Financial statements

DBS Group Holdings Ltd and its Subsidiaries

Consolidated income statement

for the year ended 31 December 2018

In $ millions	Note	2018	2017
Interest income		**13,798**	10,833
Interest expense		**4,843**	3,042
Net interest income	5	**8,955**	7,791
Net fee and commission income	6	**2,780**	2,622
Net trading income	7	**1,178**	1,058
Net income from investment securities	8	**131**	424
Other income	9	**139**	379
Non-interest income		**4,228**	4,483
Total income		**13,183**	12,274
Employee benefits	10	**3,188**	2,825
Other expenses	11	**2,626**	2,380
Total expenses		**5,814**	5,205
Profit before allowances		**7,369**	7,069
Allowances for credit and other losses	12	**710**	1,894
Profit before tax		**6,659**	5,175
Income tax expense	13	**1,006**	671
Net profit		**5,653**	4,504
Attributable to:			
Shareholders		**5,577**	4,371
Non-controlling interests		**76**	133
		5,653	4,504
Basic and diluted earnings per ordinary share ($)	14	**2.15**	1.69

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

Consolidated statement of comprehensive income

for the year ended 31 December 2018

In $ millions	2018	2017
Net profit	**5,653**	4,504
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Translation differences for foreign operations	**(94)**	(178)
Other comprehensive income of associates	**3**	(4)
Gains (losses) on debt instruments classified at fair value through other comprehensive income/ available-for-sale financial assets[(a)] and others		
Net valuation taken to equity	**(105)**	391
Transferred to income statement	**(151)**	(365)
Taxation relating to components of other comprehensive income	**16**	4
Items that will not be reclassified to income statement:		
Gains (losses) on equity instruments classified at fair value through other comprehensive income (net of tax)[(a)]	**(154)**	–
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	**111**	(109)
Other comprehensive income, net of tax	**(374)**	(261)
Total comprehensive income	**5,279**	4,243
Attributable to:		
Shareholders	**5,201**	4,114
Non-controlling interests	**78**	129
	5,279	4,243

(a) Arising from the adoption of SFRS(I) 9 on 1 Jan 2018, realised gains or losses on equity instruments classified as "Fair Value through Other Comprehensive Income" are not reclassified to the income statement. Previously, FRS 39 required realised gains or losses on available-for-sale equity instruments to be reclassified to the income statement.

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Balance sheets

as at 31 December 2018

		The Group			The Company		
		31 Dec		1 Jan	31 Dec		1 Jan
In $ millions	**Note**	**2018**	**2017**	**2017**	**2018**	**2017**	**2017**
Assets							
Cash and balances with central banks	16	**22,185**	26,463	26,840	**–**	–	–
Government securities and treasury bills	17	**47,278**	39,753	33,401	**–**	–	–
Due from banks		**40,178**	35,975	30,018	**24**	13	18
Derivatives	38	**17,029**	17,585	25,757	**54**	36	29
Bank and corporate securities	18	**58,197**	55,589	45,417	**–**	–	–
Loans and advances to customers	19	**345,003**	323,099	301,516	**–**	–	–
Other assets	21	**13,418**	12,066	11,042	**5**	2	–
Associates	24	**838**	783	890	**–**	–	–
Subsidiaries	23	**–**	–	–	**28,153**	24,357	22,285
Properties and other fixed assets	27	**1,450**	1,233	1,572	**–**	–	–
Goodwill and intangibles	28	**5,175**	5,165	5,117	**–**	–	–
Total assets		**550,751**	517,711	481,570	**28,236**	24,408	22,332
Liabilities							
Due to banks		**22,648**	17,803	15,915	**–**	–	–
Deposits and balances from customers	29	**393,785**	373,634	347,446	**–**	–	–
Derivatives	38	**16,692**	18,003	24,497	**18**	28	22
Other liabilities	30	**18,440**	16,615	15,895	**100**	66	50
Other debt securities	31	**45,712**	40,716	27,745	**4,141**	4,078	2,400
Subordinated term debts	32	**3,599**	1,138	3,102	**3,599**	630	645
Total liabilities		**500,876**	467,909	434,600	**7,858**	4,802	3,117
Net assets		**49,875**	49,802	46,970	**20,378**	19,606	19,215
Equity							
Share capital	33	**10,898**	11,082	10,670	**10,900**	11,092	10,690
Other equity instruments	34	**2,812**	1,812	1,812	**2,812**	1,812	1,812
Other reserves	35	**3,701**	4,256	4,322	**180**	170	168
Revenue reserves	35	**31,634**	30,308	27,805	**6,486**	6,532	6,545
Shareholders' funds		**49,045**	47,458	44,609	**20,378**	19,606	19,215
Non-controlling interests	36	**830**	2,344	2,361	**–**	–	–
Total equity		**49,875**	49,802	46,970	**20,378**	19,606	19,215

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

Consolidated statement of changes in equity

for the year ended 31 December 2018

In $ millions	Share capital	Other equity instruments	Other reserves	Revenue reserves	Total Shareholders' funds	Non-controlling interests	Total equity
	Attributable to shareholders of the Company						
2018							
Balance at 1 January	**11,082**	**1,812**	**4,256**	**30,308**	**47,458**	**2,344**	**49,802**
Impact of adopting SFRS(I) 9 on 1 January	**–**	**–**	**(86)**	**95**	**9**	**–**	**9**
Balance at 1 January after adoption of SFRS(I) 9	**11,082**	**1,812**	**4,170**	**30,403**	**47,467**	**2,344**	**49,811**
Purchase of treasury shares	**(303)**	**–**	**–**	**–**	**(303)**	**–**	**(303)**
Draw-down of reserves upon vesting of performance shares	**119**	**–**	**(119)**	**–**	**–**	**–**	**–**
Issue of perpetual capital securities	**–**	**1,000**	**–**	**–**	**1,000**	**–**	**1,000**
Cost of share-based payments	**–**	**–**	**112**	**–**	**112**	**–**	**112**
Dividends paid to shareholders[(a)]	**–**	**–**	**–**	**(4,432)**	**(4,432)**	**–**	**(4,432)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(85)**	**(85)**
Change in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(7)**	**(7)**
Redemption of preference shares issued by a subsidiary	**–**	**–**	**–**	**–**	**–**	**(1,500)**	**(1,500)**
Total comprehensive income	**–**	**–**	**(462)**	**5,663**	**5,201**	**78**	**5,279**
Balance at 31 December	**10,898**	**2,812**	**3,701**	**31,634**	**49,045**	**830**	**49,875**
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

(a) Includes distributions of $74 million paid on capital securities classified as equity (2017: $75 million)

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

Consolidated cash flow statement

for the year ended 31 December 2018

In $ millions	2018	2017
Cash flows from operating activities		
Profit before tax	**6,659**	5,175
Adjustments for non-cash and other items:		
Allowances for credit and other losses	**710**	1,894
Depreciation of properties and other fixed assets	**331**	297
Share of profits or losses of associates	**(29)**	(11)
Net (gain)/ loss on disposal, net of write-off of properties and other fixed assets	**(86)**	18
Net gain on divestment of subsidiary	**–**	(350)
Net loss on disposal of interest in associate	**–**	7
Net income from investment securities	**(131)**	(424)
Cost of share-based payments	**112**	110
Interest expense on subordinated term debts	**47**	62
Profit before changes in operating assets and liabilities	**7,613**	6,778
Increase/ (Decrease) in:		
Due to banks	**5,037**	1,993
Deposits and balances from customers	**19,598**	18,121
Other liabilities	**1,498**	(2,118)
Other debt securities and borrowings	**5,351**	13,019
(Increase)/ Decrease in:		
Restricted balances with central banks	**(276)**	(1,118)
Government securities and treasury bills	**(7,878)**	(6,700)
Due from banks	**(4,488)**	(6,153)
Bank and corporate securities	**(2,817)**	(10,394)
Loans and advances to customers	**(22,854)**	(19,685)
Other assets	**(1,176)**	3,844
Tax paid	**(891)**	(709)
Net cash used in operating activities (1)	**(1,283)**	(3,122)
Cash flows from investing activities		
Dividends from associates	**25**	38
Proceeds from disposal of interest in associates	**11**	74
Acquisition of interest in associate	**(69)**	–
Proceeds from disposal of properties and other fixed assets	**105**	1
Purchase of properties and other fixed assets	**(533)**	(360)
Proceeds from divestment of subsidiary	**–**	735
Net proceeds from acquisition of new business	**262**	4,783
Change in non–controlling interests	**(7)**	(23)
Net cash (used in)/ generated from investing activities (2)	**(206)**	5,248

Consolidated cash flow statement

for the year ended 31 December 2018

In $ millions	2018	2017
Cash flows from financing activities		
Issue of perpetual capital securities	**1,000**	–
Issue of subordinated term debts	**3,013**	–
Interest paid on subordinated term debts	**(56)**	(74)
Redemption/ purchase of subordinated term debts	**(508)**	(1,897)
Redemption of preference shares issued by a subsidiary	**(1,500)**	–
Purchase of treasury shares	**(303)**	–
Dividends paid to non–controlling interests	**(85)**	(123)
Dividends paid to shareholders of the Company, net of scrip dividends[(a)]	**(4,432)**	(1,375)
Net cash used in financing activities (3)	**(2,871)**	(3,469)
Exchange translation adjustments (4)	**(109)**	(96)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(4,469)**	(1,439)
Cash and cash equivalents at 1 January	**18,693**	20,132
Impact of adopting SFRS(I) 9 on 1 January	**(3)**	–
Cash and cash equivalents at 31 December (Note 16)	**14,221**	18,693

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

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

Notes to the financial statements

for the year ended 31 December 2018

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2018 were authorised for issue by the Directors on 15 February 2019.

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 (International) (SFRS(I))
Singapore-incorporated companies listed on the Singapore Exchange reporting under Singapore Financial Reporting Standards (FRS) are required to apply Singapore Financial Reporting Standards (International) (SFRS(I)) from 1 January 2018. Accordingly, the financial statements of the Company and the consolidated financial statements of the Group are prepared in accordance with SFRS(I) from 1 January 2017. The convergence had no material impact on the financial statements and on the Group's accounting policies, except for those relating to SFRS(I) 9 Financial Instruments. These are the first financial statements that are prepared in accordance with SFRS(I). SFRS(I) 1 First time adoption of Singapore Financial Reporting Standards (International) was applied as part of the transition.

Comparatives relating to financial instruments were not restated as the Group applied the optional exemptions in SFRS(I) 1 and SFRS(I) 9. Refer to Note 4 for the impact of adopting SFRS(I) 9.

The Group also elected the exemption that allows companies not to retrospectively apply SFRS(I) 1 for business combinations. Consequently, the Group's accounting treatment for past business combinations remain unchanged from FRS.

As permitted by Section 201(10)(b) of the Companies Act (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.

Financial statements in the previous financial years
The financial statements of the Company and the consolidated financial statements of the Group in the previous financial years are prepared in accordance with FRS and related Interpretations promulgated by the Accounting Standards Council (ASC). In accordance with Section 201(18) of 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). Other than the above modification to FRS related to MAS Notice 612, there are no significant differences between International Financial Reporting Standards (IFRS) and FRS in terms of their application to the Group.

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 SFRS(I) and Interpretations effective for 2018 year-end

On 1 January 2018, the Group adopted the following revised SFRS(I) that are issued by the ASC and relevant for the Group.

- SFRS(I) 9: Financial Instruments
- SFRS(I) 15: Revenue from Contract with Customers

2.3.1 SFRS(I) 9: Financial Instruments

SFRS(I) 9, which replaces the FRS 39, includes revised guidance on the classification and measurement of financial instruments; more timely recognition of expected credit losses (ECL) of financial assets; and introduces revised requirements for general hedge accounting. Except for the provisions relating to the presentation of gains and losses on financial liabilities designated at fair value, which were early adopted by the Group from 1 January 2017, the requirements of SFRS(I) 9 were adopted from 1 January 2018.

The main changes to the accounting policies from the implementation of SFRS(I) 9 are summarised under Note 4, and mainly affect Note 2.9, Note 2.11 and Note 2.19.

Singapore banks are required to maintain the Minimum Regulatory Loss Allowances (MRLA) of at least 1% of the gross carrying amount of selected credit exposures net of collaterals per MAS Notice 612. For periods when Stage 1 and 2 ECL fall below MRLA, the shortfall is appropriated from retained earnings in the shareholders' funds into a non-distributable Regulatory Loss Allowance Reserve (RLAR) account.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018. The aggregate impact from the transition to SFRS(I) 9 was a net increase of $9 million in the Group shareholders' funds.

The tables in Note 4 summarise the transition impact on adoption of SFRS(I) 9, including information on classification and measurement, and ECL.

2.3.2 SFRS(I) 15: Revenue from Contract with Customers

From 1 January 2018, SFRS(I) 15 replaced the existing revenue recognition guidance and established a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue is recognised when a performance obligation is satisfied, which could either be at a point in time or when the obligation is satisfied over time. SFRS(I) 15 applies mainly to "fee and commission income".

The adoption of SFRS(I) 15 does not have a material impact on the Group's consolidated financial statements.

2.4 New SFRS(I) and Interpretations effective for future periods

The significant new SFRS(I) that is applicable to the Group for future reporting period, and which have not been early adopted is SFRS(I) 16 Leases (effective 1 January 2019).

SFRS(I) 16 Leases 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.

The Group will apply SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

On transition, the estimated impact to retained earnings is a net decrease of approximately $84 million. On the balance sheet, the Group will recognise estimated new right-of-use assets and lease liabilities of $1.8 billion and $1.9 billion respectively.

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 (FVPL) are recognised in the income statement as trading income.

Non-monetary financial assets that are classified at fair value through other comprehensive income (i.e. FVOCI) relates mainly to FVOCI equities. Refer to Note 2.9 for the accounting treatment of FVOCI equities.

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 28 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 46 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 5 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 FVPL. 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 are recognised when the Group has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates agreed with customers, net of expected waivers based on historical experience, and net of expenses directly related to it. The Group generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the 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 on equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services can be billed to customers in advance or periodically over time. Such fees include the income from issuance of financial guarantees and bancassurance fixed service fees.

The Group does not provide any significant credit terms to customers for the above products and services.

Directly related 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 financial assets classified as FVPL is recognised in "Net trading income", while those arising from FVOCI or AFS 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 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 applied the classification and measurement requirements under SFRS(I) 9 for the year ended 2018. The 2017 comparative period was not restated and requirements under FRS 39 were applied. Please refer to Note 4 for further details on the key differences between FRS 39 and SFRS(I) 9 and the transition impact of classification and measurement.

Policy applicable from 1 January 2018

SFRS(I) 9 replaces the classification and measurement model in FRS 39 with a model that categorises debt-like financial assets based on the business model within which the assets are managed, and whether the assets constitute a "basic lending arrangement" where their contractual cash flows represent solely payments of principal and interest (SPPI). Interest is defined as consideration for the time value of money, credit risk, other basic lending risks and may include a profit margin.

The classification of the financial assets and the associated accounting treatment is as follows:

- Debt instruments are measured at **amortised cost** when they are in a "hold to collect" (HTC) business model and have contractual cash flows that are SPPI in nature. The objective of a HTC business model is to collect contractual principal and interest cash flows. Sales are incidental to the objective and expected to be either insignificant or infrequent. These assets consist primarily of loans in the "Consumer Banking/ Wealth Management" and "Institutional Banking" segments as well as debt securities from the "Others" segment.
- Debt instruments are measured at **fair value through other comprehensive income** (FVOCI) when they are in a "hold to collect & sell" (HTC & S) business model and have cash flows that are SPPI in nature. Both the collection of contractual cash flows and sales are integral to achieving the objective of the HTC & S business model. Assets measured at FVOCI comprise mainly of debt securities from "Treasury Markets" and the "Others" segment.

Unrealised gains or losses on FVOCI debt instruments are recorded in other comprehensive income and accumulated in FVOCI reserves. When they are sold, the accumulated fair value adjustments in FVOCI are reclassified to the income statement as "Net income from investment securities".

- Debt instruments are measured at **fair value through profit or loss** (FVPL) when:
  - i) the assets are not SPPI in nature;
  - ii) the assets are not part of a "HTC" or "HTC & S" business model; or
  - iii) the assets are designated at FVPL to eliminate or significantly reduce the measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities on different bases.

Assets measured at FVPL are mainly recorded in the "Treasury Markets" segment. Realised and unrealised gains or losses on FVPL financial assets, except interest income, are taken to "Net trading income" in the income statement in the period they arise.

- Subsequent changes in fair value of non-trading equity can be taken through profit or loss or comprehensive income, as elected. The Group generally elects its non-trading equity instruments to be classified as FVOCI. Apart from dividend income, all other gains and losses on FVOCI equity instruments are recorded in other comprehensive income and accumulated in FVOCI reserves, and not reclassified to profit or loss upon derecognition.
- Derivatives (including derivatives embedded in financial liabilities but separated for accounting purposes) are also classified as held for trading unless they are designated as hedging instruments. 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".

Reclassification
Reclassification of financial assets are prohibited unless the Group changes its business model for managing financial assets. In practice, this is expected to be infrequent.

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 42.

