Live more, Bank less

TO BE THE

we're

BEST BANK

making

FOR OUR

banking

CUSTOMERS

invisible

Perhaps that's why we were named

Best Bank in the World

DBS GROUP HOLDINGS LTD
ANNUAL REPORT 2018

About us

DBS is a leading financial services group in Asia with a presence in 18 markets. Headquartered and listed in Singapore, we have a growing presence in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. Our "AA-" and "Aa1" credit ratings are among the highest in the world. We have been recognised for our leadership globally, having been named "Bank of the Year – Global" by The Banker and "Best Bank in the World" by Global Finance. We are also at the forefront of leveraging technology to shape the future of banking and have been named "World's Best Digital Bank" by Euromoney. In addition, we have been accorded the "Safest Bank in Asia" award by Global Finance for 10 consecutive years from 2009 to 2018.

About this report

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

- The Banking (Corporate Governance) Regulations 2005, and all material aspects of the Code of Corporate Governance 2018 and the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers issued in April 2013 by the Monetary Authority of Singapore.
- Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rules 711A and 711B on Sustainability Report; and Practice Note 7.6 Sustainability Reporting Guide issued in July 2016 by SGX.
- The International Integrated Reporting <IR> Framework issued in December 2014 by the International Integrated Reporting Council.
- The Guidelines on Responsible Financing issued in October 2015 (revised June 2018) by the Association of Banks in Singapore.
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2017.
- The Global Reporting Initiative (GRI) Standards – Core Option issued in October 2016 and the G4 Financial Services sector disclosures by the GRI Global Sustainability Standards Board.

Scan here to view our sustainability report

Overview

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

Reflections from the top

This section contains the CEO's thoughts on some pertinent matters and recaps the year's performance through the lens of our senior leaders.

Governance, Risk Management and Sustainability

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

Financial and other reports

Financial Reports

Annexure

Shareholder Information

View our report online and on the go

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

Who we are

Total assets (SGD)
551 billion

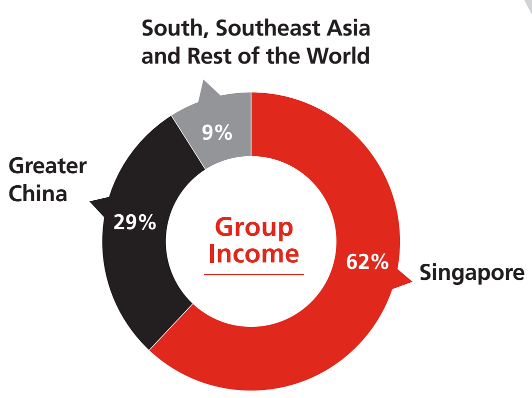
Income (SGD)
13.2 billion

Net profit (SGD)
5.63 billion

Over
200,000
Institutional Banking customers

Over
10 million
Consumer Banking/ Wealth Management customers

Over
26,000
Employees



DBS is a commercial bank headquartered and listed in Singapore. As one of Asia's leading banks, we understand the intricacies of the region's markets, and provide a full range of services in consumer banking, wealth management and institutional banking. To continue staying at the forefront of the industry, we are reimagining banking. We are also committed to advancing the sustainability agenda as a purpose-driven bank.

Celebrating our 50th anniversary with the people who matter

Recognising that DBS would not be where we are today without the support of all our stakeholders, we ensured that our Golden Jubilee celebrations included our shareholders, employees, customers and the community at large.

Shareholders

In May, shareholders were rewarded when the bank paid out a special dividend to mark our 50th anniversary.

This is in addition to the proposed final dividend of 60 cents per share for approval at the forthcoming annual general meeting, which would bring the 2018 full-year ordinary dividend to SGD 1.20 per share, an increase of 29% over the previous year.

Customers and community

We ran a gamut of 50th anniversary-themed customer promotions and gala events to thank customers.

To give back to the community, DBS employees across the region participated in 50 volunteer initiatives in our birthday month of July.

Employees also actively mentored 50 social enterprises across our six key markets.

Employees

We believe that our people embody the DBS Spark – that spirit of imagination, sense of possibility, and the courage to make things happen.

26,000 of our employees received limited-edition DBS Sparks jewellery modelled after the spark at the heart of the DBS logo. The men received a pair of 18K gold-plated cufflinks while the women received a necklace.

We also expressed our gratitude to our people by gifting SGD 500 to each of them.

One mega celebration

Our celebrations culminated in "Sparks: The Musical", a gala event attended by Singapore's Prime Minister Lee Hsien Loong, as well as many of the bank's leaders and employees from the early years.

The musical by Singapore theatre company Pangdemonium showcased Team DBS' camaraderie and passion for serving our clients and how we overcame various trials and tribulations.

It served as a tribute to the bank's pioneers, as well as leaders and staff who had shaped the bank over the years.

Board of Directors

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

Highly experienced

Two-thirds of the Board are seasoned bankers, while the rest have extensive experience in other related industries.

Independent

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

Diverse

Good mix of nationalities, gender and backgrounds.

Award-winning

Conferred the Special Recognition Award at the Singapore Corporate Awards 2018 for all-round excellence in corporate governance.

FROM LEFT TO RIGHT

STANDING

SEATED

	Bonghan Cho	Tham Sai Choy	Olivier Lim
Euleen Goh	Danny Teoh	Nihal Kaviratne	Ho Tian Yee
Piyush Gupta	Ow Foong Pheng	Peter Seah	Andre Sekulic

Read more about the Board of Directors on page 196.

Group Management Committee

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

FROM LEFT TO RIGHT

- TOP ROW
- MIDDLE ROW
- BOTTOM ROW

Top row

Lam Chee Kin
Legal, Compliance & Secretariat

Paulus Sutisna
Indonesia

Andrew Ng *
Treasury & Markets

Surojit Shome
India

Philip Fernandez
Corporate Treasury

Tan Teck Long *
Risk Management

Lim Him Chuan
Taiwan

Middle row

Sim S Lim *
Singapore (till Dec 2018)
Consumer Banking/ Wealth Management (wef Jan 2019)

Sebastian Paredes *
Hong Kong

David Gledhill *
Technology & Operations

Eng-Kwok Seat Moey
Capital Markets

Karen Ngui
Strategic Marketing & Communications

Pearlyn Phau
Consumer Banking/ Wealth Management

Derrick Goh
Audit

Neil Ge
China

Bottom row

Lee Yan Hong
Human Resources

Shee Tse Koon *
Strategy & Planning (till Nov 2018)
Singapore (wef Dec 2018)

Chng Sok Hui *
Finance

Piyush Gupta *
Chief Executive Officer

Jeanette Wong *
Institutional Banking (retired in Mar 2019)

Tan Su Shan *
Consumer Banking/ Wealth Management (till Jan 2019)
Institutional Banking (wef Feb 2019)

About a third of our Group Management Committee members are women.

31 years Average years of experience of the Group Management Committee members.

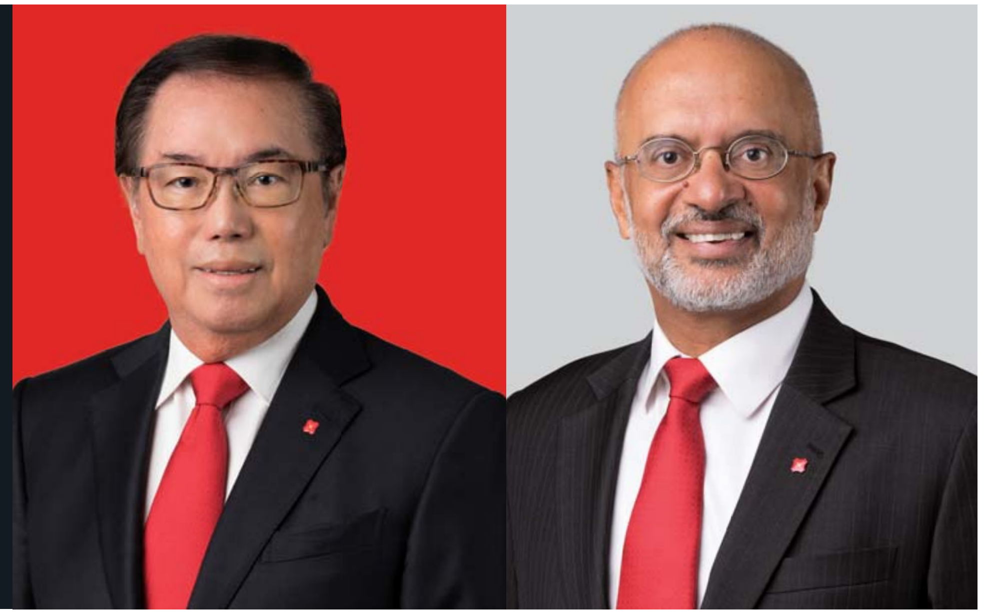
*Those marked by * are also in the Group Executive Committee.*

Read more about the Group Management Committee on page 202.

Letter from the Chairman and CEO

"Without a doubt, the highlight of the year was the slew of global accolades we received."

Chairman Peter Seah



Record

13.2
SGD billion

Total income
Total income reached a new high, bolstered by growth in loans and fee income, as well as a higher net interest margin.

Record

5.63
SGD billion

Net profit
Net profit increased 28% to a record and return on equity was at its highest since 2007.

1.20
SGD

Dividend
We proposed a final dividend of 60 cents per share, bringing the full-year ordinary dividend to SGD 1.20 per share, up 29%.

A stellar year

2018 was a stellar year for the bank. In our Golden Jubilee year, we delivered a record performance, continued to make solid progress on our digital transformation journey, and gained momentum in our efforts to drive sustainability as a core feature of our way of doing business. We also grew our talent bench and improved our people processes.

Without a doubt, the highlight of the year was the slew of global accolades we received. DBS was concurrently named "Bank of the Year – Global" by The Banker and "Best Bank in the World" by Global Finance, something no other bank has achieved. This was also remarkable as past winners have tended to be the large global players, making DBS by far the smallest bank to have ever gained these recognitions. From private banking to SME banking to cash management, we were also recognised as being the best globally. Across the citations, we earned praise for our continued digital transformation, and the attendant impact this had on our customers and financials.

That said, the year was not without challenges. The global economy started 2018 on an upbeat note, but sentiment turned in the second half amid rising trade friction between the US and China, as well as headwinds caused by tightening financial market conditions. A number of emerging market economies also showed signs of strain. Despite this, we had another record year. Our performance benefitted from broad-based business growth as well as a higher net interest margin. Total income reached a new high of SGD 13.2 billion and net profit rose 28% to a record SGD 5.63 billion. Return on equity (ROE) was at 12.1%, a level not seen since 2007.

During the year, our wealth and cash management franchises delivered exceptional performances. Wealth income grew by 26% from deeper customer relationships as well as the consolidation of the ANZ retail and wealth business we acquired. We improved incoming ANZ relationship manager productivity, launched Treasures Private Client segments onshore in Indonesia and Taiwan, introduced DBS iWealth in Hong Kong and rolled out new products including those in the Environmental, Social and Governance space. In cash management, our digital strategy continued to set us apart from other banks, and this helped us to close a record number of mandates with both multinational corporations (MNCs) and small and medium enterprises (SMEs).

Commemorating our 50th anniversary

2018 was DBS' 50th year. Recognising that strong stakeholder support has been key to our success over the years, we felt it was important for our Jubilee celebrations to include a measure of giving back – to shareholders, customers, employees and the community.

DBS shareholders were rewarded when we paid out a special dividend of 50 cents per share to mark our 50th anniversary. We ran a gamut of 50th anniversary-themed customer promotions to thank customers. We expressed gratitude to our 26,000 employees who have been integral to DBS' journey and success by gifting SGD 500 to each of them. To give back to the community, our employees actively mentored 50 social enterprises and participated in 50 volunteer initiatives in the bank's birthday month, among other initiatives.

Live more, Bank less

In May 2018, DBS evolved our decade-old positioning "Living, Breathing Asia" to "Live more, Bank less". This new brand promise reflects our belief that in the digital era, we need to deliver banking that is so simple, seamless and invisible, our customers have more time to spend on the people or things they care about. It encapsulates several ideas – enabling customers to live hassle-free with invisible banking, to seize life's opportunities and to live larger than themselves.

Transforming the Bank

Having made reimagining banking a priority in the past few years, we are well-placed to personify and embody banking of the future. DBS started our digital transformation in 2014 – early compared to many of our peers. Today, we have one of the most comprehensive digital transformation programmes for a bank, encompassing being digital to the core, journey thinking, culture change, as well as a measurement methodology that is able to quantify the impact of our digital transformation on our bottom-line. Taken together, we are now seen as a leader in digital transformation, not just in Asia but globally. In 2018, we continued to make progress on this front.

Being digital to the core

Being truly digital involves a complete transformation of the bank, from front to back end, to enable us to be nimbler and faster to market. To be successful, we have to re-architect our technology infrastructure in the back end to be cloud-native, enable scalability through ecosystem partnerships, improve business/ technology co-working and maximise the use of data.

Good progress has been made. In 2017, 66% of our open systems were cloud-ready – as at the end of 2018, this had risen to over 80%. Our cloud-native applications have nearly doubled to more than 60. Through increased automation, our release cadence of new applications in the market has improved by close to 10 times, enabling us to constantly learn, test and iterate in much the same way that large technology companies do.

In 2017, we launched the world's largest API platform for a bank. Over the year, we continued to enhance this platform, and now have over 350 APIs, enabling third-party brands to integrate our technologies to make banking simpler. This has allowed us to accelerate our ecosystems agenda.

With the pervasiveness of digital, tech is business and business is tech. Recognising this, we no longer view technology as a support function. Instead, we have organised ourselves such that business and technology teams are now co-drivers in 33 platforms, and work together to deliver on shared goals and key performance indicators.

On the data front, we have established an analytics centre of excellence, trained over 10,000 of our people on a data-driven curriculum, and developed a framework on responsible data usage.

Embedding ourselves in the customer journey

To become more customer-centric, we continued to embed ourselves in the customer journey.

Working together with ecosystem partners, DBS has launched marketplaces on our website, selling cars, property and electricity. The idea was to embed banking in the everyday lives of customers, making banking invisible. Since its launch in August 2017, DBS Car Marketplace has attracted more than half a million unique visits, while the property marketplace generated more than SGD 300 million in home loan requests within 12 months.

At the same time, we have formed more than 25 partnerships regionally, in both the consumer banking and institutional banking space. They include ride-hailing company

"As we go forward, we intend to continue challenging ourselves to reimagine banking and make banking invisible."

CEO Piyush Gupta

GOJEK, classifieds marketplace Carousell and credit underwriting partners such as Experian, Perfios and Pefindo.

With digital making banking simpler and more convenient, we continued to see an increase in customer acquisition through digital channels. Across the region, one in five new mortgages was acquired online in 2018, from one in 25 a year ago. In Hong Kong, one in three SME accounts was opened online, compared to one in four in 2017.

Becoming a 26,000-person startup

What sets DBS apart is that digital transformation is not just the mandate of a standalone unit but embraced by the entire organisation. While this may be more visible in customer-facing roles, our support functions such as marketing and communications, Human Resources (HR) and Audit are also changing. This large-scale culture change has been key to our transformation.

For example, DBS Sparks, a branded mini-series inspired by real-life DBS stories and delivered completely digitally, has garnered over 250 million views and influenced close to 10% of online customer enquiries. HR has started to recruit differently, piloting the use of artificial intelligence to help review resumes and pre-screen job applicants. This reduced candidate screening time by 75%, freeing up recruiters' time so they can do more high-value work. Workspaces have been transformed to be more open, collaborative spaces, breaking down silos.

Our success has attracted the attention of companies wanting to learn from us. In 2018, we conducted about 80 information-sharing sessions and tours of our innovation facility, DBS Asia X at Fusionopolis, for companies in various industries including financial services, consumer goods and transportation.

Being sustainable

Being purpose-driven is part of our DNA. From the time of DBS' and POSB's founding as the Development Bank of Singapore and "People's Bank" respectively, we have believed in the importance of good citizenship. Building on this illustrious heritage, DBS has continued to reinvent ourselves over the years with a view to creating a more sustainable bank.

We are focused on three sustainability pillars: (i) Responsible banking (ii) Responsible business practices and (iii) Creating social impact.

We use the Sustainable Development Goals (SDGs) as a framework for guiding our areas of focus. In 2017, we focused on four SDGs:

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

In 2018, we added:

- SDG 5 – Gender Equality
- SDG 9 – Industry, Innovation and Infrastructure

We were involved in four sustainability performance-linked loans and a slew of green and social bonds issued by our clients. In addition, DBS was included as an index constituent of the Dow Jones Sustainability Index (Asia Pacific) and named to the Bloomberg Gender-Equality Index for the second year running. We sourced more than 40% of the electricity consumption of our Singapore operations from renewable sources as part of our commitment to global renewable energy initiative RE100. The aim is to power our entire Singapore operations with renewable energy by 2030. DBS Foundation, which champions social enterprises and social innovation, also had an active year. In 2018, the Foundation awarded SGD 1.25 million in grants to 12 social enterprises in Asia.

This year also marks the debut of our standalone DBS Sustainability Report, which provides an expanded account on how we have been progressing against the sustainability agenda.

Board and management changes

Bart Broadman stepped down as board member in April 2018 after more than nine years of service. We would like to express our gratitude to him for his invaluable contributions over the years.

As part of the board renewal process, we appointed two board members, Bonghan Cho and Tham Sai Choy. Bonghan has an unusual combination of technology expertise, especially in the field of artificial intelligence, and banking experience. This complements the skillsets of the existing Board, and also supports the bank's digital transformation agenda. Sai Choy is a chartered accountant with 36 years of practice experience. Until his retirement in 2017, he was chairman of KPMG in Asia-Pacific. He will take over from Danny Teoh as Chairman of the Audit Committee in the course of 2019.

Underscoring our commitment to groom talent from within, we announced several senior-level organisational changes. Jeanette Wong, who has been Head of Institutional Banking Group since 2008, retired in March 2019. To allow for a seamless transition, Tan Su Shan, who was previously Head of Consumer Banking and Wealth Management, succeeded her. Sim S. Lim, who was previously Singapore Country Head, succeeded Su Shan. Shee Tse Koon, who was Head of Strategy and Planning, took over as Singapore Country Head. Earlier in the year, Tan Teck Long took over as Chief Risk Officer from Elbert Pattijn.

Dividend

The Board has proposed a final dividend of 60 cents per share for approval at the forthcoming annual general meeting. This will bring the full-year ordinary dividend to SGD 1.20 per share, up from the 93 cents per share the previous year.

Going forward

While 2019 looks uncertain with the ongoing US-China trade war, China deleveraging and general elections in India and Indonesia, as an Asian bank, it is imperative that we take a long-term view of the region. Alongside this, we believe it is important to continue investing in Asia's two biggest markets – China and India.

Our China strategy is focused on building niche positions domestically and capturing China outbound opportunities. Going forward, we will further deepen our presence onshore in the securities space and execute a Greater Bay Area strategy.

In India, we recently converted our India branch licence and became a wholly-owned subsidiary. This allows us to expand our physical footprint, and we target to establish over 100 customer touchpoints across 25 cities in the next 12 to 18 months. A larger brick-and-mortar presence will strongly complement digibank, our mobile-only offering.

While we have made huge strides in digital transformation, we cannot rest on our laurels. Big fintech trends in the next three to five years include Big Data, artificial intelligence/ machine learning and blockchain/ distributed ledger. We intend to continue to leverage these technologies and form ecosystem partnerships where they can make banking simpler or more effortless for our customers. Advancing the sustainability agenda also remains a priority.

As the Development Bank of Singapore, DBS was pioneering in spirit as we financed the industrialisation and growth of Singapore. In 2018, we were honoured to have flown the Singapore flag high with our global awards. As we go forward, we intend to continue challenging ourselves to reimagine banking and make banking invisible.

Peter Seah Lim Huat
Chairman
DBS Group Holdings

Piyush Gupta
CEO
DBS Group Holdings

Images from left to right:

(1) We commemorated our 50th anniversary with a slew of initiatives that involved all our stakeholders. These included a gala musical where Singapore Prime Minister Lee Hsien Loong was Guest of Honour.
(2) Working with ecosystem partners, we have launched property, car and electricity marketplaces.
(3) DBS was named to the Bloomberg Gender-Equality Index for the second year running.

DBS – Best Bank in the World

In our Golden Jubilee year, we were delighted to have flown the Singapore flag high with our global awards.

DBS was concurrently named "Bank of the Year – Global" by The Banker and "Best Bank in the World" by Global Finance, a first for a bank anywhere in the world. From private banking to SME banking to cash management, we were also recognised as being the best globally.

It shows how far we have come – from our development bank roots, we have evolved to become not just a leader in Asia but also increasingly a bank with global stature.

1	GOLDEN JUBILEE YEAR
>20	GLOBAL AWARDS
>120	REGIONAL AWARDS

Bank of the Year – Global

"DBS is a very worthy winner of The Banker's Bank of the Year – Global award. The bank is a world leader in digital transformation and has successfully shown how banks must change culture – as well as technology – to counter the threat to their business from big technology companies."

– The Banker

Best Bank in the World

"To be named Best Bank in the World in today's rapidly evolving financial services industry requires a special combination of safety and innovation. DBS Bank took the title on the strength of its digital transformation, strong financials and good corporate citizenship.

DBS is a bellwether in more ways than one: the first institution from either Singapore or Asia as a whole to receive the top honour and distinguished in large part through its efforts to make banking simpler and more efficient through technology. Asia is home to the fastest-growing economies in the world, and DBS' selection boldfaces the increasingly high profile of institutions in this region."

– Global Finance

World's Best Digital Bank

"DBS has shown the power of being articulate about digital banking and the bank has long since entrenched an entrepreneurial, tech-led culture which pervades every business line and every level of seniority. But being able to get into the details and explain how and why a digital path is one paved with profits? That's a new and important step."

– Euromoney

World's Best Bank for SMEs

"As with everything else at DBS, a world leader in digital innovation, automation is at the heart of the SME offering. The firm is leveraging the efficiency and craft it has built in digital to take it into the markets that surround its home base."

– Euromoney

SME Bank of the Year – Global (Platinum Winner)

"DBS is clearly a leading bank by international standards in many ways and is constantly enhancing its organisation, mindset and strategy towards the development of this space. The bank is an SME powerhouse with a well thought-out four-pillar strategy in place and ranks without doubt among the leading SME banks in the world."

– International Finance Corporation

Cash Management Global Best Service – Overall: #1

"If there is one bank shaking up the world of cash management, it is Asia-based DBS. DBS sweeps the board in the global overall services categories, from business functions to tech provision.

25,000 cash managers, treasurers and CFOs worldwide were asked to rank and assess their top providers of cash management services... providing unique insight into which banks are meeting their clients' needs best. And the overwhelming answer is DBS."

– Euromoney

Safest Bank (Asia), 2009 – 2018

"Once again DBS shines as a leading light in banking. DBS is ranked the Safest Bank in Asia, and with strength around the world, also earned a top score among commercial banks and a place among the 15 Safest Banks worldwide. These results underscore DBS' reliability for investors, corporate clients and retail depositors alike. Although the list changes from year to year, DBS always ranks at the top."

– Global Finance

Winner – Application Programming Interfaces

"DBS has picked up the highest honours in the application programming interfaces (APIs) category for its transformational 'Making Banking Invisible via APIs' project, further cementing its reputation as a digital leader. The Singapore bank launched its API developer platform in November 2017, and now has more than 350 APIs available to support business and customers' needs."

– The Banker

#1 Behind the Login Experience

"DBS Private Bank secured this year's top spot in the benchmarking with its all-in-one wealth management digital solution iWealth. The iWealth platform is a prime example of what we recognise as being among the most important digital trends in online and mobile wealth management: a seamless customer experience and omnichannel integration."

– MyPrivateBanking (now Cutter Wealth)

Best Private Bank for Innovation

"The category for innovation is one of the most fiercely contested and DBS have established themselves as the leader in this field globally. DBS is also being acknowledged for excellence in winning awards in four categories – the only bank to do so this year: Best Private Bank in Asia, Best Private Bank in Singapore, Best Private Bank for Customer Service in Asia and Best Private Bank for Innovation."

– PWM/ The Banker

Making banking invisible

We are focused on reimagining the customer journey so that banking is embedded in the lives of our customers. When banking is simple, seamless and hassle-free, it is virtually invisible!

Creating marketplaces

Whoever thought banks would sell cars or homes online? That is what we did with the launch of our car, property and electricity online marketplaces. Our marketplaces enable customers to attend to their daily needs on-the-go, no matter where they are.

Simplifying e-payments

DBS MAX
With the QR code becoming a bigger fixture in our daily lives, DBS MAX – Singapore's first mobile-based QR payment collection solution – allows SMEs to receive payments from their customers and vendors instantly. Improved cashflow for SMEs means more business and less worries!

Foodster

Foodster – getting you to your morning coffee fix faster
DBS teamed up with Foodster, Southeast Asia's first bank-led retail chatbot, so that our customers can place their orders for a morning cuppa while on their way to work or on-the-go. Our first foray into chat commerce was so that we could embed ourselves in our customers' daily routines, making banking simpler, faster and more effortless.

digibank Mandiri e-Toll
Vehicular toll payments in Indonesia are now 100% electronic. To provide convenience to our customers, digibank users in Indonesia are now able to top up their e-toll balances through our Pay & Buy feature anytime, anywhere.

Building ecosystem partnerships

To "disappear" from our customers' lives, we forged a slew of partnerships in both the consumer and institutional banking space.

GOJEK – zipping customers around Singapore with Southeast Asia's leading tech player
Our customers who use GOJEK in Singapore get access to exclusive promotional codes when using DBS/ POSB credit and debit cards to pay for their rides.

Halcyon Agri's HeveaConnect – creating efficiencies in the global rubber ecosystem
Buying, selling and financing trades in the rubber industry will be simplified. Buyers and sellers will be able to tap into DBS' financial solutions to facilitate their trades in a fair and transparent manner.

Agrocorp – serving up transparency from farm to table
With DBS having launched an end-to-end cross-border blockchain trade platform, farmers, logistics companies and banks are now able to track, trade and finance their commodities shipments online, in real-time.

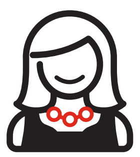
China Capital Logistic – zooming ahead with a blockchain trade platform for the automotive industry
Drivers around the world will soon be able to get behind the wheels of their new cars even faster as DBS has partnered with one of China's largest automotive logistics companies, China Capital Logistic, and leading blockchain provider, Wanxiang Blockchain, to launch an automotive blockchain platform connecting car manufacturers, exporters, logistics carriers and car dealerships.

Home Credit Indonesia – getting loans approved faster
Through a partnership with Home Credit Indonesia, we automated our know-your-client and risk processes on our digibank Indonesia app. This means that our customers can get their home loans approved in just a few minutes.

Being a purpose-driven bank

Being purpose-driven is core to how we run our business. Whether it is through responsible banking, responsible business practices or creating social impact, our desire is to make a difference beyond banking to touch real people, real businesses and real lives.

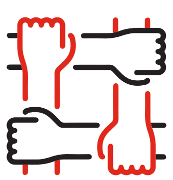
Embracing gender diversity



Recognised globally as best-in-class for gender equality and included as a constituent in the 2018 Bloomberg Gender-Equality Index for second year running.

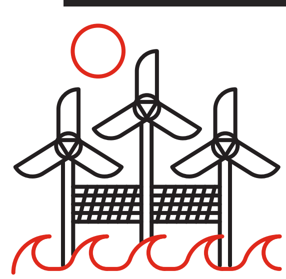
- In Singapore, women account for 60% of our overall workforce and 40% of our senior management (senior vice presidents to managing directors).
- Women make up about a third of our Group Management Committee, which sets the strategy and direction for the bank.

Creating social impact through DBS Foundation



- Nurtured 110 social enterprises through DBS Foundation's capacity building programmes.
- Mentored more than 50 social enterprises.
- Awarded SGD 1.25 million in grants to 12 social enterprises.
- Banked 534 social enterprises through the DBS Social Enterprise Banking package, designed to meet the needs of social enterprises.

Managing our environmental footprint



- Supported Singapore's "Year of Climate Action" by ensuring that 40% of the bank's electricity consumption in Singapore came from renewable energy sources.
- Pledged that the bank's energy needs in Singapore will all come from renewable energy sources by 2030.

Creating long-term value in a sustainable way

1st

- First bank in Southeast Asia to be included in the Dow Jones Sustainability Index (DJSI) Asia Pacific. The index comprises businesses that have committed to corporate sustainability practices while seeking to create long-term stakeholder value.
- Constituent of the FTSE4Good Global Index, which comprises companies that demonstrate strong environmental, social, and governance (ESG) practices measured against globally recognised standards.

Responsible financing for the long-term

- Completed four sustainability performance-linked loans amounting to over SGD 600 million. These loans are structured to enable borrowers to pay less interest when they achieve pre-agreed ESG targets as verified by an external ESG-rating agency.
- Joint bookrunner for Star Energy's landmark green bond and Korea Housing Finance Corporation's social covered bond.

Making sustainable sourcing a priority

We strive to influence our supply chain of 6,000 partners to adopt sustainable practices through the DBS Sustainable Sourcing framework.

Committing to transparent disclosures

~~CO_2~~

DBS is among 513 global companies that have committed to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), on voluntary disclosures around climate-related risks and opportunities.

This provides our stakeholders with more meaningful and transparent climate-related financial information, which helps to drive efficient allocation of capital and support a smooth transition to a low-carbon economy.

CEO reflections

Piyush Gupta shares his thoughts on some pertinent matters.

Question 1: How well do you think the region will cope with prolonged US-China tensions? How will DBS fare in such an environment?

A: At the time of writing, there is uncertainty about how the US-China trade tensions will play out. My belief is that both sides are keen to get a deal done, and one will be forthcoming, anchored on a commitment by China to reduce trade imbalances as well as improve intellectual property protection. If this happens, we are likely to see a relief rally all around. If not, we will continue to see a negative impact, less on the real economy but more from poorer market sentiment and the ebbing of animal spirits.

I tend to think the effect on the real economy from trade tariffs, while important, is not as severe for China as many commentators suggest. First, the proportion of net trade to GDP has been shrinking; within this, the US accounts for only about 19% of China's exports in 2017. Second, in the short term, it is not easy to shift many of the supply chains away from China. In areas like technology, we think this could take several years. What will happen sooner is that new investment in capacity will shift to alternative locations, as has already been happening with lower value-added goods. I also believe that any shifts that eventually happen are likely to be within the region, reflecting the reality that Asia is both a production centre as well as a market place. Our customers frequently cite Thailand, Vietnam, Philippines and India as potential beneficiaries of longer-term shifts. Such shifts are likely to be at least neutral for DBS' business, if not somewhat positive.

However, even if there is an agreement, it would hide a couple of larger concerns.

a) The shift from a multilateral trading regime based on WTO, TPP and such-like is generally not good for a stable rules-based order. Bilateral arrangements create arbitrage windows and are difficult to monitor and execute. This will create ongoing friction in trade flows.

b) The more disconcerting worry is that US-China tensions extend beyond trade and are really a manifestation of the Thucydides trap. This would create ongoing geopolitical tensions and a new set of challenges in a region that has benefitted from geopolitical stability over several decades. In the extreme, one could imagine a technology-led iron curtain between China and the US, forcing smaller Asian countries to choose sides. This would be extremely damaging for the region. We should avoid the possibility of a new cold war at all costs.

Question 2: How does DBS think about responsibilities to shareholders and align them with those to stakeholders?

There is often a view that responsibility to shareholders (as measured by return on investment) is in conflict with responsibility to other stakeholder groups. While there may be some sympathy for stakeholders such as customers and employees, the discord is particularly evident when thinking about obligations to society or communities at large. This viewpoint was famously supported by Milton Friedman when he said that the only responsibility of a company is to make a profit for its shareholders. This led to a long period where shareholder value was the principal mantra of the corporate world.

In my view, this "conflict" is easy to resolve if one is willing to shift the time frames under consideration. While there may indeed be some trade-offs between maximising shareholder returns and providing societal benefits in the short term, ensuring productive outcomes for society is completely consistent with the interests of the shareholder in the long term. The reason for this is quite simple: while businesses often need regulatory licences to operate, what is easily forgotten is that they need another licence as well – a social licence. This social licence is critical, because if society or the citizenry does not see any value in a business' existence, it is doomed to extinction. The only way to have a long-term sustainable business is to ensure that society's expectations are met. While regulatory licences can be applied for, such social licences – like respect – must be earned.

Mark Carney, the Governor of the Bank of England, has expressively called this time frame problem the "Tragedy of the Horizon"!

At DBS, we take this idea of responsibility to society seriously. In fact, because we were created for the development of industry in a fledging Singapore, one could argue that it is even rooted in our DNA. From the early days, our guiding ethos has always been "if it is good for the country, then it is the right thing for us to do", and that ethos still continues to guide our actions.

As we have expanded beyond the shores of Singapore, we have brought this thinking to bear in the other countries where we operate, seeking to do real things for real people. We seek to be responsible in our financing practices, trying to provide financial inclusion where our business strategy and reach enable us to do so. In Singapore, for example, we are the preferred port of call for segments such as migrant workers and the smallest SMEs. We are conscious of the developmental as well as environmental impact of our financing choices and try to balance them sensibly. We attempt to ensure that our business practices are mindful of societal needs, whether in our hiring through appropriate diversity policies, or in our consumption through minimising waste. Finally, we try to make ongoing social impact through an active volunteering programme, and a commitment to helping and growing social enterprises around the region.

Question 3: How do you feel about your progress in digital transformation?

We have been named "World's Best Digital Bank" twice in the past three years, so I guess we have done a few things right! Perhaps our most important achievement has been in recognising that a digital transformation requires both hardware and heartware to change technology as well as culture.

Our technology journey actually began in 2009, when we upped our investment in technology to create resilience and standardisation. We upgraded our networks, moved to active-active systems and put in a common application stack across most of our countries and products. By 2014, we were ready for the next great leap by re-architecting our systems to be cloud ready in respect of both hardware and software. Five years on, while we are far from done, I do feel that we have made very significant progress. Here are a few factoids to underline that:

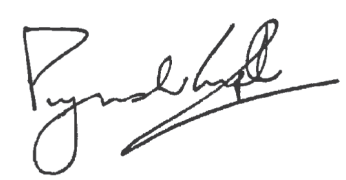
- We used to be 85% outsourced; today we are 85% insourced, with a high quality workforce between Singapore and India.
- Over 80% of our open systems are cloud enabled, with over 60 applications being completely cloud native.
- We have automated DevOps, allowing us to have almost complete automated testing, and an increase in our release cadence of almost 10 times.

Our culture change journey began in earnest in 2014, when we decided that we had to learn how to operate like a startup. We have tried to build a culture that is customer driven, data obsessed, open to experimentation, and that embraces an agile way of working. We have also tried hard to become a learning organisation, where people are constantly seeking to reinvent themselves.

To deepen our startup culture, we conducted over 1,000 experiments involving 17,000 employees. Even our hiring process took on a new spin, as did other activities such as marketing or audit. We partnered startups, corporates and universities to develop innovative mindsets to tackle business challenges. The goal: to reimagine banking and to make ourselves simpler, faster and better.

We applied this approach to developing digibank. As India's first mobile-only bank, digibank enables customers to set up a bank account in mere minutes in a branchless, signatureless and paperless way. In two years, we amassed 2.3 million customers and 650,000 savings accounts, while requiring just a fifth of the headcount needed by a traditional brick-and-mortar approach. Based on our experience in India, we introduced digibank in Indonesia in 12 months instead of 24!

Our investments have taken us a long way forward to operating like a tech company. However, it's fair to say that we are still a long way from the leading global technology companies. We still need to do a lot of work on data, which is a big part of our agenda going forward. In addition, technology is always changing. Developments in blockchain, artificial intelligence, Internet of Things, augmented reality and other new technologies will need us to remain on our toes in the years ahead.



Piyush Gupta
CEO
DBS Group Holdings

"At DBS, we take the idea of responsibility to society seriously. In fact, because we were created for the development of industry in a fledging Singapore, one could argue that it is even rooted in our DNA."

CEO Piyush Gupta

CFO statement

The real significance of the year's results was the increase in ROE to 12.1%. Our franchise has been fundamentally transformed over the past decade. Two high-returns businesses, wealth management and cash management, accounted for 33% of our business in 2018 from 11% in 2009 as wealth management grew five times and cash management expanded eight times over the period.

Another record performance during a year marked by uncertainty and volatility

We achieved yet another record performance in 2018 as net profit increased 28% from the previous year to SGD 5.63 billion. Total income rose 11% to SGD 13.2 billion from loan and fee income growth as well as a higher net interest margin.

The real significance of the year's results was the increase in return on equity (ROE) to 12.1%, near the record of 12.7% in 2007, when interest rates were twice the level today and capital requirements less stringent. Adjusting for the differences in both these ROE drivers, we estimate that ROE is four percentage points better today than 2007. The stronger profitability reflects the extensive structural improvements we have made to our franchise over the past decade.

A transformed franchise with structurally higher ROE

We expanded higher-returns businesses and lessened the impact of trading income on our performance. Wealth management and cash management now contribute 33% of group income, compared with 11% of group income a decade ago. We are now the sixth largest wealth management bank in the Asia-Pacific with SGD 220 billion in assets under management. Our cash management business was voted top in service and among the most popular among corporates and non-financial institutions globally. The Treasury Markets business now accounts for 5% of the group, a quarter of the 22% in 2009.

We strengthened our position at home. We worked hard to increase our market share of loans so that our vast, low-cost Singapore-dollar savings deposits could be deployed into higher-yielding assets. Since 2009, our overall market share has risen four percentage points to 25%, with the share of housing loans growing six percentage points to 31%, credit card loans six percentage points to 25% and business loans two percentage points to 22%. The gains propelled our Singapore-dollar loan-deposit ratio from 55% in 2009 to 89% today, resulting in a more efficient balance sheet. Despite intense competition, we continued to command the lion's share of savings deposits at 52%.

In Hong Kong, we grew low-cost current and savings accounts, which now comprise three-fifths of our deposit base. We utilised our product capabilities to capture the cross-border financing requirements of large Chinese corporates, and re-focused our consumer offering to the wealth management segment. As a result, earnings have tripled over the decade to SGD 1.36 billion. For the Rest of Greater China, earnings have quadrupled to SGD 275 million.

We identified areas that customers were not adequately provided for, one of them being insurance. We built up internal capabilities and partnered Manulife and Chubb, two leading providers of life and general insurance respectively. Our bancassurance market share in Singapore leapt from almost nothing a decade ago to one-third of the market, making us the market leader today. Insurance now accounts for two-fifths of our wealth management fee income, providing a material lift to our returns.

To pre-empt the disruption that technology would inevitably bring, we embarked on a comprehensive digitalisation of the bank, with the most measurable financial impact being seen in our consumer and SME businesses in Singapore and Hong Kong. Customers using our award-winning digital platforms to purchase a product, upgrade to a higher customer segment or carry out a majority of transactions have brought us twice the income per head compared to customers that prefer traditional channels. At the same time, the cost of serving customers on digital platforms is significantly lower than through traditional channels.

Digitalisation has yielded cost improvements

The increasing digitalisation of our consumer and SME businesses in Singapore and Hong Kong has progressively improved our cost-income ratio since 2015, when the fruits of our efforts began to be felt in earnest.

Digital customers grew from 33% of the base in 2015 to 48% in 2018. Because they have a significantly lower cost-income ratio of 34% than the 54% for traditional customers, the rising proportion of digital customers has lowered the cost-income ratio of these businesses by one percentage point a year when distortions caused by net interest margin changes are neutralised. Since these businesses account for almost half of the group, digitalisation has structurally lowered the group's cost-income ratio by half a percentage point a year.

The improvement was masked in the group's reported cost-income ratio because two principal factors overwhelmed the impact of digitalisation in 2018.

