic clarity provided by the leadership, our 24,000 people have been able to pull behind common goals, delivering sound financial performance and transforming the organisation to become the World's Best Digital Bank last year. We've also strengthened our sustainability agenda and continued to be a force for good in the communities we operate in."

Chairman, Peter Seah, when asked what helped DBS pull off winning the most prestigious gold prize for Best Managed Board of a listed company with at least SGD 1 billion in market capitalisation at the Singapore Corporate Awards (SCA) 2017. DBS also picked up the gold award for Best Annual Report, and has won top awards in all categories since the inception of the SCA in 2005.

Key Information on our Directors

Remuneration of Non-Executive Directors (including the Chairman does not include any variable component)

Director independence status	Meetings attendance record (1 January to 31 December 2017)							Total Directors' remuneration for 2017 (SGD)		
	BOD[1]	NC[2]	EXCO[3]	AC[4]	BRMC[5]	CMDC[6]	AGM	Directors' fees[a] (SGD)	Share-based remuneration[b] (SGD)	Others[c] (SGD)
	No. of meetings held in 2017									
	5	4	10	4	4	4	1			
Mr Peter Seah, 71 Non-Executive and Independent Chairman • Chairman since 1 May 10 • Board member since 16 Nov 09 • Last re-elected on 23 Apr 15	5	4	10	4	4	4	1	**Total: 1,839,793**		
								1,255,100	**537,900**	**46,793**
Dr Bart Broadman, 56 Non-Executive and Non-Independent Director • Board member since 17 Dec 08 • Last re-elected on 27 Apr 17	5	-	-	-	4	4	1	**Total: 207,500[d]**		
								207,500	–	–
Ms Euleen Goh, 62 Non-Executive and Non-Independent Director • Board member since 1 Dec 08 • Last re-elected on 28 Apr 16	5	4	10	-	4	4	1	**Total: 351,278**		
								241,850	**103,650**	**5,778**
Mr Ho Tian Yee, 65 Non-Executive and Independent Director • Board member since 29 Apr 11 • Last re-elected on 27 Apr 17	5	4	1[e]	-	4	-	1	**Total: 215,521**		
								150,865	**64,656**	–
Mr Nihal Kaviratne, 73 Non-Executive and Independent Director • Board member since 29 Apr 11 • Last re-appointment on 28 Apr 16	5	-	-	4	4	-	1	**Total: 240,000**		
								168,000	**72,000**	–
Mr Olivier Lim Tse Ghow, 53 Non-Executive and Independent Director • Board member since 7 Nov 17	1	-	-	-	-	1	-	**Total: 29,110**		
								20,377	**8,733**	–
Mr Andre Sekulic, 67 Non-Executive and Independent Director • Board member since 26 Apr 12 • Last re-elected on 23 Apr 15	5	-	-	4	-	4	1	**Total: 251,000**		
								175,700	**75,300**	–
Mr Danny Teoh, 62 Non-Executive and Independent Director • Board member since 1 Oct 10 • Last re-elected on 28 Apr 16	5	4	-	4	4	-	1	**Total: 290,500**		
								203,350	**87,150**	–
Mrs Ow Foong Pheng, 54 Non-Executive and Non-Independent Director • Board member since 26 Apr 12 • Last re-elected on 27 Apr 17	5	4	-	4	-	-	1	**Total: 213,000[f]**		
								213,000	–	–

Director independence status	Meetings attendance record (1 January to 31 December 2017)							Total Directors' remuneration for 2017 (SGD)		
	BOD[1]	NC[2]	EXCO[3]	AC[4]	BRMC[5]	CMDC[6]	AGM	Directors' fees[a] (SGD)	Share-based remuneration[b] (SGD)	Others[c] (SGD)
	No. of meetings held in 2017									
	5	4	10	4	4	4	1			
Mr Piyush Gupta, 58 Executive Director/ CEO • Board member since 9 Nov 09 • Last re-elected on 28 Apr 16	5	4#	10^	4#	4#	4#	1	**Please refer to the Remuneration Report on page 67 for details on the CEO's compensation**		

• Appointment Dates
 # Mr Gupta attended these meetings at the invitation of the respective committees.
^ Mr Gupta stepped down as member of EXCO on 1 November 2017. Thereafter, he attended EXCO meetings at the invitation of the said committee.
(1) Board of Directors (BOD)
(2) Nominating Committee (NC)
(3) Board Executive Committee (EXCO)
(4) Audit Committee (AC)
(5) Board Risk Management Committee (BRMC)
(6) Compensation and Management Development Committee (CMDC)
(a) Fees payable in cash, in 2018, for being a Director in 2017. This is 70% of each Director's total remuneration and is subject to shareholder approval at the 2018 AGM.
(b) This is 30% of each Director's total remuneration and shall be granted in the form of DBSH's ordinary shares. The actual number of DBSH's ordinary shares to be awarded will be rounded down to the nearest share, and any residual balance will be paid in cash. This is subject to shareholder approval at the 2018 AGM.
(c) Represents non-cash component and comprises (i) for Mr Peter Seah: car and driver, and (ii) for Ms Euleen Goh: season carpark fees.
(d) As Dr Broadman will be retiring after the 2018 AGM, his Director's remuneration will be paid fully in cash.
(e) Mr Ho was appointed as member of EXCO on 1 November 2017.
(f) Director's remuneration payable to Mrs Ow Foong Pheng will be paid fully in cash to a government agency, the Directorship and Consultancy Appointments Council.

(Note: Directors are also paid attendance fees for Board and Board committee meetings, as well as for attending the AGM and the annual Board offsite)

Our Board

We have 10 Board members (including two female directors) with a broad range of experience and deep industry expertise. The make-up of our Board reflects diversity of gender, nationality, skills and knowledge. A majority of the Directors, including the Chairman, are Non-Executive and Independent Directors, and there are no alternate Directors on our Board. We have adopted a diversity policy which requires female representation on our Board. We recognised that diversity is not merely limited to gender or any other personal attributes. We believe that having Directors with an independent mindset is important for a Board to be effective.

Our Chairman, Mr Peter Seah, sits on all Board committees and he also chairs the EXCO, CMDC and NC. There are separate chairpersons for the Board committees, which oversee the internal controls and risk management functions. Mr Danny Teoh chairs the AC and Ms Euleen Goh chairs the BRMC. Mr Peter Seah performs a key role as an ambassador for DBS in our dealings with various stakeholders as well as in ensuring effective communication with our shareholders. The Chairman guides the Board through its decision-making process and ensures that the Board operates effectively as a team. There is a very positive and constructive working relationship between our Chairman and CEO, Mr Piyush Gupta. Mr Gupta oversees the execution of DBS' strategy and is responsible for managing the day-to-day operations. Other than the CEO, none of the other Directors is a former or current employee of DBSH or its subsidiaries.

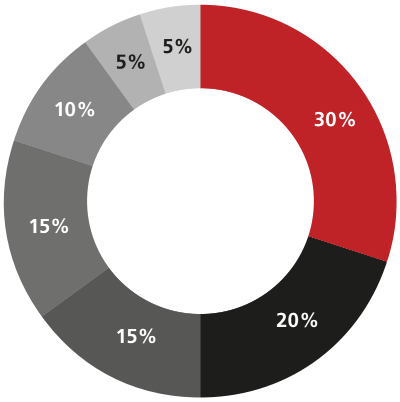
Board's key areas of focus

- Review DBS' strategic and business plans.
- Monitor the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of DBS' activities.
- Establish a framework for risks to be assessed and managed.
- Review management performance.
- Determine DBS' values and standards (including ethical standards) and ensure that obligations to its stakeholders are understood and met.
- Develop succession plans for the Board and CEO.
- Consider sustainability issues (including environmental and social factors) as part of DBS' strategy.

Role of the Board

- **Directs DBS in conduct of its affairs**
  - **Ensures that corporate responsibility and ethical standards underpin the conduct of DBS' business**
- **Provides sound leadership to CEO and management**
  - **Sets the strategic vision, direction and long-term goals of DBS**
  - **Ensures that adequate resources are available to meet these objectives**
- **Bears ultimate responsibility for DBS:**
  - **Governance**
  - **Strategy**
  - **Risk management**
  - **Financial performance**
  - **Sustainability**

How the Board spent its time in 2017



- *Strategy*
- *Feedback from the board committees*
- *Governance*
- *Business and operations update, market and competitive landscape review*
- *Financial performance and significant financial updates*
- *Directors' training*
- *Board networking and engagement*

Board meetings and activities

Before meeting

- The Chairman oversees the setting of the agenda of Board meetings, in consultation with the CEO, to ensure that there is sufficient information and time to address all agenda items.
- The agenda of the Board meetings is well-managed and allows for flexibility when it is needed.
- Directors are provided with complete information related to agenda items in a timely manner. For example, management provides Board members with detailed reports on the Group's financial and franchise performance prior to the Board meeting.
- All materials for Board and Board committee meetings are uploaded onto a secure portal which can be accessed on tablet devices provided to the Board members.
- When exigencies prevent a Director from attending a Board or Board committee meeting in person, that Director can participate by telephone or video-conference.
- Directors have the discretion to engage external advisers.

At every meeting

- The Chairman promotes open and frank debates by all Directors.
- If there are any situations where there is a conflict of interest, the Director in question will recuse himself or herself from the discussions and abstain from participating in any Board decision.
- The Chairperson of each Board committee provides an update on significant matters discussed at the Board committee meetings which are typically scheduled before the quarterly Board meeting.
- The CEO gives a comprehensive update on the Group's business and operations as well as a macro perspective on industry trends and developments.
- The CFO presents the financial performance and significant financial highlights.
- Certain business heads provide an update on their areas of business and members of the Group Executive Committee are present at all Board meetings.
- In compliance with the Banking Act, exposures of DBS Bank Ltd to the individual Directors and their respective related concerns are tabled.
- The Board holds a private session for Directors.
- External professionals or in-house subject matter experts are also invited to present key topics identified by the Board as well as updates on corporate governance, risk management, capital, tax, accounting, listing and other regulations, which may have an impact on DBS' affairs.

Frequent and effective engagement with the Board

- The Board is regularly updated on the performance and prospects of DBS.
- Outside of Board meetings, Board approvals for matters in the ordinary course of business can be obtained through the circulation of written resolutions.
- Ad-hoc meetings are held when necessary. There was no ad-hoc Board meeting held in 2017.
- The CFO provides the Board with detailed financial performance reports monthly.
- Directors have direct access to senior management.
- Throughout the year, the Directors also have various opportunities to interact with members of the Group Management Committee (GMC) (for instance at Board hosted dinners).
- Directors have ongoing interactions across various levels, functions and countries within DBS. In addition, some Directors also sit on the Boards of our overseas subsidiaries; this arrangement gives the Board access to first hand insight on the activities of these subsidiaries.
- Directors have independent access to the Group Secretary. The Group Secretary attends all Board meetings and generally assists Directors in the discharge of their duties. The Group Secretary facilitates communication between the Board, its committees and management. The Group Secretary helps with the induction of new Directors. The appointment and removal of the Group Secretary require the approval of the Board.

Delegation by the Board to the Board committees

The Board has delegated authority to various Board committees to enable them to oversee certain specific responsibilities based on their terms of reference. The Board committees are constituted in accordance with the Banking Regulations. The terms of reference of the Board committees set out the responsibilities of the Board committee, conduct of meetings including quorum, voting requirements and qualifications for Board committee membership. The composition of all our Board committees comprises Non-Executive Directors only. Any change to the terms of reference for any Board committee requires Board approval.

Board committee Members	Composition requirements	Other key requirements
Nominating Committee (NC) • Mr Peter Seah (*Chairperson*) • Ms Euleen Goh • Mr Ho Tian Yee • Mrs Ow Foong Pheng • Mr Danny Teoh	In accordance with the requirements of the Guidelines* and Banking Regulations, a majority (three out of five members of the NC including the NC Chairperson) are Non-Executive and Independent Directors (INED).	All NC members are subject to an annual independence assessment as prescribed by the Guidelines and the Banking Regulations. The assessment takes into account the NC members' business relationships with the Group, relationships with members of management, relationships with DBSH's substantial shareholder as well as the NC members' length of service.
Board Executive Committee (EXCO) • Mr Peter Seah (*Chairperson*) • Ms Euleen Goh • Mr Ho Tian Yee	In accordance with the requirements of the Guidelines and Banking Regulations, a majority (two out of three members of the EXCO including the EXCO Chairperson) are INEDs.	

** as defined on page 108*

Board committee Members	Composition requirements	Other key requirements
Audit Committee (AC) • Mr Danny Teoh *(Chairperson)* • Mr Peter Seah • Mr Nihal Kaviratne • Mrs Ow Foong Pheng • Mr Andre Sekulic	In accordance with the requirements of the Guidelines and Banking Regulations, a majority (four out of the five members of the AC including the AC Chairperson) are INEDs.	Mr Teoh possesses an accounting qualification and was formerly the managing partner of KPMG, Singapore. All members of the AC are Non-Executive Directors, and have recent and relevant accounting or related financial management expertise or experience.
Board Risk Management Committee (BRMC) • Ms Euleen Goh *(Chairperson)* • Mr Peter Seah • Dr Bart Broadman • Mr Ho Tian Yee • Mr Nihal Kaviratne • Mr Olivier Lim • Mr Danny Teoh	• Five out of seven members are INEDs. • The number of INEDs exceeds the requirements of the Guidelines and the Banking Regulations.	All BRMC members are appropriately qualified to discharge their responsibilities, and have the relevant technical financial expertise in risk disciplines or businesses.
Compensation and Management Development Committee (CMDC) • Mr Peter Seah *(Chairperson)* • Dr Bart Broadman • Ms Euleen Goh • Mr Andre Sekulic • Mr Olivier Lim	In accordance with the requirements of the Guidelines and Banking Regulations, a majority (three out of the five members of the CMDC including the CMDC Chairperson) are INEDs.	The CMDC has direct access to senior management and works closely with the BRMC and the AC when performing its role. Dr Bart Broadman, Ms Euleen Goh, Mr Olivier Lim and Mr Peter Seah are also members of the BRMC while Mr Peter Seah and Mr Andre Sekulic are members of the AC. As a result of their membership in other Board committees, the members of the CMDC are able to make strategic remuneration decisions in an informed and holistic manner.

Nominating Committee (NC)

Key responsibilities of the NC

- Review regularly the composition of the Board and Board committees.
- Identify, review and recommend Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidate and the needs of the Board.
- Conduct an evaluation of the performance of the Board, the Board committees and the Directors on an annual basis.
- Determine independence of proposed and existing Directors, and assess if each proposed and/or existing Director is a fit and proper person and is qualified for the office of Director.
- Exercise oversight of the induction programme and continuous development programme for Board members.
- Review and recommend to the Board the re-appointment of any Non-Executive Director having regard to their performance, commitment and ability to contribute to the Board as well as his or her skillset.
- Make an annual assessment of whether each Director has sufficient time to discharge his or her responsibilities, taking into consideration multiple board representations and other principal commitments.
- Review the Board's succession plans for Directors and senior management, including the Chairman and the CEO.
- Review key staff appointments including the CFO and the Chief Risk Officer (CRO).

Key matters reviewed by NC in 2017

Highlights of the NC's activities are as follows:

Board renewal process

Please refer to page 48.

Selection criteria and nomination process for Directors

Before a new Director is appointed, suitable candidates are identified from various sources including an external search firm. Thereafter, the NC conducts an assessment to:

- review the candidate (including qualifications, attributes, capabilities, skills, age, past experience) to determine whether the candidate is fit and proper in accordance with the fit and proper guidelines issued by the Monetary Authority of Singapore (MAS); and
- ascertain whether the candidate is independent from DBSH's substantial shareholder and/or from management and business relationships with DBS.

The NC then interviews the short-listed candidates and makes its recommendations to the Board. All Board appointments are based on merit, taking into account the contributions the candidates can bring to the Board to enhance its effectiveness. Upon the appointment of a new Director, the NC will recommend to the Board his or her appointment to the appropriate Board committee(s) after matching the Director's skillset to the needs of each Board committee.

Board performance and evaluation

The NC makes an assessment at least once a year to determine whether the Board and Board committees are performing effectively and identifies steps for improvement. The NC uses a Board evaluation framework to track and analyse Board performance, which includes an appraisal of Directors. The Board evaluation process promotes Board effectiveness by identifying areas for improvement. In view of the changes to the Board composition in 2017 and 2018, the Board, upon the recommendation of the NC, agreed that it will be beneficial for the Group to engage an independent external evaluator to facilitate the Board evaluation for the year ending 31 December 2018. We believe that it is important to obtain an independent perspective on the Board's performance, and to gain insights on the Board's performance against peer boards and best practices.

Annual Board evaluation in 2017

The NC considered the results and action items from the 2016 Board evaluation and decided to use the same evaluation questionnaire for 2017 for benchmarking purposes. Each Director was asked to complete the questionnaire and submit it directly to the Group Secretary who collated the responses and produced a summary report for the NC. The NC analysed the report and submitted its findings to the Board. Each Director participated actively, giving honest feedback on issues such as Board composition, succession planning and the quality of information provided to the Board. The Board discussed the findings of the evaluation and agreed to follow-up on certain items.

Annual review of Directors' independence

The NC reviews and determines annually whether each Director is independent. Independence is assessed to comply with the stringent standards required of financial institutions prescribed under the Banking Regulations.

In making its determination, the NC considers whether a Director is:
- independent from management and business relationships;
- independent from any substantial shareholder; and
- independent based on length of service.

Ms Euleen Goh and Dr Bart Broadman are deemed non-independent under the Banking Regulations based on length of service. Ms Goh and Dr Broadman are considered independent from (i) management relationships, (ii) business relationships and (iii) DBSH's substantial shareholder, Temasek Holdings (Private) Limited (Temasek).

The Independent Directors are Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Olivier Lim, Mr Peter Seah, Mr Andre Sekulic and Mr Danny Teoh.

Ms Euleen Goh, Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Olivier Lim, Mr Peter Seah and Mr Danny Teoh are on the boards of companies that have a banking relationship with DBS, and are also directors of companies in which Temasek has investments (collectively, Temasek portfolio companies). The NC also noted that Ms Euleen Goh is a member of the Board of Trustees of Temasek Trust. The NC considers these Directors (i) independent of business relationships as the revenues arising from such relationships are not material; and (ii) independent of Temasek as their appointments on the boards of Temasek portfolio companies are non-executive in nature and they are not involved in the day-to-day conduct of the businesses of the Temasek portfolio companies. In addition, none of these Directors sits on any of the boards of the Temasek portfolio companies as a representative of Temasek and they do not take instructions from Temasek in acting as Director.

Mrs Ow Foong Pheng, who is the Permanent Secretary for the Ministry of National Development, Singapore, is considered not independent of Temasek as the Singapore government is its ultimate owner. However, Mrs Ow is considered independent of management and business relationships with the Company.

Directors' training

The NC oversees the onboarding of new Director(s). Information on our induction programme can be found on page 48.

Continuous development programme for all Directors

The NC monitors the frequency and quality of the Board training sessions, which are conducted either by external professionals or management. The NC selects topics which are relevant to the Group's activities. Board members also contribute by highlighting areas of interests and possible topics.
In 2017, there were three training sessions on: (i) Commodity Trading and Risk Management, (ii) Outlook on China and (iii) Anti-Money Laundering and Terrorism.

Terms of appointment of Directors

The NC reviews and recommends to the Board the tenure of each Non-Executive Director. Each Non-Executive Director is appointed for a three-year term. Prior to the end of each three-year term, the NC considers whether to re-appoint the Non-Executive Director for an additional term. Each member of the NC recuses himself/herself from deliberations on his/her re-appointment.

Mr Peter Seah, Mr Piyush Gupta and Mr Andre Sekulic will be retiring by rotation at the 2018 AGM.

In addition, as Mr Olivier Lim was appointed as a Director on 7 November 2017, he is required under the constitution of DBSH to retire at the first AGM following his appointment.

At the recommendation of the NC and as approved by the Board, they will be seeking re-election as Director at the 2018 AGM.

Rotation and re-election of Directors

The NC reviews and recommends to the Board the rotation and re-election of Directors at the AGM. One-third of Directors who are longest-serving are required to retire from office every year at the AGM. Based on this rotation process, each Director is required to submit himself or herself for re-election by shareholders at least once every three years. Where an incumbent Director is required to retire from office, the NC reviews the composition of the Board and decides whether to recommend that Director for re-election taking into account factors such as the Director's attendance, participation, contribution and competing time commitments.

Directors' time commitment

The meeting attendance records of all Directors as well as their list of directorships are fully disclosed in our Annual Report. The NC has implemented guidelines and a process to assess each Director's ability to commit time to DBS' affairs. The guidelines consider the number of other board and committee memberships a Director holds, as well as size and complexity of the companies in which he/ she is a board member. Additionally, each Director is required to complete a self-assessment of his/ her time commitments on annual basis. While the Board has not set a maximum number of listed company board representations a Director may hold, all Directors appreciate the high level of commitment required of a Director. All Directors have met the requirements under the NC's guidelines. The Board is satisfied that each Director has committed sufficient time to DBS and has contributed meaningfully to DBS.

Board Executive Committee (EXCO)

Key responsibilities of the EXCO

- Review and provide recommendations on matters that will require Board approval, including:
  – acquisitions and divestments exceeding certain material limits;
  – delegation of authority stipulated by the Group Approving Authority; and
  – weak credit cases.
- Approve certain matters specifically delegated by the Board such as acquisitions and divestments up to a certain material limit, credit transactions, investments, capital expenditure and expenses that exceed the limits that can be authorised by the CEO.

Key matters reviewed by EXCO in 2017

Highlights of the EXCO's activities are as follows:

The EXCO assists the Board to enhance the business strategies and strengthen core competencies of DBS. The EXCO meets frequently (10 meetings in 2017) and is able to offer greater responsiveness in the decision-making process of DBS. In 2017, the EXCO reviewed proposed divestments and investments, and matters related to capital planning and expenditure as well as corporate actions. The EXCO reviewed the proposals on our regional data centres contract and migration, and provided its recommendations to the Board. The EXCO also had in-depth discussions on the challenges faced in the oil and gas support services industry as well as the impact on DBS' oil and gas portfolio. It also reviewed weak credit cases every quarter.

Audit Committee (AC)

Key responsibilities of the AC

Financial reporting

- Monitor the financial reporting process and ensure the integrity of the Group's consolidated financial statements.
- Review the Group's consolidated financial statements and any announcements relating to the Group's financial performance prior to submission to the Board.
- Review the significant financial reporting issues and judgements to ensure the integrity of the consolidated financial statements of the Group.
- Ensure that the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (FRS).

Internal controls

- Review the adequacy and effectiveness of internal controls, such as financial, operational, compliance and information technology controls, as well as accounting policies and systems.
- Review the policy and arrangements by which DBS staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are also in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken.
- Approve changes to the Group Disclosure Policy.

Internal audit

- Review the adequacy and effectiveness of the Group's internal audit function (Group Audit) and processes, as well as ensure that Group Audit is adequately resourced and set up to carry out its functions, including approving its budget.
- Oversee Group Audit.
- Review Group Audit's plans, its effectiveness and the scope and results of audits.
- Approve the hiring, removal, resignation, evaluation and compensation of Head of Group Audit.

External auditor

- Determine the criteria for selecting, monitoring and assessing the external auditor. Make recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor.
- Review the scope and results of the external audits and the independence and objectivity of the external auditor, and ensure that the external auditor promptly communicates to the AC any information regarding internal control weaknesses or deficiencies, and that significant findings and observations regarding weaknesses are promptly rectified.
- Review the assistance given by management to the external auditor.

Related party transactions

- Review all material related party transactions (including interested person transactions) and keep the Board informed of such transactions, and the findings and conclusions from its review.

Key matters reviewed by AC in 2017

Highlights of the AC's activities are as follows:

Oversight of financial reporting and other key matters

The AC performed quarterly reviews of consolidated financial statements and made recommendations to the Board for approval. The CEO and CFO provided the AC with a letter of representation attesting to the integrity of the quarterly financial statements. The AC reviewed the Group's audited consolidated financial statements and discussed with management and the external auditor the significant matters which involved management judgement.

Please refer to the table on page 54 for further information on these significant matters. These matters are also discussed in the independent auditor's report on pages 195 to 197.

Significant matters	How the AC reviewed these matters
Allowances for loans and advances	The AC reviewed the significant non-performing and weak credit exposures periodically and considered management's judgments, assumptions and methodologies used in the determination of the level of specific and general allowances required, with particular focus on the developing asset quality situation in the oil and gas and commodity sectors.
Singapore FRS (International) 9 Financial Instruments (SFRS(I) 9)	The AC reviewed the periodic reports that it received on the Group's SFRS(I) 9 implementation plan, which includes workstreams covering financial reporting, systems solutions, internal controls processes and constituent engagement. In particular, for Phase 2 on Expected Credit Loss (ECL), the AC received regular updates on key technical decisions adopted by management, including credit risk modelling techniques and the staging criteria that would be used to determine the ECL requirements. The AC was also apprised of the regulatory allowance that MAS would require as part of the revised MAS Notice 612.
Goodwill impairment assessment	The AC reviewed the methodology and key assumptions, including the macroeconomic outlook and other key drivers of cash flow projections, used in the determination of the value-in-use of cash generating units. It also assessed the sensitivities of the forecasts to reasonably possible changes in the valuation parameters.
Valuation matters	The AC reviewed the quarterly movements in valuation reserves and the fair value of level 3 financial instruments for reasonableness and considered the continued appropriateness of the Group's valuation methodology in light of industry developments.
Acquisition of the wealth management and retail banking businesses of Australia and New Zealand Banking Group Limited's business (ANZ business)	The AC reviewed the accounting treatment of the acquisition of the ANZ business, including the key assumptions and methodologies used by an independent audit firm appointed to verify the closing assets and liabilities balances of the ANZ business, as well as the determination of goodwill. The AC was apprised of the ANZ business integration plan, progress and associated expenses across the Group during the financial year.

The AC is of the view that the Group's consolidated financial statements for 2017 are fairly presented in conformity with relevant Singapore FRS in all material aspects. The Board has also received communication from the external auditor that it has nothing to report with reference to any financial or non-financial information in the Annual Report as defined in Singapore Standard of Auditing 720.

The AC reviewed and approved the annual audit plan and the legal and compliance plans.

The AC performed quarterly reviews of reports from Group Audit, Group Legal and Compliance. Key risks concerning legal or compliance matters, and actions taken (including policy and training), are tabled to the AC, which updates the Board as necessary. As part of the quarterly reports from Group Legal and Compliance, the AC received in-depth updates on various Financial Crime and Security Services (FCSS) initiatives and developments. Where required, the AC will be furnished with additional information to provide more meaningful insights. For example, in 2017, the quarterly Compliance reports to the AC included a new section on anti-money laundering (AML) metrics to provide sharper insights as to where our AML risks are.

The AC has the authority to investigate any matter within its terms of reference, and has full access to and cooperation by management.

Oversight of Group Audit

The AC has direct oversight of Group Audit. Please refer to the section on 'Internal Controls' for details on Group Audit's key responsibilities and processes.

The AC assessed the effectiveness of Group Audit in compliance with Paragraph 12.4(c) of the Code*. The AC is of the view that Group Audit has performed well. It understands the risks that the Group faces and has aligned its work to review these risks.

There is at least one scheduled private session annually for the Head of Group Audit to meet the AC. The chair of the AC meets the Head of Group Audit regularly to discuss its plan, current work, key findings and other significant matters.

** as defined on page 108*

Reviewing performance, objectivity and independence of the external auditor

The AC has unfettered access to the external auditor. During the financial year, separate sessions were held for the AC to meet with the external auditor without the presence of management at each AC meeting to discuss matters that might have to be raised privately.

The AC monitors the performance, objectivity and independence of the external auditor. For this purpose, the AC takes into account the Audit Quality Indicators Disclosure Framework issued by the Accounting and Corporate Regulatory Authority (ACRA); the guidance provided in section 6 of the Guidebook for Audit Committees in Singapore issued by ACRA, MAS and the Singapore Exchange (SGX); as well as the principles outlined by the Basel Committee on Banking Supervision in its document "The External Audits of Banks".

The total fees due to the Group's external auditor, PricewaterhouseCoopers LLP (PwC), for the financial year ended 31 December 2017 and the breakdown of the fees for audit and non-audit services are set out in the table on page 55. The AC reviewed the non-audit services provided by the external auditor during the financial year and the associated fees. The AC is satisfied that the independence and objectivity of the external auditor has not been impaired by the provision of those services.

Fees relating to PwC services for 2017	SGD (million)
For audit and audit-related services	9.3
For non-audit services	2.6
Total	**11.9**

The AC considered the following matters in its review of the external auditor's performance and when formulating its recommendation on the re-appointment of the external auditor:

- the performance of the external auditor against industry and regulatory standards;
- the scope of the audit plan and areas of audit focus as agreed with the external auditor;
- the quality of audit services rendered, and reports and findings presented by, the external auditor during the year;
- feedback received from various functions/ geographical locations, through an annual structured internal survey, on the adequacy and quality of the audit team's resources, the level of independence and scepticism exercised in carrying out their work, and its overall efficiency and effectiveness;
- the Audit Quality Indicators data of the external auditor; and
- the external auditor's self-assessment, including the confirmation of its independence to the AC.

In accordance with SGX Listing Rule 713, the current lead engagement partner will rotate out in 2018, having held the role for five years. As part of the evaluation process on the change in lead audit partner for the 2018 audit team, the AC considered the experience and expertise of the proposed partner, the quality of the supporting audit teams across locations as well as the support from the external auditor's global network.

Based on these considerations, the AC has recommended, and the Board has endorsed, the re-appointment of PwC for shareholders' approval at the 2018 AGM.

The Group has complied with Rule 712 and Rule 715 of the SGX Listing Manual in relation to its external auditor.

Keeping updated on relevant information

The AC members are regularly kept updated on changes to accounting standards and issues related to financial reporting through quarterly meetings with Group Finance, Group Audit, and internal audit bulletins.

Board Risk Management Committee (BRMC)

Key responsibilities of the BRMC

- Support the Board and management in setting the tone from the top so as to embed and maintain appropriate risk culture.
- Guide the development of and recommend for Board approval the risk appetite for various types of risk and exercise oversight on how this is operationalised into individual risk appetite limits.
- Monitor risk exposures and profile against risk limits and risk strategy in accordance with approved risk appetite and/ or guidelines.
- Discuss risk reporting requirements and review the risk dashboard to keep track of major risk positions and risk developments.
- Monitor the quarterly portfolio reviews of total exposures as well as large exposures and asset quality.
- Discuss large risk events and subsequent remedial action plans.
- Monitor market developments, such as macro-economic, credit, industry, country risk and stress tests related to these developments.
- Approve the Group's overall and specific risk governance frameworks.
- Have direct oversight of the CRO (jointly with the CEO).
- Review (in parallel with the AC) the adequacy and effectiveness of the Group's internal controls framework.
- Approve risk models which are used for capital computation and monitor the performance of previously approved models.
- Oversee an independent group-wide risk management system and adequacy of resources to monitor risks.
- Exercise oversight of the Internal Capital Adequacy Assessment Process (ICAAP) including approval of stress scenarios and commensurate results for capital, risk-weighted assets, profit and loss and liquidity.
- Approve the Business Continuity Management attestation and Group-wide Recovery Plan.
- Exercise oversight of regulatory requirements relating to risk management.

Key matters reviewed by BRMC in 2017

Highlights of the BRMC's activities are as follows:

Reviewing the risk landscape

The risk dashboard informs DBS of all major risk positions and risk developments. During discussions, the BRMC monitored the global economic environment and, in particular, paid close attention to developments which could have material consequences for the key markets where DBS operates. The BRMC also provided guidance, where appropriate, to management. The BRMC considered vulnerabilities such as the global economic outlook, political landscape, liquidity tightening, risk of rising interest rates and market volatility, all of which could impact DBS' strategy and portfolios in these markets.

Through the course of 2017, the BRMC discussed the findings and the impact arising from scenario analyses and portfolio reviews conducted on certain countries and specific sectors. For example:

- the global economic growth outlook and the effect of Brexit;
- China hard landing and economic reforms development;
- impact of US interest rate hike and effect of "America first" agenda;
- possible fluctuations of the US Dollar and its effect on our key clients' and economies;
- headwind faced in real estate such as retail malls and residential properties in Singapore and Greater China; and
- weak demand in the shipping sector and challenges faced by the Singapore power sector.

The scenario analyses are in addition to the review of various regulatory and internal stress testing exercises.

The BRMC also reviewed management's assessment of the risk of a prolonged period of low commodity prices on our commodity customers and portfolios which included the oil and gas support services segment. It was kept informed of the utilisation of market risk limits for banking as well as trading books and the liquidity risk profile and limit utilisation in all major currencies and legal entities of the Group. In its review of key operational risk profiles and among other updates, the BRMC was advised on the progress of the ANZ integration as well as on the financial crime and cyber security environment and efforts made to address these risks. The BRMC also approved and monitored the performance of various risk models. The BRMC received regular updates on risk appetite and economic capital utilisation. The BRMC was apprised of regulatory feedback and developments such as approaches for risk models and capital computation, Basel requirements and Qualitative Impact Studies results. In addition, the BRMC was informed of the internal group-wide risk culture survey that for the first time was held for all staff of the bank. Please refer to the section on 'Risk Management' in this Annual Report for more information on the BRMC's activities.

Compensation and Management Development Committee (CMDC)

Key responsibilities of the CMDC

- Oversee the governance of DBS' remuneration policy (including design, implementation and ongoing review) and the annual bonus pool (Board endorsement also required) in accordance with the corporate governance practices as stipulated under the Guidelines and the Banking Regulations.
- Oversee the remuneration of senior executives, including reviewing and approving the remuneration of the Executive Director/CEO.
- Oversee DBS' principles and framework of compensation to ensure alignment with prudent risk-taking principles (deferral mechanism is adequate as a risk management process) in order to build a sustainable business in the long term.
- Ensure alignment between reward and the Group Talent Management initiatives with particular focus on attraction and retention of talent including current and future leaders of DBS.
- Oversee management development and succession planning for management.
- Oversee plans to deepen core competencies, bench strength and leadership capabilities of management.
- Oversee talent development and talent pipeline.

Key matters reviewed by CMDC in 2017

Highlights of the CMDC's activities are as follows:

Group remuneration policy and annual variable pay pool

Please refer to the section on 'Remuneration Report' for details on remuneration of the CEO and on DBS' remuneration strategy.

The CMDC reviews and approves DBS' remuneration policy and the annual variable pay pool which are also endorsed at the Board level. The CMDC provides oversight of the remuneration of the CEO, senior executives and control functions in line with the Financial Stability Board's guidelines. The CMDC also reviews cases where total remuneration exceeds a pre-defined threshold, or where a deferral mechanism is implemented as a risk control process.

In 2017, CMDC also reviewed the definition of Material Risk Takers (MRTs), aligning it to market benchmark. Due to changes in regulatory landscape, the deferral mechanism for MRTs in China and Indonesia was changed to apply from first dollar of variable pay.

Talent Review and Succession Planning

The CMDC reviews the state of the talent and the strength of the human capital in DBS in support of its overall strategy. This includes a review of the talent bench strength, "team in the field", succession plans for the CEO and the GMC members and talent development plans for high potentials.

The CMDC reviewed the succession plans of CEO and the GMC members based on a DBS proprietary "Key Success Factors" framework which comprises four dimensions of a DBS senior leader success profile. The four dimensions are domain knowledge, critical experiences, leadership competencies and traits. Potential successors for GMC were evaluated against these four dimensions to assess their readiness and development plans to address their leadership gaps were put in place, to prepare them for succession.

The Bank has a robust talent identification process based on the "3P framework" namely (i) Performance, (ii) PRIDE! and Potential. To develop our talents, DBS has a "triple E development framework" which focuses on providing actionable development activities around education (conferences and leadership programs), exposure (mentoring, coaching and networking) and experience (new or stretched roles, cross country and cross function assignments) to accelerate the growth of our talents. The CMDC also reviews and provides recommendations on the overall talent development plan for DBS.

In 2017, DBS achieved a talent mobility of 45%, well above our target of 30%. Talent mobility measures the percentage of talents who have taken on an enhanced or changed role in the last twelve months. Talent Attrition was healthy at 6%, within our target of less than 10%.

Remuneration of Non-Executive Directors

Please refer to pages 49 to 50 for details of remuneration of each Non-Executive Director (including the Chairman) for 2017.

The CMDC reviews and recommends a framework to the Board for determining the remuneration of Non-Executive Directors, including the Chairman. The remuneration of Non-Executive Directors, including the Chairman, has been benchmarked against global and local financial institutions. Non-Executive Directors will receive 70% of their fees in cash and the remaining 30% in share awards. The share awards are not subject to a vesting period, but are subject to a selling moratorium whereby each Non-Executive Director is required to hold the equivalent of

Annual fee structure for 2017

Basic annual retainer fees	SGD
Board	80,000
Additional Chairman fees for:	
Board	1,350,000
Audit Committee	75,000
Board Risk Management Committee	75,000
Compensation and Management Development Committee	65,000
Executive Committee	75,000
Nominating Committee	35,000
Additional committee member fees for:	
Audit Committee	45,000
Board Risk Management Committee	45,000
Compensation and Management Development Committee	35,000
Executive Committee	45,000
Nominating Committee	20,000

one year's basic retainer fees for his or her tenure as a Director and for one year after the date he or she steps down. The fair value of share grants to the Non-Executive Directors are based on the volume-weighted average price of the ordinary shares of DBSH over the 10 trading days immediately prior to the AGM. The actual number of ordinary shares to be awarded are rounded down to the nearest share, and any residual balance will be paid in cash. Other than these share awards, the Non-Executive Directors did not receive and are not entitled to receive any other share incentives or securities pursuant to any of DBSH's share plans during the financial year. There is no change to the annual fee structure for the Board for 2017 from the fee structure in 2016.

In previous years, the fair value of share grants to the Non-Executive Directors was based on the volume-weighted average price of the ordinary shares of DBSH over the 10 trading days immediately after the AGM. Upon recommendation of the CMDC, the Board agreed that with effect from the financial year ended 31 December 2017, the fair value of such share grants shall be calculated using the volume-weighted average price of DBSH shares over the 10 trading days immediately prior to the AGM (excluding AGM date) to reduce the time difference between the receipt of the cash portion of the Non-Executive Director fees and the grant of the Non-Executive Director Share Awards. This approach also provides greater transparency as shareholders approving Non-Executive Director fees at the AGM would be able to calculate the fair value at which such shares are granted.

The table at page 57 sets out the proposed annual fee structure for the Non-Executive Directors for 2017. Shareholders are entitled to vote on the remuneration of Non-Executive Directors at the 2018 AGM.

In 2017 there was one employee of DBS Bank Ltd, Ms Lesley Teoh, who is an immediate family member (daughter) of a Director, Mr Danny Teoh. Ms Lesley Teoh's remuneration for 2017 falls within the band of SGD 100,000 to 150,000. Mr Teoh is not involved in the determination of his family member's remuneration. Apart from Ms Lesley Teoh, none of the Group's employees was an immediate family member of a Director in 2017.

Annual Board strategy offsite

Each year, the Board and our senior executives attend a four-day strategy offsite held in one of our markets. In 2017, the Board strategy offsite was held in Sydney.

Key objectives of our annual Board strategy offsite

- Tap opportunity for the Board to focus on DBS' long-term strategy apart from the regular agenda at the quarterly Board meetings
- Engage in dynamic and in-depth strategic discussion to promote deeper understanding of our business environment and our operations, and refine our strategy.
- Engage with our stakeholders in the host country:
  - Regulators
  - Media
  - Customers, including CEOs and CFOs of our corporate clients
  - Staff in local franchise

Strategic discussions

- Long-term strategy including progress review, refinements based on external developments and competitive analysis, as well as validation against risk appetite and capital availability
- Our digital transformation agenda and progress review as we digitalise the bank across the business units, support units and technology, including the value created
- Strategy for our China and India businesses
- Outlook and insights on China, including political and economic developments

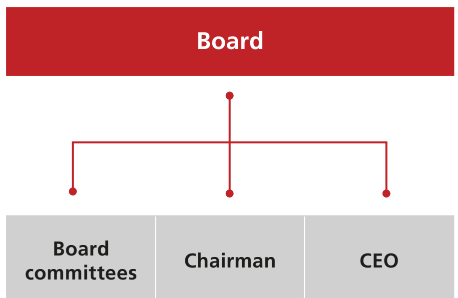
Group Approving Authority

An integral part of our corporate governance framework is the Group Approving Authority (GAA).

The Board's responsibilities are well defined in the GAA. The Board is the decision-making body for matters with significant impact to DBS as a whole; these include matters with strategic, financial or reputational implications or consequences. The specific matters that require board approval under the GAA includes:

- Group's annual and interim financial statements
- Acquisitions and divestments exceeding certain material limits
- Group's annual budget
- Capital expenditures and expenses exceeding certain material limits
- Capital-related matters including capital adequacy objectives, capital structure, capital issuance and redemption
- Dividend policy
- Risk strategy and risk appetite

Scope of delegation of authority in the GAA



The Board approves the GAA and any change to it. The GAA ensures that appropriate controls and decision-making are consistently applied throughout DBS. The GAA covers internal authority only, and does not override any specific provisions arising from statutory, regulatory, exchange listing requirements, or the DBSH Constitution. It is applied group-wide. The GAA is regularly reviewed and updated to accommodate changes in the scope and activities of DBS' business and operations.

Controls

Board's commentary on adequacy and effectiveness of internal controls

The Board has received assurance from the CEO and CFO that, as at 31 December 2017:

- the Group's financial records have been properly maintained, and the financial statements give a true and fair view of DBS Group's operations and finances; and
- the Group's risk management and internal control systems were adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, reviews performed by management and various Board Committees as well as the said CEO and CFO assurance, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2017 to address financial, operational, compliance risks and information technology risks which the Group considers relevant and material to its operations.

The Board notes that the internal controls and risk management systems provide reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Internal controls framework

Our internal controls framework covers financial, operational, compliance and information technology controls, as well as risk management policies and systems. The Board, supported by the AC and BRMC, oversees the Group's system of internal controls and risk management. DBS has three lines of defence when it comes to risk taking where each line of defence has a clear responsibility.

Working closely with the support units, our business units are our first line of defence for risk management. Their responsibilities include identification and management of risks inherent in their businesses/countries and ensuring that our business operations remain within approved boundaries of our risk appetite and policies.

Corporate oversight and control functions such as Risk Management Group (RMG), Group Legal and Compliance and parts of Group Technology and Group Finance form the second line of defence. They are responsible for the design and maintenance of the internal controls framework covering financial, operational, compliance and information technology controls as well as risk management policies and systems. In addition, RMG is responsible for identifying individual and portfolio risk, approving transactions and trades and ensuring that they are within approved limits, and monitoring and reporting on the portfolio. These are carried out with a view of current and future potential developments, and evaluated through stress testing.

Group Audit forms the third line of defence. It provides an independent assessment and assurance on the reliability, adequacy and effectiveness of our system of internal controls, risk management procedures, governance framework and processes.

Assessing the effectiveness of internal controls

DBS has a risk management process that requires all units to perform a half-yearly risk and control self-assessment (RCSA) to assess the effectiveness of their internal controls. In addition, all units of the Group are required to submit quarterly attestations on their controls relating to the financial reporting process, and annual attestations on their compliance with the overall internal controls framework. Based on the RCSA and the quarterly and annual attestations, the CEO and CFO provide an annual attestation to the AC relating to adequacy and effectiveness of DBS' risk management and internal control systems. Group Audit performs regular independent reviews to provide assurance on the adequacy and effectiveness of DBS' internal controls on risk management, control and governance processes. The overall adequacy and effectiveness of DBS' internal controls framework is reviewed by the AC and BRMC.

Group Audit

Key responsibilities and processes

Group Audit is independent of the activities it audits. Its objectives, scope of authority and responsibilities are defined in the Audit Charter, which is approved by the AC. Group Audit reports functionally to the Chairperson of the AC and administratively to the CEO.

Group Audit's responsibilities include:

- evaluating the reliability, adequacy and effectiveness of the Group's risk management and internal controls systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets;
- providing an objective and independent assessment of the Group's credit portfolio quality, the execution of approved credit portfolio strategies and control standards relating to credit management processes;
- reviewing whether DBS complies with laws and regulations and adheres to established policies; and
- reviewing whether management is taking appropriate steps to address control deficiencies.

Board, CEO and Senior Management	Provides oversight of the three lines of defence		
	First line of defence	**Second line of defence**	**Third line of defence**
Responsibility	Strategy, performance and risk management	Policy and monitoring	Independent assurance
Function	Business units, countries and support units	Corporate oversight and control functions	Group audit
Key activities	Identification and management of risk in the businesses	Framework,risk oversight and reporting	Independent challenge and review of adequacy and effectiveness of processes and controls

Group Audit adopts a risk-based approach in its auditing activities. An annual audit plan is developed using a structured risk and control assessment framework through which the inherent risk and control effectiveness of each auditable entity in DBS Group is assessed. The assessment also covers risks arising from new lines of business or new products. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas and as required by regulators.

Group Audit has unfettered access to the AC, the Board and management, as well as the right to seek information and explanation. Group Audit has an organisational and strategic alignment to the Group. The head of Group Audit has a seat in the GMC, and attends all the business reviews and strategic planning forums. In each of the five key locations outside Singapore, the head of audit also sits in the management team.

Group Audit adheres to the Code of Conduct and the Code of Ethics established by the Institute of Internal Auditors (IIA). It is also guided by the Mission Statement in the Audit Charter and has aligned its practices with the latest International Professional Practices Framework released in July 2015 by IIA, as well as the International Standards for the Professional Practice of Internal Auditing revised in January 2017. Group Audit's effectiveness is measured with reference to the IIA's 10 Core Principles for the Professional Practice of Internal Auditing.

Audit reports containing identified issues and corrective action plans are reported to the AC and senior management. Progress of the corrective action plans is monitored, and past due action plans are included in regular reports to the senior management and the AC.

Group Audit apprises the regulators and external auditors of all relevant audit matters. It works closely with the external auditor to coordinate audit efforts.

Quality assurance and key developments

In line with leading practices, Group Audit has a quality assurance and improvement programme (QAIP) that covers all aspects of its audit activity and conforms to the International Standards for the Professional Practice of Internal Auditing. As part of our QAIP programme, external quality assessment reviews are carried out at least once every five years by qualified professionals from an external organisation. Internal quality assurance reviews were conducted quarterly by independent assessor KPMG since 2014.

Group Audit has leveraged extensively on the use of data, technology and automation to provide greater insights and timely warnings on emerging risks. In 2017, Group Audit operationalised its Future of Auditing roadmap through the industrialisation of computer-assisted auditing techniques and the continuous auditing (CA) approach – the application of automated audit test scripts to perform control and risk assessments automatically on a frequent basis. To date, Group Audit has amassed a significant number of CA test scripts to be used across functional and location audits. These automated test scripts have been made available to key business and support units for them to conduct self-assessments – as part of a group-wide effort to integrate risk and control governance across the three lines of defence.

Significant incident protocol

DBS has a significant incident protocol that sets out processes and procedures for the escalation of incidents according to the level of severity. In this way, appropriate levels of management are made aware of such incidents and can take action accordingly. There are also well-defined procedures for the escalation, investigation and follow up of any reported wrong-doing by a DBS employee, customer, vendor or third party.

Dealings in securities

In conformance with the "black-out" policies prescribed under SGX Listing Rules, the Directors and employees are prohibited from trading in DBS' securities one month before the release of the full-year results and two weeks before the release of the first, second and third quarter results. In addition, business units and subsidiaries engaging in proprietary trading are restricted from trading in DBS' securities during the black-out period. Group Secretariat informs all Directors and employees of each black-out period ahead of time.

In addition, GMC members are only allowed to trade in DBS' securities within specific window periods (15 market days immediately following the expiry of each black-out period) subject to pre-clearance. GMC members are also required to obtain pre-approval from the CEO before any sale of DBS' securities. Similarly, the CEO is required to seek pre-approval from the Chairman before any sale of DBS' securities. As part of our commitment to good governance and the principles of share ownership by senior management, the CEO is expected to build up and hold at least the equivalent of three times his annual base salary as shareholding over time. Directors and officers are prohibited at all times from trading in DBS' securities if they are in possession of material non-public information. DBS has put in place a personal investment policy which prohibits employees with access to price-sensitive information in the course of their duties from trading in securities in which they possess such price-sensitive information. Such employees are also required to seek pre-clearance before making any personal trades in securities, and may only trade through the Group's stockbroking subsidiaries and bank channels for securities listed in Singapore and Hong Kong. The personal investment policy discourages employees from engaging in short-term speculative trading, and states that investment decisions should be geared towards long-term investment.

Related party transactions

DBS has embedded procedures to comply with all regulations governing related party transactions, including those in the Banking Act, MAS directives and the SGX Listing Rules. The Banking Act and MAS directives impose limits on credit exposures by DBS to certain related entities and persons, while the SGX Listing Rules cover interested person transactions in general.

All new Directors are briefed on all relevant provisions that affect them. If necessary, existing credit facilities to related parties are adjusted prior to a Director's appointment, and all credit facilities to related parties are continually monitored. DBS has robust procedures to manage potential conflict of interest between a Director and DBS. Checks are conducted before DBS enters into credit or other transactions with related parties to ensure compliance with regulations.

As required under the SGX Listing Rules, please refer to the table on page 60 for details of interested person transactions in 2017. These interested person transactions are for the purpose of carrying out day-to-day operations such as leasing of premises, telecommunication/data services, IT systems and related services, logistics as well as security services.

Material contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of DBS has been entered into by DBS or any of its subsidiary companies, and no such contract subsisted as at 31 December 2017, save as disclosed via SGXNET.