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 20 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

The Group applied the impairment requirements under SFRS(I) 9 for the year ended 2018. The 2017 comparative period was not restated and requirements under FRS 39 were applied. Please refer to Note 4 for further details on the key differences between FRS 39 and SFRS(I) 9 and the transition impact of impairment.

Policy applicable from 1 January 2018

Expected Credit Loss (ECL)
All financial assets, except for financial assets classified or designated as FVPL and equity securities, are subject to impairment assessment and recognition of ECL. This requirement also extends to off-balance sheet financial instruments such as financial guarantees and undrawn loan commitments.

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. 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. Stage 1 ECL will be the credit loss that is expected to result from a default occurring within the next 12 months.
- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 ECL will be the life-time expected credit loss arising from a default during the remaining life of the asset.
- Stage 3, if it has been credit-impaired with an objective evidence of default. Stage 3 ECL are also measured as life-time expected credit loss.

The Group's application of the impairment requirements under SFRS(I) 9 is described in greater detail below.

Measurement of ECL
ECL are unbiased estimates of credit losses determined by evaluating a range of possible outcomes, taking into account past events, current conditions and assessments of future economic conditions. The ECL associated with a financial asset is typically a product of its probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted using the original effective interest rate to the reporting date.

The Group leverages the models/ parameters implemented under the Basel II Internal Ratings-Based (IRB) framework where feasible and available, with appropriate adjustments to meet the SFRS(I) 9 requirements. For portfolios without appropriate Basel models/ parameters, other relevant historical information, loss experience or proxies will be utilised, with a view to maximise the use of available information that is reliable and supportable.

Assessment of significant increase in credit risk

The analysis underpinning the assessment of whether a financial asset has experienced a significant increase in credit risk since origination is dependent on a range of qualitative and quantitative factors.

For wholesale exposures, a financial asset is deemed to have experienced a significant increase in credit risk when:

- The observed change in its PD, as observed by downgrades in the Group's internal credit risk rating for this asset between initial recognition and reporting date, is more than pre-specified thresholds; or
- It is placed within internal credit "watchlists" for closer scrutiny of developing credit issues.

For retail exposures, days past due is the main driver, supplemented with a PD-based criterion.

In any event, all retail and wholesale exposures that are more than 30 days past due are considered to have experienced a significant increase in credit risk and are classified as Stage 2.

A Stage 2 exposure can migrate back to Stage 1 if it is assessed that there is evidence of a sustainable improvement in its credit profile.

The Group has not adopted the low credit risk exemption.

Definition of default for credit-impaired financial assets

Exposures are classified as Stage 3 if these are deemed to be credit-impaired or have demonstrated objective evidence of default as at the reporting date. The definition of default that is applied under SFRS(I) 9 is consistent with that specified in the Basel regulatory capital rules.

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

- Significant financial difficulty, 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, that the Group would not otherwise consider, for economic or legal reasons relating to the borrower's financial difficulty;
- High probability of bankruptcy.

A Stage 3 exposure that is restructured can be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service future principal and interest payments on the credit facility in accordance with the restructured terms.

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of future recoveries.

ECL Modelling – Point-in-Time and Forward-Looking Adjustments

Portfolio-specific adjustments are made to the Group's existing credit rating models and processes to meet the requirements of SFRS(I) 9.

For the wholesale portfolios, credit risk cycle indices (CCIs) have been developed for significant industries and geographies using expected default frequencies. Expected default frequency is a market-based default risk measure driven by equity prices, market volatility and leverage. CCIs are then used as inputs to convert the through-the-cycle PDs derived from Basel models/ parameters into the point-in-time equivalents, and to incorporate forward-looking factors. LGD are determined using historical loss data, which are adjusted for both the latest and forecasted recovery experience. Basel EAD are reduced by contractual repayments to derive the forecasted EAD for Stage 2 exposures. No adjustments are made to Basel EAD for Stage 1 exposures.

For retail portfolios, historical loss experience is adjusted to determine the forecast loss rates, taking into account relevant macroeconomic variables, such as property-price indices and unemployment rates.

Expected Life

When measuring the Stage 2 ECL, cash flows over the expected remaining life of the financial asset are considered. In most instances, this is the same as the remaining contractual life which represents the maximum contractual period over which the Group is exposed to the credit risk of the borrower.

However, the expected remaining life of some retail revolving products (e.g. credit cards) may exceed the contractual maturity. For these products, a behavioural expected remaining life is estimated.

Expert credit judgement and post model adjustments

The measurement of ECL requires the application of expert credit judgement. These include:

- Assignment of credit risk ratings and determination of whether exposures should be placed on credit watchlists;
- Assessment of whether a significant increase in credit risk has occurred;
- Determination of the forecast loss rates;
- Adjustments to modelled output;
- Application of thematic overlays based on risk themes that are discussed at the Board Risk Management Committee. As at 31 December 2018, an overlay was made to address the geo-political tensions between US and China.

Governance framework

The measurement of ECL is subject to a robust governance framework as described below.

- The Group ECL Review Committee (Review Committee) is the overarching committee for ECL related matters and comprises representatives from senior management across the Group. Significant changes to ECL models and methodologies and the application of thematic overlays are subject to the oversight and approval of the Review Committee.
- The Review Committee is supported by the Group ECL Operating Committee (Operating Committee) which comprises cross functional representatives and subject matter experts. The Operating Committee is responsible for the implementation of ECL across the Group. The Operating Committee also recommends changes to ECL models, methodologies and thematic overlays to the Review Committee; provides oversight over system design, infrastructure and development; and establishes principles and significant policies pertaining to ECL.
- Location ECL committees are established for key locations to support location-specific ECL implementation issues and governance.
- ECL models are subject to an independent assurance process, which is managed by the Risk Management Group (RMG), and are also reviewed regularly. This assurance process covers the review of the underlying ECL methodology including its logic and conceptual soundness, together with the integrity of model inputs and outputs.

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:

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.
Buildings	50 years or over the remaining lease period, whichever is shorter.
Computer software	3 – 5 years
Office equipment, furniture and fittings	5 – 10 years

Please refer to Note 27 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 15 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 42 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 not recognised on the balance sheet and are disclosed in Note 37. Upon a loan draw-down, the amount of the loan is generally recognised as "loans and advances to customers" on the Group's balance sheet.

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.

Financial guarantees are subsequently measured at the higher of:

- the amount of the ECL (Note 2.11); and
- the unamortised portion of the fees that were received on initial recognition.

Please refer to Note 2.8 for the principles for recognising the fees.

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

As part of the overall risk management of the Group, derivatives and other instruments are used to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions.

Where hedge accounting is not applied, the 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". The Group applies hedge accounting for economic hedge relationships that meet the hedge accounting criteria. To qualify for hedge accounting, at the inception of each hedging relationship, the Group designates and 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 assesses and measures the effectiveness of the hedging relationship between the hedging instrument and the hedged item.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between hedging instrument and the hedged item. The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as described below.

- **Fair value hedge**
  For a qualifying fair value hedge, the changes in the fair value of the hedging instruments 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, using the effective interest method, to the income statement over its remaining maturity.

  However, where the hedged item is an equity instrument classified as FVOCI, changes in the fair value of the hedging instrument and the hedged item are both recorded in other comprehensive income and accumulated in FVOCI reserves. The amounts recorded in FVOCI reserves are not subsequently reclassified to the income statement.

- **Cash flow hedge**
  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**
  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.

Prior to 1 January 2018, valuation components of currency basis spreads were not excluded from the designated hedging instrument.

From 1 January 2018, when designating the hedging instrument, the Group may elect to exclude the valuation components of currency basis spreads and forward points from the hedge relationship on a hedge-by-hedge basis.

The forward points and currency basis spreads which are excluded and recorded in other comprehensive income are:

- reclassified to the income statement when the forecast transaction occurs; or
- amortised to the income statement over the hedging tenor for time-period hedges. The amounts recorded in other comprehensive income are not subsequently reclassified to the income statement for hedges of FVOCI equities.

The Group has elected to apply the SFRS(I) 9 hedge accounting rules in full.

Please refer to Note 39 for further details relating to hedge accounting, including fair value, cash flow and net investment hedges.

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 40.

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 FVOCI 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 FVOCI 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, allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2.11.

The Group applied the impairment requirements under SFRS(I) 9 for financial year ended 2018, resulting in changes in assumptions used in the computation of impairment allowances using the ECL model. The numbers in the comparative period have not been restated.

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, which will necessarily involve the use of judgement.

In estimating specific allowances under FRS 39, 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.

The general allowances under FRS 39 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 framework, policies and procedures.

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 42 for further 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 28 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 22 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. Transition to SFRS(I) 9

4.1 Key differences between FRS 39 and SFRS(I) 9

The key differences between FRS 39 and SFRS(I) 9 are described below. Refer to the Group's 2017 financial statements for details on the accounting policies for FRS 39.

Classification and Measurement of financial assets

	FRS 39 (Prior to 1 Jan 2018)	SFRS(I) 9 (From 1 Jan 2018 onwards)
Classification and measurement	Classification is based on the investment intention of individual instruments and the nature of the instruments. Embedded derivatives are separated from their host instrument or measured in entirety at FVPL. The Group applied the following measurement categories in FRS 39: Amortised cost using the effective interest method 1) Loans and receivables which have fixed or determinable payments and are not quoted in an active market. 2) Non-derivative financial assets that the Group intends to hold to maturity are classified as held to maturity. FVPL: 1) Non-derivative financial assets that are: • held for the purpose of short-term selling and market-making; • 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. 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. 2) Derivatives (including derivatives embedded in other contracts but separate for accounting purposes) are classified as assets or liabilities when the fair value is positive or negative respectively. 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". Available-for-sale (AFS): 1) Non-derivative financial assets held for the purpose of investment or satisfying regulatory liquidity requirements are classified as AFS 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 AFS revaluation reserves. When sold or impaired, the accumulated fair value adjustments in the AFS revaluation reserves are reclassified to the income statement. Unquoted equity investments classified as AFS for which fair values cannot be reliably determined are carried at cost, less impairment (if any).	Debt instruments are measured at amortised cost, FVOCI or FVPL. Classification of debt instruments is based on the business model in which the debt instruments are held and the contractual terms of the assets ('solely payments of principal and interest' (SPPI) test). Embedded derivatives are not separated i.e. the asset is accounted for in its entirety. Upon derecognition of FVOCI debt instruments cumulative gains or losses in other comprehensive income is recognised in the income statement. Equity instruments are measured at FVOCI or FVPL as elected by the Group. Upon derecognition of FVOCI equity instruments, cumulative gains or losses in other comprehensive income is not recognised in the income statement.

Impairment

Prior to SFRS(I) 9, the Group adopted FRS 39 which was modified by the requirements of MAS Notice 612. The key similarities and differences between the two standards are summarised below:

	FRS 39 (Prior to 1 Jan 2018)	SFRS(I) 9 (From 1 Jan 2018 onwards)
Instruments in scope	Debt instruments that are measured at amortised cost and FVOCI (AFS) are subject to impairment. Off balance sheet credit exposures are also in scope for impairment. AFS equity instruments are subject to impairment.	The scope of financial instruments that are subject to impairment is generally similar between FRS 39 and SFRS(I) 9. However, FVOCI equity instruments are not subject to impairment.
Impaired/ Stage 3	The criteria used to determine objective evidence of impairment is largely similar to SFRS(I) 9. Specific allowances for credit losses are recognised based on the circumstances existing at balance sheet date and is not adjusted for forward looking factors. When there is evidence of an impairment of an AFS 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.	Stage 3 refers to financial assets and other credit exposures that have been impaired. Lifetime ECL is recognised on such exposures. Lifetime ECL incorporates forward looking factors.
Stage 2	There is no concept of Stage 1 or Stage 2 prior to SFRS(I) 9. As required by MAS Notice 612, the Group maintains general allowances of at least 1% of credit exposures arising from both financial assets and other off-balance sheet credit exposures. (against which specific allowances have not been made), adjusted for collateral held. General allowances are recorded in the income statement.	Stage 2 refers to financial assets and other off balance sheet credit exposures that have experienced a significant increase in credit risk since its inception. Lifetime ECL is recognised on such exposures.
Stage 1		Stage 1 refers to financial assets and other off balance sheet credit exposures which have not experienced a significant increase in credit risk since inception. Stage 1 exposures are measured at an amount equal to 12 months of ECL.

Hedge accounting

The main concepts of hedge accounting remain unchanged between FRS 39 and SFRS(I) 9. The main change which is relevant to the Group relates to currency basis spreads which is described in Note 2.19.

4.2 Transition impact of adopting SFRS(I) 9 on 1 Jan 2018

The table below reflects the impact of adopting SFRS(I) 9 on the Group's opening balance sheet as at 1 January 2018.

In $ millions	31 Dec 2017 FRS 39	Transitional impact of classification and measurement	Transitional impact of ECL	1 Jan 2018 SFRS(I) 9
Assets				
Cash and balances with central banks	**26,463**	–	**(3)**	**26,460**
Government securities and treasury bills	**39,753**	**(43)**	**#**	**39,710**
Due from banks	**35,975**	–	**(20)**	**35,955**
Derivatives	**17,585**	–	–	**17,585**
Bank and corporate securities	**55,589**	**(6)**	**31**	**55,614**
Loans and advances to customers	**323,099**	–	**331**	**323,430**
Other assets	**12,066**	–	**(113)**[(a)]	**11,953**
Associates	**783**	–	**(5)**[(b)]	**778**
Properties and other fixed assets	**1,233**	–	–	**1,233**
Goodwill and intangibles	**5,165**	–	–	**5,165**
Total assets	**517,711**	**(49)**	**221**	**517,883**
Liabilities				
Due to banks	**17,803**	–	–	**17,803**
Deposits and balances from customers	**373,634**	–	–	**373,634**
Derivatives	**18,003**	–	–	**18,003**
Other liabilities	**16,615**	–	**163**[(a)]	**16,778**
Other debt securities	**40,716**	–	–	**40,716**
Subordinated term debts	**1,138**	–	–	**1,138**
Total liabilities	**467,909**	–	**163**	**468,072**
Total equity	**49,802**	**(49)**	**58**	**49,811**

\# *Amount under $500,000*
(a) *Include current and deferred tax impact*
(b) *Impact of adoption of SFRS(I) 9 by the Group's associates*

4.3 Additional information on impact from classification and measurement

The table below does not reflect reclassifications when the measurement basis between FRS 39 and SFRS(I) 9 remains similar. This will include reclassifications from available-for-sale (AFS) to fair value through other comprehensive income (FVOCI) as they are measured at fair value with changes in fair value being recorded in other comprehensive income.

In $ millions	Reclassification From FRS 39	Reclassification To SFRS(I) 9	31 Dec 2017	Remeasurement	1 Jan 2018
Government securities and treasury bills					
Debt instruments that are part of a hold to collect business model[(a)]	AFS	Amortised Cost	**9,175**	**(43)**	**9,132**
Bank and corporate securities			**7,761**	**(6)**	**7,755**
Debt instruments that are part of a hold to collect business model[(a)]	AFS	Amortised Cost	**7,333**	**(36)**	**7,297**
Unquoted equities previously measured at cost remeasured to fair value	AFS (Cost)	FVOCI	**178**	**30**	**208**
Debt instruments that are not SPPI in nature	AFS	FVPL	**163**	**–**	**163**
Non-trading equities which the Group has elected to adopt FVOCI measurement	FVPL	FVOCI	**87**	**–**	**87**

(a) As at 31 December 2018, the fair value of the assets which were reclassified from AFS to amortised costs that continue to be recognised on the Group's balance sheet is $11,780 million

4.4 Additional information on impact of ECL

Prior to 2018, the Group complies with the provisions of MAS Notice 612 where banks maintain, in addition to specific allowances, a prudent level of general allowances of at least 1% of uncollateralised exposures. In response to SFRS(I) 9, MAS issued a revised MAS Notice 612 which requires the Group to maintain a MRLA of 1% of the gross carrying amount of selected credit exposures net of collaterals. Where ECL falls below MRLA, additional loss allowance shall be maintained in a non-distributable RLAR through an appropriation of the Group's retained earnings.

The opening general allowance balance as at 1 January 2018 was $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 the deferred tax impact and the share of impact for associates, the net increase in shareholders' funds was $58 million.

The following table is a comparison of impairment allowances determined in accordance with FRS 39, modified by requirements under MAS Notice 612, to the corresponding ECL determined in accordance with SFRS(I) 9 as at 1 January 2018.