First, the Treasury Markets business had an exceptionally weak performance because of challenging conditions for a large part of the year. Its income fell 21% from the previous year to SGD 672 million, the lowest on record. Second, while the consolidated ANZ business was profitable – its net profit of SGD 162 million in 2018, the first full year of consolidation, exceeded the SGD 110 million we paid for it – its cost-income ratio of 52% was a drag on the group.

The two factors contributed to the 13% increase in expenses to SGD 5.80 billion compared to the 11% increase in total income. If both factors were adjusted for, income and expenses would both have increased 8%.

Broad-based growth despite increasing financial market headwinds in second half

The year's performance was achieved despite strong financial market headwinds in the second half.

The year had begun with a favourable operating environment and upbeat outlook. The region's economies were registering healthy momentum in synchrony with the US and Europe. The confidence was reflected in our pipeline for corporate loans across the region and housing loans in Singapore. At the same time, interest rates were seen to be on a prolonged upcycle, benefitting net interest margin. The optimism contributed to exceptional risk appetite in the first quarter, but the exuberance began to fade by mid-year. In the second half, financial markets became increasingly gripped by macroeconomic and geopolitical uncertainty – principally trade tensions, deleveraging in China, and the prospect of further interest rate increases amidst a flattening of the yield curve.

Such anxieties had little impact on corporate loan demand, which remained strong throughout the year. Trade tensions did not have a material effect on supply chains in the short-term. The ongoing deleveraging in China did not affect our customer base given the nature of our business. Momentum in non-trade corporate loans was sustained over the four quarters, resulting in a 12% or SGD 20 billion constant-currency growth for the year to SGD 191 billion. The expansion was broad-based as we financed cross-border activities, property transactions and working capital requirements for corporate and SME customers around the region.

The increase in non-trade loans was partially offset by a 6% or SGD 3 billion decline in trade loans to SGD 43 billion due to intense competition. We chose to maintain discipline and let maturing trade loans run off when reasonably-priced replacements could not be found. The lower trade loan volumes did not have a material impact on net interest income given the low margins of the forgone loans.

Consumer loan growth was healthy at the start of the year but slowed in the second half. Singapore housing loan growth was tempered by the cooling measures announced in July. Instead of the SGD 4 billion increase we had initially expected for the year, Singapore housing loans rose by just under SGD 2 billion. Together with another SGD 2 billion increase in non-housing consumer loans, overall consumer loans grew 3% or SGD 4 billion during the year.

Overall gross loans grew 6% or SGD 21 billion to SGD 350 billion.

Net interest margin rose ten basis points to 1.85% as loans were repriced in line with higher interest rates in Singapore and Hong Kong. Excluding Treasury Markets activities, the underlying net interest margin increased 14 basis points.

The increase in loan volumes and net interest margin resulted in a 15% rise in net interest income to SGD 8.96 billion.

The headwinds in financial markets in the second half did affect non-interest income. Fee income grew 6% to SGD 2.78 billion, with practically all of the increase occurring in the first half. Wealth management, brokerage and investment banking fees collectively rose 26% in the first half but contracted 11% in the second half compared to the previous year.

The second-half slowdown in financial market fees was softened by steady growth over the year in other fee activities. Card fees rose 31% for the year from higher debit and credit card activities in Singapore, as well as the consolidation of the ANZ retail and wealth management businesses. Cash management fees increased 13%, which more than offset a 7% decline in trade fees to enable transaction banking fees to increase 5%. Loan-related fees, which fell 18% in the first half due partly to lumpy bookings, were 13% higher in the second half. These non-financial-market fees collectively grew 4% in the first half and 17% in the second half.

Other non-interest income fell 4% to SGD 1.45 billion as gains on investment securities declined 69% to SGD 131 million. Under Singapore Financial Reporting Standard (International) 9 [SFRS(I) 9] adopted on 1 January 2018, gains on equity investments after the adoption date could not be recognised in the profit and loss, which encouraged banks to realise such gains in 2017. The lower investment gains more than offset property disposal gains of SGD 91 million.

The 11% increase in the group's total income was due to Consumer Banking/ Wealth Management (CBG/ WM) and Institutional Banking (IBG). Their combined income growth progressively rose from SGD 239 million in the first quarter to SGD 417 million in the fourth quarter compared to the year-ago period. CBG/ WM's growth was led by a higher net interest margin and the consolidation of ANZ, while IBG's was from cash management and treasury customer sales. The growth in the two businesses was partially offset by a 21% decline in Treasury Markets income due to unfavourable market conditions.

Strong capital and balance sheet maintained

Asset quality continued to be healthy. New non-performing asset (NPA) formation remained low and was more than offset by recoveries and write-offs. NPAs fell 6% to SGD 5.68 billion while the non-performing loan ratio declined from 1.7% to 1.5%. Specific allowances (SP) amounted to SGD 711 million compared to the previous year's SGD 2.40 billion, which had included SGD 1.83 billion for oil and gas support service exposures.

We continued to maintain a healthy level of general allowances (GP) under the new methodology that was adopted as part of SFRS(I) 9. Allowance coverage amounted to 98% of NPAs. If collateral was considered, the allowance coverage was at 178%.

We also had sufficient liquidity to support growth. Deposits rose 5%, in line with loan growth, to SGD 394 billion. The loan-deposit ratio was comfortably at 88%. The liquidity coverage ratio of 133% and net stable funding ratio of 109% were well above the regulatory requirement of 100%.

Our Common Equity Tier 1 (CET1) capital adequacy ratio was stable from a year ago at 13.9%. We paid an interim dividend of 60 cents per share and are proposing a final dividend of another 60 cents per share for approval at the upcoming annual general meeting. This will bring the payout for the financial year to SGD 1.20 per share. Our policy of paying sustainable dividends that increase over time with earnings growth is unchanged.

Total shareholder returns

We delivered total shareholder returns of 2% during the year. We paid out a dividend of SGD 1.70 per share during the calendar year (comprising the final 2017 and interim 2018 ordinary dividend of 60 cents each, plus a special 2017 dividend of 50 cents), which more than offset the impact of a 5% share price decline as equity markets sold off in the second half.

Outlook

The region's longer-term fundamentals remain intact. As such, protracted geopolitical tensions and growing macroeconomic uncertainty in the US and Europe are likely to moderate rather than derail Asia's economic prospects in 2019. The structural improvements we have made to the profitability of our franchise – a shift towards higher-returns businesses, deeper customer relationships, a gradual improvement in our cost-income ratio from digitalisation, and more nimble execution – will enable us to continue capitalising on the region's long-term prospects while navigating any short-term challenges.

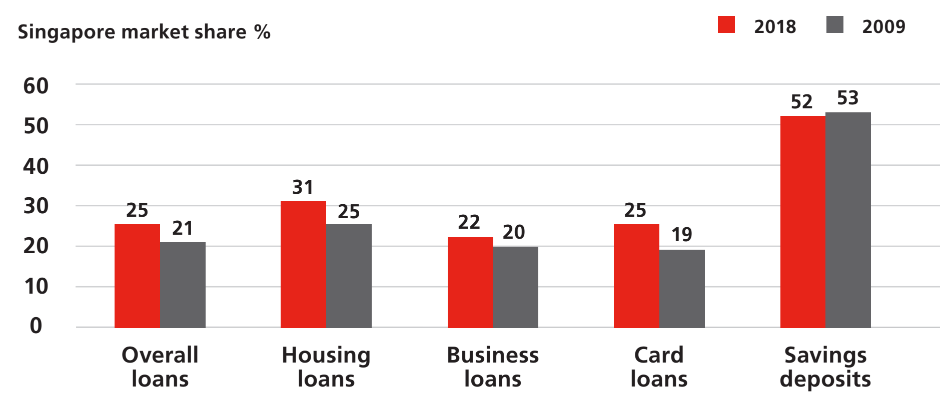
Chng Sok Hui
Chief Financial Officer
DBS Group Holdings

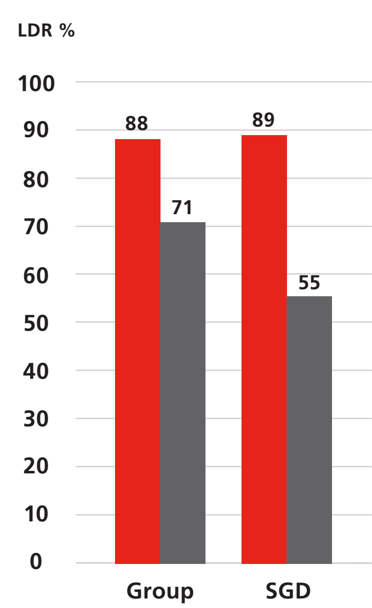
A transformed franchise

Our franchise has been fundamentally transformed over the past decade. Wealth management and cash management, two high-returns businesses, are now five and eight times their size in 2009. As a result, both businesses now account for 33% of the group, three times the 11% in 2009. The Treasury Markets trading business now accounts for 5% of total income compared to 22% previously.

Our market shares in Singapore have also improved, enabling us to deploy our sticky low-cost deposits, for which we have maintained a 52% share, into customer loans instead of lower-yielding interbank assets. The increases in the SGD and overall loan-deposit ratios attest to the significant improvement in our balance sheet efficiency. Our once-negligible share of bancassurance has risen to one-third of the market, making us the largest provider domestically.

In Hong Kong, earnings have tripled over the period to SGD 1.36 billion. In the Rest of Greater China, earnings have quadrupled.





Income mix	2018	2009	Multiple
Total income (SGD million)	13,183	6,603	2x
Wealth management *	20%	8%	5x
Cash management	13%	3%	8x

Net profit (SGD million)	2018	2009	Multiple
Hong Kong	1,362	464	3x
Rest of Greater China	275	68	4x

** Wealth management segment*

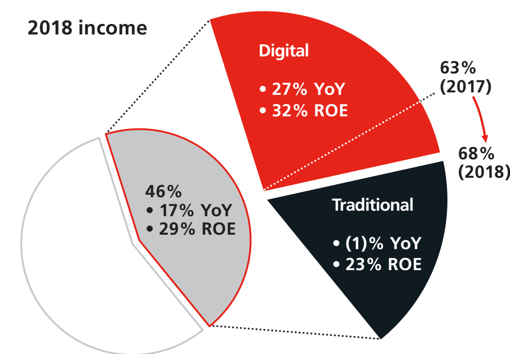
Digitalisation

The number of customers in our consumer and SME businesses in Singapore and Hong Kong primarily using digital channels expanded 0.4 million during the year to 2.9 million. This increased the proportion of digital customers to 48% from 42% in 2017 and 33% in 2015.

With twice the income per head and lower delivery costs, the digital segment's cost-income ratio of 34% was significantly below the traditional segment's 54%. As the proportion of digital customers rose over the years, the cost-income ratio of the overall consumer and SME businesses in Singapore and Hong Kong (after neutralising the impact of net interest margin changes) improved one percentage point a year since 2015 to 45% in 2018.

Consumer and SME (Singapore, Hong Kong)

	Digital (SGD billion) 2018	Digital (SGD billion) 2017	Share of total (%) 2018	Share of total (%) 2017	Digital increasingly material
Customers (million)	2.9	2.5	48	42	Strong growth momentum – driven by customer migration and uplift in income per customer
Income	4.2	3.3	68	63	
Costs	1.4	1.2	57	51	
Profit before allowances	2.8	2.1	76	72	
Key indicators			**Differential over Traditional**		**Digital increasingly valuable**
Income per customer (SGD '000)	1.4	1.3	2X	2X	Higher income per customer
Cost-income ratio (%)	34	36	-20pp	-22pp	Lower CIR
Return on equity (%)	32	27	+10pp	+9pp	Higher ROE

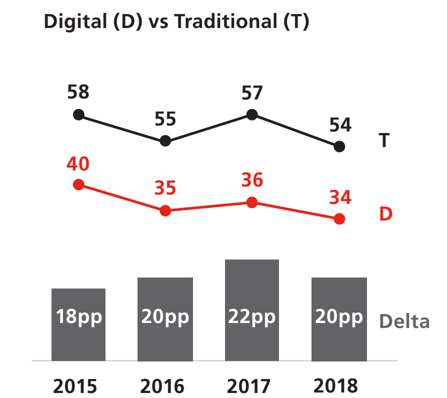


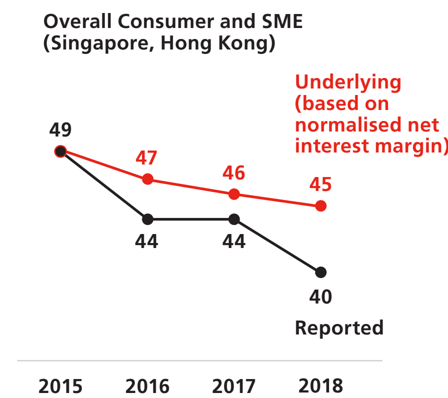
Overall Consumer and SME (SG, HK) contribute 46% of Group income

Digital segment continues to be material
- Increasing share of customers, income, and operating profit

Digital segment continues to be valuable
- Sustained higher income per customer, lower CIR and higher ROE

Cost-income ratio (%)

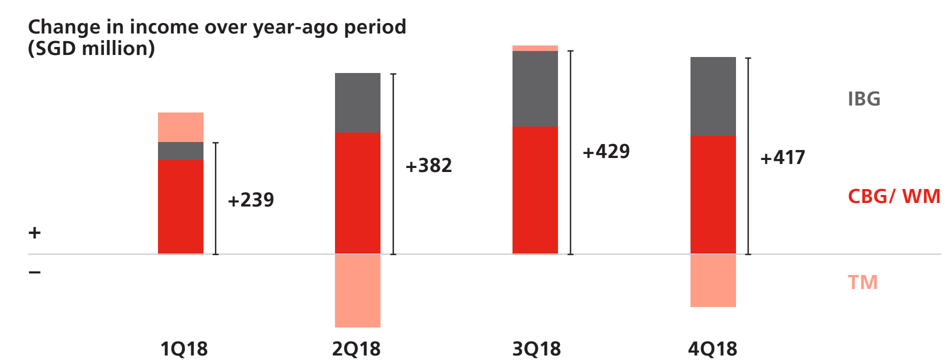




Business unit and geography performance

Business momentum was sustained over the course of the year. Income growth for CBG/ WM and IBG accelerated over the four quarters from loan growth, cash management and treasury customer sales for IBG, and from a higher net interest margin and the consolidation of ANZ for CBG/ WM. Treasury Markets income growth fluctuated given the volatile financial market conditions during the year.

By geography, income and earnings growth were broad-based across regions. In particular, the combined earnings of Singapore and Hong Kong grew 26% to SGD 5.13 billion; in absolute terms, the growth exceeded SGD 1 billion. The strong growth in the two anchor markets provided us with headroom to continue investing in growth markets. South and South-east Asia's earnings declined two-fifths to SGD 43 million due to costs from the consolidation of ANZ in Indonesia. In 2019, we will transform our presence in India from 12 branches to a wholly-owned subsidiary.



Total income

SGD million	2018	2017	YoY%
Income	**13,183**	**11,924**	**11**
Singapore	8,174	7,798	5
Hong Kong	2,741	2,223	23
Rest of Greater China	1,120	855	31
South and Southeast Asia	792	696	14
Rest of the World	356	352	1
Net profit	**5,625**	**4,390**	**28**
Singapore	3,763	3,066	23
Hong Kong	1,362	996	37
Rest of Greater China	275	82	>100
South and Southeast Asia	43	73	(41)
Rest of the World	182	173	5

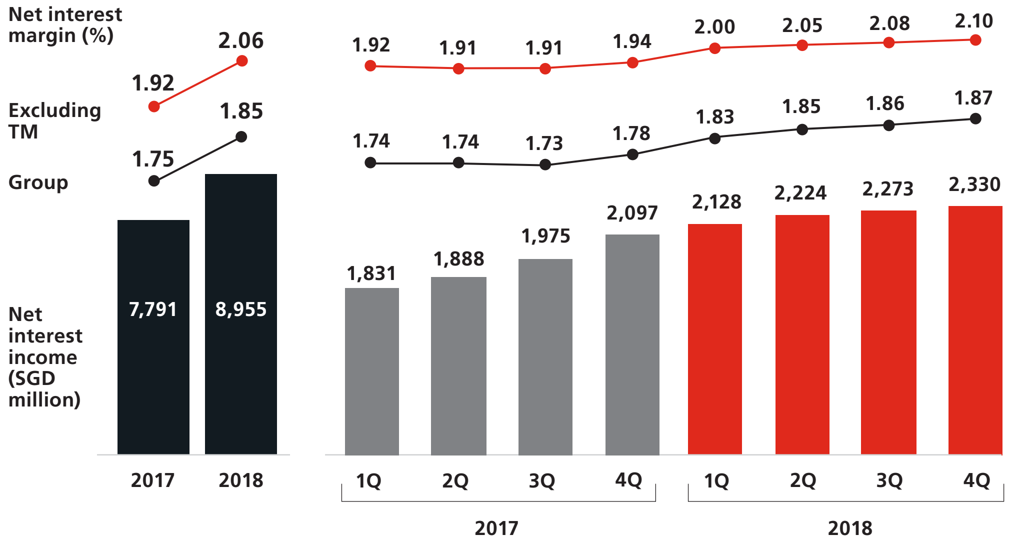
Net interest income

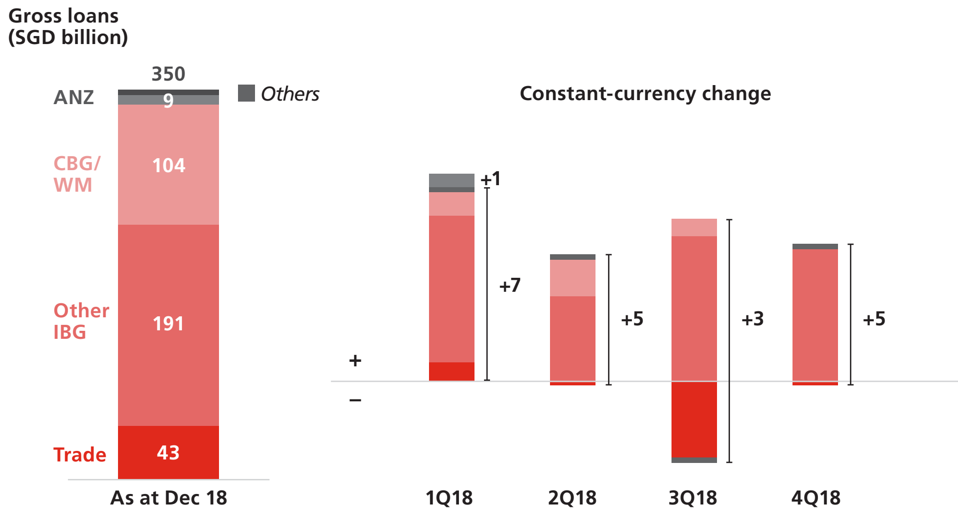
Net interest income increased 15% to SGD 8.96 billion.

Net interest margin rose ten basis points to 1.85%. Higher interest rates in Singapore and Hong Kong resulted in a faster repricing of loans than deposits, a majority of which were sticky lower-cost savings and current accounts in the two markets. Excluding Treasury Markets activities, net interest margin rose 14 basis points for the year, with the progression sustained over the four quarters.

In constant-currency terms, gross loans rose 6% or SGD 21 billion to SGD 350 billion. The increase was predominantly due to a 12% or SGD 20 billion growth in non-trade corporate loans. Consumer loans increased 3% or SGD 4 billion with growth slowing in the second half as Singapore residential property cooling measures and weaker financial markets curbed demand for housing loans and margin financing. Partially offsetting the growth was a 6% or SGD 3 billion decline in trade loans due to intense competition.

In constant-currency terms, deposits rose 5% or SGD 19 billion to SGD 394 billion. In line with market trends, the increase was in fixed deposits. Our market share of SGD savings deposits was maintained at 52%.





Non-interest income

Net fee income rose 6% to SGD 2.78 billion. Leading the increase was an 18% rise in wealth management fees, which occurred in the first half. Card fees rose 31%, boosted by the consolidation of ANZ. Investment banking fees fell 41% due largely to weak financial markets in the second half. Transaction services fees rose 5% as a 13% increase in cash management fees was moderated by a decline in trade finance fees. Loan-related fees fell 5% as an 18% decline in the first half was partially offset by a 13% gain in the second half.

Other non-interest income fell 4% to SGD 1.45 billion as a 69% decline in income from investment securities to SGD 131 million was partially offset by property disposal gains of SGD 91 million.

Fee income

SGD million	2018	2017	YoY%
Brokerage	**154**	154	–
Investment banking	**128**	216	(41)
Transaction services(1)	**647**	618	5
Loan-related	**390**	409	(5)
Cards(2)	**714**	543	31
Wealth management(3)	**1,141**	966	18
Others	**73**	88	(17)
Fee and commission income	**3,247**	2,994	8
Less: Fee and commission expense	**467**	372	26
Total	**2,780**	2,622	6

(1) Includes trade and remittances, guarantees and deposit-related fees
(2) Net of interchange fees paid
(3) Includes fees of SGD 111 million for 2018 (2017: SGD 72 million) from sales of treasury products that were previously classified as other non-interest income. The change was applied prospectively from 1 April 2017

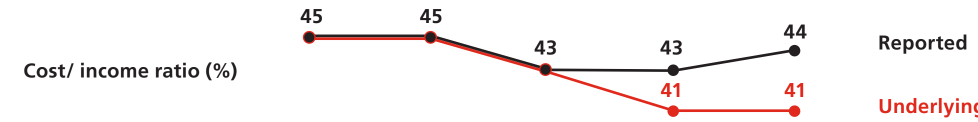
Other non-interest income

SGD million	2018	2017	YoY%
Net trading income	**1,178**	1,058	11
Net income from investment securities(1)	**131**	424	(69)
Net gain on fixed assets	**91**	1	>100
Others(2) (include rental income and share of profits of associates)	**48**	28	71
Total	**1,448**	**1,511**	**(4)**

(1) Net income from investment securities includes gains from disposal of debt and equity securities in 2017. With effect from 2018, only the gains from disposal of debt securities are included
(2) Excludes one-time items

Expenses

Expenses rose 13% to SGD 5.80 billion. If Treasury Markets and ANZ were excluded, the underlying increase was 8% and the cost-income ratio was stable.



SGD billion	2014	2015	2016	2017	2018	
Reported income	**9.6**	**10.8**	**11.5**	**11.9**	**13.2**	
of which:	1.1	1.1	1.1	1.0	1.3	
TM	1.1	1.1	1.1	0.9	0.7	
ANZ	—	—	—	0.1	0.6	
Underlying	**8.5**	**9.7**	**10.4**	**11.0**	**11.9**	**+8% YoY**
Reported expenses	**4.3**	**4.9**	**5.0**	**5.1**	**5.8**	
of which:	0.5	0.6	0.6	0.6	0.9	
TM	0.5	0.6	0.6	0.6	0.6	
ANZ	—	—	—	0.0	0.3	
Underlying	**3.8**	**4.3**	**4.4**	**4.5**	**4.9**	**+8% YoY**

Asset quality and allowances

New non-performing asset formation remained low. For the IBG portfolio, it was similar to the previous year when oil and gas support service exposures were excluded. Net non-performing asset movement for CBG was minimal.

SP fell to SGD 711 million or 19 basis point of loans, moderately below our long-term average. Allowance coverage rose from 85% in the previous year to 98%.

A new methodology for general allowances (GP) was implemented in 2018 as part of the adoption of SFRS(I) 9. GP is now based on an expected credit loss (ECL) balance derived from risk models, loss experience and macroeconomic forecasts. At the same time, Singapore banks are still required to maintain a GP of at least 1%. When the ECL falls below 1%, the shortfall is appropriated from retained earnings into an account called the Regulatory Loss Allowance Reserves (RLAR).

As at 31 December 2018, the ECL was calculated to be SGD 2.57 billion, while the 1% requirement was SGD 2.95 billion. The shortfall of SGD 376 million was appropriated from retained earnings into the RLAR.

SGD million	2018	2017
NPAs at start of period	**6,070**	**4,856**
IBG and others	**(415)**	**1,221**
New NPAs	844	3,046
Upgrades, settlements and recoveries	(767)	(541)
Write-offs	(492)	(1,284)
CBG/WM	(29)	57
Translation	27	(253)
ANZ consolidation	31	189
NPAs at end of period	**5,684**	**6,070**
NPL ratio (%)	1.5	1.7
SP/loans (bp)	19	72
Cumulative general and specific allowances as % of:		
NPA	98	85
Unsecured NPA	178	173

Our 2018 priorities

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

Traditional Key Performance Indicators (KPIs) (40%)

Shareholders

Achieve sustainable growth
Measure financial outcomes and risk-related KPIs to ensure that growth is balanced against the level of risk taken, including compliance and control.

Read more about this on page 27.

Customers

Position DBS as bank of choice
Measure progress in customer satisfaction, depth of customer relationships and brand positioning.

Read more about this on pages 27, 28, 36 and 38.

Employees

Position DBS as employer of choice
Measure progress in being an employer of choice, including employee engagement and people development.

Read more about this on pages 28, 96 and 97.

"Making Banking Joyful" KPIs (20%)

Digital transformation

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

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

Transact
Measure progress made in automation by driving end-to-end straight-through processing and instant fulfilment.

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

Read more about this on pages 29 and 30.

Capturing value created from digitalisation

Measure progress made in driving digital behaviours of our Consumer and SME customers (Singapore and Hong Kong) and increasing the income of digitally engaged customers.

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

Read more about this on page 30.

Reimagining customer and employee experiences

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

Read more about this on page 31.

Being a data-driven company

Measure progress of data analytics projects to be a data-driven company.

Read more about this on page 31.

Creating a startup culture

Measure progress in re-wiring mindset to be a 26,000-person startup anchored on our PRIDE! values.

Read more about this on page 31.

Areas of focus (40%)

Regional businesses

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

Read more about this on pages 36 to 41.

Geographic mix

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

Read more about this on page 23.

Enablers

Strengthen management processes, technology and infrastructure platform.

Read more about fair dealing and cyber security on pages 88 and 96.

Read more about our technology on pages 34, 35 and 62 to 64.

Regulators

Contribute to the stability of the financial system.

Read more about this on page 71.

Society

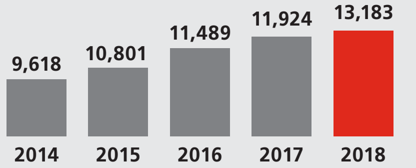
Create impact through responsible banking, responsible business practices, DBS Foundation's support of social enterprises and DBS' volunteerism movement.

Read more about this on pages 64 to 71 and 96 to 97.

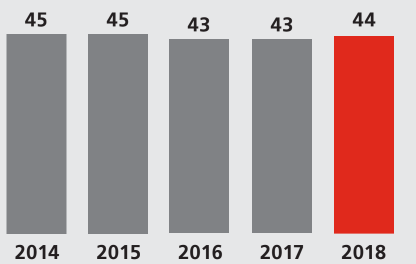
Traditional KPIs

	KPI	Target	Outcome
Shareholders *Read more about this on pages 20 to 25 "CFO statement"*	Grow income	Deliver consistent income growth	11% income growth to SGD 13.2 billion driven by loan and fee income growth as well as higher net interest margin.
	Manage expenses	Be cost-efficient while investing for growth, with cost-income ratio improving over time	The cost-income ratio increased one percentage point to 44%. Excluding ANZ (which was consolidated for the first full year and had a cost-income ratio of 52%) and Treasury Markets (which had an usually weak performance due to unfavourable market conditions), the cost-income ratio was stable. Productivity gains from digitalisation efforts and strategic cost management initiatives helped maintain the ratio.
	Manage portfolio risks	Grow exposures prudently, aligned to risk appetite	Specific allowances fell to 19 basis points of loans, as new NPAs remained low and were more than offset by recoveries and write-offs.
	Deliver returns	Deliver consistent return on equity (ROE)	ROE rose to 12.1%, the highest in a decade, due to improved structural profitability of our transformed franchise and as interest rates and total allowances reached more normalised levels.
Customers	Increase customer satisfaction	Achieve broad-based increase in customer satisfaction across markets and segments	Customer satisfaction improved from the previous year. Consumer banking customer experience index improved in Singapore, Hong Kong, Taiwan and China for the fourth consecutive year. We were ranked top overall, across all industries, in Forrester's inaugural Singapore customer experience index. Improved customer satisfaction in Institutional Banking. We were ranked the best globally for cash management customer satisfaction by Euromoney[1]. We were also ranked second for trade finance market penetration globally, from fifth place in 2017.

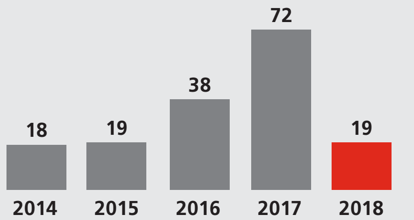
Income (SGD million)



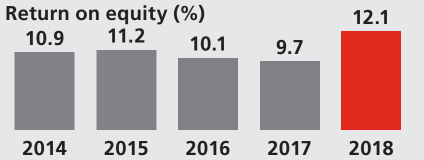
Cost/ income ratio (%)



Specific allowances/ average loans (bp)



Return on equity (%)



Customer engagement score[2]

	2017	2018
Wealth Management	4.22	**4.29**
Consumer Banking	4.12	**4.21**
SME Banking	4.07	**4.27**
Large Corporates market penetration ranking (Only Asian bank in top 5)	4th	**4th**

EUROMONEY BEST SERVICE CASH MANAGEMENT 2018

Best Bank for customer satisfaction

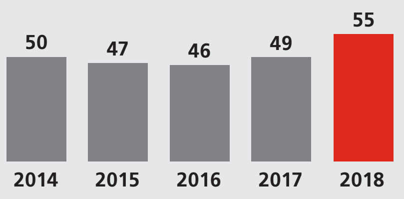
(1) *The Euromoney cash management survey was conducted with over 25,000 clients participating globally*

(2) *Scale: 1 = worst; 5 = best. Source: Scorpio partnership and Ipsos Customer Satisfaction Survey (CSS) for Wealth Management, Ipsos CSS for CBG and Aon Hewitt SME Survey. Large corporate penetration ranking was from Greenwich for 2018*

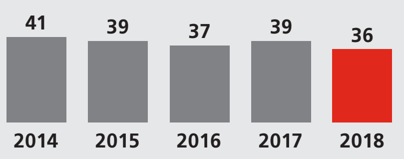
Traditional KPIs

	KPI	Target	Outcome
Customers	Deepen customer relationships	Deepen wallet share of individual and corporate customers	IBG non-loan income ratio was higher due to strong growth in cash management and improved treasury flows.
			While CBG non-interest income grew 12%, the non-interest income ratio declined due to faster net interest income growth driven by loan and deposit growth and higher net interest margin.

IBG non-loan income ratio (%)

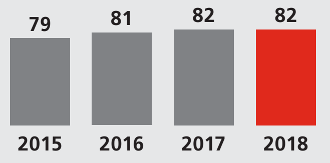


CBG non-interest income ratio (%)



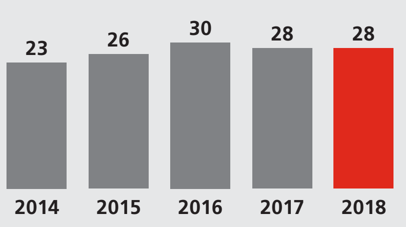
	KPI	Target	Outcome
Employees	Employee engagement	Maintain employee engagement levels	Ranked at eighty-seventh percentile in Aon Hewitt My Voice Survey across global and APAC benchmarks. Recognised by AON as "Asia Pacific Regional Best Employer". Named "Best of the Best Employer" for second consecutive year in Singapore and Best Employer in India. We also received special recognition awards for "Engaging Gen Y" in Singapore and "Best Employer Innovation Cube Award" in China.

My Voice employee engagement score (%)



	KPI	Target	Outcome
	People development	Provide our people with opportunities for internal mobility to enhance professional and personal growth	Enabled people to broaden their exposure across businesses, functions and markets. 28% of positions were filled by internal candidates in 2018[3].

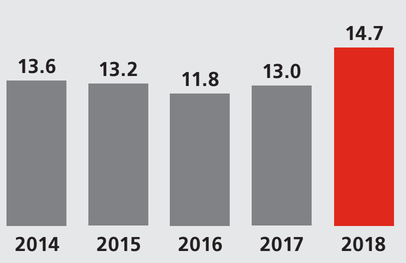
Mobility: positions filled internally (%)



(3) Excluding ANZ integration headcount

	KPI	Target	Outcome
	Turnover	Maintain or reduce voluntary turnover	Turnover increased from 2017 in line with market trends. In 2018, DBS was among the three banks with the lowest turnover in Singapore, China and India. It was comparable to peers in other countries except Indonesia, where the ANZ integration contributed to a higher turnover.

Turnover (%)



"Making Banking Joyful" KPIs

	KPI	Target	Outcome
Digital transformation	**Ecosystem** Grow and deepen ecosystem partnerships	Drive ecosystem partnerships to accelerate customer acquisition, drive credit underwriting and improve product offerings	We expanded our digital connectivity and grew ecosystem partnerships across countries, leveraging the application programming interfaces (APIs) we have been developing since 2017. Over the year, we doubled the number of APIs published to more than 350 and connected with over 90 external partners. We remained among the largest banking API platforms in the world. We partnered lifestyle providers from various sectors including shopping, transport, food and entertainment as part of our agenda to embed ourselves in our customers' everyday lives. In Singapore, we launched the DBS Car, Property and Electricity Marketplaces. The DBS Car Marketplace is the largest direct seller-to-buyer car market in Singapore. The DBS Property Marketplace connects tenants and landlords and is the largest of its kind in Southeast Asia by a bank. We also introduced DBS Electricity Marketplace and added it to the functionalities and use cases for our mobile wallet, DBS PayLah!. We invested in a mobile and online classifieds marketplace, Carousell, and collaborated to offer financial products and payment services on its platforms across the region. We also expanded our partnerships with telecommunications and data companies to enhance digibank offerings in India and Indonesia. On the corporate front, our focus was to deepen industry ecosystems and expand our accounting platform partnerships. We partnered PSA in Singapore to develop a global trade and supply chain platform, Calista. We also partnered Wanxiang in China to develop a blockchain trade platform for the automotive sector. We continued to broaden our accounting platform partnerships in Singapore, Hong Kong and Indonesia. Leveraging our RAPID APIs, we partnered corporate clients across industries such as insurance and transport to provide them with instant payment capabilities and help transform their sales, payment and collections processes.
	Acquire Grow number of customers acquired digitally	Increase digital acquisition of customers and grow digital channel share	Gained traction in digital acquisition across customers, products and countries

Growth in digibank customers acquired in India & Indonesia

digibank by DBS

Added >1.2 million customers in 2018. 2.7 million customers since launch

Channel share of SMEs acquired digitally

79% (2018) vs 80% (2017)

32% (2018) vs 23% (2017)

7% (2018)

98% (2018) vs 98% (2017)

Channel share of wealth customers acquired digitally

2017	2018
37%	38%

Channel share of consumer products sold digitally

	2017	2018
Deposits	42%	53%
Cards	46%	64%
General Insurance	51%	60%

"Making Banking Joyful" KPIs

	KPI	Target	Outcome
Digital transformation	**Transact** Reduce manual efforts by driving end-to-end straight-through processing and instant fulfilment	Increase automation across units, products and channels	We focused on automating our processes by driving straight-through processing and instant fulfilment. We achieved 21% automation across processes in Singapore and kept our operations headcount flat despite a significant growth in transactions. We continued to drive automation in support functions. HR has started to recruit differently by using Jobs Intelligence Maestro (JIM), a virtual recruitment bot that helps review resumes and pre-screen job applicants. JIM has reduced candidate screening time by 75%, freeing up recruiters' time so that they can do more high-value work. In Finance, we digitised the identification of rate anomalies in the markets, which helped improve efficiency in tracking more than 140,000 market rates daily.
	Engage Drive 'sticky' customer behaviour and cross-buy through contextual marketing	Drive digital engagement with customers through products, insights and innovative communication	We made progress in growing 'top of funnel' contribution via content, contextual and community communication. Our branding campaigns, such as 'Live more Bank less' and Sparks mini-series, influenced close to 10% of enquiries on the DBS public web. We also increased our social media fanbase by 15% to 9 million. We improved the user experience of our retail digital platforms, resulting in higher usage rates and better user ratings across countries. We continued to see improvements in our digibank ratings. We offered differentiated insights on key Asian economies and industries via our Asian Insights platform across our digital channels. The readership of research articles on our iWealth app grew 60% and traffic to our Asian Insights content increased 25%. For institutional customers, we conducted more than 23 co-creation workshops to drive better satisfaction and deliver tailor-made solutions. We leveraged DBS Treasury Prism – the world's first online simulation tool to help corporate clients derive optimised cash management solutions – to win cash mandates, build deeper relationships and increase customer stickiness. The use of big data analytics and models has allowed us to grow our digital footprint and better engage customers through contextual marketing, resulting in a 23% increase in campaign revenues for CBG in Singapore and incremental deposits in the SME space.
Capturing value created from digitalisation	Grow digital customers (Consumer and SME, Singapore and Hong Kong)		The number of digital customers increased from 2.5 million in 2017 to 2.9 million in 2018[4]. *(4) A digital customer has either (within the past 12 months): (i) made a product purchase or segment upgrade via a digital channel; (ii) done more than 50% of financial transactions via digital channels; or (iii) done more than 50% of non-financial transactions via digital channels*
	Drive digital customers' income (Consumer and SME, Singapore and Hong Kong)		There was higher engagement and income from our digital customers compared to non-digital customers. Within CBG and SME (Singapore and Hong Kong), income from digitally engaged customers increased 27% year-on-year. The income earned from a digital customer was twice of a traditional customer.

"Making Banking Joyful" KPIs

	KPI	Target	Outcome
Reimagining customer and employee experiences	Drive journey thinking and demonstrate outcomes from new and in-progress journeys		We continued to focus on customer journeys. We added 150 journeys during the year, bringing the total to 600. Many of these journeys have delivered or are in the midst of delivering outcomes towards our digital acquisition, transaction and engagement targets. These journeys leveraged customer science to make banking joyful for both customers and employees. For example, the customer centre team reduced inbound calls by 14% in Singapore using customer science.
Being a data-driven company	Increase data analytics projects to drive a data-driven culture		In our endeavour to be a data-driven company, we undertook more than 200 data analytics projects across the bank in 2018, doubling the number of projects in 2017. We made significant progress in driving a data-first culture, including the use of data analytics to drive contextual marketing income, leveraging machine learning for key processes such as anti-money laundering where we reduced 30% of manual reviews of AML alerts, and the use of dashboards.
Creating a startup culture	Inculcate a startup culture and mindset		We made good progress, with many of our people embracing a spirit of experimentation and innovation through immersion programmes, experiential learning platforms and ecosystem partnerships. We continued to make progress in changing the way we work to be more agile and nimble. Increasing pockets of the bank are adopting agile ways of working. We drove the use of data and analytics and increased data resources embedded within business and support units. We also pioneered a new meeting culture, 'Mojo', to increase meeting effectiveness, and this is now widely used across the bank. During the year, over 17,000 employees were involved in innovation programmes such as hackathons, incubators, workshops, platform events and partnerships with the fintech community. We expanded our JoySpace programme, investing in transforming spaces to build a startup culture, foster collaboration and ideation, and enable the future way of working. Close to 400,000 square feet of JoySpace have been created through the programme so far, impacting over 4,600 staff in the region. More than 125,000 square feet were added in 2018 alone.

CRO statement

Asset quality improved with lower allowance charges. With macroeconomic headwinds increasing, we remain alert to their potential impact on our portfolio. We are also leveraging technology to manage our financial crime risk and strengthen cyber security.

Top and emerging risks

The Board and senior management drive a robust process to identify and monitor our top and emerging risks, which include credit, market, liquidity, capital and technology risks.

In 2018, we focused our attention on the following four areas (i) Credit risk and portfolio management, (ii) Compliance and regulatory risk, (iii) Cyber security, and (iv) Data protection.