Name of interested person	Aggregate value of all interested person transactions in 2017 (excluding transactions less than SGD 100,000)
Certis CISCO Security Pte Ltd Group	5,021,946
Mapletree Investments Pte Ltd Group	129,480
Mediacorp Pte Ltd Group	799,560
SATS Ltd Group	7,713,234
Sembcorp Industries Ltd Group	3,631,909
Singapore Telecommunications Limited Group	30,164,704
SMRT Corporation Ltd Group	5,905,633
StarHub Ltd Group	14,867,938
Surbana Jurong Private Limited Group	7,760,400
Temasek Management Services Pte Ltd Group	127,500
Total Interested Person Transactions (SGD)	76,122,304

Culture

We believe that effective safeguards against undesired business conduct have to go beyond a "tick-the-box" mentality. In DBS, other than relying on published codes of conduct, we also advocate the following organisational safeguards to maintain a strong risk and governance culture.

- Tone from the top: The tone set by the Board and senior management is vital; it is equivalent to the moral compass of the organisation. In addition to having in place comprehensive policies, we conduct a robust self-assessment on the Group's risk culture.
- Aligning strategies and incentives via the balanced scorecard: Please refer to page 38 for more information.
- Respecting the voice of control functions: We believe that respect for the voice of the control functions is a key safeguard. We ensure that control functions are well integrated into our organisational structure so that they can properly discharge their responsibilities.
- Risk ownership: Please refer to page 58 for details on our three lines of defence.
- Having established escalation protocols: We designed a notification protocol that makes it mandatory for staff to report significant incidents. This means that the organisation is prepared to receive bad news and take necessary remedial actions without shooting the messengers.
- Encouraging constructive challenges at all levels: Fundamentally, we inculcate a culture that encourages constructive challenges and debate, where all views are evaluated for decision-making. We also operate a culture where we actively engage the Board for their views early.
- Reinforcing cultural alignment: Finally, we conscientiously reinforce our cultural norms by rewarding right behaviours and censuring wrong ones.

The DBS Code of Conduct (Code of Conduct):

- Sets out the principles and standards of behaviour that are expected of employees of the Group (including part-time and temporary employees) when dealing with customers, business associates, regulators and colleagues. The principles covered in the Code of Conduct include professional integrity, confidentiality, conflicts of interests, fair dealings with customers and whistle-blowing.
- Defines the procedures for employees of DBS to report incidents and provides protection for those staff for these disclosures.

All employees of DBS are required to read and acknowledge the Code of Conduct on an annual basis. Members of the public may access the Code of Conduct on DBS' website, as well as write in via an electronic feedback form on the website. The Code of Conduct encourages employees of DBS to report their concerns to DBS' dedicated, independent investigation team within Group Compliance which handles whistle-blowing cases according to a well defined protocol. Alternatively, in case of actual or potential conflict of interest or fear of retribution, employees of DBS may write in confidence to Human Resources, Group Audit, or even the CEO or the Chairman. In addition, employees of DBS have the option of using the DBS Speak Up service.

Whistle-blowing policy

DBS Speak Up is a hotline service run by an independent external party that gives employees of the Group the opportunity to speak up on misconduct and/or wrong-doing by a DBS employee, customer, vendor or third party.

DBS Speak Up service includes:

- a dedicated hotline number, website, email address, fax number and postal address for reporting of suspected incidents of misconduct and wrongdoing;
- specialist call centre operators with knowledge of individual organisations;
- expert forensic investigators to analyse reports timely reporting of incidents to dedicated representatives within an organisation; and
- recommendations on corrective action.

Accountability to our shareholders

Shareholder rights

DBS promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore Companies' Act and the Company's Constitution.

These rights include, among others, the right to participate in profit distributions and the right to attend and vote at general meetings. Ordinary shareholders are entitled to attend and vote at the AGM by person or proxy. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold DBSH shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM.

DBS respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure. All price-sensitive information is publicly released prior to any sessions with individual investors or analysts.

Communication with shareholders

Our investor relations activities promote regular, effective and fair communication with shareholders. Briefing sessions for the media and analysts are conducted when quarterly results are released. All press statements and quarterly financial statements are published on our website and the SGX website. A dedicated investor relations team supports the CEO and the CFO in maintaining a close and active dialogue with investors. The DBS website provides contact details for investors to submit their feedback and raise any questions.

The Board provides shareholders with quarterly and annual financial reports. In presenting these statements, the Board aims to give shareholders a balanced assessment of the Group's financial performance and position. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

During the year, we held 340 debt and equity investor meetings. We participated in 12 local and overseas investor conferences and non-deal road shows. These meetings provide a forum for management to explain our strategy and financial performance, and solicit analysts' and investors' perceptions of DBS. We also held an investor day in November 2017 to showcase our digitalisation efforts. The event was well received by the 80 analysts and fund managers that attended.

We have a disclosure policy to ensure that all disclosures of material information are timely, complete and accurate. The policy sets out how material information should be managed to prevent selective disclosure. Our Group Disclosure Committee (GDC) assists the CEO and the CFO in implementing the disclosure policy. The GDC's objectives are to: (a) periodically review DBS' disclosure policy and update it as needed, (b) ensure that all material disclosures are appropriate, complete and accurate, and (c) ensure selective or inadvertent disclosure of material information is avoided.

Our efforts to improve disclosure continued to be recognised at the 2017 Securities Investors Association (Singapore) Investors' Choice Awards where we won the award for sustainability and were the runner-up among large-cap companies for corporate governance.

Conduct of shareholder meetings

The AGM provides shareholders with the opportunity to share their views and to meet the Board, including the chairpersons of the Board committees and certain members of senior management. Our external auditor is available to answer shareholders' queries.

At the AGM, DBS' financial performance for the preceding year is presented to shareholders.

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, Board members and management. DBS encourages and values shareholder participation at its general meetings.

In accordance with the recommendations contained in the Code and the Guidelines, resolutions requiring shareholder approval are tabled separately for adoption at the Company's general meetings unless they are closely related and are more appropriately tabled together.

The minutes of our AGM and Extraordinary General Meeting (EGM) may be accessed via our website. We have disclosed the names of the Directors and senior executives who attended the 2017 AGM as well as detailed records of the proceedings including the questions raised by the meeting attendees.

Electronic poll voting process

To enhance shareholder participation, DBS puts all resolutions at general meetings to a vote by electronic poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentages. DBS appoints an independent external party as scrutineers for the electronic poll voting process. Prior to the commencement of the AGM/ EGM, the scrutineers would review the proxies and the proxy process. DBS also has a proxy verification process which has been agreed upon with the scrutineers. At the DBS AGM/ EGM, mobile devices are used for poll voting. When shareholders register their attendance at the meeting, they are handed the mobile device with details of their shareholdings registered to the device. The shareholder is able to view his or her name and shareholding details which are clearly displayed on the device. When the Chairman opens the poll on a resolution, the shareholder presses the relevant voting button on the device. Upon vote submission, the shareholder will receive a vote response acknowledgment on the device. The results of the electronic poll voting are announced immediately after each resolution has been put to a vote, and the number of votes cast for and against and the respective percentages are displayed in real-time at the AGM/ EGM. DBS maintains an audit trail of all votes cast at the AGM/ EGM. The outcome of the AGM/ EGM (including detailed results of the poll vote for each resolution) is promptly disclosed on SGXNET after the meetings, on the same day of the AGM/ EGM.

Remuneration report

We believe that our long-term success depends in large measure on the contributions of our employees. Our remuneration framework is designed to be consistent with market best practices while driving business strategy and creating long-term shareholder value. Remuneration policies and practices as set out in the following report are governed by a set of sound principles which are in compliance with various regulatory requirements.

1 Objectives of DBS remuneration strategy

DBS' remuneration policy, which is applicable to DBS Bank and all our subsidiaries and overseas offices, seeks to ensure that we are able to attract, motivate and retain employees to deliver long-term shareholder returns taking into consideration risk management principles and standards set out by the Financial Stability Board (FSB) and the Code.

When formulating our remuneration strategy, consideration was given to aligning our remuneration approach with DBS PRIDE! values in order to drive desired behaviours and achieve the objectives set out in our balanced scorecard.

The following shows the three main thrusts of our remuneration strategy and how they are implemented within DBS:

Main thrusts	How
Pay for performance measured against the balanced scorecard	• Instill and drive a pay-for-performance culture • Ensure close linkage between total compensation and our annual and long-term business objectives as measured through the balanced scorecard • Calibrate mix of fixed and variable pay to drive sustainable performance and alignment to DBS PRIDE! values, taking into account both the "what" and "how" of achieving key performance indicators (KPIs)
Provide market competitive pay	• Benchmark our total compensation against other organisations of similar size and standing in the markets we operate in • Drive performance differentiation by benchmarking total compensation for top performing employees against the upper quartile or higher in each market
Guard against excessive risk-taking	• Focus on achieving risk-adjusted returns that are consistent with our prudent risk and capital management as well as emphasis on long-term sustainable outcomes • Design payout structure to align incentive payments with the long-term performance of the company through deferral and clawback arrangements

2 Summary of current total compensation elements

An employee's total compensation is made up of the following elements:

Total compensation	Fixed pay		Variable pay		Variable pay
	Salary	+	Cash bonus	+	Deferred shares/ cash

The table below provides a breakdown of total compensation elements, their purpose and link to our compensation strategy, and the policy governing their execution:

Elements	What	Why and linkages to strategy	How
Fixed pay	**Salary**	• Attract and retain talent by ensuring our fixed pay is competitive vis-a-vis comparable institutions	• Set at an appropriate level taking into account market dynamics, skills, experience, responsibilities, competencies and performance of the employee • Paid in cash monthly • Typically reviewed annually
Variable pay	**Cash bonus and deferred shares/ cash**	• Provide a portion of total compensation that is performance-linked • Focus employees on the achievement of objectives which are aligned to value creation for our shareholders and multiple stakeholders • Align to time horizon of risk	• Based on DBS, business or support unit and individual performance • Measured against a balanced scorecard which is agreed to at the start of the year • Awards in excess of a certain threshold are subject to a tiered deferral rate that ranges from 20% to 60% with a minimum deferred quantum. Country variations may apply to the threshold based on statutory requirements • Deferred remuneration is paid in restricted shares and/ or deferred cash and comprises two elements: the main award and the retention award (constituting 20% of the shares and/ or deferred cash given in the main award and designed to retain talent and compensate staff for the time value of deferral) • Deferred awards vest over four years, and will lapse immediately upon termination of employment (including resignation) except in the event of ill health, injury, disability, redundancy, retirement or death • Paid cash bonus, unvested and vested deferred shares/ cash awards are subject to clawback from employees whose bonus exceeds a certain threshold

3 Determination of variable pay pool

The variable pay pool is derived from a combination of a bottom-up and top-down approach. It is underpinned by our aim to drive a pay-for-performance culture which is aligned to our risk framework.

Determining total variable pool	A function of net profit before tax benchmarked against market and calibrated against the following prisms: • Risk adjustment through review of Returns on Risk-Adjusted Capital (RoRAC) • Distribution of earnings between employees and shareholders	Modulated by our performance against the balanced scorecard • Comprises financial and non-financial metrics encompassing employees, customers, shareholders, risks and compliance objectives • Evaluated by Compensation and Management Development Committee (CMDC), with the pool subsequently endorsed by the Board of Directors (Board)
Allocating pool to business units	Pool allocation takes into account the relative performance of each unit • Measured through each unit's balanced scorecard and evaluated by the Chief Executive Officer (CEO)	Inputs from control functions such as Audit, Compliance and Risk are sought. Country heads are also consulted in the allocation process
Determining individual award	Unit heads cascade their allocated pool to their teams and individuals • Performance measurement through the balanced scorecard	Individual variable pay determined based on individual performance • Linked to achievement of quantitative as well as qualitative objectives as set out in individual's KPIs

The performance of control functions (Risk, Finance, Compliance and Audit) are measured independently from the business units they support to prevent any conflicts of interests. The remuneration of the Chief Risk Officer (CRO) and Group Head of Audit are endorsed by the Chairman of Board Risk Management Committee and Audit Committee respectively and subsequently approved by the Board.

Sales employees are incentivised to promote the development of mutually beneficial long-term relationships with their customers, rather than a sole focus on short-term gains. Non-financial metrics such as customer satisfaction and compliance with fair dealing principles are incorporated into their KPIs.

4 Deferred share incentives

Plan objectives	Award types
• Foster a culture that aligns employees' interests with shareholders • Enable employees to share in DBS' performance • Talent retention	• Annual Deferred Remuneration – DBSH Share Plan (Share Plan) for Vice President and above – DBSH Employee Share Plan (ESP) for Assistant Vice President and below • Awards as part of talent retention (Special Award)

Award elements

- Deferred share incentives are delivered in the form of restricted share awards (Share Awards) which comprise two elements:

Deferred incentive	Main award + Retention award*

** Constitutes 20% of Main Award under the Annual Deferred Remuneration*

Vesting schedule	Malus of unvested awards and clawback of vested awards
Main Award • 33% vest two years after grant date • Another 33% vest three years after grant date • Remaining 34% vest four years after grant date **Retention Award** • 100% vest four years after grant date	**Malus and/ or clawback will be triggered by** • Material violation of risk limits • Material losses due to negligent risk-taking or inappropriate individual behaviour • Material restatement of DBS' financials due to inaccurate performance measures • Misconduct or fraud Awards may be clawed back within the seven years from the date of grant.

Read more about the Share Plan on pages 189 to 190.

5 Senior management and material risk takers

The balance between fixed and variable elements of total compensation changes according to performance, rank and function. This is in line with the FSB principle of ensuring that employee incentives remain focused on prudent risk-taking and effective control, depending on the employee's role.

It is aimed at incentivising employees whose decisions can have a material impact on DBS to adopt appropriate risk behaviours. These employees include senior management, key personnel at business units and senior control staff. We define this group of staff based on their roles and quantum of their variable remuneration.

In 2017, we used salary surveys conducted by external compensation consultant, McLagan, as references for employee salary benchmarking purposes. McLagan and its consultants are independent and not related to us or any of our Directors.

Summary of 2017 Remuneration Outcomes

Our remuneration is linked to how we perform against our balanced scorecard (refer to pages 38 to 41).

In 2017, we achieved record earnings from broad-based growth in loans and fee income as well as productivity gains from digitalisation and cost management initiatives. The results were achieved even as we took higher allowances due to the accelerated recognition of residual weak oil and gas support service exposures as non-performing. The year was also a watershed in our digital transformation. Significant progress was made in re-architecting the bank's technology infrastructure, changing culture and forming ecosystem partnerships as we sought to define the future of banking.

Taking these factors into account, the total and deferred compensation for senior management and material risk takers is higher than the year before. The aggregate total remuneration for our Senior Management (including the CEO) in 2017 amounted to SGD 66.7 million.

While corporate governance guidelines recommend that at least the top five key executives' remuneration be disclosed, the Board believes that it would be disadvantageous for us to do so because of the constant battle for talent in a highly competitive industry.

Breakdown of deferred remuneration awards

<table>
<tr><th>Category</th><th>Senior Management[1]</th><th>Material Risk Takers[2]</th></tr>
<tr><td>Total outstanding deferred remuneration[3]:</td><td colspan="2"></td></tr>
<tr><td>Cash</td><td colspan="2">0.2%</td></tr>
<tr><td>Shares and share-linked instruments</td><td colspan="2">99.8%</td></tr>
<tr><td>Other forms of remuneration</td><td colspan="2">-</td></tr>
<tr><td>Total</td><td colspan="2">100.0%</td></tr>
<tr><td>Outstanding deferred and retained remuneration[3] [4]:</td><td colspan="2"></td></tr>
<tr><td>Of which exposed to ex-post adjustments</td><td colspan="2"></td></tr>
<tr><td>Cash</td><td colspan="2">0.2%</td></tr>
<tr><td>Shares and share-linked instruments</td><td colspan="2">99.8%</td></tr>
<tr><td>Other forms of remuneration</td><td colspan="2">-</td></tr>
<tr><td>Total</td><td colspan="2">100.0%</td></tr>
<tr><td>Total amendment during the year due to ex-post explicit adjustments[5]:</td><td></td><td></td></tr>
<tr><td>Cash</td><td>-</td><td>-</td></tr>
<tr><td>Shares and share-linked instruments</td><td>-</td><td>-</td></tr>
<tr><td>Other forms of remuneration</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>-</td><td>-</td></tr>
<tr><td>Total amendment during the year due to ex-post implicit adjustments[5]:</td><td></td><td></td></tr>
<tr><td>Cash</td><td>-</td><td>-</td></tr>
<tr><td>Shares and share-linked instruments[6]</td><td>39.1%</td><td>32.9%</td></tr>
<tr><td>Other forms of remuneration</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>39.1%</td><td>32.9%</td></tr>
<tr><td>Total deferred remuneration paid out in the financial year:</td><td>29.5%</td><td>26.3%</td></tr>
<tr><td>Headcount</td><td>19</td><td>228</td></tr>
</table>

(1) Senior Management (SM) is defined as the CEO and members of the Group Management Committee who have the authority and responsibility for DBS' overall direction and executing to strategy

(2) Material risk takers (MRTs) are defined as employees whose duties require them to take on material risk on our behalf in the course of their work. These can be either individual employees or a group of employees who may not pose a risk to DBS' financial soundness on an individual basis, but may present a material risk collectively. In 2017, CMDC also reviewed the definition of MRTs, aligning it to market benchmark

(3) Due to data confidentiality, the total amount of deferred and retained remuneration for SM and MRTs have been aggregated for reporting

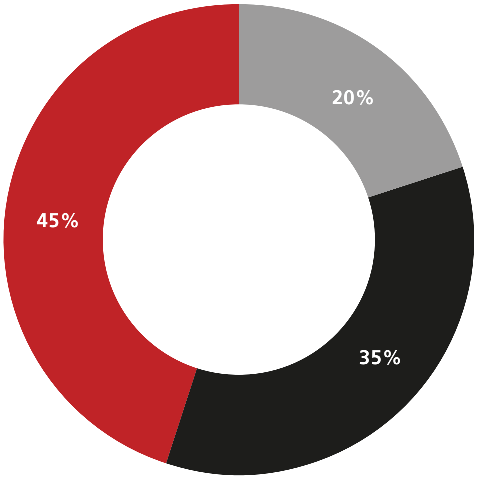
(4) Retained remuneration refers to shares or share-linked instruments that are subject to a retention period under a share retention policy

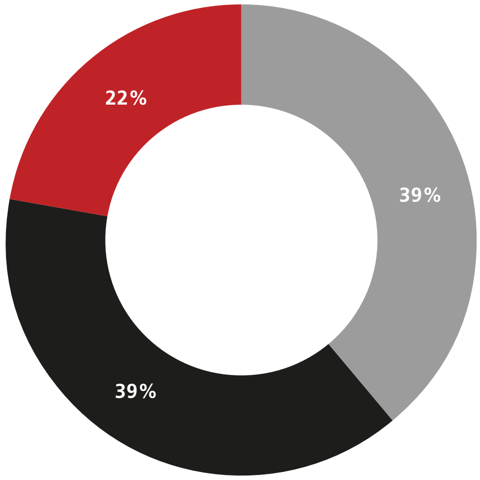
(5) Examples of explicit ex-post adjustments include malus, clawbacks or similar reversal or downward revaluations of awards. Examples of implicit ex-post adjustments include fluctuations in the value of DBSH ordinary shares or performance units

(6) [No. of unvested DBSH ordinary shares as at 31 Dec 17 x share price as at 29 Dec 17] / [No. of unvested DBSH ordinary shares as at 31 Dec 16 x share price as at 30 Dec 16] -1

The following charts show the mix of fixed and variable pay for both groups for performance year 2017:

SM	MRTs





Note:
We do not provide any other forms of fixed and variable remuneration aside from those disclosed in this section

- *Fixed Pay*
- *Variable pay-cash*
- *Variable pay-deferred shares and/ or deferred cash (including retention shares/ cash)*

Guaranteed bonuses, sign-on bonuses and severance payments

Category	SM	MRTs
Number of guaranteed bonuses	0	0
Number of sign-on bonuses	0	6
Number of severance payments	0	0
Total amounts of above payments made during the Financial Year (SGD '000)	**0**	**1,455**

Other provisions
We do not allow accelerated payment of deferred remuneration except in cases such as death in service or where legally required.
There are no provisions for:
- Special executive retirement plans;
- Golden parachutes or special executive severance packages; and/ or
- Guaranteed bonuses beyond one year.

Chief Executive Officer

Since becoming CEO in November 2009, Piyush Gupta has entrenched DBS as a leading bank in Asia, with multiple engines across businesses and geographies. This buffers the bank from a slowdown in any single business line, enabling it to turn in creditable results even when not all cylinders are firing. Nowhere was this more apparent than in 2017, when in spite of a steep rise in allowances for the oil and gas portfolio, DBS delivered record earnings amounting to SGD 4.39 billion, up 4%. Total income was SGD 11.9 billion, also a new high.

2017 was also a watershed year in DBS' digital transformation. Whether it was re-architecting the bank's technology infrastructure to be cloud-native, reshaping mindsets and culture, or enabling scalability through ecosystem partnerships, significant progress was made. In November 2017, DBS held its inaugural digital investor day, whereby a comprehensive digital strategy was presented. This strategy, the way it has been executed, and its impact on the bank's bottomline as measured by a proprietary model, won widespread plaudits from the analyst and investor community.

We also successfully integrated ANZ's retail and wealth franchise across five markets, and rolled out digibank, a mobile-only bank, in Indonesia.

Customer satisfaction continues to be strong, with DBS acknowledged as the sector leader for customer service in Singapore for the last decade. The bank also continued to lead the way in employee engagement, taking home the Asia Pacific Regional Best Employer award, as we were recognised across Singapore, Hong Kong, Indonesia and Taiwan.

Taking into account the above, and results of the balanced scorecard, Mr Gupta's remuneration was higher in 2017.

Breakdown of remuneration for performance year 2017 (1 January – 31 December)

	Salary remuneration SGD	Cash bonus(1) SGD	Share Plan(2) SGD	Others(3) SGD	Total(4) SGD
Mr Piyush Gupta	**1,200,000**	**3,845,000**	**5,155,000**	**64,789**	**10,264,789**

(1) The amount has been accrued in 2017 financial statements

(2) At DBS, ordinary dividends on unvested shares do not accrue to employees. For better comparability with other listed companies, this figure excludes the estimated value of retention shares amounting to SGD 1,031,000, which serve as a retention tool and compensate staff for the time value of deferral. This is also similar in nature to practices in those companies which provide accrual of dividends for deferred awards

(3) Represents non-cash component and comprises club, car and driver

(4) Refers to current year performance remuneration – includes fixed pay in current year, cash bonus received in following year and DBSH ordinary shares granted in following year

CRO statement

Focus areas for 2017

1. Credit risk and portfolio management
2. Cyber security
3. Regulatory compliance
4. Digital technology, application development and insourcing
5. Data protection
6. Ecosystem partners and outsourcing service providers
7. Risk and control construct
8. Crisis management and disaster recovery
9. Liquidity and capital management
10. Large programme initiatives

Of the above, we focused our attention on the following four areas: (i) Credit risk and portfolio management, (ii) Regulatory compliance, (iii) Cyber security and data protection and (iv) Large programme initiatives.

Top and emerging risks

As part of our risk management, we identify and monitor the top and emerging risks that affect our business activities, financial results, reputation and strategic priorities. It begins with the identification process, where we review internal risk data and industry research. Thereafter, senior management assesses our key focus areas and the risk outlook for the entire banking industry. This is further supplemented by discussions with the Board and management risk committees where our top and emerging risks are prioritised and monitored. We carry out periodic updates on our action plans and this information is disseminated to the relevant risk committees.

Credit risk and portfolio management

In 2017, there was a broad-based pick-up in global growth, while inflation remained benign. Asset prices were elevated, supported by the prolonged period of low interest rates which kept borrowing costs subdued. Asia, in general, benefitted from the upturn in global activity and exports finally picked up. However, the operating environment remained challenging for DBS in 2017, due to the prevailing credit conditions. Notwithstanding this, our credit risk portfolio grew by 6% in 2017. As we continue to look for areas of growth, we remain vigilant in credit underwriting, particularly in the segments highlighted below.

For the large part of 2017, oil prices were generally subdued, gradually trending upwards only in the later part of the year. The low oil prices continued to adversely impact our already stressed oil and gas support services portfolio.

Our exposure to the whole oil and gas complex – comprising producers, traders, processors and support services fell from SGD 22 billion to SGD 21 billion. This decline was largely attributable to write-offs of non-performing exposures to, as well as repayment of loans by borrowers from the support services sectors as they managed down debt levels. Our exposure to the producer, trader and processor segments remained around SGD 14 billion. Overall credit quality remained satisfactory with 86% of this exposure attributable to international oil companies, national oil companies, state-owned enterprises and investment grade equivalent borrowers.

Our exposure to the oil and gas support services segment fell from SGD 8 billion a year ago to SGD 7 billion, of which SGD 2 billion was to state-owned/government-linked shipyards. Of the remaining SGD 5 billion, about 86% has been impacted by the decline in oil prices.

While we have seen oil prices trending upwards recently, we are of the view that the sub-segment involving deep sea drilling and development is structurally challenged on a secular basis given the impact of shale and shift to renewable energy.

The shallow water support services sub-segment is facing cyclical pressure. Despite Brent trending upwards in the second half of 2017 and breaching the USD 65 per barrel mark, there has been no easing of cost-cutting measures adopted by oil majors to adapt to oil prices at previous levels of USD 50 per barrel. Recovery in the sector is dependent on vessel scrapping, which has been minimal to date. Significant vessel supply imbalance and intense competition have left the fragmented support service players with little pricing power; their operating margins are not improving meaningfully and revenues are only enough to cover operating expenses in most cases.

As the sector is not expected to recover anytime soon, we decided to adopt a more conservative approach and classified remaining weak oil and gas support services exposure as non-performing assets (NPAs) although the bulk is not technically overdue.

The steel sector generally improved in 2017. There was capacity reduction in China resulting in a rebound in domestic steel price and a cut in export volume. Certain countries also benefited from anti-dumping measures. That said, we are still cautious about the steel sector and have (i) reviewed and rationalised our steel portfolio and exited weaker borrowers, and (ii) tightened our Global Industry Target Market and Risk Acceptance Criteria (TMRAC) for the steel industry. Portfolio quality has stabilised since end 2016 with no new NPA.

The general shipping environment improved in 2017 with sustained volume growth and an uptick in freight rates. However, we remain cautious about our outlook due to expectations of supply of vessels (arising from new deliveries) outpacing demand in 2018 and ongoing consolidation among the global liners. We have assessed the debt servicing abilities of the borrowers in the portfolio and we do not expect a significant deterioration in credit quality as we continue our focus on players with strong cashflows and good credit profiles.

On our real estate portfolio, the residential housing market in Singapore has been showing signs of recovery with a slight rebound in prices and higher transaction volumes. Sentiment in the market has improved considerably with a buoyant collective sales market and keen interest in the government land sales programme. Most other real estate subsectors in Singapore have also turned the corner on the back of improving demand-supply dynamics. Abating supply risk is driving prices and rentals higher, as evidenced in the office and hospitality subsectors. We believe the positive momentum seen in 2017 will spill into 2018. However, we are cautious about the outlook for retail subsectors as they face increased competition from e-commerce, although some mall operators have been actively repositioning their malls with new tenant mix to meet the changing demand and lifestyle of consumers. The outlook for industrial properties remains weak, though selected industrial properties such as logistics warehouses and business parks will have better prospects.

In Hong Kong, housing prices have continued to rise sharply to record levels despite various cooling measures, heightening the risk of a sharp price correction. Nevertheless, more than 95% of our residential mortgage exposures in Hong Kong have a current loan-to-value of less than 50%, thus providing significant protection against the risk of price correction. In China, housing prices have also continued to rise, albeit moderately under the control of price caps and other policy measures introduced by the authorities to rein in the market. We are also seeing significant investments into real estate markets in London and Australia, particularly into income-generating assets such as office, hospitality, logistics, and some residential properties. We believe the trend will continue, a manifestation of the diversification strategy of some industry players, as well as the comparatively attractive returns of these investments. While we are comfortable with our exposure, we remain vigilant to any signs of market weakness and will continue to exercise prudence when underwriting new loans.

Our SME portfolio did not grow in 2017 because we focused on improving credit quality, particularly in Greater China. The largest portfolio, Singapore, experienced modest growth but continued to face ongoing challenges in several sectors such as building and construction, and offshore marine engineering. All portfolios remain subject to a mix of regular and ad hoc stress tests and scenario assessments; the results are used to refine business strategies and lending criteria.

From a geographical exposure perspective, our China portfolio grew in large corporates and shrunk in SME, while our Indian portfolio shrunk marginally.

In 2017, selective credit loosening by China's policy makers stabilised the domestic economy while the global upturn supported its export rebound. As capital outflow and RMB depreciation fears eased on the back of renewed confidence in the economy, international reserves started to climb steadily to the current level of USD 3 trillion. The outcome of the 19th National Congress in late 2017 suggested that economic reforms will remain high on the government's agenda. As the quality and sustainability of growth get prioritised, policy will shift to address critical concerns such as environmental degradation and unfettered credit expansion. A tapering of economic growth towards a more sustainable level is on the cards for the next few years.

Changes in our China portfolio were in line with a more focused business strategy and tightened lending criteria. In the real estate segment, strong growth potential was observed from modern logistics warehouse financing driven by high growth of online sales in China.

In 2017, China registered significant improvement in impairment charges from the SME segment and there was no new NPA from the large corporate sector. Asset quality of the portfolio is anticipated to remain satisfactory and manageable in 2018.

The Indian economy was impacted by the lingering effect of cash shortage from demonetisation and destocking ahead of the roll-out of Goods and Services Tax (GST), although some recovery seems to be underway. Recent measures to fine-tune GST compliance and the announcement of a large recapitalisation plan for public sector banks are encouraging moves. Private investment sentiment however, continues to be muted and banks continue to be saddled with a rising stock of bad loans.

The quality of our portfolio in India was stable in 2017. Our portfolio is expected to grow with increasing coverage of SMEs and wider reach on the retail side to include digibank customers. Sectors which were stressed due to high debt burden and pricing pressures, such as infrastructure and engineering, procurement and construction, power, commodities and telecom, are expected to pick up. Increase in planned investments in the infrastructure sector will augment the growth. Our local risk management strategy continues to be prudent through active portfolio reviews, selective onboarding of new businesses and diversification of our portfolio.

Compliance and regulatory risk

Improvements have been made to processes and controls in dealing with financial crime risk and fair dealing.

We executed our commitments in our 2016 annual report to implement enhancements to front office controls, transaction monitoring and collaboration with regulators.

The front office has strengthened its ability to identify and act on thematic risks. These include heightened geopolitical risks which often translate into sanctions laws or greater sensitivity around sanctions enforcement. We have also made improvements to address specific typologies, such as certain higher-risk trade corridors and dual-use goods.

Process and system improvements have been made to areas concerning customer due diligence and transaction surveillance to materially improve prioritisation of risk areas, and clear any accumulating operational congestion. This work will continue in 2018.

We are members of the Anti-Money Laundering/ Countering the Financing of Terrorism (AML/ CFT) Industry Partnership, a public/ private sector collaboration launched in 2017 to share financial crime risks and typologies, and mitigations.

With regard to sanctions risk, in 2017, Singapore broadened laws prohibiting direct or indirect business connected to the Democratic People's Republic of Korea. There are also public reports of suspicious commercial typologies designed to facilitate evasion of sanctions laws which DBS is subject to. In 2018, we will focus on controls and processes to detect and prevent the same, making improvements particularly as more suspicious typologies are known. Also in 2018, we expect results from a number of initiatives relating to our surveillance systems and Know Your Client (KYC) processes, including robotics process automation, analytics and artificial intelligence, and national-level KYC utilities.

Regarding fair dealing, significant improvements have been made in Singapore in using data analytics to predict whether there is a need for greater supervisory attention or action in the case of certain relationship managers and/ or customers which may be more vulnerable.

Group-wide metrics on fair dealing are reported to the Fair Dealing Committee, which submits a quarterly report to our Board Audit Committee.

Cyber security and data protection

As cyber-attacks against public and private infrastructures grow worldwide, cyber security has become increasingly important for both governments and regulators across the globe. DBS takes an approach which converges the management of physical, cyber and data-related risks onto a central Chief Information Security Officer, who also oversees the financial crime risk management programme. We implement multi-layered defences, combined with employee education and industry collaboration; we also keep abreast of techniques and threats as they evolve to develop the appropriate countermeasures.

During the year, enhancements were made in the implementation of a bank-wide CYBRFIT training and assessment programme, and the use of "red team" simulated attacks. We expect to continue to lift our capabilities in 2018, including collaboration with cybersecurity authorities and regulators since this is not merely a private sector issue.

Data protection and governance are cornerstones for customers' trust in the banking sector, and are also critical enabling factors for innovation in a digital economy. In 2017, we made appropriate risk management decisions concerning how and when to use cloud infrastructure, and working from home on DBS devices. We have also deployed, and in 2018 will further scale, capabilities around monitoring for unusual employee behaviour in the use of data.

We are also increasing capabilities in light of the way risks will evolve with the digital landscape. This will manifest in changes in criminal behaviour and in the way customers interact with banks. Appropriate and proportionate consideration is given to many scenarios – such as speeding up customer authentication processes in low-risk situations, as well as improving intellectual property and security controls around ecosystem partnerships and application programming interface connectivity.

Large programme initiatives

DBS announced the acquisition of the wealth management and retail banking business of ANZ in five markets, namely Singapore, Hong Kong, China, Taiwan and Indonesia on 31 October 2016. The acquisition included credit cards, mortgage, revolving and unsecured personal as well as wealth management products.

Integration work started in early 2017 with China being the first location to be integrated successfully in July 2017, followed by Singapore, Hong Kong and Taiwan in August, September and December 2017 respectively. Total receivables from the ANZ acquisition in these locations amounted to SGD 8 billion as of December 2017. The final location is Indonesia where integration is expected to complete by the first quarter of 2018.

For Consumer Banking, we do not expect any significant impact on the overall portfolio quality as the observed loss norm in ANZ portfolio is similar to ours.

For Wealth Management, in terms of portfolio mix, ANZ collateral types largely resemble the DBS portfolio. There is no significant impact on the overall portfolio with the acquisition.

Risk culture

In 2017, DBS conducted a deeper and bank-wide assessment of our risk culture. A survey was designed and rolled out bank-wide using the Financial Stability Board guidelines.

Overall, the results from this survey indicated an appropriate risk culture across the organisation. The survey will be rolled out on an annual basis to allow us to identify certain trends and help with action planning moving forward.

Read more about our principal risks and risk management approach on pages 71 to 91.

Risk management

In 2017, we continue to implement most of the recommendations from the Enhanced Disclosure Task Force (EDTF) to improve bank risk disclosures[1]. We have also implemented the temporary and permanent disclosure recommendations[2] that are applicable to DBS from the EDTF's November 2015 report, "Impact of expected credit loss (ECL) approaches on bank risk disclosures".

For an overview of the recommendations and where we have incorporated the relevant disclosures, refer to Summary of disclosures on page 112.

The table below gives an overview of the locations of our risk disclosures.

	Risk management section	Other locations in Annual Report	Pillar 3 disclosures[3]
Risk overview	**1** Risk overview 72 **2** Risk-taking and our business segments 72	Capital management and planning 92	**1** Introduction **3** Capital adequacy **6** Exposures and risk-weighted assets (RWA)
Risk governance	**3** Risk governance 73	Corporate governance report 48	
Risk appetite	**4.1** Risk thresholds and economic capital usage 74 **4.2** Stress testing 75	Remuneration report 62	
Credit risk	**5.1** Credit risk management at DBS 76 **5.2** Credit risk mitigants 78 **5.3** Internal credit risk models 78 **5.4** Credit risk in 2017 80	**Note 14** Financial assets and liabilities subject to netting agreement 143 **Note 41.1** Maximum exposure to credit risk 170 **Note 41.2** Loans and advances to customers 171 **Note 41.3** Credit quality of government securities and treasury bills and bank and corporate debt securities 175 **Note 41.4** Credit risk by geography and industry 175	**7.1** Credit risk assessed using Internal Ratings-Based Approach (IRBA) **7.2** Credit risk assessed using standardised approach **7.3** Credit risk mitigation **7.4** Counterparty credit risk-related exposures **8** Equity exposures under IRBA **9** Securitisation exposures **10.1** Credit exposures **10.2** Major credit exposures by geography and industry **10.3** Loans and advances to customers (by performing/ non-performing) **10.4** Movements in specific and general allowances
Market risk	**6.1** Market risk management at DBS 83 **6.2** Market risk in 2017 84		**10.6** Interest rate risk in the banking book **10.7** Equity exposures in the banking book
Liquidity risk	**7.1** Liquidity risk management at DBS 85 **7.2** Liquidity risk in 2017 87 **7.3** Liquid assets 88 **7.4** Regulatory requirements 88	**Note 42.1** Contractual maturity profile of assets and liabilities 177	**10.5** Total assets by residual contractual maturity
Operational risk	**8.1** Operational risk management at DBS 89 90 **8.2** Operational risk in 2017		
Reputational risk	**9.1** Reputational risk management at DBS 91 **9.2** Reputational risk in 2017 91		

(1) See "Enhancing the Risk Disclosure of Banks" published by the Financial Stability Board in October 2012
(2) The additional considerations under the existing EDTF recommendations fall into the following three categories:
• Permanent: Disclosures made in the pre-transition period, which should continue following the adoption of the ECL framework
• Temporary: Disclosures made in the pre-transition period, which should cease following the adoption of the ECL framework
• Post ECL Adoption Permanent: Disclosures to be made following the adoption of an ECL framework only
(3) Refer to http://www.dbs.com/investor/index.html for DBS' Pillar 3 disclosures

The sections marked by a grey line in the left margin form part of the Group's audited financial statements

1 Risk overview

Business and strategic risk
An overarching risk arising from adverse business and economic changes materially affecting DBS' long-term objectives. This risk is managed separately under other governance processes.

Read more about our material matters on page 25.

Credit risk (page 76)
A risk arising from borrowers or counterparties failing to meet their debt or contractual obligations.

Market risk (page 83)
A risk arising from adverse changes in interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, as well as related factors.

Liquidity risk (page 85)
A risk that arises if DBS is unable to meet our obligations when they are due.

Operational risk (page 89)
A risk arising from inadequate internal processes, people or systems, as well as external events. This includes legal risk, and excludes strategic and reputational risk.

Reputational risk (page 91)
A risk that arises if our shareholder value (including earnings and capital) is adversely affected by any negative stakeholder perception of DBS' image. This influences our ability to establish new relationships or services, continue servicing existing relationships and have continued access to sources of funding. Reputational risk usually occurs when the other risks are poorly managed.

2 Risk-taking and our business segments

Because we focus on Asia's markets, we are exposed to concentration risks within the region. We manage these risks by diversifying our risk across industries and individual exposures. In addition, DBS relies on the specialist knowledge of our regional markets and industry segments to effectively assess our risks. The chart below provides an overview of the risks arising from our business segments. The asset size of each business segment reflects its contribution to the balance sheet, and the risk-weighted assets (RWA) refer to the amount of risk incurred.

Refer to Note 44 to the financial statements on page 180 for more information about DBS' business segments.

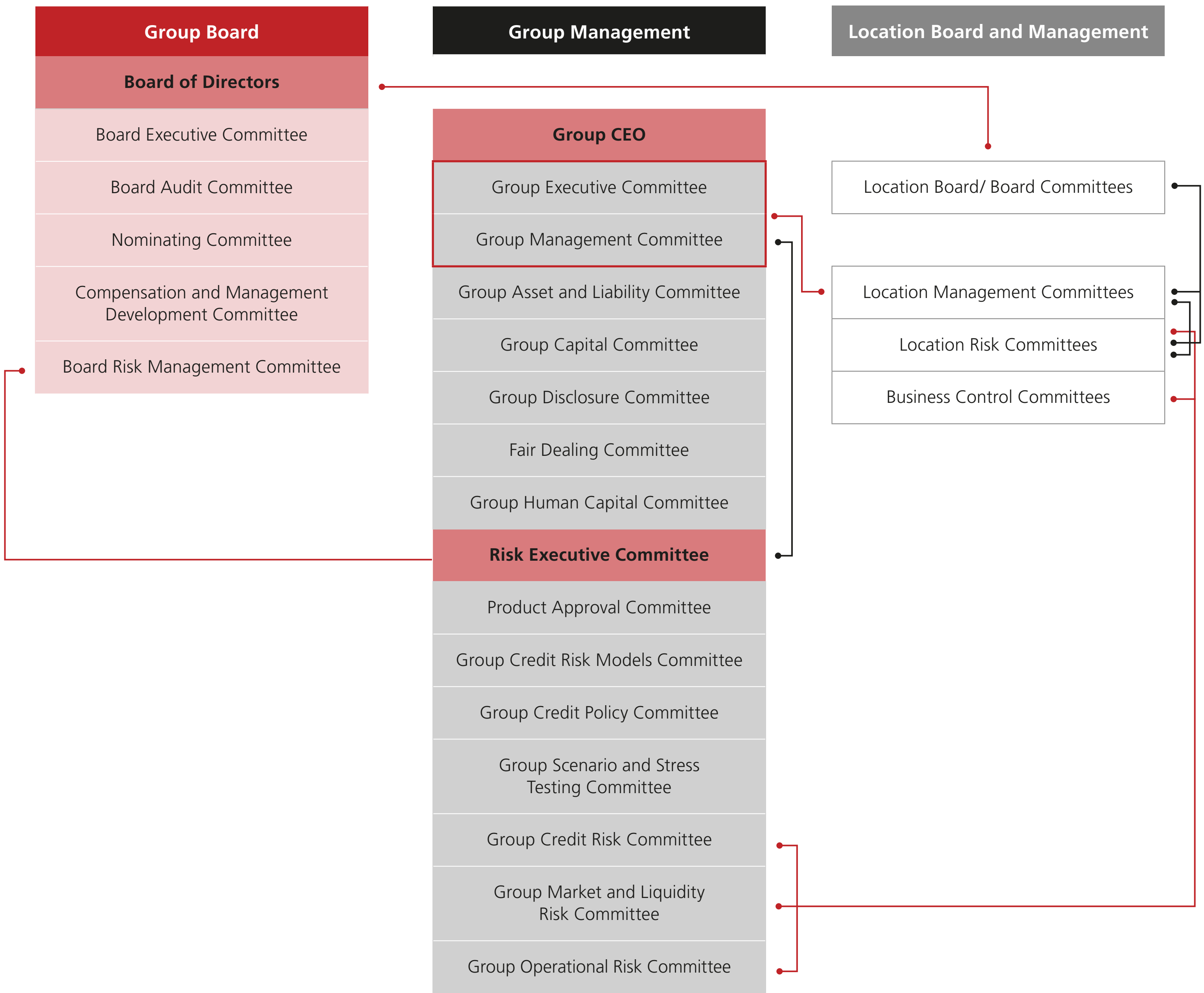
SGD million	Consumer Banking/ Wealth Management	Institutional Banking	Treasury Markets	Others[(a)]	Group
Assets[(b)]	**110,718**	**246,863**	**103,158**	**51,807**	**512,546**
Risk-weighted assets	**42,355**	**170,391**	**53,448**	**21,395**	**287,589**
% of RWA					
Credit risk	**85%**	**94%**	**30%**	**78%**	**80%**
Market risk	**0%**	**0%**	**66%**	**15%**	**13%**
Operational risk	**15%**	**6%**	**4%**	**7%**	**7%**

(a) Encompasses assets/ RWA from capital and balance sheet management, funding and liquidity activities, DBS Vickers Group and The Islamic Bank of Asia Limited
(b) Before goodwill and intangibles

3 Risk governance

The Board oversees DBS' affairs and provides sound leadership for the CEO and management. Authorised by the Board, various Board committees oversee specific responsibilities based on clearly defined terms of reference.

Under our risk management approach, the Board, through the Board Risk Management Committee (BRMC), sets our Risk Appetite, oversees the establishment of enterprise-wide risk management policies and processes, and sets risk appetite limits to guide DBS' risk-taking.



Note: The lines reflect possible escalation protocols and are not reporting lines per se

The BRMC oversees the identification, monitoring, management and reporting of credit, market, liquidity, operational and reputational risks. To facilitate the BRMC's risk oversight, the following risk management committees have been established.

Risk management committees	
Risk Executive Committee (Risk EXCO)	As the overall executive body regarding risk matters, the Risk EXCO oversees DBS' risk management as a whole.
Product Approval Committee (PAC)	The PAC oversees new product approvals, which are vital for mitigating risk within DBS. The committee assesses the reputational risk and suitability of products. In addition, the committee assesses whether we have the appropriate systems to monitor and manage the resulting risks.
Group Credit Risk Models Committee (GCRMC) **Group Credit Policy Committee (GCPC)** **Group Scenario and Stress Testing Committee (GSSTC)** **Group Credit Risk Committee (GCRC)** **Group Market and Liquidity Risk Committee (GMLRC)** **Group Operational Risk Committee (GORC)**	Each of the committees reports to the Risk EXCO, and the committees as a whole serve as an executive forum to discuss and implement DBS' risk management. Key responsibilities: • Assess and approve risk-taking activities • Oversee DBS' risk management infrastructure, which includes frameworks, decision criteria, authorities, people, policies, standards, processes, information and systems • Approve risk policies such as model governance standards, stress testing scenarios, and the evaluation and endorsement of risk models • Assess and monitor specific credit concentration • Recommend scenarios and the resulting macroeconomic variable projections used for enterprise-wide stress tests The members in these committees comprise representatives from the Risk Management Group (RMG) as well as key business and support units.

Most of the above committees are supported by local risk committees in all major locations, where appropriate. These local risk committees oversee the local risk positions for all businesses and support units, ensuring that they keep within the limits set by the Group risk committees. They also approve location-specific risk policies.

The Chief Risk Officer (CRO), who is a member of the Group Executive Committee and reports to the Chairman of the BRMC and the CEO, oversees the risk management function. The CRO is independent of business lines and is actively involved in key decision-making processes. He often engages with regulators to discuss risk matters, enabling a more holistic risk management perspective.

Working closely with the risk and business committees, the CRO is responsible for the following:
- Management of DBS' risks, including systems and processes to identify, approve, measure, monitor, control and report risks
- Engagement with senior management about material matters regarding all risk types
- Development of risk controls and mitigation processes
- Ensuring DBS' risk management is effective, and the Risk Appetite established by the Board is adhered to

4 Risk Appetite

DBS' Risk Appetite is set by the Board and governed by the Risk Appetite Policy – a key part of our risk culture. A strong organisational risk culture is imperative for DBS to move forward, and this includes an effective incentive framework (refer to "Remuneration Report" on page 62).

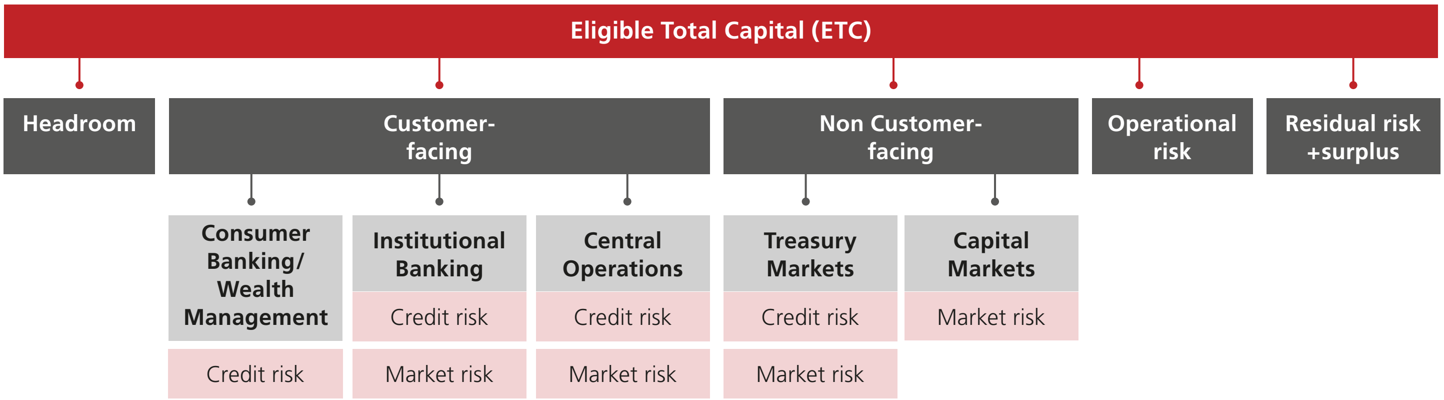
4.1 Risk thresholds and economic capital usage

Our Risk Appetite takes into account a spectrum of risk types and it is implemented using thresholds, policies, processes and controls.

Threshold structures are essential in making DBS' Risk Appetite an intrinsic part of our businesses, because they help to keep all our risks within acceptable levels. Portfolio risk limits for the quantifiable risk types reach all parts of DBS from the top down, and these are implemented using formal frameworks. As for the non-quantifiable risk types, these are controlled using qualitative principles.