In $ millions	31 Dec 2017 FRS 39 GP	31 Dec 2017 FRS 39 SP	1 Jan 2018 SFRS(I) 9 Stage 1	1 Jan 2018 SFRS(I) 9 Stage 2	1 Jan 2018 SFRS(I) 9 Stage 3	Impact of ECL
Assets						
Cash and balances with central banks	**–**	**–**	**3**	**–**	**–**	**(3)**
Government securities and treasury bills	**–**	**–**	**#**	**–**	**–**	**#**
Due from banks	**–**	**–**	**20**	**–**	**–**	**(20)**
Bank and corporate securities	**83**	**14**	**12**	**40**	**14**	**31**
Loans and advances to customers	**2,394**	**2,276**	**624**	**1,439**	**2,276**	**331**
Other assets	**1**	**90**	**14**	**–**	**90**	**(13)**
Liabilities						
Other liabilities[(a)]	**142**	**139**	**214**	**128**	**139**	**(200)**
Total[(b)]	**2,620**	**2,519**	**887**	**1,607**	**2,519**	**126**
Share of impact from associates						**(5)**
Tax impact						**(63)**
						58

 # Amount under $500,000
(a) ECL on guarantees and other off-balance sheet exposures are recorded in "Other liabilities"
(b) ECL amounts for Stage 1 and 2 exclude ECL relating to debt securities at FVOCI, which are reflected under FVOCI reserves ($31 million)

5. Net Interest Income

In $ millions	The Group 2018	2017
Cash and balances with central banks and Due from banks	**819**	621
Customer non-trade loans	**8,959**	7,096
Trade assets	**1,556**	1,138
Securities and others	**2,464**	1,978
Total interest income	**13,798**	10,833
Deposits and balances from customers	**3,488**	2,180
Other borrowings	**1,355**	862
Total interest expense	**4,843**	3,042
Net interest income	**8,955**	7,791
Comprising:		
Interest income from financial assets at FVPL	**852**	625
Interest income from financial assets at FVOCI (2017: AFS)	**745**	865
Interest income from financial assets at amortised cost	**12,201**	9,343
Interest expense from financial liabilities at FVPL	**(320)**	(174)
Interest expense from financial liabilities not at FVPL	**(4,523)**	(2,868)
Total	**8,955**	7,791

6. Net Fee and Commission Income

In $ millions	The Group 2018	2017
Brokerage	**154**	154
Investment banking	**128**	216
Transaction services[(b)]	**647**	618
Loan-related	**390**	409
Cards[(c)]	**714**	543
Wealth management[(d)]	**1,141**	966
Others	**73**	88
Fee and commission income	**3,247**	2,994
Less: fee and commission expense	**467**	372
Net fee and commission income[(a)]	**2,780**	2,622

(a) Includes net fee and commission income of $78 million (2017: $68 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 $873 million (2017: $790 million) during the year

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

(c) Card fees are net of interchange fees paid

(d) Includes $111 million (2017: $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

7. Net Trading Income

In $ millions	The Group 2018	2017
Net trading income[(a)]		
– Foreign exchange	**841**	553
– Interest rates, credit, equities and others[(b)]	**(16)**	825
Net (loss)/ gain from financial assets designated at fair value	**(12)**	21
Net gain/ (loss) from financial liabilities designated at fair value	**365**	(341)
Total	**1,178**	1,058

(a) 2018 includes income from assets that are mandatorily classified at FVPL as they are not SPPI in nature

(b) Includes dividend income of $117 million (2017: $32 million)

8. Net Income from Investment Securities

In $ millions	The Group 2018	2017
Debt securities		
– FVOCI (2017: AFS)	**25**	109
– Amortised cost (2017: Loans and receivables)	**6**	2
Equity securities at FVOCI (2017: AFS)[(a)]	**100**	313
Total[(b)]	**131**	424
Of which: net gains transferred from FVOCI reserves (2017: AFS revaluation reserves)	**5**	316

(a) Includes dividend income of $100 million (2017: $63 million)

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

9. Other Income

In $ millions	The Group 2018	2017
Rental income	**4**	10
Net gain on disposal of properties and other fixed assets	**91**	1
Others[(a)(b)]	**44**	368
Total	**139**	379

(a) Includes share of profits or losses of associates and net gains and losses from sale of loans carried at amortised cost

(b) 2017 includes net gain from sale of DBS China Square Limited of $350 million (refer to Note 23)

10. Employee Benefits

In $ millions	The Group 2018	2017
Salaries and bonuses	**2,588**	2,276
Contributions to defined contribution plans	**167**	153
Share-based expenses[(a)]	**112**	110
Others	**321**	286
Total	**3,188**	2,825

(a) Equity settled share-based expenses

11. Other Expenses

In $ millions	The Group 2018	2017
Computerisation expenses[(a)]	**939**	903
Occupancy expenses[(b)]	**443**	411
Revenue-related expenses	**359**	292
Others[(c)]	**885**	774
Total	**2,626**	2,380

(a) Includes hire and maintenance costs of computer hardware and software
(b) Includes rental expenses of office and branch premises of $283 million (2017: $253 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 2018	2017
Depreciation expenses	**331**	297
Hire and maintenance costs of fixed assets, including building-related expenses	**560**	495
Expenses on investment properties	**#**	1
Audit fees[(a)] payable to external auditors[(b)]:		
– Auditors of the Company	**5**	5
– Associated firms of auditors of the Company	**4**	5
Non-audit related fees payable to external auditors[(b)]:		
– Auditors of the Company	**1**	1
– Associated firms of auditors of the Company	**1**	1

 # Amount under $500,000
(a) Includes audit related assurance fees
(b) PricewaterhouseCoopers network firms

12. Allowances for Credit and Other Losses

In $ millions	The Group 2018	2017
Specific allowances[(a)(b)]		
Loans and advances to customers (Note 19)	**657**	2,238
Investment securities		
– FVOCI (2017: AFS)	**(1)**	4
– Amortised cost (2017: Loans and receivables)	**#**	15
Properties and other fixed assets	**#**	(3)
Off-balance sheet credit exposures	**44**	123
Others	**11**	22
General allowances[(c)]	**(1)**	(505)
Total	**710**	1,894

 # Amount under $500,000
(a) 2018 includes Stage 3 ECL
(b) Includes allowances for non-credit exposures of $2 million (2017: $15 million)
(c) Refers to Stage 1 and 2 ECL for 2018

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					
2018						
Specific allowances						
Loans and advances to customers (Note 19)	**2,276**	**657**	**(618)**	**14**	**111**	**2,440**
Investment securities[a]	**20**	**(1)**	**#**	**–**	**(1)**	**18**
Properties and other fixed assets	**25**	**#**	**–**	**–**	**(1)**	**24**
Off-balance sheet credit exposures	**139**	**44**	**–**	**–**	**(80)**	**103**
Others	**97**	**11**	**(41)**	**–**	**(4)**	**63**
Total specific allowances	**2,557**	**711**	**(659)**	**14**	**25**	**2,648**
Total general allowances for credit losses	**2,525**	**(1)**	**–**	**51**	**(6)**	**2,569**
Total allowances	**5,082**	**710**	**(659)**	**65**	**19**	**5,217**
2017						
Specific allowances						
Loans and advances to customers (Note 19)	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

\# *Amount under $500,000*
(a) *Opening balance includes transition adjustments as FVOCI equity instruments are no longer subject to impairment on adoption of SFRS(I) 9*

The opening balance for total general allowances in 2018 includes Stage 1 and Stage 2 ECL following the adoption of SFRS(I) 9. The corresponding comparatives have not been restated.

The following table outlines the changes in ECL under SFRS(I) 9 in 2018 which are attributable to the following factors:

- Transfers between stages.
- Net portfolio changes, which are determined on an obligor basis i.e. originations with new obligors net of derecognitions from former obligors.
- Remeasurements, which include the impact of changes in model inputs or assumptions, partial repayments, additional drawdowns on existing facilities and changes in ECL following a transfer between stages.
- Model refinements, which reflect the impact of significant changes that have been made to credit models used to estimate ECL. In particular, the retail ECL models were updated to incorporate the 12 months average loss rate that had been adjusted for forecasted macroeconomic variables.

In $ millions	General allowances (Non-impaired) Stage 1	Stage 2	Specific allowances (Impaired) Stage 3	Total
2018				
Balance at 1 January	**902**	**1,623**	**2,519**	**5,044**
Changes in allowances recognised in opening balance that were transferred to (from)	**121**	**(207)**	**86**	**–**
– Stage 1	**(20)**	**20**	**–**	**–**
– Stage 2	**144**	**(144)**	**–**	**–**
– Stage 3	**(3)**	**(83)**	**86**	**–**
Net portfolio changes	**105**	**(78)**	**–**	**27**
Remeasurements	**68**	**219**	**623**	**910**
Model refinements	**(119)**	**(110)**	**–**	**(229)**
Net write-offs[(a)]	**–**	**–**	**(659)**	**(659)**
Acquisition of new business	**51**	**–**	**14**	**65**
Exchange and other movements	**(4)**	**(2)**	**29**	**23**
Balance at 31 December	**1,124**	**1,445**	**2,612**	**5,181**
Charge/ (Writeback) in the income statement	**175**	**(176)**	**709**	**708**

The Group

(a) Write-offs net of recoveries

The following table provides additional information on the financial instruments that are subject to ECL as at 31 December 2018. FVPL assets and FVOCI equity instruments are not subject to ECL and therefore not reflected in the table.

The Group

In $ millions	Gross carrying value[(c)] Stage 1	Stage 2	Stage 3	Total	ECL balances Stage 1	Stage 2	Stage 3	Total
2018								
Assets								
Loans and advances to customer	**323,982**	**18,839**	**5,251**	**348,072**	**903**	**1,299**	**2,440**	**4,642**
Investment securities								
– Government securities and treasury bills[(a)]	**36,661**	**35**	**–**	**36,696**	**3**	**–**	**–**	**3**
– Bank and corporate debt securities[(a)]	**41,739**	**313**	**46**	**42,098**	**26**	**6**	**18**	**50**
Others[(b)]	**61,655**	**76**	**60**	**61,791**	**27**	**1**	**51**	**79**
Liabilities								
ECL on guarantees and other off-balance sheet exposures	**–**	**–**	**–**	**–**	**165**	**139**	**103**	**407**
Total ECL					**1,124**	**1,445**	**2,612**	**5,181**

(a) Includes loss allowances of $15 million for debt securities that are classified at FVOCI
(b) Comprise of amounts in "Cash and balances with central banks", "Due from Banks" and "Other assets" that are subject to ECL
(c) Balances exclude off-balance sheet exposures

13. Income Tax Expense

	The Group	
In $ millions	**2018**	**2017**
Current tax expense		
– Current year	**1,062**	820
– Prior years' provision	**(57)**	(79)
Deferred tax expense		
– Prior years' provision	**2**	4
– Origination of temporary differences	**(1)**	(74)
Total	**1,006**	671

The deferred tax expense/ (credit) in the income statement comprises the following temporary differences:

	The Group	
In $ millions	**2018**	**2017**
Accelerated tax depreciation	**17**	5
Allowances for loan losses	**(18)**	30
Other temporary differences	**2**	(105)
Deferred tax expense/ (credit) to income statement	**1**	(70)

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:

	The Group	
In $ millions	**2018**	**2017**
Profit before tax	**6,659**	5,175
Prima facie tax calculated at a tax rate of 17% (2017: 17%)	**1,132**	880
Effect of different tax rates in other countries	**17**	6
Effect of change in country's tax rate[(a)]	**34**	–
Net income not subject to tax	**(39)**	(112)
Net income taxed at concessionary rate	**(165)**	(99)
Expenses not deductible for tax	**26**	13
Others	**1**	(17)
Income tax expense charged to income statement	**1,006**	671

(a) Relates to the remeasurement of deferred taxes due to a change in the applicable tax rate arising from the conversion of India Branch to a wholly-owned subsidiary

Deferred income tax relating to FVOCI (2017: AFS) financial assets and others of $24 million was credited (2017: $4 million credited) and own credit risk of $3 million was debited (2017: $3 million credited) directly to equity.

Please refer to Note 22 for further information on deferred tax assets/ liabilities.

14. Earnings Per Ordinary Share

		The Group	
Number of shares ('000)		**2018**	**2017**
Weighted average number of ordinary shares in issue (basic and diluted)	(a)	**2,559,464**	2,549,597

		The Group	
In $ millions		**2018**	**2017**
Profit attributable to shareholders		**5,577**	4,371
Less: Dividends on other equity instruments		**(86)**	(75)
Adjusted profit	(b)	**5,491**	4,296
Earnings per ordinary share ($)			
Basic and diluted	(b)/ (a)	**2.15**	1.69

15. Classification of Financial Instruments

	The Group						
In $ millions	Mandatorily at FVPL[(c)]	FVPL designated	Amortised cost	FVOCI-Debt	FVOCI-Equity	Hedging derivatives	Total
31 Dec 2018							
Assets							
Cash and balances with central banks	**381**	**–**	**18,643**	**3,161**	**–**	**–**	**22,185**
Government securities and treasury bills	**10,583**	**–**	**17,394**	**19,301**	**–**	**–**	**47,278**
Due from banks	**10,872**	**–**	**27,760**	**1,546**	**–**	**–**	**40,178**
Derivatives	**16,761**	**–**	**–**	**–**	**–**	**268**	**17,029**
Bank and corporate securities	**14,471**	**–**	**33,452**	**8,609**	**1,665**	**–**	**58,197**
Loans and advances to customers	**1,167**	**406**	**343,430**	**–**	**–**	**–**	**345,003**
Other financial assets	**–**	**–**	**13,062**	**–**	**–**	**–**	**13,062**
Total financial assets	**54,235**	**406**	**453,741**	**32,617**	**1,665**	**268**	**542,932**
Other asset items outside the scope of SFRS(I) 9[(a)]							**7,819**
Total assets							**550,751**
Liabilities							
Due to banks	**1,999**	**–**	**20,649**	**–**	**–**	**–**	**22,648**
Deposits and balances from customers	**–**	**1,716**	**392,069**	**–**	**–**	**–**	**393,785**
Derivatives	**16,163**	**–**	**–**	**–**	**–**	**529**	**16,692**
Other financial liabilities	**1,733**	**–**	**15,478**	**–**	**–**	**–**	**17,211**
Other debt securities	**217**	**6,915**	**38,580**	**–**	**–**	**–**	**45,712**
Subordinated term debts	**–**	**–**	**3,599**	**–**	**–**	**–**	**3,599**
Total financial liabilities	**20,112**	**8,631**	**470,375**	**–**	**–**	**529**	**499,647**
Other liability items outside the scope of SFRS(I) 9[(b)]							**1,229**
Total liabilities							**500,876**

	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
31 Dec 2017							
Assets							
Cash and balances with central banks	937	–	22,266	3,260	–	–	26,463
Government securities and treasury bills	9,972	–	–	27,826	1,955	–	39,753
Due from banks	10,747	–	23,589	1,639	–	–	35,975
Derivatives	17,344	–	–	–	–	241	17,585
Bank and corporate securities	13,225	87	26,370	15,907	–	–	55,589
Loans and advances to customers	477	428	322,194	–	–	–	323,099
Other financial assets	–	–	11,666	–	–	–	11,666
Total financial assets	52,702	515	406,085	48,632	1,955	241	510,130
Other asset items outside the scope of FRS 39[(a)]							7,581
Total assets							517,711
Liabilities							
Due to banks	523	–	17,280	–	–	–	17,803
Deposits and balances from customers	–	1,160	372,474	–	–	–	373,634
Derivatives	17,725	–	–	–	–	278	18,003
Other financial liabilities	1,961	–	13,662	–	–	–	15,623
Other debt securities	187	5,785	34,744	–	–	–	40,716
Subordinated term debts	–	–	1,138	–	–	–	1,138
Total financial liabilities	20,396	6,945	439,298	–	–	278	466,917
Other liability items outside the scope of FRS 39[(b)]							992
Total liabilities							467,909

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Held to maturity	Hedging derivatives	Total
	The Group						
1 Jan 2017							
Assets							
Cash and balances with central banks	2,822	–	20,783	3,235	–	–	26,840
Government securities and treasury bills	8,998	–	–	22,441	1,962	–	33,401
Due from banks	5,852	–	22,984	1,182	–	–	30,018
Derivatives	25,307	–	–	–	–	450	25,757
Bank and corporate securities	7,750	57	21,145	16,465	–	–	45,417
Loans and advances to customers	–	459	301,057	–	–	–	301,516
Other financial assets	–	–	10,709	–	–	–	10,709
Total financial assets	50,729	516	376,678	43,323	1,962	450	473,658
Other asset items outside the scope of FRS 39[(a)]							7,912
Total assets							481,570
Liabilities							
Due to banks	481	–	15,434	–	–	–	15,915
Deposits and balances from customers	–	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) Assets and liabilities are mandatorily classified as FVPL when they are held for trading. In addition, debt-type financial assets that are not SPPI in nature are mandatorily classified as FVPL

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 2018, "Loans and advances to customers" of $36 million (2017: $38 million; 1 January 2017: nil) were set off against "Deposits and balances from customers" of $36 million (2017: $38 million; 1 January 2017: nil) 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.