Credit risk and portfolio management

We started the year with optimism that the global growth momentum from 2017 would continue, supported by strong US growth, buoyant equity markets and a rebound in oil prices. The optimism abated in the second half of the year as an escalation of US-China trade tensions exacerbated the risks from China's ongoing deleveraging of its corporate sector. In addition, there were widespread concerns about the increased pace of US interest rate hikes and depreciation of emerging market currencies.

As a consequence of the growing headwinds, we heightened vigilance over our credit portfolio. We also conducted thematic portfolio reviews based on the risks that had emerged in the second half of 2018. These included detailed analyses of our China, India and Indonesia exposures.

We grew our overall portfolio by 7% during the year and while idiosyncratic risks cannot be completely eliminated, we remain comfortable with its quality. Our portfolio is diversified across industry and business segments, with more than 70% of corporate and institutional exposure to investment-grade borrowers.

There were local developments in the real estate markets in Singapore and Hong Kong, where the majority of our property exposures is. An additional round of property cooling measures in Singapore weakened market sentiment in July. The quality of our portfolio remained strong, with an average loan-to-value ratio of less than 60%. Our exposures to the building and construction as well as developer sectors were also healthy as they were primarily to well-established developers and diversified across the residential, commercial, office and industrial sub-sectors. In Hong Kong, housing prices began correcting in the second half of the year. Our portfolio has remained stable over the past few years. Our loans were well-collateralised with approximately 90% having a loan-to-value ratio under 50%, providing protection against any price correction.

We continue to see loan growth, driven by our corporate customers' acquisitions in the London and Australia real estate markets, particularly in the office, hospitality and logistic sub-sectors.

Given ongoing macroeconomic challenges, we will continue to exercise prudence in our client selection and credit underwriting criteria.

Compliance and regulatory risk

Reimagining new approaches to managing financial crime risk remained our priority during the year. We developed advanced analytic models for surveillance and implemented various automation initiatives. To continue this journey, we beefed up our resourcing in technology and operations. We actively participated in Singapore's Anti Money Laundering/ Countering the Financing of Terrorism (AML/ CFT) Industry Partnership initiative and steered the most recent publication on the use of data analytics.

In 2017 and 2018, we enhanced our capabilities to detect potential sanctions evasion, with focus on North Korea and Iran. Amongst other measures, we tightened controls around shipping routes and reviewed economic linkages to help us identify potential areas for further assessment.

We made significant progress on the client suitability agenda, which seeks to ensure fair outcomes when our clients invest in financial products. We reviewed our remuneration policy and tightened controls to align with a broader conduct agenda and added a conduct mandate to our Group Fair Dealing and Conduct Committee. This committee tracks metrics on fair dealing and conduct, as well as actions taken in response to incidents or trends which raise concerns.

Cyber security and data protection

It has become increasingly clear that technology plays a more significant role in our cyber defence strategy. Multi-layered defences combining innovative technology solutions, such as virtual web browsing isolation and micro-network segregation, were adopted to reduce entry points for potential cyber attacks. We also developed user behaviour analytics to detect and respond swiftly in the event of an attack. Our employees participated in a training and awareness campaign on cyber hygiene and cyber risks. We will continue to enhance cyber security capabilities to protect our data and maintain high reliability hygiene of our technology environment.

We developed a framework for the responsible use of data, which seeks to ensure that DBS' analytics processes and the ensuing conclusions are applied appropriately, in accordance with legal standards and societal expectations. DBS is also the first bank in Singapore to be certified with the Data Protection Trustmark. The certification is testament to the fact that we have accountable and responsible data protection practices.

Given our multiple customer touchpoints and also in light of the risks evolving from a fast-changing digital landscape, we piloted an ecosystems risk management framework to ensure that DBS data transmitted to an ecosystem partner would be managed according to DBS' standards.

We expect to continue with our sustained efforts in ensuring cybersecurity and protecting our employee and customer data in 2019.

Overall, we believe our risk processes and policies are sound and continue to be in good stead.

Read more about our principal risks and risk management approach on pages 72 to 90.

Tan Teck Long
Chief Risk Officer
DBS Group Holdings

2019 Focus Areas

- Credit risk and portfolio management
- Mitigation of financial crime risk through controls, systems and analytics
- Cyber security
- Data protection
- Analytics based credit underwriting

CIO statement

2018 was an impressive year that saw us receive great acknowledgement for our digital transformation as well as put us on track to build a strong platform-led bank. The Platform Model is spearheading a new way of working within the bank, revealing new opportunities and taking a shared solution-focused approach to deliver great results.

2018 overview

2018 was an eventful year for the tech industry. Apple and Amazon competed for the trillion-dollar club, Facebook's data breach grabbed global attention, artificial intelligence and advanced analytics became mainstream and DBS was awarded two world's best bank awards!

Our work in three focus areas – being digital to the core, building a customer-centric organisation and changing the culture within – laid the foundations for a strong digital mindset within the bank. We benefitted from the technological investments we made and were able to go deeper, progress faster and continue to move the needle on digital transformation across the board.

In addition, we set new aspirations by establishing a platform operating model.

A new way of thinking: the platform operating model

The new paradigm calls for businesses to respond rapidly to changing consumer demands with agility and scale. To do so, we set out on the next phase of transformation in 2018 – to think and behave like big technology companies by instituting the platform operating model.

Platforms bring together people, funding, technology assets and apps to deliver a customer service or product. They are based on a two-in-a-box framework which means that platforms are co-developed and maintained by the business and its technology partners who work together on joint goals, business strategy and an execution roadmap. Our platform operating model goes beyond engendering greater trust and transparency between partners: it fuses working relationships across internal teams to enable faster decision-making, greater visibility and shared ownership.

In 2018, 33 platforms were established and they were grouped under four categories. They had to be aligned to business drivers, provide enterprise support, be shared across the bank or play a role in enabling the overall operations of the bank.

A Platform Council was also set up comprising senior managers across the bank who provide strategic support and guidance to help platforms achieve their north star – the vision for each platform. Our conviction is that the platform operating model defines the future of business. It is spurred by our belief that "technology is business and business is technology". Two examples of platforms in action – the data platform and the ecosystems platform – are detailed below.

The data platform

We are using the data platform to transform us into a data-led organisation that delivers intuitive products and services.

We said we would drive business value through customer science

To strengthen our efforts to cater to digital customers' needs, we combined customer behaviour data with system data to build real-time analytical models.

For example, the customer centre team has been able to reduce inbound calls by over 14% in Singapore by analysing customers' transaction patterns, online behaviours and historical data to determine customers' receptiveness towards digital fulfilment. Similarly, the Institutional Banking team was able to derive insights from supply-chain network data to deduce opportunities and risks in their customers' supply chain networks. These insights increased our precision in acquiring customers, maximising our value to customers and supplementing credit decisions with transaction data.

We said we would drive instrumentation and build strong data-led models

Today, we use data and digital dashboards to map every step of our customers' journey with us. These data-led models help prevent issues from occurring and keep customers engaged profitably so that we can deepen our relationship with them.

We set up an operations control centre to monitor customer journeys in real time. The centre's system gathers behavioural and device performance data to anticipate and solve potential issues by assisting the customer through SMS, email or chatbots.

The new data-led models also enable us to create hyper-personalised solutions based on our customers' needs. We do so by contextually introducing our products and solutions relevant to them at the right time.

We said we would rally our people to think data-first

We invested extensively to inculcate a data-first mindset across the bank. In 2018, over 10,000 people, including more than 900 senior managers, were educated on being data-driven. Programmes such as the 'data heroes' curriculum, honed analytics acumen and equipped employees with the skills of a data (analytics) translator – individuals who are able to translate business problems into analytics use cases and help design digital interventions.

We said we would drive responsible usage of data within the bank

With so many data projects, a strong governance framework was also put in place to ensure responsible data usage. Four principles – Purposeful, Unsurprising, Respectful and Explainable (or PURE) – underpin the framework.

Ecosystems platform

Our ecosystems platform combines our strengths with those of our partners to enhance customer experience and drive inclusive growth.

We said we would build a strong ecosystem that was reliable – resilient – elastic – secure – scalable.

Building digital connections with partners to nurture a strong ecosystem that is able to collaborate, create and innovate was a major focus in 2018. We provided our partners with the latest digital toolkits, a secure environment to experiment in as well as support through learning sessions and open houses.

We said we would take an ecosystem approach to reimagine customer experiences

We published over 350 APIs and connected with more than 90 partners – including household names such as AIG, Chubb, MSIG, Paisabazaar, IRAS, Singtel, Agrocorp, Calista, Bukalapak, Wanxiang, Grab, SoCash and GOJEK – which connected to our API gateways and introduced innovative and customer-centric experiences. Distribution partnerships also provided customised solutions for a range of sectors. For example, through our partnership with GOJEK, customers can now pay for their services with our credit and debit cards.

Our API developers' portal also has over 3,500 registered developers who are working to enhance customer journeys by integrating DBS APIs such as points redemptions, funds transfers, rewards, bills payments etc. into their solutions. For example, SoCash has worked with DBS APIs to extend its cash network and help its customers access their cash anytime, anywhere.

Further, our recently launched Startup Xchange programme also helps DBS tap into the rich fintech ecosystem to accelerate and co-create niche products and services for both our employees and customers.

Continued focus on experimentation and innovation

We said we would build a strong experimentation culture

A core focus over the past years – and what I can now attribute as our biggest strength in delivering results – has been the startup culture we invested in as part of our transformation journey. As a 26,000-person startup, our employees are now agile and quick to adapt to new challenges in the face of rapid change.

In 2018, DAX, our innovation hub in Singapore continued to engage DBS employees with over 300 events including hackathons, workshops as well as platform, ecosystem and community events.

Our popular Hack-to-Hire programme also helped us to identify and hire over 250 of the best tech talent across the region. We piloted a Hacker-in-Her programme in India to recruit talented women for tech roles.

We identified 101 Uni.Corns for the DBS UNI.CORN Management Internship programme, which gives students the opportunity to own, design and develop solutions for the banking sector.

We said we would build up our digital capabilities

Our efforts to train and build our employees' digital capabilities have been successful, with employees from across the group now placing greater emphasis on being data-driven and digital-first.

Our Back2School programme nurtures peer-to-peer learning and helps create a culture of learning and teaching to drive curiosity across levels, while the DigiFY programme helps employees develop capabilities in seven important future skills – agile thinking, data, digital business models, digital communications, digital technologies, journey thinking, and risk and controls.

Where we stand today

Our platform approach is spearheading a new way of working within the bank, creating new opportunities and taking a solution-focused approach to deliver great results. It is taking our digital aspirations and providing us with visible outcomes that are pervasive, at the front of the business as well as at the top line. In the past year, business and tech teams rallied together to create a seamless working model. In the coming year, we are all set to deliver on the outcomes they have jointly envisioned for the bank.

David Gledhill
Chief Information Officer
DBS Group Holdings

2019 Focus Areas

- Embed the platform approach throughout the bank
- Finetune customer science and hyper-personalisation programmes
- Scale up the use of analytics in decision making
- Establish and harness the benefit of data platforms

Institutional Banking

The IBG business will continue to build on its digital leadership to further differentiate itself and to drive our growth strategy.

2018 overview

2018 started on an optimistic note with broad-based growth across the region. Sentiment turned cautious towards the second half of the year as financial markets were hit by geopolitical concerns, rising trade tensions and heightening credit risks in China.

Despite the second-half headwinds, IBG's income rose 9% to a high of SGD 5.76 billion, while net profit before tax was SGD 3.37 billion. We did well with net interest income which grew 14%, and this was supported by broad-based asset and deposit growth.

With market volatility dampening sentiment, our capital and treasury markets businesses suffered in the second half. However, given our continued push to extend our digital capabilities to support our clients, cash management income and other fee income businesses helped us to differentiate our IBG franchise.

Read more about this on page 20.

Customer-centricity through digital transformation

As our clients' industries are getting disrupted by technology, we leveraged our digital experiences in banking to work with them to create ecosystems and to re-engineer their payment and trade journeys, enabling them to become more efficient and competitive.

An example is how we worked with our client Agrocorp International, a leading agri-commodity trading company headquartered in Singapore. We were the first bank to enable an end-to-end cross-border blockchain platform for a commodity supply chain network, comprising farmers, exporters, traders and end-customers. This solution leveraged DBS' combined leadership in both the digital and trade space. Through DBS' application programming interface (API) framework, many supply chain participants are now able to access real-time updates on commodity prices and receive trade financing approvals for orders coming in from any part of the world.

Other clients that have worked with us on similar solutions include Halcyon Agri, the world's leading integrated rubber player and China Capital Logistic, one of China's largest automotive logistics companies.

With our API capabilities and consultative solutioning approach, IBG conducted more than 30 digital workshops to help our clients keep pace with the technological shifts.

Read more about this on page 14.

Digitalisation accelerates income growth for cash management business

Our digital strategy has successfully repositioned us as a transaction bank that stands out from the rest. As testament to our success, we closed a record number of mandates with both multinationals (MNCs) and small and medium enterprises (SMEs) as companies cultivated a growing appreciation for our digital capabilities and the quality of solutions that we provide. This led our transaction banking business to record broad-based income growth of 32% year-on-year across all key markets.

Besides earnings achievement, another highlight was being ranked first in client satisfaction globally in Euromoney's annual Cash Management survey, an annual poll conducted with 25,000 companies worldwide. DBS swept the board across the global services categories, from business functions to tech provision, attesting to our unparalleled service standards. This earned us the recognition of being "Asia's best bank for transaction services" from Euromoney. Among other accolades, Greenwich Associates ranked our cash management business first in Asia for ease of product implementation.

Read more about this on page 12 and page 22.

Supporting customers' expansion throughout the region

DBS continues to offer innovative equity and debt solutions to support our customers' growth ambitions throughout the region.

As the top equity house in Singapore, we participated in 80% of equity funds raised, including 69% of IPOs. As the leading REIT house in Asia, we played a pivotal role in milestone transactions such as the successful SGD 396 million IPO of Asia's first outlet mall REIT with assets from China – Sasseur REIT. In addition, we helped SME clients in their listings and equity fund-raising transactions, including the IPOs of Koufu Group and Hyphens Pharma International.

SGD million	2018	2017	YoY %
Total income	5,760	5,275	9
• Corporate	3,743	3,561	5
• SME	2,017	1,714	18
Expenses	1,839	1,755	5
Profit before allowances	3,921	3,520	11
Allowances	550	2,326	(76)
Profit before tax	3,371	1,194	> 100

We continue to grow this franchise and maintain DBS' pole position, with DBS being named "Best Asian Investment Bank" by FinanceAsia and "Best Equity House" in Southeast Asia by Alpha Southeast Asia.

Playing to our strength in bringing inaugural issuers to the international bond market, we have been encouraging traditionally bank-dependent borrowers to diversify their sources of debt funding through bonds. This has the added benefit of developing the debt financing infrastructure in China.

Our commitment and expertise in raising funds in Asia has helped DBS break into the "Top Ten" of the Asia ex-Japan USD Bloomberg league table. Other accolades we have won in this space include "Best Investment Bank (Singapore)" in Euromoney's Awards for Excellence 2018, and "Best Debt House (Asia)" by Global Finance.

Observing Asia's growing energy needs, we facilitated infrastructure-related project financing in 2018 – especially in renewables. We were involved in several marquee transactions in the region, including the TWD 18.7 billion Formosa 1 offshore wind farm in Taiwan. We were also a joint bookrunner for a landmark green bond for Star Energy's geothermal project in Indonesia, demonstrating our ability to go beyond traditional loans.

For these pioneering efforts, our project finance team was named "Best Project Finance House" in Asia by FinanceAsia for going off the beaten track to structure local currency loans for innovative projects.

Helping SMEs unlock digital solutions to power their growth

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

To harness the power of digital transformation, DBS is developing a B2B platform allowing SMEs access to an e-marketplace to sell their goods and services to large corporates and MNCs. This will be the first portal of its kind in Singapore that grants SMEs access to supply chain connections, financing and payment solutions that are usually only open to large corporates. This was announced through Singapore's nationwide 99% SME campaign where partners such as Singtel and Mastercard help SMEs in Singapore digitalise their businesses to keep pace with technological shifts.

Recognising that the world is increasingly borderless, the bank has been proactive in trying to help our SME client base grow their business. One of the ways we do this is through our DBS BusinessClass social platform, an online community for SMEs to network across the region and be kept updated on the latest trends in financing and digital tools that can enhance their businesses.

Revenue from our SME banking business continued to grow not just in mature markets like Singapore and Hong Kong, but also in our priority markets. Customer engagement was highest among our industry peers, leading to Euromoney naming DBS the "World's Best Bank for SMEs". International Finance Corporation, part of the World Bank Group, also named DBS "Bank of the Year (Global)" and "Bank of the Year (Asia)" in its inaugural Global SME Finance Awards.

Deepening relationships with MNCs

Asia remained a top destination for businesses globally as MNCs looked to the region for strategic growth. Our extensive network in key markets in Asia, as well as our presence in Japan, Korea, United Arab Emirates, United Kingdom and the United States also enabled us to grow our Institutional Investor and Western MNC businesses globally.

Apart from expanding our US and European MNC client base, income from this segment also registered more than 20% CAGR growth over four years with contributions from transaction banking growing the fastest.

Sustainability at our core

With growing awareness of the importance of sustainability, we continued to integrate responsible financing principles into our credit assessment processes and lending activities.

During the year, we established the IBG Sustainable Finance Forum. This enabled us to stay on top of emerging issues for better capital allocation decisions in a more sustainable world.

Read more about this on page 96.

Outlook

For the year ahead, we are confident that the IBG business will continue to build on its digital leadership to further differentiate itself and to drive our growth strategy.

The last 10 years have been deeply satisfying as the IBG business has been transformed from primarily lending to include transaction banking and capital market activities. Increasing client revenues are a testimony to our success and our revenues and profits over the years have increased manifold. I'm heartened by the success we have achieved together with our clients and I thank you.

2018 also marks my last year with DBS. I would like to take this opportunity to thank our clients and the DBS team for their support as I hand over the baton to Tan Su Shan.

Jeanette Wong
Institutional Banking
DBS Group Holdings

2019 Focus Areas

- Accelerate cash management capabilities through product solutions and digital propositions
- Develop a more mature open account trade business
- Deepen client relationships and connectivity in our markets
- Further develop SME banking business in our growth markets
- Promote the sustainability agenda and develop our renewables portfolio

Consumer Banking/ Wealth Management

Our relentless focus on digitalisation is driven by the desire to make banking invisible so that our customers can enjoy a lot more of their lives, with a lot less hassle.

2018 overview

2018 was a good year for Consumer Banking/ Wealth Management. Despite a more challenging environment, we recorded growth across all products and services. We concluded the integration of ANZ's retail banking and wealth management business across five markets in Singapore, Hong Kong, Mainland China, Taiwan and Indonesia. These contributed significantly to the strength of our businesses in these markets. Though this was a large and complex integration, the resulting value capture was game-changing, particularly for our consumer businesses in Indonesia and Taiwan.

Record high income for Consumer Banking/ Wealth Management

Total income for Consumer Banking rose 21% to a record high of SGD 5.65 billion, while our cost-income ratio further dropped to the low-50s. Net profit before tax grew 23% to SGD 2.39 billion. Wealth Management income rose 26% to a new high of SGD 2.66 billion, with assets under management (AUM) growing 7% to SGD 220 billion.

Net interest income grew 26% to SGD 3.60 billion with higher loan and deposits volumes for all our markets, especially in Singapore and Hong Kong, and for our private banking segment. In Singapore, we continue to lead the deposits market. While our Singapore property market transactions slowed in the second half of the year post government cooling measures, we upheld and grew our mortgage market share. Indonesia and Taiwan continue to deliver strongly partially due to customer balances migrated from the ANZ integration.

Non-interest income rose 13% to SGD 2.06 billion from higher fees from investment products, bancassurance and cards. While the first half of 2018 delivered record investment sales volumes, the second half slowed due to weaker market sentiment and volatility. To help our clients navigate the challenging market conditions, we focused on investment product solutions which provided downside risk protection and regular income, while advocating for greater investment diversification. Our discretionary portfolio management proposition saw strong AUM growth of close to 50%. We also continued our product innovation efforts around Environmental, Social and Governance, private equity and liquid alternative solutions.

The bancassurance business gained further market share in Singapore, solidifying our leadership position. Annualised premium sales in our life insurance business grew by 36% and exceeded SGD 1 billion in new sales volume for the first time. We launched more than 35 new product solutions in partnership with Manulife. We successfully commenced our 15-year partnership with Chubb for general insurance solutions across five markets, launching product solutions such as TravellerShield on DBS PayLah! and CyberSmart.

Wealth management sees continued growth

Our wealth franchise continues its strong performance, representing 20% of group income, and with five markets seeing double digit growth.

We had a successful year in industry accolades. We were accorded "Best Private Bank for Innovation" and "Best Private Bank in Asia" by Professional Wealth Management/ The Banker, "Best Wealth Manager, Asia" by The Asset and "Best Private Bank for Entrepreneurs" by Global Finance. DBS iWealth was also ranked first globally for having the best post login client experience for wealth management apps by MyPrivateBanking (now Cutter Wealth).

Our digital focus applies across our wealth franchise. Clients acquired online within our Treasures and Treasures Private Client (TPC) segments increased by 23% to more than 27,000. In 2018, DBS iWealth was launched in Hong Kong and a simplified Chinese version was also introduced. We became the first bank in Southeast Asia to roll out a service – DBS Wealth Chat – that allows wealth clients to connect, exchange ideas and transact with their relationship managers via popular instant messaging platforms.

With our ANZ acquisition, we had enough client demand to launch our TPC proposition onshore in Indonesia and Taiwan. Including Singapore and Hong Kong, TPC is now in four markets.

SGD million	2018	2017	YoY %
Total income	5,653	4,671	21
• Retail	2,992	2,564	17
• Wealth Management	2,661	2,107	26
Expenses	3,031	2,562	18
Profit before allowances	2,622	2,109	24
Allowances	228	161	42
Profit before tax	2,394	1,948	23

Maximising value from acquisition of ANZ's retail and wealth business

We successfully completed the ANZ integration in February 2018. Business momentum has been strong across the board. The cards business, particularly in Taiwan, has shown solid growth potential with record approval and retail spend numbers. We have also significantly increased the productivity of incoming ANZ relationship managers. As per our forecast in 2016, this deal was value accretive within the first year of integration.

Sustained digibank growth in India and Indonesia

In India, we have acquired 2.3 million digital customers, 50% of whom have a savings account with us. We continue to expand our digibank partnerships with companies such as BigBasket – India's largest online grocery market, and Paisabazaar – India's largest loans and cards marketplace. We also introduced digi Insurance and digi Loans, where customers can get loans disbursed into their accounts in just five clicks.

We have had a strong start in Indonesia, attracting more than 400,000 digibank users since August 2017. We are building our consumer finance and wealth management capabilities, to provide a unique digital value proposition. We are also looking to work with telecommunications and lifestyle lending partners to accelerate our business growth.

Delivering on our digital strategies

Our relentless focus on digitalisation is driven by the desire to make banking invisible so that our customers can enjoy a lot more of their lives, with a lot less hassle.

We developed multiple ecosystem partnerships to enable customers to seamlessly fulfill their needs. To this end, we have signed strategic partnerships with leading industry players such as GOJEK, Carousell, Sistic and BigBasket.

In Singapore, we have launched marketplaces on our website with listings of cars, properties and electricity retailers. We also introduced an InstaRewards feature within the DBS Lifestyle app so customers can offset purchases with their DBS Rewards points. DBS PayLah! remains Singapore's leading mobile wallet with more than one million accounts and has integrated partners such as Golden Village, Chubb and Chope into its platform.

We became one of the first in Singapore to enable seamless online multi-currency settlement. We introduced online fund investment capabilities, so customers can purchase and redeem funds, and be matched to funds and unit trusts suitable for their risk-profile. DBS Remit, which offers same-day free transfers to 47 countries, recorded solid growth in Singapore and was also launched in Hong Kong.

We made a foray into chat banking with Foodster – Southeast Asia's first bank-led retail chatbot. Launched in partnership with startup Every Botty, Foodster allows customers to order and pay for their meals seamlessly via Facebook Messenger and DBS payment channels.

In Hong Kong, we launched a ground-breaking card onboarding journey. Customers can get a credit card approved, and start using it from their mobile phone in minutes, as well as get access to DBS Omni, our credit card companion app.

In Taiwan, we launched the DBS Card+ app and acquired more than 200,000 users. We enhanced our digital onboarding capabilities, allowing customers to open an account to apply for a credit card online in minutes.

Advancing data analytics and journey thinking

Data is at the centre of everything we do as we work to become a data-driven company. We are running experiments using third-party data to develop predictive models that enable consumer finance loan underwriting. Our work in areas such as sentiment classification and topic extraction is also promising, allowing us to identify key areas for improvement.

Journey thinking has become essential to understanding how to engage our customers. For example, to understand millennials, we conduct extensive customer immersions and prototyping sessions to ensure we are addressing real needs and providing real solutions. In Singapore, we built online communities focused on helping millennials with financial planning and money management. We also introduced My Financial GPS, an in-app holistic financial adviser to help millennials manage their budgets and achieve long-term financial life goals.

Reflections

My colleagues and I started on this journey with a shared vision to put DBS firmly on the world map. The global accolades are testament to how much we have since achieved. Total income for Consumer Banking/ Wealth Management has more than doubled from SGD 2.07 billion in 2010 to SGD 5.65 billion today. We are now ranked in the top six among wealth managers for Asia (ex-China onshore) AUM.

I will look back on my eight years in Consumer Banking/ Wealth Management with a tremendous sense of pride and gratitude. As I move on to my role as Group Head of Institutional Banking, I am confident that the business is in good hands with Sim S. Lim and ready to scale even greater heights!

Tan Su Shan
Consumer Banking/ Wealth Management
DBS Group Holdings

2019 Focus Areas

- Grow digibank in India and Indonesia
- Deliver value to businesses and consumers through ecosystem partnerships and digitalisation initiatives
- Solidify our wealth position in Asia through digitally engaged customers and an onshore/ offshore model
- Empower our people so we stay agile and focused on removing customer pain points
- Expand and deepen data analytics capabilities

POSB
Neighbours first, bankers second

As a key institution in Singapore, POSB has served Singapore residents from all walks of life since its founding in 1877. They include children, young adults, families, seniors and the community at large. Our aim as Singapore's oldest and most loved local bank is to be at the forefront of providing pioneering financial solutions to meet the needs of Singapore residents. POSB has also continually entrenched itself as the "People's Bank" by widening its reach in the community through various initiatives.

For children and families

We have always played a key role in encouraging children to save for their future with initiatives such as the POSB National School Savings Campaign. Since the POSB Smart Buddy programme – the world's first in-school savings and payments programme using wearable technology – was launched in 2017, an increasing number of schools and students have participated in the programme. As of end-2018, we have distributed over 17,000 free watches and built cashless systems in close to 50 schools.

We have also held an annual POSB-National Library Board (NLB) Kids' Lit quiz for children aged 10 to 13 years old. Every year, more than 70 schools compete to answer quiz questions on popular children's books ranging from the classics to comics. The competition is part of a series of POSB events held with NLB to inculcate the value of thrift through storytelling sessions. These events reached more than 10,000 primary school children.

Close to 10,000 participants joined us at the tenth anniversary edition of the POSB PAssion Run for Kids, which was marked by an inaugural evening race. A total of SGD 1 million was raised for the POSB PAssion Kids Fund, bringing the total amount raised to date to SGD 8.2 million. The fund has supported some 110 programmes that have benefitted more than 400,000 children to date.

For seniors

Through our partnership with the People's Association, we have reached out to seniors in the community to educate them on financial literacy, self-service banking, digital skills and active ageing. For example, POSB ran workshops that provided hands-on learning sessions, so seniors can better understand how to use self-service and digital banking services. We also organised mental wellness advocacy programmes to raise awareness around topics such as dementia awareness. The outreach programmes benefitted over 500 seniors in 2018.

We partnered the Info-communications Media Development Authority on their nationwide ePayment Journey initiative. POSB was part of six learning journeys, which educated more than 1,200 seniors on the use of digital tools. In addition, we are part of a seniors outreach programme, where POSB branch employees volunteer once a month at NTUC Health Nursing Homes near their branches in Geylang East, Chai Chee and Jurong West.

In May, we conducted a pilot of POSB Smart Senior – the world's first holistic health and payment programme developed for seniors, with some 60 participants in Yishun.

For the community

In Singapore, we believe in building an inclusive society where everyone has access to banking services. POSB provides subsidised banking services to a large segment of customers. Fees are waived for many, including youths, seniors, national servicemen and people under public assistance schemes. We also work with Singapore Prison Service to waive fees for ex-offenders to help with their reintegration into society.

We have enhanced some of our branches to 24-hour digital service lobbies. Operable round the clock, these lobbies provide customers with more convenience, allowing them to conduct their transactions beyond regular banking hours. Besides cash transactions, customers are also able to conduct non-cash banking services via our Video Teller Machines (VTMs). Our VTMs are able to instantly replace debit cards and internet banking tokens, take instructions for passbook replacements, as well as offer face-to-face assistance from our customer service officers via live video streaming. Introduced in 2017, the VTMs have been very well-received and we have since installed 42 across the island.

In support of environmental sustainability, POSB participated in the North East Eco Kids Programme which is supported by the POSB PAssion Kids Fund and the North East Community Development Council. It consists of a series of workshops to inculcate environmental values in pre-schoolers within the North East district. More than 800 children and parents joined in the programme's finale – the Just One Earth Day Carnival. During the event, POSB volunteers helped participants create their own self-watering plants, nature journals, natural cleaners, and even mud creatures!

In February, we worked with the Migrant Workers' Centre and various merchant partners to develop a new membership programme catered specifically for migrant workers in Singapore. The programme is the first of its kind to bring together different merchants to offer meaningful benefits, free of cost, to migrant workers in Singapore. Up to 200,000 migrant workers could potentially benefit in the first year of the programme. POSB also partnered the Centre for Domestic Employees (CDE) to help newly-arrived and transferring foreign domestic workers (FDWs) to apply for a POSB Payroll account and CDE membership, as part of the work pass application process. The application comes with a NETS 2.0 Contactless Transit-enabled card. Today, we have some 30,000 POSB Payroll accounts opened for FDWs.

Corporate governance

Contents

Governance framework

Our governance framework is anchored on competent leadership, effective internal controls, a strong risk culture and accountability to shareholders. Our Board plays a key role in setting our governance standards to meet our stakeholders' expectations, and our leadership model ensures an appropriate balance of power, accountability and independence in decision-making across our various functional and geographic units.

Our corporate governance practices comply with the Banking (Corporate Governance) Regulations 2005 (Banking CG Regulations). We also comply, in all material aspects, with the following corporate governance best practice guidelines issued by the Monetary Authority of Singapore (MAS):

(i) the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers issued on 3 April 2013, which comprises:

- the Code of Corporate Governance 2012 (2012 Code); and
- supplementary guidelines and policies added by MAS to cater to the diverse and complex risks undertaken by financial institutions (Supplementary Guidelines).

(ii) the Code of Corporate Governance 2018 issued on 6 August 2018 (2018 Code).

Enhancing corporate governance disclosures

The 2018 Code seeks to encourage listed companies in Singapore to provide thoughtful and meaningful explanations around their corporate governance practices. Rule 710 of the SGX Listing Manual requires Singapore listed companies to describe their corporate governance practices with specific reference to the 2018 Code in their annual reports for financial years commencing on or after 1 January 2019.

As part of our continuing efforts to enhance our corporate governance disclosures, the Board has elected to adopt Rule 710 of the SGX Listing Manual in advance. Accordingly, we have described our corporate governance practices for our financial year ended 31 December 2018 with specific reference to the 2018 Code and the Supplementary Guidelines, and will not be making references to the provisions of the 2012 Code.

We provide a summary disclosure of our compliance with the express disclosure requirements in the 2018 Code and the Supplementary Guidelines, on pages 98 to 100.

Competent leadership

Board highlights – 2018

Board renewal

Board renewal was a key focus for us in 2018. During the year, we appointed two new Directors (Dr Bonghan Cho and Mr Tham Sai Choy). In addition, one Director (Dr Bart Broadman) stepped down after having served on the Board for over nine years.

The Nominating Committee (NC) began the Board renewal process in 2017. It appointed a global search firm to recommend candidates, and also considered candidates recommended by Board members. Diversity was one of the key considerations in the board renewal process to ensure that the Board is appropriately balanced to support the long-term success of DBS. Another key consideration was to ensure that we appoint new Directors who can replace skillsets of long-serving Directors, and/ or who can supplement the collective skillsets of the Directors and bring different perspectives to the Board.

In line with our digital transformation journey, the NC searched for a director with the relevant technology expertise as well as banking knowledge. The global search firm recommended Dr Bonghan Cho, who has an in-depth knowledge of technology (particularly in the field of Artificial Intelligence and enterprise systems in numerous industries), as well as extensive banking and financial services industry experience. Dr Cho is recognised for his outstanding contributions in the advancement of the software industry and won the Republic of Korea President award in this field. Dr Cho was appointed as a Director of DBS Group Holdings Ltd (DBSH) and DBS Bank Ltd (DBS Bank) on 26 April 2018, and serves on the Audit Committee (AC) and the NC.

The NC was also cognisant that Mr Danny Teoh, the current AC Chairman, will cease to be independent on 1 October 2019 as he would have served on the Board for more than 9 years by then. Under the Banking CG Regulations, the AC Chairman has to be an independent director. Accordingly, the NC recommended the appointment of Mr Tham Sai Choy as a Director of DBSH and DBS Bank. Mr Tham is a chartered accountant with 36 years of practice experience. Until his retirement in 2017, Mr Tham was the Chairman of KPMG in Asia Pacific and was a member of KPMG's global board. Mr Tham was appointed as a Director of DBSH and DBS Bank on 3 September 2018 and serves on the AC and Board Risk Management Committee (BRMC).

Changes to composition of Board Committees

We believe that it is crucial to have a good balance between continuity and fresh perspectives on the Board. In addition to the focus on Board renewal, the NC regularly reviewed the size and composition of the Board committees in 2018 to ensure that all independence requirements continue to be met, and that the Board committees are of an appropriate size and comprise the appropriate balance of skills, knowledge and experience, as well as diversity of nationality, age and gender.

With effect from 16 November 2018, our Board Chairman, Mr Peter Seah, was re-designated as a non-independent and non-executive Director under the Banking CG Regulations as he has served as a Director for more than 9 years. The Board, upon the recommendation of the NC, approved the following changes to the composition of the Board committees with effect from 16 November 2018:

- Mr Seah stepped down as Chairman (but remained as member) of the NC and the Compensation and Management Development Committee (CMDC);
- Ms Euleen Goh stepped down as a member of the Board Executive Committee (EXCO) and NC;
- Mr Ho Tian Yee was appointed as the NC Chairman;
- Mr Andre Sekulic was appointed as the CMDC Chairman;
- Mr Olivier Lim was appointed as a member of the EXCO; and
- Mr Nihal Kaviratne stepped down from the AC and was appointed as a member of CMDC.

Lead independent Director

The Board also appointed Mr Ho Tian Yee as the Lead Independent Director on 16 November 2018 with written terms of reference. Mr Ho's responsibilities include leading meetings of independent directors when necessary and/ or appropriate and providing feedback to the Chairman after such meetings, and facilitating communication between the Board and shareholders.

"It is an honour to be recognised for our all-round leadership in corporate governance. DBS has an active board that is conscious of the diverse needs of our stakeholders and has put in place robust mechanisms to ensure that corporate governance principles are embedded in our corporate culture. As we celebrate our golden jubilee this year, this award inspires us to continue to reimagine banking and do even better for our customers, employees and stakeholders."

CEO, Piyush Gupta, on winning the "Special Recognition Award" at the Singapore Corporate Awards 2018.

Awards won in 2018

We received several accolades for our corporate governance, investor relations and disclosure:

- At the Singapore Corporate Awards (SCA), we were given the Special Recognition Award for being the first company to have ever clinched the top award in all five categories (Best Managed Board, Best Investor Relations, Best Annual Report, Best CEO and Best CFO) of the SCA over a five-year period. DBS won the top award in each of the five categories from 2013 to 2017. According to the SCA, this pinnacle award was conferred to DBS for its "all round excellence in corporate governance".
- A poll by Institutional Investor of more than 4,500 portfolio managers and analysts globally placed us among the top two banks in Asia for the CEO, CFO, investor relations, corporate governance, and ESG metrics categories.
- We won three awards at the second ASEAN Corporate Governance Awards for being in ASEAN's Top 5 and Top 50 Public Listed Companies, as well as Singapore's Top 3 Public Listed Companies.
- In the Singapore Governance and Transparency Index, we were second, up a rank from the previous year.
- We were runner-up in the Securities Investors Association (Singapore) Investors' Choice Awards for corporate governance in the large-cap companies' category.

Proactive reviews by the Board in 2018

- **Prudential inquiry on Commonwealth Bank of Australia (CBA):** Following the issuance of the prudential inquiry report on CBA (the Report) by the Australian Prudential Regulation Authority (APRA) in April 2018, the Board invited representatives from a global management consultancy firm to give a detailed briefing to the Directors and senior management on the findings and recommendations in the Report. The prudential inquiry was initiated by APRA to examine the governance, accountability and culture within the CBA group, after a number of incidents in recent years which had damaged the reputation and standing of CBA. The BRMC was also given an update on the outcome of our internal assessment to review if any of the findings from the Report may exist within DBS, and the action plans adopted to enhance our existing governance and controls.
- **SingHealth cyber attack:** The Board was briefed on the SingHealth cyber-attack (which resulted in the personal particulars of 1.5 million patients being stolen), the controls which we have in place to mitigate similar attacks as well as the additional measures which we are looking to implement to prevent hackers from gaining unauthorised access to DBS' equipment and data.

Our board

We have 11 Board members (including two female directors) with a broad range of experience and deep industry expertise. The make-up of our Board reflects diversity of gender, nationality, age, skills and knowledge. A majority of the Directors are Non-Executive and Independent Directors, and there are no alternate Directors on our Board.

Our Chairman, Mr Peter Seah, sits on all Board committees and he also chairs the EXCO. Mr Seah performs a key role as an ambassador for DBS in our dealings with various stakeholders as well as in ensuring effective communication with our shareholders. He guides the Board through its decision-making process and ensures that the Board operates effectively as a team.

There is a very positive and constructive working relationship between our Chairman and CEO, Mr Piyush Gupta. Mr Gupta oversees the execution of DBS' strategy and is responsible for managing the day-to-day operations. Other than the CEO, none of the other Directors is a former or current employee of DBSH or its subsidiaries.

Board's key areas of focus

- Sets the strategic direction and long-term goals of DBS.
- Monitors the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of DBS' activities.
- Establishes a framework for risks to be assessed and managed.
- Reviews management performance.
- Determines DBS' values and standards (including ethical standards) and ensures that obligations to its stakeholders are understood and met.
- Develops succession plans for the Board and CEO.
- Considers sustainability issues (including environmental and social factors) as part of DBS' strategy.

Role of the Board

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

Key Information on our Directors

The table below sets out key information on our Directors (including those who retired or who were appointed during the year), the number of meetings which our Directors attended during 2018 as well as the remuneration for each Director for 2018. The remuneration of Non-Executive Directors (including the Chairman) does not include any variable component.

