Financial statements

DBS Group Holdings Ltd and its Subsidiaries

DBS Bank Ltd

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

	Attributable to shareholders of the Company						
In $ millions	Share capital	Other equity instruments	Other reserves	Revenue reserves	Total Shareholders' funds	Non-controlling interests	Total equity
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

	The Group						
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables/ amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
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	The Group Available-for-sale	Held to maturity	Hedging derivatives	Total
2016							
Assets							
Cash and balances with central banks	2,822	–	20,783	3,235	–	–	26,840
Government securities and treasury bills	8,998	–	–	22,441	1,962	–	33,401
Due from banks	5,852	–	22,984	1,182	–	–	30,018
Derivatives	25,307	–	–	–	–	450	25,757
Bank and corporate securities	7,750	57	21,145	16,465	–	–	45,417
Loans and advances to customers	–	459	301,057	–	–	–	301,516
Other financial assets	–	–	10,709	–	–	–	10,709
Total financial assets	50,729	516	376,678	43,323	1,962	450	473,658
Other asset items outside the scope of FRS 39[(a)]							7,912
Total assets							481,570
Liabilities[(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	The Group Held for trading	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	The Group Held for trading	Designated at fair value through profit or loss	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:

In $ millions	The Group 2017	The Group 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

In $ millions	The Company 2017	The Company 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.

Name of subsidiary	Incorporated in	Effective shareholding % 2017	Effective shareholding % 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		The Group	
Currency	Interest Rate and Repayment Terms	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		The Group		The Company	
Currency	Interest Rate and Repayment Terms	2017	2016	2017	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	The Group 2016	The Company 2017	The Company 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.

					The Group	
In $ millions	**Note**	**Issue Date**	**Liquidation Preference**	**Distribution Payment**	**2017**	**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.

	The Group	
In $ millions	**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.	38.1
• 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.	
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.	38.1
• 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.	
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.	38.2
• 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.	

38.1 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	The Group 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

In $ millions	Net trading income	The Group 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.

In $ millions	The Group 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

In $ millions	The Group NPAs Sub-standard	Doubtful	Loss	Total	Specific allowances 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	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	1 to 3 years	3 to 5 years	More than 5 years	No specific maturity	Total
					The Group				
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.

	The Group					
In $ millions[(a)]	**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.

	The Group				
In $ millions	**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	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

In $ millions	Bank 2017	Bank 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) 2017	2016	in $ millions 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