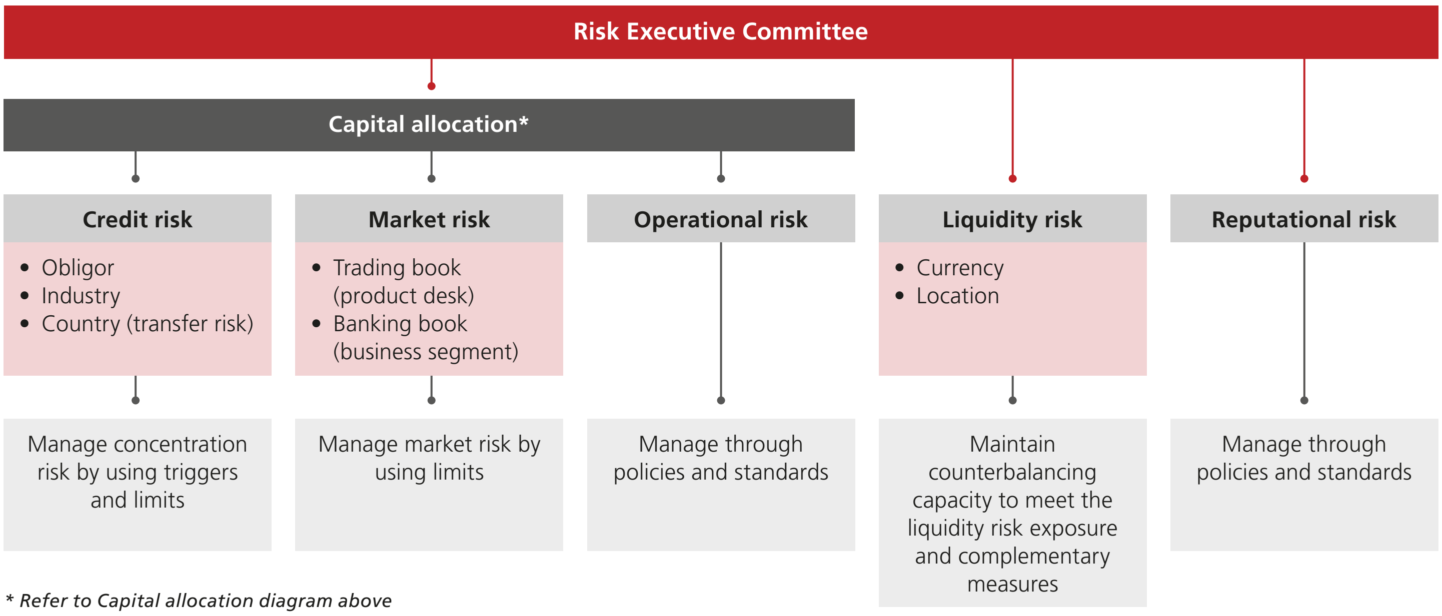
To ensure that the thresholds pertaining to our Risk Appetite are completely risk sensitive, we have adopted economic capital (EC) as our primary risk metric. EC is also a core component in our Internal Capital Adequacy Assessment Process (ICAAP).

Risk Appetite is managed through a capital allocation structure to monitor internal capital demand. The diagram below shows how risk is managed along the dimensions of customer-facing and non customer-facing units.



As a commercial bank, DBS allocates more EC to our Consumer Banking/ Wealth Management and Institutional Banking business segments, as compared to Treasury Markets. A buffer is also maintained for other risks as well, including country, operational, reputational and model risks.

The following chart provides a broad overview of how our Risk Appetite permeates throughout DBS. Refer to Sections 5 through 9 for more information about each risk type.



** Refer to Capital allocation diagram above*

4.2 Stress testing

Stress testing is an integral part of our risk management process, and includes both sensitivity analysis and scenario analysis. Stress testing is conducted at least once annually. This relates to regulatory and internal stress tests over the whole portfolio and gamut of risk types. On top of this, additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio developments. Every stress test is documented and the results are discussed at the BRMC.

This element alerts senior management to our potential vulnerability to exceptional but plausible adverse events. As such, stress testing enables us to assess capital adequacy and identify potentially risky portfolio segments as well as inherent systematic risks. This then allows us to develop the right contingency plans, exit strategies and mitigating actions beforehand.

The ICAAP ensures our business plans are consistent with our risk appetite. This is done by comparing the projected demand for capital to the projected supply of capital in stress scenarios.

5 Credit risk

The most significant measurable risk DBS faces – credit risk – arises from our daily activities in our various businesses. These activities include lending to retail, corporate and institutional customers. It includes both the risk of lending as well as the pre-settlement and settlement risk of foreign exchange, derivatives and debt securities.

Refer to Note 41.1 to the financial statements on page 170 for details on DBS' maximum exposure to credit risk.

5.1 Credit risk management at DBS

DBS' approach to credit risk management comprises the following building blocks:

Policies
Risk methodologies
Processes, systems and reports

Policies

The dimensions of credit risk and the scope of its application are defined in the Group Credit Risk Management Policy. Senior management sets the overall direction and policy for managing credit risk at the enterprise level.

The Group Core Credit Risk Policies (CCRPs) established for Consumer Banking/ Wealth Management and Institutional Banking set forth the principles by which DBS conducts its credit risk management and control activities. These policies, supplemented by a number of operational policies and standards, ensure consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across DBS, and provide guidance in the formulation of business-specific and/ or location-specific credit risk policies and standards.

The operational policies and standards are established to provide greater details on the implementation of the credit principles within the Group CCRPs and are adapted to reflect different credit environments and portfolio risk profiles. The CCRPs are considered and approved by GCPC.

Risk methodologies

Credit risk is managed by thoroughly understanding our customers – the businesses they are in, as well as the economies in which they operate.

The assignment of credit risk ratings and setting of lending limits are integral parts of DBS' credit risk management process, and we use an array of rating models for our corporate and retail portfolios. Most of these models are built internally using DBS' loss data, and the limits are driven by DBS' Risk Appetite Statement and the Target Market and Risk Acceptance Criteria (TMRAC).

Wholesale borrowers are assessed individually using both judgmental credit risk models and statistical credit risk models. They are further reviewed and evaluated by experienced credit risk managers who consider relevant credit risk factors in the final determination of the borrower's risk. For some portfolios within the SME segment, DBS also uses a programme-based approach to achieve a balanced management of risks and rewards. Retail exposures are assessed using credit scoring models, credit bureau records as well as internally and externally available customer behaviour records. These are supplemented by our Risk Acceptance Criteria. Credit extensions are proposed by the business unit, and these are approved by the credit risk function after taking into account independent credit assessments and the business strategies set by senior management.

Refer to Section 5.3 on page 78 to read more about our internal credit risk models.

Pre-settlement credit risk for traded products arising from a counterparty potentially defaulting on its obligations is quantified by an evaluation of the market price plus potential future exposure. This is used to calculate DBS' regulatory capital under the Current Exposure Method (CEM), and is included within DBS' overall credit limits to counterparties for internal risk management.

We actively monitor and manage our exposure to counterparties in over-the-counter (OTC) derivative trades to protect our balance sheet in the event of a counterparty default. Counterparty risk exposures that may be adversely affected by market risk events are identified, reviewed and acted upon by management, and highlighted to the appropriate risk committees. Specific wrong-way risk arises when the exposure to a counterparty directly correlates with the probability of defaulting due to the nature of the transactions. DBS has a policy to guide the handling of specific wrong-way risk transactions, and its risk measurement metric takes into account the higher risks associated with such transactions.

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

Concentration risk management

Our risk management processes, which are aligned with our Risk Appetite, ensure that an acceptable level of risk diversification is maintained across DBS.

For credit risk, we use EC as our measurement tool, since it combines the individual risk factors of probability of default (PD), loss given default (LGD) and exposure at default (EAD), as well as portfolio concentration factors. Granular EC thresholds are set to ensure that the allocated EC stays within our Risk Appetite.

Thresholds regarding major industry groups and single counterparty exposures are monitored regularly, and notional limits for country exposures are set as well. Governance processes are in place to ensure that our exposures are regularly monitored with these thresholds in mind, and appropriate actions are taken when the thresholds are breached.

DBS continually examines how we can enhance the scope of our thresholds to effect better risk management.

Country risk

Country risk refers to the risk of loss due to events in a specific country (or a group of countries). This includes political, exchange rate, economic, sovereign and transfer risks.

DBS manages country risk through the requirements of the Bank's CCRPs and the said risk is part of our concentration risk management. The way we manage transfer risk at DBS is set out in our Country Risk Management Standard. This includes an internal transfer risk and sovereign risk rating system, where assessments are made independently of business decisions. Our transfer risk limits are set in accordance with the Group Risk Appetite Policy.

Country limits are set based on country-specific strategic business considerations as well as the acceptable potential loss according to our Risk Appetite. Senior management and credit management actively evaluate and determine the appropriate transfer risk exposures for DBS taking into account the risks and rewards and whether they are in line with our strategic intent. Limits for all other countries are set using a model-based approach.

All country limits are approved by the BRMC.

Credit stress testing

DBS engages in various types of credit stress testing, and these are driven either by regulators or our internal requirements and management.

Our credit stress tests are performed at total portfolio or sub-portfolio level, and are generally meant to assess the impact of changing economic conditions on asset quality, earnings performance, capital adequacy and liquidity. DBS' stress testing programme is comprehensive and covers all major functions and areas of business.

DBS typically performs the following types of credit stress testing at a minimum and others as necessary:

Pillar 1 credit stress testing	DBS conducts Pillar 1 credit stress testing regularly as required by regulators. Under Pillar 1 credit stress testing, DBS assesses the impact of a mild stress scenario (at least two consecutive quarters of zero GDP growth) on Internal Ratings-Based (IRB) estimates (i.e. PD, LGD and EAD) and the impact on regulatory capital. The purpose of the Pillar 1 credit stress test is to assess the robustness of internal credit risk models and the cushion above minimum regulatory capital.
Pillar 2 credit stress testing	DBS conducts Pillar 2 credit stress testing once a year as part of the ICAAP. Under Pillar 2 credit stress testing, DBS assesses the impact of stress scenarios, with different levels of severity, on asset quality, earnings performance as well as internal and regulatory capital. The results of the credit stress tests form inputs to the capital planning process under ICAAP. The purpose of the Pillar 2 credit stress testing is to examine, in a rigorous and forward-looking manner, the possible events or changes in market conditions that could adversely impact DBS.
Industry-wide stress testing	DBS participates in the annual industry-wide stress test (IWST) conducted by the Monetary Authority of Singapore (MAS) to facilitate its ongoing assessment of financial stability. Under the IWST, DBS is required to assess the impact of adverse scenarios, as defined by the regulator, on asset quality, earnings performance and capital adequacy.
Sensitivity and scenario analyses	DBS also conducts multiple independent sensitivity analyses and credit portfolio reviews based on various scenarios. The intent of these analyses and reviews is to identify vulnerabilities for the purpose of developing and executing mitigating actions.

Processes, systems and reports

DBS constantly invests in systems to support risk monitoring and reporting for our Institutional Banking and Consumer Banking/ Wealth Management businesses.

The end-to-end credit process is continually being reviewed and improved through various front-to-back initiatives involving the business units, the operations unit, the RMG and other key stakeholders. Day-to-day monitoring of credit exposures, portfolio performance and external environmental factors potentially affecting credit risk profiles is key to our philosophy of effective credit risk management.

In addition, risk reporting on credit trends, which may include industry analysis, early warning alerts and significant weak credits, is submitted to the various credit committees, allowing key strategies and action plans to be formulated and evaluated. Credit control functions also ensure that any credit risk taken complies with group-wide credit risk policies and standards. These functions ensure that approved limits are activated, credit excesses and policy exceptions are appropriately endorsed, compliance with credit standards is carried out, and covenants established are monitored.

Independent risk management functions that report to the CRO are jointly responsible for developing and maintaining a robust credit stress testing programme. These units oversee the implementation of credit stress tests as well as the analysis of the results, of which management, various risk committees and regulators are informed.

Non-performing assets

DBS' credit facilities are classified as "Performing assets" or "Non-performing assets" (NPA), in accordance with the MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (MAS Notice 612).

These guidelines require credit portfolios to be categorised into one of the following five categories, according to our assessment of a borrower's ability to repay a credit facility from its normal sources of income.

The link between the MAS categories shown below and DBS' internal ratings is shown in Section 5.3 on page 79.

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

A default is considered to have occurred with regard to a particular borrower when either or both of the following events have taken place:

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without DBS taking action such as realising security (if held)
- Technical default: Borrower is more than 90 days past due on any credit obligation to DBS

This is consistent with the guidance provided under the MAS' Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" (MAS Notice 637).

Credit facilities are classified as restructured assets when we grant non-commercial concessions to a borrower because its financial position has deteriorated or is unable to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade based on the assessment of the borrower's financial condition and its ability to repay according to the restructured terms.

Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms. Apart from what has been described, we do not grant concessions to borrowers in the normal course of business.

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

Refer to Note 2.11 to the financial statements on page 136 for our accounting policies regarding specific and general allowances for credit losses.

In general, specific allowances are recognised for defaulting credit exposures rated substandard and below.

The breakdown of our NPA by loan grading and industry and the related amounts of specific allowances can be found in Note 41.2 to the financial statements on page 171. A breakdown of past due loans can also be found in the same note.

When required, we will take possession of all collateral and dispose of them as soon as practicable. Realised proceeds are used to reduce outstanding indebtedness.

A breakdown of collateral held for NPA is shown in Note 41.2 to the financial statements on page 171.

Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2017 and 2016 were not material.

5.2 Credit risk mitigants

Collateral received

Where possible, DBS takes collateral as a secondary recourse to the borrower. This includes, but is not limited to, cash, marketable securities, real estate, trade receivables, inventory and equipment, and other physical and/ or financial collateral. We may also take fixed and floating charges on the assets of borrowers.

Policies are in place to determine the eligibility of collateral for credit risk mitigation. These include requiring specific collateral to meet minimum operational requirements in order to be considered as effective risk mitigants. DBS' collateral is generally diversified and periodic valuations of collateral are required. Real estate constitutes the bulk of our collateral, while marketable securities and cash are immaterial.

For derivatives, repurchase agreements (repo) and other repo-style transactions with financial market counterparties, collateral arrangements are typically covered under market-standard documentation, such as International Swaps and Derivatives Association (ISDA) Agreements and Master Repurchase Agreements. The collateral received is mark-to-market on a frequency DBS and the counterparties mutually agreed upon. This is governed by internal guidelines with respect to collateral eligibility. In the event of a default, the credit risk exposure is reduced by master-netting arrangements where DBS is allowed to offset what we owe a counterparty against what is due from that counterparty in a netting-eligible jurisdiction.

Refer to Note 14 to the financial statements on page 143 for further information on financial assets and liabilities subject to netting agreement but not offset on the balance sheet.

Collateral held against derivatives generally consists of cash in major currencies and highly rated government or quasi-government bonds. Exceptions may arise in certain countries, where due to domestic capital markets and business conditions, the bank may be required to accept less highly rated or liquid government bonds and currencies. Reverse repo-transactions are generally limited to large institutions with reasonably good credit standing. The bank takes haircuts against the underlying collateral of these transactions that commensurate with collateral quality to ensure credit risks are adequately mitigated.

In times of difficulty, we will review the customer's specific situation and circumstances to assist them in restructuring their repayment liabilities. However, should the need arise, disposal and recovery processes are in place to dispose of collateral held by DBS. We also maintain a panel of agents and solicitors that helps us to dispose of non-liquid assets and specialised equipment quickly.

Collateral posted

DBS is required to post additional collateral in the event of a rating downgrade. As at 31 December 2017, for a three-notch downgrade of its Standard and Poor's Ratings Services and Moody's Investors Services ratings, DBS Bank will have to post additional collateral amounting to SGD 19 million (2016: SGD 44 million).

Other risk mitigants

DBS accepts guarantees as credit risk mitigants. Internal thresholds for considering the eligibility of guarantors for credit risk mitigation are in place.

5.3 Internal credit risk models

DBS adopts rating systems for the different asset classes under the Internal Ratings-Based Approach (IRBA).

There is a robust governance process for the development, independent validation and approval of any credit risk model. The models go through a rigorous review process before they are endorsed by the GCRMC and the Risk EXCO. They must also be approved by the BRMC before being used. The key risk measures generated by the internal credit risk rating models to quantify regulatory capital include PD, LGD and EAD. For portfolios under the Foundation IRBA, the supervisory LGD and EAD estimates are applied. For retail portfolios under the Advanced IRBA, internal estimates are used. In addition, the ratings from the credit models act as the basis for underwriting credit risk, monitoring portfolio performance and determining business strategies. The performance of the rating systems is monitored regularly by the GCRMC and the BRMC to ensure their ongoing effectiveness.

An independent risk unit conducts formal validations for the respective rating systems annually. The validation processes are also independently reviewed by Group Audit. This serves to highlight material deterioration in the rating systems for management attention.

5.3.1 Retail exposure models

Retail portfolios are categorised into the following asset classes under the Advanced IRBA: residential mortgages, qualifying revolving retail exposures and other retail exposures.

Within each asset class, exposures are managed on a portfolio basis. Each account is assigned to a risk pool, considering factors such as borrower characteristics and collateral type. Loss estimates are based on historical default and realised losses within a defined period. Default is identified at facility level.

Business-specific credit risk elements such as underwriting criteria, scoring models, approving authorities and asset quality and business strategy reviews, as well as systems, processes and techniques to monitor portfolio performance, are in place. Credit risk models for secured and unsecured portfolios are also used to update the risk level of each loan on a monthly basis, reflecting the broad usage of risk models in portfolio quality reviews.

5.3.2 Wholesale exposure models

Wholesale exposures are under the Foundation IRBA for capital computation. They include sovereign, bank and corporate. Specialised lending exposures are under the IRB supervisory slotting criteria approach.

The risk ratings for the wholesale exposures (other than securitisation exposures) are mapped to corresponding external rating equivalents.

Sovereign exposures are risk-rated using internal risk-rating models. Factors related to country-specific macroeconomic risk, political risk, social risk and liquidity risk are included in the sovereign rating models to assess the sovereign credit risk in an objective and systematic manner.

Bank exposures are assessed using the bank-rating model. The model considers both quantitative and qualitative factors such as capital levels and liquidity, asset quality, earnings, management and market sensitivity. The credit risk ratings derived are benchmarked against external credit risk ratings to ensure that the internal ratings are well-aligned and appropriately calibrated.

Large corporate credits are assessed using internal rating models. Factors considered in the risk assessment process include the counterparty's financial standing and qualitative factors such as industry risk, access to funding, market standing and management strength.

SME credit rating models consider risk factors on the counterparty's financial position and strength, as well as its account performance.

Credit risk ratings under the IRBA portfolios are, at a minimum, reviewed by designated approvers on an annual basis unless credit conditions require more frequent assessment.

A description of the internal ratings used, the corresponding external ratings and MAS classification for the various portfolios is as follows:

Grade (ACRR)	Description of rating grade	Equivalent external rating	MAS classification	
PD Grade 1	Taking into account the impact of relevant economic, social or geopolitical conditions, the borrower's capacity to meet its financial commitment is exceptional.	AAA	Pass	Performing assets
PD Grade 2	Taking into account the impact of the relevant economic, social or geopolitical conditions, the borrower's capacity to meet its financial commitment is excellent.	AA+, AA, AA-	Pass	Performing assets
PD Grade 3	More susceptible to adverse economic, social, geopolitical conditions and other circumstances. The borrower's capacity to meet its financial commitment is strong.	A+, A, A-	Pass	Performing assets
PD Grade 4A/ 4B	Adequate protection against adverse economic, social or geopolitical conditions or changing circumstances. More likely to lead to a weakened capacity for the borrower to meet its financial commitment.	BBB+/ BBB	Pass	Performing assets
PD Grade 5	Relatively worse off than a borrower rated "4B" but exhibits adequate protection parameters.	BBB-	Pass	Performing assets
PD Grade 6A/ 6B	Satisfactory capacity for the borrower to meet its financial commitment but this may become inadequate due to adverse business, financial, economic, social or geopolitical conditions and changing circumstances.	BB+/ BB	Pass	Performing assets
PD Grade 7A/ 7B	Marginal capacity for the borrower to meet its financial commitment but this may become inadequate or uncertain due to adverse business, financial, economic, social or geopolitical conditions and changing circumstances.	BB-	Pass	Performing assets

Grade (ACRR)	Description of rating grade	Equivalent external rating	MAS classification	
PD Grade 8A	Sub-marginal capacity for the borrower to meet its financial commitment. Adverse business, financial or economic conditions will likely impair its capacity or wiliness to meet its financial commitment.	B+	Pass	Performing assets
PD Grade 8B/ 8C[(a)]	Low capacity for the borrower to meet its financial commitment. Adverse business, financial or economic conditions will likely impair its capacity or wiliness to meet its financial commitment.	B/ B-	Special mention	Performing assets
PD Grade 9	Borrower is vulnerable to non-payment and is dependent upon favourable business, financial and economic conditions to meet its financial commitment. Likely to have little capacity to meet its financial commitment under adverse conditions.	CCC-C	Sub standard (non-defaulting)	Non-performing assets
PD Grade 10 and above	A borrower rated "10" and above is in default (as defined under MAS Notice 637).	D	Sub standard and below (defaulting	Non-performing assets

(a) For companies scored by the HK SME Scoring Model, in addition to the ACRR, there is a further test to evaluate whether the borrower meets the criteria of Special mention. If it does not, the ACRR can remain as 8B/ 8C but is not classified as Special mention

5.3.3 Specialised lending exposures

Specialised lending IRBA portfolios include income-producing real estate, project finance, object finance, hotel finance and commodities finance. These adopt the supervisory slotting criteria specified under Annex 7v of MAS Notice 637, which are used to determine the risk weights to calculate credit risk-weighted exposures.

5.3.4 Securitisation exposures

DBS is not active in securitisation activities that are motivated by credit risk transfer or other strategic considerations. As a result, we do not securitise our own assets, nor do we acquire assets with the view of securitising them.

We arrange securitisation transactions for our clients for fees. These transactions do not involve special-purpose entities we control. For transactions that are not underwritten, no securitisation exposures are assumed as a direct consequence of arranging the transactions. Any decision to invest in any of such arranged transactions is subject to independent risk assessment.

Where DBS provides an underwriting commitment, any securitisation exposure that arises will be held in the trading book to be traded or sold down in accordance with our internal policy and risk limits. In addition, DBS does not provide implicit support for any transactions we structure or have invested in.

We invest in our clients' securitisation transactions from time to time. These may include securitisation transactions arranged by us or other parties. We may also act as a liquidity facility provider, working capital facility provider or swap counterparty. Such exposures require the approval of the independent risk function, and are subject to regular risk reviews after they take place. We also have processes in place to monitor the credit risk of our securitisation exposures.

5.3.5 Credit exposures falling outside internal credit risk models

DBS applies the Standardised Approach (SA) for portfolios that are expected to transit to IRBA or for portfolios that are immaterial in terms of size and risk profile.
These portfolios include:

- IRBA-transitioning retail and wholesale exposures
- IRBA-exempt retail exposures
- IRBA-exempt wholesale exposures

Any identified transitioning retail and/ or wholesale exposures are expected to adopt Advanced or Foundation IRBA, subject to certification by MAS. Prior to regulatory approval, these portfolios are under SA.

The portfolios under the SA are subject to our overall governance framework and credit risk management practices. DBS continues to monitor the size and risk profile of these portfolios, and will enhance the relevant risk measurement processes if these risk exposures become material.

DBS uses external ratings for credit exposures under the SA where relevant, and we only accept ratings from Standard and Poor's, Moody's and Fitch in such cases. DBS follows the process prescribed in MAS Notice 637 to map the ratings to the relevant risk weights.

5.4 Credit risk in 2017

Concentration risk

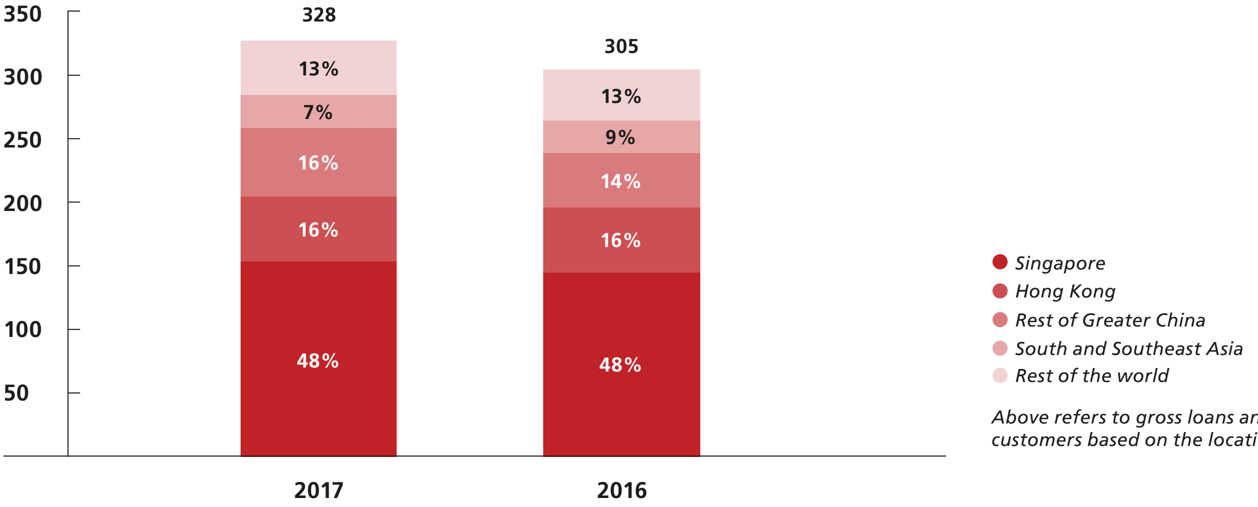
DBS' geographic distribution of customer loans has remained stable for the past year.

Our gross loans and advances to customers continue to be predominantly in our home market of Singapore, accounting for 48% of the portfolio. The portfolios for Greater China (including Hong Kong) grew while the portfolios in South and Southeast Asia declined in 2017.

Greater China saw positive loan asset growth, mainly driven by opportunities from cross-border business flows leveraging the Belt and Road Initiative (BRI) and domestic consumption-related sectors in China, while Taiwan benefited from the ANZ portfolio integration.

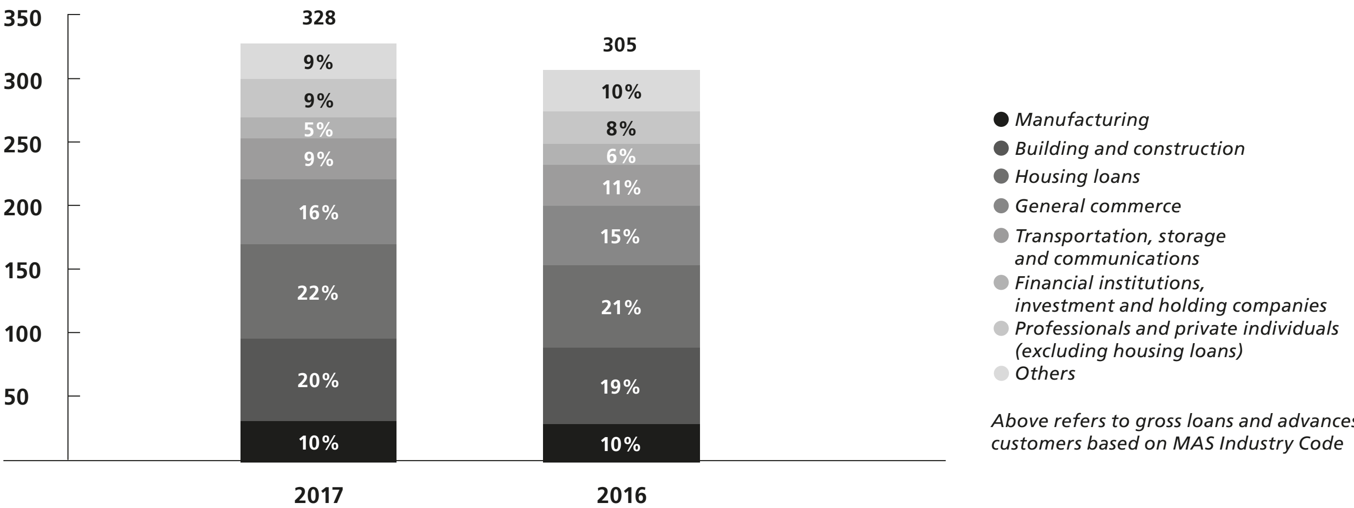
Our portfolio is well-distributed and fairly stable across various industries, with building and construction and general commerce being the largest contributors in the wholesale portfolio.

Geographical concentration (SGD billion)



Above refers to gross loans and advances to customers based on the location of incorporation

Industry concentration (SGD billion)



Above refers to gross loans and advances to customers based on MAS Industry Code

Refer to Note 41.4 to the financial statements on page 175 for DBS' breakdown of credit risk concentration.

Non-performing assets

In absolute terms, our total NPA increased by 25% from the previous year to SGD 6,070 million in 2017, due largely to our accelerated recognition of weak oil and gas support services as NPA. This has contributed to an increase in our non-performing loans (NPL) ratio from 1.4% in the previous year to 1.7% in 2017.

Refer to "CFO Statement" on page 30.

Collateral received

The tables below provide breakdowns by loan-to-value (LTV) bands for the borrowings secured by properties from the various market segments.

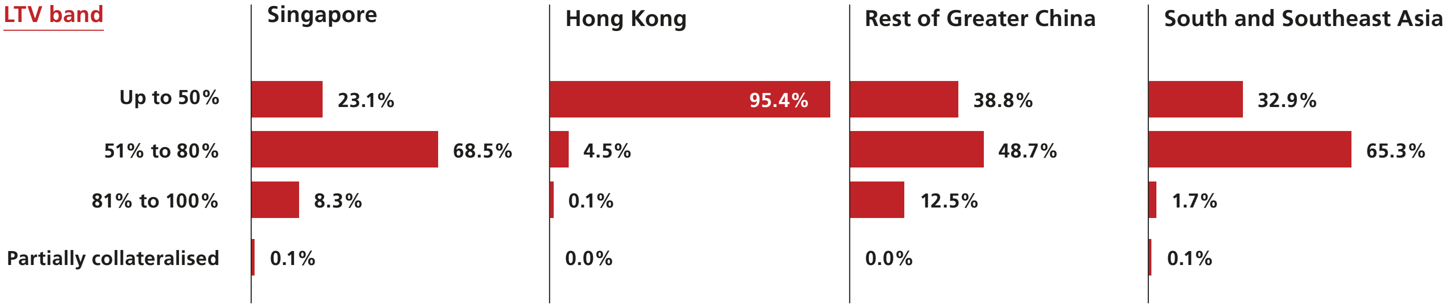
Residential mortgage loans

The LTV ratio is calculated using mortgage loans including undrawn commitments divided by the collateral value. Property valuations are determined by using a combination of professional appraisals and housing price indices.

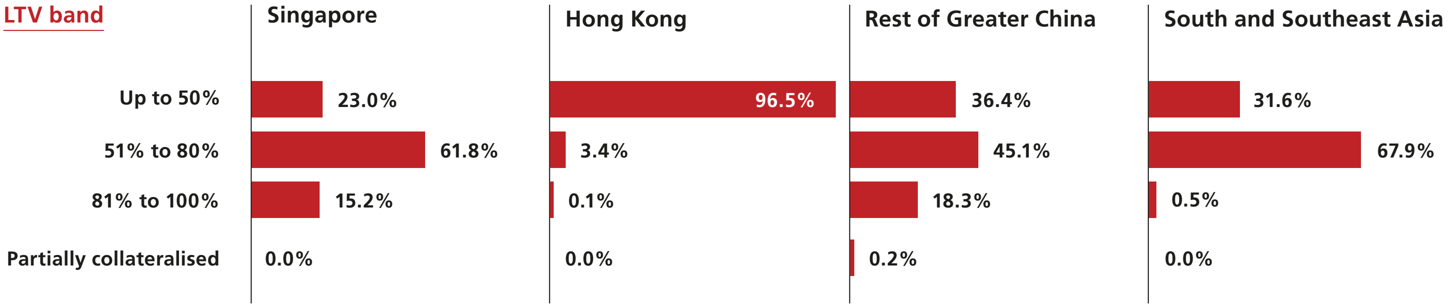
In Singapore, with new mortgage loans capped at LTV of 80% since 2010 and the Property Price Index (PPI) for private properties having increased by 1% over the year, there was an approximate 7% shift in the proportion of mortgage exposure with LTV > 80% to the LTV < 80% bands.

Percentage of residential mortgage loans (breakdown by LTV band and geography)

As at 31 December 2017



As at 31 December 2016



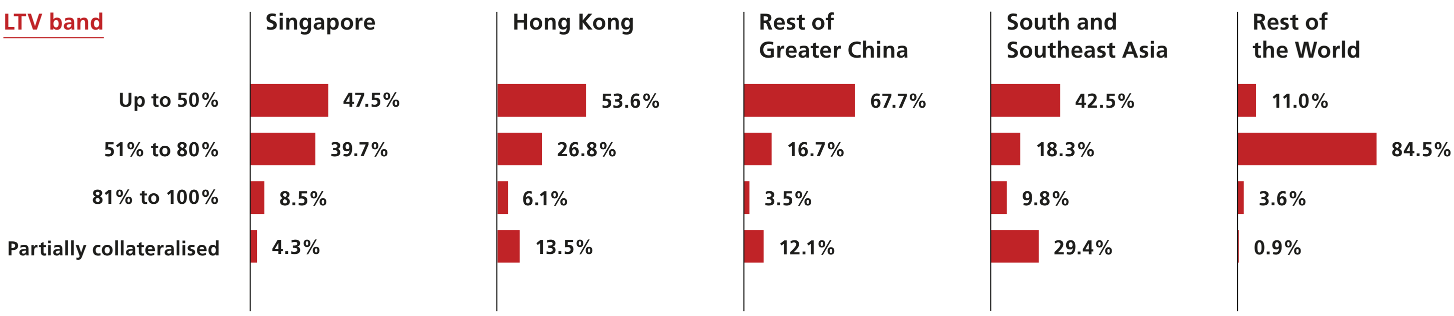
Loans and advances to corporates secured by property

These loans are extended for the purpose of acquisition and/ or development of real estate, as well as for general working capital. 92% of our loans were fully collateralised, as compared to 90% in 2016. Majority of these loans have LTV < 80%. Our property loans are mainly concentrated in Singapore and Hong Kong, which together accounted for 83% of the total property loans.

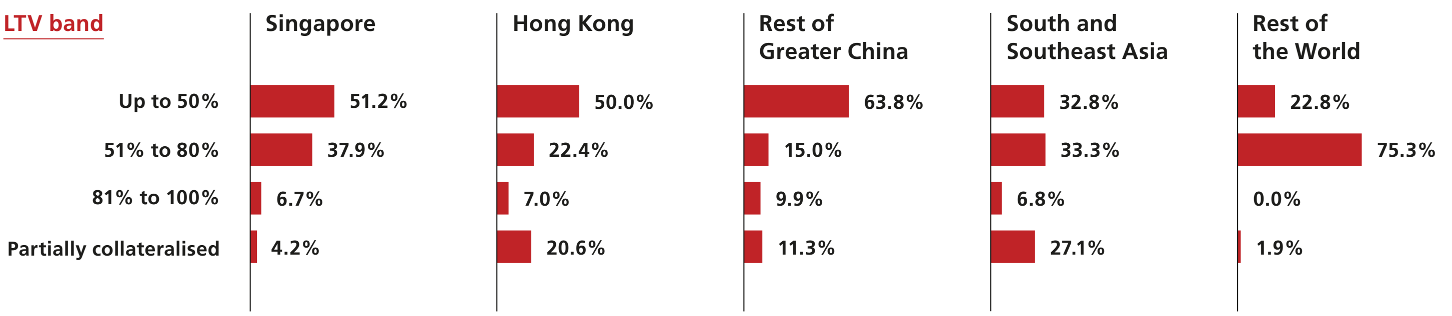
The LTV ratio is calculated as loans and advances divided by the value of property, including other tangible collaterals that secure the same facility. The latter includes cash, marketable securities, bank guarantees, vessels, and aircrafts. Where collateral assets are shared by multiple loans and advances, the collateral value is pro-rated across the loans and advances secured by the collateral.

Percentage of loans and advances to corporates secured by property (breakdown by LTV band and geography)

As at 31 December 2017



As at 31 December 2016



Loans and advances to banks

In line with market convention, loans and advances to banks are typically unsecured. DBS manages the risk of such exposures by keeping tight control of the exposure tenor, selection of bank counterparties and monitoring of their credit quality.

Derivatives counterparty credit risk by markets and settlement methods

DBS continues to manage our derivatives counterparty risk exposures with netting and collateral arrangements, thereby protecting our balance sheet in the event of counterparty defaulting.

A breakdown of our derivatives counterparty credit risk by markets (OTC versus exchange-traded) and settlement methods (cleared through a central counterparty versus settled bilaterally) can be found below.

Notional OTC and exchange-traded products

In notional terms, SGD million	As at 31 Dec 2017
OTC derivatives cleared through a central counterparty	823,742
OTC derivatives settled bilaterally	1,131,247
Total OTC derivatives	1,954,989
Exchange-traded derivatives	20,978
Total derivatives	1,975,967

Refer to Note 37 to the financial statements on page 162 for a breakdown of the derivatives positions held by DBS.

6 Market risk

Our exposure to market risk is categorised into:

Trading portfolios:

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

Non-trading portfolios:

Arising from (i) positions taken to manage the interest rate risk of our Institutional Banking and Consumer Banking assets and liabilities, (ii) equity investments comprising investments held for yield and/ or long-term capital gains, (iii) strategic stakes in entities and (iv) structural foreign exchange risk arising mainly from our strategic investments, which are denominated in currencies other than the Singapore Dollar.

We use a variety of financial derivatives such as swaps, forwards and futures, and options for trading and hedging against movements in interest rates, foreign exchange rates, equity prices and other market risks of our (i) investments, (ii) maturity mismatches between loans and deposits, (iii) structured product issuances, and (iv) other assets and liabilities.

6.1 Market risk management at DBS

DBS' approach to market risk management comprises the following building blocks:

- **Policies**
- **Risk methodologies**
- **Processes, systems and reports**

Policies

The Market Risk Management Policy sets our overall approach towards market risk management, while the Market Risk Management Standard establishes the basic requirements for the said management within DBS.

The Market Risk Management Guide complements the Market Risk Management Standard by providing more details regarding specific subject matters. Both the Market Risk Management Standard and Market Risk Management Guide facilitate the identification, measurement, control, monitoring and reporting of market risk in a consistent manner. They also set out the overall approach, standards and controls governing market risk stress testing across DBS.

The criteria for determining the positions to be included in the trading book are stipulated in the Trading Book Policy Statement.

Risk methodologies

Value-at-Risk (VaR) is a method that computes the potential losses of risk positions as a result of market movement over a specified time horizon and according to a given level of confidence.

Our VaR model is based on historical simulation with a one-day holding period. We use Expected Shortfall (ES), which is the average of potential loss beyond a given level of confidence, to monitor and limit market risk exposures, as well as monitor net open positions net of hedges. The market risk economic capital that is allocated by the BRMC is linked to ES by a multiplier. ES is supplemented by risk control metrics such as sensitivities to risk factors and loss triggers for management action.

DBS conducts backtesting to verify the predictiveness of the VaR model. Backtesting compares VaR calculated for positions at the close of each business day with the profit and loss (P&L) that actually arises from those positions on the following business day. The backtesting P&L excludes fees and commissions, and revenues from intra-day trading.

For backtesting, VaR at the 99% level of confidence and over a one-day holding period is used. We adopt the standardised approach to compute market risk regulatory capital under MAS Notice 637 for the trading book positions. As such, VaR backtesting does not impact our regulatory capital for market risk.

VaR models allow us to estimate the aggregate portfolio market risk potential loss due to a range of market risk factors and instruments. However, there are limitations to VaR models; for example, past changes in market risk factors may not provide accurate predictions of future market movements, and the risk arising from adverse market events may be understated.

To monitor DBS' vulnerability to unexpected but plausible extreme market risk-related events, we conduct multiple market risk stress tests regularly. These cover trading and non-trading portfolios and follow a combination of historical and hypothetical scenarios depicting risk-factor movement.

ES and Net Interest Income (NII) variability are the key risk metrics used to manage our assets and liabilities. As an exception, credit risk arising from loans and receivables is managed under the credit risk management framework. We also manage banking book interest rate risk arising from mismatches in the interest rate profiles of assets, liabilities and capital instruments (and associated hedges), which includes basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risk and embedded optionality. Behavioural assumptions are applied when managing the interest rate risk of banking book deposits with indeterminate maturities. DBS measures interest rate risk in the banking book on a weekly basis.

Processes, systems and reports

Robust internal control processes and systems have been designed and implemented to support our market risk management approach. DBS reviews these control processes and systems regularly, and these reviews allow senior management to assess their effectiveness.

The RMG Market and Liquidity Risk unit – an independent market risk management function reporting to the CRO – monitors, controls and analyses DBS' market risk daily. The unit comprises risk control, risk analytics, production and reporting teams.

6.2 Market risk in 2017

DBS' ES considers the market risks of both the trading and banking books. Our ES (based on a 97.5% level of confidence) is tabulated below. The period-end, average, high and low ES are shown.

1 Jan 2017 to 31 Dec 2017				
SGD million	As at 31 Dec 2017	Average	High	Low
Total	104	112	146	80

1 Jan 2016 to 31 Dec 2016				
SGD million	As at 31 Dec 2016	Average	High	Low
Total	89	98	112	84

DBS' major market risk driver is interest rate risk in the trading and banking books. The average ES for 2017 was higher than 2016 mainly due to updates to models used to measure interest rate risks in the banking book. The following table shows the period-end, average, high and low diversified ES and ES by risk class for Treasury's trading portfolios. The ES reported below are based on a 97.5% level of confidence.

1 Jan 2017 to 31 Dec 2017				
SGD million	As at 31 Dec 2017	Average	High	Low
Diversified	16	21	29	13
Interest rates	15	16	20	14
Foreign exchange	5	5	16	3
Equity	1	1	1	#
Credit spread	4	14	24	4
Commodity	#	#	1	#

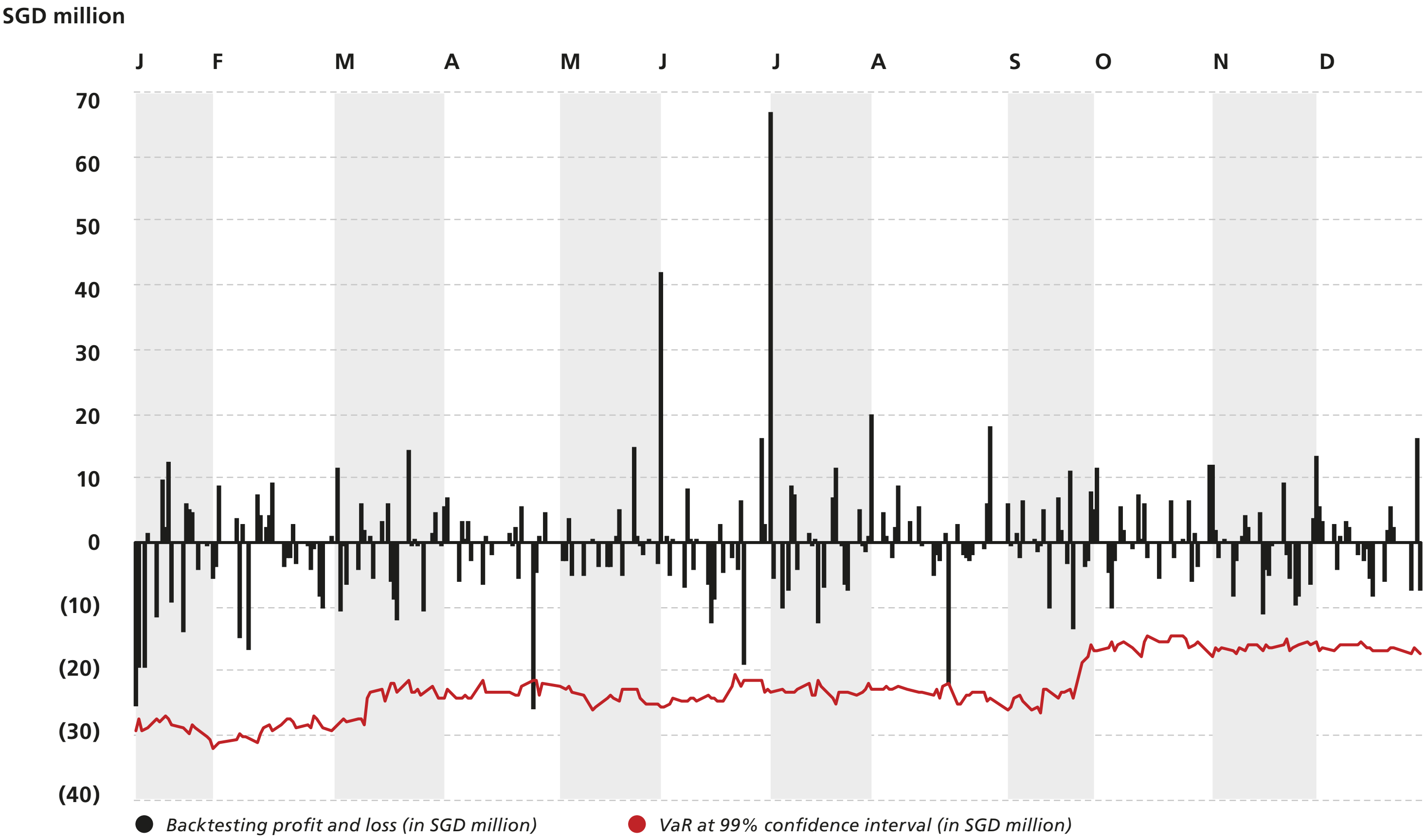
 # Amount under SGD 500,000

1 Jan 2016 to 31 Dec 2016				
SGD million	As at 31 Dec 2016	Average	High	Low
Diversified	26	21	31	14
Interest Rates	16	18	27	14
Foreign Exchange	10	12	18	7
Equity	1	2	3	1
Credit Spread	18	11	19	6
Commodity	#	#	1	#

 # Amount under SGD 500,000

At DBS, the main risk factors driving Treasury's trading portfolios in 2017 were interest rates, foreign exchange and credit spreads. Treasury's trading portfolios' average diversified ES remained relatively flat compared to 2016.

Treasury's trading portfolios experienced two backtesting exceptions occurred in April and August 2017. These were largely due to volatile credit and bond spreads in April 2017 and valuation adjustments carried out at the end of August 2017.



The key market risk drivers of our non-trading portfolios are Singapore Dollar and US Dollar interest rate positions. The economic value impact of changes in interest rates was assessed with plausible rates movements and characteristics of the non-trading portfolio assets and liabilities. The economic value changes based on the worse of an upward or downward parallel shift in the yield curve of 100 basis points and 200 basis points were negative SGD 1,221 million and negative SGD 2,311 million (2016: negative SGD 156 million and SGD 239 million) respectively. The decline in embedded value in 2017, assuming a rise in interest rates, was mainly due to refinement of behavioural assumptions of key assets and liabilities such as current and saving accounts and residential mortgages.

7 Liquidity risk

DBS' liquidity risk arises from our obligations to honour withdrawals of deposits, repayments of borrowed funds at maturity and our commitments to extend loans to our customers. We seek to manage our liquidity to ensure that our liquidity obligations will continue to be honoured under normal as well as adverse circumstances.

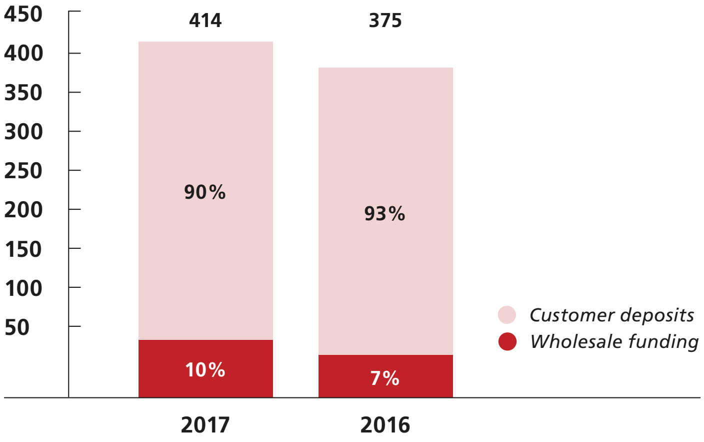
7.1 Liquidity risk management at DBS

Liquidity management and funding strategy

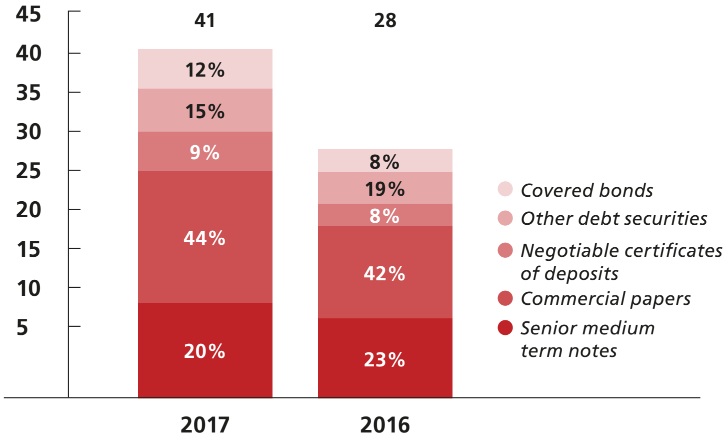
DBS strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. Our funding strategy is anchored on strengthening our core deposit franchise as the foundation of our long-term funding advantage.

Customer deposits grew by SGD 26 billion in 2017, of which current and savings deposits, which are favourable for the liquidity coverage ratio and net stable funding ratio, were the main drivers of growth.

Funding sources (SGD billion)



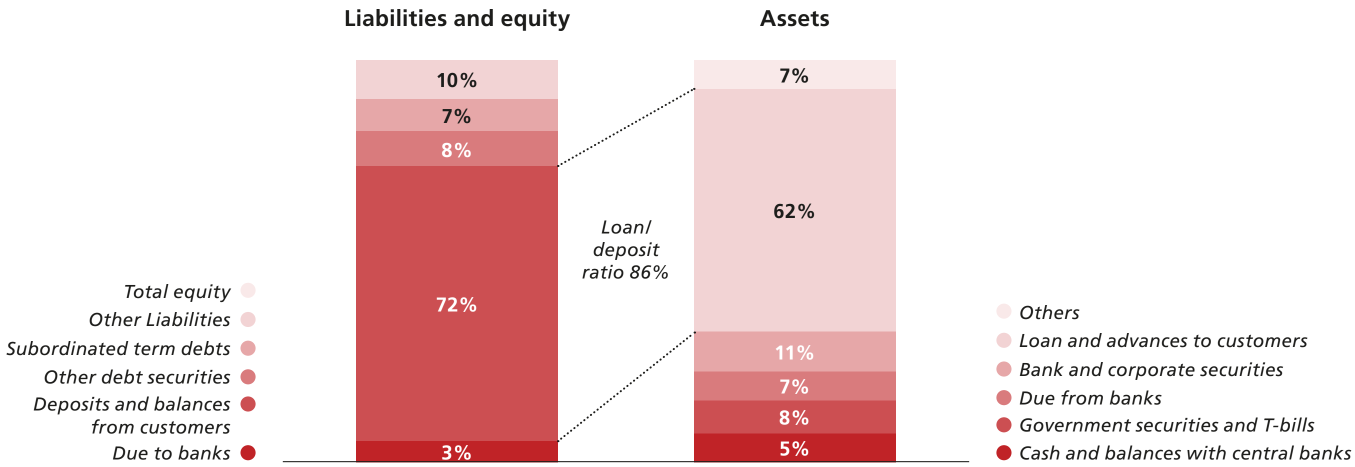
Wholesale funding breakdown (SGD billion)



DBS aims to ensure continuous access to the investor base for capital and senior wholesale funding to support our commercial banking activities. We look for cost efficiencies over the long term and market extensively, focusing on Singapore Dollar, the US Dollar, the Euro, the Australian Dollar and the Hong Kong Dollar as our key issuance currencies. Capital instruments are primarily issued from DBS Group Holdings Ltd (DBSH) while covered bonds originate from DBS Bank Ltd. Senior notes are issued from both DBSH and the Bank as required, although DBSH is currently the only active issuer of public senior benchmarks.