Director independence status	Meetings attendance record (1 January to 31 December 2018)								Total Directors' remuneration for 2018 (SGD)		
	BOD[1]	NC[2]	EXCO[3]	AC[4]	BRMC[5]	CMDC[6]	AGM	Offsite[7]	Directors' fees[a] (SGD)	Share-based remuneration[b] (SGD)	Others[c] (SGD)
	No. of meetings held in 2018										
	5	4	11	4	5	4	1	1			
Mr Peter Seah, 72 Non-Executive and Non-Independent Chairman • Chairman since 1 May 10 • Board member since 16 Nov 09 • Last re-elected on 25 Apr 18	5	4	11	4	5	4	1	1	**Total: 1,997,632**		
									1,363,130	**584,199**	**50,303**
Dr Bart Broadman, 57 • Stepped down as a Non-Executive and Non-Independent Director on 25 Apr 18	1	–	–	–	2	1	1	–	**Total: 76,438[d]**		
									76,438	–	–
Ms Euleen Goh, 63 Non-Executive and Non-Independent Director • Board member since 1 Dec 08 • Last re-elected on 28 Apr 16	4*	4	9[e]	–	5	4	1	1	**Total: 394,935**		
									272,410	**116,747**	**5,778**
Mr Ho Tian Yee, 66 Non-Executive and Lead Independent Director • Board member since 29 Apr 11 • Last re-elected on 27 Apr 17 • Lead Independent Director since 16 Nov 18	5	4	11	–	5	–	1	1	**Total: 354,842**		
									248,389	**106,453**	–
Mr Nihal Kaviratne, 74 Non-Executive and Independent Director • Board member since 29 Apr 11 • Last re-elected on 28 Apr 16	5	–	–	4	5	1[f]	1	1	**Total: 292,349**		
									204,644	**87,705**	–
Mr Olivier Lim, 54 Non-Executive and Independent Director • Board member since 7 Nov 17 • Last re-elected on 25 Apr 18	5	–	2[g]	–	5	4	1	1	**Total: 270,562**		
									189,393	**81,169**	–
Mr Andre Sekulic, 68 Non-Executive and Independent Director • Board member since 26 Apr 12 • Last re-elected on 25 Apr 18	5	–	–	4	–	4	1	1	**Total: 306,781**		
									214,747	**92,034**	–
Mr Danny Teoh, 63 Non-Executive and Independent Director • Board member since 1 Oct 10 • Last re-elected on 28 Apr 16	5	4	–	4	5	–	1	1	**Total: 350,500**		
									245,350	**105,150**	–
Mrs Ow Foong Pheng, 55 Non-Executive and Non-Independent Director • Board member since 26 Apr 12 • Last re-elected on 27 Apr 17	5	4	–	4	–	–	1	1	**Total: 253,000[h]**		
									253,000	–	–

Director independence status	Meetings attendance record (1 January to 31 December 2018)								Total Directors' remuneration for 2018 (SGD)		
	BOD[1]	NC[2]	EXCO[3]	AC[4]	BRMC[5]	CMDC[6]	AGM	Offsite[7]	Directors' fees[a] (SGD)	Share-based remuneration[b] (SGD)	Others[c] (SGD)
	No. of meetings held in 2018										
	5	4	11	4	5	4	1	1			
Dr Bonghan Cho, 54 Non-Executive and Independent Director • Board member since 26 Apr 18	4	3[i]	–	3[i]	–	–	1[i]	1	**Total: 175,137**		
									122,596	**52,541**	–
Mr Tham Sai Choy, 59 Non-Executive and Independent Director • Board member since 3 Sept 18	2	–	–	1	2	–	–	1	**Total: 107,829**		
									75,480	**32,349**	–
Mr Piyush Gupta, 59 Executive Director/ CEO • Board member since 9 Nov 09 • Last re-elected on 25 Apr 18	5	4#	11#	4#	5#	4#	1	1	**Please refer to the Remuneration Report on page 61 for details on the CEO's compensation**		

• Appointment Dates
 # Mr Gupta attended these meetings at the invitation of the respective committees.
** Ms Goh was absent from one Board meeting in 2018 as she was on medical leave.*

(1) Board of Directors (BOD)
(2) Nominating Committee (NC)
(3) Board Executive Committee (EXCO)
(4) Audit Committee (AC)
(5) Board Risk Management Committee (BRMC)
(6) Compensation and Management Development Committee (CMDC)
(7) This is our annual 4-day board strategy offsite
(a) Fees payable in cash, in 2019, for being a Director in 2018. This is 70% of each Director's total remuneration and is subject to shareholder approval at the 2019 AGM.
(b) This is 30% of each Director's total remuneration and shall be granted in the form of DBSH's ordinary shares. The actual number of DBSH's ordinary shares to be awarded will be rounded down to the nearest share, and any residual balance will be paid in cash. This is subject to shareholders' approval at the 2019 AGM.
(c) Represents non-cash component and comprises (i) for Mr Peter Seah: car and driver, and (ii) for Ms Euleen Goh: season carpark fees.
(d) Dr Broadman, who stepped down as a Non-Executive Director on 25 April 2018, will receive all of his Director's remuneration in cash.
(e) Ms Goh stepped down as member of EXCO and NC on 16 November 2018.
(f) Mr Kaviratne stepped down as member of AC and was appointed as member of CMDC on 16 November 2018.
(g) Mr Lim was appointed as member of EXCO on 16 November 2018.
(h) Director's remuneration payable to Mrs Ow Foong Pheng will be paid fully in cash to a government agency, the Directorship and Consultancy Appointments Council.
(i) Dr Bonghan Cho attended the NC and AC meetings held on 23 April 2018 and the AGM held on 25 April 2018 as an invitee.

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

Board meetings and activities

There are five scheduled Board meetings each year. Ad-hoc meetings are also held when necessary. There was no ad-hoc Board meeting held in 2018.

Before each Board meeting, the Chairman oversees the setting of the agenda of Board meetings, in consultation with the CEO, to ensure that there is sufficient information and time to address all agenda items. The agenda also allows for flexibility when needed. Directors are provided with complete information related to agenda items in a timely manner. All materials for Board and Board committee meetings are uploaded onto a secure portal which can be accessed on tablet devices provided to the Directors.

During every quarterly Board meeting:

- the Chairperson of each Board committee provides an update on significant matters discussed at the Board committee meetings which are typically scheduled before the quarterly Board meeting;
- the CFO presents the financial performance for that quarter and significant financial highlights;
- the CEO gives an update on certain aspects of the Group's business and operations and/ or a macro perspective on industry trends and developments; and
- the Board holds a private session for Directors.

In addition to the quarterly Board meetings, a Board meeting is typically scheduled in December each year where the CEO gives the Board an update on DBS' performance against the balanced scorecard for that financial year. In addition, the CEO and CFO will present the Group Budget and balanced scorecard for the next financial year to the Board for approval.

The Chairman promotes open and frank debates by all Directors at every Board meeting. If there is a conflict of interest, the Director in question will recuse himself or herself from the discussions and abstain from participating in any Board decision. When exigencies prevent a Director from attending a Board or Board committee meeting in person, that Director can participate by telephone or video-conference.

Directors have the discretion to engage external advisers. External professionals or in-house subject matter experts may also be invited to present key topics to the Board as well as updates on corporate governance, risk management, capital, tax, accounting, listing and other regulations, which may have an impact on DBS' affairs.

Directors have independent access to the Group Secretary. The Group Secretary attends all Board meetings and minutes are prepared to record key deliberations and decisions taken during the meetings. The Group Secretary facilitates communication between the Board, its committees and management, and generally assists Directors in the discharge of their duties. The Group Secretary helps with the induction of new Directors. The appointment and removal of the Group Secretary require the approval of the Board.

Frequent and effective engagement with the Board

Directors have ongoing interactions across various levels, functions and countries within DBS. In addition, some Directors also sit on the boards of our overseas subsidiaries; this arrangement gives the Board access to first hand insight on the activities of these subsidiaries. The CFO provides the Board with detailed financial performance reports monthly.

Throughout the year, the Directors have various opportunities to interact with members of the Group Management Committee (GMC) (for instance, at quarterly Board hosted dinners and during the annual board strategy offsite).

Annual Board strategy offsite

Each year, the Board and our senior executives attend a four-day strategy offsite held in one of our markets, which allows them to:

- focus on DBS' long-term strategy apart from the regular agenda at the quarterly Board meetings;
- engage in dynamic and in-depth strategic discussion to promote deeper understanding of our business environment and our operations, and refine our strategy; and
- engage with our stakeholders in the host country (such as regulators, media, customers including CEOs and CFOs of our corporate clients and staff in the local franchise).

All our Directors attended the 2018 Board strategy offsite (held during the first week of October), where they had in-depth discussions with senior executives on the strategies for our (i) China and India businesses; (ii) our digital transformation journey in certain overseas markets; (iii) ecosystems partnership agenda; and (iv) our journey towards a culture of being a data-driven organisation.

Delegation by the Board to the Board committees

The Board has delegated authority to various Board committees to enable them to oversee certain specific responsibilities based

Matters discussed by the Board and Board Committees in 2018

Note: Further details of the activities of the Board and Board committees in 2018 can be found on pages 45 to 52.

on their terms of reference. The terms of reference of each Board committee set out the responsibilities of the Board committee, conduct of meetings including quorum, voting requirements and qualifications for Board committee membership. All our Board committees comprise Non-Executive Directors only. Any change to the terms of reference for any Board committee requires Board approval. The minutes of Board Committee meetings, which records the key deliberations and decisions taken during these meetings, are circulated to all Board members for their information.

Nominating Committee (NC)

Key responsibilities of the NC

- Regularly reviews the composition of the Board and Board committees, and independence of Directors;
- Identifies, reviews and recommends Board appointments for approval by the Board, taking into account the experience, expertise, knowledge, age and skills of the candidate and the needs of the Board;
- Conducts an annual evaluation of the performance of the Board, the Board committees and the Directors;
- Implements the Board Diversity Policy and reviews its effectiveness;
- Exercises oversight of the induction programme and continuous development programme for Directors, and ensures that first-time directors with no prior experience as a director of a listed company in Singapore undergo relevant training;
- Reviews and recommends to the Board the re-appointment of each Director having regard to his/ her performance, commitment and ability to contribute to the Board as well as his/ her age and skillset;
- Assesses annually whether each Director has sufficient time to discharge his/ her responsibilities; and
- Reviews the Board's succession plans for Directors.

Highlights of NC's activities in 2018

Board renewal process

Please refer to the Board Highlights - 2018 section on page 42.

Selection criteria and nomination process for Directors

Before a new Director is appointed, suitable candidates are identified from various sources including an external search firm. The NC looks for candidates who meet regulatory requirements and possess the qualities

Board committee members	Composition requirements	Other key requirements
Nominating Committee (NC) • Mr Ho Tian Yee *(Chairperson and lead independent director)* • Mr Peter Seah • Dr Bonghan Cho • Mr Danny Teoh • Mrs Ow Foong Pheng	In accordance with the requirements of the Banking CG Regulations, a majority (three out of five members of the NC including the NC Chairperson) are Non-Executive and Independent Directors (INED). The lead independent director is a member of the NC.	All NC members are required to be re-appointed by the Board annually. Under the Banking CG Regulations, every NC member shall hold office until the next annual general meeting following that member's appointment, and shall be eligible for re-appointment. The appointment and re-appointment of NC members require the prior approval of MAS.
Board Executive Committee (EXCO) • Mr Peter Seah *(Chairperson)* • Mr Ho Tian Yee • Mr Olivier Lim	In accordance with the requirements of the Banking CG Regulations, a majority (two out of three members of the EXCO including the EXCO Chairperson) are INEDs.	
Audit Committee (AC) • Mr Danny Teoh *(Chairperson)* • Mr Peter Seah • Dr Bonghan Cho • Mrs Ow Foong Pheng • Mr Andre Sekulic • Mr Tham Sai Choy	In accordance with the requirements of the Banking CG Regulations, a majority (four out of the six members of the AC including the AC Chairperson) are INEDs.	Mr Teoh possesses an accounting qualification and was formerly the managing partner of KPMG, Singapore. All members of the AC are Non-Executive Directors, and have recent and relevant accounting or related financial management expertise or experience.
Board Risk Management Committee (BRMC) • Ms Euleen Goh *(Chairperson)* • Mr Peter Seah • Mr Ho Tian Yee • Mr Nihal Kaviratne • Mr Olivier Lim • Mr Danny Teoh • Mr Tham Sai Choy	All BRMC members are non-executive Directors, which exceeds the requirements of the Banking CG Regulations.	All BRMC members are appropriately qualified to discharge their responsibilities, and have the relevant technical financial expertise in risk disciplines or businesses.
Compensation and Management Development Committee (CMDC) • Mr Andre Sekulic *(Chairperson)* • Mr Peter Seah • Ms Euleen Goh • Mr Olivier Lim • Mr Nihal Kaviratne	In accordance with the requirements of the Banking CG Regulations, a majority (three out of the five members of the CMDC including the CMDC Chairperson) are INEDs.	The CMDC has direct access to senior management and works closely with the BRMC and the AC when performing its role. Ms Euleen Goh, Mr Olivier Lim, Mr Peter Seah and Mr Nihal Kaviratne are also members of the BRMC while Mr Peter Seah and Mr Andre Sekulic are members of the AC. As a result of their membership in other Board committees, the members of the CMDC are able to make strategic remuneration decisions in an informed and holistic manner.

required of a DBS Director. A skills matrix is used to assess if the skills and experience of a candidate complement those of the existing Board members. The NC also considers (i) whether a candidate would fit in with our Board culture and chemistry; (ii) the independence status of the candidate; and (iii) whether the candidate would be able to commit sufficient time to fulfil the duties of a Director.

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

Induction and Training for new Directors

The NC oversees the onboarding of new Directors. All new Directors go through our induction programme, which covers the duties and obligations of a Director and the responsibilities of and work carried out by the Board committees. We provide a Director's pack, which acts as an aide memoire for the information covered by the induction programme. We have briefing sessions for Directors given by members of senior management on the various businesses of DBS and its supporting functions. The NC is also responsible for ensuring that new Directors with no prior experience as a director of a listed company undergo training in the roles and responsibilities of a director of a listed company in Singapore.

In 2018, the two new Directors (Dr Bonghan Cho and Mr Tham Sai Choy) attended our four-day induction programme around the time they were appointed as Directors. As part of the induction programme, they had one-on-one meetings with members of the Group Management Committee.

In addition, as this is Dr Cho's first listed company directorship, he attended training sessions conducted by the Singapore Institute of Directors (SID) on the roles and responsibilities of a listed company director.

Although this is Mr Tham's first listed company directorship, the NC reviewed his working experience and current directorships (which includes the SID and Accounting and Corporate Regulatory Authority), and assessed that it is not necessary for him to undergo further training on the roles and responsibilities of a director of a listed company in Singapore. Mr Tham sits on the executive committee of SID that oversees the development of the director training syllabus offered by SID and is called upon to provide the training from time to time. In addition, he is a member of the Corporate Governance Council that recommended amendments to the Code of Corporate Governance and SGX Listing Manual in 2018, and also participated in the development of the Guidebook for Audit Committees in Singapore in 2008 and the Board Risk Committee Guide published by SID in 2017.

Continuous development programme for all Directors

The NC monitors the frequency and quality of the Board training sessions, which are conducted either by external professionals or management. The NC selects topics which are relevant to the Group's activities. Board members also contribute by highlighting areas of interests and possible topics.

In 2018, there were training sessions on (i) Blockchain and crypto currency; (ii) Pillar 3 Disclosures; (iii) Expected Credit Loss; (iv) Valuation reserves; and (v) Changes to the Code of Corporate Governance.

Board performance and evaluation

The NC makes an assessment at least once a year to determine whether the Board and Board committees are performing effectively and identify steps for improvement. We believe that it is important to obtain an independent perspective on the Board's performance once every three to four years, and to gain insights on the Board's performance against peer boards and best practices. An external evaluator was last engaged to conduct the Board performance evaluation for the financial year ended 2014.

In 2018, the NC engaged Egon Zehnder (EZ), an independent external evaluator, to conduct the Board evaluation for 2018. EZ is not connected with DBS or any of the Directors.

At the start of the Board evaluation process, the NC reviewed the scope of the assessment and considered key areas to focus on. For more effective tracking of results, the Board evaluation questionnaire used by EZ is substantially the same format as that used for the past few years. The Board evaluation questionnaire was circulated to the Directors and the completed questionnaires were returned to EZ. Thereafter, EZ conducted one-on-one interviews with each Director to get more in-depth feedback and perspectives on the performance of the Board. EZ also interviewed four members of the Group Executive Committee to find out what they see as the value of the Board, and how else the Board can add value to DBS.

EZ presented the results of the Board evaluation to the Board Chairman and NC Chairman. EZ was also invited to present the results of the Board evaluation at a private session for Directors during the Board meeting held in February 2019. All Board members were present at the session and deliberated on the key findings. The outcomes and key action steps taken to enhance the effectiveness of the Board and the Board committees were documented.

Annual review of Directors' independence

The NC reviews and determines annually whether each Director is independent in accordance with the stringent standards required of financial institutions prescribed under the Banking CG Regulations. Under the Banking CG Regulations, an "independent director" is defined to mean a Director who is:

- independent from any management and business relationship with DBS;
- independent from any substantial shareholder of DBS; and
- has not served on the board of DBS for a continuous period of 9 years or longer.

The NC assessed and concluded that (i) all Directors are considered to be independent from business relationships with DBS; (ii) with the exception of Mr Piyush Gupta, all Directors are considered to be independent from management relationships with DBS; (iii) with the exception of Mrs Ow Foong Pheng, all Directors are considered to be independent from DBSH's substantial shareholder, Temasek Holdings (Private) Limited (Temasek). Mrs Ow, who is the Permanent Secretary for the Ministry of National Development, Singapore, is considered not independent of Temasek as the Singapore government is its ultimate owner; and (iv) Mr Peter Seah and Ms Euleen Goh are non-independent directors as they have served on the Board for more than 9 years.

Based on the NC's assessment, the Independent Directors are Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Olivier Lim, Mr Andre Sekulic, Mr Danny Teoh, Dr Bonghan Cho and Mr Tham Sai Choy.

Although Ms Goh, Mr Ho, Mr Kaviratne, Mr Lim, Mr Seah and Mr Teoh are on the boards of companies that have a banking relationship with DBS, and are also directors of companies in which Temasek has investments (Temasek portfolio companies), the NC considers these Directors (i) independent of business relationships as the revenues arising from such relationships are not material; and (ii) independent of Temasek as their appointments on the boards of Temasek portfolio companies are non-executive in nature and they are not involved in the day-to-day conduct of the businesses of the Temasek portfolio companies. In addition, none of these Directors sit on any of the boards of the Temasek portfolio companies as a representative of Temasek and they do not take instructions from Temasek in acting as Directors.

Directors' tenure

The NC believes that it is in the interest of DBS for the Board to comprise of Directors with longer tenures who have a deep understanding of the banking industry, as well as Directors with shorter tenures who can bring fresh ideas and perspectives.

Under the Banking CG Regulations, Directors may be appointed or re-appointed for a term not exceeding three years each. When a Director is first appointed to the Board, he/ she is appointed for an initial three-year term which will expire at the third AGM after he/ she is appointed. Prior to the end of the initial three-year term and subject to that Director being re-elected by shareholders at any earlier AGM where he/ she is required to retire and stand for re-election, the NC will review and recommend to the Board whether to re-appoint that Director for an additional three-year term. After a Director has completed his/ her third three-year term, the NC reviews annually whether it would be in the interest of DBS for that Director to continue serving on the Board. If so, the NC will recommend the re-appointment of that Director for additional one-year term(s).

There is also a separate requirement under the Constitution of DBSH where one-third of Directors who are longest-serving are required to retire from office and, if eligible, stand for re-election every year at the AGM. Based on this rotation process, each Director is required to submit himself or herself for re-election by shareholders at least once every three years. In addition, new Directors (who are appointed in between AGMs) are required under the DBSH Constitution to stand for re-election at the first AGM after their appointment. The NC reviews and recommends to the Board the rotation and re-election of Directors at the AGM.

Prior to each AGM, Group Secretariat informs the NC which Directors are required to retire at that AGM, and which Directors are due to be re-appointed for an additional term. The NC will then review the composition of the Board and decide whether to recommend to the Board the re-election and/ or re-appointment (as the case may be) of these Directors, after taking into account factors such as their attendance, participation, contribution, expertise and competing time commitments.

At the 2019 AGM, Ms Euleen Goh, Mr Danny Teoh and Mr Nihal Kaviratne will be retiring by rotation, while Dr Bonghan Cho and Mr Tham Sai Choy are required to stand for re-election as this is the first AGM after their appointment. At the recommendation of the NC and as approved by the Board, they will be seeking re-election as Directors at the 2019 AGM.

In addition, the current terms of appointment of Ms Goh and Mr Teoh will be expiring at the 2019 AGM. The NC invited Ms Goh and Mr Teoh to stand for re-election at the 2019 AGM, and recommended that they be re-appointed for another one-year term until the 2020 AGM. The NC agreed that it is in DBS' interest for Ms Goh to continue serving as the Chairperson of BRMC due to her extensive knowledge and experience in the risk environment for banks. In view of the increasingly complex and challenging risk landscape, the NC members believed that more time is required for the smooth transition of the chairmanship of BRMC. The NC also recommended the re-appointment of Mr Teoh for an additional one-year term to allow more time for the smooth transition of the chairmanship of the AC to Mr Tham.

As Mr Peter Seah and Mr Piyush Gupta have also served on the Board for more than nine years, the NC recommended that they be re-appointed as Directors for another one-year term for the following reasons:

(i) it is important for Mr Seah to continue serving as the Board Chairman to provide leadership and continuity. The next few years will be critical for us as we execute on our digital transformation and growth strategies across the region. Mr Seah is a veteran banker who has been instrumental in the growth and transformation of DBS. Under his chairmanship over the past nine years, DBS has grown to be a leading financial services group in Asia which is recognised for its global leadership and strong corporate governance practices; and
(ii) as Group CEO, Mr Gupta should remain as a Director to provide the Board with insights into the business.

The Board approved the re-appointment of Mr Seah, Ms Goh, Mr Teoh and Mr Gupta for an additional one-year term until the 2020 AGM.

Directors' time commitment

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

Board diversity

We recognise that diversity is not merely limited to gender or any other personal attributes. We adopted a Board Diversity Policy which recognises the importance of having an effective and diverse Board, and states that the NC is responsible for setting the relevant objectives to promote and achieve diversity on the Board. In discharging its duties, the NC shall give due regard to the benefits of all aspects of diversity and strive to ensure that the Board is appropriately balanced to support the long-term success of DBS. The main objective of the Board Diversity Policy is to continue to maintain the appropriate balance of perspectives, skills and experience on the Board to support the long-term success of DBS. The Board Diversity Policy also requires female representation.

In October 2018, the NC assessed the effectiveness of the Board Diversity Policy. Since the Board Diversity Policy was adopted, we have appointed three new Directors (namely, Mr Olivier Lim, Dr Bonghan Cho and Mr Tham Sai Choy). Each new Director has different skillset, perspectives and experience necessary to ensure the progressive renewal of the Board which will, in turn, support the long-term interests of DBS. We also have two female Directors on the Board. Therefore, the NC was satisfied that the objectives of the Board Diversity Policy continue to be met.

Board Executive Committee (EXCO)

Key responsibilities of the EXCO

- Approves large exposures in excess of management authority limits;
- Reviews and provides recommendations on matters that will require Board approval, including acquisitions and divestments exceeding certain material limits;
- Reviews weak credit cases on a quarterly basis; and
- Approves certain matters specifically delegated by the Board such as acquisitions and divestments up to a certain material limit, credit transactions, investments, capital expenditure and expenses that exceed the limits that can be authorised by the CEO.

Highlights of EXCO's activities in 2018

The EXCO assists the Board to enhance the business strategies and strengthen core competencies of DBS. The EXCO meets frequently (11 meetings in 2018) and is able to offer greater responsiveness in the decision-making process of DBS. In addition to its quarterly review of weak credit cases, the EXCO reviewed matters related to capital planning (including reviewing the Group's dividend policy following the finalisation of the Basel capital reforms) and credit transactions (such as the renewal of our Singapore and Hong Kong credit programmes for SMEs). The EXCO also reviewed acquisition and investment opportunities.

Audit Committee (AC)

Key responsibilities of the AC

Financial reporting

- Monitors the financial reporting process, significant financial reporting issues and judgements to ensure the integrity of the Group's consolidated financial statements; and
- Reviews the Group's consolidated financial statements, and any announcements relating to the Group's financial performance prior to submission to the Board.

Internal controls

- Reviews the adequacy and effectiveness of internal controls, such as financial, operational, compliance and information technology controls, as well as accounting policies and systems;
- Reviews quarterly reports from Group Legal and Compliance, and monitors key risks concerning legal and compliance matters and Financial Crime and Security Services (FCSS) initiatives and developments;
- Reviews the arrangements by which DBS staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensures that arrangements are also in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken; and
- Reviews quarterly reports from the Fair Dealing and Conduct Committee on key matters reported to or discussed by this committee for the preceding quarter.

Internal audit

- Reviews the independence, adequacy and effectiveness of the Group's internal audit function (Group Audit) and processes, as well as ensures that Group Audit is adequately resourced and set up to carry out its functions;
- Reviews Group Audit's audit plans and the scope and results of audits; and
- Approves the hiring, removal, resignation, evaluation and compensation of Head of Group Audit.

External auditor

- Determines the criteria for selecting, monitoring and assessing the external auditor, and makes recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- Approves the remuneration and terms of engagement of the external auditor;
- Reviews the scope and results of the external audits and the independence and objectivity of the external auditor;
- Ensures that the external auditor promptly communicates to the AC, any information regarding internal control weaknesses or deficiencies, and that significant findings and observations regarding weaknesses are promptly rectified; and
- Reviews the assistance given by management to the external auditor.

Related party transactions

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

Highlights of AC's activities in 2018

Oversight of financial reporting and internal controls

The AC reviewed quarterly consolidated financial statements and made recommendations to the Board for approval. The CEO and CFO provided the AC with a letter of representation attesting to the integrity of the quarterly financial statements. The AC reviewed the Group's audited consolidated financial statements and discussed with management and the external auditor the significant matters which involved management judgement. The AC also reviewed significant accounting matters, which included the review of the implementation of new accounting standards.

Please refer to the table below for further information on these significant matters. These matters are also discussed in the independent auditor's report on pages 190 to 192.

The AC is of the view that the Group's consolidated financial statements for 2018 are fairly presented in conformity with the relevant Singapore Financial Reporting Standards (International) (SFRS(I)) in all material aspects. The Board has been notified that the Group's external auditor, PricewaterhouseCoopers LLP (PwC), has read and considered the other information (i.e. other than the financial statements and auditor's report thereon) in the annual report, whether financial or non-financial, in accordance with the Singapore Standard of Auditing 720. For the financial year ended 31 December 2018: (i) no material inconsistencies between the other information, the financial statements and PwC's knowledge obtained in the audit; and (ii) no material misstatements of the other information, have been reported.

The AC members were kept updated on changes to accounting standards and issues related to financial reporting through quarterly meetings with Group Finance, Group Audit, and internal audit bulletins. The AC has the authority to investigate any matter within its terms of reference, and has full access to and cooperation by management.

The AC reviewed quarterly reports from Group Legal and Compliance, as well as the Fair Dealing and Conduct Committee. Key risks concerning legal or compliance matters, and actions taken (including policy and training), were tabled to the AC, which updated the Board as necessary. As part of the quarterly reports from Group Legal and Compliance, the AC received in-depth updates on various Financial Crime and Security Services initiatives and developments. For example, in 2018, the quarterly Compliance reports to the AC included updates on the work done to build a sustainable model for transaction surveillance and the approach to the Financial Crime transformation program. As part of the quarterly reports from the Fair Dealing and Conduct Committee, the AC received updates on the delivery of fair dealing outcomes, conduct and culture metrics (including whistle-blowing incidents) as well as initiatives that serve to influence conduct and culture standards across the Group.

Oversight of Group Audit

The AC has direct oversight of Group Audit and receives quarterly reports from Group Audit. Please refer to pages 53 and 54 for details on Group Audit's key responsibilities and processes.

The AC assessed the adequacy, effectiveness and independence of Group Audit, and is of the view that Group Audit is independent, effective and adequately resourced. Group Audit understands the risks that the Group faces and has aligned its work to review these risks.

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

Reviewing performance, objectivity and independence of the external auditor

The AC has unfettered access to the external auditor. Separate sessions were held at each AC meeting in 2018 for the AC to meet with the external auditor without the presence of management to discuss matters that might have to be raised privately.

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

The total fees due to PwC, for the financial year ended 31 December 2018 and the breakdown of the fees for audit and non-audit services are set out in the table below. The AC reviewed the non-audit services provided by the external auditor during the financial year and the associated fees. The AC is satisfied that the independence and objectivity of the external auditor has not been impaired by the provision of those services.

Fees relating to PwC services for 2018	SGD (million)
For audit and audit-related services	9.1
For non-audit services	2.1
Total	**11.2**

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

- the performance of the external auditor against industry and regulatory standards;
- the scope of the audit plan and areas of audit focus as agreed with the external auditor;

AC commentary on key audit matters

Significant matters	How the AC reviewed these matters
Allowances for loans and advances	The AC reviewed the significant non-performing credit exposures periodically and considered management's judgments, assumptions and methodologies used in the determination of the level of specific allowances required. The AC noted that major weak credits would have been reviewed by the EXCO as part of a quarterly process. The AC was also apprised of PwC's credit review sampling across performing loans, watch-list and non-performing portfolios to assess appropriateness of ratings and adequacy of specific allowances.
SFRS(I) 9 Financial Instruments	The AC reviewed the governance arrangements as well as the key drivers of the quarterly movements in Expected Credit Loss (ECL), including changes in portfolio asset quality, adjustments made to reflect prevailing economic conditions, thematic overlays and model refinements. The AC was also apprised of PwC's observations from their audit of the ECL methodology, processes and controls, as well as the regulatory allowance that has been set aside as part of the revised MAS Notice 612 and the overall portfolio allowance coverage.
Goodwill impairment assessment	The AC reviewed the methodology and key assumptions, including the macroeconomic outlook and other key drivers of cash flow projections, used in the determination of the value-in-use of cash generating units. It assessed the sensitivities of the forecasts to possible changes in the valuation parameters. The AC was also apprised of PwC's view and analysis on management's annual goodwill impairment assessment, including the assumptions underpinning management's value-in-use calculations.
Valuation matters	The AC reviewed the fair value hierarchy of financial instruments held at fair value and the quarterly movements in valuation reserves. It considered the appropriateness of the Group's valuation methodology in light of industry developments. The AC was also apprised of PwC's work in this area, including their review of key controls over valuation and the adequacy of valuation reserves, as well as independent rate sourcing and revaluation.

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

Based on these considerations, the AC has recommended, and the Board has endorsed, the re-appointment of PwC for shareholders' approval at the 2019 AGM. The Group has complied with Rule 712 and Rule 715 of the SGX Listing Manual in relation to its external auditor.

In response to MAS' requirement for banks headquartered in Singapore to undertake a mandatory re-tender for their external auditors (MAS Notice 615), the AC will be conducting a re-tender exercise in 2019. The selected external auditor will be responsible for the audit of the Group from financial year 2021.

Board Risk Management Committee (BRMC)

Key responsibilities of the BRMC

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

Highlights of BRMC's activities in 2018

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

In 2018, the BRMC discussed the findings and the impact arising from scenario analyses and portfolio reviews conducted on certain countries and specific sectors, including:

- the global economic growth outlook and the effect of geopolitical tensions (such as US-China trade war);
- China macro-prudential stance and deleveraging;
- continued US interest rate hikes and their effect on US Dollar strengthening and emerging markets currency rout;
- rising oil prices impact on the aviation and shipping sectors; and
- Singapore residential property cooling measures on our Small and Medium Enterprise (SME) developers and contractors portfolios.

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

The BRMC also reviewed management's assessment of the impact of US-imposed tariffs on our China portfolio and supply-chain borrowers. It was kept informed of the utilisation of market risk limits (for both banking and trading books), the liquidity risk profile and limit utilisation (in all major currencies and legal entities), and the key operational risk profiles of the Group. The BRMC was also advised on the continued focus on financial crime and cyber security environment and efforts made to address these risks. The BRMC also approved and monitored the performance of various risk models. The BRMC received regular updates on risk appetite and economic capital utilisation. The BRMC was apprised of regulatory feedback and developments, such as approaches for risk models and capital computation, and Basel requirements. In addition, the BRMC was updated on the action plans following the internal group-wide risk culture survey conducted in 2017.

Please refer to the section on 'Risk Management' in this Annual Report for more information on the BRMC's activities.

Compensation and Management Development Committee (CMDC)

Key responsibilities of the CMDC

- Exercises supervisory oversight of the overall principles, parameters and governance of DBS' remuneration policy and ensures the alignment of compensation with prudent risk taking to build a long-term sustainable business;
- Oversees the remuneration of senior executives and directors, including recommending to the Board the remuneration of executive directors; and
- Exercises oversight on management development and succession planning of the Group and ensures that robust plans are in place to deepen core competencies and bench strength as well as strengthen leadership capabilities and talent pipeline for the continued success of the Group.

Highlights of CMDC's activities in 2018

Group remuneration policy and annual variable pay pool

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

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

In 2018, the CMDC's terms of reference were updated to expressly state that the CMDC should consider conduct-related matters when reviewing and approving the annual variable compensation pool. This reflects the Board's focus on linking conduct with compensation.

DBS has a robust disciplinary framework linked to individual compensation. The CMDC was apprised of the impact of disciplinary actions on individuals' compensation when approving the annual variable compensation pool and noted that there was a reduction in the number of disciplinary cases in 2018. The CMDC was also updated that the Group's risk management and internal control systems are adequate and effective, and that the 2018 Risk & Culture score from the Aon Hewitt My Voice survey remains stable.

Talent Review and Succession Planning

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

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

As part of the succession planning reviews for GMC members and taking into account the retirement plans of Mr Elbert Pattijn (previously the CRO), Mr Jerry Chen (previously head of DBS Taiwan) and Ms Jeanette Wong (previously Group Head of Institutional Banking), the CMDC deliberated and agreed on the following senior-level organisational appointments which were effected, or were announced, in the course of 2018:

- Mr Tan Teck Long (previously head of the Institutional Banking Group's large and mid-cap businesses, as well as its Chief Operating Officer) succeeded Mr Pattijn as the CRO with effect from 1 July 2018.
- Mr Lim Him Chuan (previously Group Head of Product Management for the Global Transaction Service) succeeded Mr Chen as the head of DBS Taiwan with effect from 1 June 2018.
- Ms Tan Su Shan (previously Group Head of Consumer Banking and Wealth Management) succeeded Ms Wong as the Group Head of Institutional Banking with effect from 1 February 2019.
- Mr Sim S Lim (previously Singapore country head) succeeded Ms Tan Su Shan as Group Head of Consumer Banking and Wealth Management with effect from 1 January 2019.
- Mr Shee Tse Koon (previously head of strategy and planning) succeeded Mr Sim S Lim as Singapore country head with effect from 1 December 2018.

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

In 2018, DBS achieved a talent mobility of 44%, well above our target of 30%. Talent mobility measures the percentage of talents who have taken on an enhanced or changed role in the last twelve months. Talent Attrition was healthy at 8%, within our target of less than 10%.

Annual directors' fee structure for 2018

Basic annual retainer fees	SGD
Board	100,000
Lead Independent Director	75,000
Additional Chairman fees for:	
Board	1,450,000
Audit Committee	90,000
Board Risk Management Committee	90,000
Compensation and Management Development Committee	65,000
Executive Committee	75,000
Nominating Committee	45,000
Additional committee member fees for: *(Note: Board committee chairpersons do not get these fees)*	
Audit Committee	60,000
Board Risk Management Committee	60,000
Compensation and Management Development Committee	35,000
Executive Committee	60,000
Nominating Committee	30,000

Remuneration of Non-Executive Directors

Please refer to pages 44 to 45 for details of remuneration of each Non-Executive Director (including the Chairman) for 2018.

The CMDC reviews and recommends a framework to the Board for determining the remuneration of all Non-Executive Directors. The remuneration of Non-Executive Directors, including the Chairman, has been benchmarked against global and local financial institutions. Unless otherwise determined by the Board, Non-Executive Directors receive 70% of their fees in cash and the remaining 30% in share awards. The share awards are not subject to a vesting period, but are subject to a selling moratorium whereby each Non-Executive Director is required to hold the equivalent of one year's basic retainer fees for his or her tenure as a Director and for one year after the date he or she steps down. The fair value of share grants to the Non-Executive Directors are based on the volume-weighted average price of the ordinary shares of DBSH over the 10 trading days immediately prior to (and excluding) the date of the AGM. The actual number of ordinary shares to be awarded are rounded down to the nearest share, and any residual balance is paid in cash. Other than these share awards, the Non-Executive Directors do not receive any other share incentives or securities pursuant to any of DBSH's share plans.

The CMDC conducted a comprehensive review of the annual fee structure for the Non-Executive Directors for 2018 (NED Fee Structure). The CMDC noted that other than an increase in the Chairman's annual retainer fee in 2013, no changes have been made to the NED Fee Structure since 2010. The CMDC benchmarked the NED Fee Structure against the directors' fee structure for local and foreign banks, and recommended increases to the annual retainer fees for the chairpersons and members of the Board and certain Board committees to reflect the increasing complexity of the issues that the Non-Executive Directors deal with and the amount of time needed to attend to Board and Board committee matters. It also introduced a fee for the lead independent director. No changes were recommended to the fees for the EXCO chairperson, and the CMDC chairperson and members, as the CMDC believed that their current fees are appropriate and comparable to the market.

The Board agreed with the CMDC's recommendations and approved the adoption of the NED Fee Structure in the table above. Shareholders are entitled to vote on the remuneration of Non-Executive Directors at the 2019 AGM.

In 2018, there was one employee of DBS Bank, Ms Lesley Teoh, who is an immediate family member (daughter) of a Director, Mr Danny Teoh. Ms Lesley Teoh's remuneration for 2018 falls within the band of SGD 100,000 to 150,000. Mr Teoh is not involved in the determination of his family member's remuneration. Apart from Ms Lesley Teoh, none of the Group's employees was an immediate family member of a Director in 2018.

Effective controls

Group Approving Authority

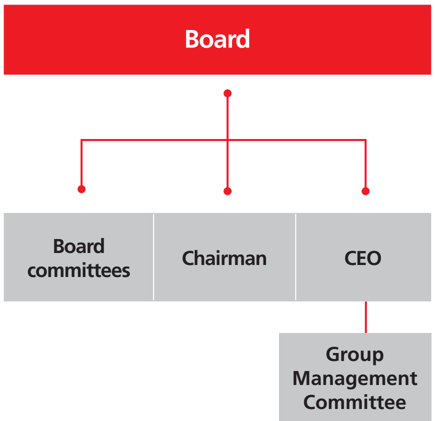
The Group Approving Authority (GAA) is an integral part of our corporate governance framework.

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

- group's annual and interim financial statements
- acquisitions and divestments exceeding certain material limits
- group's annual budget
- capital expenditures and expenses exceeding certain material limits
- capital-related matters including capital adequacy objectives, capital structure, capital issuance and redemption
- dividend policy
- risk strategy and risk appetite

The GAA ensures that appropriate controls and decision-making are consistently applied throughout DBS. Under the GAA, the Board has delegated to the CEO the responsibility to ensure that the Group's businesses and operations are operated in accordance with Board-approved strategies and standards, which include responsibilities for the internal control framework within DBS. On matters where authority has been delegated to him, the CEO may further delegate certain responsibilities and authorities to the members of the Group Management Committee and may empower them to, in turn, delegate their responsibilities and authorities to other executives and committees of the Group.

Scope of delegation of authority in the GAA



The GAA covers internal authority only and does not override any specific provisions arising from statutory, regulatory, exchange listing requirements, or the DBSH Constitution. The GAA is regularly reviewed and updated to accommodate changes in the scope and activities of DBS' business and operations. The Board approves the GAA and any change to it.