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			
			Subject to enforceable netting agreement			
				Related amounts not offset on balance sheet		
In $ millions	Carrying amounts on balance sheet	Not subject to enforceable netting agreement	Net amounts	Financial instruments	Financial collateral received/ pledged	Net amounts
31 Dec 2018						
Financial Assets						
Derivatives	**17,029**	**5,827[(a)]**	**11,202**	**8,824[(a)]**	**811**	**1,567**
Reverse repurchase agreements	**11,629[(b)]**	**6**	**11,623**	**–**	**11,619**	**4**
Securities borrowings	**73[(c)]**	**–**	**73**	**70**	**–**	**3**
Total	**28,731**	**5,833**	**22,898**	**8,894**	**12,430**	**1,574**
Financial Liabilities						
Derivatives	**16,692**	**5,477[(a)]**	**11,215**	**8,824[(a)]**	**2,155**	**236**
Repurchase agreements	**7,333[(d)]**	**648**	**6,685**	**–**	**6,685**	**–**
Securities lendings	**1[(e)]**	**–**	**1**	**#**	**–**	**1**
Short sale of securities	**1,733[(f)]**	**1,246**	**487**	**487**	**–**	**–**
Total	**25,759**	**7,371**	**18,388**	**9,311**	**8,840**	**237**
31 Dec 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
1 Jan 2017						
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

\# *Amount under $500,000*

(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 "Not subject to enforceable netting agreement" 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*

16. Cash and Balances with Central Banks

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 2017
Cash on hand	**2,460**	2,205	2,938
Non-restricted balances with central banks	**11,761**	16,488	17,194
Cash and cash equivalents	**14,221**	18,693	20,132
Restricted balances with central banks[a]	**7,964**	7,770	6,708
Total[b]	**22,185**	26,463	26,840

(a) Mandatory balances with central banks
(b) 2018 balances are net of ECL

17. Government Securities and Treasury Bills

	The Group			
In $ millions	Mandatorily at FVPL	FVOCI	Amortised cost	Total
31 Dec 2018				
Singapore Government securities and treasury bills (Gross)[a]	**4,013**	**1,471**	**8,630**	**14,114**
Other government securities and treasury bills (Gross)[b]	**6,570**	**17,830**	**8,765**	**33,165**
Less: ECL[c]	**–**	**–**	**(1)**	**(1)**
Total	**10,583**	**19,301**	**17,394**	**47,278**

	The Group			
In $ millions	Held for trading	Available-for-sale	Held to maturity	Total
31 Dec 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
1 Jan 2017				
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 pledged or transferred of $831 million (2017: $467 million; 1 Jan 2017: $70 million) (See Note 20)
(b) Includes financial assets pledged or transferred of $7,184 million (2017: $2,109 million; 1 Jan 2017: $2,740 million) (See Note 20)
(c) ECL for FVOCI securities amounting to $2 million are not shown in the table, as these securities are recorded at fair value

18. Bank and Corporate Securities

	The Group			
In $ millions	Mandatorily at FVPL	FVOCI	Amortised cost	Total
31 Dec 2018				
Bank and corporate debt securities (Gross)[a]	**8,527**	**8,609**	**33,489**	**50,625**
Less: ECL[c]	**–**	**–**	**(37)**	**(37)**
Bank and corporate debt securities	**8,527**	**8,609**	**33,452**	**50,588**
Equity securities[b]	**5,944**	**1,665**	**–**	**7,609**
Total	**14,471**	**10,274**	**33,452**	**58,197**

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans & receivables	Available-for-sale	Total
	The Group				
31 Dec 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
1 Jan 2017					
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[(b)]	2,410	–	–	1,568	3,978
Total	7,750	57	21,145	16,465	45,417

(a) Includes financial assets pledged or transferred of $1,271 million (2017: $337 million; 1 Jan 2017: $414 million) (See Note 20)
(b) Includes financial assets pledged or transferred of less than $500,000 (2017: $49 million; 1 Jan 2017: nil) (See Note 20)
(c) ECL for FVOCI securities amounting to $13 million are not shown in the table, as these securities are recorded at fair value

19. Loans and Advances to Customers

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 2017
Gross	**349,645**	327,769	305,415
Less: Specific allowances[(a)]	**2,440**	2,276	1,270
General allowances[(a)]	**2,202**	2,394	2,629
	345,003	323,099	301,516
Analysed by product			
Long-term loans	**155,115**	137,003	136,305
Short-term facilities	**76,251**	72,215	65,894
Housing loans	**75,011**	73,293	64,465
Trade loans	**43,268**	45,258	38,751
Gross total	**349,645**	327,769	305,415
Analysed by currency			
Singapore dollar	**141,838**	134,558	123,733
Hong Kong dollar	**40,898**	38,891	35,588
US dollar	**110,086**	103,943	102,120
Chinese yuan	**12,481**	11,055	11,577
Others	**44,342**	39,322	32,397
Gross total	**349,645**	327,769	305,415

(a) 2018 balances refer to ECL under SFRS(I) 9 (specific allowances: Stage 3 ECL; general allowances: Stage 1 and Stage 2 ECL). 2017 balances refer to specific and general allowances under FRS 39, modified by MAS Notice 612 requirements

Please refer to Note 43.4 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	Net write-off during the year	Acquisition of new business	Exchange and other movements	Balance at 31 December
	The Group					
2018						
Specific allowances						
Manufacturing	**358**	**139**	**(190)**	**–**	**(5)**	**302**
Building and construction	**96**	**65**	**(34)**	**–**	**–**	**127**
Housing loans	**7**	**6**	**(3)**	**–**	**–**	**10**
General commerce	**231**	**115**	**(79)**	**–**	**1**	**268**
Transportation, storage and communications	**1,350**	**97**	**(63)**	**–**	**122**	**1,506**
Financial institutions, investment and holding companies	**22**	**(2)**	**(5)**	**–**	**3**	**18**
Professionals and private individuals (excluding housing loans)	**121**	**213**	**(210)**	**14**	**(9)**	**129**
Others	**91**	**24**	**(34)**	**–**	**(1)**	**80**
Total specific allowances	**2,276**	**657**	**(618)**	**14**	**111**	**2,440**
Total general allowances	**2,063**	**94**	**–**	**51**	**(6)**	**2,202**
Total allowances	**4,339**	**751**	**(618)**	**65**	**105**	**4,642**
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

(a) The methodology for allocating general allowances was modified in 2017 to harmonise the treatment between loans and non-loan assets

The opening balance for total general allowances in 2018 includes Stage 1 and Stage 2 ECL following the adoption of SFRS(I) 9. The corresponding comparatives have not been restated.

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

	The Group		
	31 Dec		1 Jan
In $ millions	**2018**	**2017**	**2017**
Fair value designated loans and advances and related credit derivatives/ enhancements			
Maximum credit exposure	**406**	428	459
Credit derivatives/ enhancements – protection bought	**(406)**	(428)	(459)
Cumulative change in fair value arising from changes in credit risk	**(47)**	(49)	(98)
Cumulative change in fair value of related credit derivatives/ enhancements	**47**	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 $2 million (2017: gain of $49 million). During the year, the amount of change in the fair value of the related credit derivatives/ enhancements was a loss of $2 million (2017: loss of $49 million).

20. Financial Assets Pledged or Transferred

The Group pledges or transfers financial assets to third parties in the ordinary course of business. Transferred assets continue to be recognised in the Group's financial statements when the Group retains substantially all their risks and rewards. Among these, as set out below, are securities pledged or transferred pursuant to repurchase or securities lending or collateral swap agreements and for derivative transactions under credit support agreements.

Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2018 and 2017.

Securities

Securities transferred under repurchase, securities lending and collateral swap 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 collateral.

For repurchase agreements, the securities pledged or transferred continue to be recorded on the balance sheet while cash received in exchange is recorded as a financial liability. 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 $6,161 million (2017: $1,455 million; 1 January 2017: $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 and collateral swap transactions, the securities lent continue to be recorded on the balance sheet. As the Group mainly receives other financial assets in exchange, the associated liabilities are not recorded on balance sheet.

In addition, the Group also pledges securities for derivative transactions under credit support agreements. These assets continue to be recorded on the balance sheet. 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.

	The Group		
	31 Dec		1 Jan
In $ millions	**2018**	**2017**	**2017**
Financial assets pledged or transferred			
Singapore Government securities and treasury bills	**831**	467	70
Other government securities and treasury bills	**7,184**	2,109	2,740
Bank and corporate debt securities	**1,271**	337	414
Equity securities	**#**	49	–
Total	**9,286**	2,962	3,224

\# *Amount under $500,000*

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 23.2 and 31.4). 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 2018, the carrying value of the covered bonds in issue was $5,268 million (2017: $5,028 million; 1 January 2017: $2,227 million), while the carrying value of assets assigned was $10,506 million (2017: $12,930 million; 1 January 2017: $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 $406 million (2017: $428 million; 1 January 2017: $516 million).

21. Other Assets

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	2017
Accrued interest receivable	**1,507**	1,305	1,165
Deposits and prepayments	**550**	555	423
Receivables from securities business	**430**	990	643
Sundry debtors and others	**8,001**	6,491	5,512
Cash collateral pledged[(a)]	**2,574**	2,325	2,966
Deferred tax assets (Note 22)	**356**	400	333
Total[(b)]	**13,418**	12,066	11,042

(a) Mainly relates to cash collateral pledged in respect of derivative portfolios
(b) Balances are net of specific and general allowances

22. 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 21) and "Other liabilities" (Note 30) respectively.

Deferred tax assets and liabilities comprise the following temporary differences:

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	2017
Deferred income tax assets			
Allowances for loan losses[(a)]	**231**	319	356
FVOCI (2017: AFS) financial assets and others	**32**	8	6
Own credit risk	**#**	3	#
Other temporary differences	**256**	239	177
	519	569	539
Amounts offset against deferred tax liabilities	**(163)**	(169)	(206)
Total	**356**	400	333
Deferred income tax liabilities			
Accelerated tax depreciation	**133**	116	114
FVOCI (2017: AFS) financial assets and others	**5**	5	7
Other temporary differences	**103**	75	118
	241	196	239
Amounts offset against deferred tax assets	**(163)**	(169)	(206)
Total	**78**	27	33
Net deferred tax assets	**278**	373	300

 # Amount under $500,000
(a) Movement in deferred income tax assets between 2017 and 2018 includes impact on SFRS(I) 9 adoption (a decline in deferred tax assets of $100 million)

23. Subsidiaries and Consolidated Structured Entities

In $ millions	The Company 31 Dec 2018	31 Dec 2017	1 Jan 2017
Investment in subsidiaries[(a)]			
Ordinary shares	**17,682**	17,682	17,376
Additional Tier 1 instruments	**3,411**	2,404	2,446
Other equity instruments	**344**	344	344
	21,437	20,430	20,166
Due from subsidiaries			
Subordinated term debts	**4,913**	1,481	1,699
Other receivables	**1,803**	2,446	420
	6,716	3,927	2,119
Total	**28,153**	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

23.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below.

Name of subsidiary	Incorporated in	Effective shareholding % 31 Dec 2018	31 Dec 2017	1 Jan 2017
Commercial Banking				
DBS Bank Ltd.	Singapore	**100**	100	100
DBS Bank (Hong Kong) Limited*	Hong Kong	**100**	100	100
DBS Bank (China) Limited*	China	**100**	100	100
DBS Bank (Taiwan) Limited*	Taiwan	**100**	100	100
PT Bank DBS Indonesia*	Indonesia	**99**	99	99
Stockbroking				
DBS Vickers Securities Holdings Pte Ltd	Singapore	**100**	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 2017 and 2018.

Please refer to Note 36 for information on non-controlling interests.

23.2 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 31.4). 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.

24. Associates

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	2017
Quoted equity securities	–	–	57
Unquoted equity securities[(a)]	**857**	796	812
Share of post-acquisition reserves	**(19)**	(13)	21
Total	**838**	783	890

(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*

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		
	31 Dec		1 Jan
In $ millions	2018	2017	2017
Income statement			
Share of income	**238**	209	155
Share of expenses	**(209)**	(198)	(202)
Balance sheet			
Share of total assets	**2,174**	1,793	1,701
Share of total liabilities	**1,336**	1,010	811
Off-balance sheet			
Share of contingent liabilities and commitments	**#**	#	#

\# *Amount under $500,000*

24.1 Main associates

The main associates of the Group are listed below.

		Effective shareholding %		
		31 Dec		1 Jan
Name of associate	Incorporated in	2018	2017	2017
Unquoted				
Central Boulevard Development Pte Ltd**	Singapore	**33.3**	33.3	33.3
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	**33.3**	33.3	33.3
Changsheng Fund Management Company**	China	**33.0**	33.0	33.0

** *Audited by other auditors*

As of 31 December 2018, 31 December 2017 and 1 January 2017, 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.

25. Unconsolidated Structured Entities

"Unconsolidated structured entities" are structured entities, as defined by SFRS(I) 12, 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, SFRS(I) 12 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		
	31 Dec		1 Jan
In $ millions	**2018**	**2017**	**2017**
Derivatives	**38**	100	-
Corporate debt securities	**2,693**	2,262	1,267
Loans and advances to customers	**43**	28	19
Total assets	**2,774**	2,390	1,286
Commitments and guarantees	**174**	32	23
Maximum Exposure to Loss	**2,948**	2,422	1,309
Derivatives	**#**	#	107
Total liabilities	**#**	#	107

\# *Amount under $500,000*

SFRS(I) 12 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.

26. 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 $53 million represented provisional goodwill. The final goodwill recorded was $62 million.

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. With the integration of ANZ Indonesia in February 2018, the Group has completed the acquisition of the businesses in all the five markets.

The Group has received cash of $5,045 million, largely represented by the difference between the assets acquired (comprising mainly loans and advances to customers) of $9,229 million and the liabilities assumed (comprising mainly deposit and balances with customers) of $14,401 million.

The contribution to revenue and net profit from the acquired portfolio for financial year 2018 was $623 million and $162 million respectively. The contribution from the progressive consolidation of the acquired portfolio for the financial period from 15 July 2017 to 31 December 2017 was not material.

27. Properties and Other Fixed Assets

In $ millions	Investment properties	Owner-occupied properties	Software	Other fixed assets[(a)]	Subtotal of owner-occupied properties, software and other fixed assets	Total
	The Group					
2018	**(1)**	**(2)**	**(3)**	**(4)**	**(5)=(2)+(3)+(4)**	**(6)=(1)+(5)**
Cost						
Balance at 1 January	**64**	**542**	**1,208**	**948**	**2,698**	**2,762**
Additions	**–**	**13**	**332**	**188**	**533**	**533**
Acquisition of new business	**–**	**38**	**–**	**–**	**38**	**38**
Disposals	**(2)**	**(22)**	**(168)**	**(65)**	**(255)**	**(257)**
Transfer	**6**	**(6)**	**–**	**–**	**(6)**	**–**
Exchange differences and others	**–**	**5**	**–**	**–**	**5**	**5**
Balance at 31 December	**68**	**570**	**1,372**	**1,071**	**3,013**	**3,081**
Less: Accumulated depreciation						
Balance at 1 January	**35**	**135**	**625**	**709**	**1,469**	**1,504**
Depreciation charge	**1**	**16**	**180**	**134**	**330**	**331**
Disposals	**(1)**	**(9)**	**(161)**	**(62)**	**(232)**	**(233)**
Transfer	**3**	**(3)**	**–**	**–**	**(3)**	**–**
Exchange differences and others	**–**	**4**	**–**	**1**	**5**	**5**
Balance at 31 December	**38**	**143**	**644**	**782**	**1,569**	**1,607**
Less: Allowances for impairment	**2**	**22**	**–**	**–**	**22**	**24**
Net book value at 31 December	**28**	**405**	**728**	**289**	**1,422**	**1,450**
2017						
Cost						
Balance at 1 January	603	545	1,160	896	2,601	3,204
Additions	–	9	225	126	360	360
Acquisition of new business	–	26	–	1	27	27
Disposals	(1)	(11)	(161)	(52)	(224)	(225)
Divestment of subsidiary[(b)]	(507)	–	–	(9)	(9)	(516)
Transfers	(31)	31	–	–	31	–
Exchange differences and others	#	(58)	(16)	(14)	(88)	(88)
Balance at 31 December	64	542	1,208	948	2,698	2,762
Less: Accumulated depreciation						
Balance at 1 January	165	161	620	658	1,439	1,604
Depreciation charge	2	16	153	126	295	297
Disposals	(1)	(11)	(147)	(47)	(205)	(206)
Divestment of subsidiary[(b)]	(129)	–	–	(8)	(8)	(137)
Transfers	(2)	2	–	–	2	–
Exchange differences and others	#	(33)	(1)	(20)	(54)	(54)
Balance at 31 December	35	135	625	709	1,469	1,504
Less: Allowances for impairment	–	25	–	–	25	25
Net book value at 31 December	29	382	583	239	1,204	1,233

\# *Amount under $500,000*
(a) *Refers to computer hardware, 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 23)*

The total market value of all properties as at 31 December 2018 was $2,111 million, of which investment properties accounted for $163 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 2018, 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		
	31 Dec		1 Jan
In $ millions	2018	2017	2017
Minimum lease receivables[(a)]			
Not later than 1 year	**5**	3	31
Later than 1 year but not later than 5 years	**6**	4	44
Total	**11**	7	75

(a) 1 Jan 2017 includes lease receivables from operating leases under PWC Building which was divested in 2017. Refer to Note 23 for disclosure on the sale of DBS China Square Limited, which owned PWC Building

28. Goodwill and Intangibles

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

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	2017
DBS Bank (Hong Kong) Limited	**4,631**	4,631	4,631
Others	**544**	534	486
Total	**5,175**	5,165	5,117

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

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

A growth rate of 4.5% (2017: 4.5%) and discount rate of 9.0% (2017: 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 2018. However, if conditions in Hong Kong and its banking industry were to deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be impaired in future periods.