The Asset, an industry journal, recognized us as Best Financial Issuer in Asia for the second year in a row. This was welcome recognition of ongoing efforts to widen our investor base and engage in new products. A notable transaction in 2017 was our second foray that year into the EUR covered bond space at a yield 1 basis point below the benchmark interest swap curve for a 7-year issuance.

The diagrams below show our asset funding structure as at 31 December 2017.



Refer to Note 30 to the financial statements on page 154 for more details of our wholesale funding sources and Note 42.1 on page 177 for the contractual maturity profile of our assets and liabilities.

With increasing diversification of funding sources, optimising the mismatch in fund deployment against sources with respect to pricing, size, currency and tenor remains challenging. To this end, where practicable and transferable without loss in value, we make appropriate use of the swap markets for different currencies, commensurate with the liquidity of each, in the conversion and deployment of surplus funds across locations.

As these swaps typically mature earlier than loans, we are exposed to potential cash flow mismatches arising from the risk that counterparties may not roll over maturing swaps with us to support the continual funding of loans. We mitigate this risk by setting triggers on the number of swaps transacted with the market and making conservative assumptions on the cash flow behaviour of swaps under our cash flow maturity gap analysis (refer to Section 7.2 on page 87).

Overseas locations are encouraged but not required to centralise the majority of their borrowing and deployment of funds with our head office, taking into account the relevant regulatory restrictions while maintaining a commensurate level of presence and participation in the local funding markets.

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

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

Approach to liquidity risk management

DBS' approach to liquidity risk management comprises the following building blocks:

- **Policies**
- **Risk methodologies**
- **Processes, systems and reports**

Policies

The Group Liquidity Risk Management Policy sets our overall approach towards liquidity risk management and describes the range of strategies DBS employs to manage our liquidity.

These strategies include maintaining an adequate counterbalancing capacity to address potential cash flow shortfalls and having diversified sources of liquidity.

DBS' counterbalancing capacity includes liquid assets, the capacity to borrow from the money markets (including the issuance of commercial papers and covered bonds), and forms of managerial interventions that improve liquidity. In the event of a potential or actual crisis, we have in place a set of liquidity contingency and recovery plans to ensure that we maintain adequate liquidity.

The Group Liquidity Risk Management Policy is supported by Standards that establish the detailed requirements for liquidity risk identification, measurement, reporting and control within DBS. The set of Policies, Standards and supporting Guides communicate these baseline requirements to ensure consistent application throughout DBS.

Risk methodologies

The primary measure used to manage liquidity within the tolerance defined by the Board is cash flow maturity mismatch analysis.

This form of analysis is performed on a regular basis under normal and adverse scenarios. It assesses the adequacy of our counterbalancing capacity to fund or mitigate any cash flow shortfalls that may occur as forecasted in the cash flow movements across successive time bands. To ensure that liquidity is managed in line with our Risk Appetite, core parameters such as the types of scenarios, the survival period and the minimum level of liquid assets, are pre-specified for monitoring and control on a group-wide basis. Any occurrences of forecasted shortfalls that cannot be covered by our counterbalancing capacity will be escalated to the relevant committees for evaluation and action.

Liquidity risk stress testing is performed regularly using cash flow maturity mismatch analysis, and covers adverse scenarios including general market and idiosyncratic stress scenarios. Stress tests assess our vulnerability when liability run-offs increase, asset rollovers increase and/ or liquid asset buffers decrease. In addition, ad hoc stress tests are performed as part of our recovery planning and ICAAP exercises.

Liquidity risk control measures such as liquidity-related ratios and balance sheet analysis are complementary tools for cash flow maturity mismatch analysis, and they are performed regularly to obtain deeper insights and finer control over our liquidity profile across different locations. The liquidity risk control measures also include concentration measures regarding top depositors, wholesale borrowing and swapped funds ratios.

Processes, systems and reports

Robust internal control processes and systems support our overall approach in identifying, measuring, aggregating, controlling and monitoring liquidity risk across DBS.

Continuous improvement in data and reporting platforms has allowed most elements of internal liquidity risk reporting to be centralised.

The RMG Market and Liquidity Risk unit manages the day-to-day liquidity risk monitoring, control reporting and analysis.

7.2 Liquidity risk in 2017

DBS actively monitors and manages our liquidity profile through cash flow maturity mismatch analysis.

In forecasting cash flow under the analysis, behavioural profiling is necessary in cases where a product has indeterminate maturity or the contractual maturity does not realistically reflect the expected cash flow.

Two examples are maturity-indeterminate savings and current account deposits, which are generally viewed as sources of stable funding for commercial banks. In fact, they consistently exhibit stability even under historical periods of stress. A conservative view is adopted in the behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the contractual maturity profile shown under Note 42.1 of our financial statements on page 177.

The table below shows our behavioural net and cumulative maturity mismatch between assets and liabilities over a one-year period, in a normal scenario without incorporating growth projections. DBS' liquidity was observed to remain adequate in the maturity mismatch analysis. In 2017, the counterbalancing capacity comprising holdings in liquid assets grew significantly, resulting in an improvement in the overall cumulative mismatch.

SGD million[(a)]	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year
As at 31 Dec 2017 Net liquidity mismatch	10,218	7,789	(5,203)	15,252	10,963
Cumulative mismatch	10,218	18,007	12,804	28,056	39,019
As at 31 Dec 2016[(b)] Net liquidity mismatch	14,298	(1,763)	(7,108)	3,576	9,901
Cumulative mismatch	14,298	12,535	5,427	9,003	18,904

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

7.3 Liquid assets

Liquid assets are assets that are readily available and can be easily monetised to meet obligations and expenses under times of stress.

Such assets are internally defined under the governance of the relevant oversight committees, taking into account asset class, issuer type and credit rating, among other criteria, before they are reflected as available funds through cash flow maturity mismatch analysis. DBS' Treasury function expects to be able to operationally monetise our pool of liquid assets to meet liquidity shortfalls when the need arises. These liquid assets must be unencumbered and free of any legal, regulatory, contractual or other restrictions.

In practice, liquid assets are maintained in key locations and currencies to ensure that operating entities in such locations possess a degree of self-sufficiency to support business needs and guard against contingencies. The main portion of our liquid assets is centrally maintained in Singapore to support liquidity needs in smaller overseas subsidiaries and branches. Internally, DBS sets a requirement to maintain its pool of liquid assets above a minimum level as a source of contingent funds, taking into account regulatory recommended liquid asset levels as well as internally projected stress shortfalls under the cash flow maturity mismatch analysis.

The table below shows DBS' encumbered and unencumbered liquid assets by instrument and counterparty against other assets in the same category under the balance sheet. The figures are based on the carrying amount at the balance sheet date.

	Liquid assets				Others[(d)]	Total
SGD million	Encumbered	Unencumbered	Total [1]	Average[(c)]	[2]	[1] + [2]
As at 31 Dec 2017 Cash and balances with central banks[(a)]	7,770	8,944	16,714	15,910	9,749	26,463
Due from banks[(b)]	–	15,478	15,478	11,798	20,497	35,975
Government securities and treasury bills	2,576	37,039	39,615	40,515	138	39,753
Banks and corporate securities	386	46,406	46,792	43,796	8,797	55,589
Total	10,732	107,867	118,599	112,019	39,181	157,780

(a) Unencumbered balances with central banks comprise holdings that are unrestricted and available overnight. The encumbered portion represents the mandatory balances held with central banks, which includes a minimum cash balance (MCB) amount that may be available for use under a liquidity stress situation. The "Others" portion include term placements with central banks
(b) Liquid assets comprise nostro accounts and eligible certificates of deposits
(c) Total liquid assets reflected on an average basis over the four quarters in 2017
(d) "Others" refer to assets that are not recognised as part of the available pool of liquid assets for liquidity management under stress due to (but not limited to) inadequate or non-rated credit quality, operational challenges in monetisation (e.g. holdings in physical scrips), and other considerations

In addition to the above table, collateral received in reverse repo-transactions amounting to SGD 4,631 million were recognised for liquidity management under stress. It can be observed from the table that our funding strategy in the normal course of business does not rely on collateralised wholesale funding. Instead, liquid assets are usually maintained only as a source of contingent funding.

7.4 Regulatory requirements

Under MAS' Notice to Banks No. 649 "Minimum Liquid Assets (MLA) and Liquidity Coverage Ratio (LCR)" (MAS Notice 649), DBS, as a domestic bank incorporated and headquartered in Singapore, is required to comply with the LCR standards. In 2017, Group LCR was maintained well above the minimum LCR requirements under MAS Notice 649. Based on our internal assessment and participation in the Quantitative Impact Studies by the Basel Committee on Banking Supervision, DBS has met the minimum standards of the Basel III Net Stable Funding Ratio (NSFR), which had been implemented on 1 January 2018.

8 Operational risk

Operational risk is inherent in our business activities and it may arise from inadequate or failed internal processes, people, systems, or external events. DBS' objective is to keep operational risk at appropriate levels, taking into account the markets we operate in, the characteristics of the businesses as well as our economic and regulatory environment.

8.1 Operational risk management at DBS

DBS' approach to operational risk management comprises the following building blocks:

Policies
Risk methodologies
Processes, systems and reports

Policies

The Group Operational Risk Management (ORM) Policy sets our overall approach for managing operational risk in a structured, systematic and consistent manner.

There are policies, standards, tools and programmes in place to govern ORM practices across DBS. These include corporate operational risk policies and standards that are owned by the respective corporate oversight and control functions. The key policies address risk areas relating to technology, compliance, fraud, money laundering, financing of terrorism and sanctions, new product and outsourcing.

Risk methodologies

DBS adopts the standardised approach to compute operational risk regulatory capital.

To manage and control operational risk, we use various tools, including risk and control self-assessment, operational risk event management and key risk indicator monitoring.

In 2017, our three lines of defence completed an alignment of the operational risk management and assessment approaches, and adopted one common risk universe to manage operational risks. Risk and control self-assessment is conducted by each business or support unit to identify key operational risk and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues.

Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact DBS' reputation, must be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward-looking manner.

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

Technology risk
Information Technology (IT) risk is managed through an enterprise technology risk approach. This covers risk governance, communication, monitoring, assessment, mitigation and acceptance, and is supported by a set of IT policies and standards, control processes and risk mitigation programmes.

We have also established policies and standards to manage and address cyber security risk. To enhance the management of this risk, we have appointed a Chief Information Security Officer who is responsible for our cyber security risk management strategy and programme.

Compliance risk
Compliance risk refers to the risk of DBS not being able to successfully conduct our business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and professional conduct applicable to the financial sector.

This includes, in particular, laws and regulations applicable to the licensing and conducting of banking or other financial businesses, financial crime such as anti-money laundering and countering the financing of terrorism, fraud and bribery/ corruption. We maintain a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

DBS also provides relevant training and implements assurance processes. We strongly believe in the need to promote a strong compliance culture as well, and this is developed through the leadership of our Board and senior management.

Fraud risk
DBS has established minimum standards for our business and support units to prevent, detect, investigate and remediate fraud and related events. This is based on the Fraud Management Programme, through which standards are implemented at the unit and geographical levels. These standards aim to provide end-to-end management for fraud and related issues within DBS.

Money laundering, financing of terrorism and sanctions risks
There are minimum standards for our business and support units to mitigate and manage our actual and/ or potential exposure to money laundering, terrorist financing, sanctions, corruption, or other illicit financial activities. Accountabilities have also been established for the protection of DBS' assets and reputation, as well as the interests of our customers and shareholders.

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

Other mitigation programmes
To manage business disruptions effectively, business continuity management is vital as part of DBS' risk mitigation programme.

A robust crisis management and business continuity management programme is in place within essential business services for unforeseen events. Planning for business resilience includes the identification of key business processes via Business Impact Analysis as well as the documentation and maintenance of our Business Continuity Plan (BCP).

DBS' BCP aims to minimise the impact of business interruption stemming from severe loss scenarios, and provide a reasonable level of service until normal business operations are resumed. Within the crisis management structure, we have in place an incident management process, which provides guidance on incident severity assessment, roles and responsibilities of process owners and escalation protocols for the effective management of a crisis.

Exercises are conducted annually, simulating different scenarios to test our BCPs and crisis management protocol. These scenarios include technology issues affecting essential banking services across DBS, natural disasters with wide geographical impact, safety-at-risk incidents (e.g. terrorism) and other events leading to significant business disruption. The effectiveness of these exercises, as well as DBS' business continuity readiness, our alignment to regulatory guidelines and our disclosure of residual risks, are communicated and attested by senior management to the BRMC on an annual basis.

To mitigate losses from specific unexpected and significant event risks, DBS purchases group-wide insurance policies – under the Group Insurance Programme – from third-party insurers. DBS has acquired insurance policies relating to crime and professional indemnity; Director and officer liability; property damage and business interruption; general liability; and terrorism.

Processes, systems and reports

Robust internal control processes and systems are integral to identifying, monitoring, managing and reporting operational risk.

All units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the various frameworks and policies. The RMG Operational Risk unit and other corporate oversight and control functions:

- oversee and monitor the effectiveness of operational risk management,
- assess key operational risk issues with the units, and
- report and/ or escalate key operational risks to risk committees with recommendations on appropriate risk mitigation strategies.

DBS has developed an integrated governance, risk and compliance system with aligned risk assessment methodology, common taxonomy and unified processes for the three lines of defence. We will complete the full implementation in 2018.

8.2 Operational risk in 2017

The total operational risk losses in 2017 decreased to SGD 15 million (0.12% of DBS' total operating income), from SGD 23 million (0.20%) in 2016. The losses may be categorised into the following seven Basel risk event categories:

	2017		2016	
Basel risk event types	**SGD million**	**%**	**SGD million**	**%**
Execution, delivery and process management (EDPM)	**7.72**	**51%**	**2.90**	**13%**
External fraud	**6.43**	**43%**	**13.42**	**60%**
Business disruption and system failures	**0.47**	**3%**	**0.06**	**0%**
Clients, products and business practices	**0.38**	**3%**	**5.33**	**23%**
Damage to physical assets	**0**	**0%**	**0.91**	**4%**
Internal fraud	**0**	**0%**	**0.09**	**0%**
Employment practices and workplace safety	**0**	**0%**	**0**	**0%**
Total(1)	**15.00**	**100%**	**22.71(2)**	**100%**

Notes
(1) Reportable operational risk events are those with net loss greater than SGD 10,000 and are reported based on the date of detection
(2) Adjusted to account for updates such as subsequent recoveries and additional costs (e.g. legal expenses) incurred after 2016

EDPM and external fraud accounted for 94% of our total losses in 2017. EDPM, which comprised mainly processing errors, accounted for the highest share and was largely attributable to one risk incident.

9 Reputational risk

DBS views reputational risk as an outcome of any failure to manage risks in our day-to-day activities/ decisions, and from changes in the operating environment. These risks include:

- Financial risk (credit, market and liquidity risks)
- Inherent risk (operational and business/ strategic risks)

9.1 Reputational risk management at DBS

DBS' approach to reputational risk management comprises the following building blocks:

Policies
Risk methodologies
Processes, systems and reports

Policies

DBS adopts a four-step approach for reputational risk management, which is to prevent, detect, escalate and respond to reputational risk events.

As reputational risk is a consequence of the failure to manage other risk types, the definitions and principles for managing such risks are articulated in the respective risk policies. These are reinforced by sound corporate values that reflect ethical behaviours and practices throughout DBS.

At DBS, we have policies in place to protect the consistency of our brand and to safeguard our corporate identity and reputation.

Risk methodologies

Under the various risk policies, we have established a number of mechanisms for ongoing risk monitoring.

These mechanisms take the form of risk limits, key risk indicators and other operating metrics, and includes the periodic risk and control self-assessment process. Apart from observations from internal sources, alerts from external parties/ stakeholders also serve as an important source to detect potential reputational risk events. In addition, there are policies relating to media communications, social media and corporate social responsibility to protect DBS' reputation. There are also escalation and response mechanisms in place for managing reputational risk.

While the respective risk policies address the individual risk types, the Reputational Risk Policy focuses specifically on our stakeholders' perception of how well DBS manages its reputational risks. Stakeholders include customers, government agencies and regulators, investors, rating agencies, business alliances, vendors, trade unions, the media, the general public, the Board and senior management, and DBS' employees.

We recognise that creating a sense of shared value through engagement with key stakeholder groups is imperative for our brand and reputation.

Read more about our stakeholder engagement on page 28.

Processes, systems and reports

Our units are responsible for the day-to-day management of reputational risk, and ensure that processes and procedures are in place to identify, assess and respond to this risk. Events affecting DBS' reputational risk are also included in our reporting of risk profiles to senior management and Board-level committees.

9.2 Reputational risk in 2017

DBS' priority is to prevent the occurrence of a reputational risk event, instead of taking mitigating action when it occurs. There were no significant reputational risk incidents endangering the DBS franchise in 2017.

Capital management and planning

Objective

The Board of Directors (Board) is responsible for setting our capital management objective, which is to maintain a strong capital position consistent with regulatory requirements under the Monetary Authority of Singapore (MAS) Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" (MAS Notice 637) and the expectations of various stakeholders including 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. Our dividend policy is to pay sustainable dividends over time, consistent with our capital management objective and long-term growth prospects. In line with our dividend policy, the Board has recommended a final dividend of SGD 0.60 per ordinary share, bringing the total ordinary dividend for the year to SGD 0.93. The Board has also recommended a special dividend of SGD 0.50 per ordinary share, bringing the total dividend for the year to SGD 1.43. The Scrip Dividend Scheme will not be applied to the final nor special dividend. Barring unforeseen circumstances, we are also raising the ordinary dividend to SGD 1.20 per share in respect of the 2018 financial year.

Process

Our 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 our current and projected capital position. A key tool for capital planning is the annual Internal Capital Adequacy Assessment Process (ICAAP) through which we assess our projected capital supply and demand relative to regulatory requirements and our capital targets. The ICAAP has a three-year horizon and covers various scenarios, including stress scenarios of differing scope and severity.

Capital capacity is allocated on two dimensions: by business line and by entity. Capital allocations by business line are set as part of the budget process and monitored during the year. Return on regulatory capital is one of several metrics used to measure business performance. Capital allocations by entity seek to optimise the distribution of capital resources across entities, taking into account the capital adequacy requirements imposed on each subsidiary in its respective jurisdiction. Capital is allocated to ensure that each subsidiary is able to comply with regulatory requirements as it executes its business strategy in line with our strategy. During the course of the year, these subsidiaries did not experience any impediments to the distribution of dividends.

Capital structure

We manage our capital structure in line with our capital management objective and seek to optimise the cost and flexibility offered by various capital resources. In order to achieve this, we assess the need and the opportunity to raise or retire capital. The following capital transactions were undertaken during the year.

Common Equity Tier 1 capital

- DBS Group Holdings Ltd, on 20 June 2017, issued 13,089,924 ordinary shares pursuant to the Scrip Dividend Scheme in respect of the final dividend for the year ended 31 December 2016. This added SGD 267 million to ordinary share capital.
- DBS Group Holdings Ltd, on 27 September 2017, issued 1,884,425 ordinary shares pursuant to the Scrip Dividend Scheme in respect of the interim dividend for the year ended 31 December 2017. This added SGD 39 million to ordinary share capital.

Refer to Note 32 to the financial statements for details on the movement of share capital and treasury shares during the year.

Additional Tier 1 capital

- None

Tier 2 capital

- DBS Bank Ltd., on 21 February 2017, redeemed the outstanding SGD 1,000 million 3.3% Subordinated Notes due 2022 Callable with Step-up in 2017.
- DBS Bank Ltd., on 21 September 2017, redeemed the outstanding USD 750 million 3.625% Subordinated Notes due 2022 Callable with Step-up in 2017.
- Pursuant to a notice of redemption issued on 16 January 2018, DBS Bank Ltd. will on 14 February 2018 redeem the outstanding SGD 508 million 3.1% Subordinated Notes due 2023 Callable with Step-up in 2018.

Refer to Notes 31, 33 and 35 to the financial statements as well as the Pillar 3 disclosures (http://www.dbs.com/investor/index.html) for the terms of the capital instruments that are included in Eligible Total Capital.

The table below analyses the movement in Common Equity Tier 1, Additional Tier 1 and Tier 2 capital during the year.

Statement of changes in regulatory capital for the year ended 31 December 2017

	SGD million
Common Equity Tier 1 capital	
Opening amount	39,416
Issue of shares pursuant to Scrip Dividend Scheme	306
Profit for the year (attributable to shareholders)	4,371
Dividends paid to shareholders[1]	(1,681)
Cost of share-based payments	110
Movements in other comprehensive income, including available-for-sale revaluation reserves	(257)
Transitional arrangements and others	(1,095)
Closing amount	41,170
Common Equity Tier 1 capital	41,170
Additional Tier 1 capital	
Opening amount	1,493
Movements in Additional Tier 1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	(386)
Transitional arrangements and others	1,148
Closing amount	2,255
Tier 1 capital	43,425
Tier 2 capital	
Opening amount	4,118
Movements in Tier 2 capital instruments	(15)
Movements in Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	(1,630)
Movement in provisions eligible as Tier 2 capital	(302)
Transitional arrangements and others	2
Closing amount	2,173
Total capital	45,598

Note:

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

Capital adequacy ratios

As at 31 December 2017, our Basel III fully phased-in Common Equity Tier 1 (CET1) capital adequacy ratio (CAR), calculated by dividing CET1 capital, after all regulatory adjustments, by the prevailing risk-weighted assets (RWA), was 13.9% which was above our target ratio of around 13.0%. The transition period for regulatory adjustments ended on 1 January 2018, which means the disclosed CET1 ratio will henceforth be the same as the fully phased-in ratios. As at 31 December 2017, our fully phased-in CET1 ratio, as well as our Tier 1 and Total CARs, comfortably exceeded the eventual minimum CAR requirements under MAS Notice 637, effective from 1 January 2019, of 9.0%, 10.5% and 12.5% respectively (this includes the capital conservation buffer but excludes the countercyclical capital buffer). Our ratios also exceeded the MAS transitional minimum requirements, as of 31 December 2017, for CET1, Tier 1 and Total CAR (including applicable capital conservation buffer and countercyclical buffer) of 8.0%, 9.5% and 11.5% respectively.

We are also well-positioned to comply with leverage ratio requirements. Our consolidated leverage ratio stood at 7.6%, well above the 3.0% minimum ratio set by the MAS effective 1 January 2018.

Refer to "Five-Year Summary" on page 200 for the historical trend of Tier 1 and Total CAR. Refer to http://www.dbs.com/investor/index.html for DBS' Pillar 3 disclosures which set out details on our RWA.

SGD million	**2017**	**2016**
Share capital	11,205	10,899
Disclosed reserves and others	34,455	31,930
Total regulatory adjustments to Common Equity Tier 1 capital	(4,490)	(3,413)
Common Equity Tier 1 capital	41,170	39,416
Additional Tier 1 capital instruments	3,375	3,761
Total regulatory adjustments to Additional Tier 1 capital	(1,120)	(2,268)
Tier 1 capital	43,425	40,909
Provisions eligible as Tier 2 capital	961	1,263
Tier 2 capital instruments	1,212	2,857
Total regulatory adjustments to Tier 2 capital	–	(2)
Total capital	45,598	45,027
Risk Weight Assets (RWA)		
Credit RWA	229,238	226,014
Market RWA	38,670	34,037
Operational RWA	19,681	18,567
Total RWA	287,589	278,618
Capital Adequacy Ratio (CAR) (%)		
Basel III fully phased-in Common Equity Tier 1[(1)]	13.9	13.3
Common Equity Tier 1	14.3	14.1
Tier 1	15.1	14.7
Total	15.9	16.2
Minimum CAR including Buffer Requirements (%)[(2)]		
Common Equity Tier 1	8.0	7.2
Effective Tier 1	9.5	8.7
Effective Total	11.5	10.7
Of which: Buffer Requirements (%)		
Capital Conservation Buffer	1.25	0.625
Countercyclical Buffer[(3)]	0.2	0.1

Notes:

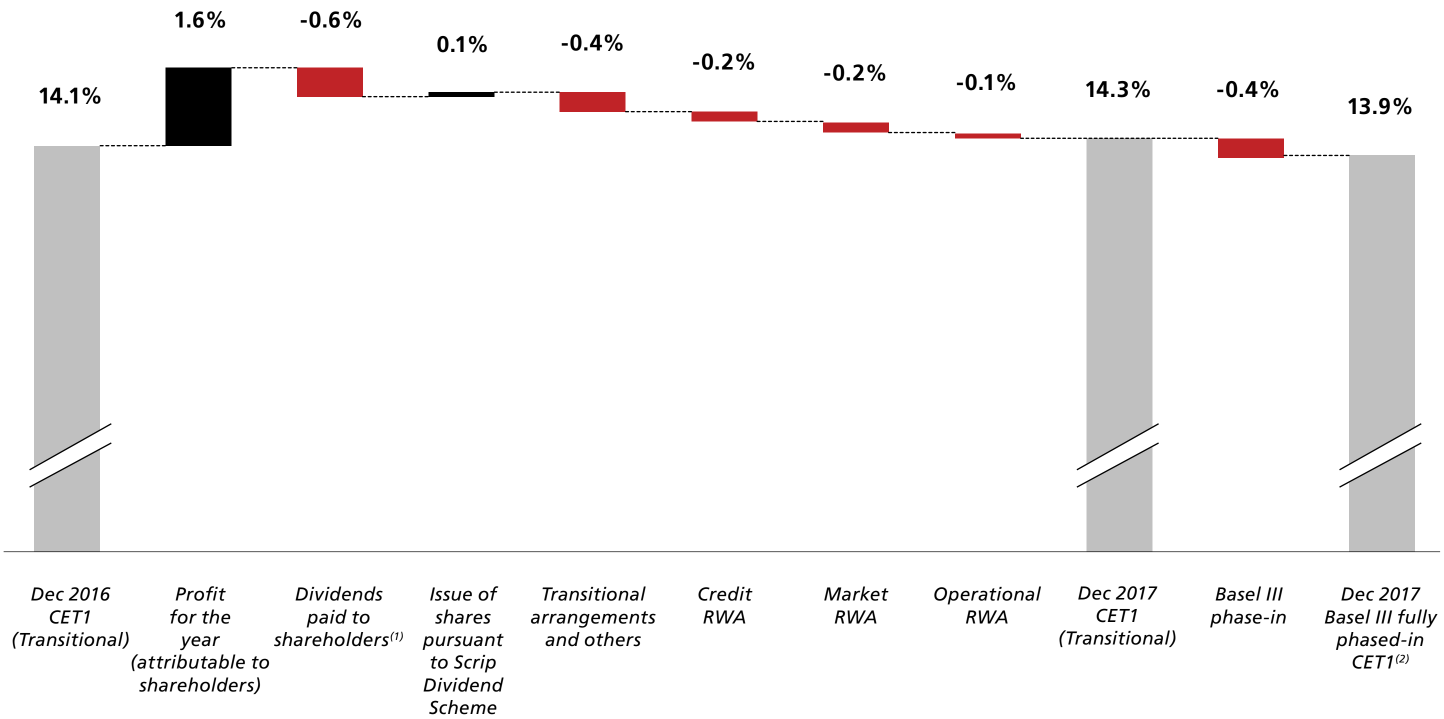
(1) Calculated by dividing Common Equity Tier 1 capital after all regulatory adjustments (e.g. for goodwill) applicable from 1 January 2018 by RWA as at each reporting date

(2) Includes minimum Common Equity Tier 1, Tier 1 and Total CAR of 6.5%, 8.0% and 10.0% respectively

(3) Refer to http://www.dbs.com/investor/index.html for DBS' Pillar 3 disclosures

The chart below analyses the drivers of the movement in Common Equity Tier 1 (CET1) CAR during the year.

Group Common Equity Tier 1 (CET1) CAR



Notes:
(1) Includes distributions paid on capital securities classified as equity
(2) Calculated by dividing CET1 capital after all regulatory adjustments (e.g. for goodwill) applicable from 1 January 2018 by RWA as at each reporting date

The following table sets out the RWA and capital adequacy ratios as at 31 December 2017 of our significant banking subsidiaries calculated in accordance with the regulatory requirements applicable in the country of incorporation.

As at 31 December 2017	Total RWA (SGD million)	CAR (%) Common Equity Tier 1	Tier 1	Total
DBS Bank (Hong Kong) Limited	37,625	16.1	16.7	18.8
DBS Bank (China) Limited	16,907	12.8	12.8	15.7

Regulatory change

The MAS has revised MAS Notice 637 to incorporate the Basel III capital standards into Singapore regulations. These took effect from 1 January 2013 and are phased in over time. The transitional arrangements for minimum CAR requirements are summarised in the table below.

From 1 January	2016	2017	2018	2019
Minimum CAR %				
Common Equity Tier 1 (a)	6.5	6.5	6.5	6.5
Capital Conservation Buffer (CCB) (b)	0.625	1.25	1.875	2.5
Common Equity Tier 1 including CCB (a) + (b)	7.125	7.75	8.375	9.0
Tier 1 including CCB	8.625	9.25	9.875	10.5
Total including CCB	10.625	11.25	11.875	12.5
Maximum Countercyclical Buffer (1)	0.625	1.25	1.875	2.5

Note:

(1) The countercyclical buffer is not an ongoing requirement, and is only applied as and when specified by the relevant banking supervisors. The applicable magnitude will be a weighted average of the country-specific countercyclical buffer requirements that are required by national authorities in jurisdictions to which a bank has private sector credit exposures. The Basel Committee expects jurisdictions to implement the countercyclical buffer during periods of excessive credit growth. Of the jurisdictions where we have material private sector credit exposures, Hong Kong has applied a countercyclical buffer of 1.25% for 2017, which will increase to 1.875% from 1 January 2018

The MAS has designated DBS Bank as a domestic systemically important bank (D-SIB). Under the MAS' framework for identifying and supervising D-SIBs, the higher loss absorbency requirement for locally incorporated D-SIBs is met by the foregoing minimum ratios being two percentage points higher than those established by the Basel Committee. The Basel Committee has developed an indicator-based methodology for identifying global systemically important banks (G-SIBs) on which higher loss absorbency requirements will be imposed. While we are not a G-SIB, we are required to disclose the 12 indicators which are published on DBS' website (http://www.dbs.com/investor/index.html).

In August 2017, amendments to the MAS Act were gazetted, which when implemented will establish a legislative framework for the resolution and recovery of distressed financial institutions. The enhancements include a statutory bail-in regime that is only applied to unsecured subordinated liabilities issued or contracted after the implementation of the statutory bail-in regime. This reflects, inter alia, that Singapore-incorporated banks are well capitalised and already subject to capital standards that are stricter than Basel III capital standards.

In September 2017, MAS Notice 637 was amended to remove the concept of Tier 1 Capital Resources Requirement from the calculation of capital floors and to introduce an alternative approach to the calculation of capital floors, based off the Basel III Standardised Approach rather than the Basel I Approach when calculating the RWA of the bank.

In November 2017, MAS Notice 637 was revised to strengthen the capital standards for securitisation exposures, while providing a preferential capital treatment for traditional securitisation that meet prescribed "simple, transparent and comparable" criteria.

In December 2017, MAS Notice 637 was amended to introduce the leverage ratio, with a minimum requirement of 3.0% effective 1 January 2018. Our consolidated leverage ratio was at 7.6% at the end of 2017.

In addition to the changes implemented in 2013, in December 2017, the Basel Committee finalised certain changes to the Basel III post-crisis regulatory reforms, including revisions to the standardised and internal-ratings based approaches to measuring credit risk and capital floors based on the standardised approaches. At the same time, the Committee also finalised the implementation dates of the various elements of the capital framework, including the revised market risk framework. They have a benign impact on DBS, enabling our capital levels to be rationalised.

Sustainability

Board statement

The Board has overall responsibility for sustainability and considers environmental, social and governance (ESG) matters in the formulation of our strategy.

ESG matters that are material to value creation are integrated into our balanced scorecard which is used to set objectives, drive behaviours, measure performance and determine remuneration of our people. The scorecard is updated yearly and approved by the Board.

The Board delegates the execution of DBS' strategy to the CEO, who heads the Group Executive Committee and the Group Management Committee and is responsible for managing DBS' day-to-day operations. The DBS Sustainability Council, chaired by the Chief Sustainability Officer and comprising senior leaders across business and support units, reports to the CEO. It is responsible for developing DBS' overarching sustainability framework, setting key performance indicators (KPIs) and targets in consultation with the relevant stakeholders, and driving sustainability initiatives across the bank. The council also advises the CEO on material ESG matters which contributes to DBS' overall materiality assessment. This in turn informs the Board's strategic planning. The council meets monthly and provides periodic updates to the CEO, Group Management Committee and the Board.

Overview

We seek to create long-term value for our stakeholders in a sustainable way. We believe in generating profits responsibly, balancing the needs for development with creating positive social and environmental impact. This aligns with our corporate value of being purpose-driven and our desire to make a difference beyond banking to touch real people, real businesses and real lives.

Our approach to sustainability is focused around four pillars:

Responsible banking

We take a proactive stance to protect our customers' information from cyber attacks and illicit usage. We have zero tolerance for financial crime, including bribery and corruption. We seek to conduct our business in a fair and responsible manner by ensuring that we only offer products and services that are suitable for our customers (otherwise known as fair dealing). We are committed to advancing responsible financing and financial inclusion as part of our role in promoting sustainable development.

Responsible corporate citizenship

As a good corporate citizen, we are conscious about managing our direct environmental footprint and seek to influence our supply chain towards sustainable practices. We are committed to making economic contributions to the communities in which we operate through paying our fair share of taxes.

Creating social impact

We recognise that not all returns stem from financial gains. We seek to create social impact by championing social entrepreneurship in Asia and through our staff volunteerism movement "People of Purpose".

Employer of choice

Continued investment in our people is a key priority for us. We are committed to providing an inclusive work environment where every employee can develop professionally and personally.

Sustainable Development Goals

In September 2015, the United Nations announced a set of 17 Sustainable Development Goals (SDGs) to end poverty, protect the planet and ensure that all people enjoy peace and prosperity as part of the 2030 Agenda for Sustainable Development. Shortly after, the Paris Agreement on climate change was adopted by 195 countries, underscoring the need to limit the rise of global temperatures.

At DBS, we believe that we have a role to play in promoting sustainable development, including the transition to a low carbon economy. Building on our heritage as the former Development Bank of Singapore, and POSB's mission as the "People's Bank", we have chosen to focus on four SDGs where we believe we can make the most impactful contributions. This takes into account our sustainability pillars, the markets we operate in and our businesses.

Targets and progress

To measure our contribution to sustainable development, we have set targets based on the 2030 targets and indicators of the four SDGs we have chosen to focus on.

DBS sustainability pillars	2030 targets	Related material matters	Related SDGs	Initiatives in 2017	Impact achieved in 2017
Responsible banking	Promote investment in clean energy technology	Climate change	7 AFFORDABLE AND CLEAN ENERGY	Continued financing the transition to clean energy	Financed a wide spectrum of technologies from geothermal, hydro to waste-to-energy
	Influence our customers towards sustainable management and efficient use of natural resources	Responsible financing	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Rolled out Responsible Financing Standard and Sector Guides	Enhanced transparency on our position to financing the palm oil and coal[1] sectors
	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation and impact reduction	Climate change/ Responsible financing	13 CLIMATE ACTION	Promoted green finance through issuance of USD 500 million inaugural green bond	Achieved estimated energy savings of 8,394 MWh and water savings of 6,384 m^3 per annum from the allocation of proceeds to financing a green building
	Encourage and expand access to banking, insurance and financial services	Financial inclusion	8 DECENT WORK AND ECONOMIC GROWTH	Helped launch Women's Livelihood Bond, the world's first social sustainability bond to be listed on a stock exchange	Supported the creation of 385,000 jobs for women in Cambodia, the Philippines and Vietnam
Responsible corporate citizenship	Substantially increase the share of renewable energy in our energy mix and drive improvement in energy efficiency	Climate change	7 AFFORDABLE AND CLEAN ENERGY	Joined RE100[2] with commitment to 100% renewable energy use in Singapore operations by 2030	Completed installation of solar panels with peak capacity of 386 kW on the rooftop of DBS Asia Hub
	Substantially reduce our waste generation through prevention, reduction, recycling and reuse	Climate change	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Continued to drive paperless operations	Achieved 3.47 million e-statement sign-ups as at 31 December 2017
	Improve institutional capacity on climate change mitigation, adaptation and impact reduction within our own operations	Climate change	13 CLIMATE ACTION	Continued to broaden Green Mark certifications across our branch network	Achieved more than 5,000 tonnes of CO_2 emissions reduction compared to 2014 baseline

DBS sustainability pillars	2030 targets	Related material matters	Related SDGs	Initiatives in 2017	Impact achieved in 2017
Creating social impact	Support productive activities, decent job creation, entrepreneurship, creativity and innovation	Financial inclusion	8 DECENT WORK AND ECONOMIC GROWTH	Continued to champion social entrepreneurship through DBS Foundation	Engaged 4,800 social enterprises (SEs) engaged across our key markets Awarded SGD 1.23 million to SEs
Employer of choice	Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Talent management and retention	8 DECENT WORK AND ECONOMIC GROWTH	Continued to build an inclusive work environment encompassing gender, cultural and generational diversity	Recognised in Bloomberg's Gender-Equality Index(3)

(1) Made publicly available in February 2018
(2) RE100 is a collaborative group of influential global businesses committed to 100% renewable energy
(3) Announced in January 2018

Responsible banking

Cyber security and data protection

Data protection and data governance are cornerstones of a customer's trust in the banking sector, and are also critical enabling factors for innovation in a digital economy. We endeavour to uphold customers' trust in us by protecting and using their personal data in a responsible manner.

We converge the management of physical, cyber and data-related risks into a central Chief Information Security Officer (CISO), who also oversees the financial crime risk mitigation programme. Metrics on data protection and cyber security are reported to the Group Operational Risk Committee and ultimately to the Board Risk Management Committee. Material cyber issues or incidents are independently reported to the Board Audit Committee.

We implement multi-layered defences, combined with employee education and industry collaboration. We keep abreast of techniques and threats as they evolve, in order to develop the appropriate counter-measures. In 2017, we rolled out a bank-wide DBS CYBRFIT programme – an online tool to build cyber security awareness and good practices among our employees, and to test their compliance with these practices. We also conducted periodic phishing/ social engineering exercises to translate theoretical knowledge into day-to-day application for our employees.

Read more about our overall management approach on cyber security and data protection on page 70 and page 89.

Preventing financial crime (including bribery/ corruption)

As a bank, we do not want to be used as a channel for perpetrating financial crime or laundering its proceeds.

To mitigate against this risk, we have a clear set of policies supplemented by advisory capabilities, training, surveillance and testing. These include standards for managing fraud, bribery/ corruption, and preventing money laundering or terrorist financing, which are implemented by business units and support units in a manner commensurate with the degree of risk faced by the relevant unit.

Communication and training in 2017

- All our employees complete training on anti-money laundering on an annual basis.
- All new joiners complete mandatory anti-bribery and corruption training.
- All employees read and acknowledge our Code of Conduct (see Page 62), which contains our stance on anti-corruption, on an annual basis.
- The Board attended a training session on "Anti-Money Laundering and Terrorism".

Overall accountability is the responsibility of the Group Head of Financial Crime and Security Services. The Group Operational Risk Committee regularly receives and reviews reports on financial crime, and material issues are raised to the Risk Executive Committee, and if necessary, to the Board Risk Management Committee.

In 2017, we made improvements to processes and controls in dealing with financial crime risk and executed on our commitments to implement enhancements to front office controls, transaction monitoring and collaboration with regulators.

We are members of the Anti-Money Laundering/ Countering the Financing of Terrorism (AML/ CFT) Industry Partnership, a public/ private sector collaboration launched in 2017 to share financial crime risks and typologies, and mitigations.

Read more about this on page 70 and page 89.

Fair dealing

We are committed to fair dealing outcomes for our clients. We believe in:

- Being responsive to our customers' needs and requests
- Selling products and services which are appropriate
- Ensuring our sales staff are trained to deal with customers fairly
- Communicating with our customers in a clear and transparent manner

Oversight of fair dealing is the responsibility of the group-level Fair Dealing Committee, which is chaired by the CEO. Fair dealing outcomes are reported to the Board Audit Committee on a quarterly basis.

Staff remuneration is based on a balanced scorecard approach, which ensures alignment between the interests of our staff and customers. A significant proportion of staff remuneration requires demonstration of adherence to proper sales process and embracing our cultural values.

All our employees receive annual training on compliance and fair dealing, in addition to training on our product suite. They also undergo product knowledge and skills tests regularly. We place great emphasis on the oversight of our sales staff and hold their supervisors accountable for their coaching, monitoring and supervision. In the interest of improving our products and services, we avail various channels for customers to provide valuable feedback.

In 2017, we made significant improvements in using data analytics to detect client vulnerabilities and predict the need for greater supervisory attention or action.

Read more about this on page 70. See also page 39 for our customer satisfaction measures.

Responsible financing

Our financing plays a role in shaping the behaviours of our customers towards sustainable development. We expanded our Group Core Credit Risk Policy to incorporate the principles and approach for managing ESG issues in our lending practices and capital market activities. Supplementing the policy is the new Responsible Financing Standard, which provides structured guidance to assess potential ESG risks. Our relationship managers and credit risk officers across the region underwent ESG training in 2017 in conjunction with the roll-out of the standard.

Our risk assessment approach ensures that material ESG issues are considered for all new credit applications, capital markets transactions, and during periodic reviews. We have started collecting data to measure our progress in implementing the Responsible Financing Standard. For the last quarter of 2017, a total of 15 transactions received additional ESG due diligence, and we declined 3 transactions owing to ESG concerns.

Specific sector guides are established to provide further guidance on ESG risks pertinent to that industry. These are developed taking into consideration our strategy and level of exposure to a sector and presently cover seven sectors, namely agricultural commodities, palm oil, chemicals, oil and gas, mining and metals, power generation and infrastructure. We are guided by sectoral standards, and industry best practices such as the International Finance Corporation Performance Standards and World Bank Environmental, Health and Safety Guidelines.

In 2017, we reviewed the ESG commitments of the seven sector guides, cognisant of the fact that societal expectations and new scientific findings evolve. We published our approach to the palm oil and coal sectors. We will continue to make public our position on the remaining sectors in the coming year.

The ESG risk assessment enables us to develop an overall understanding of the customer's approach to managing ESG issues (including commitment, capacity and track record). Where we identify significant issues, additional due diligence would be required. This may entail site visits, independent reviews or certification requirements. Escalation to relevant industry and sustainability specialists, and approvals may be required.

Read more about our approach to the palm oil and coal sectors at

go.dbs.com/responsible-financing.

If any customer is suspected to be involved in undesirable ESG practices, we will promptly engage the customer. If the customer is not willing to take steps to adequately manage and mitigate the identified ESG risks, we are prepared to turn down the transaction or reassess the banking relationship.

Sustainable finance

As society continues to increase its expectations for businesses to deliver solutions sustainable for our planet, we see opportunities to offer banking solutions that can help meet those expectations.

We are committed to promoting sustainable development and are continuously exploring opportunities that will help us contribute to the SDGs, particularly in the areas of financial inclusion and green financing.

In July 2017, we issued our inaugural Green Bond under the DBS Green Bond Framework. The net proceeds from the issuance were allocated towards DBS' financing of Marina Bay Financial Centre Tower 3, a commercial property in Singapore that was certified Green Mark Platinum by the Building and Construction Authority (BCA) as at the date of issuance. The energy-efficient air conditioning system and lighting of the property contribute to estimated energy savings of 8,394 MWh per annum, while recycling of condensate water from the air conditioning system for use in fountains, irrigation and cleaning contribute to estimated water savings of 6,384 m^3 per annum.

We participate in the BCA Building Retrofit Energy Efficiency Financing Scheme as well as the Economic Development Board of Singapore's Energy Efficiency Financing Pilot Programme to help SMEs offset the high upfront costs associated with energy efficiency improvement works. As at 31 December 2017, our outstanding loans under these schemes amounted to SGD 3.67 million, supporting retrofits that resulted in reduction of over 6,000 MWh energy consumption and two buildings certified as BCA Green Mark.

In addition, we also participate in a range of Government-Assisted Schemes to support SMEs in the growth and expansion of their businesses. These include collateral-free working capital loans for SMEs, micro loans for start-ups to fund their business expansions and the International Finance Scheme to help fund companies' overseas expansion. As at 31 December 2017, our outstanding loans to such schemes amounted to SGD 1,049 million.

DBS played an active role in bringing the USD 8 million Women's Livelihood Bond to fruition. This is the world's first social sustainability bond which is listed on a stock exchange, and positively impacts the livelihoods of over 385,000 women in Cambodia, the Philippines and Vietnam.

Spotlight on renewable energy financing

DBS has participated in financing a wide spectrum of renewable energy technologies across our key markets.

In Indonesia, we were the underwriter and mandated lead arranger (MLA) for Star Energy's Wayang Windu geothermal energy project with total generation capacity of 220 MW. We were also the structuring bank and international bank coordinator for Star Energy's consortium for the acquisition of geothermal assets from Chevron – Salak with a generating capacity of 377 MW, and Darajat II with a total capacity of 271 MW. Salak is one of the largest geothermal operations in the world.

In Australia, we were MLA for the 200 MW Silverton Wind Farm, which can produce approximately 780,000 MWh of renewable energy annually. The renewable energy produced from the wind farm's 58 turbines will reduce CO_2 emissions by 655,000 tonnes annually. We were also MLA for the 453 MW Coopers Gap Wind Farm. The renewable energy produced would reduce CO_2 emissions by approximately 1,180,000 tonnes annually, equivalent to taking more than 340,000 cars off the road.

In China, we were sole financier for the refinancing of a waste-to-energy project (with 2,050 tonnes per day processing capacity and 36 MW power generation capacity) in Wuhu, Anhui province. The project is ultimately owned by SGX-listed China Jinjiang Environment Holding Company, one of the largest waste-to-energy companies in China.

We also extended RMB 1 billion in bilateral financing to CPI Leasing. CPI Leasing is involved in renewable energy (close to three-quarters of its leasing exposure). CPI Leasing is part of the State Power Investment Corporation group, which owns one of the largest solar independent power producer portfolios in the world.

Financial inclusion – being the People's Bank

In Singapore, living our heritage as the "People's Bank", we continue to bring affordable banking services to the heartlands.

We provide subsidised banking services to a large segment of customers. Fees are waived for many, including the young, seniors, national servicemen and people under public assistance schemes. We also waive fees for ex-offenders to help with their reintegration into society. DBS is also the key bank for migrant workers in Singapore.

We further seek to leverage technology to improve access to financial services to all of our customers, including those with special needs. We believe in empowering the community to make sound financial decisions to improve their lives by enhancing their financial literacy.

Read more about our POSB initiatives on page 46.

Responsible corporate citizenship

Managing our environmental footprint

Our most direct and significant environmental impact stems from the carbon emissions from our office buildings and branches through the consumption of purchased electricity. We benchmark ourselves against external environmental certifications to ensure that we incorporate sustainable designs and practices into our offices and branches.

In Singapore, we were awarded the Green Mark certification by BCA for all four office buildings, with two of them achieving the highest Platinum award. The certification is awarded based on the environmental performance of our interior fittings, assessed against energy efficiency, water efficiency, sustainable management and operation, indoor environmental quality and other green features.

For our retail branches, DBS is among the first in the banking sector to achieve the BCA Green Mark for Retail certification for our efforts to achieve a sustainable built environment by incorporating best practices in environmental design and construction, and the adoption of green building technologies. In 2017, we "greened" 21 more retail branches, bringing the total of BCA Green Mark for Retail certifications to 41. We are on track to receiving the Green Mark certification for 33 more branches in 2018.

Looking forward, we target to maintain the highest Green Mark accolade for our offices and achieve Green Mark certification for all our retail branches by 2020.

In Hong Kong, we were awarded the EPD Wastewi$e Label for achieving environmental excellence for all three of our office buildings. In Taiwan, DBS was the first foreign bank to achieve the ISO 50001 certification in 2015, and has maintained this certification through upholding an energy management system (EnMS) for its building.

Our efforts to green our premises have resulted in significant savings – both in terms of carbon emissions and costs. Our disposal of PWC Building during the year and consolidation of branches in China and Indonesia also contributed to significant reductions in our carbon footprint. Notwithstanding a new premise in Hyderabad, in 2017, we reduced CO_2 emissions by 4,118 tonnes (or 5,703 tonnes compared to 2014 baseline) and achieved cost savings of SGD 3.8 million compared to 2016.

In 2017, DBS became the first Asian bank and Singapore company to join the global renewable energy initiative, RE100, a collaborative group of influential global businesses committed to 100% renewable energy. This signals our dedication to support the transition to a low carbon economy powered by renewable energy, benefitting not just ourselves but the world we live in.

We have set a target to power 100% of our operations in Singapore using renewable energy by 2030, with an eventual goal to extend this to 100% of our global operations. We completed the installation of solar panels at our office building in Changi Business Park in December 2017 with a peak capacity of 386 kW. We plan to procure Renewable Energy Certificates from solar energy companies in Singapore in the future as part of the commitment.