Internal controls framework

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

First line of defence

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

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

Second line of defence

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

Third line of defence

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

Group Audit

Key responsibilities and processes

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

Group Audit's responsibilities include:

- evaluating the reliability, adequacy and effectiveness of the Group's risk management and internal controls systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets;
- providing an objective and independent assessment of the Group's credit portfolio quality, the execution of approved credit portfolio strategies and control standards relating to credit management processes;

Board, CEO and Senior Management	Provides oversight of the three lines of defence		
	First line of defence	**Second line of defence**	**Third line of defence**
Responsibility	Strategy, business planning and risk ownership	Development of risk management policies, systems and processes; objective review and challenge	Independent assurance
Function	Business units and supporting units	Risk management, compliance and control functions	Internal audit
Key activities	Identification and effective management/ mitigation of risk	Independent risk oversight, monitoring and reporting	Independent assurance on adequacy and effectiveness of processes and controls

- reviewing whether DBS complies with laws and regulations and adheres to established policies; and
- reviewing whether management is taking appropriate steps to address control deficiencies.

Group Audit adheres to the DBS Code of Conduct and is guided by the Mission Statement in the Audit Charter. It adopted the Code of Ethics and aligned its practices with the International Professional Practices Framework established by the Institute of Internal Auditors (IIA). In addition, it has embedded IIA's 10 Core Principles for the Professional Practice of Internal Auditing into its activities.

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

Group Audit adopts a risk-based approach in its auditing activities. An annual audit plan is developed using a structured risk and control assessment framework through which the inherent risk and control effectiveness of each auditable entity in the Group is assessed.

The assessment also covers risks arising from new lines of business, new products and emerging risks from DBS' operating environment. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas and as required by regulators.

Audit reports containing identified issues and corrective action plans are reported to the AC and senior management. Progress of the corrective action plans is monitored, and past due action plans are included in regular reports to the senior management and the AC. In all routine audits, Group Audit evaluates the control environment and management's control awareness which incorporates risk culture as guided by the Financial Stability Board's Guidance on Sound Risk Culture.

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

Quality assurance and key developments

With effect from 1 January 2018, Mr Derrick Goh took over from Mr Jimmy Ng as the Head of Group Audit as part of the talent development plans for senior leaders within DBS.

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

In 2018, KPMG was appointed to perform the external QAR. KPMG rated Group Audit as adequate and effective and Generally Conforms[1] to all the international standards promulgated by the Institute of Internal Auditors (including standard no. 1100 on independence and objectivity). In addition, KPMG's report indicated their strong endorsement of Group Audit's leading practices in Agile, Data Analytics and technology advancement.

Group Audit leveraged on the use of data, technology and automation to provide greater insights and to enhance DBS' audit assurance. Since 2017, Group Audit has operationalised its Future of Auditing roadmap with the use of digital tools, rule-based and predictive analytics, coupled with the continuous monitoring approach to perform risk assessments and controls testing and provide better risk management insights.

Dealings in securities

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

In addition, GMC members are only allowed to trade in DBS' securities within specific window periods (15 market days immediately following the expiry of each black-out period) subject to pre-clearance. GMC members are also required to obtain pre-approval from the CEO before any sale of DBS' securities. Similarly, the CEO is required to seek pre-approval from the Chairman before any sale of DBS' securities. As part of our commitment to good governance and the principles of share ownership by senior management, the CEO is expected to build up and hold at least the equivalent of three times his annual base salary as shareholding over time.

DBS has put in place a personal investment policy which prohibits employees with access to price-sensitive information in the course of their duties from trading in securities in which they possess such price-sensitive information. Such employees are also required to seek pre-clearance before making any personal trades in securities, and may only trade through the Group's stockbroking subsidiaries and bank channels for securities listed in Singapore and Hong Kong. The personal investment policy discourages employees from engaging in short-term speculative trading.

Name of interested person	Aggregate contract value of all interested person transactions in 2018 (excluding transactions less than SGD 100,000)
Ascendas-Singbridge Pte Ltd Group	16,043,836
CapitaLand Limited Group	8,751,066
Certis CISCO Security Pte Ltd Group	4,686,875
Mapletree Investments Pte Ltd Group	3,625,574
Mediacorp Pte Ltd Group	1,020,001
SATS Ltd Group	8,428,394
Singapore Airlines Limited Group	127,625,516
Singapore Technologies Engineering Ltd Group	651,570
Singapore Telecommunications Limited Group	68,451,180
StarHub Ltd Group	2,940,971
Surbana Jurong Private Limited Group	8,525,247
Total Interested Person Transactions (SGD)	250,750,230

(1) Definition of Generally Conforms: Internal Audit activity has a charter, policies and processes that are judged to be in accordance with the IIA Standards.

Related Party Transactions

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

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

As required under the SGX Listing Rules, the details of interested person transactions in 2018 are set out in the table on page 54. These interested person transactions are for the purpose of carrying out day-to-day operations such as leasing of premises, telecommunication/ data services, IT systems and related services, redemption of KrisFlyer miles by DBS/ POSB credit card holders, logistics, as well as security services.

Material contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of DBS has been entered into by DBS or any of its subsidiary companies, and no such contract subsisted as at 31 December 2018, save as disclosed via SGXNET.

Assessing the effectiveness of internal controls

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

Board's commentary on adequacy and effectiveness of internal controls

The Board has received assurance from the CEO and CFO that, as at 31 December 2018, the Group's financial records have been properly maintained, and the financial statements give a true and fair view of DBS Group's operations and finances.

The Board has also received assurance from the CEO and CFO (who, in turn, received assurance from the members of the Group Management Committee) that, as at 31 December 2018, the Group's risk management and internal control systems were adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, reviews performed by management and various Board Committees as well as the said CEO and CFO assurance, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2018 to address financial, operational, compliance risks and information technology risks which the Group considers relevant and material to its operations.

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

Strong culture

Effective safeguards

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

- **Tone from the top:** The tone set by the Board and senior management is vital; it is equivalent to the moral compass of the organisation. In addition to having in place comprehensive policies, we conduct a robust self-assessment on the Group's risk culture. Please refer to the risk culture section for more information.
- **Aligning strategies and incentives via the balanced scorecard:** Please refer to pages 26 to 31 for more information.
- **Respecting the voice of control functions:** We believe that respect for the voice of control functions is a key safeguard. We ensure that control functions are well integrated into our organisational structure so that they can properly discharge their responsibilities.
- **Risk ownership:** Please refer to page 53 for details on our three lines of defence.
- **Having established escalation protocols:** We designed a notification protocol that makes it mandatory for staff to report significant incidents. This means that the organisation is prepared to receive bad news and take necessary remedial actions without shooting the messengers.
- **Encouraging constructive challenges at all levels:** Fundamentally, we inculcate a culture that encourages constructive challenges and debate, where all views are evaluated for decision-making. We also operate a culture where we actively engage the Board for their views early.
- **Reinforcing cultural alignment:** Finally, we conscientiously reinforce our cultural norms by rewarding right behaviours and censuring wrong ones.

Risk Culture

Risk culture is closely intertwined with our corporate culture. It encompasses the general awareness, attitudes and behaviour of our employees towards risk and how it is managed within DBS. In 2017, a Risk Culture survey was rolled-out bank-wide, using the Financial Stability Board (FSB) guidelines, which comprises the following indicators: (i) tone from the top, (ii) ownership and accountability, (iii) effective communication and challenge, and (iv) incentives. The results from the 2017 survey indicated a satisfactory risk culture across the organisation, and the score remained consistent for 2018.

We continue to inculcate a strong risk culture across DBS to ensure we operate in an ethical and sound manner. On the governance front, we expanded the scope of the Fair Dealing and Conduct Committee (previously known as the Fair Dealing Committee) to include the oversight of conduct and risk culture. In addition to regular communication by senior management to set the tone from the top, we enhanced our employee onboarding training to reinforce risk awareness and developed a toolkit to aid managers in action planning. A review of our sales incentive and suitability frameworks was undertaken to reinforce the desired behaviour in our sales force. We continue to put emphasis on conduct as part of our compensation evaluation process.

The DBS Code of Conduct (Code of Conduct)

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

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

Whistle-blowing policy

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

DBS Speak Up service includes:

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

Accountability to our shareholders

Shareholder rights

DBS promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore Companies' Act and DBSH's Constitution. These rights include, among others, the right to participate in profit distributions and the right to attend and vote at general meetings. Ordinary shareholders are entitled to attend and vote at the AGM by person or proxy. Indirect investors who hold DBSH shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM.

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

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

Engagement with shareholders

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

During the year, we met with more than 600 debt and equity investors. We participated in 20 local and overseas investor conferences and road shows. These meetings provide a forum for management to explain our strategy and financial performance, and solicit analysts' and investors' perceptions of DBS.

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

Conduct of shareholder meetings

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

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, Board members and management. DBS encourages and values shareholder participation at its general meetings. Resolutions requiring shareholders' approval are tabled separately for adoption at the Company's general meetings unless they are closely related and are more appropriately tabled together.

The minutes of our general meetings may be accessed via our website. We have disclosed the names of the Directors and senior executives who attended the 2018 AGM as well as detailed records of the proceedings including the questions raised by the meeting attendees.

Managing Stakeholder Relationships

Please refer to the section on "What our stakeholders are telling us" on pages 70 and 71 for more information on how we manage our stakeholder relationships.

Electronic poll voting process

DBS puts all resolutions at general meetings to a vote by electronic poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentages. DBS appoints an independent external party as scrutineers for the electronic poll voting process. Prior to the commencement of the general meeting, the scrutineers would review the proxies and the proxy process. DBS also has a proxy verification process which has been agreed upon with the scrutineers. At the general meeting, mobile devices are used for poll voting. When shareholders register their attendance at the meeting, they are handed the mobile device with details of their shareholdings registered to the device. The shareholder is able to view his or her name and shareholding details which are clearly displayed on the device.

When the Chairman opens the poll on a resolution, the shareholder presses the relevant voting button on the device. Upon vote submission, the shareholder will receive a vote response acknowledgment on the device. The results of the electronic poll voting are announced immediately after each resolution has been put to a vote, and the number of votes cast for and against and the respective percentages are displayed in real-time at the general meeting. DBS maintains an audit trail of all votes cast at the general meeting. The outcome of the general meeting (including detailed results of the poll vote for each resolution) is promptly disclosed on SGXNET after the meetings, on the same day of the general meeting.

Remuneration report

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

1. Objectives of DBS remuneration strategy

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

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

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

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

2. Summary of current total compensation elements

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

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

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

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

3. Determination of variable pay pool

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

Determining total variable pool	A function of net profit before tax benchmarked against market and calibrated against the following prisms: • Risk adjustment through review of Returns on Risk-Adjusted Capital (RoRAC) • Distribution of earnings between employees and shareholders	• Our business model seeks to create value for stakeholders in a sustainable way (Read more about how we create value for our stakeholders on page 62) • To this end, performance is measured using a balanced scorecard approach which assesses how successfully we are serving multiple stakeholders and executing on our long-term strategy • The balanced scorecard comprises financial and non-financial metrics encompassing employees, customers, shareholders, risks and compliance objectives (Read more about our assessment of our balanced scorecard on page 26) • Taking into account the above, our performance in 2018 was better than in the previous year. This resulted in an increase in the total variable pool • The Compensation and Management Development Committee (CMDC) evaluated and approved the pool which was subsequently endorsed by the Board of Directors (Board)
Allocating pool to business units	Pool allocation takes into account the relative performance of each unit • Measured through each unit's balanced scorecard and evaluated by the CEO	Inputs from control functions such as Audit, Compliance and Risk are sought. Country heads are also consulted in the allocation process
Determining individual award	Unit heads cascade their allocated pool to their teams and individuals • Performance measurement through the balanced scorecard	Individual variable pay determined based on individual performance • Linked to achievement of quantitative as well as qualitative objectives as set out in individual's KPIs

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

Sales employees are incentivised to promote the development of mutually beneficial long-term relationships with their customers, rather than solely focus on short-term gains. Non-financial metrics such as customer satisfaction and compliance with fair dealing principles are incorporated into their KPIs. In 2018, we conducted a review of our Sales Incentives Framework where the target mix of fixed and variable pay was reviewed to encourage the right sales behaviour.

4. Deferred share incentives

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

Award elements

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

Deferred incentive	Main award + Retention award*

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

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

Read more about the Share Plan on page 184.

5. Senior management and material risk takers

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

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

In 2018, an external management consulting firm, Oliver Wyman, was engaged to provide an independent review of the Group's compensation system and processes to ensure compliance with the FSB Principles for Sound Compensation Practices. Oliver Wyman and its consultants are independent and not related to us or any of our Directors.

Summary of 2018 Remuneration Outcomes

Our remuneration is linked to how we perform against our balanced scorecard (see pages 26 to 31).

2018 was a notable year. We were acknowledged as being best bank in the world by not just one but two leading publications, The Banker and Global Finance. A common thread across our wins was the leadership we had in digital transformation. Despite macroeconomic headwinds and financial market volatility in the second half, we achieved record earnings. Return on equity rose to 12.1%, the highest in more than a decade, reflecting the structural improvements we have made to the profitability of our franchise.

Taking these factors into account, the remuneration of senior management and material risk takers was higher in 2018 compared to the previous year. Our senior management (which is defined as the Group Management Committee) increased from 19 to 22 members and their aggregate remuneration amounted to SGD 76.2 million, including the CEO's SGD 11.9 million. Excluding the CEO's remuneration, which has been disclosed separately, the average increase in remuneration of an individual who was a member of senior management in both 2017 and 2018 was 6.5%.

While corporate governance guidelines recommend that at least the top five key executives' remuneration be disclosed, the Board believes that it would be disadvantageous for us to do so because of the constant battle for talent in a highly competitive industry. This is consistent with banking industry practice in the local market. However, we do provide additional information on the average increase in remuneration of our senior management in the year as detailed above.

Breakdown of deferred remuneration awards

Category	Senior Management(1)	Material Risk Takers(2)
Total outstanding deferred remuneration(3):		
Cash	0.2%	
Shares and share-linked instruments	99.8%	
Other forms of remuneration	–	
Total	**100.0%**	
Outstanding deferred and retained remuneration(3) (4):		
Of which exposed to ex-post adjustments		
Cash	0.2%	
Shares and share-linked instruments	99.8%	
Other forms of remuneration	–	
Total	**100.0%**	
Total amendment during the year due to ex-post explicit adjustments(5):		
Cash	–	–
Shares and share-linked instruments	–	–
Other forms of remuneration	–	–
Total	–	–
Total amendment during the year due to ex-post implicit adjustments(5):		
Cash	–	–
Shares and share-linked instruments(6)	(10.8)%	(20.1)%
Other forms of remuneration	–	–
Total	**(10.8)%**	**(20.1)%**
Total deferred remuneration paid out in the financial year:	**37.4%**	**31.8%**
Headcount	**22**	**226**

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

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

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

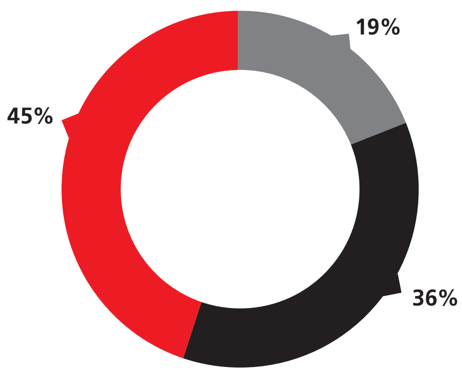
(4) Retained remuneration refers to shares or share-linked instruments that are subject to a retention period under a share retention policy.

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

(6) [No. of unvested DBSH ordinary shares as at 31 Dec 18 x share price as at 31 Dec 18] / [No. of unvested DBSH ordinary shares as at 31 Dec 17 x share price as at 29 Dec 17] -1

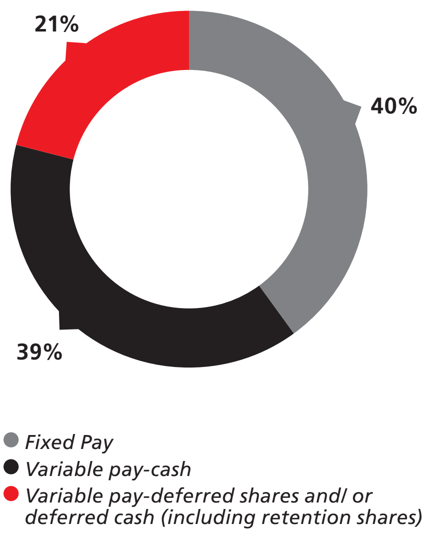
The following charts show the mix of fixed and variable pay for both groups for performance year 2018:

SM



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

MRTs



Guaranteed bonuses, sign-on bonuses and severance payments

Category	SM	MRTs
Number of guaranteed bonuses	0	0
Number of sign-on bonuses	0	3
Number of severance payments	0	0
Total amounts of above payments made during the Financial Year (SGD '000)	**0**	**337**

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

Chief Executive Officer

Since becoming CEO in November 2009, Piyush Gupta has built DBS into an Asian banking powerhouse widely recognised for its digital leadership.

We delivered a stellar performance in 2018 when measured against our balanced scorecard, which includes financial performance, customer satisfaction, employee engagement and progress in digital transformation.

Despite headwinds in the second half of the year, we achieved record earnings of SGD 5.63 billion, up 28%. Total income was SGD 13.2 billion, also a new high. Return on equity, at 12.1%, was at its highest since 2007.

Customer satisfaction continued to be strong, with DBS acknowledged as the leader for customer experience in Singapore across all sectors. The bank also remained best-in-class for employee engagement, taking home the Asia Pacific Regional Employer award by Aon Hewitt.

We continued to make progress in being digital to the core, embedding ourselves in the customer journey, and being a 26,000-person startup.

Recognition for our successful transformation culminated in a record number of global awards in 2018. They included accolades for being best bank in the world by two leading publications – The Banker and Global Finance. We were also named World's Best Digital Bank by Euromoney for the second time. In all, from private banking to SME banking to cash management, we were recognised as being the best globally.

Taking these factors into account, Mr Gupta's remuneration was higher in 2018.

Breakdown of remuneration for performance year 2018 (1 January – 31 December)

	Salary remuneration SGD	Cash bonus(1) SGD	Share Plan(2) SGD	Others(3) SGD	Total(4) SGD
Mr Piyush Gupta	**1,200,000**	**4,485,000**	**6,115,000**	**62,527**	**11,862,527**

(1) The amount has been accrued in 2018 financial statements

(2) At DBS, ordinary dividends on unvested shares do not accrue to employees. For better comparability with other listed companies, this figure excludes the estimated value of retention shares amounting to SGD 1,223,000, which serve as a retention tool and compensate staff for the time value of deferral. This is also similar in nature to practices in those companies which provide accrual of dividends for deferred awards

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

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

How we create value – our business model

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

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

Read more about how we use our resources on pages 64 to 65.

Our resources

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

How we create value

Our strategy

Our strategy

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

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

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

Making Banking Joyful

We seek to "Make Banking Joyful" – by leveraging digital technologies and embedding ourselves seamlessly into our customers' lives to deliver simple, fast and contextual banking solutions and experiences. We are here for the long term, with a view to enrich lives, transform businesses and drive sustainable outcomes.

To achieve this, we are building five key capabilities: leveraging digital for customer acquisition, eliminating paper and creating instant fulfillment in transactions, engaging customers digitally, building ecosystem partnerships, and becoming a data-driven company.

Read more about our digital strategy from pages 9 and 34.

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

Read more about our material matters and stakeholder engagement on pages 67 and 70.

Our businesses

We have three core business segments:

- **Institutional Banking**
- **Consumer Banking/ Wealth Management**
- **Treasury Markets**

Read more about our businesses from pages 36 to 41 and 175.

Differentiating ourselves

Banking the Asian Way

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

Asian relationships

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

Asian service

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

Asian insights

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

Asian innovation

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

Asian connectivity

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

Technology and infrastructure

Over the years, we have invested in our people and skills, and re-architected our technological backbone to be digital to the core i.e. cloud-native, resilient and scalable.

To further think and behave like big technology companies where we can respond to rapidly changing consumer demands with agility and scale, we have re-engineered our business and technology towards a platform operating model where business and technology work together with shared KPIs in an agile manner.

In addition, we have embraced design thinking to deliver customer-centric front-end applications.

Nimbleness and agility

We are of a "goldilocks" size – big enough to have meaningful scale yet nimble enough to quickly act on opportunities. We are re-wiring the organisation to create a startup culture. This allows us to embed customer centricity and drive internal collaboration by embracing experimentation, entrepreneurship and innovation.

Governing ourselves

Competent leadership

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

Read more about our leaders from pages 4 to 7.

Effective internal controls

Our internal controls framework covers financial, operational, compliance and information technology controls, as well as risk management policies and systems.

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

Read more about our internal controls from pages 53 to 55.

Strong risk and governance culture anchored on PRIDE! values

Effective safeguards against undesired business conduct have to go beyond a "tick-the-box" mentality. We are focused on inculcating a strong risk culture to ensure that we operate in an ethical and sound manner.

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

Rooted in our DNA is a role beyond short-term profit maximisation: doing real things for real people to create social value and playing our part to drive the environmental and sustainability agenda.

Read more about our sustainability efforts on pages 96 to 97.

Measuring ourselves

Balanced scorecard

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

The scorecard is divided into three parts and is balanced in the following ways:

- Between financial and non-financial performance indicators. Almost one-quarter of the total weighting is focused on control and compliance metrics. We have key performance indicators (KPIs) to track progress made on our digital transformation agenda
- Across multiple stakeholders
- Between current year targets and long-term strategic outcomes

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

Read more about our balanced scorecard on pages 26 to 31.

Read more about our remuneration policy on page 57 to 61.

Our stakeholders

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

How we develop and use our resources

We utilise or enhance our resources to differentiate ourselves and maximise value creation for our stakeholders in the long run. Read more about how we distribute the value created to our stakeholders on page 66.

Resources	Indicators	2018	2017	Key initiatives driving outcomes in 2018
Brand A strong brand is an important business driver and allows us to compete not just locally, but also regionally.	Brand value according to "Brand Finance Banking 500" report	**USD 9.0 bn** as at Feb 19	**USD 6.5 bn** as at Feb 18	DBS rose six spots to be ranked 34th in Brand Finance's Banking 500 2019 annual global ranking, making it Asean's Most Valuable Bank Brand for the thirteenth consecutive year. We were named Asia's Safest Bank by New York based trade publication Global Finance for the 10th consecutive year. Our strong and growing brand value reflects our efforts to make banking simple, effortless and seamlessly integrated into our customers' lifestyles. *Read more about this on pages 36 to 41.*
Customer relationships Putting customers at the heart of what we do helps differentiate ourselves in an industry as commoditised as banking, enabling us to build lasting relationships and deepen wallet share.	Customers – Institutional Banking – Consumer Banking/ Wealth Management Customer engagement measures(1) (1=worst, 5=best) – Wealth Management – Consumer Banking – SME Banking – Large corporates market penetration ranking	 **> 200,000** **> 10 m** **4.29** **4.21** **4.27** **4th**	 **> 200,000** **> 8.8 m** **4.22** **4.12** **4.07** **4th**	We continued to grow our customer base with digibank in India and Indonesia, and onboarded partners to enhance our customer value proposition and accelerate business growth. We improved customer engagement scores across segments by actively listening to our customers in order to strengthen our processes, products and services. We were also ranked the best globally for cash management satisfaction by Euromoney(2). *Read more about this on pages 36 to 41.*
Intellectual capital One key type of intellectual capital pertains to how we digitise our business. Our digital transformation encompasses technology, customer journey thinking and a startup culture.	Digital consumer and SME businesses in Singapore and Hong Kong – Cost-income ratio from digital customers (vs. traditional customers) Digibank customers(3) in India and Indonesia (since launch) Channel share of wealth customers acquired digitally	**2.9 m** **34%** **(vs 54%)** **2.7 m** **38%**	**2.5 m** **36%** **(vs 57%)** **1.8 m** **37%**	Our digital transformation efforts improved the financial returns of our Singapore and Hong Kong businesses and enabled us to gain a foothold in India and Indonesia. *Read more about this on page 23 and pages 29 to 31.*
Employees An agile and engaged workforce enables us to be nimble and react quickly to opportunities.	Employees Employee engagement score Voluntary attrition rate Training hours per employee	**26,857** **82%** **15%** **36.6**	**24,174** **82%** **13%** **31.5**	We continued to build a future-ready workforce and enabled employees to take ownership of their career development. In 2018, we enhanced the "triple-E" framework – experience, exposure and education, and refreshed the career management platform iGrow. *Read more about "Talent management and retention" in the sustainability report.*
Financial Our strong capital base and diversified funding sources allow us to support our customers through good and bad times, and enable us to provide banking solutions competitively.	Shareholders' funds Customer deposits Wholesale funding	**SGD 49 bn** **SGD 394 bn** **SGD 46 bn**	**SGD 47 bn** **SGD 374 bn** **SGD 41 bn**	Our shareholders' funds continued to grow from retained earnings. We also grew our customer deposits and diversified wholesale funding sources. *Read more about this on page 20 and page 84.*
Physical infrastructure Our best-in-class technology and physical infrastructure allow us to be nimble and resilient.	Cumulative expenditure in technology – rolling four years – Building for digital(4)	**SGD 4.3 bn** **SGD 1.8 bn**	**SGD 4.3 bn** **SGD 1.7 bn**	Over the past years, we invested in our technology platforms to become digital to the core. *Read more about this on pages 14 to 15.*
Natural resources We impact the natural environment directly in our operations, as well as indirectly through our customers and suppliers.	Carbon emissions from purchased electricity and chilled water (tCO_2) Energy consumption (MWh) Electricity generated from installed solar panels (MWh)(6)	**50,786** **67,649** **462**	**50,905(5)** **68,006** **–**	We adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This year, we purchased renewable energy certificates (RECs) amounting to more than 40% of the electricity consumption of our Singapore operations. *Read more about "Climate change" and "Managing our environmental footprint" in the sustainability report.*
Societal relationships We recognise that not all returns can be found in financial statements and our licence to operate comes from society at large.	Customers under Social Enterprise Package Number of social enterprises awarded grants Volunteer hours	**534** **12** **> 65,000**	**490** **14** **> 53,000**	Through the DBS Foundation, we continued to nurture enterprises across the region to enable them to scale and enhance their social impact through innovative and sustainable businesses. Under the social enterprise programme, a total of SGD 1.25 million was awarded to 12 social enterprises in Asia. We continued to focus employees' volunteering efforts on key areas of active ageing, education and environment. *Read more about "Social entrepreneurship" and "Social volunteerism" in the sustainability report.*

Through the enhancement of our resources, value is created. We distribute this value to our stakeholders in several ways. Read more on page 66.

(1) Based on Scorpio Partnership and Ipsos Customer Satisfaction Survey (CSS) for Wealth Management and Ipsos CSS for Consumer Banking Based on Aon Hewitt for SME banking and Greenwich Associates for large corporates market penetration ranking

(2) The Euromoney cash management survey was conducted with over 25,000 clients participating globally

(3) A digital customer has either (within the past 2 months); (i) made a product purchase or segment upgrade via a digital channel; (ii) done more than 50% of financial transactions via digital channels; or (iii) done more than 50% of non-financial transactions via digital channels

(4) This relates to technology spend on specific IT initiatives and enhancements, depreciation and new licence costs

(5) This number is restated from 41,189 to 50,905 to include carbon emissions from chilled water

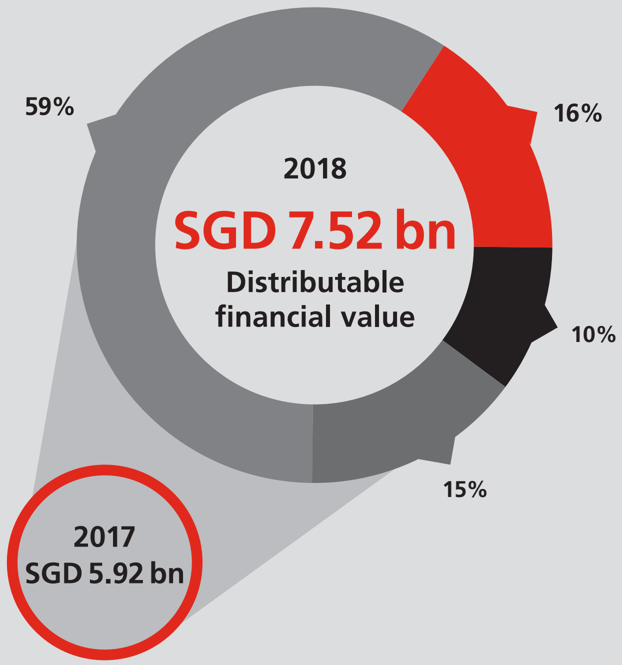
(6) We have changed reporting peak capacity (kW) of solar panels to electricity (MWh) generated from solar panels

How we distribute value created

Distributable financial value

59%
Shareholders
Dividends paid to ordinary and preference shareholders and holders of perpetual capital securities

16%
Retained earnings
Retained for business growth



15%
Society
Contributions to society through direct and indirect taxes, and community investments including donations, in-kind contributions and associated management costs

10%
Employees
Discretionary bonus paid to employees through variable cash bonus and long-term incentives

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

We define distributable financial value as net profit before discretionary bonus, taxes (direct and indirect) and community investments. In 2018, the distributable financial value amounted to SGD 7.52 billion (2017: SGD 5.92 billion).

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

Customers

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

Read more about this on pages 36 to 41.

Employees

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

Read more about "Talent management and retention" in the sustainability report.

Society

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

Read more about "Social entrepreneurship" in the sustainability report.

Regulators

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

Read more about this on page 71.

Material matters

Identify

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

Read more about our stakeholder engagement on pages 70 to 71.

Prioritise

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

Integrate

Those matters that are material to value creation are integrated into our balanced scorecard, which is used to set objectives, drive behaviours, measure performance and determine the remuneration of our people.

Read more about our balanced scorecard on page 26.

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

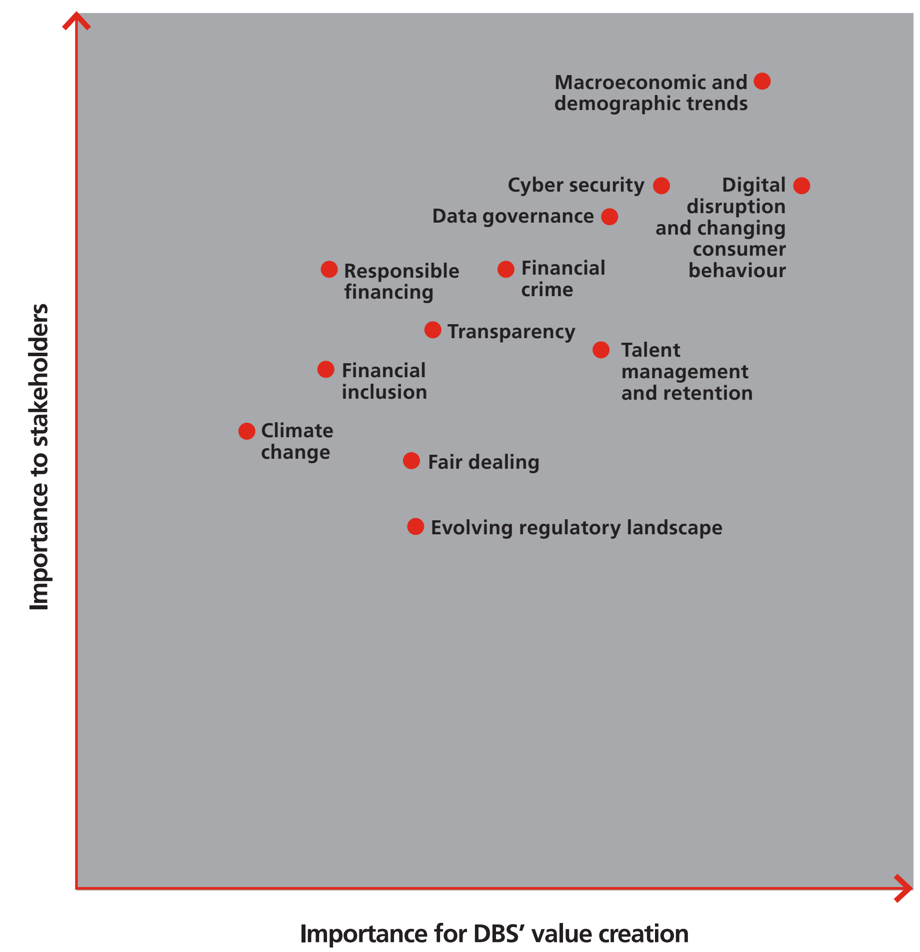
We review our material matters annually for relevance and prioritisation. Our material matters reflect external factors that can influence our business.

In 2018, "Data governance" and "Transparency" have been included. They have always been important but were subsumed in other material matters in previous years.

"Climate change" and "Talent management and retention" have been elevated in materiality.

Read more about material ESG matters in the sustainability report.

Materiality matrix



Balanced scorecard indicator	Material matters	What are the risks?	Where do we see the opportunities?	What are we doing about it?
Shareholders	Macroeconomic, geopolitical and demographic trends	The region's economic prospects are affected by US-China tensions over trade, intellectual property and leadership in technology, the effects of China's deleveraging and reforms, and slowing economic momentum in the US and Europe.	Asia's long-term fundamentals – growing affluence, urbanisation, consumption and infrastructure investments and generally favourable demographics – present opportunities for banks.	Our multiple business lines, nimble execution and strong balance sheet will enable us to continue mitigating the risks and capture opportunities across the region. *Read more about "CEO reflections" on page 18.*
Employees	Talent management and retention	Failure to attract and retain talent impedes succession planning and expansion into new areas. Employees face the risk of obsolescence if they are not well-equipped with changing skillsets required in this new digital age.	We see the opportunity to transform our workforce into an innovative, digitally-savvy and data-driven 26,000-person startup. This will enable us to be nimble and agile in responding to changes in our operating environment.	*Read more about "Talent management and retention" in the sustainability report.*
Digital transformation	Digital transformation and changing consumer behaviour	Technology and mobility are increasingly shaping consumer behaviour. The ability to upgrade our infrastructure and technology prevents us from losing relevance to platform companies and fintechs.	A successful digital transformation will allow us to respond and innovate quickly to deliver simple, fast and contextual banking to our customers. This will help us protect our position in core markets as well as extend our reach into emerging markets.	*Read more about "Making banking invisible" on page 14, "Institutional Banking" on page 36 and "Consumer Banking/ Wealth Management" on page 38.*
Regulators	Evolving regulatory and reporting landscape	The evolving regulatory and reporting landscape – including Basel reforms, overhaul of accounting standards, financial crime risks (encompassing money laundering and sanction risks), emerging privacy, cyber security and conduct legislation – may affect banks' existing business models and give rise to compliance risks.	With capital well above regulatory requirements, we are in a strong position to serve existing and new customers. We also have greater flexibility for capital and liquidity planning. As a leading bank in our markets, we are well placed to provide appropriate responses to regulators and policy makers on regulatory requirements.	*Read more about "CFO statement" on page 20, "CRO statement" on page 32, "Capital management and planning" on page 91 and "Regulators and policy makers" on page 71.*
Enablers	Cyber security	The prevalent threat of cyber attacks on financial institutions remains one of our top concerns.	A cyber security strategy that is defined and executed well gives confidence to customers and can differentiate us.	*Read more about "CRO statement" on page 32 and "Cyber security" in the sustainability report.*
	Data governance	The increasing use of data for processing and decision-making has led to concerns on how it is being used.	As we delve deeper into analytics, a framework ensures that we use data responsibly and appropriately.	*Read more about "Data governance" in the sustainability report.*
	Fair dealing	Banks are expected to deal honestly, transparently and fairly with customers, concepts which are articulated more explicitly in fair dealing standards. Failure to observe such standards gives rise to compliance and reputational risks and erodes the trust of stakeholders.	Customers are more likely to do business with us if they trust that we are fair and transparent.	*Read more about "Fair dealing" in the sustainability report.*
	Financial crime	Financial crime risks, including money laundering, breaching sanctions and corruption, give rise to compliance and reputational risks.	A reputation for being trustworthy can help to attract and retain customers and investors.	*Read more about "CRO statement" on page 32 and "Preventing financial crime" in the sustainability report.*
Society	Climate change	Climate change poses increasingly serious threats to the global economy. Transition to a low carbon economy may entail extensive policy, legal, technology and market changes which can give rise to credit, operational and reputational risks.	Banks can play an influential role in shaping the transition to a low carbon economy. Opportunities include areas such as energy efficiency, adoption of low-emission energy sources, building resilience along supply chain and others.	Climate change is a wide topic addressed in various parts of our business. *Read more about "Climate change", "Green and social finance", "Managing our environmental footprint", "Responsible financing" and "Sustainable procurement" in the sustainability report.*
	Financial inclusion	While Asia's rapid economic growth and development have led to an improvement in living standards across the region, certain marginalised segments remain underserved in financial services. Developing niche products for such segments may come at relatively high operating and credit costs for banks and erode shareholder value.	With technological advancements and targeted partnerships, we see opportunities to reduce operating costs and develop a more inclusive financial system. This aligns with our digital agenda.	*Read more about "Digital enablers of sustainability", "Financial inclusion" and "Green and social finance" in the sustainability report.*
	Responsible financing	The public demands that banks lend only for appropriate corporate activities. Failure to do so may give rise to credit and reputational risks.	We mitigate environmental, social and governance (ESG) risks through our lending practices. Investors applying negative screening are increasingly avoiding companies with poor ESG records, in favour of those with sustainable practices.	*Read more about "Responsible financing" in the sustainability report.*
	Transparency	Calls for more transparency in disclosure have been made to promote good governance and decision-making.	We embrace best practices on the Code of Corporate Governance 2018 issued by Monetary Authority of Singapore and recommendations by TCFD, which will set us apart from our peers.	*Read more about "Corporate governance" on page 42 and "Climate change" in the sustainability report.*

What our stakeholders are telling us

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

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

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

	Shareholders	Customers	Employees	Society	Regulators and policy makers
	We provide investors with relevant information to make informed investment decisions about DBS as well as seek their perspectives on our financial performance and strategy.	**We interact with customers to better understand their requirements so that we can propose the right financial solutions for them.**	**We communicate with our employees using multiple channels to ensure they are aligned with our strategic priorities. This also allows us to be up to date with their concerns.**	**We engage the community to better understand the role we can play to address the needs of society.**	**We strive to be a good corporate citizen and long-term participant in our markets by providing input to and implementing public policies. More broadly, we seek to be a strong representative voice for Asia in industry and global forums.**
How did we engage?	• Quarterly briefings on financial performance • Regular one-on-one or group meetings with top management and senior business heads • Investor roadshows and conferences	• Multiple channels including digital banking, call centres and branches • One-on-one interactions with relationship managers and senior management • Active interaction and prompt follow-up to queries/ feedback received via social media such as Facebook, LinkedIn and Twitter • Regular customer engagement and satisfaction surveys • Engagement of customers through customer journey workshops	• "DBS Open" – quarterly group-wide townhalls hosted by CEO Piyush Gupta • "Tell Piyush" – an online forum where employees can freely share their feedback and post their questions to the CEO • "Yammer" – our digital community platform where employees across all levels engage and interact • Regular department townhalls and events held by senior management to engage their teams on business plans, performance goals and other areas of interest • Annual employee engagement survey	• Organising meetups with social enterprises (SEs) to discuss matters, share experiences, and understand their specific business challenges • Engaging community partners/ service-based organisations to understand concerns from ground up, challenges our beneficiaries – the elderly, underprivileged and disadvantaged – face and areas where we can effectively support them • Connecting to government bodies and associations including raiSE (Singapore Centre for Social Enterprise), Community Chest, networks such as AVPN (Asian Venture and Philanthropy Network), UN Global Compact to continue dialogues, engage and support where necessary • Staying true to our mission of being the "People's Bank", POSB plays an active role in engaging the community within our neighbourhoods and partnering with various agencies such as Community Development Councils, IMDA and the People's Association (PA) to make a difference in society at large	• Frequent meetings and consultations with governments, regulators and other public policy agencies, led by our country chief executives and supported by their respective heads of legal and compliance • Provided data and thought leadership in support of regulators' efforts towards ensuring financial stability • Active participation in various industry forums, such as the Bank for International Settlements annual roundtable and the EU-Asia Forum on Financial Regulation
What were the key topics raised and feedback received?	• Impact of macroeconomic factors such as interest rates and trade tensions on our performance • Progress on digitalisation • Longer-term outlook for ROE • Embedding sustainability considerations in our business practices	• Through different feedback channels, customers provided insights on how we could make banking simpler, faster and more intuitive • Positive feedback on how we delivered our products and services to customers – particularly our digital platforms, payment channels and life insurance solutions	• In 2018, 265 questions and comments covering topics such as overall corporate strategy and business, workplace culture and technology, staff benefits and welfare, and customer experience, were raised by employees through "Tell Piyush" • In our annual engagement survey, we scored well on "Customer Focus", "Learning and Development" and "Branding". There is more work to be done on "Reward" and "Enabling Infrastructure"	• Increased focus on sustainability and climate change matters – the public is demanding that banks exert greater influence on their customers and employees to act responsibly in environmental, social and governance matters • As the world digitalises, segments of the elderly population have expressed the need for digital literacy education • SEs continued to face challenges such as the lack of funding and commercial expertise. They expressed the need for targeted training to grow their HR, marketing, finance and data management capabilities	During the year, key regulatory and reporting issues surrounding the banking industry included: • Financial crime • Cyber security • Data governance and data privacy • Fair dealing and conduct • Credit risk management
How did we respond?	On our financial performance, we provided detailed disclosures and commentary on the outlook. We continued to embed sustainability in our business model and expand disclosure in our sustainability report. *Read more about "CFO statement" on page 20 and "Sustainability overview" in the sustainability report.*	We continued to incorporate the voice of customers in the design of our products and services, enabling us to deliver better customer experience. *Read more about "Institutional Banking" on page 36 and "Consumer Banking/ Wealth Management" on page 38.*	Piyush personally responded to all the questions and comments raised on "Tell Piyush" to address employees' concerns and resolve any issues that impact our lives and the way we work. Where applicable, issues or suggestions were directed to relevant departments for follow-up. Results from the employee survey were analysed and taskforces set up to address specific areas of concern. Each department is accountable for devising and implementing plans for improving its engagement results. In 2018, new channels were launched for employees to get in touch with HR. Ask HiRi, an AI-powered employee chatbot provides easy, instant and personalised responses on HR matters. HR Connect sessions provide career advisory and employee counselling services. We refreshed the career management platform iGrow with an emphasis on eMentoring. This provides a sound foundation for employees to take on new roles and grow their career in the bank. Ten new benefits programmes were launched across our markets to give employees greater rewards in terms of flexibility, savings, protection and health benefits. *Read more about "Talent management and retention" in the sustainability report.*	During the year, we launched campaigns on "Recycle more, Waste less" encouraging the public to cut down the use of single-use plastics. We distributed reusable shopping bags in partnership with the Singapore Environment Council. We discontinued the use of DBS branded single-use plastic bottled water at all our events. In the POSB Active Neighbours programme, seniors are appointed as "digital ambassadors" who proactively share tips and information on digital banking at the bank's branches and events. The bank has included digital literacy topics for the elderly in the PA Senior Academy Smart Nation Programme. As part of the annual Social Enterprise Summit, we designed and conducted masterclasses for SEs with a total of 300 delegates. By tapping on our employees' skills and expertise, skills-based volunteering efforts were targeted at solving the business challenges of SEs. Our "People of Purpose" volunteering programmes focused on active ageing, education (digital and financial literacy) and environment protection were designed and executed by our staff to address the concerns of our beneficiaries. We continued to generate awareness and advocacy for SEs in our key markets through digital outreach and signature events. *Read more about "POSB" on page 40 and "Social volunteerism" in the sustainability report.*	We were the first bank in Singapore to be certified with the Personal Data Protection Trustmark by Singapore's Infocomm Media Development Authority (IMDA). The certification affirmed our commitment to accountable and responsible data protection practices. We led discussions on developing digital ecosystems for our clients, and on using data and analytics to improve financial crime risk management. We contributed responses to consultations and sponsored ongoing technological initiatives in the fintech and regtech sectors. We also developed initiatives in legal technology. *Read more about "Risk management" on page 72, and "Cyber security", "Preventing financial crime", "Fair dealing" in the sustainability report.*

Risk management

The sections marked by a grey line in the left margin form part of the Group's audited financial statements. Please refer to Pillar 3 and Other Regulatory Disclosures for other risk disclosures.