29. Deposits and Balances from Customers

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 2017
Analysed by currency			
Singapore dollar	**158,778**	156,893	152,115
US dollar	**138,153**	128,586	112,107
Hong Kong dollar	**37,054**	35,208	36,234
Chinese yuan	**13,073**	11,402	9,822
Others	**46,727**	41,545	37,168
Total	**393,785**	373,634	347,446
Analysed by product			
Savings accounts	**153,443**	152,737	140,617
Current accounts	**77,140**	80,143	73,984
Fixed deposits	**159,049**	137,696	130,178
Other deposits	**4,153**	3,058	2,667
Total	**393,785**	373,634	347,446

30. Other Liabilities

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 2017
Cash collateral received[(a)]	**1,825**	2,128	1,710
Accrued interest payable	**848**	533	434
Provision for loss in respect of off-balance sheet credit exposures	**407**	282	453
Payables in respect of securities business	**356**	823	641
Sundry creditors and others[(b)]	**12,449**	10,178	9,665
Current tax liabilities	**744**	683	656
Short sale of securities	**1,733**	1,961	2,303
Deferred tax liabilities (Note 22)	**78**	27	33
Total	**18,440**	16,615	15,895

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

(b) Includes income received in advance of $1,280 million (2017: $1,387 million; 1 Jan 2017: $1,493 million) arising from a 15-year regional distribution agreement entered with Manulife Financial Asia Limited, to be amortised on a straight-line basis. $107 million (2017: $107 million) of the Manulife income received in advance was recognised as fee income during the year

31. Other Debt Securities

In $ millions	The Group 31 Dec 2018	The Group 31 Dec 2017	The Group 1 Jan 2017	The Company 31 Dec 2018	The Company 31 Dec 2017	The Company 1 Jan 2017
Negotiable certificates of deposit (Note 31.1)	**4,147**	3,793	2,137	**–**	–	–
Senior medium term notes (Note 31.2)	**11,577**	8,197	6,519	**4,141**	4,078	2,400
Commercial papers (Note 31.3)	**16,986**	17,696	11,586	**–**	–	–
Covered bonds (Note 31.4)	**5,268**	5,028	2,227	**–**	–	–
Other debt securities (Note 31.5)	**7,734**	6,002	5,276	**–**	–	–
Total	**45,712**	40,716	27,745	**4,141**	4,078	2,400
Due within 1 year	**31,870**	27,343	17,539	**1,700**	–	–
Due after 1 year	**13,842**	13,373	10,206	**2,441**	4,078	2,400
Total	**45,712**	40,716	27,745	**4,141**	4,078	2,400

31.1 Negotiable certificates of deposit issued and outstanding are as follows:

In $ millions		The Group		
			31 Dec	1 Jan
Currency	**Interest Rate and Repayment Terms**	**2018**	**2017**	**2017**
Issued by the Bank and other subsidiaries				
HKD	2.07% to 4.22%, payable quarterly	**522**	286	314
HKD	2.9% to 4.2%, payable annually	**38**	93	118
HKD	Zero-coupon, payable on maturity	**409**	338	84
AUD	1.68% to 2.31%, payable on maturity	**2,465**	2,465	1,455
TWD	0.52% to 0.68%, payable on maturity	**178**	202	–
IDR	6.2%, payable on maturity	**21**	–	–
INR	Zero-coupon, payable on maturity	**–**	–	41
CNY	2.97% to 4.51%, payable on maturity	**514**	409	125
Total		**4,147**	3,793	2,137

The outstanding negotiable certificates of deposit as at 31 December 2018 were issued between 20 January 2010 and 27 December 2018 (2017: 22 August 2008 and 27 December 2017; 1 January 2017: 22 August 2008 and 22 December 2016) and mature between 2 January 2019 and 16 March 2021 (2017: 2 January 2018 and 16 March 2021; 1 January 2017: 5 January 2017 and 16 March 2021).

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

In $ millions		The Group			The Company		
			31 Dec	1 Jan		31 Dec	1 Jan
Currency	**Interest Rate and Repayment Terms**	**2018**	**2017**	**2017**	**2018**	**2017**	**2017**
Issued by the Company							
USD	2.246%, payable semi-annually	**1,018**	1,000	1,093	**1,018**	1,000	1,093
USD	Floating rate note, payable quarterly	**2,388**	2,340	723	**2,388**	2,340	723
HKD	1.87%, payable annually	**94**	89	97	**94**	89	97
HKD	2.78% to 2.8%, payable quarterly	**153**	155	–	**153**	155	–
SGD	2.78%, payable semi-annually	**488**	494	487	**488**	494	487
Issued by the Bank							
AUD	Floating rate note, payable quarterly	**868**	313	–	**–**	–	–
GBP	Floating rate note, payable monthly	**572**	–	–	**–**	–	–
GBP	Floating rate note, payable quarterly	**3,369**	2,254	–	**–**	–	–
USD	2.35% to 3.12%, payable semi-annually	**137**	–	1,447	**–**	–	–
USD	Floating rate note, payable quarterly	**2,388**	1,383	2,257	**–**	–	–
USD	1.45%, payable annually	**–**	–	145	**–**	–	–
HKD	1.43%, payable annually	**102**	100	109	**–**	–	–
HKD	2.24%, payable quarterly	**–**	–	93	**–**	–	–
CNH	4.4%, payable annually	**–**	69	68	**–**	–	–
Total		**11,577**	8,197	6,519	**4,141**	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 2018 were issued between 16 July 2014 and 24 October 2018 (2017: 16 July 2014 and 12 December 2017; 1 January 2017: 21 February 2012 and 7 September 2016) and mature between 20 February 2019 and 25 July 2022 (2017: 6 March 2018 and 25 July 2022; 1 January 2017: 20 January 2017 and 11 January 2021).

31.3 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 2018 were issued between 28 June 2018 and 26 December 2018 (2017: 28 June 2017 and 22 December 2017; 1 January 2017: 21 September 2016 and 16 December 2016) and mature between 2 January 2019 and 27 June 2019 (2017: 2 January 2018 and 17 July 2018; 1 January 2017: 3 January 2017 and 12 April 2017).

31.4 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 2018 were issued between 3 June 2016 and 27 November 2018 (2017: 6 August 2015 and 21 November 2017; 1 January 2017: 6 August 2015 and 3 June 2016) and mature between 3 June 2019 and 21 November 2024 (2017: 6 August 2018 and 21 November 2024; 1 January 2017: 6 August 2018 and 3 June 2019).

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

	The Group		
	31 Dec		1 Jan
In $ millions	**2018**	**2017**	**2017**
Issued by the Bank and other subsidiaries			
Equity linked notes	**1,844**	1,260	1,521
Credit linked notes	**1,249**	1,720	1,202
Interest linked notes	**3,365**	2,495	2,042
Foreign exchange linked notes	**386**	237	220
Fixed rate bonds	**890**	290	291
Total	**7,734**	6,002	5,276

The outstanding securities as at 31 December 2018 were issued between 23 July 2012 and 31 December 2018 (2017: 23 July 2012 and 29 December 2017; 1 January 2017: 4 October 2011 and 30 December 2016) and mature between 2 January 2019 and 1 June 2048 (2017: 2 January 2018 and 20 June 2047; 1 January 2017: 3 January 2017 and 30 August 2046).

32. 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		
			Maturity	Interest	31 Dec		1 Jan
In $ millions	Note	Issue Date	Date	Payment	2018	2017	2017
Issued by the Company							
S$250m 3.80% Subordinated Notes due 2028 Callable in 2023	32.1	20 Jan 2016	20 Jan 2028	Jan/ Jul	**258**	252	252
JPY10,000m 0.918% Subordinated Notes due 2026	32.2	8 Mar 2016	8 Mar 2026	Mar/ Sep	**124**	118	123
HK$1,500m 3.24% Subordinated Notes due 2026 Callable in 2021	32.3	19 Apr 2016	19 Apr 2026	Jan/ Apr/ Jul/ Oct	**256**	260	270
AUD750m 3-month BBSW+1.58% Subordinated Notes due 2028 Callable in 2023	32.4	16 Mar 2018	16 Mar 2028	Mar/ Jun/ Sep/ Dec	**723**	–	–
EUR600m 1.50% Subordinated Notes due 2028 Callable in 2023	32.5	11 Apr 2018	11 Apr 2028	Apr	**934**	–	–
CNH950m 5.25% Subordinated Notes due 2028 Callable in 2023	32.6	15 May 2018	15 May 2028	May/ Nov	**188**	–	–
US$750m 4.52% Subordinated Notes due 2028 Callable in 2023	32.7	11 Jun 2018	11 Dec 2028	Jun/ Dec	**1,025**	–	–
JPY7,300m 0.85% Subordinated Notes due 2028 Callable in 2023	32.8	25 Jun 2018	25 Jun 2028	Jun/ Dec	**91**	–	–
Issued by the Bank							
S$1,000m 3.10% Subordinated Notes due 2023 Callable in 2018	32.9	14 Aug 2012	14 Feb 2023	Feb/ Aug	**–**	508	506
S$1,000m 3.30% Subordinated Notes due 2022 Callable in 2017	32.10	21 Feb 2012	21 Feb 2022	Feb/ Aug	**–**	–	866
US$750m 3.625% Subordinated Notes due 2022 Callable in 2017	32.10	21 Mar 2012	21 Sep 2022	Mar/ Sep	**–**	–	1,085
Total					**3,599**	1,138	3,102
Due within 1 year					**–**	508	866
Due after 1 year					**3,599**	630	2,236
Total					**3,599**	1,138	3,102

In $ millions	Note	Issue Date	Maturity Date	Interest Payment	The Company 31 Dec 2018	2017	1 Jan 2017
Issued by the Company							
S$250m 3.80% Subordinated Notes due 2028 Callable in 2023	32.1	20 Jan 2016	20 Jan 2028	Jan/ Jul	**258**	252	252
JPY10,000m 0.918% Subordinated Notes due 2026	32.2	8 Mar 2016	8 Mar 2026	Mar/ Sep	**124**	118	123
HK$1,500m 3.24% Subordinated Notes due 2026 Callable in 2021	32.3	19 Apr 2016	19 Apr 2026	Jan/ Apr/ Jul/ Oct	**256**	260	270
AUD750m 3-month BBSW+1.58% Subordinated Notes due 2028 Callable in 2023	32.4	16 Mar 2018	16 Mar 2028	Mar/ Jun/ Sep/ Dec	**723**	–	–
EUR600m 1.50% Subordinated Notes due 2028 Callable in 2023	32.5	11 Apr 2018	11 Apr 2028	Apr	**934**	–	–
CNH950m 5.25% Subordinated Notes due 2028 Callable in 2023	32.6	15 May 2018	15 May 2028	May/ Nov	**188**	–	–
US$750m 4.52% Subordinated Notes due 2028 Callable in 2023	32.7	11 Jun 2018	11 Dec 2028	Jun/ Dec	**1,025**	–	–
JPY7,300m 0.85% Subordinated Notes due 2028 Callable in 2023	32.8	25 Jun 2018	25 Jun 2028	Jun/ Dec	**91**	–	–
Total					**3,599**	630	645
Due within 1 year					**–**	–	–
Due after 1 year					**3,599**	630	645
Total					**3,599**	630	645

32.1 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.

32.2 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.

32.3 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.

32.4 Interest on the notes is payable quarterly at 3-month Bank Bill Swap Rate (BBSW) plus 1.58% per annum on 16 March, 16 June, 16 September and 16 December each year. The notes are redeemable on 16 March 2023 or on any interest payment date thereafter.

32.5 Interest on the notes is payable at 1.50% per annum up to 11 April 2023. Thereafter, the interest rate resets to the then-prevailing five-year Euro Mid-Swap Rate plus 1.20% per annum. Interest is paid annually on 11 April each year. The notes are redeemable on 11 April 2023 or on any interest payment date thereafter.

32.6 Interest on the notes is payable semi-annually at 5.25% per annum on 15 May and 15 November each year. The notes are redeemable on 15 May 2023 or on any interest payment date thereafter.

32.7 Interest on the notes is payable at 4.52% per annum up to 11 December 2023. Thereafter, the interest rate resets to the then-prevailing five-year US Dollar Mid-Swap Rate plus 1.59% per annum. Interest is paid semi-annually on 11 June and 11 December each year. The notes are redeemable on 11 December 2023 or on any interest payment date thereafter.

32.8 Interest on the notes is payable at 0.85% per annum up to 25 June 2023. Thereafter, the interest rate resets to the then-prevailing six-month JPY London Interbank Offered Rate plus 0.74375% per annum. Interest is paid semi-annually on 25 June and 25 December each year. The notes are redeemable on 25 June 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 three-month JPY London Interbank Offered Rate.

32.9 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. The remaining outstanding notes have been fully redeemed on 14 February 2018.

32.10 These notes have been fully redeemed in 2017.

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).

33. Share Capital

The Group announced in February 2018 that it was suspending the Scrip Dividend Scheme ("Scheme"). As such, the Scheme was not applied to the 2017 final and special dividends and to the 2018 dividends.

As at 31 December 2018, the number of treasury shares held by the Group is 12,435,832 (2017: 6,868,515), which is 0.49% (2017: 0.27%) 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	
	2018	2017	2018	2017	2018	2017	2018	2017
Ordinary shares								
Balance at 1 January	**2,563,936**	2,548,962	**11,205**	10,899	**2,563,936**	2,548,962	**11,205**	10,899
Issue of shares pursuant to Scrip Dividend Scheme	**–**	14,974	**–**	306	**–**	14,974	**–**	306
Balance at 31 December	**2,563,936**	2,563,936	**11,205**	11,205	**2,563,936**	2,563,936	**11,205**	11,205
Treasury shares								
Balance at 1 January	**(6,869)**	(12,852)	**(123)**	(229)	**(6,304)**	(11,728)	**(113)**	(209)
Purchase of treasury shares	**(12,255)**	–	**(303)**	–	**(12,255)**	–	**(303)**	–
Draw-down of reserves upon vesting of performance shares	**6,688**	5,983	**119**	106	**–**	–	**–**	–
Transfer of treasury shares	**–**	–	**–**	–	**6,238**	5,424	**111**	96
Balance at 31 December	**(12,436)**	(6,869)	**(307)**	(123)	**(12,321)**	(6,304)	**(305)**	(113)
Issued share capital at 31 December			**10,898**	11,082			**10,900**	11,092

34. 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 31 Dec 2018	31 Dec 2017	1 Jan 2017
Issued by the Company						
S$805m 4.70% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2019	34.1	3 Dec 2013	Jun/ Dec	**803**	803	803
US$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	34.2	7 Sep 2016	Mar/ Sep	**1,009**	1,009	1,009
S$1,000m 3.98% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2025	34.3	12 Sep 2018	Mar/ Sep	**1,000**	–	–
Total				**2,812**	1,812	1,812

34.1 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.

34.2 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.

34.3 Distributions are payable at 3.98% per annum up to 12 September 2025. Thereafter, the distribution rate resets every 7 years to the then-prevailing seven-year Singapore Dollar Swap Offer Rate plus 1.65% per annum. Distributions are paid semi-annually on 12 March and 12 September each year, unless cancelled by the Company. The capital securities are redeemable on 12 September 2025 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)

35. Other Reserves and Revenue Reserves

35.1 Other reserves

In $ millions	The Group 31 Dec 2018	The Group 31 Dec 2017	The Group 1 Jan 2017	The Company 31 Dec 2018	The Company 31 Dec 2017	The Company 1 Jan 2017
FVOCI (2017: AFS) revaluation reserves (bonds)	**(176)**	31	(60)	**–**	–	–
FVOCI (2017: AFS) revaluation reserves (equities)	**(161)**	7	86	**–**	–	–
Cash flow hedge reserves	**(46)**	33	19	**14**	(3)	(1)
General reserves	**95**	95	95	**–**	–	–
Capital reserves	**(448)**	(354)	(180)	**–**	–	–
Share plan reserves	**166**	173	169	**166**	173	169
Others	**4,271**	4,271	4,193	**–**	–	–
Total	**3,701**	4,256	4,322	**180**	170	168

Movements in other reserves during the year are as follows:

In $ millions	FVOCI/ AFS revaluation reserves (bonds)	FVOCI/ AFS revaluation reserves (equities)	Cash flow hedge reserves	General reserves	Capital reserves[b]	Share plan reserves	Other reserves [a][c]	Total
	The Group							
2018								
Balance at 1 January	**31**	**7**	**33**	**95**	**(354)**	**173**	**4,271**	**4,256**
Impact of adopting SFRS(I) 9 on 1 January	**(49)**	**(37)**	**–**	**–**	**–**	**–**	**–**	**(86)**
Balance at 1 January after adoption of SFRS(I) 9	**(18)**	**(30)**	**33**	**95**	**(354)**	**173**	**4,271**	**4,170**
Net exchange translation adjustments	**–**	**–**	**–**	**–**	**(94)**	**–**	**–**	**(94)**
Share of associates' reserves	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**3**
Cost of share-based payments	**–**	**–**	**–**	**–**	**–**	**112**	**–**	**112**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**–**	**–**	**–**	**(119)**	**–**	**(119)**
FVOCI (2017: AFS) financial assets and others:								
– net valuation taken to equity	**(161)**	**(164)**	**56**	**–**	**–**	**–**	**–**	**(269)**
– transferred to income statement	**(5)**	**–**	**(146)**	**–**	**–**	**–**	**–**	**(151)**
– taxation relating to components of other comprehensive income	**8**	**8**	**8**	**–**	**–**	**–**	**–**	**24**
Transfer to revenue reserves upon disposal of FVOCI equities	**–**	**25**	**–**	**–**	**–**	**–**	**–**	**25**
Balance at 31 December	**(176)**	**(161)**	**(46)**	**95**	**(448)**	**166**	**4,271**	**3,701**
2017								
Balance at 1 January	(60)	86	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 35.2)	–	–	–	–	–	–	78	78
FVOCI (2017: AFS) financial assets and others:								
– net valuation taken to equity	198	123	70	–	–	–	–	391
– transferred to income statement	(107)[d]	(205)	(53)	–	–	–	–	(365)
– taxation relating to components of other comprehensive income	–	6	(2)	–	–	–	–	4
Balance at 31 December	31	7	33	95	(354)	173	4,271	4,256

(a) In 2017, 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

In $ millions	Cash flow hedge reserves	The Company Share plan reserves	Total
2018			
Balance at 1 January	**(3)**	**173**	**170**
Cost of share-based payments	**–**	**112**	**112**
Draw-down of reserves upon vesting of performance shares	**–**	**(119)**	**(119)**
Cash flow hedge reserves:			
– net valuation taken to equity	**26**	**–**	**26**
– transferred to income statement	**(5)**	**–**	**(5)**
– taxation relating to components of other comprehensive income	**(4)**	**–**	**(4)**
Balance at 31 December	**14**	**166**	**180**
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)
Cash flow hedge reserves:			
– 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

35.2 Revenue reserves

In $ millions	The Group 2018	2017
Balance at 1 January	**30,308**	27,805
Impact of adopting SFRS(I) 9 on 1 January	**95**	–
Balance at 1 January after adoption of SFRS(I) 9	**30,403**	27,805
Transfers (Note 35.1)	**–**	(78)
Net profit attributable to shareholders	**5,577**	4,371
Other comprehensive income attributable to shareholders	**86**	(109)
Sub-total	**36,066**	31,989
Less: Final dividends on ordinary shares of $0.60 paid for the previous financial year (2017: $0.30 one-tier tax-exempt)	**1,538**	763
Special dividends on ordinary shares of $0.50 paid for the previous financial year (2017: nil)	**1,282**	–
Interim dividends on ordinary shares of $0.60 paid for the current financial year (2017: $0.33 one-tier tax-exempt)	**1,538**	843
Dividends on other equity instruments	**74**	75
Balance at 31 December[(a)]	**31,634**	30,308

(a) 2018 includes regulatory loss allowance reserve of $376 million, which is a non-distributable reserve

35.3 Proposed dividends

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.60 per share has not been accounted for in the financial statements for the year ended 31 December 2018. This is to be approved at the Annual General Meeting on 25 April 2019.