Environmental data by geography

	Singapore		Hong Kong		Rest of Greater China[1]		South and Southeast Asia[2]		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Energy consumption										
Electricity consumption (MWh)	**36,363**	45,965	**11,470**	11,278	**12,160**	13,252	**8,013**	7,117	**68,006**	77,612
Cooling consumption (MWh)[3]	**21,339**	-	**-**	-	**-**	-	**-**	-	**21,339**	-
Scope 2 emissions from purchased electricity (tCO_2e)[4],[5]	**15,432**	19,912	**9,022**	8,871	**8,412**	9,550	**8,323**	6,974	**41,189**	45,307
Scope 2 emissions intensity (tCO_2e/ sqf)	**0.009**	0.010	**0.016**	0.015	**0.010**	0.012	**0.010**	0.012	**0.011**	0.011
Water consumption[6]										
Water consumption (m^3)	**90,708**	-	**2,170**	-	**42,064**	-	**16,976**	-	**151,918**	-
Employee commuting[7],[8]										
Distance travelled – Air (million passenger-km)	**48**	37	**10**	10	**-**	-	**-**	-	**58**	47
Scope 3 emissions from air travel (tCO_2e)	**5,404**	4,139	**1,058**	1,100	**-**	-	**-**	-	**6,462**	5,239
Distance travelled – Shuttle buses (km)	**383,657**	383,657	**28,803**	17,690	**-**	-	**2,015,320**	158,520	**2,427,780**	559,867
Scope 3 emissions from shuttle buses (tCO_2e)	**86**	86	**6**	4	**-**	-	**452**	36	**544**	126
Waste disposal (tonnes)[9]										
Weight of paper recycled	**231**	239	**179**	171	**39**	40	**9**	6	**458**	456
Weight of aluminum cans recycled	**11**	7	**-**	-	**1**	1	**-**	-	**12**	8
Weight of plastic recycled	**4**	3	**-**	-	**2**	2	**-**	-	**6**	5
Weight of coffee ground recycled	**10**	8	**-**	-	**-**	-	**-**	-	**10**	8
Total waste recycled	**256**	257	**179**	171	**42**	43	**9**	6	**486**	477

(1) Rest of Greater China includes Mainland China and Taiwan

(2) South and Southeast Asia includes India and Indonesia

(3) We commenced tracking energy consumption from District Cooling Systems at our office buildings at Marina Bay Financial Centre Tower 3 and Changi Business Park with effect from 2017

(4) Based on relevant grid emission factor conversion for each location

(5) Scope 2 emissions (tCO_2e) in baseline year 2014 when we started tracking our carbon emissions: Singapore 19,509; Hong Kong 9,422; Rest of Greater China 11,247; South and Southeast Asia 6,714; Total 46,892

(6) We commenced tracking water consumption from public utilities at our premises across key markets except Indonesia with effect from 2017

(7) Air travel data is only available for Singapore and Hong Kong

(8) We provide shuttle buses for employee commute in Singapore, Hong Kong and India only

(9) Based on weight of waste measured at recycling points

Across Singapore and Hong Kong, air travel and corresponding CO_2 emissions increased 23% due to the growth in regional activities during the year such as the ANZ integration. We will continue our efforts to reduce business travel and encourage alternatives to face-to-face business meetings such as video conferencing and online collaboration tools.

In Singapore, Hong Kong and India, we provide complimentary shuttle bus services for employees to commute between office premises as well as to and from selected transportation hubs in the respective markets. In 2017, we added significantly more routes to ferry our employees in India and our new office in Hyderabad. This not only helps our employees save time on their commute and brings about greater convenience, but is also more sustainable for the environment as compared to each individual employee driving or taking car hire.

On waste management, we collected a total of 486 tonnes of recyclable waste from properties across the six markets. This reflects our continual efforts, particularly in Singapore, to reduce paper consumption and encourage responsible waste disposal. Initiatives include placement of eye-catching Pokemon-themed recycling bins at branches and more strategic placement of paper recycling bins across floors at offices.

Information technology (IT) waste management remains a priority as we continue with our digital transformation. As part of our strategic cost management programme, we sold more than 2,000 decommissioned desktops and notebooks to a recycling vendor at the end of their four or five-year replacement cycle. We continued to recycle corporate mobile phones with vendors who either resell, salvage reusable parts or otherwise dispose of them through a recycling company.

Sustainable sourcing

DBS procures products and services from more than 6,000 suppliers, predominantly in Singapore and Hong Kong. Approximately 80% of our expenditure is for professional, real estate, sales and marketing, IT outsourcing and corporate services.

We seek to influence our supply chain towards sustainable practices through the DBS Sustainable Sourcing framework. Central to the framework are DBS Sustainable Sourcing Principles (SSP), which outline our expectations of all suppliers, regardless of value or volume of purchase, in four key areas – human rights, health and safety, environment sustainability, business integrity and ethics.

Due diligence is done at the new supplier registration stage, as well as at regular intervals as part of our ongoing supplier management process. In 2017, we rolled out the process across our six key markets. In total, 696 or 97% of new suppliers signed on to the SSP during the year.

In addition to the SSP, we conduct sustainability risk materiality assessment to identify spend categories with high ESG risks. The assessment takes into account the supplier's manufacturing process, service delivery, business volume and industry-specific guidelines, and is reviewed every two years to ensure relevance. For competitive tenders in high-risk categories, up to 10% of the supplier selection criteria are attributed to sustainability considerations. This reflects our position that, all else being equal, we will always award our business to more sustainable products and services.

DBS will continue to work with our suppliers and stakeholders to fine-tune the DBS Sustainable Sourcing framework and drive improvement in our supply chain.

Responsible tax management

DBS is committed to paying our fair share of taxes across the countries in which we operate, and to comply with applicable tax laws and regulations.

Our dealings with tax authorities are regular and based on mutual respect and trust. We aim to be transparent in our tax filings, and will provide tax authorities with sufficient information such that robust conclusions regarding the tax treatment of our activities can be made. We participate in the Enhanced Taxpayer Relationship Programme introduced by the Inland Revenue Authority of Singapore to facilitate timely resolution of our tax matters.

The Board has overall responsibility for sustainability at DBS, and takes into account responsible tax management as part of its consideration of ESG matters in the development of our strategy. The CFO, supported by the Head of Group Tax, oversees the tax function which is responsible for ongoing tax compliance and robust management of tax risks and exposures.

DBS has a low tolerance for tax risk and adopts a clearly-defined tax risk management framework that promotes transparency, fairness and accountability. This is implemented through our Group Tax Policy, which is approved by the CFO. The policy is further supplemented by standards and procedures to ensure continued adherence with the framework.

DBS' tax risk management framework is based on the following principles:

- We only undertake transactions which are underpinned by strong commercial motivations that we are prepared to fully disclose.
- We carefully consider the potential tax sensitivity of transactions and are guided by a set of established escalation and approval procedures.
- We have sufficient skilled staff in tax matters within each major location and we will seek independent advice on transactions with significant tax uncertainty.
- We take our tax compliance responsibilities very seriously. Senior management and independent tax consultants review our returns and submissions prior to finalisation.

Read more about our approach to base erosion and profit shifting at

go.dbs.com/BEPS.

Creating social impact

Championing social entrepreneurship

Entrenched in the culture of DBS is a deep sense of purpose to do things bigger than the day-to-day business interest of the bank. In so doing, we shape a better future for the communities we operate in. Being a strong advocate for both entrepreneurship and innovation, it is natural for DBS to leverage our strengths to support SEs in delivering innovative solutions to build a better and more sustainable future for the region. DBS Foundation (DBSF) was launched in February 2014 with a SGD 50 million fund to champion social entrepreneurship and make an even greater impact in addressing Asia's evolving social needs.

We are committed to developing SEs across Asia in the following ways.

Promoting the development of the SE sector

SEs lack recognition and public awareness of their work and the social impact they create. We strive to generate awareness and advocacy for SEs in our key markets through digital outreach and signature events.

2017 highlights

- **More than 4,800 SEs reached through local forums and workshops**
- **More than 1,300 entries received for DBS-NUS Social Venture Challenge and DBS Foundation Grant Programme**

Nurturing innovative and impactful SEs through funding, mentorship and volunteerism

Across our six key markets, DBSF identifies innovative and high potential SEs and supports them on their growth journey. Our SE Grant programme provides much needed capital to support SEs. The grants enable SEs in various stages of growth to test prototypes built around their innovative ideas, improve existing processes, add critical capabilities or scale their existing business.

We also provide capacity building programmes and access to holistic support customised to SEs' needs – such as executive mentoring and skilled staff volunteerism.

2017 highlights

- **99 SEs nurtured through senior management mentoring, skills-based volunteering and capacity building programmes**
- **More than 300 SEs attended DBS Foundation's SE Summit held in Jakarta focusing on the theme "Innovate to Impact"**
- **More than 6,800 hours of skilled volunteerism**
- **Awarded SGD 1.23 million to 22 SEs under the DBS-NUS Social Venture Challenge and SE Grant programme to encourage them to deploy social innovations in areas such as agriculture, work integration/ inclusion and environmental sustainability**

Embedding SEs in DBS' culture and operations

We demonstrate commitment to SEs by providing customised banking solutions and engaging them as DBS procurement vendors.

First launched in Singapore in 2008, the SE Banking Package allows SEs to open corporate accounts with no minimum deposit or monthly balance requirements, and offers waivers of transaction fees for banking services such as telegraphic transfers and IDEAL. The package also offers unsecured business loans below the commercial rate.

2017 highlights

- **490 customers under the SE Banking Package and SGD 2.6 million of committed unsecured SE business loans as at 31 December 2017**

People of Purpose

"People of Purpose" is an in-house volunteerism movement to rally employees to use their skills and time for the good of the community. In 2017, employees from Singapore, Hong Kong, China, Taiwan, India and Indonesia invested more than 53,000 hours in programmes that focused on active ageing, education, and the environment.

In Singapore, our employees participated in a nation-wide programme co-designed with Khoo Teck Puat Hospital and our community partners, focusing on dementia prevention, nutritional intervention, and physical and mental well-being for the elderly. In addition, our volunteers provided digital literacy training to the elderly in support of Singapore's Smart Nation drive and developed programmes aimed at sharpening financial literacy among children.

In Hong Kong, our volunteers made regular home visits and organised activities on aromatherapy, eco-touring and physical fitness for the elderly. In China, we expanded our volunteer activities beyond Shanghai and Beijing to Guangzhou, Shenzhen, Hangzhou, Qingdao, Xi'an, Nanning, and Suzhou. In Taiwan, DBS volunteers used innovative channels such as Skype to roll out a weekly reading programme for disadvantaged children, in addition to face-to-face activities. In India, volunteer projects tackled urban challenges while in Indonesia, champions of social good were nurtured and unique volunteer projects were executed. In one of the projects, DBS Indonesia volunteers transformed an entire neighbourhood in Jakarta's suburbs by creating murals on houses and walls.

Employer of choice

The ability to attract, retain and develop talent continues to be key to our continued success. Our employee value proposition is to provide our workforce with opportunities to grow, develop and make a difference.

Refer to page 40 for more information on our employee KPIs.

Hiring and employee engagement

We continued to grow our headcount to acquire skills to support our digitalisation agenda. To attract the right talent, we deployed innovative recruitment strategies such as holding hackathons in Singapore and our offshore tech hub in Hyderabad to identify staff with niche technology skills.

We also held "MAckathons" – hackathons designed for Management Associates (MA) recruitment. Candidates spend a 12-hour day at DBS to be trained in our human-centred design methodology, and thereafter apply their newly-acquired knowledge to "hack" their way to solving real-life business challenges which are then pitched to senior management. Through analysing their behavioural traits in this process, we are able to pick our pool of future leaders by assessing their alignment with our values.

The new hire rate across the age groups reflects voluntary attrition as well as the changing nature of entry level jobs due to digitalisation. The overall voluntary attrition rate remained relatively stable in 2017, with turnover in Singapore and India being best-in-class in the industry. We experimented with data analytics and piloted a human capital analytics model to help in the retention of our employees in Singapore. Initial results indicated that it helped to improve retention through different interventions by our managers.

We onboarded more than 5,500 new hires via our new digital platform during the year, as part of our initiative to create a seamless and joyful experience for positive engagement right from the start of their career in DBS.

Our engagement results based on the 2017 My Voice, an employee engagement survey conducted by Aon Hewitt, remained top of the class among peers with a high score of 82%. We were recognised by Aon Hewitt as Asia Pacific Regional Best Employer in 2017, among other accolades we received for our human capital strategies.

We believe engagement is also about bringing people together. Across our core markets, we rolled out DBS Power Up, a 24/7 one-stop app for employees to access information, work, and connect on the go. We also implemented a group-wide peer-to-peer recognition programme – I Thank You – to encourage our employees to show appreciation for one another. Within the first six months, more than 120,000 recognitions were given, which reinforces our culture of being relationship-led.

Total number and rates of new employee hires and voluntary attrition by age group, gender and geography(1)

	2017						2016					
	Head-count(2)	Workforce Mix	No. of New Hires(2)	New Hire Rate(3)	No. of Voluntary Attrition	Voluntary Attrition Rate(4)	Head-count(2)	Workforce Mix	No. of New Hires(2)	New Hire Rate(3)	No. of Voluntary Attrition	Voluntary Attrition Rate(4)
By age group												
<=30	6,162	26%	2,635	43%	1,319	27%	5,931	27%	2,023	34%	1,000	23%
>30 and <=50	15,545	64%	3,199	21%	1,482	10%	14,048	63%	1,909	14%	1,460	9%
>50	2,467	10%	208	8%	89	3%	2,215	10%	91	4%	87	4%
By gender												
Female	13,283	55%	3,001	23%	1,505	12%	12,349	56%	1,823	15%	1,308	11%
Male	10,891	45%	3,041	28%	1,385	14%	9,845	44%	2,200	22%	1,239	13%
By geography												
Singapore	10,962	45%	2,072	19%	1,187	11%	10,381	47%	1,438	14%	1,000	10%
Hong Kong	4,537	19%	1,163	26%	721	17%	4,350	20%	783	18%	617	14%
Rest of Greater China(5)	4,231	18%	1,619	38%	580	16%	3,609	16%	738	20%	575	16%
South and Southeast Asia(6)	4,162	17%	1,135	27%	381	10%	3,587	16%	1,027	29%	342	11%
Rest of the World(7)	282	1%	53	19%	21	8%	267	1%	37	14%	13	5%
Total	24,174	100%	6,042	25%	2,890	13%	22,194	100%	4,023	18%	2,547	12%

(1) The table excludes involuntary termination as well as contract, temporary and agency staff attrition
(2) Headcount and new hires include permanent, contract and temporary staff, and exclude agency staff
(3) New hire rate is computed based on number of new hires divided by headcount at the end of the year
(4) Voluntary attrition rate is computed based on number of voluntary attrition divided by monthly average headcount for permanent employees only
(5) Rest of Greater China includes Mainland China and Taiwan
(6) South and Southeast Asia includes India, Indonesia, Malaysia, Vietnam, Thailand, Myanmar and the Philippines
(7) Rest of the World includes Australia, South Korea, Japan, Dubai, United States of America and United Kingdom

Developing a future-ready workforce and talent pipeline

Beyond delivering exceptional employee experiences, we seek to prepare our workforce to be ready for future roles and opportunities. We continue to focus on our talent development initiatives built upon the "triple-E" framework: experience, exposure and education.

We committed to investing SGD 20 million over five years in a broad-based programme to skill our employees in digital banking and emerging technologies, enabling them to thrive in the digital economy and adapt to the future of work.

In 2017, we introduced a new learning platform, Horizon, to allow employees to have access to learning 24/7, including 30 digital learning modules we have put in place. With Horizon, employees can reach out to different communities to experiment and learn, as well as to acquire, create and transfer knowledge. We also launched the DigiFY curriculum to future proof our people to become digital bankers, through the introduction of seven key skills to develop in the digital economy.

We introduced Key Success Factors (KSFs) to our key roles to ensure that our succession planning is more robust, so that we can create focus around developing our leaders to these KSFs.

For our senior leaders, we partnered NUS Business School to launch our inaugural Business Leaders Programme. It is a flagship programme aimed at building the pipeline of future and existing business leaders.

Strengthening our focus on our talents and MAs, we extended our STARS and MA Overseas programmes, where selected younger talents go on a two-year overseas attachment to stretch them in various skills and knowledge.

Our focus on talent development paid off. In 2017, we achieved an internal mobility rate of 45% with a low turnover of less than 5% for our talent cohort.

Average hours of training[1] per year per employee by gender, and by employee category[2]

	2017	2016
Per permanent employee	**31.5**	36.4
By gender		
Female	**30.1**	35.7
Male	**32.9**	38.5
By employee category		
SVP to MD	**24.5**	28.0
Analyst to VP	**33.6**	39.2
Senior Officer and below	**26.6**	30.8

(1) Excludes informal learning methods such as community-based learning; and exposure opportunities such as immersion programmes including customer and employee journeys

(2) Employee categories refer to Senior Vice President (SVP) to Managing Director (MD), Analyst to Vice President (VP), and Senior Officer and below

Diversity and equal opportunity

We recognise the diversity of our people as a source of strength. In accordance with our Human Resource Management Policy, we hire based on merit, competencies and organisational cultural fit (based on PRIDE! values), without prejudice to any attributes such as, but not limited to, gender, race, religion or physical traits.

We seek to create an environment that allows all our employees to thrive, because the diversity of experiences, knowledge and approaches that they bring is necessary to drive performance and innovation. We have an inclusive work environment encompassing gender diversity as well as a multi-cultural and multi-generational workforce.

Our workforce mix by age group and gender remains stable. More than 60% are within the ages of 30 to 50 and 55% are female. In addition, more than one-third of senior management positions (SVP to MD) are held by women. The overall gender pay gap across our six key markets, adjusted for ranks and locations, is insignificant at only 1%. This reflects our philosophy of hiring and remunerating based on merit without prejudice to gender.

In January 2018, we were one of six Asian (ex-Japan) and among over 100 companies from ten sectors headquartered in 24 countries and regions to be recognised in the inaugural sector-neutral 2018 Bloomberg Gender-Equality Index.

Breakdown of employees by employee category[1] according to gender and age group

	2017				2016			
	SVP to MD	Analyst to VP	Senior Officer and below	Total	SVP to MD	Analyst to VP	Senior Officer and below	Total
Headcount	**1,800**	**16,807**	**5,567**	**24,174**	1,607	15,095	5,492	22,194
Breakdown by gender								
Female	**38%**	**52%**	**69%**	**55%**	38%	53%	69%	56%
Male	**62%**	**48%**	**31%**	**45%**	62%	47%	31%	44%
Breakdown by age group								
<=30	**0%**	**23%**	**40%**	**26%**	0%	24%	43%	27%
>30 and <=50	**74%**	**68%**	**50%**	**64%**	74%	68%	48%	63%
>50	**26%**	**9%**	**10%**	**10%**	26%	8%	9%	10%

(1) Employee categories refer to Senior Vice President (SVP) to Managing Director (MD), Analyst to Vice President (VP), Senior Officer and below

Workplace well-being

DBS is committed to providing a supportive environment for employees to make healthier choices to enhance their well-being. The iHealth@DBS programme was enhanced in 2017 to focus on four important areas to help maximise employee well-being; “Live well”, “Eat well”, “Stay well” and “Save well”. We provided free onsite basic health screening for all our employees to help in the early detection of harmful diseases so that timely treatment can be rendered. In 2017, 3,500 employees participated in the health screenings.

Employees across locations were also introduced to Joyspace, an activity-based working arrangement. It involves the re-organisation of the workplace to enable staff to work in human-centred spaces based on their working needs throughout the work day, and spark collaboration through shared workspaces in the office.

Summary of disclosures Corporate governance

For the financial year ended 31 December 2017, we have complied:

- with the Banking (Corporate Governance) Regulations 2005 (Banking Regulations), and
- in all material aspects with the principles laid down by the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore issued on 3 April 2013, which comprises the Code of Corporate Governance 2012 (Code) and supplementary guidelines and policies added by the Monetary Authority of Singapore (collectively referred to as the Guidelines) to cater to the diverse and complex risks undertaken by financial institutions.

Where to find key information on each Director?

In this Annual Report:

- *Pages 49 to 50 – Directors' independence status, appointment dates, meeting attendance and remuneration details*
- *Pages 201 to 205 – Directors' length of directorship, academic and professional qualifications and present and past directorships*

At our website (www.dbs.com): Directors' biodata

Express disclosure requirements in the Guidelines and the applicable disclosures pursuant to the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015.

Principle and guidelines	Page reference in DBS Annual Report 2017
Guideline 1.3 Delegation of authority, by the Board to any Board committee, to make decisions on certain Board matters	Pages 51 to 57
Guideline 1.4 The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings	Pages 49 to 50
Guideline 1.5 The type of material transactions that require Board approval under guidelines	Page 57
Guideline 1.6 The induction, orientation and training provided to new and existing Directors	Pages 48 and 53
Guideline 1.16 An assessment of how these programmes meet the requirements as set out by the NC to equip the Board and the respective Board committees with relevant knowledge and skills in order to perform their roles effectively	Page 53
Guideline 2.1 Compliance with the guideline on proportion of independent Directors on the Board	Page 53
Guideline 2.3 The Board should identify in the Company's Annual Report each Director it considers to be independent. Where the Board considers a Director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a Director not to be independent, the nature of the Director's relationship and the reasons for considering him as independent should be disclosed	Pages 49 to 50 and 53
Guideline 2.4 Where the Board considers an independent Director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	Not applicable

Principle and guidelines	Page reference in DBS Annual Report 2017
Guideline 2.6 (a) The Board's policy with regard to diversity in identifying Director nominees (b) Whether current composition of the Board provides diversity on skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate (c) Steps that the Board has taken to achieve the balance and diversity necessary to maximise its effectiveness	Pages 48, 50 and 52
Guideline 2.13 Names of the members of the EXCO and the key terms of reference of the EXCO, explaining its role and the authority delegated to it by the Board	Pages 51, 53 and 54
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members	Not applicable
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	Pages 51 to 53
Guideline 4.4 (a) The maximum number of listed company Board representations which Directors may hold should be disclosed (b) Reasons for not determining maximum number of listed company Board representations (c) Specific considerations in deciding on the capacity of Directors	Page 53
Guideline 4.6 Process for the selection, appointment and re-appointment of new Directors to the Board, including the search and nomination process	Pages 48 and 52
Guideline 4.7 Key information regarding Directors, including which Directors are executive, non-executive or considered by the NC to be independent	Pages 49 to 50 and 53
Guideline 4.13 Resignation or dismissal of key appointment holders	Page 48
Guideline 4.14 Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10	Page 53
Guideline 5.1 The Board should state in the Company's Annual Report how assessment of the Board, its Board committees and each Director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the Company or any of its Directors. This assessment process should be disclosed in the Company's Annual Report	Pages 52 to 53
Guideline 6.1 Types of information which the Company provides to independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company, and how frequent is such information provided.	Pages 51 to 58
Guideline 7.1 Names of the members of the Remuneration Committee (RC) and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	Pages 52 and 56 to 57

Principle and guidelines	Page reference in DBS Annual Report 2017
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company	Page 64
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 62 to 66
Guideline 9.1 Remuneration of Directors, the CEO and at least the top five key management personnel (who are not also Directors or the CEO) of the Company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel (who are not Directors or the CEO)	For the CEO and management: Page 65 For the Company's other Directors: Pages 56 to 57
Guideline 9.2 Fully disclose the remuneration of each individual Director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	For the CEO: Page 67 For the Company's other Directors: Pages 49 to 50
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of SGD 250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	Page 65
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds SGD 50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of SGD 50,000	Page 57
Guideline 9.5 Details and important terms of employee share schemes	Pages 64, 189 to 190
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive Directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	Pages 62 to 67
Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems	Page 58

Principle and guidelines	Page reference in DBS Annual Report 2017
Guideline 11.14 Names of the members of the Board risk committee and the key terms of reference of the Board risk committee, explaining its role and the authority delegated to it by the Board	Pages 52 and 55 to 56
Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	Pages 52 and 54 to 55
Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	Page 55
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the Company's Annual Report	Page 60
Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	Pages 54 to 55
Guideline 13.1 Whether the Company has an internal audit function	Pages 58 to 59
Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	Page 61
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	Not applicable
Guideline 17.4 Material related party transactions	Pages 59 to 60

Summary of disclosures Enhanced Disclosure Task Force recommendations

General recommendations		Where have we disclosed this? (in Risk management section unless otherwise stated)
1	Present all related risk information together in any particular report.	Refer to the table on page 71
2	Define the bank's risk terminology and risk measures and present key parameter values used.	Sections 1, 5.1, 6.1, 7.1, 8.1
	Permanent considerations regarding the impact of expected credit loss approaches:	
	Describe how the bank interprets and applies the key concepts within an ECL approach.	Refer to Note 1 on page 116
	Disclose the credit loss modelling techniques developed to implement the ECL approach.	Refer to Note 1 on page 116
3	Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis.	Refer to CRO Statement on page 68
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Provide disclosures describing how the concepts applied and modelling techniques under the current impairment approaches compare with the new ECL approach to highlight factors that may drive changes in ECL that may not have been relevant in current impairment approaches.	Refer to Note 1 on page 116
4	Once the applicable rules are finalised, outline plans to meet each new key regulatory ratio, e.g. the net stable funding ratio, liquidity coverage ratio and leverage ratio, and, once the applicable rules are in force, provide such key ratios.	Section 7.4 Refer to Capital Management and Planning section on page 92 and Pillar 3 disclosures published on the DBS website
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Banks should consider describing the intended implementation strategy including the current timeline for the implementation.	Refer to Note 1 on page 116
	Disclose how the risk management organisation, processes and key functions have been organised to run the ECL methodology.	Refer to Note 1 on page 116
Risk governance and risk management strategies/business model		
5	Summarise prominently the bank's risk management organisation, processes and key functions.	Section 3
6	Provide a description of the bank's risk culture, and how procedures and strategies are applied to support that culture.	Section 4 Refer to Corporate Governance section on page 48
7	Describe the key risks arising from the bank's business models and activities, the bank's Risk Appetite in the context of its business models and how the bank manages such risks.	Sections 1, 2 and 4

General recommendations		Where have we disclosed this? (in Risk management section unless otherwise stated)
8	Describe the usage of stress testing within the bank's risk governance and capital frameworks. Stress testing disclosures should provide a narrative overview of the bank's internal stress testing process and governance.	Sections 4.2, 5.1, 6.1, 7.1
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Describe the relationship, if any, between the stress testing programs and the implementation of ECL accounting requirements.	Refer to Note 1 on page 116
Capital adequacy and risk-weighted assets		
9	Provide minimum Pillar 1 capital requirements, including capital surcharges for G-SIBs and the application of counter-cyclical and capital conservation buffers or the minimum internal ratio established by management.	Refer to Capital Management and Planning section on page 92 and Pillar 3 disclosures published on the DBS website
10	Summarise information contained in the composition of capital templates adopted by the Basel Committee to provide an overview of the main components of capital, including capital instruments and regulatory adjustments. A reconciliation of the accounting balance sheet to the regulatory balance sheet should be disclosed.	Refer to Pillar 3 disclosures published on the DBS website
11	Present a flow statement of movements since the prior reporting date in regulatory capital, including changes in common equity tier 1, tier 1 and tier 2 capital.	Refer to Capital Management and Planning section on page 92
12	Qualitatively and quantitatively discuss capital planning within a more general discussion of management's strategic planning, including a description of management's view of the required or targeted level of capital and how this will be established.	Refer to Capital Management and Planning section on page 92
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Banks should consider explaining how ECL requirements are anticipated to have an impact on capital planning (particularly in meeting capital adequacy requirements), including any strategic changes expected by management, to the extent that the impact is material. If regulatory requirements are unclear or not yet fully determined, the effects of such uncertainty should be discussed.	Refer to Note 1 on page 116
13	Provide granular information to explain how risk-weighted assets (RWAs) relate to business activities and related risks.	Section 2
14	Present a table showing the capital requirements for each method used for calculating RWAs for credit risk, including counterparty credit risk, for each Basel asset class as well as for major portfolios within those classes. For market risk and operational risk, present a table showing the capital requirements for each method used for calculation.	Refer to Pillar 3 disclosures published on the DBS website
15	Tabulate credit risk in the banking book showing the average probability of default (PD) and LGD as well as the exposure at default (EAD), total RWAs and the RWA density for Basel asset classes and major portfolios within classes at a suitable level of granularity, based on internal ratings grades.	Refer to Pillar 3 disclosures published on the DBS website
16	Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type.	To be implemented for credit risk RWA under revised Pillar 3 disclosures, effective from 1 January 2018
17	Provide a narrative putting Basel Pillar 3 back-testing requirements into context, including how the bank has assessed model performance and validated its models against default and loss.	Sections 6.1, 6.2

General recommendations		Where have we disclosed this? (in Risk management section unless otherwise stated)
Liquidity		
18	Describe how the bank manages its potential liquidity needs and provide a quantitative analysis of the components of the liquidity reserve held to meet these needs, ideally by providing averages as well as period-end balances.	Sections 7.1, 7.3
Funding		
19	Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories, including collateral received that can be rehypothecated or otherwise redeployed. This is to facilitate an understanding of available and unrestricted assets to support potential funding and collateral needs.	Section 7.3
20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by retaining contractual maturity at the balance sheet date. Present separately (i) senior unsecured borrowing (ii) senior secured borrowing (separately for covered bonds and repos) and (iii) subordinated borrowing. Banks should provide a narrative discussion of management's approach in determining the behavioural characteristics of financial assets and liabilities.	Section 7.2 Financial Statements Note 42.1
21	Discuss the bank's funding strategy, including key sources and any funding concentrations, to enable effective insight into available funding sources, our reliance on wholesale funding, any geographical or currency risks and changes in those sources over time.	Section 7.1
Market risk		
22	Provide information that facilitates the user's understanding of the links between line items in the balance sheet and the income statement with positions included in the traded market risk disclosures [using the bank's primary risk management measures such as Value at Risk (VaR)] and non-traded market risk disclosures such as risk factor sensitivities, economic value and earnings scenarios and/or sensitivities.	Section 6.1
23	Provide further qualitative and quantitative breakdowns of significant trading and non-trading market risk factors that may be relevant to the bank's portfolios beyond interest rate, foreign exchange, commodity and equity measures.	Sections 6.1, 6.2
24	Provide qualitative and quantitative disclosures that describe significant market risk measurement model limitations, assumptions, validation procedures, usage of proxies, changes in risk measures and models through time, reasons for back-testing exceptions, and how these results are used to enhance the parameters of the model.	Sections 6.1, 6.2
25	Provide a description of the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures and parameters, such as VaR, earnings or economic value scenario results, through methods such as stress tests, expected shortfall, economic capital, scenario analysis, stressed VaR or other alternative approaches. The disclosure should discuss how market liquidity horizons are considered and applied within such measures.	Sections 6.1, 6.2

General recommendations		Where have we disclosed this? (in Risk management section unless otherwise stated)
Credit risk		
26	Provide information that facilitates the user's understanding of the bank's credit risk profile, including any significant credit risk concentrations.	Section 5.4 Financial Statements Note 41.4
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Banks should consider whether existing segmentation for disclosure purposes is sufficiently granular to appropriately understand credit risk through an ECL approach. Once practical and when disclosures are reliable, provide users with a quantitative assessment of the potential impact of applying an ECL approach.	Not applicable (quantitative assessment not yet available)
	Permanent considerations regarding the impact of expected credit loss approaches:	
	Where it aids understanding of credit risk exposures, provide disclosure of vintage.	Not applicable
27	Describe the policies for identifying impaired or non-performing loans, including how the bank defines impaired or non-performing, restructured and returned-to-performing (cured) loans, as well as explanations for loan forbearance policies.	Section 5.1
28	Provide reconciliation for the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses. Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans.	Sections 5.1, 5.4 Financial Statements Note 41.2
29	Provide a quantitative and qualitative analysis of the bank's counterparty credit risk, which arises from its derivatives transactions.	Sections 5.1, 5.4
30	Provide qualitative information about credit risk mitigation and collateral held for all sources of credit risk, as well as quantitative information where meaningful.	Sections 5.2, 5.4
Other risk		
31	Describe "other risk" types based on management's classifications and discuss how each one is identified, governed, measured and managed. In addition to risks such as operational risk, reputational risk, fraud risk and legal risk, it may be relevant to include topical risks such as business continuity, regulatory compliance, technology, and outsourcing.	Sections 1, 8.1, 9
32	Discuss publicly known risk events related to other risks, including operational, regulatory, compliance and legal risks, where material or potentially material loss events have occurred. Such disclosures should concentrate on the effect on the business, the lessons learned and the resulting changes to risk processes already implemented or in progress.	Section 8.2

Note 1: SFRS(I) 9 impairment methodology

1 DBS will adopt Singapore Financial Reporting Standards (International) 9 Financial Instruments (SFRS(I) 9) on 1 January 2018. SFRS(I) 9 governs how Singapore reporting entities classify and measure financial instruments; recognise impairment (or allowance) charges; and account for hedges.

1.1 Information on the estimated transitional impact to the Group's shareholders' funds is provided on page 133. SFRS(I) 9 mandated disclosures will be made during the course of 2018.

2 Current impairment approach

2.1 Prior to 2018, for impairment allowances, DBS complies with the provisions of MAS Notice 612 where banks maintain, in addition to specific allowances, a prudent level of general allowances of at least 1% of uncollateralised exposures. This is an intended departure from the incurred loss provisioning approach prescribed under FRS 39.

3 SFRS(I) 9 impairment methodology

3.1 Under SFRS(I) 9, impairment charges will be determined using an Expected Credit Loss (ECL) 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. 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 then. The ECL of a Stage 1 financial asset will be the credit loss expected to result from a default occurring over the next 12 months;
- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. The ECL of a Stage 2 financial asset will be the credit loss that is expected over the remaining lifetime of the asset;
- Stage 3, if it has been credit-impaired with objective evidence of default. The assessed ECL for a Stage 3 financial asset is not expected to be materially different from the existing specific allowances taken.

Staging criteria

3.2 The analysis underpinning the assessment of whether a financial asset has, since origination, experienced a significant increase in credit risk is multi-factor in nature, with a range of qualitative and quantitative parameters being taken into consideration.

3.3 For non-retail exposures, these include observed changes in the probability of default (derived from the internal credit risk rating for each obligor) that are in excess of pre-specified thresholds, as well as exposures that are placed on credit "watchlists" for closer scrutiny of developing credit issues. For retail exposures, days past due is a driver, supplemented with a probability of default-based criterion.

3.4 A Stage 2 exposure could migrate back to Stage 1 if it is assessed, after a minimum observation period, that there is assurance of a sustainable improvement in its credit profile.

Definition of credit-impaired/default

3.5 Exposures are classified as Stage 3 if these are deemed to be credit-impaired or have suffered objective evidence of default as at the reporting date. The definition of default that will be applied upon adoption of SFRS(I) 9 is consistent with that specified in the Basel regulatory capital rules.

3.6 A Stage 3 exposure that is restructured could be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

ECL Modelling – Point-in-Time and Forward-Looking Adjustments

3.7 Portfolio-specific adjustments are made to the Bank's existing credit rating systems, models, processes and tools to meet the requirements of SFRS(I) 9.

3.8 For the non-retail portfolios, credit risk cycle indices have been developed for significant industries and regions. These are used as inputs to convert through-the-cycle loss estimates measures into the point-in-time equivalents and determine the forward-looking estimates. For retail portfolios, adjustments are made in light of the latest loss experience, as well as outputs from macroeconomic forecast models.

Management overlay

3.9 In determining the final ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions and the economic outlook. Additional considerations that are assessed to have been inadequately addressed in the ECL model estimates will be addressed through the application of a structured management overlay framework. This incorporates considerations such as (1) individual loss assessments of large exposures on watchlists; (2) observed model limitations; and (3) thematic events and stress-test outputs.

3.10 ECL adjustments arising from the exercise of the management overlay are subject to a robust review and governance process.

4 SFRS(I) 9 Implementation

4.1 A Project Steering Committee (PSC), chaired by the Group CFO, was established to oversee the SFRS(I) 9 implementation, including the development of the ECL model, in 2016. The PSC is supported by the Group Operational Implementation Committee, consisting of subject matter experts.

4.2 To support the regional roll-out across the Group and local implementation where applicable, Country Implementation Committees were also established in key locations.

4.3 Periodic progress reports and results of parallel runs were provided to the various Committees, including the Audit Committee during the course of 2017. DBS' external auditor has reviewed the SFRS(I) 9 implementation and the transitional impact was considered to be reasonable.

5 Impact on regulatory capital planning

5.1 Periodic changes in the ECL balance will be reflected as impairment charges and recorded in profit and loss and ultimately common equity Tier 1 capital (CET1). Banks are required to also maintain a minimum total allowance balance amounting to 1% of a defined list of non-credit-impaired exposures, which has been termed the Minimum Regulatory Loss Allowance (MRLA). If the balance of Stage 1 & 2 ECL (which would equate to general allowances) is less than the MRLA, banks will have to appropriate the shortfall amount from retained earnings into a non-distributable reserve within equity, which is described as the Regulatory Loss Allowance Reserve (RLAR). The RLAR is excluded from CET1; instead, it is recognised as part of the Total Eligible Provision for Basel capital reporting and will be included as Tier 2 capital (subject to the existing prescribed limits).

5.2 Relative to the current approach outlined in paragraph 2.1, Stage 1 & 2 ECL is expected to be more volatile and the Group will take this into consideration in its capital planning. As the Group has observed MAS Notice 612 requirements since 2005, the general allowances balance has remained prudent. As such, SFRS(I) 9 adoption will not have a significant impact on the Group's capital position at transition. Consequently, the Group will not require the transitional arrangements, which are intended to shield regulatory capital from the application of ECL accounting, that the Basel Committee had introduced in March 2017.

Summary of disclosures Global Reporting Initiative (GRI) Content Index

GRI standard	Disclosure requirements	Where have we disclosed this?	Externally assured?
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	**Organisational profile**		
	102-1 Name of the organisation	DBS Group Holdings Ltd	
	102-2 Activities, brands, products, and services	Refer to "How we create value" on page 20.	
	102-3 Location of headquarters	12 Marina Boulevard Marina Bay Financial Centre Tower 3 Singapore 018982	
	102-4 Location of operations	Refer to "Who we are" on page 2.	
	102-5 Ownership and legal form	Public limited company listed on the Singapore Exchange.	
	102-6 Markets served	Refer to "Who we are" on page 2.	
	102-7 Scale of the organisation	Refer to "Who we are" on page 2.	
	102-8 Information on employees and other workers	Refer to Tables 1, 2 and 3 on page 123. Read more about our employee initiatives on page 105.	✓
	102-9 Supply chain	Refer to "Sustainable sourcing" on page 103.	✓
	102-10 Significant changes to the organisation and its supply chain	There were no significant changes to our organisational profile during the reporting period.	
	102-11 Precautionary principle or approach	We do not explicitly refer to the precautionary approach or principle in our risk management framework. We seek to contribute to society by generating profits responsibly, which ties in with our corporate value of being purpose-driven. Refer to "Sustainability" on page 97.	
	102-12 External initiatives	Refer to "About this report" on inside cover.	
	102-13 Membership of associations	Our key memberships include Institute of International Finance and The Association of Banks in Singapore (Chairman Bank from 2017 to 2019).	
	Strategy		
	102-14 Statement from senior decision-maker	Refer to "Letter from the Chairman and CEO" on page 10.	
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behavior	Refer to "Culture" on page 60. See also "values-led culture" on page 21.	
	Governance		
	102-18 Governance structure	Refer to "Corporate governance" on page 48.	
	Stakeholder engagement		
	102-40 List of stakeholder groups	Refer to "What our stakeholders are telling us" on page 28.	
	102-41 Collective bargaining agreements	Our house union in Singapore, the DBS Staff Union, is an affiliate of the National Trades Union Congress (NTUC). As at 31 December 2017, 1,773 of our employees are eligible for collective bargaining under the Memorandum of Understanding between DBS and NTUC. We do not have house unions in other markets. In addition, three employees who are officers and below in DBS Vickers are eligible for collective bargaining under the Collective Agreement between DBS Vickers and The Singapore Manual and Mercantile Workers' Union.	✓

<table>
<tr><th>GRI standard</th><th>Disclosure requirements</th><th colspan="2">Where have we disclosed this?</th><th>Externally assured?</th></tr>
<tr><td colspan="5">GRI 101: Foundation 2016</td></tr>
<tr><td colspan="5">General Disclosures</td></tr>
<tr><td rowspan="14">GRI 102: General Disclosures 2016</td><td colspan="4">Stakeholder engagement</td></tr>
<tr><td>102-42 Identifying and selecting stakeholders</td><td colspan="2" rowspan="3">Refer to “What our stakeholders are telling us” on page 28.</td><td></td></tr>
<tr><td>102-43 Approach to stakeholder engagement</td><td></td></tr>
<tr><td>102-44 Key topics and concerns raised</td><td></td></tr>
<tr><td colspan="4">Reporting practice</td></tr>
<tr><td>102-45 Entities included in the consolidated financial statements</td><td colspan="2">Refer to “Subsidiaries and consolidated structured entities” on page 149 and “Associates” on page 150.</td><td></td></tr>
<tr><td>102-46 Defining report content and topic boundaries</td><td colspan="2">Our Annual Report is prepared in accordance with the International Integrated Reporting <IR> Framework.

Under <IR>, our disclosures focus primarily on matters that substantively affect our ability to create long-term value.

Read more about our material matters identification process on page 25.

In addition, through internal evaluation and our stakeholder interactions, we have identified additional GRI topics where our operations may impact the environment or society. These are outlined below (see 102-47 List of GRI topics).</td><td></td></tr>
<tr><td rowspan="3">102-47 List of GRI topics</td><td>GRI topics relevant for DBS</td><td>Related material/ important matter, where applicable*</td><td></td></tr>
<tr><td>201: Economic performance
203: Indirect economic impacts
205: Anti-corruption
302: Energy
303: Water
305: Emissions
306: Effluents and waste
308: Supplier environmental assessment
401: Employment
404: Training and education
405: Diversity and equal opportunity
412: Human rights assessment
414: Supplier social assessment
415: Public policy
417: Marketing and labelling
418: Customer privacy
419: Socioeconomic compliance</td><td>Macroeconomic and demographic trends
Financial inclusion
Financial crime
Climate change
Not applicable
Climate change
Managing our environmental footprint
Sustainable procurement
Talent management and retention
Talent management and retention
Diversity and equal opportunity
Sustainable procurement/ Responsible financing
Sustainable procurement
Not applicable
Fair dealing
Cyber security
Evolving regulatory landscape</td><td></td></tr>
<tr><td colspan="2">*Refer to “Material Matters” on page 25.</td><td></td></tr>
<tr><td>102-48 Restatements of information</td><td colspan="2">Restatements of information, where applicable, are noted within the relevant data sets.</td><td></td></tr>
<tr><td>102-49 Changes in reporting</td><td colspan="2">There are no significant changes in scope and aspect boundaries.</td><td></td></tr>
<tr><td>102-50 Reporting period</td><td colspan="2">This report covers the period 1 January to 31 December 2017.</td><td></td></tr>
<tr><td>102-51 Date of most recent report</td><td colspan="2">31 December 2016</td><td></td></tr>
</table>

GRI standard	Disclosure requirements	Where have we disclosed this?	Externally assured?
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	**Reporting practice**		
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding the report	For any questions regarding this report or its contents, please contact Investor Relations at investor@dbs.com.	
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	
	102-55 GRI content index	This Appendix is the GRI Content Index.	
	102-56 External assurance	With effect from 2017, we have sought external independent limited assurance on our annual sustainability reporting. Refer to "Independent limited assurance report on sustainability information" on page 124.	
Material Topics			
GRI 200 Economic Standard Series			
Economic Performance			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "CFO Statement" on page 30 and "Consolidated income statement" on page 127. Further breakdown of income and expenses by geography can be found in "Geographical segment reporting "on page 182. See also "How we distribute value created" on page 24.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 201: Economic Performance 2016	**201-1 Direct economic value generated and distributed**		✓
Indirect Economic Impacts			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "Sustainable Finance" on page 100 and "Financial inclusion – being the People's Bank" on page 101.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 203: Indirect Economic Impacts 2016	**203-2 Significant indirect economic impacts**		
Anti-corruption			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "Preventing financial crime (including bribery/ corruption)" on page 99.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 205: Anti-corruption 2016	**205-2 Communication and training about anti-corruption policies and procedures**		✓

GRI standard	Disclosure requirements	Where have we disclosed this?	Externally assured?
GRI 300 Environmental Standards Series			
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Refer to "Managing our environmental footprint" on page 101.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 302: Energy 2016	302-1 Energy consumption within the organisation		✓
Water			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Refer to "Managing our environmental footprint" on page 101.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 303: Water 2016	303-1 Water withdrawal by source		✓
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Refer to "Managing our environmental footprint" on page 101. Our direct (Scope 1) GHG emissions relate only to the less than 20 passenger vehicles that we own and are negligible.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions		✓
	305-3 Other indirect (Scope 3) GHG emissions		✓
	305-4 GHG emissions intensity		✓
	305-5 Reduction of GHG emissions		✓
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Refer to "Managing our environmental footprint" on page 101.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method		✓
Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Refer to "Sustainable Sourcing" on page 103.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria		✓

GRI standard	Disclosure requirements	Where have we disclosed this?	Externally assured?
GRI 400 Social Standards Series			
Employment			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "Hiring and employee engagement" on page 105.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 401: Employment 2016	**401-1 New employee hires and employee turnover**		✓
Training and Education			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "Developing a future-ready workforce and talent pipeline" on page 106.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 404: Training and Education 2016	**404-1 Average hours of training per year per employee**		✓
	404-3 Percentage of employees receiving regular performance and career development reviews	99.5% of eligible employees received regular performance and career development reviews in 2017.	✓
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "Diversity and equal opportunity" on page 106. See also "Board of Directors" on page 4, "Our Board" on page 51 and "Further information on Board of Directors" on page 201.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 405: Diversity and Equal Opportunity 2016	**405-1 Diversity of governance bodies and employees**		✓
Human Rights Assessment			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	DBS is committed to promulgating good practices and aligning our operations and strategies with universally accepted principles in human rights, including the elimination of all forms of forced and compulsory labour. Through our Code of Conduct, we set out clear principles and minimum standards of behaviour expected of each employee, which includes treating others in a professional, ethical and responsible manner. It also defines the procedures for reporting of incidents and provides protection for employees making these disclosures. Human rights assessment is addressed in various parts of our business. Refer to "Responsible financing" on page 100 and "Sustainable sourcing" on page 103.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 412: Human Rights Assessment 2016	**412-1 Operations that have been subject to human rights reviews or impact assessments**		
Supplier Social Assessment			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "Sustainable sourcing" on page 103.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 414: Supplier Social Assessment 2016	**414-1 New suppliers that were screened using social criteria**		✓

GRI standard	Disclosure requirements	Where have we disclosed this?	Externally assured?
Public Policy			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Under our Code of Conduct Standard, all staff are prohibited from making payments on behalf of or using DBS' assets to support political candidates or parties.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 415: Public Policy 2016	**415-1 Political contributions**		
Marketing and Labeling			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "Fair dealing" on page 99. There were no material incidents of non-compliance concerning fair dealing during the year.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 417: Marketing and Labeling 2016	**417-2 Incidents of non-compliance concerning product and service information and labeling**		
Customer Privacy			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Refer to "Cyber security and data protection" on page 98. There were no material complaints concerning breaches of customer privacy and losses of customer data during the year.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 418: Customer Privacy 2016	**418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data**		
Socioeconomic Compliance			
GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its boundary**	Socioeconomic compliance relates only to those ESG topics included within our Sustainability Report. Refer to "Compliance and regulatory compliance" on page 70 and "Compliance risk" on page 89. There were no material instances of non-compliance with laws and regulations in this context during the year.	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 419: Socioeconomic Compliance 2016	**419-1 Non-compliance with laws and regulations in the social and economic area**		

Information on employees

Table 1 Total number of employees by contract type and gender

Type of contract	2017			2016		
	Female	Male	Total	Female	Male	Total
Permanent of which:	**13,005**	**10,591**	**23,596**	12,163	9,613	21,776
Full time	***12,932***	***10,588***	***23,520***	*12,088*	*9,611*	*21,699*
Part time	***73***	***3***	***76***	*75*	*2*	*77*
Contract/Temporary[1]	**278**	**300**	**578**	186	232	418
Total	**13,283**	**10,891**	**24,174**	12,349	9,845	22,194

(1) Headcount on DBS' payroll

Table 2 Total number of employees by geography and gender

Geography	2017			2016		
	Female	Male	Total	Female	Male	Total
Singapore	**6,417**	**4,545**	**10,962**	6,226	4,155	10,381
Hong Kong	**2,391**	**2,146**	**4,537**	2,272	2,078	4,350
Rest of Greater China[1]	**2,835**	**1,396**	**4,231**	2,359	1,250	3,609
South and Southeast Asia[2]	**1,524**	**2,638**	**4,162**	1,386	2,201	3,587
Rest of the World[3]	**116**	**166**	**282**	106	161	267
Total	**13,283**	**10,891**	**24,174**	12,349	9,845	22,194

(1) Rest of Greater China includes Mainland China and Taiwan
(2) South and Southeast Asia includes India, Indonesia, Malaysia, Vietnam, Thailand, Myanmar and the Philippines
(3) Rest of the World includes Australia, South Korea, Japan, Dubai, United States of America and United Kingdom

Table 3 Total number of employees by geography and contract type

Geography	2017			2016		
	Permanent	Contract/ Temporary	Total	Permanent	Contract/ Temporary	Total
Singapore	**10,844**	**118**	**10,962**	10,284	97	10,381
Hong Kong	**4,398**	**139**	**4,537**	4,244	106	4,350
Rest of Greater China[1]	**4,129**	**102**	**4,231**	3,591	18	3,609
South and Southeast Asia[2]	**3,960**	**202**	**4,162**	3,398	189	3,587
Rest of the World[3]	**265**	**17**	**282**	259	8	267
Total	**23,596**	**578**	**24,174**	21,776	418	22,194

(1) Rest of Greater China includes in Mainland China and Taiwan
(2) South and Southeast Asia includes in India, Indonesia, Malaysia, Vietnam, Thailand, Myanmar and the Philippines
(3) Rest of the World includes in Australia, South Korea, Japan, Dubai, United States of America and United Kingdom

Independent limited assurance report on sustainability information

To the Board of Directors of DBS Group Holdings Ltd

We have been engaged by DBS Group Holdings Ltd (DBS) to undertake a limited assurance engagement in respect of the selected sustainability information from the 2017 Sustainability Report of DBS described below for the year ended 31 December 2017 (the "Identified Sustainability Information").