1 Risk overview

Business and strategic risk

Overarching risk arising from adverse business and economic changes materially affect DBS' long-term objectives. This risk is managed separately under other governance processes.

Read more about this on page 67.

Credit risk

Risk arising from borrowers or counterparties failing to meet their debt or contractual obligations.

Read more about this on page 75.

Market risk

Risk arising from adverse changes in interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, as well as related factors.

Read more about this on page 82.

Liquidity risk

Risk that arises if DBS is unable to meet financial obligations when they are due.

Read more about this on page 84.

Operational risk

Risk arising from inadequate internal processes, people or systems, as well as external events. This includes legal risk, but excludes strategic and reputational risk.

Read more about this on page 88.

Reputational risk

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

Read more about this on page 90.

2 Risk-taking and our business segments

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

Refer to Note 46 to the financial statements on page 175 for more information about DBS' business segments.

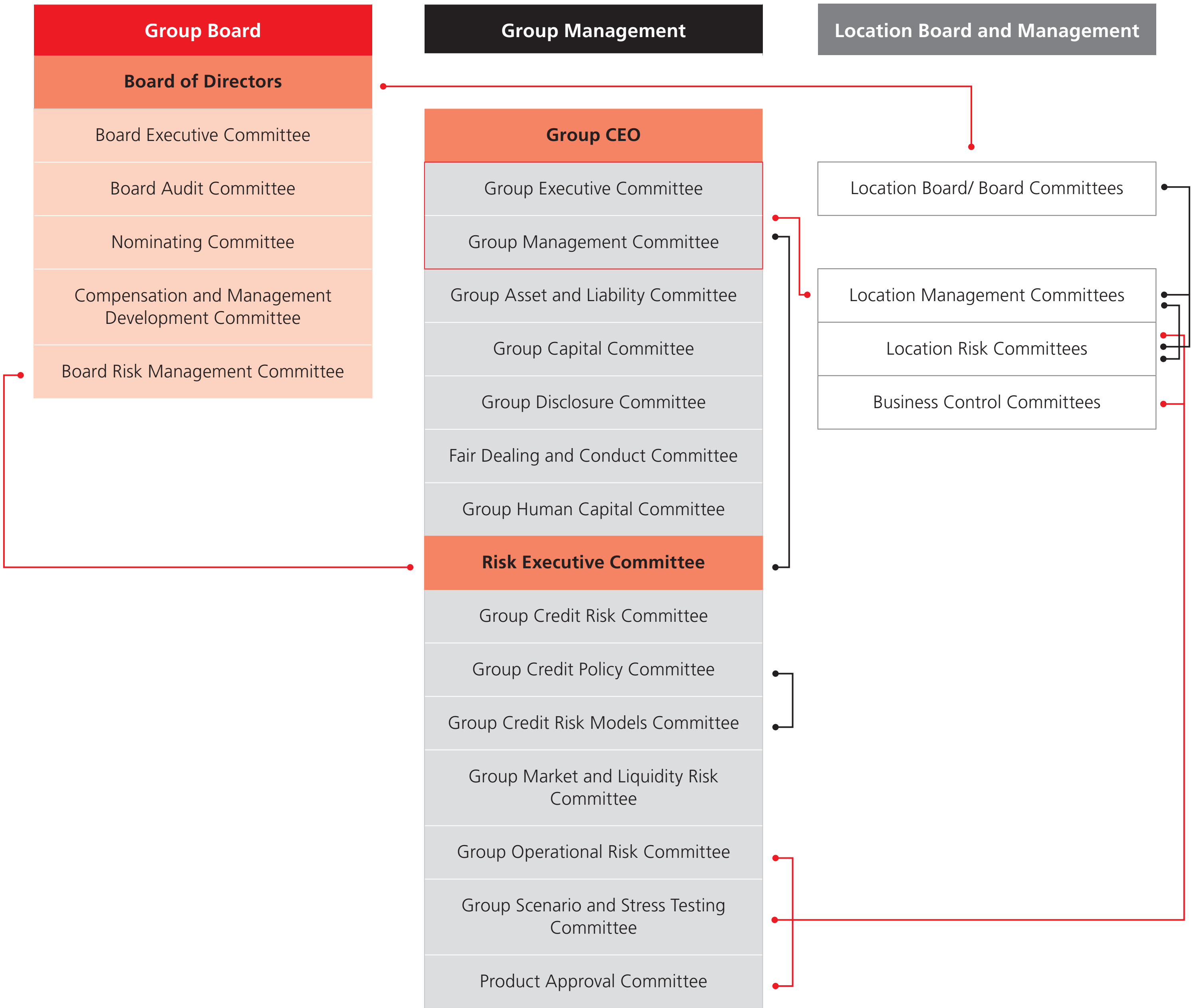
SGD million	Consumer Banking/ Wealth Management	Institutional Banking	Treasury Markets	Others[(a)]	Group
Assets[(b)]	115,470	263,125	108,646	58,335	545,576
Risk-weighted assets	43,285	186,281	39,730	20,340	289,636
% of RWA	**Consumer Banking/ Wealth Management**	**Institutional Banking**	**Treasury Markets**	**Others**	**Group**
Credit risk	83%	94%	39%	74%	84%
Market risk	0%	0%	57%	18%	9%
Operational risk	17%	6%	4%	8%	7%

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

3 Risk governance

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

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



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

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

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

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

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

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

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

4 Risk Appetite

DBS' Risk Appetite is set by the Board and governed by the Risk Appetite Policy. This also serves to reinforce our risk culture through 'tone from the top' articulation of risks that we are willing to accept. A strong organisational risk culture, including an appropriate incentive framework (refer to "Remuneration Report" section on page 57), helps to further embed our Risk Appetite.

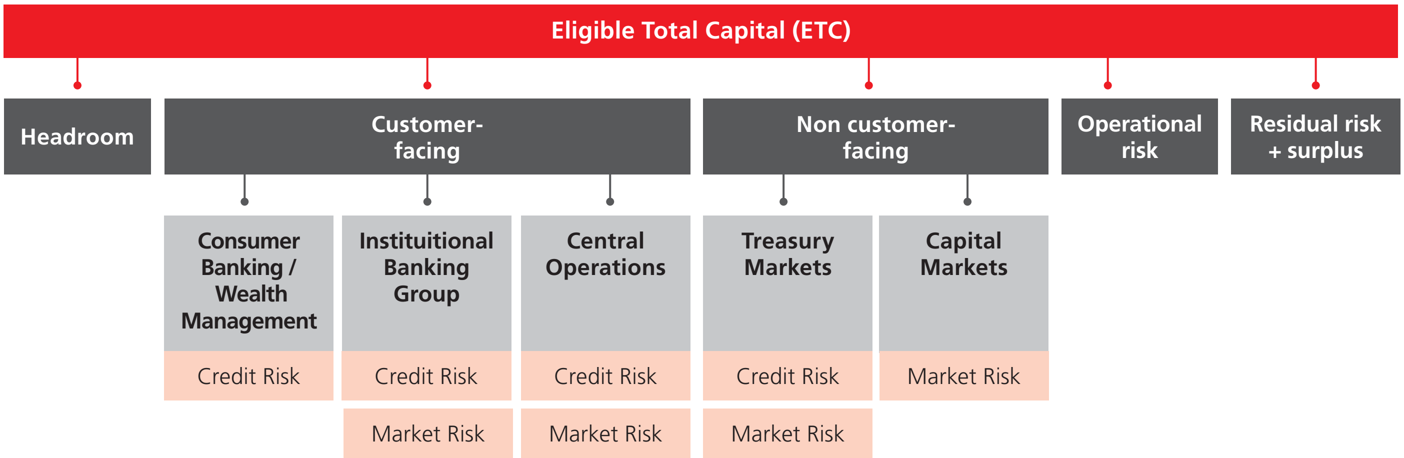
4.1 Risk thresholds and economic capital usage

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

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

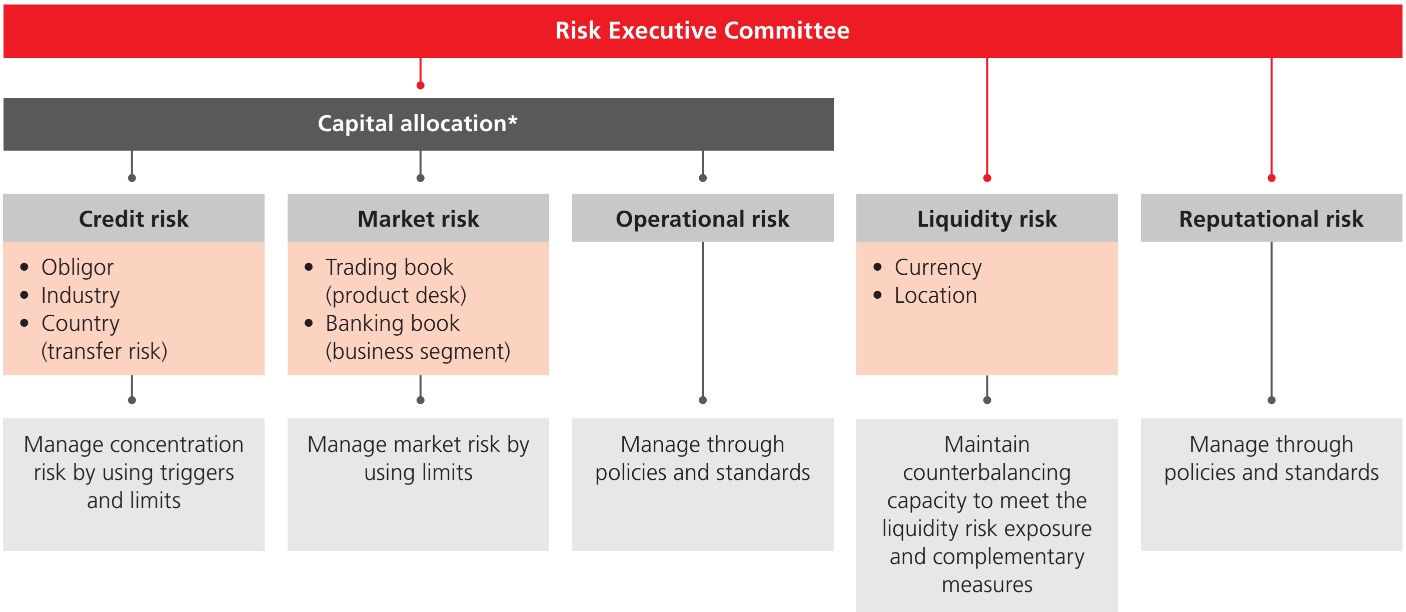
To ensure that the thresholds pertaining to our Risk Appetite are completely risk sensitive, we have adopted economic capital (EC) as our primary risk metric. EC is also a core component in our Internal Capital Adequacy Assessment Process (ICAAP).

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



As a commercial bank, DBS allocates more EC to our customer-facing units, as compared to non customer-facing units. A buffer is also maintained for other risks as well, including country, operational, reputational and model risks.

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



** Refer to Capital allocation diagram above*

4.2 Stress testing

Stress testing is an integral part of our risk management process. It includes both sensitivity analysis and scenario analysis and is conducted regularly. In particular, the ICAAP (a group-wide exercise spanning risk types) is performed annually. On top of this, additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio developments. Every stress test is documented and the results are discussed at the BRMC.

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

The ICAAP ensures our business plans are consistent with our Risk Appetite. This is done by comparing the projected demand for capital to the projected supply of capital under various scenarios, including severe macroeconomic stress.

5 Credit risk

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

Refer to Note 43.1 to the financial statements on page 164 for details on DBS' maximum exposure to credit risk.

5.1 Credit risk management at DBS

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

Policies
Risk methodologies
Processes, systems and reports

Policies

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

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

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

Risk methodologies

Credit risk is managed by thoroughly understanding our corporate customers – the businesses they are in, as well as the economies in which they operate. It is also managed through statistical models and data analytics for retail customers.

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

Wholesale borrowers are assessed individually using both judgmental credit risk models and statistical credit risk models. They are further reviewed and evaluated by experienced credit risk managers who consider relevant credit risk factors in the final determination of the borrower's risk. For some portfolios within the SME segment, DBS also uses a programme-based approach to achieve a balanced management of risks and rewards. Retail exposures are assessed using credit score models, credit bureau records as well as internally and externally available customer behaviour records supplemented by our Risk Acceptance Criteria (RAC). Credit applications are proposed by the business unit, and applications outside the RAC are independently assessed by the credit risk managers.

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

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

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

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

Concentration risk management

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

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

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

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

Country risk

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

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

Transfer risk limits for priority countries are set based on country-specific strategic business considerations as well as the acceptable potential loss according to our Risk Appetite. Management actively evaluates and determines the appropriate level of transfer risk exposures for these countries taking into account the risks and rewards and whether they are in line with our strategic intent. Limits for all other non-priority countries are set using a model-based approach.

All transfer risk limits are approved by the BRMC.

Credit stress testing

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

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

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

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

Processes, systems and reports

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

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

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

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

Non-performing assets

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

Credit exposures are categorised into one of the following five categories, according to our assessment of a borrower's ability to repay a credit facility from its normal sources of income and/ or the repayment behaviour of the borrower.

Classification grade	Description
Performing assets	
Pass	Indicates that the timely repayment of the outstanding credit facilities is not in doubt.
Special mention	Indicates that the borrower exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by DBS.
Classified or NPA	
Substandard	Indicates that the borrower exhibits definable weaknesses in its business, cash flow or financial position that may jeopardise repayment on existing terms.
Doubtful	Indicates that the borrower exhibits severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable as yet.
Loss	Indicates that the outstanding credit facility is not collectable, and little or nothing can be done to recover the outstanding amount from any collateral or from the assets of the borrower generally.

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

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

For retail borrowers, the categorisation into the respective MAS loan grades is at the facility level and consistent with MAS Notice 612.

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

Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms and MAS Notice 612. Apart from what has been described, we do not grant concessions to borrowers in the normal course of business.

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

Refer to Note 2.11 to the financial statements on page 112 for our accounting policies regarding specific and general allowances for credit losses.

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

The breakdown of our NPA by loan grading and industry and the related amounts of specific allowances can be found in Note 43.2 to the financial statements on page 166. A breakdown of past due loans can also be found in the same note.

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

A breakdown of collateral held for NPA is shown in Note 43.2 to the financial statements on page 168.

Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2018 and 2017 were not material.

5.2 Credit risk mitigants

Collateral received

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

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

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

Refer to Note 15 to the financial statements on page 127 for further information on financial assets and liabilities subject to netting agreement but not offset on the balance sheet.

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

In times of difficulty, we will review the customers' specific situation and circumstances to assist them in restructuring their financial obligations. However, should the need arise, disposal and recovery processes are in place to dispose of collateral held. DBS maintains a panel of agents and solicitors to assist in the disposal of non-liquid assets and specialised equipment quickly.

Collateral posted

DBS is required to post additional collateral in the event of a rating downgrade. As at 31 December 2018, for a three-notch downgrade of its Standard & Poor's Ratings Services and Moody's Investors Services ratings, DBS will have to post additional collateral amounting to SGD 189 million (2017: SGD 19 million).

Other credit risk mitigants

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

5.3 Internal credit risk models

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

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

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

5.3.1 Retail exposure models

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

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

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

5.3.2 Wholesale exposure models

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

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

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

Bank exposures are assessed using the bank-rating model. The model considers both quantitative and qualitative factors such as capital levels and liquidity, asset quality, earnings, management and market sensitivity.

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

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

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

5.3.3 Specialised lending exposures

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

5.3.4 Securitisation exposures

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

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

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

5.3.5 Credit exposures falling outside internal credit risk models

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

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

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

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

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

5.4 Credit risk in 2018

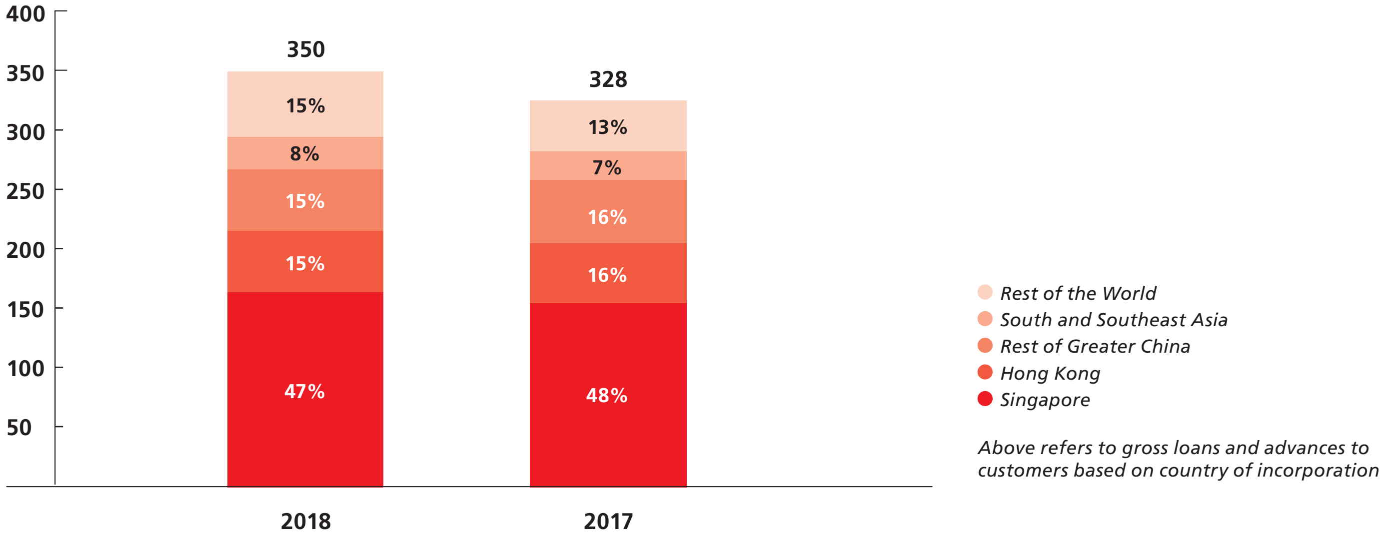
Concentration risk

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

Our gross loans and advances to customers continue to be predominantly in our home market of Singapore, accounting for 47% of our total portfolio. The portfolios for Hong Kong and Rest of Greater China grew slightly, while the portfolios in South and Southeast Asia grew by over 16%, largely in India and Indonesia.

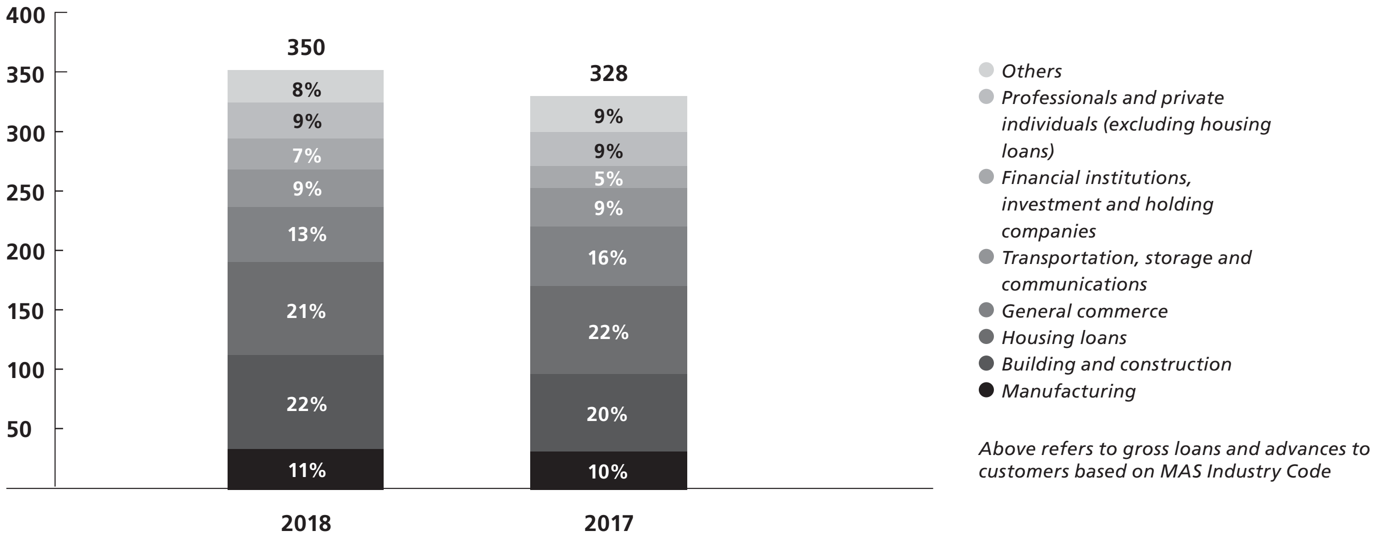
Our portfolio remains well diversified across industry and business segments and is fairly stable, with building and construction, general commerce and manufacturing being the largest contributors in the wholesale portfolio, accounting for 46% of the total portfolio.

Geographical Concentration (SGD billion)



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

Industry Concentration (SGD billion)



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

Refer to Note 43.4 to the financial statements on page 170 for DBS' breakdown of credit risk concentration.

Non-performing assets

New non-performing asset (NPA) formation remained low and was more than offset by recoveries and write-offs. In absolute terms, our total NPA decreased by 6% from the previous year to SGD 5,684 million and non-performing loans (NPL) ratio declined from 1.7% to 1.5% in 2018.

Refer to "CFO Statement" on page 20.

Collateral received

The tables below provide breakdowns by loan-to-value (LTV) bands for the borrowings secured by real estate and other collateral from the various market segments.

Residential mortgage loans

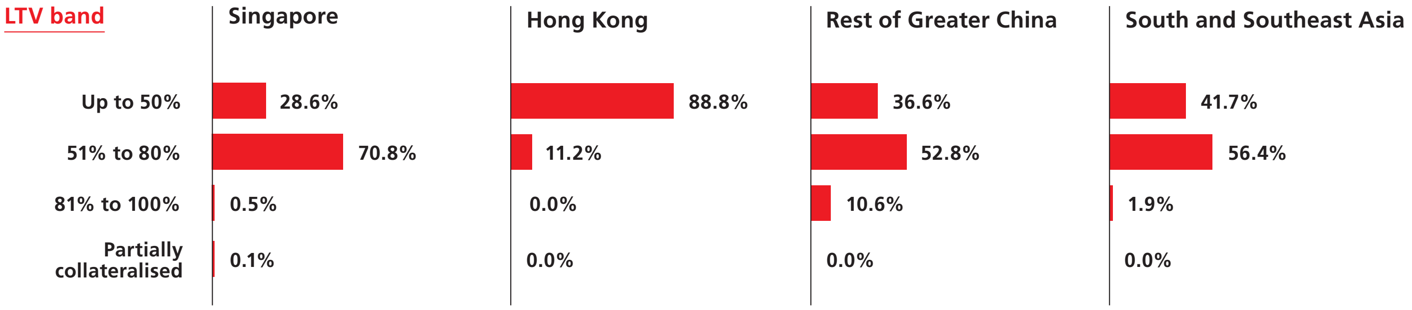
The LTV ratio is calculated using mortgage loans including undrawn commitments divided by the collateral value. Property valuations are determined by using a combination of professional appraisals and housing price indices.

For Singapore mortgages, new loans are capped at LTV limits of up to 75% for private residential mortgages, since July 2018. In tandem with the increase in private property prices by 7.9% comparing end 2018 against end 2017, there was an approximate 7.8% shift in the proportion of mortgage exposure with LTV> 80% to the LTV< 80% band.

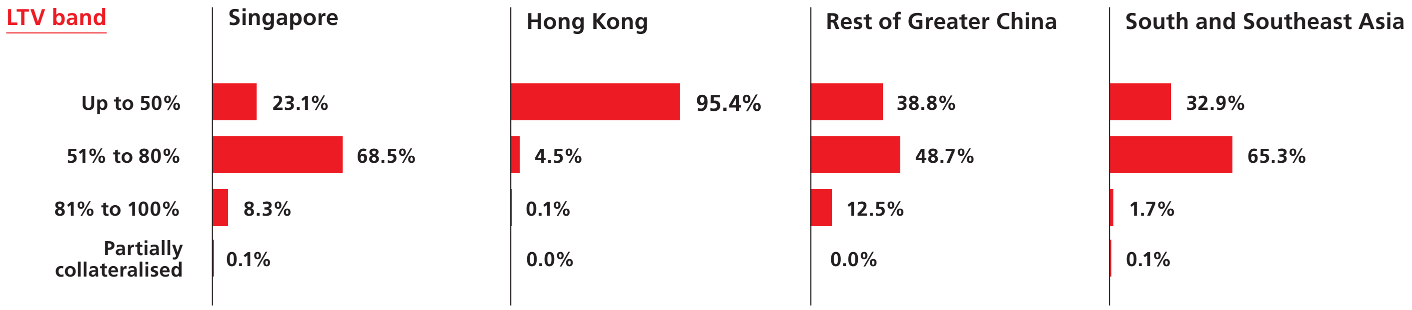
For Hong Kong mortgages, there was an approximate 6.7% increase in the proportion of mortgage exposure in the 51-80% LTV band attributed to strong new loans booked in 2018. Nevertheless, exposure remained flat.

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

As at 31 December 2018



As at 31 December 2017



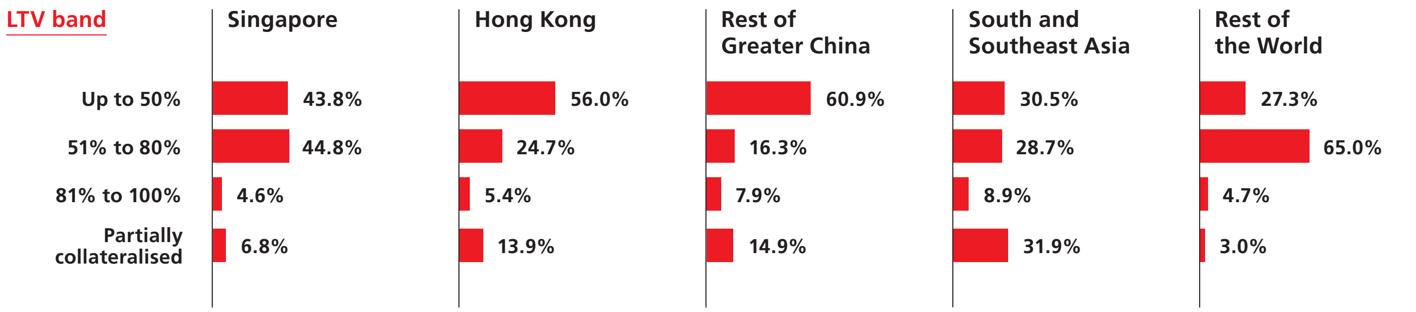
Loans and advances to corporates secured by real estate

These secured loans are extended for the purpose of acquisition and/ or development of real estate, as well as for general working capital. 90% of such loans were fully collateralised. Majority of these loans have LTV < 80% and they are concentrated in Singapore and Hong Kong, which together accounted for 82%.

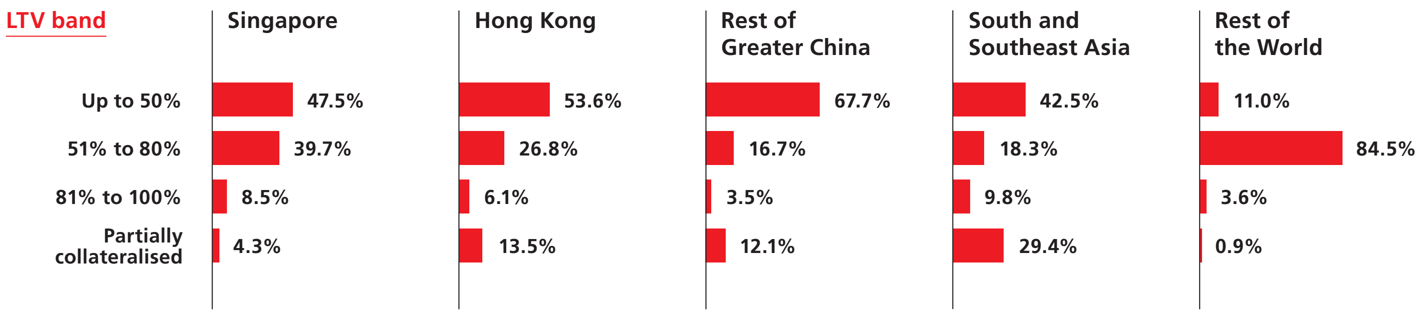
The LTV ratio is calculated as loans and advances divided by the value of collaterals that secure the same facility. Real estate forms a substantial portion of the collaterals; other collateral values such as cash, marketable securities, and bank guarantees are also included.

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

As at 31 December 2018



As at 31 December 2017



Loans and advances to banks

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

Derivatives counterparty credit risk by markets and settlement methods

We continue to manage our derivatives counterparty risk exposures with netting and collateral arrangements, thereby protecting our balance sheet in the event of a counterpart default.

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

Notional OTC and exchange-traded products

In notional terms, SGD million	As at 31 Dec 2018
OTC derivatives cleared through a central counterparty	901,075
OTC derivatives settled bilaterally	1,136,286
Total OTC derivatives	**2,037,361**
Exchange-traded derivatives	26,017
Total derivatives	**2,063,378**

Please refer to Note 38 to the financial statements on page 151 for a breakdown of the derivatives positions held by DBS.

6 Market risk

Our exposure to market risk is categorised into:

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

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

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

6.1 Market risk management at DBS

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

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

Policies

The Group Market Risk Management Policy sets our overall approach towards market risk management, while the Market Risk Management Standard establishes the basic requirements for the said management within DBS. The Market Risk Management Guide complements the Market Risk Management Standard by providing more details regarding specific subject matters. Both the Market Risk Management Standard and Market Risk Management Guide facilitate the identification, measurement, control, monitoring and reporting of market risk in a consistent manner. They also set out the overall approach, standards and controls governing market risk stress testing across DBS.

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

Risk methodologies

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

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

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

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

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

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

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

Processes, systems and reports

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

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

6.2 Market risk in 2018

The main risk factors driving DBS' trading portfolios in 2018 were interest rates, foreign exchange, equities and credit spreads. The following table shows the period-end, average, high and low diversified ES (based on a 97.5% level of confidence) and ES by risk class for our trading portfolios.

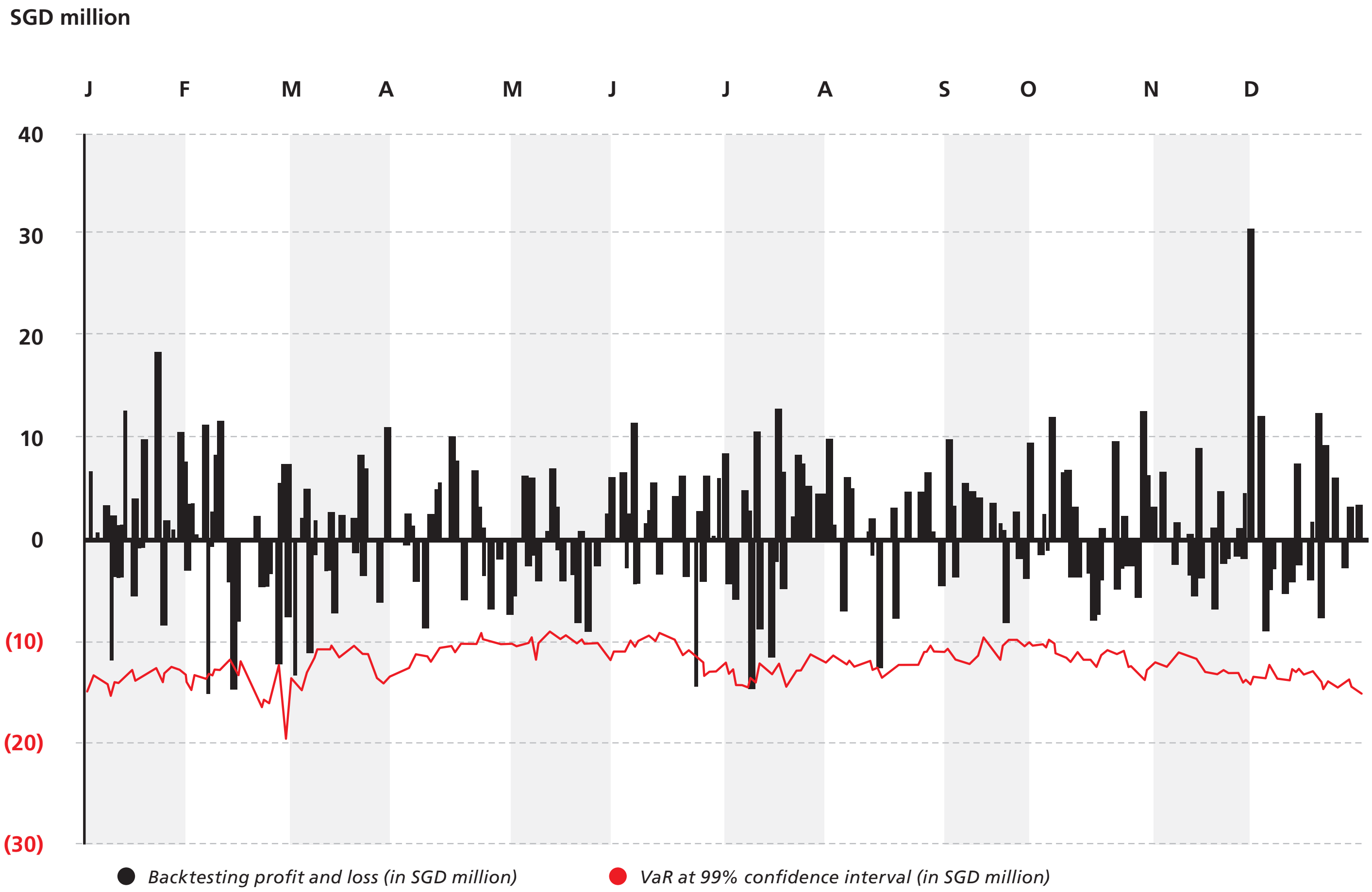
1 Jan 2018 to 31 Dec 2018				
SGD million	**As at 31 Dec 2018**	**Average**	**High**	**Low**
Diversified	14	11	19	8
Interest rates	11	10	21	8
Foreign exchange	4	3	6	2
Equity	6	2	6	#
Credit spread	6	5	6	4
Commodity	#	#	1	#

 # Amount under SGD 500,000

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

 # Amount under SGD 500,000

DBS' trading portfolios experienced four backtesting exceptions in 2018, which occurred in February, June and July. The backtesting exceptions were largely due to swings in equity and USD interest rate volatilities, and movements in bond credit spreads.



In 2018, the key market risk drivers of our non-trading portfolios were interest rates (Singapore Dollar and US Dollar) and foreign exchange.

The economic value impact of changes in interest rates was assessed with plausible rates movements and characteristics of the non-trading portfolio assets and liabilities. The economic value changes based on the worse of an upward or downward parallel shift in the yield curve of 100 basis points and 200 basis points were negative SGD 1,219 million and negative SGD 2,305 million (2017: negative SGD 1,221 million and SGD 2,311 million) respectively.

Foreign exchange risk in our non-trading portfolios was primarily from structural foreign exchange positions, arising mainly from our strategic investments and retained earnings in overseas branches and subsidiaries.

Refer to Note 39.3 to the financial statements on page 155 for details on DBS' structural foreign exchange positions.