36. 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		
					31 Dec		1 Jan
In $ millions	**Note**	**Issue Date**	**Liquidation Preference**	**Distribution Payment**	**2018**	**2017**	**2017**
Issued by the Bank							
S$800m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	36.1	22 Nov 2010	$100	May/ Nov	**800**	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	36.2	27 May 2008	$250,000	Jun/ Dec	**–**	1,500	1,500
Non-controlling interests in subsidiaries					**30**	44	61
Total					**830**	2,344	2,361

36.1 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.

36.2 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 were redeemed on 18 June 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).

37. 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		
		31 Dec	1 Jan
In $ millions	**2018**	**2017**	**2017**
Guarantees on account of customers	**14,990**	13,378	15,078
Endorsements and other obligations on account of customers	**9,613**	7,441	7,636
Undrawn credit commitments[(a)]	**272,486**	244,397	235,324
Undisbursed and underwriting commitments in securities	**7**	76	9
Sub-total	**297,096**	265,292	258,047
Operating lease commitments (Note 37.1)	**672**	717	549
Capital commitments	**81**	74	69
Total	**297,849**	266,083	258,665
Analysed by industry (excluding operating lease and capital commitments)			
Manufacturing	**42,516**	40,884	42,718
Building and construction	**24,483**	23,540	23,436
Housing loans	**5,740**	6,849	7,155
General commerce	**55,308**	47,231	50,338
Transportation, storage and communications	**14,454**	12,350	13,933
Financial institutions, investment and holding companies	**28,654**	25,312	22,686
Professionals and private individuals (excluding housing loans)	**99,999**	87,057	75,615
Others	**25,942**	22,069	22,166
Total	**297,096**	265,292	258,047
Analysed by geography[(b)] (excluding operating lease and capital commitments)			
Singapore	**123,899**	111,986	105,141
Hong Kong	**49,289**	44,364	48,334
Rest of Greater China	**31,715**	26,987	22,533
South and Southeast Asia	**28,138**	26,280	25,750
Rest of the World	**64,055**	55,675	56,289
Total	**297,096**	265,292	258,047

(a) Includes commitments that are unconditionally cancellable at any time by the Group (2018: $230,291 million; 2017: $204,338 million; 1 Jan 2017: $193,016 million)
(b) Based on the location of incorporation of the counterparty or borrower

37.1 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.

38. 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.

38.1 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.

38.2 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.

Please refer to Note 39 for more details on derivatives used for hedging.

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 2018 and 2017.

	The Group								
	31 Dec						1 Jan		
	2018			2017			2017		
In $ millions	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities
Derivatives held for trading									
Interest rate derivatives									
Forward rate agreements	**4,370**	**–**	**1**	–	–	–	1,000	#	#
Interest rate swaps	**1,072,567**	**6,571**	**7,092**	1,061,438	5,596	5,612	1,079,582	6,728	6,591
Interest rate futures	**19,257**	**9**	**57**	17,648	5	2	14,554	5	3
Interest rate options	**9,115**	**103**	**73**	7,624	85	69	8,002	72	84
Interest rate caps/ floors	**31,079**	**500**	**867**	27,769	385	787	27,707	510	953
Sub-total	**1,136,388**	**7,183**	**8,090**	1,114,479	6,071	6,470	1,130,845	7,315	7,631
Foreign exchange (FX) derivatives									
FX contracts	**574,129**	**3,952**	**3,819**	517,765	5,552	5,901	576,320	8,221	8,063
Currency swaps	**196,738**	**4,058**	**3,110**	207,982	4,889	4,288	207,853	8,368	7,106
Currency options	**81,572**	**473**	**562**	72,219	458	561	94,173	983	1,008
Sub-total	**852,439**	**8,483**	**7,491**	797,966	10,899	10,750	878,346	17,572	16,177
Equity derivatives									
Equity options	**7,342**	**231**	**385**	4,964	67	135	2,934	29	69
Equity swaps	**4,319**	**597**	**38**	3,125	9	82	1,766	21	33
Sub-total	**11,661**	**828**	**423**	8,089	76	217	4,700	50	102
Credit derivatives									
Credit default swaps and others	**27,302**	**197**	**81**	27,070	209	258	31,969	191	192
Sub-total	**27,302**	**197**	**81**	27,070	209	258	31,969	191	192
Commodity derivatives									
Commodity contracts	**572**	**29**	**43**	966	64	21	1,072	115	52
Commodity futures	**1,532**	**36**	**29**	343	22	6	1,217	52	62
Commodity options	**570**	**5**	**6**	631	3	3	742	12	14
Sub-total	**2,674**	**70**	**78**	1,940	89	30	3,031	179	128
Total derivatives held for trading	**2,030,464**	**16,761**	**16,163**	1,949,544	17,344	17,725	2,048,891	25,307	24,230

In $ millions	The Group 31 Dec 2018 Underlying notional	Assets	Liabilities	2017 Underlying notional	Assets	Liabilities	1 Jan 2017 Underlying notional	Assets	Liabilities
Derivatives held for hedging									
Interest rate swaps held for fair value hedge	**14,100**	**145**	**60**	11,670	113	82	13,398	141	90
Interest rate swaps held for cash flow hedge	**750**	**1**	**1**	1,692	7	#	900	5	1
FX contracts held for fair value hedge	**36**	**–**	**2**	–	–	–	–	–	–
FX contracts held for cash flow hedge	**2,932**	**1**	**42**	3,161	18	63	3,630	106	133
FX contracts held for hedge of net investment	**682**	**1**	**2**	1,717	2	27	1,635	7	21
Currency swaps held for fair value hedge	**410**	**18**	**#**	325	#	–	–	–	–
Currency swaps held for cash flow hedge	**14,004**	**102**	**422**	6,091	100	106	2,089	191	22
Currency swaps held for hedge of net investment	**–**	**–**	**–**	1,767	1	–	–	–	–
Total derivatives held for hedging	**32,914**	**268**	**529**	26,423	241	278	21,652	450	267
Total derivatives	**2,063,378**	**17,029**	**16,692**	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)		**(8,824)**	**(8,824)**		(9,696)	(9,696)		(14,788)	(14,788)
		8,205	**7,868**		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 $1,015 billion (2017: $1,044 billion; 1 January 2017: $1,125 billion) and $1,048 billion (2017: $932 billion; 1 January 2017: $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.

39. Hedge Accounting

The Group enters into hedging transactions to manage exposures to interest rate and foreign currency risks. Hedge accounting is applied to minimise volatility in earnings arising from changes in interest rate and foreign exchange rates.

Please refer to Risk management section for more information on market risk and the Group's risk management practices and Note 2.19 for the Group's accounting policy for hedge accounting.

39.1 Fair value hedge

In accordance with the risk management strategy in place, the Group enters into interest rate swaps to mitigate the risk of changes in interest rates on the fair value of the following:

- issued fixed rate debt;
- a portion of purchased fixed rate bonds; and
- some large exposures to corporate loans.

In such instances, the Group hedges the benchmark interest rate risk component which is an observable and reliably measurable component of interest rate risk. Specifically, the Group has designated fair value hedge relationships, on a hedge-by-hedge basis, to hedge against movements in the benchmark interest rate. This effectively results in the recognition of interest expense (for fixed rate liabilities), or interest income (for fixed rate assets) at floating rates. The Group also uses cross currency swaps when there is a need to hedge both interest rate and foreign exchange risks.

The Group manages all other risks arising from these exposures, such as credit risk, but hedge accounting is not applied for those risks.

The Group assesses prospective hedge effectiveness by comparing the changes in fair value of the hedged item resulting from movements in the benchmark interest rate with the changes in fair value of the interest rate swaps used to hedge the exposure. The Group determines the hedge ratio by comparing the notional of the derivative with the principal of the debt issued or the bond asset purchased, or the loan granted.

For all interest rate swaps used for hedging purposes, critical terms match or nearly match those of the underlying hedged items.

The Group has identified the following possible sources of ineffectiveness:

- the use of derivatives as a protection against interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- the use of different discounting curves when measuring the fair value of the hedged items and hedging instruments. For derivatives the discounting curve used depends on collateralisation and the type of collateral used; and
- difference in the timing of settlement of hedging instruments and hedged items.

No other significant sources of ineffectiveness were identified in these hedge relationships.

The Group typically uses foreign currency denominated borrowings/ deposits to fund its investments in non-SGD denominated FVOCI equity instruments. To reduce the accounting mismatch on the borrowings/ deposits and FVOCI equity instruments because of foreign exchange rate movements, the Group designates the borrowings/ deposits as the hedging instruments in fair value hedges of the FVOCI equity instruments. The hedge ratio is determined by comparing the principal of the borrowings/ deposits with the investment costs of the FVOCI equity instruments. A potential source of ineffectiveness is a decrease in the fair value of the equity instruments below their investment costs.

The following table sets out the maturity profile of the hedging instruments used in fair value hedges. The amounts shown in the table reflect the notional amounts of derivatives and the carrying amounts of borrowings and deposits. Please refer to Note 38 for the carrying values of the derivatives.

2018			**The Group**		
In $ millions	**Type of risk hedged**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Derivatives (notional)					
Interest rate swaps	Interest rate	**2,349**	**11,406**	**345**	**14,100**
Currency swaps	Interest rate & Foreign exchange	**125**	**213**	**72**	**410**
FX contracts	Foreign exchange	**36**	**–**	**–**	**36**
Total derivatives		**2,510**	**11,619**	**417**	**14,546**
Non-derivative instruments					
(e.g. borrowings, deposits)	Foreign exchange	**1,005**	**–**	**–**	**1,005**
Total non-derivative instruments		**1,005**	**–**	**–**	**1,005**

The table below provides information on hedged items relating to fair value hedges.

	The Group	
2018 **In $ millions**	**Carrying amounts (including hedge adjustments)**	**Fair value hedge adjustments included in carrying amounts**
Assets		
Loans and advances to customers	**897**	**4**
Government securities and treasury bills[(a)]	**1,142**	**–**
Bank and corporate securities[(a)]	**6,649**	**(43)**
Liabilities		
Subordinated term debts	**729**	**4**
Other debt securities	**6,044**	**38**

(a) The carrying amounts of debt and equity instruments at fair value through other comprehensive income do not include fair value hedge adjustments as the hedged assets are measured at fair value. The accounting for the hedge relationship results in a transfer from other comprehensive income to the income statement

For the year ended 31 December 2018, the net gains on hedging instruments used to calculate hedge effectiveness was $105 million (2017: $41 million). The net losses on hedged items attributable to the hedged risk amounted to $103 million (2017: $47 million).

39.2 Cash flow hedge

The Group is predominantly exposed to variability in future cash flows due to interest rate movements and foreign currency fluctuations against SGD from the following:

- SGD assets subject to repricing, reinvestment or refinancing risk;
- forecasted interest earnings denominated in foreign currency;
- issued floating or fixed rate foreign currency debt; and
- a portion of purchased floating or fixed rate foreign currency bonds.

In accordance with the Group risk management strategy, the Group enters into interest rate swaps, forward contracts or cross currency swaps to protect against the variability of cash flows due to changes in interest rates and/ or foreign currency exchange rates.

In such instances, cash flow hedge relationships are designated. These are applied on a hedge-by-hedge basis, except for cash flows from SGD assets subject to repricing, reinvestment or refinancing risk, for which a portfolio cash flow hedge relationship is designated using interest rate swaps. A dynamic process is applied for this hedge as the portfolio composition can change e.g. due to maturities and new originations. The portfolio cash flow hedge relationships effectively extend the duration of the assets, such that the interest cash flows are transformed from a floating rate basis to a fixed rate basis.

The Group enters into forward contracts to hedge against variability in future cash flows arising from USD-denominated interest income.

The Group also enters into cross currency swaps to mitigate 100% of the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates of issued foreign currency debt and a portion of purchased foreign currency bonds. Critical terms of the cross-currency swaps match that of the issued foreign currency debt or purchased foreign currency bonds. In this way, the Group exchanges foreign currency interest and principal cash flows, to SGD cash flows.

The Group manages all other risks derived by these exposures, such as credit risk, but they do not apply hedge accounting for these risks.

The Group assesses hedge effectiveness by comparing the changes in fair value of a hypothetical derivative reflecting the terms of the hedged item due to movements in the hedged risk with the changes in fair value of the derivatives used to hedge the exposure.

The Group determines the hedge ratio by comparing the notional of the derivatives with the SGD assets subject to repricing/ reinvestment/ refinancing risk or amount of forecast earnings denominated in foreign currency or the principal of the debt securities issued or purchased foreign currency bonds.

The Group has identified the following possible sources of ineffectiveness in its cash flow hedge relationships:

- the use of derivatives as a protection against currency and interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- difference in tenor of hedged items and hedging instruments;
- difference in timing of settlement of the hedging instrument and hedged item; and
- designation of off-market hedging instruments.

The following table sets out the maturity profile of the hedging instruments used in cash flow hedges. The amounts shown in the table reflect the notional amounts of derivatives and the carrying amounts of loans and deposits. Please refer to Note 38 for the carrying values of the derivatives.

2018			**The Group**		
In $ millions	**Type of risk hedged**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Derivatives (notional)					
Interest rate swaps	Interest rate	**450**	**300**	**–**	**750**
Currency swaps	Interest rate & Foreign exchange	**1,465**	**11,424**	**1,115**	**14,004**
FX contracts	Foreign exchange	**2,932**	**–**	**–**	**2,932**
Total		**4,847**	**11,724**	**1,115**	**17,686**

The hedge ineffectiveness arising from these hedges was insignificant.

Please refer to Note 35 for information on the cash flow hedge reserves.

39.3 Net investment hedges

The Group manages currency risk of its net investment in foreign operations (or structural foreign exchange risk) using foreign currency borrowings, FX forwards and FX swaps.

Structural foreign exchange exposures are managed with the primary aim of ensuring that consolidated capital ratios are largely protected from the effect of fluctuations in foreign exchange rates against SGD.

Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or not hedged at all. 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. As part of this review, the Group reduced its net investment hedges during the year.

The tables below analyses the currency exposure of the Group by functional currency.

In $ millions	Net investments in foreign operations[(a)]	The Group Financial instruments which hedge the net investments	Remaining unhedged currency exposures
31 Dec 2018			
Hong Kong dollar	**12,199**	**326**	**11,873**
Chinese yuan	**2,483**	**277**	**2,206**
Others	**6,094**	**319**	**5,775**
Total	**20,776**	**922**	**19,854**
31 Dec 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
1 Jan 2017			
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

Please refer to Note 35 for information on the capital reserves. Capital reserves include the effect of translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency financial instruments designated for hedge accounting.

40. Share-based Compensation Plans

As part of the Group's remuneration policy, the Group provides various share-based compensation plans to foster a culture that aligns employees' interests with shareholders', enable employees to share in the Bank's performance and enhance talent retention.