Identified Sustainability Information

The Identified Sustainability Information for the year ended 31 December 2017 is set out below:

- GRI 102-8: Information on employees and other workers
- GRI 102-9: Supply chain
- GRI 102-41: Collective bargaining agreements
- GRI 201-1: Direct economic value generated and distributed
- GRI 205-2: Communication and training about anti-corruption policies and procedures
- GRI 302-1: Energy consumption within the organisation
- GRI 303-1: Water withdrawal by source
- GRI 305-2: Energy indirect (Scope 2) GHG emissions
- GRI 305-3: Other indirect (Scope 3) GHG emissions
- GRI 305-4: GHG emissions intensity
- GRI 305-5: Reduction of GHG emissions
- GRI 306-2: Waste by type and disposal method
- GRI 308-1: New suppliers that were screened using environmental criteria
- GRI 401-1: New employee hires and employee turnover
- GRI 404-1: Average hours of training per year per employee
- GRI 404-3: Percentage of employees receiving regular performance and career development reviews
- GRI 405-1: Diversity of governance bodies and employees
- GRI 414-1: New suppliers that were screened using social criteria

Our assurance engagement was with respect to the year ended 31 December 2017. We have not performed any procedures with respect to (i) earlier periods; and (ii) any other elements included in the 2017 Sustainability Report of DBS, and in the annual report, website and other publications, and therefore do not express any conclusion thereon.

Reporting Criteria

The Identified Sustainability Information has been assessed against the Global Reporting Initiative (GRI) Sustainability Reporting Standards (the "Reporting Criteria").

Management's Responsibility for the Identified Sustainability Information

Management of DBS is responsible for the preparation of the Identified Sustainability Information in accordance with the Reporting Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Identified Sustainability Information that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Singapore Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Information based on the procedures we have performed and the evidence we have obtained. We performed our limited assurance engagement in accordance with Singapore Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits and Reviews of Historical Financial Information (the "Standard"). This Standard requires that we plan and perform our work to form the conclusion about whether the Identified Sustainability Information is free from material misstatement. The extent of our procedures depends on our professional judgement and our assessment of the engagement risk.

A limited assurance engagement involves assessing the suitability in the circumstances of DBS's use of the Reporting Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement, in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether DBS's Identified Sustainability Information has been prepared, in all material respects, in accordance with the Reporting Criteria.

The procedures selected included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, we also performed the following:

- interviewed management and personnel in Group Finance, Group Procurement Services, Group Human Resources, Group Compliance and Corporate Real Estate Strategy and Administration in relation to the Identified Sustainability Information;
- obtained an understanding of how the Identified Sustainability Information is gathered, collated and aggregated internally;
- performed limited substantive testing, on a selective basis, of the Identified Sustainability Information (i) to verify the assumptions, estimations and computations made in relation to the Identified Sustainability Information; and (ii) to check that data had been appropriately measured, recorded, collated and reported, to the extent we considered necessary and appropriate to provide sufficient evidence for our conclusion; and
- assessed the disclosure and presentation of the Identified Sustainability Information.

In designing these procedures, we considered the system of internal controls in relation to the Identified Sustainability Information and reliance has been placed on internal controls where appropriate. Because of the inherent limitations in any accounting and internal control system, errors and irregularities may nevertheless occur and not be detected.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Identified Sustainability Information for the financial year ended 31 December 2017 is not prepared, in all material respects, in accordance with the Reporting Criteria.

This report, including our conclusion, has been prepared solely for DBS in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than DBS for our work or this report.

PricewaterhouseCoopers LLP

Yours faithfully

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Name of Partner: Fang Eu-Lin

Singapore
6 March 2018

Financial statements

DBS Group Holdings Ltd and its Subsidiaries

Consolidated income statement

for the year ended 31 December 2017

In $ millions	Note	2017	2016
Interest income		**10,833**	9,748
Interest expense		**3,042**	2,443
Net interest income	4	**7,791**	7,305
Net fee and commission income	5	**2,622**	2,331
Net trading income	6	**1,058**	1,357
Net income from investment securities	7	**424**	330
Other income	8	**379**	166
Non-interest income		**4,483**	4,184
Total income		**12,274**	11,489
Employee benefits	9	**2,825**	2,725
Other expenses	10	**2,380**	2,247
Total expenses		**5,205**	4,972
Profit before allowances		**7,069**	6,517
Allowances for credit and other losses	11	**1,894**	1,434
Profit before tax		**5,175**	5,083
Income tax expense	12	**671**	723
Net profit		**4,504**	4,360
Attributable to:			
Shareholders		**4,371**	4,238
Non-controlling interests		**133**	122
		4,504	4,360
Basic and diluted earnings per ordinary share ($)	13	**1.69**	1.66

(The notes on pages 132 to 182 as well as the Risk management section on pages 71 to 91 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated statement of comprehensive income

for the year ended 31 December 2017

In $ millions	2017	2016
Net profit	**4,504**	4,360
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Translation differences for foreign operations	**(178)**	27
Other comprehensive income of associates	**(4)**	(6)
Available-for-sale financial assets and others		
Net valuation taken to equity	**391**	129
Transferred to income statement	**(365)**	(187)
Taxation relating to components of other comprehensive income	**4**	12
Item that will not be reclassified to income statement:		
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	**(109)**	–
Other comprehensive income, net of tax	**(261)**	(25)
Total comprehensive income	**4,243**	4,335
Attributable to:		
Shareholders	**4,114**	4,214
Non-controlling interests	**129**	121
	4,243	4,335

(The notes on pages 132 to 182 as well as the Risk management section on pages 71 to 91 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Balance sheets

as at 31 December 2017

In $ millions	Note	The Group 2017	The Group 2016	The Company 2017	The Company 2016
Assets					
Cash and balances with central banks	15	**26,463**	26,840		
Government securities and treasury bills	16	**39,753**	33,401		
Due from banks		**35,975**	30,018	**13**	18
Derivatives	37	**17,585**	25,757	**36**	29
Bank and corporate securities	17	**55,589**	45,417		
Loans and advances to customers	18	**323,099**	301,516		
Other assets	20	**12,066**	11,042	**2**	–
Associates	23	**783**	890		
Subsidiaries	22	**–**	–	**24,357**	22,285
Properties and other fixed assets	26	**1,233**	1,572		
Goodwill and intangibles	27	**5,165**	5,117		
Total assets		**517,711**	481,570	**24,408**	22,332
Liabilities					
Due to banks		**17,803**	15,915		
Deposits and balances from customers	28	**373,634**	347,446		
Derivatives	37	**18,003**	24,497	**28**	22
Other liabilities	29	**16,615**	15,895	**66**	50
Other debt securities	30	**40,716**	27,745	**4,078**	2,400
Subordinated term debts	31	**1,138**	3,102	**630**	645
Total liabilities		**467,909**	434,600	**4,802**	3,117
Net assets		**49,802**	46,970	**19,606**	19,215
Equity					
Share capital	32	**11,082**	10,670	**11,092**	10,690
Other equity instruments	33	**1,812**	1,812	**1,812**	1,812
Other reserves	34	**4,256**	4,322	**170**	168
Revenue reserves	34	**30,308**	27,805	**6,532**	6,545
Shareholders' funds		**47,458**	44,609	**19,606**	19,215
Non-controlling interests	35	**2,344**	2,361		
Total equity		**49,802**	46,970	**19,606**	19,215

(The notes on pages 132 to 182 as well as the Risk management section on pages 71 to 91 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2017

In $ millions	Share capital	Other equity instruments	Other reserves	Revenue reserves	Total Shareholders' funds	Non-controlling interests	Total equity
	Attributable to shareholders of the Company						
2017							
Balance at 1 January	**10,670**	**1,812**	**4,322**	**27,805**	**44,609**	**2,361**	**46,970**
Draw-down of reserves upon vesting of performance shares	**106**	**–**	**(106)**	**–**	**–**	**–**	**–**
Issue of shares pursuant to Scrip Dividend Scheme	**306**	**–**	**–**	**–**	**306**	**–**	**306**
Cost of share-based payments	**–**	**–**	**110**	**–**	**110**	**–**	**110**
Transfers	**–**	**–**	**78**	**(78)**	**–**	**–**	**–**
Dividends paid to shareholders[(a)]	**–**	**–**	**–**	**(1,681)**	**(1,681)**	**–**	**(1,681)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(123)**	**(123)**
Change in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(23)**	**(23)**
Total comprehensive income	**–**	**–**	**(148)**	**4,262**	**4,114**	**129**	**4,243**
Balance at 31 December	**11,082**	**1,812**	**4,256**	**30,308**	**47,458**	**2,344**	**49,802**
2016							
Balance at 1 January	10,114	803	6,705	22,752	40,374	2,422	42,796
Purchase of treasury shares	(60)	–	–	–	(60)	–	(60)
Draw-down of reserves upon vesting of performance shares	108	–	(108)	–	–	–	–
Issue of shares pursuant to Scrip Dividend Scheme	508	–	–	–	508	–	508
Issue of perpetual capital securities	–	1,009	–	–	1,009	–	1,009
Cost of share-based payments	–	–	109	–	109	–	109
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

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

(The notes on pages 132 to 182 as well as the Risk management section on pages 71 to 91 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated cash flow statement

for the year ended 31 December 2017

In $ millions	2017	2016
Cash flows from operating activities		
Profit before tax	**5,175**	5,083
Adjustments for non-cash and other items:		
Allowances for credit and other losses	**1,894**	1,434
Depreciation of properties and other fixed assets	**297**	275
Share of profits or losses of associates	**(11)**	47
Net loss/(gain) on disposal, net of write-off of properties and other fixed assets	**18**	(47)
Net gain on divestment of subsidiary	**(350)**	–
Net loss on disposal of interest in associate	**7**	–
Net income from investment securities	**(424)**	(330)
Cost of share-based payments	**110**	109
Interest expense on subordinated term debts	**62**	107
Profit before changes in operating assets and liabilities	**6,778**	6,678
Increase/(Decrease) in:		
Due to banks	**1,993**	(2,354)
Deposits and balances from customers	**18,121**	25,659
Other liabilities	**(2,118)**	4,282
Other debt securities and borrowings	**13,019**	(10,426)
(Increase)/Decrease in:		
Restricted balances with central banks	**(1,118)**	17
Government securities and treasury bills	**(6,700)**	1,616
Due from banks	**(6,153)**	8,243
Bank and corporate securities	**(10,394)**	(5,265)
Loans and advances to customers	**(19,685)**	(17,363)
Other assets	**3,844**	(841)
Tax paid	**(709)**	(809)
Net cash (used in)/ generated from operating activities (1)	**(3,122)**	9,437
Cash flows from investing activities		
Dividends from associates	**38**	36
Proceeds from disposal of interest in associates	**74**	3
Proceeds from disposal of properties and other fixed assets	**1**	76
Purchase of properties and other fixed assets	**(360)**	(321)
Proceeds from divestment of subsidiary	**735**	–
Net proceeds from acquisition of new business	**4,783**	–
Change in non-controlling interests	**(23)**	(58)
Net cash generated from/ (used in) investing activities (2)	**5,248**	(264)
Cash flows from financing activities		
Issue of subordinated term debts	**–**	630
Interest paid on subordinated term debts	**(74)**	(114)
Redemption/purchase of subordinated term debts	**(1,897)**	(1,586)
Purchase of treasury shares	**–**	(60)
Issue of perpetual capital securities	**–**	1,009
Dividends paid to shareholders of the Company, net of scrip dividends[(a)]	**(1,375)**	(1,037)
Dividends paid to non-controlling interests	**(123)**	(124)
Net cash used in financing activities (3)	**(3,469)**	(1,282)
Exchange translation adjustments (4)	**(96)**	163
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(1,439)**	8,054
Cash and cash equivalents at 1 January	**20,132**	12,078
Cash and cash equivalents at 31 December (Note 15)	**18,693**	20,132

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

(The notes on pages 132 to 182 as well as the Risk management section on pages 71 to 91 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Notes to the financial statements

for the year ended 31 December 2017

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the Directors on 7 February 2018.

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 (MAS). 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 ASC announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to IFRS with effect from 1 January 2018. The new framework is referred to as 'Singapore Financial Reporting Standards (International)' (SFRS(I)) hereinafter.

The Group will be required to apply the specific requirements of SFRS(I) 1 First-time Adoption of International Financial Reporting Standards upon the transition to the new framework.

The Group does not expect the transition to have a significant impact on the financial statements, except for those relating to SFRS(I) 9 Financial Instruments which comes into effect at the same date. Please refer to Note 2.4 for more information.

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 2017 year-end

On 1 January 2017, the Group adopted the following revised FRS that are issued by the ASC and relevant for the Group.

- Amendments to FRS 7: Disclosure Initiative
- Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 112: Clarification of the scope of the Standard (Improvements to FRSs 2016)

The adoption has no significant impact on the Group's financial statements.

Early adoption of SFRS(I) 9 Own Credit Risk and reclassification of Structured Notes and Structured Deposits

SFRS(I) 9 Financial Instruments (SFRS(I) 9), which has a mandatory adoption date of 1 January 2018, allows for the early adoption of the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. Under SFRS(I) 9, changes to the fair value of such financial liabilities that are attributable to a reporting entity's own credit risk are taken to revenue reserves through other comprehensive income. The amounts are not transferred to the income statement even when realised. The Group has early adopted this new presentation from 1 January 2017 as it better reflects the Group's underlying business model.

The Group has classified all un-bifurcated structured notes and deposits as "designated at fair value through profit or loss". There is no impact to the amounts and line items reflected in the consolidated income statement or balance sheets for prior periods. Please refer to Note 14 and Note 40 for more information.

2.4 New or amended SFRS(I) and Interpretations effective for future periods

The significant new or amended SFRS(I) and Interpretations that are applicable to the Group for future reporting periods, and which have not been early adopted, include:

- SFRS(I) 15 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.
- SFRS(I) 16 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.
- SFRS(I) 9 Financial Instruments (effective 1 January 2018)

SFRS(I) 9: Financial Instruments

SFRS(I) 9 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 (ECL) of financial assets; and introduces revised requirements for general hedge accounting.

On transition, the estimated aggregate impact is a net increase in the Group shareholders' funds by approximately $65 million. Please refer to the sections below for additional information.

Classification and measurement

SFRS(I) 9 will replace the classification and measurement model in FRS 39 with a new model that categorises debt type 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 payments of principal and interest.

Subsequent changes in fair value of non-trading equity instruments can be taken through profit or loss or other comprehensive income (FVOCI), as elected. The Group expects to elect for most of its non-trading equity instruments to be accounted for as FVOCI.

Changes in the classification and measurement of financial instruments will result in a net reduction in shareholders' funds of $10 million due primarily to the reversal of unrealised gains. The impact is mainly from the reclassification of approximately $16 billion of quoted debt securities from available-for-sale to amortised cost as the Group intends to collect the contractual cash flows of these portfolios.

Impairment

Under SFRS(I) 9, ECL will be assessed using an approach which classifies financial assets into three 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. 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.

ECLs 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. This will necessarily involve the use of judgement.

In addition to the requirements of SFRS(I) 9, the MAS requires the Group to maintain a Minimum Regulatory Loss Allowance (MRLA). Where ECL falls below MRLA, additional loss allowance shall be maintained in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of the Group's retained earnings.

The opening general allowance balance as at 1 January 2018 is $2,620 million, which is also the amount required under MAS' MRLA as defined in the previous paragraph. This exceeds the Group's estimated stage 1 and 2 ECL of approximately $2,525 million. Consequently, approximately $95 million will be transferred from the general allowance balance to RLAR as required by MAS Notice 612, thus increasing shareholders' funds. Taking into account deferred tax impact, the net increase in shareholders' funds is $75 million.

Hedge accounting

SFRS(I) 9 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 SFRS(I) 9.

The impact from hedge accounting is not material.

A) General Accounting Policies

A summary of the 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. Please 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.

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 the 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 Markets" 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 the 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, 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 of 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 Markets" 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 whether there is evidence that a financial asset or a group of financial assets is impaired at each balance sheet date.

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

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 available-for-sale 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 Markets" 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".

  With effect from 1 January 2017, the Group has early adopted the requirements under SFRS(I) 9 that allows for changes to the fair value of financial liabilities designated under the fair value option that are attributable to a reporting entity's own credit risk to be taken to revenue reserves through other comprehensive income. These amounts are not transferred to the income statement even when realised.

- 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".

Where the classification and measurement of financial liabilities do not reflect the management of the financial liabilities, the Group may apply hedge accounting where permissible and relevant to better reflect the management of the financial liabilities. 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 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 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 the balance sheet upon acceptance of the underlying documents.

Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantees are given. The fair value 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 Markets" 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 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 exists and settlement in this manner is intended. This applies generally when they arise from the same tax reporting group and relate to the same tax authority.

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

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

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

3 Critical Accounting Estimates

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

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

3.1 Impairment 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 the Risk Management Section for a further description of the Group's credit risk management.

3.2 Fair value of financial instruments

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

The fair value of financial instruments without an observable market price in an active market may be determined using valuation models. The choice of model requires significant judgement for complex products especially those in the "Treasury Markets" 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 2017	2016
Cash and balances with central banks and Due from banks	**621**	371
Customer non-trade loans	**7,096**	6,628
Trade assets	**1,138**	958
Securities and others	**1,978**	1,791
Total interest income	**10,833**	9,748
Deposits and balances from customers	**2,180**	1,726
Other borrowings	**862**	717
Total interest expense	**3,042**	2,443
Net interest income	**7,791**	7,305
Comprising:		
Interest income from financial assets at fair value through profit or loss	**625**	552
Interest income from financial assets not at fair value through profit or loss	**10,208**	9,196
Interest expense from financial liabilities at fair value through profit or loss	**(174)**	(193)
Interest expense from financial liabilities not at fair value through profit or loss	**(2,868)**	(2,250)
Total	**7,791**	7,305

5 Net Fee and Commission Income

In $ millions	The Group 2017	2016
Brokerage	**154**	155
Investment banking	**216**	189
Transaction services[(b)]	**618**	585
Loan-related	**409**	434
Cards[(c)]	**543**	483
Wealth management[(d)]	**966**	714
Others	**88**	86
Fee and commission income	**2,994**	2,646
Less: fee and commission expense	**372**	315
Net fee and commission income[(a)]	**2,622**	2,331

(a) Includes net fee and commission income of $68 million (2016: $56 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 $790 million (2016: $793 million) during the year
(b) Includes trade & remittances, guarantees and deposit-related fees
(c) Card fees are net of interchange fees paid
(d) 2017 includes $72 million that would have been previously classified as other non-interest income. The amount represents fees earned from wealth management treasury products sold on open investment architecture platforms. The change in classification was applied prospectively from 1 April 2017

6 Net Trading Income

In $ millions	The Group 2017	2016
Net trading income		
– Foreign exchange	**553**	822
– Interest rates, credit, equities and others[(a)]	**825**	538
Net gain from financial assets designated at fair value	**21**	80
Net loss from financial liabilities designated at fair value	**(341)**	(83)
Total	**1,058**	1,357

(a) Includes dividend income of $32 million (2016: $24 million)

7 Net Income from Investment Securities

In $ millions	The Group 2017	2016
Debt securities		
– Available-for-sale	**109**	247
– Loans and receivables	**2**	5
Equity securities[(a)]	**313**	78
Total[(b)]	**424**	330
Of which: net gains transferred from available-for-sale revaluation reserves	**316**	268

(a) Includes dividend income of $63 million (2016: $60 million)
(b) Includes fair value impact of hedges for investment securities

8 Other Income

In $ millions	The Group 2017	2016
Rental income	**10**	37
Net gain on disposal of properties and other fixed assets	**1**	54
Others[(a)(b)]	**368**	75
Total	**379**	166

(a) Includes share of profits or losses of associates
(b) 2017 includes net gain from sale of DBS China Square Limited of $350 million (refer to Note 22)

9 Employee Benefits

In $ millions	The Group 2017	2016
Salaries and bonuses	**2,276**	2,203
Contributions to defined contribution plans	**153**	149
Share-based expenses[(a)]	**110**	108
Others	**286**	265
Total	**2,825**	2,725

(a) Equity settled share-based expenses

10 Other Expenses

In $ millions	The Group 2017	2016
Computerisation expenses[(a)]	**903**	877
Occupancy expenses[(b)]	**411**	402
Revenue-related expenses	**292**	273
Others[(c)]	**774**	695
Total	**2,380**	2,247

(a) Includes hire and maintenance costs of computer hardware and software
(b) Includes rental expenses of office and branch premises of $253 million (2016: $247 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 2017	2016
Depreciation expenses	**297**	275
Hire and maintenance costs of fixed assets, including building-related expenses	**495**	476
Expenses on investment properties	**1**	7
Audit fees[(a)] payable to external auditors[(b)]:		
– Auditors of the Company	**5**	3
– Associated firms of auditors of the Company	**5**	4
Non-audit related fees payable to external auditors[(b)]:		
– Auditors of the Company	**1**	1
– Associated firms of auditors of the Company	**1**	1

(a) Includes audit related assurance fees
(b) PricewaterhouseCoopers network firms

11 Allowances for Credit and Other Losses

In $ millions	The Group 2017	2016
Loans and advances to customers (Note 18)	**1,716**	1,000
Investment securities		
– Available-for-sale	**4**	7
– Loans and receivables	**39**	17
Properties and other fixed assets	**(3)**	–
Off-balance sheet credit exposures	**116**	157
Others	**22**	253
Total	**1,894**	1,434

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

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Acquisition of new business	Exchange and other movements	Balance at 31 December
	The Group					
2017						
Specific allowances						
Loans and advances to customers (Note 18)	**1,270**	**2,238**	**(1,210)**	**38**	**(60)**	**2,276**
Investment securities	**81**	**19**	**(21)**	**–**	**11**	**90**
Properties and other fixed assets	**28**	**(3)**	**–**	**–**	**–**	**25**
Off-balance sheet credit exposures	**69**	**123**	**–**	**–**	**(53)**	**139**
Others	**226**	**22**	**(143)**	**–**	**(8)**	**97**
Total specific allowances	**1,674**	**2,399**	**(1,374)**	**38**	**(110)**	**2,627**
Total general allowances for credit losses	**3,166**	**(505)**	**–**	**13**	**(54)**	**2,620**
Total allowances	**4,840**	**1,894**	**(1,374)**	**51**	**(164)**	**5,247**
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

12 Income Tax Expense

In $ millions	The Group 2017	2016
Current tax expense		
– Current year	**820**	804
– Prior years' provision	**(79)**	(59)
Deferred tax expense		
– Prior years' provision	**4**	–
– Origination of temporary differences	**(74)**	(22)
Total	**671**	723

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

In $ millions	The Group 2017	2016
Accelerated tax depreciation	**5**	3
Allowances for loan losses	**30**	(46)
Other temporary differences	**(105)**	21
Deferred tax credit to income statement	**(70)**	(22)

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 2017	2016
Profit before tax	**5,175**	5,083
Prima facie tax calculated at a tax rate of 17% (2016: 17%)	**880**	864
Effect of different tax rates in other countries	**6**	(1)
Net income not subject to tax	**(112)**	(60)
Net income taxed at concessionary rate	**(99)**	(114)
Expenses not deductible for tax	**13**	15
Others	**(17)**	19
Income tax expense charged to income statement	**671**	723

Deferred income tax relating to available-for-sale financial assets and others of $4 million (2016: $12 million) and own credit risk of $3 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 ('000)		The Group 2017	2016
Weighted average number of ordinary shares in issue (basic and diluted)	(a)	**2,549,597**	2,517,281

In $ millions		The Group 2017	2016
Profit attributable to shareholders		**4,371**	4,238
Less: Dividends on other equity instruments		**(75)**	(50)
Adjusted profit	(b)	**4,296**	4,188
Earnings per ordinary share ($)			
Basic and diluted	(b)/(a)	**1.69**	1.66

14 Classification of Financial Instruments

In $ millions	The Group 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
2017							
Assets							
Cash and balances with central banks	**937**	**–**	**22,266**	**3,260**	**–**	**–**	**26,463**
Government securities and treasury bills	**9,972**	**–**	**–**	**27,826**	**1,955**	**–**	**39,753**
Due from banks	**10,747**	**–**	**23,589**	**1,639**	**–**	**–**	**35,975**
Derivatives	**17,344**	**–**	**–**	**–**	**–**	**241**	**17,585**
Bank and corporate securities	**13,225**	**87**	**26,370**	**15,907**	**–**	**–**	**55,589**
Loans and advances to customers	**477**	**428**	**322,194**	**–**	**–**	**–**	**323,099**
Other financial assets	**–**	**–**	**11,666**	**–**	**–**	**–**	**11,666**
Total financial assets	**52,702**	**515**	**406,085**	**48,632**	**1,955**	**241**	**510,130**
Other asset items outside the scope of FRS 39[(a)]							**7,581**
Total assets							**517,711**
Liabilities							
Due to banks	**523**	**–**	**17,280**	**–**	**–**	**–**	**17,803**
Deposits and balances from customers	**–**	**1,160**	**372,474**	**–**	**–**	**–**	**373,634**
Derivatives	**17,725**	**–**	**–**	**–**	**–**	**278**	**18,003**
Other financial liabilities	**1,961**	**–**	**13,662**	**–**	**–**	**–**	**15,623**
Other debt securities	**187**	**5,785**	**34,744**	**–**	**–**	**–**	**40,716**
Subordinated term debts	**–**	**–**	**1,138**	**–**	**–**	**–**	**1,138**
Total financial liabilities	**20,396**	**6,945**	**439,298**	**–**	**–**	**278**	**466,917**
Other liability items outside the scope of FRS 39[(b)]							**992**
Total liabilities							**467,909**

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Held to maturity	Hedging derivatives	Total
			The Group				
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[(c)]							
Due to banks	481	–	15,434	–	–	–	15,915
Deposits and balances from customers	–	1,387	346,059	–	–	–	347,446
Derivatives	24,230	–	–	–	–	267	24,497
Other financial liabilities	2,303	–	12,450	–	–	–	14,753
Other debt securities	–	5,049	22,696	–	–	–	27,745
Subordinated term debts	–	–	3,102	–	–	–	3,102
Total financial liabilities	27,014	6,436	399,741	–	–	267	433,458
Other liability items outside the scope of FRS 39[(b)]							1,142
Total liabilities							434,600

(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
(c) The 2016 comparatives have been restated with un-bifurcated structured notes and structured deposits being classified as "designated at fair value through profit or loss."
As at 1 January 2016, deposits and balances from customers of $91 million and other debt securities of $4,114 million were reclassified from "held for trading" to "designated at fair value through profit and loss". Following the reclassification, the restated balances for deposits and balances from customers and other debt securities classified as "designated at fair value through profit or loss" were $1,345 million and $5,538 million respectively. Refer to Note 2.3 for more information

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 2017, "Loans and advances to customers" of $38 million were set off against "Deposits and balances from customers" of $38 million because contractually the Group has a legally enforceable right to set off these amounts, and intends to settle the loans and the deposits simultaneously at maturity or termination dates. As at 31 December 2016, there were no offset of financial assets and liabilities.

Financial assets and liabilities subject to netting agreements 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 collaterals received and pledged under these agreements are generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge those non-cash collateral (i.e. securities) lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to 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 master netting arrangements or similar agreements that cover 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					
			Amounts in scope of offsetting disclosures			
				Related amounts not offset on balance sheet		
In $ millions	Carrying amounts on balance sheet	Amounts not in scope of offsetting disclosures	Net amounts	Financial instruments	Financial collateral received/ pledged	Net amounts
2017						
Financial Assets						
Derivatives	**17,585**	**6,190**[(a)]	**11,395**	**9,696**[(a)]	**935**	**764**
Reverse repurchase agreements	**5,312**[(b)]	**300**	**5,012**	**–**	**4,980**	**32**
Securities borrowings	**56**[(c)]	**–**	**56**	**54**	**–**	**2**
Total	**22,953**	**6,490**	**16,463**	**9,750**	**5,915**	**798**
Financial Liabilities						
Derivatives	**18,003**	**5,696**[(a)]	**12,307**	**9,696**[(a)]	**1,544**	**1,067**
Repurchase agreements	**718**[(d)]	**577**	**141**	**–**	**141**	**–**
Securities lendings	**56**[(e)]	**–**	**56**	**49**	**–**	**7**
Short sale of securities	**1,961**[(f)]	**1,209**	**752**	**752**	**–**	**–**
Total	**20,738**	**7,482**	**13,256**	**10,497**	**1,685**	**1,074**
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[(f)]	845	1,458	1,458	–	–
Total	28,223	9,023	19,200	16,246	1,830	1,124

(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 "Amounts not in scope of offsetting disclosures" are those where either no netting agreements exist or where the netting agreements have 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) Cash collateral received under securities lendings are presented under "Other liabilities" on the balance sheet
(f) Short sale of securities are presented under "Other liabilities" on the balance sheet

15 Cash and Balances with Central Banks

In $ millions	The Group 2017	2016
Cash on hand	**2,205**	2,938
Non-restricted balances with central banks	**16,488**	17,194
Cash and cash equivalents	**18,693**	20,132
Restricted balances with central banks[(a)]	**7,770**	6,708
Total	**26,463**	26,840

(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
2017				
Singapore Government securities and treasury bills[(a)]	**4,406**	**7,878**	**1,955**	**14,239**
Other government securities and treasury bills[(b)]	**5,566**	**19,948**	**–**	**25,514**
Total	**9,972**	**27,826**	**1,955**	**39,753**
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

(a) Includes financial assets transferred of $467 million (2016: $70 million) (See Note 19)
(b) Includes financial assets transferred of $2,109 million (2016: $2,740 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
2017					
Bank and corporate debt securities (Gross)[(a)]	**9,105**	**87**	**26,467**	**14,630**	**50,289**
Less: Impairment allowances	**–**	**–**	**(97)**	**–**	**(97)**
Bank and corporate debt securities	**9,105**	**87**	**26,370**	**14,630**	**50,192**
Equity securities[(b)]	**4,120**	**–**	**–**	**1,277**	**5,397**
Total	**13,225**	**87**	**26,370**	**15,907**	**55,589**
2016					
Bank and corporate debt securities (Gross)[(a)]	5,340	57	21,299	14,897	41,593
Less: Impairment allowances	–	–	(154)	–	(154)
Bank and corporate debt securities	5,340	57	21,145	14,897	41,439
Equity securities	2,410	–	–	1,568	3,978
Total	7,750	57	21,145	16,465	45,417

(a) Includes financial assets transferred of $337 million (2016: $414 million) (See Note 19)
(b) Includes financial assets transferred of $49 million (2016:Nil) (See Note 19)

18 Loans and Advances to Customers

In $ millions	The Group 2017	2016
Gross	**327,769**	305,415
Less: Specific allowances	**2,276**	1,270
General allowances	**2,394**	2,629
	323,099	301,516
Analysed by product		
Long-term loans	**137,003**	136,305
Short-term facilities	**72,215**	65,894
Housing loans	**73,293**	64,465
Trade loans	**45,258**	38,751
Gross total	**327,769**	305,415
Analysed by currency		
Singapore dollar	**134,558**	123,733
Hong Kong dollar	**38,891**	35,588
US dollar	**103,943**	102,120
Chinese yuan	**11,055**	11,577
Others	**39,322**	32,397
Gross total	**327,769**	305,415

Refer to Note 41.4 for a 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.

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	The Group Net write-off during the year	Acquisition of new business	Exchange and other movements	Balance at 31 December
2017						
Specific allowances						
Manufacturing	**298**	**171**	**(102)**	**–**	**(9)**	**358**
Building and construction	**136**	**37**	**(72)**	**–**	**(5)**	**96**
Housing loans	**8**	**–**	**(1)**	**–**	**–**	**7**
General commerce	**271**	**96**	**(119)**	**–**	**(17)**	**231**
Transportation, storage and communications	**316**	**1,727**	**(681)**	**–**	**(12)**	**1,350**
Financial institutions, investment and holding companies	**15**	**25**	**(10)**	**–**	**(8)**	**22**
Professionals and private individuals (excluding housing loans)	**71**	**137**	**(123)**	**38**	**(2)**	**121**
Others	**155**	**45**	**(102)**	**–**	**(7)**	**91**
Total specific allowances	**1,270**	**2,238**	**(1,210)**	**38**	**(60)**	**2,276**
Total general allowances[(a)]	**2,629**	**(522)**	**–**	**13**	**274**	**2,394**
Total allowances	**3,899**	**1,716**	**(1,210)**	**51**	**214**	**4,670**
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

(a) The methodology for allocating general allowances was modified in 2017 to harmonise the treatment between loans and non-loan assets

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

In $ millions	The Group 2017	2016
Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	**428**	459
Credit derivatives/enhancements – protection bought	**(428)**	(459)
Cumulative change in fair value arising from changes in credit risk	**(49)**	(98)
Cumulative change in fair value of related credit derivatives/enhancements	**49**	98

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 $49 million (2016: gain of $182 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a loss of $49 million (2016: loss of $182 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 agreements. Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2017 and 2016.

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 pledges 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 $1,455 million (2016: $2,881 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 "fair value through profit or loss" or "available-for-sale" 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 addition, the Group also pledges securities for derivative transactions under credit support agreements. These assets are either classified as "fair value through profit or loss" or "available-for-sale". As the related derivative assets and liabilities are managed on a portfolio basis, there is no direct relationship between the securities pledged and the associated liabilities. As such, the associated liabilities are not disclosed.

In $ millions	The Group 2017	2016
Securities pledged and transferred		
Singapore Government securities and treasury bills	**467**	70
Other government securities and treasury bills	**2,109**	2,740
Bank and corporate debt securities	**337**	414
Equity securities	**49**	–
Total	**2,962**	3,224

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 2017, the carrying value of the covered bonds in issue was $5,028 million (2016: $2,227 million), while the carrying value of assets assigned was $12,930 million (2016: $8,636 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 amounted to $428 million (2016: $516 million).

20 Other Assets

In $ millions	The Group 2017	2016
Accrued interest receivable	**1,305**	1,165
Deposits and prepayments	**555**	423
Receivables from securities business	**990**	643
Sundry debtors and others	**6,491**	5,512
Cash collateral pledged[(a)]	**2,325**	2,966
Deferred tax assets (Note 21)	**400**	333
Total	**12,066**	11,042

(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:

	The Group	
In $ millions	**2017**	**2016**
Deferred income tax assets		
Allowances for loan losses	**319**	356
Available-for-sale financial assets and others	**8**	6
Own credit risk	**3**	–
Other temporary differences	**239**	177
	569	539
Amounts offset against deferred tax liabilities	**(169)**	(206)
Total	**400**	333
Deferred income tax liabilities		
Accelerated tax depreciation	**116**	114
Available-for-sale financial assets and others	**5**	7
Other temporary differences	**75**	118
	196	239
Amounts offset against deferred tax assets	**(169)**	(206)
Total	**27**	33
Net deferred tax assets	**373**	300

22 Subsidiaries and Consolidated Structured Entities

	The Company	
In $ millions	**2017**	**2016**
Investment in subsidiaries[(a)]		
Ordinary shares	**17,682**	17,376
Additional Tier 1 instruments	**2,404**	2,446
Other equity instruments	**344**	344
	20,430	20,166
Due from subsidiaries		
Subordinated term debts	**1,481**	1,699
Other receivables	**2,446**	420
	3,927	2,119
Total	**24,357**	22,285

(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.

		Effective shareholding %	
Name of subsidiary	**Incorporated in**	**2017**	**2016**
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 2016 and 2017.

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	Incorporated in
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.

Disposal of interest in subsidiary

On 10 February 2017, the Group entered into an agreement to divest DBS China Square Limited (DCS) to an indirect subsidiary of Manulife Financial Corporation. The transaction was completed on 10 March 2017 and a net gain of $350 million was recorded for the year ended 31 December 2017.

23 Associates

	The Group	
In $ millions	**2017**	**2016**
Quoted equity securities[(a)]	**–**	57
Unquoted equity securities[(b)]	**796**	812
Sub-total	**796**	869
Share of post-acquisition reserves	**(13)**	21
Total	**783**	890

(a) As of 31 December 2016, the market value of the quoted associate amounted to $60 million and was based on the last traded price on 1 September 2016 prior to its trading suspension. Interest in the quoted associate was disposed of in 2017
(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:

	The Group	
In $ millions	**2017**	**2016**
Income statement		
Share of income	**209**	155
Share of expenses	**(198)**	(202)
Balance sheet		
Share of total assets	**1,793**	1,701
Share of total liabilities	**1,010**	811
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.

		Effective shareholding %	
Name of associate	**Incorporated in**	**2017**	**2016**
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 2017 and 31 December 2016, 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.

Divestment of Hwang Capital (Malaysia) Berhad (HCM)

HCM ceased to be an associated company of the Group following a selective capital reduction and repayment exercise by HCM that became effective on 15 November 2017. The transaction does not have any material impact to the Group's 2017 financial statements.

24 Unconsolidated Structured Entities

"Unconsolidated structured entities" are structured entities, as defined by FRS 112, that are not controlled by the Group. In the normal course of business, the Group enters into transactions with these structured entities to facilitate customer transactions and for specific investment opportunities.

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	**2017**	**2016**
Derivatives	**100**	–
Corporate debt securities	**2,262**	1,267
Loans and advances to customers	**28**	19
Total assets	**2,390**	1,286
Commitments and guarantees	**32**	23
Maximum Exposure to Loss	**2,422**	1,309
Derivatives	**#**	107
Total liabilities	**#**	107

Amount under $500,000

FRS 112 also requires additional disclosures where the Group acts as a sponsor to unconsolidated structured entities. The Group is deemed a sponsor of a third party structured entity if it plays a key role in establishing the entity, and has an on-going involvement with the structured entity or if the Group's name appears in the structured entity's name.

The Group has not sponsored any structured entity during the financial year.

25 Acquisition

On 31 October 2016, DBS Bank Ltd. agreed to acquire the wealth management and retail banking business of Australia and New Zealand Banking Group Limited (ANZ) in five markets for approximately $110 million above book value, of which an estimated $53 million represented goodwill.

The portfolio of businesses being acquired is in Singapore, Hong Kong, China, Taiwan and Indonesia. The acquisition of the businesses in each jurisdiction is independent of each other. As at 31 December 2017, the Group completed the acquisition of the businesses in Singapore, Hong Kong, China and Taiwan.

The Group has received cash of $4,783 million, largely represented by the difference between the assets acquired (comprising mainly loans and advances to customers) of $8,573 million and the liabilities assumed (comprising mainly deposit and balances with customers) of $13,432 million.

The contribution to revenue and net profit from the progressive consolidation of the acquired portfolio for the financial period from 15 July 2017 to 31 December 2017 was not material.

26 Properties and Other Fixed Assets

	The Group				
In $ millions	**Investment properties**	**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)**
2017					
Cost					
Balance at 1 January	**603**	**545**	**2,056**	**2,601**	**3,204**
Additions	**–**	**9**	**351**	**360**	**360**
Acquisition of new business	**–**	**26**	**1**	**27**	**27**
Disposals	**(1)**	**(11)**	**(213)**	**(224)**	**(225)**
Divestment of subsidiary[(b)]	**(507)**	**–**	**(9)**	**(9)**	**(516)**
Transfers	**(31)**	**31**	**–**	**31**	**–**
Exchange differences and others	**#**	**(58)**	**(30)**	**(88)**	**(88)**
Balance at 31 December	**64**	**542**	**2,156**	**2,698**	**2,762**
Less: Accumulated depreciation					
Balance at 1 January	**165**	**161**	**1,278**	**1,439**	**1,604**
Depreciation charge	**2**	**16**	**279**	**295**	**297**
Disposals	**(1)**	**(11)**	**(194)**	**(205)**	**(206)**
Divestment of subsidiary[(b)]	**(129)**	**–**	**(8)**	**(8)**	**(137)**
Transfers	**(2)**	**2**	**–**	**2**	**–**
Exchange differences and others	**#**	**(33)**	**(21)**	**(54)**	**(54)**
Balance at 31 December	**35**	**135**	**1,334**	**1,469**	**1,504**
Less: Allowances for impairment	**–**	**25**	**–**	**25**	**25**
Net book value at 31 December	**29**	**382**	**822**	**1,204**	**1,233**
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 and others	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 and others	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

 # Amount under $500,000
(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets
(b) DBS China Square Limited, which owns PWC Building, was divested in 2017 (refer to Note 22)

26.1 The total market value of all properties as at 31 December 2017 was $1,878 million, of which investment properties accounted for $107 million (2016: $848 million). The market values 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 2017, 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:

	The Group	
In $ millions	**2017**	**2016**
Minimum lease receivables[(a)]		
Not later than 1 year	**3**	31
Later than 1 year but not later than 5 years	**4**	44
Total	**7**	75

(a) 2016 includes lease receivables from operating leases under PWC Building which was divested in 2017. Refer to Note 22 for disclosure on the sale of DBS China Square Limited, which owned PWC Building

27 Goodwill and Intangibles

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

	The Group	
In $ millions	**2017**	**2016**
DBS Bank (Hong Kong) Limited	**4,631**	4,631
Others[(a)]	**534**	486
Total	**5,165**	5,117

(a) 2017 includes goodwill arising from ANZ acquisition (refer to Note 25)

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% (2016: 4.5%) and discount rate of 9.0% (2016: 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 2017. 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 impaired in future periods.

28 Deposits and Balances from Customers

In $ millions	The Group 2017	2016
Analysed by currency		
Singapore dollar	**156,893**	152,115
US dollar	**128,586**	112,107
Hong Kong dollar	**35,208**	36,234
Chinese yuan	**11,402**	9,822
Others	**41,545**	37,168
Total	**373,634**	347,446
Analysed by product		
Savings accounts	**152,737**	140,617
Current accounts	**80,143**	73,984
Fixed deposits	**137,696**	130,178
Other deposits	**3,058**	2,667
Total	**373,634**	347,446

29 Other Liabilities

In $ millions	The Group 2017	2016
Cash collateral received[(a)]	**2,128**	1,710
Accrued interest payable	**533**	434
Provision for loss in respect of off-balance sheet credit exposures	**282**	453
Payables in respect of securities business	**823**	641
Sundry creditors and others[(b)]	**10,178**	9,665
Current tax liabilities	**683**	656
Short sale of securities	**1,961**	2,303
Deferred tax liabilities (Note 21)	**27**	33
Total	**16,615**	15,895

(a) Mainly relates to cash collateral received in respect of derivative portfolios
(b) Includes income received in advance of $1,387 million (2016: $1,493 million) arising from a 15-year regional distribution agreement entered with Manulife Financial Asia Limited

30 Other Debt Securities

In $ millions	The Group 2017	2016	The Company 2017	2016
Negotiable certificates of deposit (Note 30.1)	**3,793**	2,137	**–**	–
Senior medium term notes (Note 30.2)	**8,197**	6,519	**4,078**	2,400
Commercial papers (Note 30.3)	**17,696**	11,586	**–**	–
Covered bonds (Note 30.4)	**5,028**	2,227	**–**	–
Other debt securities (Note 30.5)	**6,002**	5,276	**–**	–
Total	**40,716**	27,745	**4,078**	2,400
Due within 1 year	**27,343**	17,539	**–**	–
Due after 1 year	**13,373**	10,206	**4,078**	2,400
Total	**40,716**	27,745	**4,078**	2,400

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

In $ millions Currency	Interest Rate and Repayment Terms	The Group 2017	2016
Issued by the Bank and other subsidiaries			
HKD	3.48% to 4.22%, payable quarterly	**286**	314
HKD	2.9% to 4.2%, payable annually	**93**	118
HKD	Zero-coupon, payable on maturity	**338**	84
AUD	1.68% to 2.07%, payable on maturity	**2,465**	1,455
TWD	0.52%, payable on maturity	**202**	–
INR	Zero-coupon, payable on maturity	**–**	41
CNY	2.97% to 4.32%, payable on maturity	**409**	125
Total		**3,793**	2,137

The outstanding negotiable certificates of deposit as at 31 December 2017 were issued between 22 August 2008 and 27 December 2017 (2016: 22 August 2008 and 22 December 2016) and mature between 2 January 2018 and 16 March 2021 (2016: 5 January 2017 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 2017	The Group 2016	The Company 2017	The Company 2016
Issued by the Company					
USD	2.246%, payable semi-annually	**1,000**	1,093	**1,000**	1,093
USD	Floating rate note, payable quarterly	**2,340**	723	**2,340**	723
HKD	1.87%, payable annually	**89**	97	**89**	97
HKD	2.78% to 2.8%, payable quarterly	**155**	–	**155**	–
SGD	2.78%, payable semi-annually	**494**	487	**494**	487
Issued by the Bank					
AUD	Floating rate note, payable quarterly	**313**	–	**–**	–
GBP	Floating rate note, payable quarterly	**2,254**	–	**–**	–
USD	2.35%, payable semi-annually	**–**	1,447	**–**	–
USD	1.27% to 1.94%, payable quarterly	**875**	984	**–**	–
USD	Floating rate note, payable quarterly	**508**	1,273	**–**	–
USD	1.45%, payable annually	**–**	145	**–**	–
HKD	1.43%, payable annually	**100**	109	**–**	–
HKD	2.24%, payable quarterly	**–**	93	**–**	–
CNH	4.4%, payable annually	**69**	68	**–**	–
Total		**8,197**	6,519	**4,078**	2,400

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 2017 were issued between 16 July 2014 and 12 December 2017 (2016: 21 February 2012 and 7 September 2016) and mature between 6 March 2018 and 25 July 2022 (2016: 20 January 2017 and 11 January 2021).

30.3 The commercial papers were issued by the Bank under its USD 5 billion Euro Commercial Paper Programme and USD 15 billion US Commercial Paper Programme. These are zero-coupon papers, or floating rate papers pegged to monthly or quarterly market rates. The outstanding notes as at 31 December 2017 were issued between 28 June 2017 and 22 December 2017 (2016: 21 September 2016 and 16 December 2016) and mature between 2 January 2018 and 17 July 2018 (2016: 3 January 2017 and 12 April 2017).

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 2017 were issued between 6 August 2015 and 21 November 2017 (2016: 6 August 2015 and 3 June 2016) and mature between 6 August 2018 and 21 November 2024 (2016: 6 August 2018 and 3 June 2019).

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

In $ millions	The Group 2017	2016
Issued by the Bank and other subsidiaries		
Equity linked notes	**1,260**	1,521
Credit linked notes	**1,720**	1,202
Interest linked notes	**2,495**	2,042
Foreign exchange linked notes	**237**	220
Fixed rate bonds	**290**	291
Total	**6,002**	5,276

The outstanding securities as at 31 December 2017 were issued between 23 July 2012 and 29 December 2017 (2016: 4 October 2011 and 30 December 2016) and mature between 2 January 2018 and 20 June 2047 (2016: 3 January 2017 and 30 August 2046).

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.

					The Group		The Company	
In $ millions	Note	Issue Date	Maturity Date	Interest Payment	2017	2016	2017	2016
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	**252**	252
JPY10,000m 0.918% Subordinated Notes due 2026	31.2	8 Mar 2016	8 Mar 2026	Mar/Sep	**118**	123	**118**	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	**260**	270	**260**	270
Issued by the Bank								
S$1,000m 3.30% Subordinated Notes due 2022 Callable in 2017	31.4	21 Feb 2012	21 Feb 2022	Feb/Aug	**–**	866	**–**	–
US$750m 3.625% Subordinated Notes due 2022 Callable in 2017	31.4	21 Mar 2012	21 Sep 2022	Mar/Sep	**–**	1,085	**–**	–
S$1,000m 3.10% Subordinated Notes due 2023 Callable in 2018	31.5	14 Aug 2012	14 Feb 2023	Feb/Aug	**508**	506	**–**	–
Total					**1,138**	3,102	**630**	645
Due within 1 year					**508**	866	**–**	–
Due after 1 year					**630**	2,236	**630**	645
Total					**1,138**	3,102	**630**	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 in 2017.

31.5 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. Pursuant to a notice of redemption issued on 16 January 2018, all of the outstanding notes will be redeemed on 14 February 2018.

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 14,974,349 (2016: 34,181,336) ordinary shares during the year to eligible shareholders who elected to participate in the Scrip Dividend Scheme.