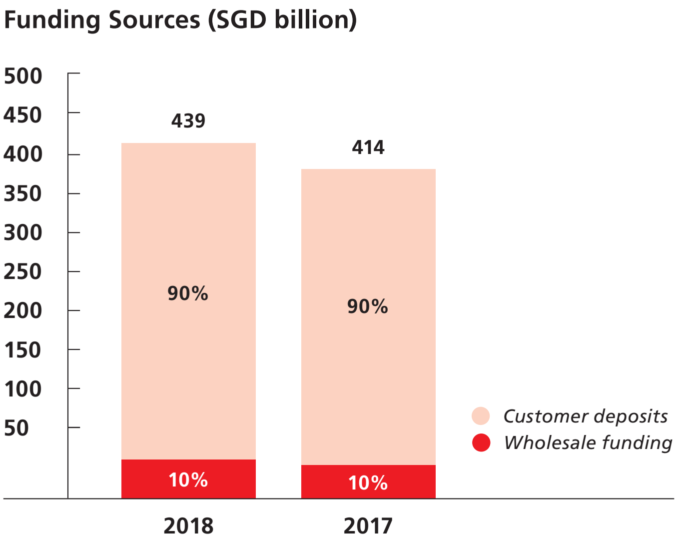
7 Liquidity risk

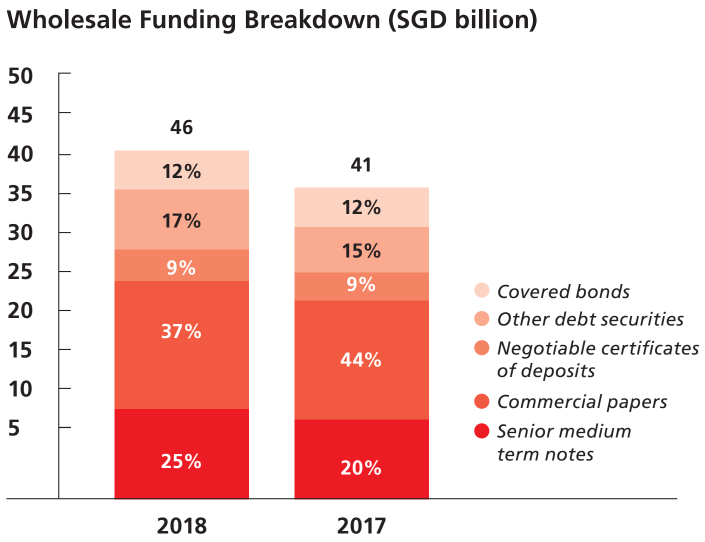
DBS' liquidity risk arises from our obligations to honour withdrawals of deposits, repayments of borrowed funds at maturity and our commitments to extend loans to our customers. We seek to manage our liquidity to ensure that our liquidity obligations will continue to be honoured under normal as well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

7.1 Liquidity risk management at DBS

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

Customer deposits grew by SGD 20 billion in 2018.

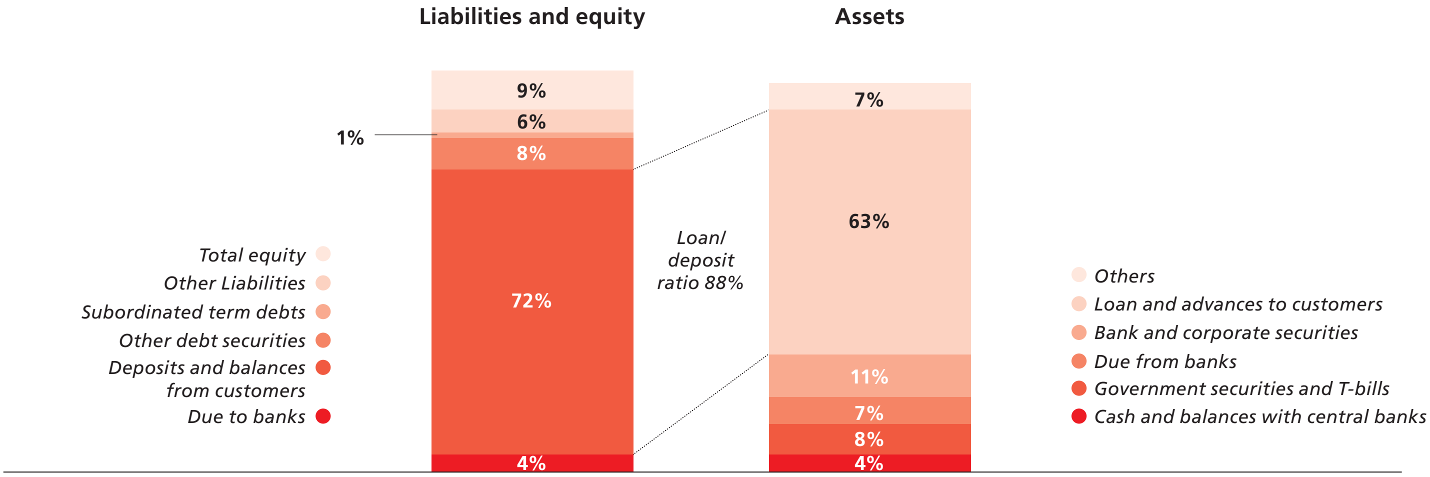




DBS aims to ensure continuous access to the investor base for capital and senior wholesale funding to support our commercial banking activities. We look for cost efficiencies over the long term and market extensively, focusing on the Singapore Dollar, US Dollar, Euro, Australian Dollar and Hong Kong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

We raised additional capital at competitive levels across the Singapore Dollar, US Dollar, Euro, Australian Dollar, Japanese Yen and Chinese Yuan in 2018. Through active investor engagement, we have further broadened our investor base.

The diagrams below show our asset funding structure as at 31 December 2018.



Refer to Note 31 to the financial statements on page 140 for more details of our wholesale funding sources and Note 44.1 on page 172 for the contractual maturity profile of our assets and liabilities.

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

As these swaps typically mature earlier than loans, we are exposed to potential cash flow mismatches arising from the risk that counterparties may not roll over maturing swaps with us to support the continual funding of loans. We mitigate this risk by setting triggers on the number of swaps transacted with the market and making conservative assumptions on the cash flow behaviour of swaps under our cash flow maturity gap analysis (refer to Section 7.2 on page 86).

In general, overseas locations centralise the majority of their borrowing and deployment of funds with our head office, taking into account the relevant regulatory restrictions while maintaining a commensurate level of presence and participation in the local funding markets.

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

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

Approach to liquidity risk management

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

Policies
Risk methodologies
Processes, systems and reports

Policies

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

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

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

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

Risk methodologies

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

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

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

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

Processes, systems and reports

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

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

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

7.2 Liquidity risk in 2018

DBS actively monitors and manages our liquidity profile through cash flow maturity mismatch analysis.

In forecasting cash flow under the analysis, behavioural profiling is necessary in cases where a product has indeterminate maturity or the contractual maturity does not realistically reflect the expected cash flow.

Two examples are maturity-indeterminate savings and current account deposits, which are generally viewed as sources of stable funding for commercial banks. In fact, they consistently exhibit stability even under historic periods of stress. A conservative view is adopted in the behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the contractual maturity profile shown under Note 44.1 of our financial statements on page 172.

The table below shows our behavioural net and cumulative maturity mismatch between assets and liabilities over a one-year period, in a normal scenario without incorporating growth projections. DBS' liquidity was observed to remain adequate in the maturity mismatch analysis. In 2018, improvement in the short term cumulative mismatch resulted from increase in liquid assets while deposit outflows moved from the near term to the medium term. Growth in long term loans reduced the net liquidity surplus at the longer tenors.

SGD million[(a)]	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year
As at 31 Dec 2018 Net liquidity mismatch	24,498	(4,567)	(11,168)	10,508	5,224
Cumulative mismatch	24,498	19,931	8,763	19,271	24,495
As at 31 Dec 2017[(b)] Net liquidity mismatch	10,218	7,789	(5,203)	15,252	10,963
Cumulative mismatch	10,218	18,007	12,804	28,056	39,019

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

7.3 Liquid assets

Liquid assets are assets that are readily available and can be easily monetised to meet obligations and expenses under times of stress.

Such assets are internally defined under the governance of the relevant oversight committees, taking into account the asset class, issuer type and credit rating, among other criteria, before they are reflected as available funds through cash flow maturity mismatch analysis. DBS' Treasury function expects to be able to operationally monetise our pool of liquid assets to meet liquidity shortfalls when the need arises. These liquid assets must be unencumbered and free of any legal, regulatory, contractual or other restrictions.

In practice, liquid assets are maintained in key locations and currencies to ensure that operating entities in such locations possess a degree of self-sufficiency to support business needs and guard against contingencies. The main portion of our liquid assets is centrally maintained in Singapore to support liquidity needs in smaller overseas subsidiaries and branches. Internally, DBS sets a requirement to maintain its pool of liquid assets above a minimum level as a source of contingent funds, taking into account regulatory recommended liquid asset levels as well as internally projected stress shortfalls under the cash flow maturity mismatch analysis.

The table below shows DBS' encumbered and unencumbered liquid assets by instrument and counterparty against other assets in the same category under the balance sheet. The figures are based on the carrying amount at the balance sheet date.

	Liquid assets				Others[d]	Total
SGD million	**Encumbered**	**Unencumbered**	**Total[1]**	**Average[c]**	**[2]**	**[1] + [2]**
As at 31 Dec 2018 Cash and balances with central banks[a]	7,964	9,976	17,940	16,670	4,245	22,185
Due from banks[b]	-	14,170	14,170	13,091	26,008	40,178
Government securities and treasury bills	8,015	39,019	47,034	47,536	244	47,278
Banks and corporate securities	1,271	49,447	50,718	48,047	7,479	58,197
Total	**17,250**	**112,612**	**129,862**	**125,344**	**37,976**	**167,838**

(a) Unencumbered balances with central banks comprise holdings that are unrestricted and available overnight. The encumbered portion represents the mandatory balances held with central banks, which includes a minimum cash balance (MCB) amount that may be available for use under a liquidity stress situation. The "Others" portion includes term placements with central banks

(b) Liquid assets comprise nostro accounts and eligible certificates of deposits

(c) Total liquid assets reflected on an average basis over the four quarters in 2018

(d) "Others" refer to assets that are not recognised as part of the available pool of liquid assets for liquidity management under stress due to (but not limited to) inadequate or non-rated credit quality, operational challenges in monetisation (e.g. holdings in physical scrips), and other considerations

In addition to the above table, collateral received in reverse repo-transactions amounting to SGD 8,481 million were recognised for liquidity management under stress. It can be observed from the table that our funding strategy in the normal course of business does not rely on collateralised wholesale funding. Instead, liquid assets are usually maintained only as a source of contingent funding.

7.4 Liquidity Coverage Ratio (LCR)

Under MAS Notice to Banks No. 649 "Minimum Liquid Assets (MLA) and Liquidity Coverage Ratio (LCR)" (MAS Notice 649), DBS, as a domestic bank incorporated and headquartered in Singapore, is required to comply with the LCR standards. In 2018, Group LCR was maintained well above the minimum LCR requirements of 90% and 100% for all-currency and SGD respectively.

DBS' LCR is sensitive to balance sheet movements resulting from commercial loan/ deposit activities, wholesale inter-bank lending/ borrowing, and to the maturity tenor changes of these positions as they fall into or out of the LCR 30-day tenor. In order to meet the LCR requirements, DBS holds a pool of unencumbered High Quality Liquid Assets (HQLA) comprising predominantly cash, balances with central banks and highly rated bonds issued by governments or supranational entities.

7.5 Net Stable Funding Ratio (NSFR)

Beginning 1 January 2018, DBS has been subjected to the Net Stable Funding Ratio (NSFR) under MAS Notice to Banks No. 652 "Net Stable Funding Ratio (NSFR)" (MAS Notice 652). Group NSFR has been maintained consistently above the minimum regulatory requirement of 100%.

NSFR aims to improve the resiliency of banks by promoting long term funding stability. We manage our NSFR by maintaining a stable balance sheet supported by a diversified funding base with access to funding sources across retail and wholesale channels.

8 Operational risk

Operational risk is inherent in our business activities and may arise from inadequate or failed internal processes, people, systems, or from external events. DBS' objective is to keep operational risk at appropriate levels, taking into account the markets we operate in, the characteristics of the businesses as well as our economic and regulatory environment.

8.1 Operational risk management at DBS

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

Policies
Risk methodologies
Processes, systems and reports

Policies
The Group Operational Risk Management (ORM) Policy sets our overall approach for managing operational risk in a structured, systematic and consistent manner.

There are policies, standards, tools and programmes in place to govern ORM practices across DBS. These include corporate operational risk policies and standards that are owned by the respective corporate oversight and control functions. The key policies address risk areas relating to technology, compliance, fraud, money laundering, financing of terrorism and sanctions, new product and outsourcing.

Risk methodologies
DBS adopts the standardised approach to compute operational risk regulatory capital.

To manage and control operational risk, we use various tools, including risk and control self-assessment, operational risk event management and key risk indicator monitoring.

DBS' three lines of defence adopt one common risk taxonomy, and a consistent risk assessment approach to managing operational risk. Risk and control self-assessment is conducted by each business or support unit to identify key operational risk and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues.

Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact DBS' reputation, must be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward-looking manner.

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

Technology risk
Information Technology (IT) risk is managed through an enterprise technology risk approach. This covers risk governance, communication, monitoring, assessment, mitigation and acceptance, and is supported by a set of IT policies and standards, control processes and risk mitigation programmes.

Along with the bank's digital journey and the evolving cyber risk landscape, we have defined cyber security as a key priority which is managed by a dedicated technology team led by our Chief Information Security Officer (CISO). The CISO oversees the cyber security function, a one-stop competency centre for all cyber security related matters.

Compliance risk
Compliance risk refers to the risk of DBS not being able to successfully conduct our business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and professional conduct applicable to the financial sector.

This includes, in particular, laws and regulations applicable to the licensing and conducting of banking or other financial businesses, financial crime such as anti-money laundering and countering the financing of terrorism, fraud and bribery/ corruption. We maintain a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

DBS also provides relevant training and implements assurance processes. We strongly believe in the need to promote a strong compliance culture as well, and this is developed through the leadership of our Board and senior management.

Fraud risk
DBS has established minimum standards for our business and support units to prevent, detect, investigate and remediate fraud and related events. This is based on the Fraud Management Programme, through which standards are implemented at the unit and geographical levels. These standards aim to provide end-to-end management for fraud and related issues within DBS.

Money laundering, financing of terrorism and sanctions risks
There are minimum standards for our business and support units to mitigate and manage our actual and/ or potential exposure to money laundering, terrorist financing, sanctions, corruption, or other illicit financial activities. Accountabilities have also been established for the protection of DBS' assets and reputation, as well as the interests of our customers and shareholders.

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

Other mitigation programmes
To manage business disruptions effectively, business continuity management is vital as part of DBS' risk mitigation programme.

A robust business continuity management programme is in place to ensure that essential banking services can continue in the event of unforeseen events or business disruptions. Planning for business resilience includes the identification of key business processes and resources via Business Impact Analysis and documented in the Business Continuity Plan (BCP). DBS' BCP aims to minimise the impact of business interruption stemming from severe loss scenarios and provide a reasonable level of service until normal business operations are resumed. Within the crisis management structure, an incident management process is established which provides guidance on incident severity assessment, roles and responsibilities of process owners and escalation protocols for the effective management of a crisis.

Exercises are conducted annually, simulating different scenarios to test BCPs and crisis management protocol. These scenarios include technology issues affecting essential banking services across DBS, natural disasters with wide geographical impact, safety-at-risk incidents (e.g. terrorism) and other events leading to significant business disruption. The effectiveness of these exercises, as well as DBS' business continuity readiness, our alignment to regulatory guidelines and our disclosure of residual risks, are communicated and attested by senior management to the BRMC on an annual basis.

To mitigate losses from specific unexpected and significant event risks, DBS purchases group-wide insurance policies – under the Group Insurance Programme – from third-party insurers. DBS has acquired insurance policies relating to crime and professional indemnity, directors and officers liability, cyber risk, property damage and business interruption, general liability and terrorism.

Processes, systems and reports
Robust internal control processes and systems are integral to identifying, assessing, monitoring, managing and reporting operational risk.

All units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the various frameworks and policies. The RMG Operational Risk unit and other corporate oversight and control functions:

- Oversee and monitor the effectiveness of operational risk management
- Assess key operational risk issues with the units
- Report and/ or escalate key operational risks to risk committees with recommendations on appropriate risk mitigation strategies

DBS implemented an integrated governance, risk and compliance system with aligned risk assessment methodology, common taxonomy, and unified processes for the three lines of defence.

8.2 Operational risk in 2018

The total operational risk losses in 2018 decreased to SGD 13 million (0.10% of DBS' total operating income), from SGD 14 million (0.12%) in 2017. The losses may be categorised into the following seven Basel risk event categories:

Basel risk event types	2018		2017	
	SGD million	%	SGD million	%
Execution, delivery and process management (EDPM)	5.44	43%	6.44	45%
External fraud	3.76	29%	6.41	45%
Business disruption and system failures	2.43	19%	0.79	6%
Clients, products and business practices	0.56	4%	0.46	3%
Damage to physical assets	0.23	2%	0.10	1%
Internal fraud	0.43	3%	0	0%
Employment practices and workplace safety	0	0%	0	0%
Total[(1)]	**12.85**	**100%**	**14.20[(2)]**	**100%**

Notes
(1) Reportable operational risk events are those with net loss greater than SGD 10,000 and are reported based on the date of detection
(2) Adjusted to account for updates such as subsequent recoveries and additional costs (e.g. legal expenses) incurred after 2017

EDPM and external fraud accounted for 72% of our total losses in 2018. EDPM, which comprised mainly processing errors, accounted for the highest share.

9 Reputational risk

DBS views reputational risk as an outcome of any failure to manage risks in our day-to-day activities/ decisions, and from changes in the operating environment. These risks include:

- Financial risk (credit, market and liquidity risks)
- Inherent risk (operational and business/ strategic risks)

9.1 Reputational risk management at DBS

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

Policies
Risk methodologies
Processes, systems and reports

Policies

DBS adopts a four-step approach for reputational risk management, which is to prevent, detect, escalate and respond to reputational risk events.

As reputational risk is a consequence of the failure to manage other risk types, the definitions and principles for managing such risks are articulated in the respective risk policies. These are reinforced by sound corporate values that reflect ethical behaviours and practices throughout DBS.

At DBS, we have policies in place to protect the consistency of our brand and to safeguard our corporate identity and reputation.

Risk methodologies

Under the various risk policies, we have established a number of mechanisms for ongoing risk monitoring.

These mechanisms take the form of risk limits, key risk indicators and other operating metrics, and include the periodic risk and control self-assessment process. Apart from observations from internal sources, alerts from external parties/ stakeholders also serve as an important source to detect potential reputational risk events. In addition, there are policies relating to media communications, social media and corporate social responsibility to protect DBS' reputation. There are also escalation and response mechanisms in place for managing reputational risk.

While the respective risk policies address the individual risk types, the Reputational Risk Policy focuses specifically on our stakeholders' perception of how well DBS manages its reputational risks. Stakeholders include customers, government agencies and regulators, investors, rating agencies, business alliances, vendors, trade unions, the media, the general public, the Board and senior management, and DBS' employees.

We recognise that creating a sense of shared value through engagement with key stakeholder groups is imperative for our brand and reputation.

Read more about our stakeholder engagement on page 70.

Processes, systems and reports

Our units are responsible for the day-to-day management of reputational risk, and ensure that processes and procedures are in place to identify, assess and respond to this risk. This includes social media monitoring to pick up adverse comments on DBS. Events affecting DBS' reputational risk are also included in our reporting of risk profiles to senior management and Board-level committees.

9.2 Reputational risk in 2018

DBS' priority is to prevent the occurrence of a reputational risk event, instead of taking mitigating action when it occurs. There were no significant reputational risk incidents endangering the DBS franchise in 2018.

Capital management and planning

Objective

The Board of Directors (Board) is responsible for setting our capital management objective, which is to maintain a strong capital position consistent with regulatory requirements under the Monetary Authority of Singapore (MAS) Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" (MAS Notice 637) and the expectations of various stakeholders including customers, investors and rating agencies. The Board articulates this objective in the form of capital targets. This objective is pursued while delivering returns to shareholders and ensuring that adequate capital resources are available for business growth and investment opportunities as well as adverse situations, taking into consideration our strategic plans and risk appetite. Our dividend policy is to pay sustainable dividends over time, consistent with our capital management objective and long-term growth prospects. In line with our dividend policy, the Board has recommended a final dividend of SGD 0.60 per ordinary share, bringing the total ordinary dividend for the year to SGD 1.20. The Scrip Dividend Scheme will not be applied to the final dividend.

Process

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

Capital capacity is allocated on two dimensions: by business line and by entity. Capital allocations by business line are set as part of the budget process and monitored during the year. Return on regulatory capital is one of several metrics used to measure business performance. Capital allocations by entity seek to optimise the distribution of capital resources across entities, taking into account the capital adequacy requirements imposed on each subsidiary in its respective jurisdiction. Capital is allocated to ensure that each subsidiary is able to comply with regulatory requirements as it executes its business strategy in line with our strategy. During the course of the year, these subsidiaries did not experience any impediments to the distribution of dividends.

Capital structure

We manage our capital structure in line with our capital management objective and seek to optimise the cost and flexibility offered by various capital resources. In order to achieve this, we assess the need and the opportunity to raise or retire capital. The following capital transactions were undertaken during the year.

Common Equity Tier 1 capital

- The Scrip Dividend Scheme was not applied to the 2017 final, 2017 special or 2018 interim dividends.
- As at 31 December 2018, the number of treasury shares held by the Group was 12,435,832 (2017: 6,868,515), which was 0.49% (2017: 0.27%) of the total number of issued shares net of treasury shares.

Refer to Note 33 to the financial statements for details on the movement of share capital during the year.

Additional Tier 1 capital

- DBS Capital Funding II Corporation, on 15 Jun 2018, redeemed the SGD 1,500 million 5.75% Non-Cumulative, Non-Convertible, Non-Voting Guaranteed Preference Shares Callable with Step-Up in 2018.
- DBS Group Holdings Ltd, on 12 September 2018, issued SGD 1,000 million 3.98% Non-Cumulative Non-Convertible Perpetual Capital Securities First Callable in 2025.

Tier 2 capital

- DBS Bank Ltd., on 14 February 2018 redeemed the outstanding SGD 508 million 3.1% Subordinated Notes due 2023 Callable with Step-up in 2018.
- DBS Group Holdings Ltd, on 16 March 2018, issued AUD 750 million Floating Rate Subordinated Notes due in 2028 and Callable in 2023.
- DBS Group Holdings Ltd, on 11 April 2018, issued EUR 600 million 1.5% Subordinated Notes due in 2028 and Callable in 2023.
- DBS Group Holdings Ltd, on 15 May 2018, issued RMB 950 million 5.25% Subordinated Notes due in 2028 and Callable in 2023.
- DBS Group Holdings Ltd, on 11 June 2018, issued USD 750 million 4.52% Subordinated Notes due in 2028 and Callable in 2023.
- DBS Group Holdings Ltd, on 25 June 2018, issued JPY 7,300 million 0.85% Subordinated Notes due in 2028 and Callable in 2023.

Refer to Notes 32, 34 and 36 to the financial statements as well as the Pillar 3 disclosures (http://www.dbs.com/investor/index.html) for the terms of the capital instruments that are included in Eligible Total Capital.

The table below analyses the movement in Common Equity Tier 1, Additional Tier 1 and Tier 2 capital during the year.

Statement of changes in regulatory capital for the year ended 31 December 2018

	SGD million
Common Equity Tier 1 capital	
Opening amount	41,170
Regulatory loss allowance reserves	(376)
Purchase of treasury shares	(303)
Profit for the year (attributable to shareholders)	5,577
Dividends paid to shareholders[1]	(4,432)
Cost of share-based payments	112
Other CET1 movements, including other comprehensive income	(375)
Transitional arrangements	(1,132)
Closing amount	40,241
Common Equity Tier 1 capital	40,241
Additional Tier 1 capital	
Opening amount	2,255
Issuance of Additional Tier 1 capital instruments	1,000
Movements in Additional Tier 1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	(981)
Transitional arrangements and others	1,120
Closing amount	3,394
Tier 1 capital	43,635
Tier 2 capital	
Opening amount	2,173
Movements in Tier 2 capital instruments	2,969
Movements in Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	(553)
Movement in allowances eligible as Tier 2 capital	644
Closing amount	5,233
Total capital	48,868

Note:
(1) Includes distributions paid on capital securities classified as equity

Capital adequacy ratios

As of 1 January 2018, all Basel III deductions from Common Equity Tier 1 have been fully phased-in. As at 31 December 2018, our Common Equity Tier 1 (CET1) capital adequacy ratio (CAR) was 13.9% which was above our target ratio of around 13.0% ± 0.5%. Our CET1 ratio, as well as our Tier 1 and Total CARs, comfortably exceeded the eventual minimum CAR requirements under MAS Notice 637, effective from 1 January 2019, of 9.0%, 10.5% and 12.5% respectively (this includes the capital conservation buffer but excludes the countercyclical capital buffer).

As at 31 December 2018 our consolidated leverage ratio stood at 7.1%, well above the 3.0% minimum ratio set by the MAS effective 1 January 2018.

Refer to "Five-Year Summary" on page 195 for the historical trend of Tier 1 and Total CAR. Refer to http://www.dbs.com/investor/index.html for DBS' Pillar 3 disclosures which set out details on our RWA.

SGD million	2018	2017
Share capital	11,205	11,205
Disclosed reserves and others	34,658	34,455
Total regulatory adjustments to Common Equity Tier 1 capital	(5,622)	(4,490)
Common Equity Tier 1 capital	40,241	41,170
Additional Tier 1 capital instruments[(1)]	3,394	3,375
Total regulatory adjustments to Additional Tier 1 capital	–	(1,120)
Tier 1 capital	43,635	43,425
Total allowances eligible as Tier 2 capital	1,605	961
Tier 2 capital instruments[(1)]	3,628	1,212
Total capital	48,868	45,598
Risk-weighted assets (RWA)		
Credit RWA	242,526	229,238
Market RWA	26,170	38,670
Operational RWA	20,940	19,681
Total RWA	289,636	287,589
Capital Adequacy Ratio (CAR) (%)		
Basel III fully phased-in Common Equity Tier 1[(2)]	13.9	13.9
Common Equity Tier 1	13.9	14.3
Tier 1	15.1	15.1
Total	16.9	15.9
Minimum CAR including Buffer Requirements (%)[(3)]		
Common Equity Tier 1	8.7	8.0
Effective Tier 1	10.2	9.5
Effective Total	12.2	11.5
Of which: Buffer Requirements (%)		
Capital Conservation Buffer	1.875	1.25
Countercyclical Buffer	0.3	0.2

Notes:

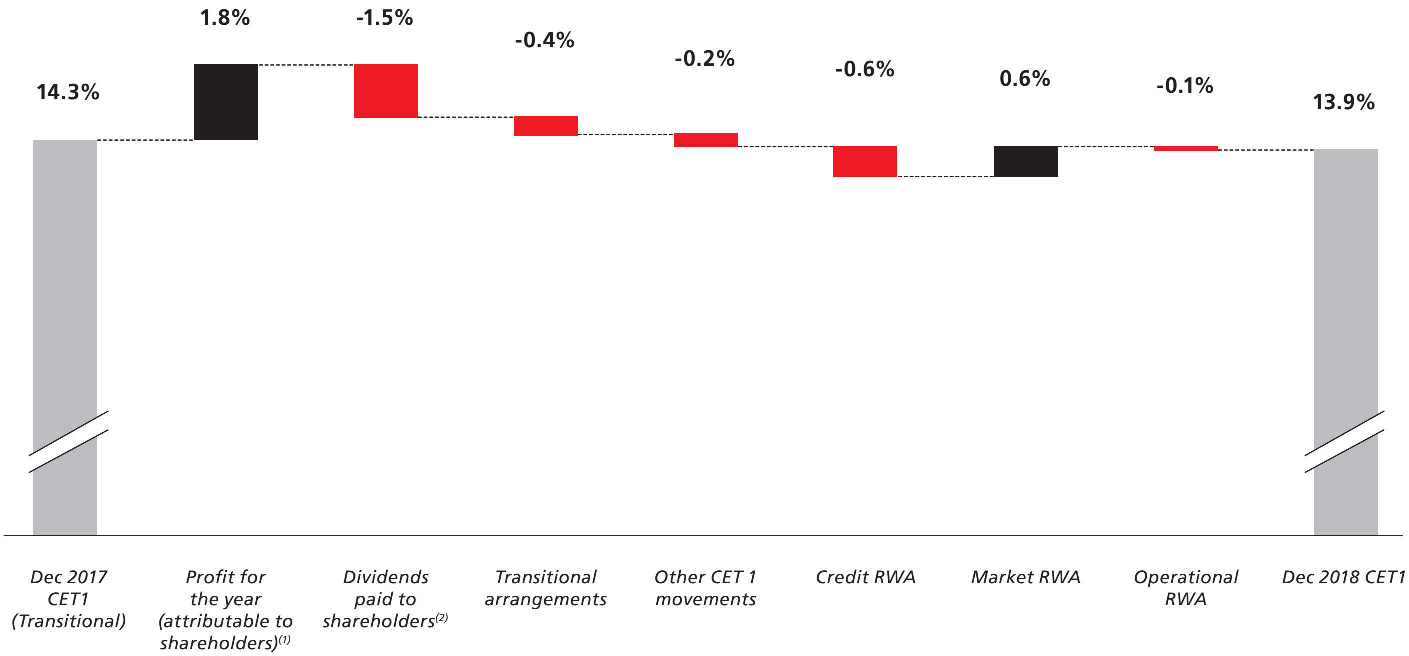
(1) As part of the Basel III transitional arrangements, regulatory capital recognition of outstanding Additional Tier 1 and Tier 2 capital instruments that no longer meet the minimum criteria is gradually being phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 90% in 2013, with this cap decreasing by 10 percentage points in each subsequent year. To the extent a capital instrument is redeemed or amortised after 1 January 2013, the nominal amount serving as the base is not reduced.

(2) Calculated by dividing Common Equity Tier 1 capital after all regulatory adjustments (e.g., for goodwill) applicable from 1 January 2018 by RWA as at each reporting date. The transition period for regulatory adjustments ended on 1 January 2018, which means the disclosed CET1 ratio will henceforth be the same as the fully phased-in ratios.

(3) Includes minimum Common Equity Tier 1, Tier 1 and Total CAR of 6.5%, 8.0% and 10.0% respectively.

The chart below analyses the drivers of the movement in Common Equity Tier 1 (CET1) CAR during the year.

Group Common Equity Tier 1 (CET1) CAR



Notes:
(1) Net of regulatory loss allowance reserves
(2) Includes distributions paid on capital securities classified as equity

The following table sets out the RWA and capital adequacy ratios as at 31 December 2018 of our significant banking subsidiaries calculated in accordance with the locations' applicable regulatory requirements.

		CAR (%)		
As at 31 December 2018	**Total RWA (SGD million)**	**Common Equity Tier 1**	**Tier 1**	**Total**
DBS Bank (Hong Kong) Limited	40,757	15.1	15.7	17.7
DBS Bank (China) Limited	17,665	12.5	12.5	15.5

Regulatory change

The MAS has revised MAS Notice 637 to incorporate the Basel III capital standards into Singapore regulations. These took effect from 1 January 2013 and are phased in over time. The transitional arrangements for minimum CAR requirements are summarised in the table below.

From 1 January	2017	2018	2019
Minimum CAR %			
Common Equity Tier 1 (a)	6.5	6.5	6.5
Capital Conservation Buffer (CCB) (b)	1.25	1.875	2.5
Common Equity Tier 1 including CCB (a) + (b)	7.75	8.375	9.0
Tier 1 including CCB	9.25	9.875	10.5
Total including CCB	11.25	11.875	12.5
Maximum Countercyclical Buffer (1)	1.25	1.875	2.5

Note:

(1) The countercyclical buffer is not an ongoing requirement and is only applied as and when specified by the relevant banking supervisors. The applicable magnitude will be a weighted average of the jurisdiction-specific countercyclical buffer requirements that are required by national authorities in jurisdictions to which a bank has private sector credit exposures. The Basel Committee expects jurisdictions to implement the countercyclical buffer during periods of excessive credit growth. Of the jurisdictions where we have material private sector credit exposures, Hong Kong has applied a countercyclical buffer of 1.875% for 2018, increasing to 2.5% from 1 January 2019.

The MAS has designated DBS Bank as a domestic systemically important bank (D-SIB). Under the MAS' framework for identifying and supervising D-SIBs, the higher loss absorbency requirement for locally incorporated D-SIBs is met by the foregoing minimum ratios being two percentage points higher than those established by the Basel Committee. The Basel Committee has developed an indicator-based methodology for identifying global systemically important banks (G-SIBs) on which higher loss absorbency requirements will be imposed. While we are not a G-SIB, we are required to disclose the 12 indicators which are published on DBS' website (http://www.dbs.com/investor/index.html).

In July 2018 the MAS published a consultation paper on Proposed Regulations to Enhance the Resolution Regime for Financial Institutions in Singapore. The MAS Amendment Act has partially come into operation, and most of the relevant amendments relating to the resolution framework came into force on 29 October 2018. Certain aspects of the framework are to be implemented by way of regulations which have not been issued. The MAS' resolution powers include, among other things, the introduction of statutory powers allowing the MAS to temporarily stay early termination rights (including set-off and netting rights) of counterparties to financial contracts entered into with a financial institution over which the MAS may exercise its resolution powers (which would include Singapore licensed banks), the introduction of a statutory bail-in regime, cross-border recognition of resolution action, creditor safeguards and resolution funding.

In October 2018, the MAS Notice 637 was amended to align definitions which cross-reference the Securities and Futures Act (Cap. 289).

The MAS has made further amendments to MAS Notice 637, with effect from 16 November 2018, 31 December 2018 and 1 January 2019 to, *inter alia*, implement the revised Basel Committee standards for Interest Rate Risk in the Banking Book (IRRBB) and Total Loss Absorbing Capacity (TLAC), widen the scope of certain eligible collateral, revise the risk weight for certain exposures and make technical amendments..

Impact of SFRS(I) 9 Implementation on Capital

DBS adopted the Singapore Financial Reporting Standards (International) 9 Financial Instruments (SFRS(I) 9) on 1 January 2018. Under SFRS(I) 9, impairment charges are determined using an Expected Credit Loss approach (ECL). Periodic changes in the balance of ECL are reflected as impairment charges and recorded in profit and loss and ultimately in Common Equity Tier 1 (CET1) capital. Banks are also required to maintain a minimum total allowance balance amounting to 1% of a defined list of non-credit impaired exposures, which has been termed the Minimum Regulatory Loss Allowance (MRLA). If the balance of Stage 1 & 2 ECL (which would equate to general allowances) is less than the MRLA, banks will have to appropriate the shortfall amount from retained earnings into a non-distributable reserve within equity, which is described as the Regulatory Loss Allowance Reserve (RLAR). The RLAR is excluded from CET1; instead it is recognised as part of the total allowances for Basel capital reporting and included as Tier 2 capital, subject to existing prescribed limits. As the Group has observed MAS Notice 612 requirements since 2005, the general allowances balance has remained prudent and SFRS(I) 9 adoption did not have a significant impact on the Group's capital position. Nonetheless, the Group will continue to take this into consideration in its capital planning.

Sustainability

We are issuing a standalone sustainability report for the first time to provide a clearer articulation of our progress.

Scan here to view our sustainability report

Sustainability governance

The CEO is assisted by the Group Sustainability Council on sustainability matters.

The council is chaired by the Chief Sustainability Officer and consists of senior leaders across the bank. It develops the bank's overall sustainability framework, which includes setting key performance indicators (KPIs) in consultation with stakeholders, and oversees the execution of sustainability initiatives across the bank. The Board is provided with regular progress updates.

Our approach to sustainability

We take a long-term perspective in conducting our business by incorporating environmental and social considerations so that we can impact people's lives meaningfully.

In promoting sustainable development, we have chosen to focus on six[1] of the UN's Sustainable Development Goals (SDGs) which we believe we can make meaningful contributions to, and after taking into account the markets we operate in. Our approach is to incorporate digital technology and collaborate with other like-minded organisations, so as to multiply the impact of our efforts.

Sustainability pillars

Our approach to sustainability is based on three pillars[2][3] – (i) Responsible banking, (ii) Responsible business practices and (iii) Creating social impact.

(i) Responsible banking:

Taking a proactive stance to protect our customers' information, having zero tolerance for financial crime, and conducting our business in a fair and responsible manner. In promoting sustainable development, we are committed to advancing responsible financing and financial inclusion.

(ii) Responsible business practices:

Providing an inclusive work environment where every employee can develop professionally and personally. As a responsible organisation, we are conscious of the need to manage our direct environmental footprint and seek to influence our supply chain towards sustainable practices. We pay our fair share of taxes and make economic contributions to the communities in which we operate.

(iii) Creating social impact:

Championing social entrepreneurship in Asia by advocating for and nurturing social enterprises and integrating them into the operations of the bank. As part of our employees' volunteerism movement "People of Purpose", we focus on driving impact in the key areas of active ageing, education and environment.

(1) In 2018, we added SDG 5 Gender Equality and SDG 9 Industry, Innovation and Infrastructure

(2) In 2017, we had four sustainability pillars. They were responsible banking, responsible corporate citizenship, creating social impact and employer of choice. An internal review was conducted in 2018 and we decided to merge responsible corporate citizenship and employer of choice into responsible business practices

(3) The coverage of each sustainability pillar is wide. Read more about the sustainability overview in the sustainability report

Performance highlights

Official sponsor of climate action theme at UNLEASH 2018

TCFD inaugural disclosure

5.6 million digital customers[4]

Four sustainability performance-linked loans **> SGD 600 million**

#RecyclemoreWasteless **> 50,000 pledges**

Awarded **SGD 1.25 million** grant to **12 social enterprises**

RE100 > 40% of renewable energy for Singapore operations

99.6% of **new suppliers** signed Sustainable Sourcing Principles (SSP)

> 65,000 hours engaged in volunteering initiatives

Recognition

Bloomberg GEI Index 2018

FTSE4Good Index 2018

DJSI (ASIA Pacific) 2018

Champion of Good 2018

Singapore APEX Corporate Sustainability Award – Sustainable Business

AON Best Employers – Best of the Best Employers (Singapore) and Asia Pacific Best Employer 2018 (Regional)

Sustainable Business Awards Singapore – Best Flagship Initiative

SGX ESG Indices – Leaders Index and Transparency Index

(4) This relates to consumer and SME businesses (Singapore and Hong Kong) and digibank customers (India and Indonesia)

Summary of disclosures Corporate governance

As we have elected to adopt Rule 710 of the SGX Listing Manual in advance, this summary of disclosures describes our corporate governance practices with specific reference to the express disclosure requirements in the principles and provisions of the 2018 Code* and the Supplementary Guidelines*. No references have been made to the 2012 Code*.

***defined on page 42**

Where to find key information on each Director?