Main Scheme/ Plan	Note
DBSH Share Plan (Share Plan) • The Share Plan is granted to Group executives as determined by the Committee appointed to administer the Share Plan from time to time. • Participants are awarded shares of the Company or, at the Committee's discretion, their equivalent cash value or a combination. • Awards consist of main award and retention award (20% of main award). Dividends on unvested shares do not accrue to employees. • The main award vests from 2 to 4 years after grant i.e. 33% will vest 2 years after grant; another 33% will vest on the third year and the remaining 34% plus the retention award will vest 4 years after grant. • The awards will lapse immediately upon termination of employment, except in the event of ill health, injury, disability, redundancy, retirement or death. • The market price of shares on the grant date is used to estimate the fair value of the shares awarded. • Vested and unvested shares are subject to clawback/ malus. Conditions that trigger such clawback/ malus are in the Corporate Governance section of the Annual Report. • Shares are awarded to non-executive directors as part of director's remuneration. Details of these awards are disclosed in the Corporate Governance section of the Annual Report.	40.1
DBSH Employee Share Plan (ESP) • The ESP caters to employees not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of the Company, their equivalent cash value or a combination of both (at the discretion of the Committee), when time-based conditions are met. • The awards structure and vesting conditions are similar to Share Plan. • There are no additional retention awards for shares granted to top performers and key employees. • However, in specific cases where the award forms part of an employee's annual performance remuneration, the retention award which constitutes 20% of the shares given in the main award will be granted. The shares in the retention award will vest 4 years after the date of grant. For such cases, vested and unvested shares are subject to clawback/ malus. Conditions that trigger such clawback/ malus are in the Corporate Governance section of the Annual Report.	40.1
DBSH Share Ownership Scheme • All Singapore-based employees with at least one year of service who hold the rank of Assistant Vice President and below are eligible. • Participants contribute up to 10% of monthly salary and the Group will match up to 5% of monthly base salary to buy units of the Company's ordinary shares.	40.2

40.1 DBSH Share Plan and DBSH Employee Share Plan

The following table sets out the movements of the awards during the year.

	The Group			
	2018		2017	
Number of shares	**Share Plan**	**ESP**	**Share Plan**	**ESP**
Balance at 1 January	**19,238,282**	**2,338,534**	19,663,278	2,287,414
Granted[(a)]	**4,329,124**	**642,731**	5,483,617	901,838
Vested	**(5,989,489)**	**(700,182)**	(5,372,256)	(610,968)
Forfeited	**(388,874)**	**(248,563)**	(536,357)	(239,750)
Balance at 31 December	**17,189,043**	**2,032,520**	19,238,282	2,338,534
Weighted average fair value of the shares granted during the year	**$26.24**	**$26.46**	$18.58	$18.50

(a) 2018 includes adjustments (320,063 shares) made to all unvested share awards following the shareholders' approval for the special dividend of $0.50 per ordinary share at DBSH's Annual General Meeting held on 25 April 2018 in accordance with terms of the Share Plan and ESP

40.2 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)	
	2018	**2017**	**2018**	**2017**
Balance at 1 January	**6,967,989**	8,388,820	**173**	145
Balance at 31 December	**7,036,093**	6,967,989	**167**	173

41. Related Party Transactions

41.1 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.

41.2 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.

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

	The Group		
	31 Dec		1 Jan
In $ millions	**2018**	**2017**	**2017**
Short-term benefits[(b)]	**51**	44	40
Share-based payments[(c)]	**32**	29	30
Total	**83**	73	70
Of which: Company Directors' remuneration and fees	**16**	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. The Management Committee members have increased from 19 in 2017 to 22 in 2018

(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 SFRS(I) 2

42. Fair Value of Financial Instruments

42.1 Valuation Process

The valuation processes within the Group are governed by the Valuation Policy, which is approved by the Board Risk Management Committee.

The Valuation Policy applies to 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 quoted market prices where available or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model.

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.

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 quotes or market consensus providers.

Where market parameters are sourced independently for the marking of financial assets and liabilities, or used as inputs into a valuation model, these are checked for reliability and accuracy, for example by reviewing large daily movements or by referencing other similar sources, or transactions.

Valuation adjustments and reserves are taken to account for close-out costs, model and market parameter uncertainty, and any other factor that may affect valuations. Valuation adjustment and reserve methodologies are approved by the Group Market and Liquidity Risk Committee and governed by the Valuation Policy.

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.

42.2 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 market parameters whether used directly to value a financial asset or liability, or used as inputs to a 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 stale quoted security prices and other approximations (e.g. bonds valued using credit default swap spreads).

The following tables present assets and liabilities measured at fair value, classified by level within the fair value hierarchy.

	The Group			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
31 Dec 2018				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	**8,707**	**1,876**	**–**	**10,583**
– Bank and corporate securities	**9,323**	**4,715**	**433**[(a)]	**14,471**
– Other financial assets	**–**	**12,826**	**–**	**12,826**
FVOCI financial assets				
– Government securities and treasury bills	**17,907**	**1,394**	**–**	**19,301**
– Bank and corporate securities	**8,828**	**1,119**	**327**[(a)]	**10,274**
– Other financial assets	**27**	**4,680**	**–**	**4,707**
Derivatives	**52**	**16,975**	**2**	**17,029**
Liabilities				
Financial liabilities at FVPL				
– Other debt securities	**–**	**7,132**	**–**	**7,132**
– Other financial liabilities	**1,733**	**3,715**	**–**	**5,448**
Derivatives	**90**	**16,593**	**9**	**16,692**

(a) Increases in Level 3 financial asset at FVPL and FVOCI are mainly due to notes purchased during the year which are marked using approximations and unquoted equities which have to be measured at fair value on SFRS(I) 9 adoption

In $ millions	Level 1	Level 2	Level 3	Total
		The Group		
31 Dec 2017				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	8,001	1,971	–	9,972
– Bank and corporate securities	9,443	3,844	25	13,312
– Other financial assets	–	12,589	–	12,589
AFS financial assets				
– Government securities and treasury bills	26,907	919	–	27,826
– Bank and corporate securities[(a)]	14,278	1,379	72	15,729
– Other financial assets	–	4,899	–	4,899
Derivatives	27	17,558	–	17,585
Liabilities				
Financial liabilities at FVPL				
– Other debt securities	–	5,972	–	5,972
– Other financial liabilities	1,961	1,683	–	3,644
Derivatives	9	17,992	2	18,003
1 Jan 2017				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	7,713	1,285	–	8,998
– Bank and corporate securities	5,022	2,743	42	7,807
– Other financial assets	–	9,133	–	9,133
AFS financial assets				
– Government securities and treasury bills	21,352	1,089	–	22,441
– Bank and corporate securities[(a)]	14,510	1,598	115	16,223
– Other financial assets	–	4,417	–	4,417
Derivatives	57	25,699	1	25,757
Liabilities				
Financial liabilities at FVPL				
– Other debt securities	–	5,045	4	5,049
– Other financial liabilities	2,290	1,881	–	4,171
Derivatives	66	24,415	16	24,497

(a) 31 Dec 2017 excludes unquoted equities stated at cost of $178 million (1 Jan 2017: $242 million)

The following table presents the changes in Level 3 instruments.

	The Group				
	Financial assets			Financial liabilities	
	FVPL	FVOCI/ AFS	Derivatives	FVPL	Derivatives
In $ millions	Bank and corporate securities	Bank and corporate securities		Other debt securities	
2018					
Balance at 1 January[a]	**25**	**280**	**–**	**–**	**(2)**
Purchases/ Issues	**392**	**21**	**–**	**(2)**	**–**
Settlements	**(6)**	**(20)**	**–**	**–**	**–**
Transfers:					
– Transfers into Level 3	**11**	**59**	**–**	**–**	**–**
– Transfers out of Level 3	**–**	**–**	**–**	**1**	**–**
Gains/ (losses) recorded in the income statement	**11**	**–**	**2**	**1**	**(7)**
Gains/ (losses) recognised in other comprehensive income	**–**	**(13)**	**–**	**–**	**–**
Balance at 31 December	**433**	**327**	**2**	**–**	**(9)**
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)

(a) *The opening balance of Level 3 instruments included transition adjustments arising from reclassification of unquoted equities at cost to fair value on adoption of SFRS(I) 9*

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

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

Gains and losses on Level 3 financial assets and liabilities measured at fair value

	The Group		
In $ millions	Net trading Income	Net income from investment securities	Total
2018			
Total gain for the period included in income statement	**7**	**–**	**7**
Of which:			
Change in unrealised gain/ (loss) for assets and liabilities held at the end of the reporting period	**9**	**–**	**9**
2017			
Total gain 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

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 2018, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included equity investments, bank and corporate debt securities, interest rate, foreign exchange and credit derivatives.

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 assessing whether the unobservable inputs are significant to the valuation, the Group performed sensitivity analysis based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques.

The movement in fair value arising from reasonably possible changes to the significant unobservable inputs was assessed as not significant.

	The Group					
	31 Dec		1 Jan			Unobservable
In $ millions	2018	2017	2017	Classification	Valuation technique	input
Assets						
Bank and corporate debt securities	**433**	25	42	FVPL	Discounted cash flows	Credit spreads
Bank and corporate debt securities	**–**	–	20	AFS	Discounted cash flows	Credit spreads
Equity securities (Unquoted)	**327**	72	95	FVOCI/ AFS	Net asset value	Net asset value of securities
Derivatives	**2**	–	1	FVPL	Option & interest rate pricing model	Volatility
Total	**762**	97	158			
Liabilities						
Other debt securities	**–**	–	4	FVPL	Discounted cash flows/ Option pricing model	Credit spreads/ Correlations
Derivatives	**9**	2	16	FVPL	Discounted cash flows/ CDS models/ Option & interest rate pricing model	Credit spreads/ Correlations/ Volatility
Total	**9**	2	20			

42.3 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 as at 31 December 2018 was immaterial (2017: unrealised loss of $115 million; 1 January 2017: unrealized loss of $3 million).

Realised gains or losses attributable to changes in own credit risk for 2018 were insignificant.

42.4 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, subordinated term debts and other 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.

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.

43. Credit Risk

43.1 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		
	31 Dec		1 Jan
In $ millions	2018	2017	2017
On-balance sheet			
Cash and balances with central banks (excluding cash on hand)	**19,725**	24,258	23,902
Government securities and treasury bills	**47,278**	39,753	33,401
Due from banks	**40,178**	35,975	30,018
Derivatives	**17,029**	17,585	25,757
Bank and corporate debt securities	**50,588**	50,192	41,439
Loans and advances to customers	**345,003**	323,099	301,516
Other assets (excluding deferred tax assets)	**13,062**	11,666	10,709
	532,863	502,528	466,742
Off-balance sheet			
Contingent liabilities and commitments (excluding operating lease and capital commitments)	**297,096**	265,292	258,047
Total	**829,959**	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 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 38 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 eligible collateral, besides real estate, after the application of the requisite regulatory hair-cuts, is shown in the Group's Pillar 3 Disclosures. The amounts are a sub-set of the actual collateral arrangements entered by the Group as Basel 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.

43.2 Loans and advances to customers

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	2017
Loans and advances to customers			
Performing Loans			
– Neither past due nor impaired (i)	**342,237**	320,270	299,602
Pass	**339,442**	316,787	295,010
Special Mention	**2,795**	3,483	4,592
– Past due but not impaired (ii)	**2,157**	1,982	1,397
Non-Performing Loans			
– Impaired (iii)	**5,251**	5,517	4,416
Total gross loans (Note 19)	**349,645**	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.

	The Group		
In $ millions	Pass	Special Mention	Total
31 Dec 2018			
Manufacturing	**35,928**	**255**	**36,183**
Building and construction	**76,012**	**134**	**76,146**
Housing loans	**74,119**	**3**	**74,122**
General commerce	**46,134**	**438**	**46,572**
Transportation, storage and communications	**26,380**	**1,122**	**27,502**
Financial institutions, investment and holding companies	**24,616**	**40**	**24,656**
Professionals and private individuals (excluding housing loans)	**29,639**	**34**	**29,673**
Others	**26,614**	**769**	**27,383**
Total	**339,442**	**2,795**	**342,237**
31 Dec 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
1 Jan 2017			
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	Less than 30 days past due	30 to 59 days past due	60 to 90 days past due	Total
	The Group			
31 Dec 2018				
Manufacturing	**110**	**3**	**–**	**113**
Building and construction	**127**	**1**	**10**	**138**
Housing loans	**588**	**88**	**31**	**707**
General commerce	**218**	**30**	**5**	**253**
Transportation, storage and communications	**175**	**2**	**1**	**178**
Financial institutions, investment and holding companies	**277**	**14**	**27**	**318**
Professionals and private individuals (excluding housing loans)	**337**	**53**	**23**	**413**
Others	**19**	**17**	**1**	**37**
Total	**1,851**	**208**	**98**	**2,157**
31 Dec 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
1 Jan 2017				
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	2018	2017
	The Group	
Balance at 1 January	**6,070**	4,856
Institutional Banking & Others		
– New NPAs	**844**	3,046
– Upgrades	**(40)**	(25)
– Net repayments	**(727)**	(516)
– Write-offs	**(492)**	(1,284)
Consumer Banking/ Wealth Management (net movement)	**(29)**	57
Exchange differences	**27**	(253)
Acquisition of new business	**31**	189
Balance at 31 December	**5,684**	6,070

Non-performing assets by grading and industry

	The Group							
	NPAs				Specific allowances			
In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
31 Dec 2018								
Manufacturing	**291**	**209**	**72**	**572**	**40**	**190**	**72**	**302**
Building and construction	**143**	**54**	**51**	**248**	**28**	**48**	**51**	**127**
Housing loans	**164**	**8**	**10**	**182**	**–**	**–**	**10**	**10**
General commerce	**286**	**267**	**92**	**645**	**8**	**168**	**92**	**268**
Transportation, storage and communications	**1,376**	**323**	**1,170**	**2,869**	**200**	**136**	**1,170**	**1,506**
Financial instituitions, investment and holding companies	**22**	**19**	**7**	**48**	**3**	**8**	**7**	**18**
Professionals and private individuals (excluding housing loans)	**447**	**40**	**17**	**504**	**76**	**36**	**17**	**129**
Others	**80**	**83**	**20**	**183**	**29**	**31**	**20**	**80**
Total non-performing loans	**2,809**	**1,003**	**1,439**	**5,251**	**384**	**617**	**1,439**	**2,440**
Debt securities, contingent liabilities and others	**201**	**163**	**69**	**433**	**16**	**87**	**69**	**172**
Total	**3,010**	**1,166**	**1,508**	**5,684**	**400**	**704**	**1,508**	**2,612**
Of which: restructured assets	**744**	**302**	**510**	**1,556**	**105**	**126**	**510**	**741**
31 Dec 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 instituitions, investment and holding companies	36	21	9	66	2	11	9	22
Professionals 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
1 Jan 2017								
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 instituitions, investment and holding companies	62	21	–	83	11	4	–	15
Professionals and private individuals (excluding housing loans)	254	18	8	280	46	17	8	71
Others	238	29	60	327	71	24	60	155
Total non-performing loans	3,269	683	464	4,416	315	491	464	1,270
Debt securities, contingent liabilities and others	170	109	161	440	23	87	161	271
Total	3,439	792	625	4,856	338	578	625	1,541
Of which: restructured assets	467	139	7	613	91	93	7	191

Non-performing assets by geography[a]

In $ millions	The Group NPAs	The Group Specific allowances
31 Dec 2018		
Singapore	**3,335**	**1,488**
Hong Kong	**511**	**258**
Rest of Greater China	**411**	**130**
South and Southeast Asia	**908**	**521**
Rest of the World	**86**	**43**
Total non-performing loans	**5,251**	**2,440**
Debt securities, contingent liabilities and others	**433**	**172**
Total	**5,684**	**2,612**
31 Dec 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
1 Jan 2017		
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 31 Dec 2018	31 Dec 2017	1 Jan 2017
Not overdue	**1,271**	1,448	705
Within 90 days	**432**	865	698
Over 90 days to 180 days	**436**	1,097	1,215
Over 180 days	**3,545**	2,660	2,238
Total past due assets	**4,413**	4,622	4,151
Total	**5,684**	6,070	4,856

Secured non-performing assets by collateral type

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 2017
Properties	**799**	959	973
Shares and debentures	**185**	224	312
Cash deposits	**22**	33	11
Others	**1,551**	1,876	1,318
Total	**2,557**	3,092	2,614

Past due non-performing assets by industry

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 2017
Manufacturing	**508**	657	822
Building and construction	**224**	176	349
Housing loans	**159**	143	110
General commerce	**497**	486	687
Transportation, storage and communications	**2,463**	2,404	1,295
Financial institutions, investment and holding companies	**31**	65	74
Professionals and private individuals (excluding housing loans)	**220**	215	232
Others	**108**	132	208
Total non-performing loans	**4,210**	4,278	3,777
Debt securities, contingent liabilities and others	**203**	344	374
Total	**4,413**	4,622	4,151

Past due non-performing assets by geography[a]

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 2017
Singapore	**2,721**	2,548	1,551
Hong Kong	**445**	498	522
Rest of Greater China	**281**	301	359
South and Southeast Asia	**708**	813	1,048
Rest of the World	**55**	118	297
Total non-performing loans	**4,210**	4,278	3,777
Debt securities, contingent liabilities and others	**203**	344	374
Total	**4,413**	4,622	4,151

(a) *Based on the location of incorporation of the borrower*

43.3 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 external rating bands.