As at 31 December 2017, the number of treasury shares held by the Group is 6,868,515 (2016: 12,851,873), which is 0.27% (2016: 0.51%) 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	
	2017	2016	2017	2016	2017	2016	2017	2016
Ordinary shares								
Balance at 1 January	**2,548,962**	2,514,781	**10,899**	10,391	**2,548,962**	2,514,781	**10,899**	10,391
Issue of shares pursuant to Scrip Dividend Scheme	**14,974**	34,181	**306**	508	**14,974**	34,181	**306**	508
Balance at 31 December	**2,563,936**	2,548,962	**11,205**	10,899	**2,563,936**	2,548,962	**11,205**	10,899
Treasury shares								
Balance at 1 January	**(12,852)**	(14,874)	**(229)**	(277)	**(11,728)**	(13,000)	**(209)**	(247)
Purchase of treasury shares	**–**	(4,010)	**–**	(60)	**–**	(4,010)	**–**	(60)
Draw-down of reserves upon vesting of performance shares	**5,983**	6,059	**106**	108	**–**	–	**–**	–
Issue of shares pursuant to Scrip Dividend Scheme	**–**	(27)	**–**	#	**–**	–	**–**	–
Transfer of treasury shares	**–**	–	**–**	–	**5,424**	5,282	**96**	98
Balance at 31 December	**(6,869)**	(12,852)	**(123)**	(229)	**(6,304)**	(11,728)	**(113)**	(209)
Issued share capital at 31 December			**11,082**	10,670			**11,092**	10,690

 # 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 2017	2016
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**	1,009
Total				**1,812**	1,812

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 2017	2016	The Company 2017	2016
Available-for-sale revaluation reserves	**38**	26	**–**	–
Cash flow hedge reserves	**33**	19	**(3)**	(1)
General reserves	**95**	95	**–**	–
Capital reserves	**(354)**	(180)	**–**	–
Share plan reserves	**173**	169	**173**	169
Others	**4,271**	4,193	**–**	–
Total	**4,256**	4,322	**170**	168

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	Capital reserves[b]	Share plan reserves	Other reserves [a][c]	Total
2017							
Balance at 1 January	**26**	**19**	**95**	**(180)**	**169**	**4,193**	**4,322**
Net exchange translation adjustments	**–**	**–**	**–**	**(174)**	**–**	**–**	**(174)**
Share of associates' reserves	**(3)**	**(1)**	**–**	**–**	**–**	**–**	**(4)**
Cost of share-based payments	**–**	**–**	**–**	**–**	**110**	**–**	**110**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**–**	**–**	**(106)**	**–**	**(106)**
Transfer to revenue reserves (Note 34.2)	**–**	**–**	**–**	**–**	**–**	**78**	**78**
Available-for-sale (AFS) financial assets and others:							
– net valuation taken to equity	**321**	**70**	**–**	**–**	**–**	**–**	**391**
– transferred to income statement	**(312)**[d]	**(53)**	**–**	**–**	**–**	**–**	**(365)**
– taxation relating to components of other comprehensive income	**6**	**(2)**	**–**	**–**	**–**	**–**	**4**
Balance at 31 December	**38**	**33**	**95**	**(354)**	**173**	**4,271**	**4,256**
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)
– taxation relating to components of other comprehensive income	14	(2)	–	–	–	–	12
Balance at 31 December	26	19	95	(180)	169	4,193	4,322

(a) During the year, the Group transferred $78 million of other 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 $4 million (2016: $7 million)

In $ millions	The Company Cash flow hedge reserves	Share plan reserves	Total
2017			
Balance at 1 January	**(1)**	**169**	**168**
Cost of share-based payments	**–**	**110**	**110**
Draw-down of reserves upon vesting of performance shares	**–**	**(106)**	**(106)**
Available-for-sale financial assets and others:			
– net valuation taken to equity	**(5)**	**–**	**(5)**
– transferred to income statement	**2**	**–**	**2**
– taxation relating to components of other comprehensive income	**1**	**–**	**1**
Balance at 31 December	**(3)**	**173**	**170**
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

 # Amount under $500,000

34.2 Revenue reserves

In $ millions	The Group 2017	2016
Balance at 1 January	**27,805**	22,752
Transfers (Note 34.1)	**(78)**	2,360
Net profit attributable to shareholders	**4,371**	4,238
Other comprehensive income attributable to shareholders	**(109)**	–
Amount available for distribution	**31,989**	29,350
Less: Final dividends on ordinary shares of $0.30 paid for the previous financial year (2016: $0.30 one-tier tax-exempt)	**763**	751
Interim dividends on ordinary shares of $0.33 paid for the current financial year (2016: $0.30 one-tier tax-exempt)	**843**	756
Dividends on other equity instruments	**75**	38
Balance at 31 December	**30,308**	27,805

34.3 Proposed dividends

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.60 per share and one-tier tax exempt special dividend of $0.50 per share have not been accounted for in the financial statements for the year ended 31 December 2017. This is to be approved at the Annual General Meeting on 25 April 2018.

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	Note	Issue Date	Liquidation Preference	Distribution Payment	The Group 2017	The Group 2016
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					**44**	61
Total					**2,344**	2,361

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.

In $ millions	The Group 2017	2016
Guarantees on account of customers	**13,378**	15,078
Endorsements and other obligations on account of customers	**7,441**	7,636
Undrawn credit commitments[(a)]	**244,397**	235,324
Undisbursed and underwriting commitments in securities	**76**	9
Sub-total	**265,292**	258,047
Operating lease commitments (Note 36.1)	**717**	549
Capital commitments	**74**	69
Total	**266,083**	258,665
Analysed by industry (excluding operating lease and capital commitments)		
Manufacturing	**40,884**	42,718
Building and construction	**23,540**	23,436
Housing loans	**6,849**	7,155
General commerce	**47,231**	50,338
Transportation, storage and communications	**12,350**	13,933
Financial institutions, investment and holding companies	**25,312**	22,686
Professionals and private individuals (excluding housing loans)	**87,057**	75,615
Others	**22,069**	22,166
Total	**265,292**	258,047
Analysed by geography[(b)] (excluding operating lease and capital commitments)		
Singapore	**111,986**	105,141
Hong Kong	**44,364**	48,334
Rest of Greater China	**26,987**	22,533
South and Southeast Asia	**26,280**	25,750
Rest of the World	**55,675**	56,289
Total	**265,292**	258,047

(a) Includes commitments that are unconditionally cancellable at any time by the Group (2017: $204,338 million, 2016: $193,016 million)
(b) Based on the location of incorporation of the counterparty or borrower

36.1 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 2017, the gain on hedging instruments was $41 million (2016: $72 million). The total loss on hedged items attributable to the hedged risk amounted to $47 million (2016: $76 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 taking into account the long-term outlook of currency fundamentals and the impact of fluctuations in foreign exchange rates on capital adequacy ratios.

The table below analyses the currency exposure of the Group by functional currency as at 31 December.

	The Group		
In $ millions	**Net investments in foreign operations[(a)]**	**Financial instruments which hedge the net investments**	**Remaining unhedged currency exposures**
2017			
Hong Kong dollar	**10,429**	**9,409**	**1,020**
Chinese yuan	**2,276**	**286**	**1,990**
Others	**5,470**	**2,661**	**2,809**
Total	**18,175**	**12,356**	**5,819**
2016			
Hong Kong dollar	10,422	9,326	1,096
Chinese yuan	2,292	290	2,002
Others	5,534	2,526	3,008
Total	18,248	12,142	6,106

(a) Refers to net tangible assets of subsidiaries, associates and overseas branches

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 were no offset of derivative assets and liabilities in 2017 and 2016.

	The Group					
	2017			2016		
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	**1,061,438**	**5,596**	**5,612**	1,079,582	6,728	6,591
Interest rate futures	**17,648**	**5**	**2**	14,554	5	3
Interest rate options	**7,624**	**85**	**69**	8,002	72	84
Interest rate caps/floors	**27,769**	**385**	**787**	27,707	510	953
Sub-total	**1,114,479**	**6,071**	**6,470**	1,130,845	7,315	7,631
Foreign exchange (FX) derivatives						
FX contracts	**517,765**	**5,552**	**5,901**	576,320	8,221	8,063
Currency swaps	**207,982**	**4,889**	**4,288**	207,853	8,368	7,106
Currency options	**72,219**	**458**	**561**	94,173	983	1,008
Sub-total	**797,966**	**10,899**	**10,750**	878,346	17,572	16,177
Equity derivatives						
Equity options	**4,964**	**67**	**135**	2,934	29	69
Equity swaps	**3,125**	**9**	**82**	1,766	21	33
Sub-total	**8,089**	**76**	**217**	4,700	50	102
Credit derivatives						
Credit default swaps and others	**27,070**	**209**	**258**	31,969	191	192
Sub-total	**27,070**	**209**	**258**	31,969	191	192
Commodity derivatives						
Commodity contracts	**966**	**64**	**21**	1,072	115	52
Commodity futures	**343**	**22**	**6**	1,217	52	62
Commodity options	**631**	**3**	**3**	742	12	14
Sub-total	**1,940**	**89**	**30**	3,031	179	128
Total derivatives held for trading	**1,949,544**	**17,344**	**17,725**	2,048,891	25,307	24,230
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**11,670**	**113**	**82**	13,398	141	90
Interest rate swaps held for cash flow hedge	**1,692**	**7**	**#**	900	5	1
FX contracts held for cash flow hedge	**3,161**	**18**	**63**	3,630	106	133
FX contracts held for hedge of net investment	**1,717**	**2**	**27**	1,635	7	21
Currency swaps held for fair value hedge	**325**	**#**	**–**	–	–	–
Currency swaps held for cash flow hedge	**6,091**	**100**	**106**	2,089	191	22
Currency swaps held for hedge of net investment	**1,767**	**1**	**–**	–	–	–
Total derivatives held for hedging	**26,423**	**241**	**278**	21,652	450	267
Total derivatives	**1,975,967**	**17,585**	**18,003**	2,070,543	25,757	24,497
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)		**(9,696)**	**(9,696)**		(14,788)	(14,788)
		7,889	**8,307**		10,969	9,709

 # Amount under $500,000

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,044 billion (2016: $1,125 billion) and $932 billion (2016: $946 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 main award vests from 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 awards will lapse immediately upon termination of employment, except in the event of ill health, injury, disability, redundancy, retirement or death. • 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

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			
	2017		2016	
Number of shares	**Share Plan**	**ESP**	**Share Plan**	**ESP**
Balance at 1 January	**19,663,278**	**2,287,414**	17,368,488	1,998,781
Granted	**5,483,617**	**901,838**	8,251,608	1,067,078
Vested	**(5,372,256)**	**(610,968)**	(5,507,188)	(551,646)
Forfeited	**(536,357)**	**(239,750)**	(449,630)	(226,799)
Balance at 31 December	**19,238,282**	**2,338,534**	19,663,278	2,287,414
Weighted average fair value of the shares granted during the year	**$18.58**	**$18.50**	$13.72	$13.69

38.2 DBSH Share Ownership Scheme

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

	The Group Ordinary shares			
	Number of shares		Market value (in $ millions)	
	2017	**2016**	**2017**	**2016**
Balance at 1 January	**8,388,820**	7,282,740	**145**	122
Balance at 31 December	**6,967,989**	8,388,820	**173**	145

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 2017	2016
Short-term benefits[b]	**44**	40
Share-based payments[c]	**29**	30
Total	**73**	70
Of which: Company Directors' remuneration and fees	**15**	14

(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. Level 3 instruments also include unquoted equity securities which are measured based on the net asset value of the investments. In addition, Level 3 inputs 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	2017				2016			
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	**8,001**	**1,971**	**–**	**9,972**	7,713	1,285	–	8,998
– Bank and corporate securities	**9,443**	**3,844**	**25**	**13,312**	5,022	2,743	42	7,807
– Other financial assets	**–**	**12,589**	**–**	**12,589**	–	9,133	–	9,133
Available-for-sale (AFS) financial assets								
– Government securities and treasury bills	**26,907**	**919**	**–**	**27,826**	21,352	1,089	–	22,441
– Bank and corporate securities [(a)]	**14,278**	**1,379**	**72**	**15,729**	14,510	1,598	115	16,223
– Other financial assets	**–**	**4,899**	**–**	**4,899**	–	4,417	–	4,417
Derivatives	**27**	**17,558**	**–**	**17,585**	57	25,699	1	25,757
Liabilities								
Financial liabilities at fair value through profit or loss (FVPL)								
– Other debt securities	**–**	**5,972**	**–**	**5,972**	–	5,045	4	5,049
– Other financial liabilities	**1,961**	**1,683**	**–**	**3,644**	2,290	1,881	–	4,171
Derivatives	**9**	**17,992**	**2**	**18,003**	66	24,415	16	24,497

(a) Excludes unquoted equities stated at cost of $178 million (2016: $242 million)

The following table presents the changes in Level 3 instruments.

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**	
2017						
Balance at 1 January	**42**	**115**	**1**	**(4)**	**–**	**(16)**
Purchases/Issues	**5**	**1**	**–**	**(1)**	**–**	**–**
Settlements	**(18)**	**(21)**	**–**	**–**	**–**	**–**
Transfers:						
– Transfers into Level 3	**2**	**–**	**–**	**–**	**–**	**–**
– Transfers out of Level 3	**–**	**(17)**	**(1)**	**5**	**–**	**8**
Gains/(losses) recorded in the income statement	**(6)**	**11**	**–**	**–**	**–**	**6**
Gains/(losses) recognised in other comprehensive income	**–**	**(17)**	**–**	**–**	**–**	**–**
Balance at 31 December	**25**	**72**	**–**	**–**	**–**	**(2)**
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)

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**
2017			
Total gain/(loss) for the period included in income statement	**–**	**11**	**11**
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	**3**	**–**	**3**
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)

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 2017, 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 was assessed as not significant.

	The Group				
In $ millions	**2017**	**2016**	**Classification**	**Valuation technique**	**Unobservable input**
Assets					
Bank and corporate debt securities	**25**	42	FVPL	Discounted cash flows	Credit spreads
Bank and corporate debt securities	**–**	20	AFS	Discounted cash flows	Credit spreads
Equity securities (Unquoted)	**72**	95	AFS	Net asset value	Net asset value of securities
Derivatives	**–**	1	FVPL	Discounted cash flows/ CDS models/Option & interest rate pricing model	Credit spreads/ Correlations/ Volatility
Total	**97**	158			
Liabilities					
Other debt securities	**–**	4	FVPL	Discounted cash flows/ Option pricing model	Credit spreads/ Correlations
Derivatives	**2**	16	FVPL	Discounted cash flows/ CDS models/Option & interest rate pricing model	Credit spreads/ Correlations/ Volatility
Total	**2**	20			

40.3 Own credit adjustments on financial liabilities designated at fair value through profit or loss

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to the Group's own credit risk are recognised in other comprehensive income. As the Group does not hedge changes in own credit risk arising from financial liabilities, presenting the own credit movements within other comprehensive income does not create or increase an accounting mismatch in the income statement.

The change in fair value attributable to changes in own credit risk has been determined as the amount of change in fair value that is attributable to changes in funding spreads above benchmark interest rates. Fair value changes arising from factors other than the Group's own credit risk are insignificant.

The cumulative amounts attributable to changes in own credit risk for these financial liabilities was an unrealised loss of $115 million as at 31 December 2017 (2016: unrealised loss of $3 million), reflecting improved credit spreads.

Realised gains or losses attributable to changes in own credit risk for 2017 were insignificant.

40.4 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 of the investee. Unquoted equities of $178 million as at 31 December 2017 (2016: $242 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	**2017**	**2016**
On-balance sheet		
Cash and balances with central banks (excluding cash on hand)	**24,258**	23,902
Government securities and treasury bills	**39,753**	33,401
Due from banks	**35,975**	30,018
Derivatives	**17,585**	25,757
Bank and corporate debt securities	**50,192**	41,439
Loans and advances to customers	**323,099**	301,516
Other assets (excluding deferred tax assets)	**11,666**	10,709
	502,528	466,742
Off-balance sheet		
Contingent liabilities and commitments (excluding operating lease and capital commitments)	**265,292**	258,047
Total	**767,820**	724,789

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 2017	2016
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	**320,270**	299,602
– Past due but not impaired (ii)	**1,982**	1,397
Non-Performing Loans		
– Impaired (iii)	**5,517**	4,416
Total gross loans (Note 18)	**327,769**	305,415

(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
2017			
Manufacturing	**31,082**	**633**	**31,715**
Building and construction	**63,632**	**567**	**64,199**
Housing loans	**72,455**	**10**	**72,465**
General commerce	**49,436**	**770**	**50,206**
Transportation, storage and communications	**26,837**	**761**	**27,598**
Financial institutions, investment and holding companies	**17,001**	**36**	**17,037**
Professionals and private individuals (excluding housing loans)	**28,368**	**4**	**28,372**
Others	**27,976**	**702**	**28,678**
Total	**316,787**	**3,483**	**320,270**
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

(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
2017				
Manufacturing	**99**	**4**	**1**	**104**
Building and construction	**89**	**2**	**1**	**92**
Housing loans	**529**	**87**	**45**	**661**
General commerce	**261**	**25**	**4**	**290**
Transportation, storage and communications	**38**	**19**	**1**	**58**
Financial institutions, investment and holding companies	**99**	**19**	**–**	**118**
Professionals and private individuals (excluding housing loans)	**378**	**74**	**78**	**530**
Others	**119**	**8**	**2**	**129**
Total	**1,612**	**238**	**132**	**1,982**
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

(iii) Non-performing assets (NPAs)

In $ millions	The Group 2017	2016
Balance at 1 January	**4,856**	2,792
New NPAs	**3,396**	3,556
Upgrades, recoveries and translations	**(912)**	(571)
Write-offs	**(1,459)**	(921)
Acquisition of new business	**189**	–
Balance at 31 December	**6,070**	4,856

Non-performing assets by grading and industry

	The Group							
	NPAs				Specific allowances			
In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
2017								
Manufacturing	**461**	**231**	**125**	**817**	**33**	**200**	**125**	**358**
Building and construction	**145**	**64**	**20**	**229**	**24**	**52**	**20**	**96**
Housing loans	**158**	**6**	**3**	**167**	**–**	**4**	**3**	**7**
General commerce	**341**	**232**	**50**	**623**	**11**	**170**	**50**	**231**
Transportation, storage and communications	**1,548**	**348**	**928**	**2,824**	**223**	**199**	**928**	**1,350**
Financial institutions, investment and holding companies	**36**	**21**	**9**	**66**	**2**	**11**	**9**	**22**
Professional and private individuals (excluding housing loans)	**445**	**32**	**14**	**491**	**78**	**29**	**14**	**121**
Others	**151**	**139**	**10**	**300**	**11**	**70**	**10**	**91**
Total non-performing loans	**3,285**	**1,073**	**1,159**	**5,517**	**382**	**735**	**1,159**	**2,276**
Debt securities, contingent liabilities and others	**276**	**143**	**134**	**553**	**15**	**94**	**134**	**243**
Total	**3,561**	**1,216**	**1,293**	**6,070**	**397**	**829**	**1,293**	**2,519**
Of which: restructured assets	**545**	**256**	**47**	**848**	**76**	**182**	**47**	**305**
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

Non-performing assets by geography[a]

In $ millions	The Group NPAs	The Group Specific allowances
2017		
Singapore	**3,191**	**1,322**
Hong Kong	**625**	**279**
Rest of Greater China	**436**	**131**
South and Southeast Asia	**1,078**	**489**
Rest of the World	**187**	**55**
Total non-performing loans	**5,517**	**2,276**
Debt securities, contingent liabilities and others	**553**	**243**
Total	**6,070**	**2,519**
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

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

Non-performing assets by past due period

In $ millions	The Group 2017	2016
Not overdue	**1,448**	705
Within 90 days	**865**	698
Over 90 to 180 days	**1,097**	1,215
Over 180 days	**2,660**	2,238
Total past due assets	**4,622**	4,151
Total	**6,070**	4,856

Secured non-performing assets by collateral type

In $ millions	The Group 2017	2016
Properties	**959**	973
Shares and debentures	**224**	312
Fixed deposits	**33**	11
Others	**1,876**	1,318
Total	**3,092**	2,614

Past due non-performing assets by industry

In $ millions	The Group 2017	2016
Manufacturing	**657**	822
Building and construction	**176**	349
Housing loans	**143**	110
General commerce	**486**	687
Transportation, storage and communications	**2,404**	1,295
Financial institutions, investment and holding companies	**65**	74
Professional and private individuals (excluding housing loans)	**215**	232
Others	**132**	208
Total non-performing loans	**4,278**	3,777
Debt securities, contingent liabilities and others	**344**	374
Total	**4,622**	4,151

Past due non-performing assets by geography[a]

In $ millions	The Group 2017	2016
Singapore	**2,548**	1,551
Hong Kong	**498**	522
Rest of Greater China	**301**	359
South and Southeast Asia	**813**	1,048
Rest of the World	**118**	297
Total non-performing loans	**4,278**	3,777
Debt securities, contingent liabilities and others	**344**	374
Total	**4,622**	4,151

(a) Based on the location 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 external rating **In $ millions**	**Singapore Government securities and treasury bills**	**The Group** **Other government securities and treasury bills (Gross)**	**Bank and corporate debt securities (Gross)**
2017			
AAA	**14,239**	**8,414**	**20,236**
AA- to AA+	**–**	**9,388**	**5,703**
A- to A+	**–**	**3,678**	**6,369**
Lower than A-	**–**	**4,034**	**5,806**
Unrated	**–**	**–**	**12,175**
Total	**14,239**	**25,514**	**50,289**
2016			
AAA	11,983	5,454	16,194
AA- to AA+	–	10,715	5,133
A- to A+	–	1,283	4,146
Lower than A-	–	3,966	4,009
Unrated	–	–	12,111
Total	11,983	21,418	41,593

41.4 Credit risk by geography and industry

Analysed by geography[(a)] **In $ millions**	**Government securities and treasury bills (Gross)**	**Due from banks**	**The Group** **Derivatives**	**Bank and corporate debt securities (Gross)**	**Loans and advances to customers (Gross)**	**Total**
2017						
Singapore	**14,239**	**285**	**1,884**	**15,185**	**155,299**	**186,892**
Hong Kong	**3,144**	**395**	**1,011**	**1,502**	**51,017**	**57,069**
Rest of Greater China	**2,924**	**19,742**	**2,021**	**4,443**	**53,020**	**82,150**
South and Southeast Asia	**4,026**	**2,860**	**1,362**	**4,940**	**24,474**	**37,662**
Rest of the World	**15,420**	**12,693**	**11,307**	**24,219**	**43,959**	**107,598**
Total	**39,753**	**35,975**	**17,585**	**50,289**	**327,769**	**471,371**
2016						
Singapore	11,983	569	2,352	13,398	145,025	173,327
Hong Kong	3,845	148	1,744	1,720	50,223	57,680
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	4,594	27,389	40,262
Rest of the World	11,169	10,908	17,260	19,286	39,718	98,341
Total	33,401	30,018	25,757	41,593	305,415	436,184

(a) Based on the location 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

Analysed by industry In $ millions	Government securities and treasury bills (Gross)	Due from banks	The Group Derivatives	Bank and corporate debt securities (Gross)	Loans and advances to customers (Gross)	Total
2017						
Manufacturing	**–**	**–**	**195**	**2,542**	**32,636**	**35,373**
Building and construction	**–**	**–**	**426**	**4,680**	**64,520**	**69,626**
Housing loans	**–**	**–**	**–**	**–**	**73,293**	**73,293**
General commerce	**–**	**–**	**179**	**1,205**	**51,119**	**52,503**
Transportation, storage and communications	**–**	**–**	**650**	**3,840**	**30,480**	**34,970**
Financial institutions, investment and holding companies	**–**	**35,975**	**15,394**	**26,261**	**17,221**	**94,851**
Government	**39,753**	**–**	**–**	**–**	**–**	**39,753**
Professionals and private individuals (excluding housing loans)	**–**	**–**	**420**	**–**	**29,393**	**29,813**
Others	**–**	**–**	**321**	**11,761**	**29,107**	**41,189**
Total	**39,753**	**35,975**	**17,585**	**50,289**	**327,769**	**471,371**
2016						
Manufacturing	–	–	457	2,644	31,235	34,336
Building and construction	–	–	414	3,229	58,358	62,001
Housing loans	–	–	–	–	64,465	64,465
General commerce	–	–	460	1,069	46,881	48,410
Transportation, storage and communications	–	–	669	2,527	31,964	35,160
Financial institutions, investment and holding companies	–	30,018	22,716	19,313	16,742	88,789
Government	33,401	–	–	–	–	33,401
Professionals and private individuals (excluding housing loans)	–	–	740	–	25,091	25,831
Others	–	–	301	12,811	30,679	43,791
Total	33,401	30,018	25,757	41,593	305,415	436,184

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
2017									
Cash and balances with central banks	**16,184**	**5,545**	**3,201**	**1,242**	**291**	–	–	–	**26,463**
Government securities and treasury bills	**474**	**1,038**	**1,149**	**5,650**	**12,383**	**5,701**	**13,358**	–	**39,753**
Due from banks	**12,127**	**4,182**	**6,476**	**12,075**	**559**	**556**	–	–	**35,975**
Derivatives[(a)]	**17,585**	–	–	–	–	–	–	–	**17,585**
Bank and corporate securities	**57**	**988**	**2,612**	**7,291**	**16,806**	**13,984**	**8,454**	**5,397**	**55,589**
Loans and advances to customers	**28,790**	**50,041**	**32,914**	**45,969**	**55,605**	**40,631**	**69,149**	–	**323,099**
Other assets	**6,187**	**1,412**	**1,503**	**2,018**	**166**	**51**	**21**	**708**	**12,066**
Associates	–	–	–	–	–	–	–	**783**	**783**
Properties and other fixed assets	–	–	–	–	–	–	–	**1,233**	**1,233**
Goodwill and intangibles	–	–	–	–	–	–	–	**5,165**	**5,165**
Total assets	**81,404**	**63,206**	**47,855**	**74,245**	**85,810**	**60,923**	**90,982**	**13,286**	**517,711**
Due to banks	**11,652**	**2,747**	**1,700**	**1,129**	**71**	**471**	**33**	–	**17,803**
Deposits and balances from customers	**260,035**	**43,618**	**38,806**	**28,618**	**1,479**	**364**	**714**	–	**373,634**
Derivatives[(a)]	**18,003**	–	–	–	–	–	–	–	**18,003**
Other liabilities	**7,741**	**1,403**	**2,087**	**2,551**	**87**	**11**	**116**	**2,619**	**16,615**
Other debt securities	**3,129**	**5,657**	**11,281**	**7,276**	**7,056**	**1,766**	**4,551**	–	**40,716**
Subordinated term debts	–	–	**508**	–	–	–	**630**	–	**1,138**
Total liabilities	**300,560**	**53,425**	**54,382**	**39,574**	**8,693**	**2,612**	**6,044**	**2,619**	**467,909**
Non-controlling interests	–	–	–	–	–	–	–	**2,344**	**2,344**
Shareholders' funds	–	–	–	–	–	–	–	**47,458**	**47,458**
Total equity	–	–	–	–	–	–	–	**49,802**	**49,802**

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
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

(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
2017						
Derivatives settled on a net basis	**(620)**	**29**	**67**	**(18)**	**(425)**	**(967)**
Derivatives settled on a gross basis						
– inflow	**67,937**	**114,531**	**144,588**	**204,732**	**173,356**	**705,144**
– outflow	**(67,580)**	**(114,740)**	**(144,832)**	**(205,412)**	**(172,791)**	**(705,355)**
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)

(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
2017					
Guarantees, endorsements and other contingent liabilities	**20,819**	**–**	**–**	**–**	**20,819**
Undrawn credit commitments[(a)] and other facilities	**217,081**	**13,146**	**12,048**	**2,198**	**244,473**
Operating lease commitments	**330**	**342**	**42**	**3**	**717**
Capital commitments	**42**	**32**	**–**	**–**	**74**
Total	**238,272**	**13,520**	**12,090**	**2,201**	**266,083**
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

(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 the 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 complied 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 2017 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 business segment results are prepared based on the Group's internal management reporting which reflects the organisation management structure. As the activities of the Group are highly integrated, internal allocation has been made in preparing the segment information. Amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The 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 Markets

Treasury Markets' activities primarily include structuring, market-making and trading across a broad range of treasury products.

Income from sale of treasury products offered to customers of Consumer Banking/Wealth Management and Institutional Banking is not reflected in the Treasury Markets segment, but in the respective customer segments.

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 The 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 Markets	Others	Total
2017					
Net interest income	**2,843**	**3,623**	**563**	**762**	**7,791**
Non-interest income	**1,828**	**1,652**	**293**	**710**	**4,483**
Total income	**4,671**	**5,275**	**856**	**1,472**	**12,274**
Total expenses	**2,575**	**1,755**	**572**	**303**	**5,205**
Allowances for credit and other losses	**161**	**2,326**	**1**	**(594)**	**1,894**
Profit before tax	**1,935**	**1,194**	**283**	**1,763**	**5,175**
Income tax expense					**671**
Net profit attributable to shareholders					**4,371**
Total assets before goodwill and intangibles	**110,718**	**246,863**	**103,158**	**51,807**	**512,546**
Goodwill and intangibles					**5,165**
Total assets					**517,711**
Total liabilities	**207,485**	**177,418**	**40,209**	**42,797**	**467,909**
Capital expenditure	**87**	**15**	**8**	**250**	**360**
Depreciation	**48**	**13**	**4**	**232**	**297**
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
Total 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	39	20	4	212	275

44.2 Geographical segment reporting

The performance by geography is classified based on the location in which income and assets are recorded. Hong Kong comprises mainly DBS Bank (HK) Limited and DBS HK branch. Rest of Greater China comprises mainly DBS Bank (China) Ltd, DBS Bank (Taiwan) Ltd and DBS Taipei branch. South and Southeast Asia comprises mainly PT Bank DBS Indonesia, DBS India branches and DBS Labuan branch. All results are prepared in accordance with Singapore Financial Reporting Standard, as modified by the requirements of the MAS Notice 612.

	The Group					
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China**	**South and Southeast Asia**	**Rest of the World**	**Total**
2017						
Net interest income	**5,101**	**1,439**	**545**	**457**	**249**	**7,791**
Non-interest income	**3,047**	**784**	**310**	**239**	**103**	**4,483**
Total income	**8,148**	**2,223**	**855**	**696**	**352**	**12,274**
Total expenses	**3,059**	**958**	**632**	**457**	**99**	**5,205**
Allowances for credit and other losses	**1,483**	**80**	**131**	**184**	**16**	**1,894**
Profit before tax	**3,606**	**1,185**	**92**	**55**	**237**	**5,175**
Income tax expense	**392**	**200**	**26**	**(11)**	**64**	**671**
Net profit attributable to shareholders	**3,082**	**985**	**66**	**65**	**173**	**4,371**
Total assets before goodwill and intangibles	**335,902**	**79,361**	**49,966**	**19,731**	**27,586**	**512,546**
Goodwill and intangibles	**5,136**	**29**	**–**	**–**	**–**	**5,165**
Total assets	**341,038**	**79,390**	**49,966**	**19,731**	**27,586**	**517,711**
Non-current assets[(a)]	**1,487**	**338**	**118**	**69**	**4**	**2,016**
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
Total 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[(a)]	1,941	382	80	53	6	2,462

(a) Includes investments in associates, properties and other fixed assets

DBS Bank Ltd

Income statement

for the year ended 31 December 2017

In $ millions	Note	Bank 2017	Bank 2016
Income			
Interest income		**8,580**	7,568
Interest expense		**2,751**	2,007
Net interest income		**5,829**	5,561
Net fee and commission income		**1,900**	1,700
Net trading income		**1,296**	818
Net income from investment securities		**405**	299
Other income	2	**298**	163
Non-interest income		**3,899**	2,980
Total income		**9,728**	8,541
Employee benefits		**1,846**	1,753
Other expenses		**1,603**	1,474
Total expenses		**3,449**	3,227
Profit before allowances		**6,279**	5,314
Allowances for credit and other losses		**1,730**	979
Profit before tax		**4,549**	4,335
Income tax expense		**477**	615
Net profit attributable to shareholders		**4,072**	3,720

(see notes on pages 186 to 188 which form part of these financial statements)

DBS Bank Ltd

Statement of comprehensive income

for the year ended 31 December 2017

	Bank	
In $ millions	**2017**	**2016**
Net profit	**4,072**	3,720
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Translation differences for foreign operations	**(79)**	48
Available-for-sale financial assets and others:		
Net valuation taken to equity	**395**	168
Transferred to income statement	**(388)**	(181)
Taxation relating to components of other comprehensive income	**5**	4
Item that will not be reclassified to income statement:		
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	**(105)**	–
Other comprehensive income, net of tax	**(172)**	39
Total comprehensive income attributable to shareholders	**3,900**	3,759

(see notes on pages 186 to 188 which form part of these financial statements)

DBS Bank Ltd

Balance sheet

as at 31 December 2017

In $ millions	Note	Bank 2017	2016
Assets			
Cash and balances with central banks		**20,302**	20,001
Government securities and treasury bills		**33,801**	27,281
Due from banks		**27,927**	24,971
Derivatives		**16,092**	23,994
Bank and corporate securities		**51,999**	41,700
Loans and advances to customers		**268,266**	249,744
Other assets		**7,802**	7,632
Associates		**148**	192
Subsidiaries	3	**33,150**	26,381
Properties and other fixed assets		**711**	670
Goodwill and intangibles		**334**	281
Total assets		**460,532**	422,847
Liabilities			
Due to banks		**14,353**	12,694
Deposits and balances from customers		**284,798**	266,934
Derivatives		**16,352**	22,944
Other liabilities		**11,536**	10,339
Other debt securities		**35,007**	24,393
Due to holding company		**2,936**	1,029
Due to subsidiaries	4	**51,697**	41,205
Subordinated term debts		**508**	2,457
Total liabilities		**417,187**	381,995
Net assets		**43,345**	40,852
Equity			
Share capital	5	**24,452**	24,146
Other equity instruments	6	**1,813**	1,813
Other reserves	7	**47**	114
Revenue reserves	7	**17,033**	14,779
Shareholders' funds		**43,345**	40,852
Total equity		**43,345**	40,852

(see notes on pages 186 to 188 which form part of these financial statements)

DBS Bank Ltd

Notes to the supplementary financial statements

for the year ended 31 December 2017

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 2017. 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	2017	2016
Dividends from subsidiaries	**20**	#
Dividends from associates	**7**	14
Total	**27**	14

 # Amount under $500,000

3 Subsidiaries

In $ millions	2017	2016
Investment in subsidiaries[(a) (b)]		
Ordinary shares	**11,273**	11,471
	11,273	11,471
Due from subsidiaries		
Other receivables	**21,877**	14,910
Total	**33,150**	26,381

(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	2017	2016
Subordinated term debts issued to DBS Capital Funding II Corporation (Note 4.1)	**1,500**	1,500
Due to subsidiaries	**50,197**	39,705
Total	**51,697**	41,205

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 plus 3.415% per annum.

5 Share Capital

	Number of shares ('000)		in $ millions	
	2017	**2016**	**2017**	**2016**
Ordinary shares				
Balance at 1 January	**2,611,242**	2,574,643	**23,347**	22,697
Issue of shares	**14,954**	36,599	**306**	650
Balance at 31 December	**2,626,196**	2,611,242	**23,653**	23,347
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			**24,452**	24,146

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 MAS Notice 637.

In $ millions	**Issue Date**	**Distribution Payment**	**2017**	**2016**
S$550m 3.85% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	**550**	550
US$185m 4.0% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	**252**	252
US$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	7 Sep 2016	Mar/Sep	**1,011**	1,011
Total			**1,813**	1,813

7 Other Reserves and Revenue Reserves

7.1 Other reserves

In $ millions	**2017**	**2016**
Available-for-sale revaluation reserves	**60**	66
Cash flow hedge reserves	**39**	21
Capital reserves	**(52)**	27
Total	**47**	114

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	Capital reserves[a]	Total
2017					
Balance at 1 January	**66**	**21**	**–**	**27**	**114**
Net exchange translation adjustments	**–**	**–**	**–**	**(79)**	**(79)**
Available-for-sale (AFS) financial assets and others:					
– net valuation taken to equity	**302**	**93**	**–**	**–**	**395**
– transferred to income statement	**(315)[b]**	**(73)**	**–**	**–**	**(388)**
– taxation relating to components of other comprehensive income	**7**	**(2)**	**–**	**–**	**5**
Balance at 31 December	**60**	**39**	**–**	**(52)**	**47**
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)[b]	59	–	–	(181)
– taxation relating to components of other comprehensive income	6	(2)	–	–	4
Balance at 31 December	66	21	–	27	114

(a) 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
(b) Includes impairment of AFS instruments of $4 million (2016: $1 million)

7.2 Revenue reserves

In $ millions	2017	2016
Balance at 1 January	**14,779**	10,247
Transfers from general reserves (Note 7.1)	**–**	2,360
Net profit attributable to shareholders	**4,072**	3,720
Other comprehensive income attributable to shareholders	**(105)**	–
Amount available for distribution	**18,746**	16,327
Less: Dividends paid to holding company	**1,675**	1,510
Dividends paid on preference shares	**38**	38
Balance at 31 December	**17,033**	14,779

DBS Group Holdings Ltd and its subsidiaries

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 2017. 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 127 to 182, 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 2017, 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 5,483,617 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Group. This included 263,545 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 48,890 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
Mr Peter Seah Lim Huat[(2)]	26,307	26,307
Mr Piyush Gupta	263,545[(1)]	340,877
Dr Bart Joseph Broadman[(2)]	3,080	3,080
Ms Euleen Goh Yiu Kiang[(2)]	4,985	4,985
Mr Ho Tian Yee[(2)]	2,830	2,830
Mr Nihal Vijaya Devadas Kaviratne CBE[(2)]	3,668	3,668
Mr Andre Sekulic[(2)]	3,918	3,918
Mr Danny Teoh Leong Kay[(2)]	4,102	4,102

(1) Mr Piyush Gupta's awards formed part of his remuneration for 2016
(2) The awards of these non-executive Directors formed part of their directors' fees for 2016, which had been approved by the shareholders at DBSH's annual general meeting held on 27 April 2017. 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. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee. 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:

Mr Peter Seah Lim Huat	-	Chairman
Mr Piyush Gupta	-	Chief Executive Officer
Dr Bart Joseph Broadman		
Ms Euleen Goh Yiu Kiang		
Mr Ho Tian Yee		
Mr Olivier Lim Tse Ghow	-	(Appointed 7 November 2017)
Mr Nihal Vijaya Devadas Kaviratne CBE		
Mr Andre Sekulic		
Mr Danny Teoh Leong Kay		
Mrs Ow Foong Pheng		

Mr Peter Seah Lim Huat, Mr Piyush Gupta and Mr Andre Sekulic 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.

Mr Olivier Lim Tse Ghow will retire in accordance with Article 105 of the Company's Constitution at the forthcoming AGM and will offer himself 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 2017	**As at 1 Jan 2017** (or date of appointment if later)	**As at 31 Dec 2017**	**As at 1 Jan 2017** (or date of appointment if later)
DBSH ordinary shares				
Mr Peter Seah Lim Huat	202,218	175,911	–	–
Mr Piyush Gupta	802,884	962,007	318,000	318,000
Dr Bart Joseph Broadman	112,956	109,876	–	–
Ms Euleen Goh Yiu Kiang	50,860	45,209	–	–
Mr Ho Tian Yee	32,013	38,591	–	–
Mr Olivier Lim Tse Ghow	10,000	10,000	–	–
Mr Nihal Vijaya Devadas Kaviratne CBE	31,300	16,224	–	–
Mr Andre Sekulic	21,994	17,476	–	–
Mr Danny Teoh Leong Kay	38,738	34,636	19,099	19,099
Mrs Ow Foong Pheng	25,839	25,464	–	–
Share awards (unvested) granted under the DBSH Share Plan				
Mr Piyush Gupta[(1)]	1,124,189	1,201,521	–	–
DBS Bank 4.7% non-cumulative non-convertible redeemable perpetual preference shares				
Ms Euleen Goh Yiu Kiang	3,000	3,000	–	–

(1) Mr Piyush 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 2017 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 2018.

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 2017, 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 25 April 2018.

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

7 February 2018
Singapore

DBS Group Holdings Ltd and its Subsidiaries

Independent auditor's report

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

Report on the 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 balance sheet 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 2017 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 127 to 182, comprise:

- the consolidated income statement of the Group for the year ended 31 December 2017;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheets of the Group and the Company as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated cash flow statement 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 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

Materiality	Group scoping	Key audit matters
• We determined the overall Group materiality based on 5% of the Group's profit before tax.	• 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) Ltd 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 the significant account balances of these components were performed to obtain sufficient appropriate audit evidence.	• Specific and general allowances for loans and advances to customers • Acquisition of the wealth management and retail banking businesses of Australia and New Zealand Banking Group Limited in Singapore, China, Hong Kong and Taiwan • Goodwill and intangibles • Valuation of complex or illiquid financial instruments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying 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. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to 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.

How we determined overall Group materiality	5% of the Group's profit before tax
Rationale for benchmark applied	• We chose 'profit before tax' as in our view, it is the benchmark against which performance of the Group is most commonly measured. • 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 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 financial statements as a whole.

In addition, we visited several of the Group's key locations and held a Group audit planning meeting with the auditors of the significant components. We also held regular conference calls with all 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 2017. 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 2017, the specific allowances for loans and advances to customers of the Group was $2,276 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 $2,394 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 classification of loans and advances in line with MAS 612; and • the principal assumptions underlying the calculation of specific allowances for loans and advances to IBG customers where there is evidence of impairment losses (including the future profitability of the borrowers and the expected realisable value of collateral held).	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; • the watchlist identification and monitoring process; • timely identification of impairment events; • classification of loans and advances in line with MAS 612; and • the collateral 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 the loans and advances in line with MAS 612 and, where there was evidence of an impairment loss, whether it had been identified in a timely manner including, where relevant, how forbearance had been considered.

Key audit matter	How our audit addressed the key audit matter
We focused on borrowers incorporated in China, India and Indonesia, and with exposures to the oil and gas support services and other commodities sectors in view of continued heightened credit risks impacting some parts of the portfolio. We also focused on the disclosure on transitional impact from the adoption of Singapore Financial Reporting Standards (International) (SFRS(I) 9) Financial Instruments on recognition of expected credit losses (ECL) of financial assets (i.e. impairment) which is effective from 1 January 2018. Management has estimated the transitional impact as a net decrease of approximately \$95 million in the loan loss allowances for assets classified at amortised cost or fair value through other comprehensive income. Approximately \$95 million is expected to be appropriated from revenue reserves to a non-distributable regulatory reserve prescribed by MAS 612 effective from 1 January 2018. *(Refer also to Notes 2.4, 3 and 18 to the financial statements)*	Where impairment had been identified, for a sample of loans and advances, our work included: • considering the latest developments in relation to the borrower; • examining the forecasts of future cash flows prepared by management including key assumptions in relation to the amount and timing of recoveries; • comparing the collateral valuation and other sources of repayment to support the calculation of the impairment against external evidence where available, including independent valuation reports; • challenging management's assumptions; and • testing the calculations. 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. We reviewed management's calculation of the general provision as at 31 December 2017 in accordance with MAS 612. The amount of the general provision met the minimum MAS 612 requirements. We obtained an understanding of how the Group has implemented SFRS(I) 9. Specialists in our team critically assessed the assumptions and methodologies used to estimate the ECL as at 1 January 2018 and found that the transitional impact estimated by management was within a reasonable range of outcomes.
Acquisition of the wealth management and retail banking businesses of Australia and New Zealand Banking Group Limited ("ANZ business") in Singapore, China, Hong Kong and Taiwan As at 31 December 2017, the Group had completed the acquisition of the ANZ business in Singapore, China, Hong Kong and Taiwan. The purchase consideration for the acquisition was \$110 million above the book value, of which estimated \$53 million represented goodwill. The Group received cash of \$4,783 million, largely represented by the difference between the assets acquired (comprising mainly loans and advances to customers) of \$8,573 million and the liabilities assumed (comprising mainly deposit and balances with customers) of \$13,432 million. We focused on this area because any assessment of the purchase price allocation, the fair valuation of assets and liabilities, and the identification and valuation of intangible assets can be inherently subjective and involve significant judgement. *(Refer also to Note 25 to the financial statements)*	We assessed the competence, capabilities and objectivity of the external expert appointed by management and evaluated the reasonableness of their conclusions in relation to the key assumptions used. We assessed the Group's determination of the fair value of the remaining assets and liabilities having regard to the completeness of assets and liabilities identified and the reasonableness of underlying assumptions in their respective valuations. We also evaluated the reasonableness of the key assumptions and methodologies used in the valuation. Based on the evidence obtained, we found that the key assumptions and methodologies used were within a reasonable range of expectations. We read the sales and purchase agreement, confirmed that the accounting treatment was in accordance to FRS 103 Business Combinations, and reviewed the financial statements for appropriate disclosure.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangibles As at 31 December 2017, the Group had $5,165 million of goodwill and intangibles as a result of acquisitions. 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 Notes 3 and 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 $4,631 million as at 31 December 2017), 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 reflected the uncertainties and risks associated with goodwill impairment.
Valuation of complex or illiquid financial instruments Financial instruments held by the Group at fair value include derivative assets and liabilities, trading securities, available-for-sale securities, certain debt instruments and other assets and liabilities designated at fair value. The Group's financial instruments are predominantly valued using quoted market prices ('Level 1') or market observable prices ('Level 2'). The valuation of 'Level 3' instruments involves reliance on unobservable inputs. We focused on the carrying value of the Level 3 instruments, as significant judgement and assumptions were involved in determining the value of these financial instruments given either the instrument's complex nature or limited market liquidity. Significant judgement is also involved in determining 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 these adjustments continue to evolve across the banking industry. *(Refer also to Notes 3 and 40 to the financial statements)*	We assessed the design and tested the operating effectiveness of the controls over the Group's financial instruments valuation processes, including over Level 3 instruments. These included the controls over: • the completeness and accuracy of the data feeds and other inputs into valuation models; and • management's testing and approval of new models or revalidation of existing models 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 also performed procedures on collateral disputes to identify possibly inappropriate valuations and assessed the appropriateness of the methodologies for the derivative valuation adjustments, in light of evolving industry practice. Overall, the valuation of complex or illiquid financial instruments was within a reasonable range of outcomes.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 189 to 192 (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 and will 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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 7 February 2018

Five-year summary

Group	2017	2016	2015	2014	2013
Selected income statement items ($ millions)					
Total income[1]	**11,924**	11,489	10,801	9,618	8,927
Profit before allowances[1]	**6,794**	6,517	5,901	5,288	5,009
Allowances	**1,544**	1,434	743	667	770
Profit before tax	**5,250**	5,083	5,158	4,700	4,318
Net profit excluding one-time items	**4,390**	4,238	4,318	3,848	3,501
One-time items[2]	**(19)**	–	136	198	171
Net profit	**4,371**	4,238	4,454	4,046	3,672
Selected balance sheet items ($ millions)					
Total assets	**517,711**	481,570	457,834	440,666	402,008
Customer loans	**323,099**	301,516	283,289	275,588	248,654
Total liabilities	**467,909**	434,600	415,038	400,460	364,322
Customer deposits	**373,634**	347,446	320,134	317,173	292,365
Total shareholders' funds	**47,458**	44,609	40,374	37,708	34,233
Per ordinary share ($)					
Earnings excluding one-time items	**1.69**	1.66	1.71	1.55	1.43
Earnings	**1.69**	1.66	1.77	1.63	1.50
Net asset value	**17.85**	16.87	15.82	14.85	13.61
Dividends[3]	**1.43**	0.60	0.60	0.58	0.58
Selected financial ratios (%)					
Dividend cover for ordinary shares (number of times)[3]	**1.17**	2.78	2.94	2.80	2.58
Net interest margin	**1.75**	1.80	1.77	1.68	1.62
Cost-to-income	**43.0**	43.3	45.4	45.0	43.9
Return on assets[4]	**0.89**	0.92	0.96	0.91	0.91
Return on equity[4] [5]	**9.7**	10.1	11.2	10.9	10.8
Loan/deposit ratio	**86.5**	86.8	88.5	86.9	85.0
Non-performing loan rate	**1.7**	1.4	0.9	0.9	1.1
Loss allowance coverage	**85**	97	148	163	135
Capital adequacy[6]					
Common Equity Tier 1	**14.3**	14.1	13.5	13.1	13.7
Tier I	**15.1**	14.7	13.5	13.1	13.7
Total	**15.9**	16.2	15.4	15.3	16.3
Basel III fully phased-in Common Equity Tier 1[7]	**13.9**	13.3	12.4	11.9	11.9

(1) Total income and profit before allowances for FY2017, FY2016 and FY2015 include share of profit or losses of associates

(2) One-time items include gains from divestment of subsidiary, general allowances, ANZ integration cost, gains on sale of investments, an amount set aside to establish the DBS Foundation and a sum donated to National Gallery Singapore

(3) 2017 includes special dividend of $0.50

(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 on 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

(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

Board of Directors

as at 1 March 2018

Peter Seah Lim Huat, 71

Chairman

Non-Executive and Independent Director

Bachelor of Business Administration (Honours)
National University of Singapore

Date of first appointment as a director:	16 November 2009
Date of appointment as Chairman:	1 May 2010
Date of last re-election as a director:	23 April 2015
Length of service as a director:	8 years 3 months

Present directorships:
Other listed companies

• Singapore Airlines Limited	Chairman

Other principal commitments

• DBS Bank Ltd	Chairman
• DBS Bank (Hong Kong) Limited[(1)]	Chairman
• GIC Private Limited	Director
• Asia Mobile Holdings Pte Ltd	Director
• STT Communications Ltd	Deputy Chairman
• Fullerton Financial Holdings Pte Ltd	Deputy Chairman
• LaSalle College of the Arts Limited	Chairman
• Singapore Health Services Pte Ltd	Chairman

Past directorships in listed companies held over the preceding three years:

• CapitaLand Limited	Deputy Chairman
• Level 3 Communications Inc	Director
• StarHub Ltd	Director
• STATS ChipPAC Ltd[(2)]	Director

(1) Total director's fees received for FY2017: HKD 900,000

(2) STATS ChipPAC Ltd was delisted from the official list of the Singapore Exchange Securities Trading Limited on 19 October 2015.

Piyush Gupta, 58

Chief Executive Officer

Executive Director

Post Graduate Diploma in Management
Indian Institute of Management, Ahmedabad, India

Bachelor of Arts, Economics
University of Delhi, India

Date of first appointment as a director:	9 November 2009
Date of last re-election as a director:	28 April 2016
Length of service as a director:	8 years 3 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Chief Executive Officer & Director
• DBS Bank (Hong Kong) Limited	Vice Chairman
• The Islamic Bank of Asia Limited	Director
• Institute of International Finance, Washington	Board Member
• Dr Goh Keng Swee Scholarship Fund	Deputy Chairman
• MasterCard Asia/Pacific, Middle East and Africa – Regional Advisory Board	Director
• National Research Foundation	Board Member
• SPRING Singapore	Deputy Chairman
• The Association of Banks in Singapore	Chairman
• The Institute of Banking & Finance	Council Member
• Sim Kee Boon Institute for Financial Economics	Chairman, Advisory Board
• Indian Business-leaders Roundtable under Singapore Indian Development Association (SINDA)	Member, Managing Council
• Singapore Indian Development Association (SINDA)	Term Trustee
• BirdLife International, UK	Member, Global Advisory Group
• ASEAN Bankers Association	Council Member

Past directorships in listed companies held over the preceding three years:
Nil

Bart Joseph Broadman, 56

Non-Executive and Non-Independent Director

Bachelor of Science in Agricultural Science and Management
University of California at Davis

MBA in Financial Economics
University of Southern California, Graduate School of Business

Ph.D in Financial Economics
University of Southern California, Graduate School of Business

Date of first appointment as a director:	17 December 2008
Date of last re-election as a director:	27 April 2017
Length of service as a director:	9 years 3 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Director
• Astignes Capital Asia Pte Ltd[1]	Director
• Alphadyne Asset Management, LP	Member, Board of Managers

Past directorships in listed companies held over the preceding three years:
Nil

(1) Astignes Capital Asia Pte Ltd was formerly known as Alphadyne Asset Management Pte Ltd.

Euleen Goh Yiu Kiang, 62

Non-Executive and Non-Independent Director

Fellow
Institute of Singapore Chartered Accountants

Associate
Institute of Chartered Accountants in England and Wales

Associate
The London Institute of Banking & Finance, UK

Member
Chartered Institute of Taxation, UK

Fellow
Singapore Institute of Directors

Date of first appointment as a director:	1 December 2008
Date of last re-election as a director:	28 April 2016
Length of service as a director:	9 years 3 months

Present directorships:
Other listed companies

• CapitaLand Limited	Director
• Royal Dutch Shell PLC	Director
• SATS Ltd	Chairman

Other principal commitments

• DBS Bank Ltd	Director
• DBS Foundation Ltd	Chairman
• NorthLight School	Chairman, Board of Governors
• Singapore Health Services Pte Ltd	Director
• Singapore Institute of Management	Member, Governing Council
• Cinnamon College, National University of Singapore	Rector
• Temasek Trust	Member, Board of Trustees

Past directorships in listed companies held over the preceding three years:
Nil

Ho Tian Yee, 65

Non-Executive and Independent Director

Master of Business Administration
University of Chicago

Bachelor of Arts (Honours), Economics (CNAA)
Portsmouth University, UK

Date of first appointment as a director:	29 April 2011
Date of last re-election as a director:	27 April 2017
Length of service as a director:	6 years 10 months

Present directorships:
Other listed companies

• AusNet Services Ltd	Director

Other principal commitments

• DBS Bank Ltd	Director
• Pacific Asset Management (S) Pte Ltd	Managing Director
• Fullerton Fund Management Company Ltd	Chairman
• Mount Alvernia Hospital	Chairman
• Blue Edge Advisors Pte. Ltd.	Investment Advisor
• Urban Redevelopment Authority	Member, Finance Investment Committee

Past directorships in listed companies held over the preceding three years:
Nil

Olivier Lim Tse Ghow, 53

Non-Executive and Independent Director

Bachelor of Engineering (First Class Honours), Civil Engineering
Imperial College, London, UK

Date of first appointment as a director:	7 November 2017
Date of last re-election as a director:	Not applicable
Length of service as a director:	3 months

Present directorships:
Other listed companies

• Raffles Medical Group Ltd	Director
• Banyan Tree Holdings Limited	Director

Other principal commitments

• DBS Bank Ltd	Director
• Certis CISCO Security Pte. Ltd.	Chairman
• Frasers Property Australia Pty Ltd	Chairman
• globalORE Pte. Ltd.	Chairman
• JTC Corporation	Board Member
• NorthLight School	Member, Board of Governors
• Securities Industry Council	Member
• Singapore Management University	Member, Board of Trustees

Past directorships in listed companies held over the preceding three years:
Nil

Nihal Vijaya Devadas Kaviratne CBE, 73

Non-Executive and Independent Director

Bachelor of Arts (Honours), Economics
Bombay University, India

Date of first appointment as a director:	29 April 2011
Date of last re-appointment as a director:	28 April 2016
Length of service as a director:	6 years 10 months

Present directorships:
Other listed companies

• GlaxoSmithKline Pharmaceuticals Ltd	Director
• Olam International Limited	Director
• StarHub Ltd	Director

Other principal commitments

• DBS Bank Ltd	Director
• DBS Foundation Ltd	Director
• Caraway Pte. Ltd.	Chairman
• Bain & Company SE Asia, Inc	Member, Advisory Board for Southeast Asia/Indonesia
• McKinsey & Company, Inc	Member, Corporate Resilience Advisory Council
• The Department for International Development (DFID)	Member, UK Government's DFID Private Sector Portfolio Advisory Committee for India

Past directorships in listed companies held over the preceding three years:

• Akzo Nobel India Limited	Chairman
• SATS Ltd	Director

Andre Sekulic, 67

Non-Executive and Independent Director

University of Sydney

Date of first appointment as a director:	26 April 2012
Date of last re-election as a director:	23 April 2015
Length of service as a director:	5 years 10 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Director
• comGateway (S) Pte Ltd	Chairman
• Optal Limited	Chairman
• Hussar Pty Ltd	Director
• Insourcing International Pty Ltd	Director
• Queenstar Pty Ltd	Director
• Royal Motor Yacht Club Broken Bay	Director

Past directorships in listed companies held over the preceding three years:
Nil

Danny Teoh Leong Kay, 62

Non-Executive and Independent Director

Associate Member
Institute of Chartered Accountants in England and Wales

Diploma in Accounting
Newcastle-upon-Tyne Polytechnic, England

Date of first appointment as a director:	1 October 2010
Date of last re-election as a director:	28 April 2016
Length of service as a director:	7 years 5 months

Present directorships:
Other listed companies

• Keppel Corporation Limited	Director
• M1 Limited	Chairman

Other principal commitments

• DBS Bank Ltd	Director
• DBS Bank (China) Limited[(1)]	Director
• DBS Foundation Ltd	Director
• Ascendas-Singbridge Pte. Ltd.	Director
• Changi Airport Group (Singapore) Pte Ltd	Director

Past directorships in listed companies held over the preceding three years:

• CapitaLand Mall Trust Management Limited (the Manager of CapitaLand Mall Trust)	Chairman

(1) Total director's fees received for FY2017: CNY 365,000

Woo Foong Pheng (Mrs Ow Foong Pheng), 54

Non-Executive and Non-Independent Director

Master of Science in Management
Stanford University, USA

Bachelor of Arts, Politics, Philosophy and Economics
St John's College, Oxford University

Date of first appointment as a director:	26 April 2012
Date of last re-election as a director:	27 April 2017
Length of service as a director:	5 years 10 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Director
• Ministry of National Development	Permanent Secretary
• Centre for Liveable Cities Limited	Director

Past directorships in listed companies held over the preceding three years:

• Mapletree Greater China Commercial Trust Management Ltd (the Manager of Mapletree Greater China Commercial Trust)	Director

Group Management Committee

The Group Management Committee comprises 22 members, including members of the Group Executive Committee.

Piyush Gupta*

Chief Executive Officer

Piyush is Chief Executive Officer and Director of DBS Group. Prior to joining DBS, Piyush was Citigroup's Chief Executive Officer for Southeast Asia, Australia and New Zealand. He is a member of the Executive Committee of the Institute of International Finance, Washington. In addition, he also serves as the Deputy Chairman of SPRING Singapore and sits on the boards of the Institute of Banking and Finance, Dr. Goh Keng Swee Scholarship Fund and National Research Foundation, under the Prime Minister's Office. He is also the Chairman of the Association of Banks in Singapore and Sim Kee Boon Institute for Financial Economics Advisory Board, and a term trustee of the Singapore Indian Development Association (SINDA).

Jerry Chen

Taiwan

Jerry is Head of DBS Taiwan. Prior to joining DBS in 2008, he was President of Ta Chong Bank for four years, during which he significantly improved the bank's asset quality to attract foreign investments. Jerry has extensive experience in corporate banking, consumer banking and treasury businesses, and spent over 25 years at Citibank Taiwan.

Chng Sok Hui*

Chief Financial Officer

Sok Hui is Chief Financial Officer of DBS Group. Prior to this appointment in October 2008, she was Group Head of Risk Management for six years. She is Supervisor of the Board of DBS Bank (China) Limited and a board member of the Inland Revenue Authority of Singapore and Singapore Exchange Limited. She also serves on the Industry Advisory Board of the NUS Centre for Future Ready Graduates and the International Integrated Reporting Council. Sok Hui is also a Vice-Chairman of the Asian Financial Cooperation Association. She was named "Best CFO" at the Singapore Corporate Awards 2013 and in 2014, she was awarded "Accountant of the Year" at the inaugural Singapore Accountancy Awards.

Eng-Kwok Seat Moey

Capital Markets

Seat Moey has been with DBS for over 25 years. As Group Head of Capital Markets, Seat Moey oversees and supervises several regional teams responsible for advisory and capital markets, including structuring and executing equity fund raising activities for companies, REITs and Business Trusts. Under her leadership, DBS continues to lead the market in Singapore and Asia ex-Japan, and has won numerous awards including "Most Innovative Investment Bank from Asia-Pacific" by The Banker in 2015, "Best Asian Investment Bank" by FinanceAsia in 2015 and 2016, "Best Equity House in Singapore" by Asiamoney since 2002 and "Best REIT House in Asia" by The Asset since 2012.

Philip Fernandez^

Corporate Treasury

Philip is the Group Corporate Treasurer, responsible for the bank's balance sheet, capital, wholesale funding and structural FX. He was appointed to this role in April 2009 and has over 25 years of experience in financial services in Singapore and London. Philip was named "Bank Treasurer of the Year" at The Asset Asian Awards in 2015. He led DBS to achieve the "IFR Asia Issuer of the Year 2016" award, along with many other accolades. He was recognised as a Fellow by the Singapore Institute of Banking and Finance in 2015. Prior to his current role, Philip was DBS' co-head of market risk from 2004 to 2009. Philip was also an adjunct associate professor at the Singapore Management University for six years until 2013 where he lectured on quantitative finance. He is currently a member of the HomeTeamNS Board of Governors.

Neil Ge

China

Neil is Chief Executive Officer of DBS Bank (China) Limited. A seasoned banker, he has close to 30 years of international experience spanning Beijing, Shanghai, Hong Kong, Tokyo and New York. Formerly Managing Director at Credit Suisse's Shanghai office, Neil played an instrumental role in building up the joint venture between Credit Suisse and Founder Securities.

David Gledhill*

Chief Information Officer

David brings with him over 25 years of experience in the financial services industry and has spent over 20 years in Asia. Prior to joining DBS in 2008, he worked for 20 years at J.P. Morgan, holding senior regional positions in Technology and Operations. David manages about 10,000 technology and operations professionals across the region. He also oversees the bank's procurement and real estate initiatives.

David is a director of Singapore Clearing House Pte Ltd and a member of IBM Advisory Board, as well as National Super Computing Centre Steering Committee. He is also Board Advisor to the Singapore Management University (SMU) School of Information Systems and the National University of Singapore (NUS) School of Computing. In 2017, David was the recipient of the "Massachusetts Institute of Technology Sloan CIO Leadership Award", becoming the first CIO from an Asian company to have won.

Derrick Goh^

Audit

Derrick is Head of Audit. In this role, he is responsible for strengthening the bank's controls, risks and governance. Previously, Derrick led the regional Treasures and Treasures Private Client wealth management business. Before that, he was Head of POSB. His other roles at DBS include Regional Chief Operating Officer and Chief Financial Officer of Institutional Banking Group. Derrick has over 26 years of experience in banking. He spent 11 years at American Express in senior finance roles across Paris, London, New York and Singapore. Derrick serves on the HomeTeamNS Board of Governors at the Ministry of Home Affairs and as a board member of the National Library where he also chairs the Audit and Risk Committee.

Lam Chee Kin

Legal, Compliance & Secretariat

Chee Kin leads the team which manages the legal and regulatory risk of DBS across legal entities, segments and geographies. Prior to joining DBS, he held various legal and compliance portfolios in Standard Chartered Bank, J.P. Morgan, Rajah & Tann and Allen & Gledhill, including a stint as Chief Operating Officer, Southeast Asia at J.P. Morgan. A lawyer by profession, he has particular expertise in financial services regulation, and financial markets product and business structuring.

Chee Kin currently serves on the Advisory Board to the Singapore Management University School of Law, the Advisory Panel to the NUS Centre for Banking and Finance Law, and the Data Protection Advisory Committee of Singapore. In 2015, Chee Kin was recognised as a Distinguished Fellow by the Institute of Banking and Finance in the field of compliance.

Lee Yan Hong

Human Resources

With over 25 years of human resources experience in a diverse range of industries, Yan Hong is responsible for driving the strategic people agenda at DBS. Prior to joining DBS in 2011, Yan Hong was Citigroup's Managing Director of Human Resources, Singapore. She has also worked at General Motors and Hewlett Packard.

Sim S Lim*

Singapore

Sim is the first DBS country head with dedicated oversight for Singapore. He is responsible for helping the bank deliver greater synergy and value across the Singapore franchise. Sim is also Chairman of DBS Vickers Securities Holdings Pte Ltd. Sim's 35 years of banking experience spans Asia, North America and the Middle East.

Prior to joining DBS, Sim was the President and CEO of Nikko Citigroup Ltd. Sim is currently an Alternate Member for DBS to the Association of Banks in Singapore. In August 2014, he was appointed Chairman of Singapore Land Authority. He also sits on the Board of Nikko Asset Management Co., Ltd. in Japan and on the Board of Governors for Nanyang Polytechnic. He is Chairman of ST Aerospace and sits on the Board of ST Engineering. Sim has also been appointed as Singapore's High Commissioner-Designate (Non Resident) to the Federal Republic of Nigeria.

Andrew Ng*

Treasury & Markets

Andrew joined DBS in 2000 and has over 32 years of experience in the treasury business. Prior to joining DBS, he was Executive Director at Canadian Imperial Bank of Commerce (CIBC) from 1995 to 1999. He set up CIBC's trading platform and derivative capabilities on Asian currencies. Between 1986 and 1995, Andrew was Head of North Asia Trading and Treasurer of Chase Manhattan Bank in Taipei. He is currently President of ACI Singapore – The Financial Markets Association and Chairman of Asia Securities Industry & Financial Markets Association (ASIFMA).

Jimmy Ng

Audit

Jimmy was Head of Audit from 2012 to 2017, responsible for providing assurance to the Board, senior management and regulators on the adequacy and effectiveness of DBS' risk and control governance processes. He played a key role integrating the three lines of defence through the innovative use of technology in strengthening the bank's control environment, risk management and governance process.

Jimmy has 28 years of banking experience in leadership roles across various functions, including technology and operations, risk management, product control and audit. Prior to DBS, his career spanned the globe in multinational corporations such as Morgan Guaranty Trust Company of New York, ABN Amro Bank and Royal Bank of Scotland, across Asia and Europe, including London and Amsterdam.

Karen Ngui

Strategic Marketing & Communications

Karen is responsible for corporate communications, brand management, strategic marketing and corporate social responsibility. She has over 25 years of experience in corporate branding, marketing and communications for financial institutions. Prior to joining DBS, she was Global Head of Brand Management and Strategic Marketing for Standard Chartered Bank.

Sebastian Paredes*

Hong Kong

Sebastian is Chief Executive Officer of DBS Bank (Hong Kong) and Chairman of the Board Risk Management Committee and Non-Executive Director of DBS Bank (China) Limited. An Ecuadorian citizen and banker for over 30 years, Sebastian has a strong track record in building franchises across multiple markets. Prior to joining DBS, Sebastian was President Director of P.T. Bank Danamon, Indonesia from 2005 to 2010. Before that, he spent 20 years at Citigroup as Country Head of Ecuador, Honduras, Turkey and Israel, and was also the Chief Executive Officer of Sub-Saharan Africa.

Elbert Pattijn*

Chief Risk Officer

Elbert joined DBS in 2007 as Head of Specialised Corporate and Investment Banking, responsible for DBS' corporate and investment banking activities in the region. He was appointed Chief Risk Officer in 2008. Prior to this, he was Head of Debt Products Origination, Asia for ING Bank, where he was in charge of overseeing the debt capital markets, securitisation and syndicated lending product groups. Previously, Elbert held progressively senior positions at ING Bank, Barclays Bank and ABN Amro Bank.

Pearlyn Phau^

Consumer Banking/ Wealth Management

Pearlyn is Deputy Group Head of Consumer Banking and Wealth Management. With over 20 years of banking experience, she oversees the overall business performance of our six consumer markets including the key functions of product, marketing, digital and customer experience. She joined DBS in 2003, and has held leadership positions in wealth management and digital channels. She was also the Head of Consumer Banking/ Wealth Management in Hong Kong. Prior to DBS, Pearlyn held senior positions at Citibank.

Shee Tse Koon

Strategy & Planning

Tse Koon is Group Head of Strategy and Planning. He has 23 years of experience in the banking industry and has worked in several countries in Asia, the Middle East and the United Kingdom. Prior to joining DBS, he held a diverse range of senior positions at Standard Chartered Bank, including as Chief Executive Officer of Indonesia, Chief Operating Officer covering Middle East, Africa, Europe and the Americas, as well as Chief Information Officer and Head of Technology and Operations in Singapore. He has also held the position of Regional Head of Trade, based in Singapore.

Surojit Shome

India

Surojit is the country head of DBS India. He joined DBS in April 2015. Surojit has over 30 years of banking experience across corporate and investment banking, capital markets and consumer banking. Before he joined DBS, he was the Chief Executive Officer of Rabobank in India. Prior to that, he worked for over 19 years at Citibank before moving to head the investment banking division at Lehman Brothers in India.

Paulus Sutisna

Indonesia

Paulus is President Director of PT Bank DBS Indonesia with 29 years of banking experience and responsible for driving business growth in Indonesia. Previously, he was HSBC Indonesia's Head of Client Management for Global Banking. Prior to that, he served for 24 years at Citibank as Managing Director and as Head of Multinational Franchise in Indonesia. He was also an expatriate in Citi Amsterdam from 1999 to 2001. Paulus received SWA Magazine's "Best CEO Award" and Infobank Magazine's "Indonesia's Top 100 Bankers Award" in 2017.

Tan Su Shan*

Consumer Banking/ Wealth Management

Su Shan is responsible for leading DBS' regional wealth management and consumer banking business. Prior to joining DBS in 2010, Su Shan was Morgan Stanley's Head of Private Wealth Management for Southeast Asia. She has also worked at Citibank and ING Barings in London and Hong Kong. In October 2014, Su Shan became the first Singaporean to be recognised as the world's "Best Leader in Private Banking" by PWM and The Banker, leading wealth publications by the Financial Times Group. She has also served as a Nominated Member of Parliament in Singapore.

Tan Teck Long^

Institutional Banking

Teck Long is the Group Head responsible for the bank's large and mid-cap corporate customers globally. Concurrently, he is Group Chief Operating Officer for Institutional Banking. Prior to this, Teck Long was Head of Institutional Banking, China for almost five years. Teck Long has more than two decades of banking experience, which spans the entire banking spectrum from corporate banking to investment banking and risk management. Teck Long is also the Commissioner of PT Bank DBS Indonesia.

Jeanette Wong*

Institutional Banking

A seasoned banker with over 35 years of experience, Jeanette oversees DBS' Institutional Banking business, which includes corporate banking and global transaction services. She was Chief Financial Officer of DBS between 2003 and 2008. Prior to this, Jeanette was at J.P. Morgan for 16 years, responsible for regional businesses in FX, fixed income and emerging markets. Jeanette is a Director of DBS Bank (China) Limited and the Chairperson of DBS Bank (Taiwan) Limited. She also sits on the boards of Essilor International, France and Jurong Town Corporation. She is a member of the Securities Industry Council, Singapore's alternate member of the APEC Business Advisory Council (ABAC), and a member of the advisory boards of NUS Business School Management and the University of Chicago Booth School of Business.

*Those marked by * are also in the Group Executive Committee.*

Those marked by ^ are new members of the Group Management Committee in 2018.

Jimmy stepped down from the Group Management Committee at end 2017 following an appointment to a new role.

Main subsidiaries and associated companies

DBS Bank Ltd ("DBS Bank")

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888

100% owned by DBS Group Holdings Ltd

AXS Pte. Ltd.

61 Mohamed Sultan Road
#01-11 Sultan Link
Singapore 239001
Tel: (65) 6560 2727
Fax: (65) 6636 4550

27.65% owned by DBS Bank and 60.07% owned by Primefield Company Pte Ltd, a wholly-owned subsidiary of DBS Bank

Central Boulevard Development Pte. Ltd.

8 Marina Boulevard #04-01
Marina Bay Financial Centre Tower 1
Singapore 018981

33% owned by Heedum Pte. Ltd., a wholly-owned subsidiary of DBS Bank

Changsheng Fund Management Company Limited

21F Building A, Chengjian Plaza
18 Beitaipingzhuang Road
Haidian District, Beijing 100088
People's Republic of China
Tel: (86 10) 8201 9988
Fax: (86 10) 8225 5988

33% owned by DBS Bank

DBS Asia Capital Limited

17th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1148
Fax: (852) 2868 0250

100% owned by DBS Bank

DBS Asia Hub 2 Private Limited

15th Floor, Tower 2.1
TSI Waverock IT/ITES SEZ
Nanakramguda, Gachibowli
Serilingampally Mandal, Ranga Reddy District
Hyderabad - 500008
Telangana, India
Tel: (91 40) 6752 2222

100% owned by DBS Bank

DBS Bank (China) Limited

Units 1301 & 1801 DBS Bank Tower
1318 Lujiazui Ring Road
Pudong New Area, Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8989

100% owned by DBS Bank

DBS Bank (Hong Kong) Limited

11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222

100% owned by DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBS Bank

DBS Bank (Taiwan) Ltd

15th, 16th, 17th Floor
No. 32 & 36 Songren Road
Xinyi District, 110 Taipei City
Taiwan, R.O.C.
Tel: (886 2) 6612 9889
Fax: (886 2) 6612 9285

100% owned by DBS Bank

DBS Compass Limited

11th Floor, One Island East
18 Westlands Road, Island East
Hong Kong
Tel: (852) 2290 8888
Fax: (852) 2893 0410

100% owned by DBS Bank (Hong Kong) Limited

DBS Nominees (Private) Limited

10 Toh Guan Road, Level 4B
DBS Asia Gateway
Singapore 608838
Tel: (65) 6878 8888

100% owned by DBS Bank

DBS Securities (Japan) Company Limited

15th Floor, Otemachi First Square East Tower
1-5-1, Otemachi, Chiyoda-ku, Tokyo Japan
Tel: (81 3) 3213 4660
Fax: (81 3) 3213 4415

100% owned by DBS Bank

DBS Trustee Limited

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888

100% owned by DBS Bank

DBS Vickers Securities (Singapore) Pte Ltd

12 Marina Boulevard Level 3
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6327 2288
Email: info-sg@dbsonline.com

100% owned by DBS Vickers Securities Holdings Pte Ltd, a wholly-owned subsidiary of DBS Bank.

DBSN Services Pte. Ltd.

10 Toh Guan Road, Level 4B
DBS Asia Gateway
Singapore 608838
Tel: (65) 6878 8888

100% owned by DBS Bank

Network For Electronic Transfers (Singapore) Pte Ltd

298 Tiong Bahru Road, #06-01
Central Plaza
Singapore 168730
Tel: (65) 6272 0533/6274 1212
Email: info@nets.com.sg

33.33% owned by DBS Bank

PT Bank DBS Indonesia

DBS Bank Tower, Lobby
32nd to 37th Floor, Ciputra World 1
Jalan Prof. Dr. Satrio Kav. 3-5
Jakarta 12940
Indonesia
Tel: (62 21) 2988 5000
Fax: (62 21) 2988 5005

99% owned by DBS Bank

The Islamic Bank of Asia Limited

12 Marina Boulevard #46
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 5522
Fax: (65) 6878 5500

50% owned by DBS Bank

International banking offices

Australia

DBS Bank Australia Branch
Suite 1901, Level 19, Chifley Tower
2 Chifley Square, Sydney NSW 2000
Australia
Tel: (61 2) 8823 9300
Fax: (61 2) 8823 9301

India

DBS Bank Ltd
Express Towers
Ground Floor
Nariman Point
Mumbai 400021
Tel: (91 22) 6638 8888
Fax: (91 22) 6638 8899

Korea

DBS Bank Seoul Branch
18th Floor, Seoul Finance Center
136 Sejong-daero Jung-Gu
Seoul Republic of Korea 04520
Tel: (822) 6322 2660
Fax: (822) 6322 2670

China

DBS Bank (China) Limited
Units 1301 – 1801 DBS Bank Tower
1318 Lujiazui Ring Road
Pudong New Area, Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8989

Indonesia

PT Bank DBS Indonesia
DBS Bank Tower, Lobby, 32nd – 37th Floor
Ciputra World 1
Jalan Prof. Dr. Satrio Kav 3-5
Jakarta 12940, Indonesia
Tel: (62 21) 2988 5000
Fax: (62 21) 2988 5005

Macau

DBS Bank (Hong Kong) Limited, Macau Branch
Nos 5 a 7E da Rua de Santa Clara,
Edif, Ribelro
Loja C e D., Macau
Tel: (853) 2832 9338
Fax: (853) 2832 3711

Hong Kong

DBS Bank (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222

DBS Bank Hong Kong Branch
18th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1900
Fax: (852) 2596 0577

Japan

DBS Bank Tokyo Branch
Otemachi First Square East Tower 15F
5-1, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-0004
Tel: (81 3) 3213 4411
Fax: (81 3) 3213 4415

Malaysia

DBS Bank Kuala Lumpur Representative Office
#08-01, Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Tel: (60 3) 2116 3888
Fax: (60 3) 2116 3901

DBS Bank Labuan Branch
Level 10 (A) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 F.T. Labuan, Malaysia
Tel: (60 87) 595 500
Fax: (60 87) 423 376

Myanmar

DBS Bank Yangon Representative Office
Unit 1002 Sakura Tower, Level 10
339 Bogyoke Aung San Road,
Kyauktada Township
Yangon, Myanmar
Tel: (95 1) 255 299
Fax: (95 1) 255 239

Thailand

DBS Bank Bangkok Representative Office
989 Siam Piwat Tower Building 15th Floor
Rama 1 Road, Pathumwan
Bangkok 10330, Thailand
Tel: (66 2) 658 1400-1
Fax: (66 2) 658 1402

United States of America

DBS Bank Los Angeles Representative Office
725 South Figueroa Street, Suite 2000
Los Angeles, CA 90017 USA
Tel: (1 213) 627 0222
Fax: (1 213) 627 0228

The Philippines

DBS Bank Manila Representative Office
22F, The Enterprise Center, Tower 1
Ayala Avenue corner Paseo de Roxas
Makati City
Tel: (632) 869 3876
Fax: (632) 750 2144

United Arab Emirates

DBS Bank Ltd (DIFC Branch)
Suite 305, 3rd Floor, Building 3
Gate Precinct, DIFC
P.O. Box 506538
Dubai, UAE
Tel: (971) 4364 1800
Fax: (971) 4364 1801

Vietnam

DBS Bank Hanoi Representative Office
Room 1404
14th Floor, Pacific Place
83B Ly Thuong Kiet Street
Hanoi, Vietnam
Tel: (84 24) 3946 1688
Fax: (84 24) 3946 1689

DBS Bank Ho Chi Minh City Branch
11th floor, Saigon Centre
65 Le Loi Boulevard, District 1
Ho Chi Minh City, Vietnam
Tel: (84 28) 3914 7888
Fax: (84 28) 3914 4488

Taiwan

DBS Bank (Taiwan) Limited
15F-17F, No36
Songren Road
Xinyi District
Taipei City 110 Taiwan R.O.C
Tel: (886 2) 6612 9889
Fax: (886 2) 6612 9285

United Kingdom

DBS Bank London Branch
4th Floor, Paternoster House
65 St Paul's Churchyard
London EC4M 8AB, UK
Tel: (44 207) 489 6550
Fax: (44 207) 489 5850

Awards and accolades won

World's Best Private Bank for Innovation
The Banker & PWM

World's Best Private Bank for Net Worth $1 million to $25 million
Global Finance

World's Best Private Bank for Millennials
Global Finance

Best Digital Bank in Southeast Asia
Alpha Southeast Asia

Safest Bank in Asia
Global Finance

Best Bank in Asia Pacific
IDC Financial Insights Innovation Awards

Trailblazer of the Year
Retail Banker International

Best Credit Card Product for Asia Pacific
Cards and Electronic Payments International

Best Supply Chain Finance Bank, Asia Pacific
Global Finance

Best Service Provider (Emerging Corporates)
The Asset

Best in Customer Experience
Customer Experience Management Asia

Regional Best Employer, Asia Pacific
Aon Hewitt

World's Most Innovative Investment Bank for SMEs
The Banker

Gold for Digital Marketing (Global) – SPARKS
Efma-Accenture

Asia's Best Digital Bank
Euromoney

Best Asian Private Bank
FinanceAsia

Best Wealth Manager, Asia
The Asset

Most Innovative Consumer Digital Bank in Asia Pacific
Global Finance

Best Regional Specialist for SMEs
The Asset

Best Asian Investment Bank
FinanceAsia

Best FX Provider, Asia Pacific
Global Finance

Most Valuable Bank Brand in ASEAN
Brand Finance

President's Volunteerism & Philanthropy Award
National Volunteer & Philanthropy Centre

Singapore Corporate Governance Award (Finance)
Securities Investors Association (Singapore) Investors' Choice Awards

Share price

	2013	2014	2015	2016	2017
Share Price (SGD)					
High	17.90	20.60	21.43	18.32	**25.30**
Low	14.35	15.66	16.13	13.02	**17.32**
Close	17.10	20.60	16.69	17.34	**24.85**
Average	16.19	17.62	19.14	15.44	**20.80**
Per Ordinary Share					
Dividend yield (%)(1)	3.6	3.3	3.1	3.9	**4.5**
Price-to-earning ratio (number of times)(2)	11.3	11.4	11.2	9.3	**12.3**
Price-to-book ratio (number of times)	1.2	1.2	1.2	0.9	**1.2**

(1) Based on ordinary dividends only
(2) Earnings exclude one-time items

Financial calendar

2017

2 May

2017 First Quarter Results

20 June

Payment date of Final Dividend on Ordinary Shares for the financial year ended 31 December 2016

4 August

2017 Second Quarter Results

27 September

Payment date of Interim Dividend on Ordinary Shares for the six months ended 30 June 2017

6 November

2017 Third Quarter Results

31 December

Financial Year End

2018

8 February

2017 Full Year Results

25 April

19th Annual General Meeting

30 April

2018 First Quarter Results

15 May

Payment date of Final Dividend and Special Dividend on Ordinary Shares for the financial year ended 31 December 2017*

2 August

2018 Second Quarter Results

5 November

2018 Third Quarter Results

**Subject to shareholders' approval at the 19th Annual General Meeting*

2019

February

2018 Full Year Results

Shareholding statistics

As at 1 March 2018

Class of Shares – Ordinary shares
Voting Rights – One vote per share
Total number of issued ordinary shares – 2,563,870,734 (excluding treasury shares)
Treasury Shares – 65,700 (representing 0.003% of the total number of issued ordinary shares, excluding treasury shares)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%*
1 - 99	6,994	13.74	266,089	0.01
100 - 1,000	16,857	33.11	9,364,504	0.36
1,001 - 10,000	23,167	45.50	72,991,435	2.85
10,001 - 1,000,000	3,869	7.60	130,931,878	5.11
1,000,001 and above	28	0.05	2,350,316,828	91.67
Total	50,915	100.00	2,563,870,734	100.00
Location of Shareholders				
Singapore	48,175	94.62	2,547,579,785	99.36
Malaysia	1,669	3.28	10,643,701	0.42
Overseas	1,071	2.10	5,647,248	0.22
Total	50,915	100.00	2,563,870,734	100.00

Twenty largest shareholders (as shown in the register of members and depository register)

	Name of Shareholders	No. of Shareholdings	%*
1	CITIBANK NOMINEES SINGAPORE PTE LTD	498,140,583	19.43
2	MAJU HOLDINGS PTE. LTD.	458,899,869	17.90
3	DBS NOMINEES PTE LTD	415,403,740	16.20
4	DBSN SERVICES PTE LTD	306,724,442	11.96
5	TEMASEK HOLDINGS (PRIVATE) LIMITED	284,145,301	11.08
6	HSBC (SINGAPORE) NOMINEES PTE LTD	175,605,285	6.85
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	70,754,943	2.76
8	RAFFLES NOMINEES (PTE) LTD	46,560,933	1.82
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	29,030,486	1.13
10	DB NOMINEES (S) PTE LTD	13,562,526	0.53
11	LEE FOUNDATION	11,091,714	0.43
12	DBS VICKERS SECURITIES (S) PTE LTD	6,410,455	0.25
13	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	5,777,568	0.23
14	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	5,530,761	0.22
15	OCBC NOMINEES SINGAPORE PTE LTD	3,014,963	0.12
16	SOCIETE GENERALE SINGAPORE BRANCH	2,071,521	0.08
17	OCBC SECURITIES PRIVATE LTD	1,963,444	0.08
18	UOB KAY HIAN PTE LTD	1,886,143	0.07
19	MERRILL LYNCH (SINGAPORE) PTE LTD	1,765,771	0.07
20	PHILLIP SECURITIES PTE LTD	1,760,165	0.07
TOTAL		**2,340,100,613**	**91.28**

* *Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares*

Substantial shareholders (as shown in the register of substantial shareholders)

	Direct Interest No. of Shares	%*	Deemed Interest No. of Shares	%*
Maju Holdings Pte. Ltd.	458,899,869	17.90	0	0.00
Temasek Holdings (Private) Limited	284,145,301	11.08	466,423,409	18.19

* *Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares*

1. Maju Holdings Pte. Ltd. ("Maju") is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek").
2. Temasek, a company wholly-owned by the Minister for Finance, is deemed to be interested in all the ordinary shares held by Maju.
3. In addition, Temasek is deemed to be interested in 7,523,540 ordinary shares in which its other subsidiaries and associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

As at 1 March 2018, approximately 70.63% of the issued ordinary shares of DBS Group Holdings Ltd are held by the public and, therefore, Rule 723 of the SGX Listing Manual is complied with.

Notice of Annual General Meeting

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

To: All shareholders of DBS Group Holdings Ltd

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of the shareholders of DBS Group Holdings Ltd (the "Company" or "DBSH") will be held at Marina Bay Sands Expo and Convention Centre, Level 5, Sands Grand Ballroom, 10 Bayfront Avenue, Singapore 018956 on Wednesday, 25 April 2018 at 2.00 pm to transact the following business:

Routine Business	Ordinary Resolution No.
To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2017 and the Auditor's Report thereon.	Resolution 1
To declare a one-tier tax exempt Final Dividend of 60 cents per ordinary share and a one-tier tax exempt Special Dividend of 50 cents per ordinary share for the year ended 31 December 2017. [2016: Final Dividend of 30 cents per ordinary share, one-tier tax exempt]	Resolution 2
To approve the amount of SGD 3,637,702 proposed as Directors' remuneration for the year ended 31 December 2017. [2016: SGD 3,588,490]	Resolution 3
To re-appoint Messrs PricewaterhouseCoopers LLP as Auditor of the Company and to authorise the Directors to fix its remuneration.	Resolution 4
To re-elect the following Directors, who are retiring under article 99 of the Company's Constitution and who, being eligible, offer themselves for re-election:	
(a) Mr Peter Seah Lim Huat	Resolution 5
(b) Mr Piyush Gupta	Resolution 6
(c) Mr Andre Sekulic	Resolution 7
Key information on Mr Seah, Mr Gupta and Mr Sekulic can be found on pages 201 and 204 of the 2017 Annual Report. *Dr Bart Broadman wishes to step down immediately following the conclusion of the forthcoming Annual General Meeting.*	
To re-elect Mr Olivier Lim Tse Ghow, who is retiring under article 105 of the Company's Constitution and who, being eligible, offers himself for re-election. *Key information on Mr Lim can be found on page 203 of the 2017 Annual Report.*	Resolution 8

Special Business	Ordinary Resolution No.
To consider and, if thought fit, to pass the following Resolutions which will be proposed as ORDINARY RESOLUTIONS:	
That authority be and is hereby given to the Directors of the Company to offer and grant awards in accordance with the provisions of the DBSH Share Plan and to allot and issue from time to time such number of ordinary shares of the Company ("DBSH Ordinary Shares") as may be required to be issued pursuant to the vesting of awards under the DBSH Share Plan, PROVIDED ALWAYS THAT: (a) the aggregate number of new DBSH Ordinary Shares (i) issued and/ or to be issued pursuant to the DBSH Share Plan; and (ii) issued pursuant to the DBSH Share Option Plan, shall not exceed 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time; and	Resolution 9

Special Business	Ordinary Resolution No.
(b) the aggregate number of new DBSH Ordinary Shares under awards to be granted pursuant to the DBSH Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited.	
That authority be and is hereby given to the Directors of the Company to: (a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/ or (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that: (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall be less than 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with paragraph (2) below); (2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time this Resolution is passed, after adjusting for: (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and (ii) any subsequent bonus issue, consolidation or subdivision of shares, and, in paragraph (1) above and this paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST; (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.	Resolution 10
That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of new ordinary shares of the Company as may be required to be allotted and issued pursuant to the DBSH Scrip Dividend Scheme.	Resolution 11

Special Business	Ordinary Resolution No.
That:	Resolution 12

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("Ordinary Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") and/ or any other securities exchange on which the Ordinary Shares may for the time being be listed and quoted ("Other Exchange"); and/ or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Ordinary Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"Average Closing Price" means the average of the closing market prices of an Ordinary Share over the last five market days on which transactions in the Ordinary Shares on the SGX-ST or, as the case may be, Other Exchange were recorded, immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Ordinary Shares from shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out below) for each Ordinary Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Maximum Percentage" means that number of issued Ordinary Shares representing 2% of the issued Ordinary Shares of the Company as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and

"Maximum Price" in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

(i) in the case of a market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and

(ii) in the case of an off-market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and

Special Business	Ordinary Resolution No.
(d) the Directors of the Company and/ or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/ or he may consider expedient or necessary to give effect to the transactions contemplated and/ or authorised by this Resolution.	

By Order of the Board

Goh Peng Fong (Mr)
Group Secretary
DBS Group Holdings Ltd

28 March 2018
Singapore

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

3. A proxy need not be a member of the Company.

*4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at **80 Robinson Road #02-00, Singapore 068898**, at least 72 hours before the time for holding the Annual General Meeting.*

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the Annual General Meeting and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/ or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request.

Explanatory notes

Routine Business

Ordinary Resolution 2: Declaration of final dividend and special dividend on ordinary shares

Resolution 2 is to approve the declaration of a final dividend of 60 cents per ordinary share and a special dividend of 50 cents per ordinary share. Please refer to page 92 of the Capital Management and Planning section in the 2017 Annual Report for an explanation of DBSH's dividend policy.

Ordinary Resolution 3: Directors' remuneration for 2017

Resolution 3 is to approve the payment of an aggregate amount of SGD 3,637,702 as Directors' remuneration for the non-executive Directors of the Company for the year ended 31 December 2017. If approved, each of the non-executive Directors (with the exception of Dr Bart Broadman and Mrs Ow Foong Pheng) will receive 70% of his or her Directors' fees in cash and 30% of his or her Directors' fees in the form of share awards granted pursuant to the DBSH Share Plan. The share awards will not be subject to a vesting period, but will be subject to a selling moratorium whereby each non-executive Director will be required to hold the equivalent of one year's basic retainer for the duration of his or her tenure as a Director, and for one year after the date he or she steps down as a Director. The actual number of shares to be awarded will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 10 trading days immediately prior to (and excluding) the date of the forthcoming Annual General Meeting, rounded down to the nearest share, and any residual balance will be paid in cash. Dr Bart Broadman, who is stepping down immediately following the conclusion of the forthcoming Annual General Meeting, will receive all of his Director's fees in cash. The Director's fees for Mrs Ow Foong Pheng will be paid in cash to a government agency, the Directorship & Consultancy Appointments Council. Please refer to pages 49, 50, 56 and 57 of the Corporate Governance Report in the 2017 Annual Report for more details on the non-executive Directors' remuneration for 2017.

Ordinary Resolutions 5, 6 and 7: Re-election of Directors retiring under article 99

(a) Mr Peter Seah Lim Huat, upon re-election as a Director of the Company, will remain as Chairman of each of the Board of Directors, Nominating Committee, Compensation and Management Development Committee and Board Executive Committee, and as a member of each of the Audit Committee and Board Risk Management Committee, and will be considered independent.

(b) Mr Piyush Gupta, upon re-election as a Director of the Company, will remain as an executive Director of the Company.

(c) Mr Andre Sekulic, upon re-election as a Director of the Company, will remain as a member of each of the Audit Committee and Compensation and Management Development Committee, and will be considered independent.

Ordinary Resolution 8: Re-election of Director retiring under article 105

Mr Olivier Lim Tse Ghow, upon re-election as a Director of the Company, will remain as a member of each of the Board Risk Management Committee and Compensation and Management Development Committee, and will be considered independent.

Special Business

Ordinary Resolution 9: DBSH Share Plan

Resolution 9 is to empower the Directors to offer and grant awards and to issue ordinary shares of the Company pursuant to the DBSH Share Plan, provided that: (a) the maximum number of ordinary shares which may be issued under the DBSH Share Plan and the DBSH Share Option Plan is limited to 5% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and (b) the aggregate number of new ordinary shares under awards which may be granted pursuant to the DBSH Share Plan from this Annual General Meeting to the next Annual General Meeting shall not exceed 1% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) from time to time. The 1% sub-limit is lower than the 2% sub-limit approved by shareholders at last year's Annual General Meeting. The DBSH Share Option Plan expired on 19 June 2009 and was not extended or replaced. There are no longer any options outstanding under the DBSH Share Option Plan. As at 1 March 2018 (the "Latest Practicable Date"), the Company had 65,700 treasury shares and no subsidiary holdings.

Ordinary Resolution 10: Share Issue Mandate

Resolution 10 is to empower the Directors to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, of which the number of shares that may be issued other than on a *pro rata* basis to shareholders must be less than 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings). For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Resolution 10 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 10 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

Ordinary Resolution 11: DBSH Scrip Dividend Scheme

Resolution 11 is to authorise the Directors, should they choose to apply the DBSH Scrip Dividend Scheme ("Scheme") to a qualifying dividend, to issue such number of new ordinary shares of the Company as may be required to be issued pursuant to the Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend. If the Directors should decide to apply the Scheme to a qualifying dividend, the current intention is that no discount will be given for the scrip shares.

Ordinary Resolution 12: Proposed renewal of the Share Purchase Mandate

Resolution 12 is to renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in the Resolution.

The Company intends to use its internal sources of funds to finance its purchase or acquisition of the ordinary shares of the Company ("Ordinary Shares"). The amount of financing required for the Company to purchase or acquire its Ordinary Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on whether the Ordinary Shares are purchased or acquired out of capital or profits, the number of Ordinary Shares purchased or acquired and the price at which such Ordinary Shares were purchased or acquired.

Based on the existing issued and paid-up Ordinary Shares as at the Latest Practicable Date and excluding any Ordinary Shares held in treasury, the purchase by the Company of 2% of its issued Ordinary Shares will result in the purchase or acquisition of 51,277,414 Ordinary Shares.

Assuming that the Company purchases or acquires 51,277,414 Ordinary Shares at the Maximum Price, in the case of both market and off-market purchases, of SGD 30.66 for one Ordinary Share (being the price equivalent to 5% above the average closing prices of the Ordinary Shares traded on the SGX-ST over the last five market days on which transactions were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately SGD 1.6 biillion.

The financial effects of the purchase or acquisition of such Ordinary Shares by the Company pursuant to the proposed Share Purchase Mandate on the financial statements of the Group and the Company for the financial year ended 31 December 2017 based on these and other assumptions are set out in paragraph 2.7 of the Letter to Shareholders dated 28 March 2018 (the "Letter").

Please refer to the Letter for further details.

Proxy form

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

IMPORTANT:

(1) *Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.*

(2) *This Proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.*

(3) *By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 March 2018.*

Annual General Meeting

*I / We ____ (NRIC / Passport / Co. Reg No. ________________________________)

of ____

being an Ordinary Shareholder of DBS Group Holdings Ltd (the "Company") hereby appoint

Name	Address	NRIC/Passport number	Proportion of shareholdings (%)

*and/or

as *my/our proxy/proxies, to attend, speak and vote for *me/us and on *my/our behalf, at the 19th Annual General Meeting of the Company, to be held at **Marina Bay Sands Expo and Convention Centre, Level 5, Sands Grand Ballroom**, **10 Bayfront Avenue, Singapore 018956** on **Wednesday, 25 April 2018** at **2.00 pm** and at any adjournment thereof in the following manner:

No.	Ordinary Resolutions	For	Against
	Routine Business		
1	Adoption of Directors' Statement, Audited Financial Statements and Auditor's Report		
2	Declaration of Final Dividend and Special Dividend on Ordinary Shares		
3	Approval of proposed Directors' remuneration of SGD 3,637,702 for FY2017		
4	Re-appointment of PricewaterhouseCoopers LLP as Auditor and authorisation for Directors to fix its remuneration		
5	Re-election of Mr Peter Seah Lim Huat as a Director retiring under article 99		
6	Re-election of Mr Piyush Gupta as a Director retiring under article 99		
7	Re-election of Mr Andre Sekulic as a Director retiring under article 99		
8	Re-election of Mr Olivier Lim Tse Ghow as a Director retiring under article 105		
	Special Business		
9	Authority to grant awards and issue shares under the DBSH Share Plan		
10	General authority to issue shares and to make or grant convertible instruments subject to limits		
11	Authority to issue shares pursuant to the DBSH Scrip Dividend Scheme		
12	Approval of the proposed renewal of the Share Purchase Mandate		

If you wish to exercise all your votes **For** or **Against**, please tick with "✓" within the relevant box. Alternatively, please indicate the number of votes **For** or **Against** each resolution.

The proxy/proxies may vote or abstain as the proxy/proxies deems fit on any of the above resolutions if no voting instruction is specified, and on any other matter arising at the Annual General Meeting.

Voting will be conducted by poll.

Dated this __________ day of____________ 2018.

No. of Ordinary Shares held	

____

Signature or Common Seal of Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.
** delete as appropriate*

Notes:

(1) *Please insert the total number of ordinary shares ("Ordinary Shares") held by you. If you have Ordinary Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares.*

(2) (a) *A member of the Company ("Member") who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*

(b) *A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

(3) *The Instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at **80 Robinson Road #02-00, Singapore 068898**, at least 72 hours before the time for holding the Annual General Meeting.*

(4) *The Instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.*

(5) *A corporation which is a Member may, in accordance with Section 179 of the Companies Act, Chapter 50, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting.*

(6) *The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the Instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of Members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.*

2ND FOLD HERE

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 08558

THE COMPANY SECRETARY
DBS Group Holdings Ltd
c/o TRICOR BARBINDER SHARE REGISTRATION SERVICES
(a division of Tricor Singapore Pte. Ltd.)
80 ROBINSON ROAD #02-00
SINGAPORE 068898

1ST FOLD HERE

Corporate Information

Board of Directors

Peter Seah
Chairman

Piyush Gupta
Chief Executive Officer

Bart Broadman

Euleen Goh

Ho Tian Yee

Nihal Kaviratne CBE

Olivier Lim *(appointed on 7 November 2017)*

Ow Foong Pheng

Andre Sekulic

Danny Teoh

Audit Committee

Danny Teoh
Chairman

Nihal Kaviratne CBE

Ow Foong Pheng

Peter Seah

Andre Sekulic

Nominating Committee

Peter Seah
Chairman

Euleen Goh

Ho Tian Yee

Ow Foong Pheng

Danny Teoh

Board Risk Management Committee

Euleen Goh
Chairman

Bart Broadman

Ho Tian Yee

Nihal Kaviratne CBE

Olivier Lim *(appointed on 7 November 2017)*

Peter Seah

Danny Teoh

Board Executive Committee

Peter Seah
Chairman

Euleen Goh

Ho Tian Yee

Compensation and Management Development Committee

Peter Seah
Chairman

Bart Broadman

Euleen Goh

Olivier Lim *(appointed on 7 November 2017)*

Andre Sekulic

Group Secretary

Goh Peng Fong

Group Executive Committee

Piyush Gupta
Chief Executive Officer

Chng Sok Hui
Chief Financial Officer

David Gledhill
Chief Information Officer

Sim S Lim
Singapore

Andrew Ng
Treasury & Markets

Sebastian Paredes
Hong Kong

Elbert Pattijn
Chief Risk Officer

Tan Su Shan
Consumer Banking/ Wealth Management

Jeanette Wong
Institutional Banking

Group Management Committee

Includes the Group Executive Committee and the following:

Jerry Chen
Taiwan

Eng-Kwok Seat Moey
Capital Markets

Philip Fernandez
Corporate Treasury

Neil Ge
China

Derrick Goh
Audit

Lam Chee Kin
Legal, Compliance & Secretariat

Lee Yan Hong
Human Resources

Jimmy Ng *(until end 2017)*
Audit

Karen Ngui
Strategic Marketing & Communications

Pearlyn Phau
Consumer Banking/ Wealth Management

Shee Tse Koon
Strategy & Planning

Surojit Shome
India

Paulus Sutisna
Indonesia

Tan Teck Long
Institutional Banking

Registrar

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road, #02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 3405

Auditor

PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936

Partner in charge of the Audit

Karen Loon
Appointed on 29 April 2013
(DBS Group Holdings Ltd) and
29 April 2013 (DBS Bank Ltd.)

Registered Office

12 Marina Boulevard
Marina Bay Financial Centre
Tower 3, Singapore 018982
Tel: (65) 6878 8888
Website: www.dbs.com

Investor Relations

Email: investor@dbs.com

Asia’s Safest, Asia’s Best

Safest Bank in Asia
2009 – 2017
Global Finance

Asia’s Best Digital Bank
2017
Euromoney

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
www.dbs.com

Co. Reg. No. 199901152M

facebook.com/dbs

twitter.com/dbsbank

Printed on environmentally friendly paper