	The Group		
Analysed by external ratings **In $ millions**	**Singapore government securities and treasury bills (Gross)**	**Other government securities and treasury bills (Gross)**	**Bank and corporate debt securities (Gross)**
31 Dec 2018			
AAA	**14,114**	**8,232**	**21,074**
AA- to AA+	**–**	**11,075**	**4,245**
A- to A+	**–**	**9,431**	**7,296**
Lower than A-	**–**	**4,427**	**4,898**
Unrated	**–**	**–**	**13,112**
Total	**14,114**	**33,165**	**50,625**
31 Dec 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
1 Jan 2017			
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

43.4 Credit risk by geography and industry

Analysed by geography[a]

In $ millions	Government securities and treasury bills (Gross)	Due from banks (Gross)	Derivatives	Bank and corporate debt securities (Gross)	Loans and advances to customers (Gross)	Total
	The Group					
31 Dec 2018						
Singapore	**14,114**	**610**	**1,678**	**16,214**	**163,449**	**196,065**
Hong Kong	**4,916**	**1,402**	**833**	**1,351**	**54,333**	**62,835**
Rest of Greater China	**3,367**	**18,443**	**3,032**	**4,674**	**50,925**	**80,441**
South and Southeast Asia	**4,484**	**4,408**	**1,719**	**5,206**	**28,377**	**44,194**
Rest of the World	**20,398**	**15,325**	**9,767**	**23,180**	**52,561**	**121,231**
Total	**47,279**	**40,188**	**17,029**	**50,625**	**349,645**	**504,766**
31 Dec 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
1 Jan 2017						
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	The Group Government securities and treasury bills (Gross)	Due from banks (Gross)	Derivatives	Bank and corporate debt securities (Gross)	Loans and advances to customers (Gross)	Total
31 Dec 2018						
Manufacturing	**–**	**–**	**307**	**2,586**	**36,868**	**39,761**
Building and construction	**–**	**–**	**355**	**4,359**	**76,532**	**81,246**
Housing loans	**–**	**–**	**–**	**–**	**75,011**	**75,011**
General commerce	**–**	**–**	**139**	**1,199**	**47,470**	**48,808**
Transportation, storage and communications	**–**	**–**	**462**	**3,849**	**30,549**	**34,860**
Financial instituitions, investment and holding companies	**–**	**40,188**	**14,639**	**26,667**	**25,022**	**106,516**
Government	**47,279**	**–**	**–**	**–**	**–**	**47,279**
Professionals and private individuals (excluding housing loans)	**–**	**–**	**671**	**–**	**30,590**	**31,261**
Others	**–**	**–**	**456**	**11,965**	**27,603**	**40,024**
Total	**47,279**	**40,188**	**17,029**	**50,625**	**349,645**	**504,766**
31 Dec 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 instituitions, 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
1 Jan 2017						
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 instituitions, 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

44. Liquidity Risk

44.1 Contractual maturity profile of assets and liabilities

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

	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
31 Dec 2018									
Cash and balances with central banks	**13,746**	**1,262**	**5,313**	**1,325**	**539**	**–**	**–**	**–**	**22,185**
Government securities and treasury bills	**830**	**2,040**	**3,695**	**8,778**	**7,448**	**10,900**	**13,587**	**–**	**47,278**
Due from banks	**15,478**	**4,903**	**5,218**	**12,983**	**581**	**1,015**	**–**	**–**	**40,178**
Derivatives[(a)]	**17,029**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,029**
Bank and corporate securities	**65**	**503**	**2,813**	**6,423**	**20,577**	**12,040**	**8,167**	**7,609**	**58,197**
Loans and advances to customers	**29,658**	**55,685**	**34,803**	**42,147**	**67,385**	**41,553**	**73,772**	**–**	**345,003**
Other assets	**6,522**	**1,413**	**1,590**	**2,839**	**130**	**10**	**26**	**888**	**13,418**
Associates	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**838**	**838**
Properties and other fixed assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,450**	**1,450**
Goodwill and intangibles	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,175**	**5,175**
Total assets	**83,328**	**65,806**	**53,432**	**74,495**	**96,660**	**65,518**	**95,552**	**15,960**	**550,751**
Due to banks	**11,014**	**6,217**	**2,962**	**1,617**	**174**	**664**	**–**	**–**	**22,648**
Deposits and balances from customers	**262,137**	**47,670**	**49,165**	**31,514**	**2,428**	**162**	**709**	**–**	**393,785**
Derivatives[(a)]	**16,692**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,692**
Other liabilities	**8,620**	**1,638**	**2,193**	**3,085**	**57**	**4**	**9**	**2,834**	**18,440**
Other debt securities	**456**	**6,672**	**13,066**	**11,676**	**7,771**	**915**	**5,156**	**–**	**45,712**
Subordinated term debts	**–**	**–**	**–**	**–**	**–**	**–**	**3,599**	**–**	**3,599**
Total liabilities	**298,919**	**62,197**	**67,386**	**47,892**	**10,430**	**1,745**	**9,473**	**2,834**	**500,876**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**830**	**830**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49,045**	**49,045**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49,875**	**49,875**
31 Dec 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				
1 Jan 2017									
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 tables in Note 39 for the maturity profile of hedging 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. The cash flows of assets and liabilities may behave differently from their contractual terms.

44.2 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**
31 Dec 2018					
Guarantees, endorsements and other contingent liabilities	**24,603**	–	–	–	**24,603**
Undrawn credit commitments[(a)] and other facilities	**241,895**	**14,759**	**13,263**	**2,576**	**272,493**
Operating lease commitments	**262**	**336**	**60**	**14**	**672**
Capital commitments	**73**	**8**	–	–	**81**
Total	**266,833**	**15,103**	**13,323**	**2,590**	**297,849**
31 Dec 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
1 Jan 2017					
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.

45. 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 2018 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".

46. Segment Reporting

46.1 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 the results of corporate decisions that are not attributed to business segments. It includes earnings on capital deployed into high quality assets, earnings from non-core asset sales and certain other head office items such as centrally raised allowances. 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.

	The Group				
In $ millions	Consumer Banking/ Wealth Management	Institutional Banking	Treasury Markets	Others	Total
2018					
Net interest income	**3,596**	**4,116**	**319**	**924**	**8,955**
Net fee and commission income	**1,627**	**1,125**	**–**	**28**	**2,780**
Other non-interest income	**430**	**519**	**353**	**146**	**1,448**
Total income	**5,653**	**5,760**	**672**	**1,098**	**13,183**
Total expenses	**3,039**	**1,839**	**602**	**334**	**5,814**
Allowances for credit and other losses	**228**	**550**	**(20)**	**(48)**	**710**
Profit before tax	**2,386**	**3,371**	**90**	**812**	**6,659**
Income tax expense					**1,006**
Net profit attributable to shareholders					**5,577**
Total assets before goodwill and intangibles	**115,470**	**263,125**	**108,646**	**58,335**	**545,576**
Goodwill and intangibles					**5,175**
Total assets					**550,751**
Total liabilities	**212,853**	**191,287**	**47,641**	**49,095**	**500,876**
Capital expenditure	**106**	**16**	**10**	**401**	**533**
Depreciation	**46**	**10**	**3**	**272**	**331**
2017					
Net interest income	2,843	3,623	563	762	7,791
Net fee and commission income	1,408	1,165	–	49	2,622
Other non-interest income	420	487	293	661	1,861
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

46.2 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 SFRS(I).

	The Group					
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China**	**South and Southeast Asia**	**Rest of the World**	**Total**
2018						
Net interest income	**5,664**	**1,830**	**675**	**530**	**256**	**8,955**
Net fee and commission income	**1,722**	**617**	**175**	**206**	**60**	**2,780**
Other non-interest income	**788**	**294**	**270**	**56**	**40**	**1,448**
Total income	**8,174**	**2,741**	**1,120**	**792**	**356**	**13,183**
Total expenses	**3,353**	**1,057**	**725**	**573**	**106**	**5,814**
Allowances for credit and other losses	**408**	**72**	**44**	**183**	**3**	**710**
Profit before tax	**4,413**	**1,612**	**351**	**36**	**247**	**6,659**
Income tax expense	**574**	**251**	**81**	**35**	**65**	**1,006**
Net profit attributable to shareholders	**3,763**	**1,361**	**270**	**1**	**182**	**5,577**
Total assets before goodwill and intangibles	**349,941**	**90,523**	**51,283**	**23,612**	**30,217**	**545,576**
Goodwill and intangibles	**5,137**	**30**	**–**	**8**	**–**	**5,175**
Total assets	**355,078**	**90,553**	**51,283**	**23,620**	**30,217**	**550,751**
Non-current assets[(a)]	**1,633**	**362**	**145**	**144**	**4**	**2,288**
2017						
Net interest income	5,101	1,439	545	457	249	7,791
Net fee and commission income	1,694	591	139	138	60	2,622
Other non-interest income	1,353	193	171	101	43	1,861
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

(a) Includes investments in associates, properties and other fixed assets

DBS Bank Ltd

Income statement

for the year ended 31 December 2018

In $ millions	Note	Bank 2018	2017
Interest income		**11,099**	8,580
Interest expense		**4,540**	2,751
Net interest income		**6,559**	5,829
Net fee and commission income		**1,933**	1,900
Net trading income		**917**	1,296
Net income from investment securities		**127**	405
Other income	2	**774**	298
Non-interest income		**3,751**	3,899
Total income		**10,310**	9,728
Employee benefits		**2,085**	1,846
Other expenses		**1,727**	1,603
Total expenses		**3,812**	3,449
Profit before allowances		**6,498**	6,279
Allowances for credit and other losses		**410**	1,730
Profit before tax		**6,088**	4,549
Income tax expense		**781**	477
Net profit attributable to shareholders		**5,307**	4,072

(see notes on pages 181 to 183 which form part of these financial statements)

DBS Bank Ltd

Statement of comprehensive income

for the year ended 31 December 2018

	Bank	
In $ millions	**2018**	**2017**
Net profit	**5,307**	4,072
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Translation differences for foreign operations	**(107)**	(79)
Gains (losses) on debt instruments classified at fair value through other comprehensive income/ available-for-sale financial assets[a] and others		
Net valuation taken to equity	**(122)**	395
Transferred to income statement	**(149)**	(388)
Taxation relating to components of other comprehensive income	**16**	5
Items that will not be reclassified to income statement:		
Gains (losses) on equity instruments classified at fair value through other comprehensive income (net of tax)[a]	**(156)**	–
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	**109**	(105)
Other comprehensive income, net of tax	**(409)**	(172)
Total comprehensive income attributable to shareholders	**4,898**	3,900

(a) Arising from the adoption of SFRS(I) 9 on 1 Jan 2018, realised gains or losses on equity instruments classified as "Fair Value through Other Comprehensive Income" are not reclassified to the income statement. Previously, FRS 39 required realised gains or losses on available-for-sale equity instruments to be reclassified to the income statement.

(see notes on pages 181 to 183 which form part of these financial statements)

DBS Bank Ltd

Balance sheet

as at 31 December 2018

In $ millions	Note	Bank		
		31 Dec		1 Jan
		2018	2017	2017
Assets				
Cash and balances with central banks		**15,581**	20,302	20,001
Government securities and treasury bills		**37,580**	33,801	27,281
Due from banks		**34,616**	27,927	24,971
Derivatives		**14,912**	16,092	23,994
Bank and corporate securities		**54,007**	51,999	41,700
Loans and advances to customers		**286,658**	268,266	249,744
Other assets		**9,449**	7,802	7,632
Associates		**208**	148	192
Subsidiaries	3	**26,959**	33,150	26,381
Properties and other fixed assets		**803**	711	670
Goodwill and intangibles		**334**	334	281
Total assets		**481,107**	460,532	422,847
Liabilities				
Due to banks		**19,368**	14,353	12,694
Deposits and balances from customers		**293,603**	284,798	266,934
Derivatives		**14,706**	16,352	22,944
Other liabilities		**11,599**	11,536	10,339
Other debt securities		**38,982**	35,007	24,393
Due to holding company		**5,431**	2,936	1,029
Due to subsidiaries	4	**52,655**	51,697	41,205
Subordinated term debts		**–**	508	2,457
Total liabilities		**436,344**	417,187	381,995
Net assets		**44,763**	43,345	40,852
Equity				
Share capital	5	**24,452**	24,452	24,146
Other equity instruments	6	**2,813**	1,813	1,813
Other reserves	7	**(551)**	47	114
Revenue reserves	7	**18,049**	17,033	14,779
Shareholders' funds		**44,763**	43,345	40,852
Total equity		**44,763**	43,345	40,852

(see notes on pages 181 to 183 which form part of these financial statements)

Notes to the supplementary financial statements

for the year ended 31 December 2018

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 2018. 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	2018	2017
Dividends from subsidiaries	**732**	20
Dividends from associates	**8**	7
Total	**740**	27

3. Subsidiaries

		31 Dec	1 Jan
In $ millions	2018	2017	2017
Investment in subsidiaries[(a)(b)]			
Ordinary shares	**10,937**	11,273	11,471
Due from subsidiaries			
Other receivables	**16,022**	21,877	14,910
Total	**26,959**	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

		31 Dec	1 Jan
In $ millions	2018	2017	2017
Subordinated term debts issued to DBS Capital Funding II Corporation (Note 4.1)	–	1,500	1,500
Due to subsidiaries	**52,655**	50,197	39,705
Total	**52,655**	51,697	41,205

4.1 The $1,500 million 5.75% subordinated notes were issued on 27 May 2008 by the Bank to DBS Capital Funding II Corporation, both wholly-owned subsidiaries of DBSH. Interest is payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Dollar Swap Offer Rate + 3.415% per annum. The notes have been fully redeemed on 18 June 2018.

5. Share Capital

	Number of shares ('000)		In $ millions	
	2018	**2017**	**2018**	**2017**
Ordinary shares				
Balance at 1 January	**2,626,196**	2,611,242	**23,653**	23,347
Issue of shares	**–**	14,954	**–**	306
Balance at 31 December	**2,626,196**	2,626,196	**23,653**	23,653
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**	24,452

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	31 Dec 2018	31 Dec 2017	1 Jan 2017
S$550m 3.85% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	**550**	550	550
US$185m 4.0% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	**252**	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	1,011
S$1,000m 3.98% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2025	12 Sep 2018	Mar/ Sep	**1,000**	–	–
Total			**2,813**	1,813	1,813

7. Other Reserves and Revenue Reserves

7.1 Other reserves

In $ millions	31 Dec 2018	31 Dec 2017	1 Jan 2017
FVOCI (2017: AFS) revaluation reserves (bonds)	**(151)**	56	(31)
FVOCI (2017: AFS) revaluation reserves (equities)	**(178)**	4	97
Cash flow hedge reserves	**(63)**	39	21
Capital reserves	**(159)**	(52)	27
Total	**(551)**	47	114

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

In $ millions	FVOCI/ AFS revaluation reserves (bonds)	FVOCI/ AFS revaluation reserves (equities)	Cash flow hedge reserves	Capital reserves[a]	Total
2018					
Balance at 1 January	**56**	**4**	**39**	**(52)**	**47**
Impact of adopting SFRS(I) 9 on 1 January	**(54)**	**(49)**	**–**	**–**	**(103)**
Balance at 1 January after adoption of SFRS(I) 9	**2**	**(45)**	**39**	**(52)**	**(56)**
Net exchange translation adjustments	**–**	**–**	**–**	**(107)**	**(107)**
FVOCI (2017: AFS) financial assets and others:					
– net valuation taken to equity	**(154)**	**(167)**	**32**	**–**	**(289)**
– transferred to income statement	**(6)**	**–**	**(143)**	**–**	**(149)**
– taxation relating to components of other comprehensive income	**7**	**11**	**9**	**–**	**27**
Transfer to revenue reserves upon disposal of FVOCI equities	**–**	**23**	**–**	**–**	**23**
Balance at 31 December	**(151)**	**(178)**	**(63)**	**(159)**	**(551)**
2017					
Balance at 1 January	(31)	97	21	27	114
Net exchange translation adjustments	–	–	–	(79)	(79)
FVOCI (2017: AFS) financial assets and others:					
– net valuation taken to equity	181	121	93	–	395
– transferred to income statement	(94)[b]	(221)	(73)	–	(388)
– taxation relating to components of other comprehensive income	–	7	(2)	–	5
Balance at 31 December	56	4	39	(52)	47

(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 financial assets of $4 million

7.2 Revenue reserves

In $ millions	2018	2017
Balance at 1 January	**17,033**	14,779
Impact of adopting SFRS(I) on 1 January	**83**	–
Balance at 1 January after adoption of SFRS(I) 9	**17,116**	14,779
Net profit attributable to shareholders	**5,307**	4,072
Other comprehensive income items attributable to shareholders	**86**	(105)
Sub-total	**22,509**	18,746
Less: Dividends paid to holding company	**4,422**	1,675
Dividends paid on preference shares	**38**	38
Balance at 31 December[a]	**18,049**	17,033

(a) 2018 includes regulatory loss allowance reserve of $367 million, which is a non-distributable reserve