In this Annual Report:

- *Pages 44 to 45 – Directors' independence status, appointment dates, meeting attendance and remuneration details*
- *Pages 196 to 201 – Directors' length of directorship, academic and professional qualifications and present and past directorships*
- *Pages 218 to 222 – Additional Information on Directors seeking re-election at the Annual General Meeting to be held on 25 April 2019*

At our website (www.dbs.com): Directors' biodata

Express disclosure requirements in the 2018 Code and the Supplementary Guidelines

Principles and provisions of the 2018 Code - Express disclosure requirements	Page reference in DBS Annual Report 2018
Provision 1.2 The induction, training and development provided to new and existing Directors	Pages 47 to 48
Provision 1.3 Matters that require Board approval.	Page 53
Provision 1.4 Names of the members of the Board Committees, the terms of reference of the Board Committees, any delegation of the Board's authority to make decisions, and a summary of each Board committee's activities.	Pages 46 to 52
Provision 1.5 The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings.	Pages 44 to 45
Provision 2.4 The board diversity policy and progress made towards implementing the board diversity policy, including objectives.	Page 49

Principles and provisions of the 2018 Code - Express disclosure requirements	Page reference in DBS Annual Report 2018
Provision 4.3 Process for the selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidate.	Pages 46 to 47
Provision 4.4 Where the Board considers a Director to be independent in spite of the existence of a relationship which may affect his or her independence, the nature of the Director's relationship and the reasons for considering him or her as independent should be disclosed.	Pages 44 to 45, and 48
Provision 4.5 The listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties are disclosed.	Pages 49 and 196 to 201
Provision 5.2 How the assessments of the Board, its Board committees and each Director have been conducted, including the identity of any external facilitator and its connection, if any, with the Company or any of its Directors.	Page 48
Provision 6.4 The Company discloses the engagement of any remuneration consultants and their independence.	Page 59
Principle 8 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration, and the relationship between remuneration, performance and value creation.	Pages 57 to 61
Provision 8.1 The Company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not Directors or the CEO) in bands no wider than SGD 250,000 and in aggregate the total remuneration paid to these key management personnel.	For the CEO and management: pages 59 to 61 For non-executive Directors: pages 44 to 45
Provision 8.2 Names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a Director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds SGD 100,000 during the year, in bands no wider than SGD 100,000. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	Page 53
Provision 8.3 The Company discloses all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company, and also discloses details of employee share schemes.	For non-executive Directors: Pages 44, 45, 52, 196 and 200 For key management personnel: pages 59 to 61 For employee share schemes: page 59, 184 and 185

Principles and provisions of the 2018 Code - Express disclosure requirements	Page reference in DBS Annual Report 2018
Provision 9.2 Whether the Board has received assurance from (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) the CEO and the other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.	Page 55
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year.	Pages 44 to 45
Provision 12.1 The steps taken to solicit and understand the views of shareholders.	Page 56
Provision 13.2 The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Pages 70 to 71

Supplementary Guidelines – Express disclosure requirements	Page reference in DBS Annual Report 2018
Guideline 1.16 An assessment of how the induction, orientation and training provided to new and existing directors meet the requirements set out by the NC to equip the Board and the respective board committees with relevant knowledge and skills in order to perform their roles effectively.	Pages 47 to 48
Guideline 2.13 If a Board Executive Committee is established, the Company should disclose the names of the members of the Board Executive Committee and the key terms of reference of the Board Executive Committee, explaining its role and the authority delegated to it by the Board.	Pages 47 and 49
Guideline 4.13 The Board should disclose the resignation or dismissal of the key appointment holders in the Financial Institution's Annual Report.	Page 52
Guideline 4.14 Deviation and explanation for any deviation from the internal guidelines on time commitment.	Page 49
Guideline 11.14 The names of the members of the board risk committee and the key terms of reference of the board risk committee, explaining its role and the authority delegated to it by the Board.	Pages 47 and 51
Guideline 17.4 Material related party transactions.	Pages 54 to 55

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Financial statements

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

In $ millions	Note	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
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

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

<table>
<tr><th></th><th>FRS 39 (Prior to 1 Jan 2018)</th><th>SFRS(I) 9 (From 1 Jan 2018 onwards)</th></tr>
<tr><td>Classification and measurement</td><td>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).</td><td>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.</td></tr>
</table>

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	The Group 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**

(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.

In $ millions	The Group 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

In $ millions	The Group 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:

In $ millions	The Group 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:

In $ millions	The Group 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

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

In $ millions		The Group 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

In $ millions	Mandatorily at FVPL[c]	FVPL designated	Amortised cost	The Group 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**

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

In $ millions	The Group 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**

In $ millions	The Group 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

In $ millions	The Group 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

	The Group		
	31 Dec		1 Jan
In $ millions	**2018**	**2017**	**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.

	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
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

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 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:

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 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	31 Dec 2017	1 Jan 2017	The Company 31 Dec 2018	31 Dec 2017	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.

				The Group and The Company		
			Distribution	31 Dec		1 Jan
In $ millions	Note	Issue Date	Payment	2018	2017	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

	The Group			The Company		
		31 Dec	1 Jan		31 Dec	1 Jan
In $ millions	2018	2017	2017	2018	2017	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:

	The Group							
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**
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

	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 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.

In $ millions	The Group				
	Financial assets			Financial liabilities	
	FVPL	FVOCI/ AFS	Derivatives	FVPL	Derivatives
	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

In $ millions	The Group		
	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

In $ millions	The Group 31 Dec 2018	31 Dec 2017	1 Jan 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.

In $ millions	The Group 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

	The Group			
In $ millions	**Less than 30 days past due**	**30 to 59 days past due**	**60 to 90 days past due**	**Total**
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)

	The Group	
In $ millions	**2018**	**2017**
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

In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
	The Group							
	NPAs				Specific allowances			
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	NPAs	Specific allowances
	The Group	
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

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	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

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	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

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	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]

	The Group		
	31 Dec		1 Jan
In $ millions	2018	2017	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.

Analysed by external ratings		**The Group**	
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	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						
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

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

In $ millions	Bank 2018	Bank 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 2018	2017	1 Jan 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

Directors' statement

The Directors are pleased to submit their statement to the Members, together with the audited balance sheet of DBS Group Holdings Ltd (the Company or DBSH) and the consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 December 2018. These have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and the Singapore Financial Reporting Standards (International).

In the opinion of the Directors, the balance sheet of the Company and the consolidated financial statements of the Group, together with the notes thereon, as set out on pages 103 to 177, are drawn up so as to give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and the performance, changes in equity and cash flows of the Group for the financial year ended on that date. As at the date of this statement, there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 4,010,066 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Group. This included 226,509 ordinary shares comprised in awards granted to the executive Director, Mr Piyush Gupta, which formed part of his remuneration for 2017.

Following shareholders' approval for the special dividend of 50 cents per ordinary share at DBSH's annual general meeting held on 25 April 2018, adjustments were made to all unvested share awards granted under the DBSH Share Plan on 26 April 2018. As a result of such adjustments, the total number of ordinary shares comprised in such unvested share awards increased by 286,509 shares.

In addition, during the financial year, certain non-executive Directors received an aggregate of 32,549 share awards, which formed part of their directors' fees. Details are set out below.

Directors of the Company	Share awards granted during the financial year under review	Share awards vested during the financial year under review
Mr Peter Seah(2)	18,443	18,443
Mr Piyush Gupta	243,332(1)	366,676
Ms Euleen Goh(2)	3,554	3,554
Mr Ho Tian Yee(2)	2,216	2,216
Mr Olivier Lim(2)	299	299
Mr Nihal Kaviratne(2)	2,468	2,468
Mr Andre Sekulic(2)	2,581	2,581
Mr Danny Teoh(2)	2,988	2,988

(1) This represents the aggregate of (a) 226,509 share awards which formed part of Mr Piyush Gupta's remuneration for 2017; and (b) the increase in the total number of ordinary shares comprised in Mr Piyush Gupta's unvested share awards by 16,823 shares arising from adjustments made to all unvested share awards granted under the DBSH Share Plan on 26 April 2018.

(2) The awards of these non-executive Directors formed part of their directors' fees for 2017, which had been approved by the shareholders at DBSH's annual general meeting held on 25 April 2018. All the awards granted to these non-executive Directors during the financial year under review vested immediately upon grant.

Information on the DBSH Share Plan is as follows:

(i) Awards over DBSH's ordinary shares may be granted to Group executives who hold such rank as may be determined by the Compensation and Management Development Committee of DBSH from time to time. Awards may also be granted to (amongst others) executives of associated companies of DBSH who hold such rank as may be determined by the Compensation and Management Development Committee from time to time, and non-executive Directors of DBSH. As at the date of this statement, the members of the Compensation and Management Development Committee are Mr Andre Sekulic (Chairman), Mr Peter Seah, Ms Euleen Goh, Mr Olivier Lim and Mr Nihal Kaviratne.

The participants of the DBSH Share Plan shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

(ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH or, at the Compensation and Management Development Committee's discretion, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee. Dividends on unvested shares do not accrue to employees.

(iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary General Meeting held on 8 April 2009, the DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of employment or misconduct of the participant, except in cases such as retirement, redundancy, ill health, injury, disability, death, bankruptcy of the participant, or by reason of the participant, being a non-executive Director, ceasing to be a Director, or in the event of a take-over, winding up or reconstruction of DBSH.

(v) Subject to the prevailing legislation and the rules of the Singapore Exchange, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/ or the transfer of existing ordinary shares (which may include ordinary shares held by the Company in treasury).

(vi) The class and/ or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/ or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

Board of Directors

The Directors in office at the date of this statement are:

Mr Peter Seah	-	Chairman
Mr Piyush Gupta	-	Chief Executive Officer
Dr Bonghan Cho	-	(Appointed 26 April 2018)
Ms Euleen Goh		
Mr Ho Tian Yee	-	Lead Independent Director
Mr Olivier Lim		
Mr Nihal Kaviratne		
Mr Andre Sekulic		
Mr Danny Teoh		
Mr Tham Sai Choy	-	(Appointed 3 September 2018)
Mrs Ow Foong Pheng		

Ms Euleen Goh, Mr Danny Teoh and Mr Nihal Kaviratne will retire in accordance with Article 99 of the Company's Constitution at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

Dr Bonghan Cho and Mr Tham Sai Choy will retire in accordance with Article 105 of the Company's Constitution at the forthcoming AGM and will offer themselves for re-election at the AGM.

Arrangements to enable Directors to acquire shares or debentures

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

Directors' interests in shares or debentures

Each of the following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations as stated below:

	Holdings in which Directors have a direct interest		**Holdings in which Directors are Deemed to have an interest**	
	As at 31 Dec 2018	**As at 1 Jan 2018** (or date of appointment if later)	**As at 31 Dec 2018**	**As at 1 Jan 2018** (or date of appointment if later)
DBSH ordinary shares				
Mr Peter Seah	220,661	202,218	–	–
Mr Piyush Gupta	1,169,560	802,884	318,000	318,000
Dr Bonghan Cho	–	–	–	–
Ms Euleen Goh	54,414	50,860	–	–
Mr Ho Tian Yee	44,229	32,013	–	–
Mr Olivier Lim	38,299	10,000	–	–
Mr Nihal Kaviratne	33,768	31,300	–	–
Mr Andre Sekulic	24,575	21,994	–	–
Mr Danny Teoh	41,726	38,738	19,099	19,099
Mr Tham Sai Choy	88,000	88,000	–	–
Mrs Ow Foong Pheng	25,839	25,839	–	–
Share awards (unvested) granted under the DBSH Share Plan				
Mr Piyush Gupta(1)	1,000,845	1,124,189	–	–
DBS Bank 4.7% non-cumulative non-convertible redeemable perpetual preference shares				
Ms Euleen Goh	3,000	3,000	–	–

(1) Mr Piyush Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 40 of the Notes to the 2018 Company's financial statements

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019.

Audit Committee

The Audit Committee comprises non-executive Directors Mr Danny Teoh (Chairman), Mr Peter Seah, Mr Andre Sekulic, Mrs Ow Foong Pheng, Dr Bonghan Cho and Mr Tham Sai Choy.

The Audit Committee performed its functions in accordance with the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005 and the MAS Guidelines for Corporate Governance (which incorporates the Code of Corporate Governance 2012), which include, inter alia, the following:

(i) reviewing the Group's consolidated financial statements and financial announcements prior to submission to the Board;
(ii) reviewing the adequacy and effectiveness of the Group's internal controls;
(iii) reviewing with the external auditor, its audit plan, its audit report, its evaluation of the internal accounting controls of DBS and assistance given by the management to the external auditor;
(iv) reviewing the internal auditor's plans and the scope and results of audits; and
(v) overseeing the adequacy and effectiveness of the internal audit function, and the effectiveness, independence and objectivity of the external auditor.

In its review of the audited financial statements for the financial year ended 31 December 2018, the Audit Committee had discussed with management and the external auditor the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditor, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from PricewaterhouseCoopers LLP (PwC) and has considered the financial, business and professional relationship between PwC and the Group. It is of the view that such relationship is compatible with maintaining PwC's independence.

The Audit Committee has recommended, to the Board of Directors, the re-appointment of PwC as independent external auditor at the forthcoming AGM of the Company on 25 April 2019.

Independent Auditor

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent external auditor.

On behalf of the Directors

Mr Peter Seah

Mr Piyush Gupta

15 February 2019
Singapore

Independent auditor's report

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

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group, as set out on pages 103 to 177, comprise:

- the consolidated income statement of the Group for the year ended 31 December 2018;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheets of the Group and of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated cash flow statement of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Materiality	Group scoping	Key audit matters
• We determined the overall Group materiality based on 5% of the Group's profit before tax.	• Full scope audit procedures were performed over the Singapore Operations of DBS Bank Ltd. and DBS Group (HK) Limited ("significant components"). • We identified DBS Bank Ltd. Hong Kong Branch, DBS Bank (China) Limited, PT Bank DBS Indonesia, DBS Bank (Taiwan) Ltd and DBS Bank Ltd. India Branch as component entities where certain account balances were considered to be significant in size in relation to the Group ("other components"). Consequently, specific audit procedures for the significant account balances of these components were performed to obtain sufficient appropriate audit evidence.	• Specific allowances for loans and advances to customers • SFRS(I) 9 expected credit loss • Goodwill • Valuation of financial instruments held at fair value

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

How we determined overall Group materiality	5% of the Group's profit before tax
Rationale for benchmark applied	• We chose 'profit before tax' as in our view, it is the benchmark against which performance of the Group is most commonly measured. • We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit-related thresholds.

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

How we developed the audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group's financial reporting process is dependent on its IT systems. Our audit scope included testing the operating effectiveness of the controls over the integrity of key financial data processed through the IT systems that are relevant to financial reporting.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Specific allowances for loans and advances to customers As at 31 December 2018, the specific allowances for loans and advances to customers of the Group was $2,440 million, the majority of which related to Institutional Banking Group ("IBG") customers. Specific allowances refer to loss allowance for credit-impaired exposures (i.e. Stage 3) per SFRS (I) 9. The matter relating to expected credit losses on non-impaired exposures (i.e. Stage 1 and Stage 2) is set out under the 'SFRS(I) 9 expected credit loss' key audit matter. We focused on this area because of the subjective judgements by management in determining the necessity for, and then estimating the size of, allowances against loans and advances. In particular, we focused on specific allowances for loans and advances to IBG customers because any assessment of impairment can be inherently subjective and involve significant judgement over both timing of recognition of any impairment and the estimation of the size of such impairment. This includes: • the principal assumptions underlying the calculation of specific allowances for loans and advances to IBG customers where there is evidence of impairment losses (including the future profitability of the borrowers and the expected realisable value of collateral held); and • the classification of loans and advances in line with MAS Notice 612 ("MAS 612").	We assessed the design and evaluated the operating effectiveness of the controls over the specific allowances for loans and advances to IBG customers. These controls included: • oversight of credit risk by the Credit Risk Committee; • timely review of credit risk; • the watchlist identification and monitoring process; • timely identification of impairment events; • classification of loans and advances in line with MAS 612; and • the collateral valuation processes. We determined that we could rely on these controls for the purposes of our audit. We inspected a sample of loans and advances to IBG customers to assess whether the classification of the loans and advances is in line with MAS 612 and, where there was evidence of an impairment loss, whether it had been identified in a timely manner including, where relevant, how forbearance had been considered.

Key audit matter	How our audit addressed the key audit matter
We applied judgement in selecting samples focused on borrowers incorporated in China, India and Indonesia, and with exposures to the oil and gas support services and other commodities sectors in view of continued heightened credit risks impacting some parts of the portfolio. *(Refer also to Notes 3 and 19 to the financial statements)*	Where impairment had been identified, for a sample of loans and advances, our work included: • considering the latest developments in relation to the borrower; • examining the forecasts of future cash flows prepared by management including key assumptions in relation to the amount and timing of recoveries; • comparing the collateral valuation and other sources of repayment to support the calculation of the impairment against external evidence where available, including independent valuation reports; • challenging management's assumptions; and • testing the calculations. For a sample of performing loans and advances to IBG customers which had not been identified by management as potentially impaired, considering the latest developments in relation to the borrower, we challenged management's assumptions on whether management's classification was appropriate, using external evidence where available in respect of the relevant borrower. Based on procedures performed, we have assessed that the specific allowances for loans and advances is appropriate.
SFRS(I) 9 expected credit loss On 1 January 2018, the Group adopted the new SFRS(I) 9 *Financial Instruments ("SFRS(I) 9")*. SFRS(I) 9 introduced a new impairment measurement framework, referred to as Expected Credit Loss ("ECL"). In estimating ECL over future time periods, significant judgement is required. We focused on the Group's measurement of ECL on non-impaired exposures ($2,569 million). This covers both 'Stage 1' exposures (where there has not been a significant increase in credit risk), and 'Stage 2' exposures (where a significant increase in credit risk has been observed). The ECL framework implemented by the Group involves significant judgement and assumptions that relate to, amongst others: • adjustments to the Group's Basel credit models and parameters; • use of forward-looking and macro-economic information; • estimates for the expected lifetime of revolving credit facilities; • assessment of significant increase in credit risk; and • post model adjustments to account for limitations in the ECL models for example the risk to the portfolio from the current geopolitical trade conditions. *(Refer also to Notes 4 and 12 to the financial statements)*	We made a critical assessment of methodologies and assumptions used to estimate the ECL for retail and non-retail portfolios as at 1 January 2018 and 31 December 2018, involving credit risk and accounting specialists to assist us in this assessment. This included assessing refinements in methodologies made during the year. We tested the design and operating effectiveness of key controls focusing on: • involvement of governance committees, including review and approval of post model adjustments; • completeness and accuracy of external and internal data inputs into the ECL calculations; and • accuracy and timeliness of allocation of exposures into Stage 1 and Stage 2 based on quantitative and qualitative triggers. The Group's internal experts performed an independent model validation of the ECL methodologies and assumptions. We reviewed the outcomes from this work as part of our assessment of the ECL estimate. We involved specialists to review selected ECL model source codes to test whether these appropriately reflected the Group's methodologies. We challenged the rationale and calculation basis of post model adjustments. Overall, we assessed the methodologies and assumptions used by the Group to estimate the ECL on non-impaired exposures to be appropriate.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Goodwill

As at 31 December 2018, the Group had $5,175 million of goodwill as a result of acquisitions.

We focused on this area as management makes significant judgement in estimating future cash flows in undertaking its annual goodwill impairment testing.

The key assumptions used in the discounted cash flow analyses relate to:

- Cash flow forecasts;
- Discount rate; and
- Growth rate.

(Refer also to Notes 3 and 28 to the financial statements)

</td><td>

We assessed the appropriateness of management's identification of the Group's cash generating units and the process by which indicators of impairment were identified.

For DBS Bank (Hong Kong) Limited's franchise (goodwill of $4,631 million as at 31 December 2018), we evaluated management's cash flow forecasts and the process by which they were developed. Together with valuation specialists in our team, we assessed discount rate and growth rate assumptions against the Group's own historical performance and available external industry and economic indicators.

We reviewed management's sensitivity analysis over the key assumptions to determine whether any reasonably possible change in these assumptions would result in an impairment, and also performed our own stress analysis.

We concur with management's assessment that goodwill balances are not impaired as at 31 December 2018.

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Valuation of financial instruments held at fair value

Financial instruments held by the Group at fair value include derivative assets and liabilities, trading securities, certain debt instruments and other assets and liabilities designated at fair value.

The Group's financial instruments are predominantly valued using quoted market prices ('Level 1') or market observable prices ('Level 2'). The valuation of 'Level 3' instruments rely on significant unobservable inputs.

We considered the overall valuation of financial instruments (Level 1, 2 and 3) to be a key audit matter given the financial significance to the Group, nature of underlying products and estimation involved to determine fair value.

In determining fair value, management also make adjustments to recognise credit risk, funding costs, bid-offer spreads and in other cases parameter and model risk limitations. This is broadly consistent with the banking industry albeit the methodology to calculate some of these adjustments continues to evolve.

(Refer also to Notes 3 and 42 to the financial statements)

</td><td>

We assessed the design and tested the operating effectiveness of the controls over the Group's financial instruments valuation processes, including over Level 3 instruments. These included the controls over:

- management's testing and approval of new models and revalidation of existing models;
- the completeness and accuracy of the pricing data inputs into valuation models;
- the monitoring of collateral disputes; and
- governance mechanisms and monitoring over the valuation processes by the Group Market and Liquidity Risk Committee, including over derivative valuation adjustments.

We determined that we could rely on the controls for the purposes of our audit. In addition, we:

- engaged our own specialists to use their own models and input sources to determine an independent estimate of fair value for a sample of the Group's Level 1 and Level 2 financial instruments. We compared these to the Group's calculations of fair value to assess individual material valuation differences or systemic bias;
- assessed the reasonableness of the methodologies used and the assumptions made for a sample of financial instrument valuations with significant unobservable valuation inputs (Level 3 instruments);
- performed procedures on collateral disputes to identify possible indicators of inappropriate valuations; and
- performed tests of inputs and assessed the methodology over fair value adjustments, in light of available market data and industry trends.

Overall, the valuation of financial instruments held at fair value was within a reasonable range of outcomes.

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</table>

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 184 to 187 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the Annual Report ("the Other Sections") which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 15 February 2019

Five-year summary

Group	2018	2017	2016	2015	2014
Selected income statement items ($ millions)					
Total income[1]	**13,183**	11,924	11,489	10,801	9,618
Profit before allowances[1]	**7,385**	6,794	6,517	5,901	5,288
Allowances	**710**	1,544	1,434	743	667
Profit before tax	**6,675**	5,250	5,083	5,158	4,700
Net profit excluding one-time items	**5,625**	4,390	4,238	4,318	3,848
One-time items[2]	**(48)**	(19)	–	136	198
Net profit	**5,577**	4,371	4,238	4,454	4,046
Selected balance sheet items ($ millions)					
Total assets	**550,751**	517,711	481,570	457,834	440,666
Customer loans	**345,003**	323,099	301,516	283,289	275,588
Total liabilities	**500,876**	467,909	434,600	415,038	400,460
Customer deposits	**393,785**	373,634	347,446	320,134	317,173
Total shareholders' funds	**49,045**	47,458	44,609	40,374	37,708
Per ordinary share ($)					
Earnings excluding one-time items	**2.16**	1.69	1.66	1.71	1.55
Earnings	**2.15**	1.69	1.66	1.77	1.63
Net asset value	**18.12**	17.85	16.87	15.82	14.85
Dividends[3]	**1.20**	1.43	0.60	0.60	0.58
Selected financial ratios (%)					
Dividend cover for ordinary shares (number of times)[3]	**1.79**	1.17	2.78	2.94	2.80
Net interest margin	**1.85**	1.75	1.80	1.77	1.68
Cost-to-income[4]	**44.0**	43.0	43.3	45.4	45.0
Return on assets[4]	**1.05**	0.89	0.92	0.96	0.91
Return on equity[4] [5]	**12.1**	9.7	10.1	11.2	10.9
Loan/ deposit ratio	**87.6**	86.5	86.8	88.5	86.9
Non-performing loan rate	**1.5**	1.7	1.4	0.9	0.9
Loss allowance coverage[6]	**98**	85	97	148	163
Capital adequacy					
Common Equity Tier 1	**13.9**	14.3	14.1	13.5	13.1
Tier I	**15.1**	15.1	14.7	13.5	13.1
Total	**16.9**	15.9	16.2	15.4	15.3
Basel III fully phased-in Common Equity Tier 1[7]	**13.9**	13.9	13.3	12.4	11.9

(1) Total income and profit before allowances for FY2018, FY2017, FY2016 and FY2015 include share of profit or losses of associates

(2) One-time items include impact from 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, gains from divestment of subsidiary, general allowances, ANZ integration cost, gains on sale of investments and a sum donated to National Gallery Singapore

(3) 2017 includes special dividend of $0.50

(4) Excludes one-time items

(5) Calculated based on net profit attributable to the shareholders net of dividends on preference shares and other equity instruments. Non-controlling interests, preference shares and other equity instruments are not included as equity in the computation of return of equity

(6) Computation for 2018 includes regulatory loss allowance reserve

(7) Calculated by dividing Common Equity Tier 1 Capital after all regulatory adjustments (eg. goodwill) applicable from 1 January 2018 by RWA as at each reporting date

Board of Directors

as at 1 March 2019

Peter Seah Lim Huat, 72

Chairman

Non-Executive and Non-Independent Director

Bachelor of Business Administration (Honours)
National University of Singapore

Date of first appointment as Director:	16 November 2009
Date of appointment as Chairman:	1 May 2010
Date of last re-election as Director:	25 April 2018
Length of service as Director:	9 years 3 months

Present directorships:
Other listed companies

• Singapore Airlines Limited	Chairman

Other principal commitments

• DBS Bank Ltd	Chairman
• DBS Bank (Hong Kong) Limited [(1)]	Chairman
• GIC Private Limited	Director
• Asia Mobile Holdings Pte Ltd	Director
• STT Communications Ltd	Deputy Chairman
• Fullerton Financial Holdings Pte Ltd	Deputy Chairman
• LaSalle College of the Arts Limited	Chairman
• Singapore Health Services Pte Ltd	Chairman

Past directorships in listed companies held over the preceding three years:

• Level 3 Communications Inc	Director
• StarHub Ltd	Director

(1) Total director's fees received for FY2018: HKD 1,010,000

Piyush Gupta, 59

Chief Executive Officer

Executive Director

Post Graduate Diploma in Management
Indian Institute of Management, Ahmedabad, India

Bachelor of Arts, Economics
University of Delhi, India

Date of first appointment as Director:	9 November 2009
Date of last re-election as Director:	25 April 2018
Length of service as Director:	9 years 3 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Chief Executive Officer & Director
• DBS Bank (Hong Kong) Limited	Vice Chairman
• The Islamic Bank of Asia Limited	Director
• Institute of International Finance, Washington	Board Member & Member of the Executive Committee
• Dr Goh Keng Swee Scholarship Fund	Deputy Chairman
• National Research Foundation, Singapore	Board Member
• Sim Kee Boon Institute for Financial Economics	Chairman, Advisory Board
• Enterprise Singapore	Board Member
• The Association of Banks in Singapore	Chairman
• The Institute of Banking & Finance	Council Member
• Singapore Indian Development Association (SINDA)	Term Trustee
• MasterCard Asia/Pacific, Middle East and Africa – Regional Advisory Board	Director
• BirdLife International, UK	Member, Global Advisory Group
• Indian Business-leaders Roundtable under Singapore Indian Development Association (SINDA)	Member, Managing Council
• United Nations Secretary-General's Task Force on Digital Financing of the Sustainable Development Goals	Member

Past directorships in listed companies held over the preceding three years:
Nil

Bonghan Cho, 54

Non-Executive and Independent Director

Bachelor of Science in Computer Science and Statistics
Seoul National University

Ph.D and MS in Computer Science, specialising in Artificial Intelligence
University of Southern California

Date of first appointment as Director:	26 April 2018
Date of last re-election as Director:	Not applicable
Length of service as Director:	10 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Director
• Equalkey Corporation	Founder & Chief Executive Officer
• AMO Labs Pte. Ltd.	Member, Advisory Board

Past directorships in listed companies held over the preceding three years:
Nil

Euleen Goh Yiu Kiang, 63

Non-Executive and Non-Independent Director

Fellow
Institute of Singapore Chartered Accountants

Associate
Institute of Chartered Accountants in England and Wales

Associate
The London Institute of Banking & Finance, UK

Member
Chartered Institute of Taxation, UK

Fellow
Singapore Institute of Directors

Date of first appointment as Director:	1 December 2008
Date of last re-election as Director:	28 April 2016
Length of service as Director:	10 years 3 months

Present directorships:
Other listed companies

• CapitaLand Limited	Director
• Royal Dutch Shell PLC	Director
• SATS Ltd	Chairman

Other principal commitments

• DBS Bank Ltd	Director
• DBS Foundation Ltd	Chairman
• Singapore Health Services Pte Ltd	Director
• Singapore Institute of Management	Chairman, Governing Council
• Temasek Trustees Pte Ltd (the Trustee of Temasek Trust)	Director

Past directorships in listed companies held over the preceding three years:
Nil

Ho Tian Yee, 66

Non-Executive and Lead Independent Director

Master of Business Administration
University of Chicago

Bachelor of Arts (Honours), Economics (CNAA)
Portsmouth University, UK

Date of first appointment as Director:	29 April 2011
Date of appointment as Lead Independent Director:	16 November 2018
Date of last re-election as Director:	27 April 2017
Length of service as Director:	7 years 10 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Director
• Pacific Asset Management (S) Pte Ltd	Managing Director
• Fullerton Fund Management Company Ltd	Chairman
• Fullerton Investment Management (Shanghai) Co., Ltd.	Chairman
• FFMC Holdings Pte. Ltd.	Chairman
• Mount Alvernia Hospital	Chairman
• Blue Edge Advisors Pte. Ltd.	Investment Advisor
• Urban Redevelopment Authority	Member, Finance Investment Committee

Past directorships in listed companies held over the preceding three years:

• AusNet Services Ltd	Director

Nihal Vijaya Devadas Kaviratne CBE, 74

Non-Executive and Independent Director

Bachelor of Arts (Honours), Economics
Bombay University, India

Date of first appointment as Director:	29 April 2011
Date of last re-election as Director:	28 April 2016
Length of service as Director:	7 years 10 months

Present directorships:
Other listed companies

• GlaxoSmithKline Pharmaceuticals Ltd	Director
• Olam International Limited	Director
• StarHub Ltd	Lead Independent Director

Other principal commitments

• DBS Bank Ltd	Director
• DBS Foundation Ltd	Director
• Caraway Pte. Ltd.	Chairman
• Bain & Company SE Asia, Inc	Member, Advisory Board for Southeast Asia/ Indonesia
• McKinsey & Company, Inc	Member, Corporate Resilience Advisory Council
• The Department for International Development (DFID)	Member, UK Government's DFID Private Sector Portfolio Advisory Committee for India

Past directorships in listed companies held over the preceding three years:

• Akzo Nobel India Limited	Chairman
• SATS Ltd	Director

Olivier Lim Tse Ghow, 54

Non-Executive and Independent Director

Bachelor of Engineering (First Class Honours), Civil Engineering
Imperial College, London, UK

Date of first appointment as Director:	7 November 2017
Date of last re-election as Director:	25 April 2018
Length of service as Director:	1 year 3 months

Present directorships:
Other listed companies

• Raffles Medical Group Ltd	Director
• Banyan Tree Holdings Limited	Director

Other principal commitments

• DBS Bank Ltd	Director
• Certis CISCO Security Pte. Ltd.	Chairman
• Frasers Property Australia Pty Ltd	Chairman
• JTC Corporation	Board Member
• NorthLight School	Director
• Securities Industry Council	Member
• Singapore Management University	Member, Board of Trustees

Past directorships in listed companies held over the preceding three years:
Nil

Andre Sekulic, 68

Non-Executive and Independent Director

University of Sydney

Date of first appointment as Director:	26 April 2012
Date of last re-election as Director:	25 April 2018
Length of service as Director:	6 years 10 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Director
• comGateway (S) Pte Ltd	Chairman
• Optal Limited	Chairman
• Hussar Pty Ltd	Director
• Insourcing International Pty Ltd	Director
• Queenstar Pty Ltd	Director
• Royal Motor Yacht Club Broken Bay	Director

Past directorships in listed companies held over the preceding three years:
Nil

Danny Teoh Leong Kay, 63

Non-Executive and Independent Director

Associate Member
Institute of Chartered Accountants in England and Wales

Diploma in Accounting
Newcastle-upon-Tyne Polytechnic, England

Date of first appointment as Director:	1 October 2010
Date of last re-election as Director:	28 April 2016
Length of service as Director:	8 years 5 months

Present directorships:
Other listed companies

• Keppel Corporation Limited	Director
• M1 Limited	Chairman

Other principal commitments

• DBS Bank Ltd	Director
• DBS Bank (China) Limited (1)	Director
• DBS Bank (Taiwan) Ltd (2)	Director
• DBS Foundation Ltd	Director
• Ascendas-Singbridge Pte. Ltd.	Director
• Changi Airport Group (Singapore) Pte Ltd	Director

Past directorships in listed companies held over the preceding three years:

• CapitaLand Mall Trust Management Limited (the Manager of CapitaLand Mall Trust)	Chairman

(1) Total director's fees received for FY2018: CNY 375,517

(2) Appointed on 1 January 2019

Tham Sai Choy, 59

Non-Executive and Independent Director

Bachelor of Arts (Honours) in Economics
University of Leeds, UK

Fellow
Institute of Chartered Accountants in England and Wales
Institute of Singapore Chartered Accountants
Singapore Institute of Directors

Date of first appointment as Director:	3 September 2018
Date of last re-election as Director:	Not applicable
Length of service as Director:	6 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Director
• Singapore Institute of Directors	Chairman
• Accounting and Corporate Regulatory Authority	Board Member
• Housing and Development Board	Board Member
• Nanyang Polytechnic	Board Member
• Mount Alvernia Hospital	Director
• Singapore International Arbitration Centre	Director

Past directorships in listed companies held over the preceding three years:
Nil

Woo Foong Pheng (Mrs Ow Foong Pheng), 55

Non-Executive and Non-Independent Director

Master of Science in Management
Stanford University, USA

Bachelor of Arts, Politics, Philosophy and Economics
St John's College, Oxford University

Date of first appointment as Director:	26 April 2012
Date of last re-election as Director:	27 April 2017
Length of service as Director:	6 years 10 months

Present directorships:
Other listed companies
Nil

Other principal commitments

• DBS Bank Ltd	Director
• Ministry of National Development	Permanent Secretary
• Centre for Liveable Cities Limited	Director
• National Research Foundation	Board Member

Past directorships in listed companies held over the preceding three years:

• Mapletree North Asia Commercial Trust Management Ltd (1) (the Manager of Mapletree North Asia Commercial Trust (2))	Director

(1) Mapletree North Asia Commercial Trust Management Ltd was formerly known as Mapletree Greater China Commercial Trust Management Ltd

(2) Mapletree North Asia Commercial Trust was formerly known as Mapletree Greater China Commercial Trust

Group Management Committee

The Group Management Committee comprises 21 members, including members of the Group Executive Committee.

Piyush Gupta*

Chief Executive Officer

Piyush is Chief Executive Officer and Director of DBS Group. Prior to joining DBS, Piyush was Citigroup's Chief Executive Officer for Southeast Asia, Australia and New Zealand. He is a member of the Executive Committee of the Institute of International Finance, Washington and Chairman of Sim Kee Boon Institute for Financial Economics Advisory Board. In addition, he is a member of the United Nations Secretary-General's Task Force on Digital Financing of the Sustainable Development Goals, Singapore's Advisory Council on the Ethical Use of AI and Data, and Singapore's Council for Board Diversity. He also sits on the boards of Enterprise Singapore and Singapore's National Research Foundation. Piyush is a term trustee of the Singapore Indian Development Association (SINDA).

Chng Sok Hui*

Chief Financial Officer

Sok Hui is Chief Financial Officer of DBS Group. Prior to this appointment in October 2008, she was Group Head of Risk Management for six years. She is a board member of DBS Bank India Ltd., the Inland Revenue Authority of Singapore and Singapore Exchange Limited and serves on the International Integrated Reporting Council. She was named "Best CFO" at the Singapore Corporate Awards in 2013 and "Accountant of the Year" at the inaugural Singapore Accountancy Awards in 2014. She is a member of the International Women's Forum (Singapore).

Eng-Kwok Seat Moey

Capital Markets

Seat Moey is Group Head of Capital Markets and has played a pioneering role in the industry development and strategic advancement of DBS' REITs/ Business Trusts and equity capital markets franchise.

She is responsible for advisory and capital markets, including structuring and executing equity fund raising activities for companies, REITs and Business Trusts, as well as securities businesses. Under her leadership, DBS continues to lead the market in Singapore and Asia ex-Japan. She has led the bank to win numerous awards including "Most Innovative Investment Bank from Asia Pacific" by The Banker in 2015 and 2018, "Best Asian Investment Bank" by FinanceAsia in 2015 and 2017, and "Best Equity House in Singapore" by FinanceAsia from 2002 to 2018. DBS has also won "Best IPO in Asia" in 2017, as well as "Best Equity Advisor", "Best IPO" (Singapore, Indonesia) and "Best REIT Advisor" by The Asset in 2018.

Seat Moey has been with DBS for over 25 years. She was recognised as a Distinguished Fellow by the Singapore Institute of Banking and Finance in the field of capital markets in 2018.

Philip Fernandez

Corporate Treasury

Philip is Group Corporate Treasurer, responsible for the group's balance sheet, capital, wholesale funding and structural FX. He was appointed to this role in April 2009 and has more than 25 years of experience in the financial services sector in Singapore and London.

Philip was named "Bank Treasurer of the Year" at The Asset Asian Awards in 2015. He led DBS to win the IFR Asia "Issuer of the Year" in 2016 along with many other awards. He was recognised as a Fellow by the Singapore Institute of Banking and Finance in 2015. Prior to his current role, Philip was DBS' co-head of market risk from 2004 to 2009.

Philip holds an M.A. from Cambridge University where he studied Engineering and Management under a DBS scholarship. He was an adjunct associate professor at the Singapore Management University for six years till 2013 where he lectured on quantitative finance. He was previously a member of the HomeTeam-NS Board of Governors and is currently a member of the Appeals Board under the Private Education Act.

Neil Ge

China

Neil is Chief Executive Officer of DBS Bank (China) Limited. A seasoned banker, he has close to 30 years of international experience spanning Beijing, Shanghai, Hong Kong, Tokyo and New York. Formerly Managing Director at Credit Suisse's Shanghai office, Neil played an instrumental role in building up the joint venture between Credit Suisse and Founder Securities.

David Gledhill*

Chief Information Officer

David has over 25 years of experience in the financial services industry and has spent over 20 years in Asia. Prior to joining DBS in 2008, he worked for 20 years at J.P. Morgan, holding senior regional positions in Technology and Operations. David manages about 10,000 technology and operations professionals across the region. He also oversees the bank's procurement and real estate initiatives. David is a director of Singapore Clearing House Pte Ltd, Non-Executive Director of Singapore Airlines Ltd, and a member of the IBM Advisory Board, as well as the National Super Computing Centre Steering Committee. He is also Board Advisor to the Singapore Management University (SMU) School of Information Systems and the National University of Singapore (NUS) School of Computing. In 2017, David was the recipient of the "Massachusetts Institute of Technology Sloan CIO Leadership Award", becoming the first CIO from an Asian company to have won.

Derrick Goh

Audit

Derrick is Head of Audit. He is responsible for strengthening the bank's controls, risks and governance. Previously, Derrick led the regional Treasures and Treasures Private Client wealth management business. Before that, he was Head of POSB. His other roles at DBS included Regional Chief Operating Officer and Chief Financial Officer of the Institutional Banking Group. Derrick has over 27 years of experience in banking. He spent 11 years at American Express in senior finance roles across Paris, London, New York and Singapore. He serves on the HomeTeamNS Board of Governors at the Ministry of Home Affairs and as a board member of the National Library where he also chairs the Audit and Risk Committee.

Lam Chee Kin

Legal, Compliance & Secretariat

Chee Kin manages the legal and regulatory risk of DBS across legal entities, segments and geographies. Prior to joining DBS, he held various legal and compliance portfolios in Standard Chartered Bank, J.P. Morgan, Rajah & Tann and Allen & Gledhill, including a stint as Chief Operating Officer, Southeast Asia for J.P. Morgan.

A lawyer by profession, he has particular expertise in financial services regulation, and financial markets product and business structuring.

Chee Kin currently serves on the Advisory Board to the Singapore Management University School of Law, the Advisory Panel to the NUS Centre for Banking and Finance Law, and the Data Protection Advisory Committee of Singapore. In 2015, Chee Kin was recognised as a Distinguished Fellow by the Institute of Banking and Finance in the field of compliance.

Lee Yan Hong

Human Resources

Yan Hong has over 25 years of human resources experience in a diverse range of industries, including manufacturing, technology and banking. She joined DBS in 2011 and is responsible for the bank's people strategy including learning and development, talent management and organisational design, talent acquisition and relationship management. Prior to joining DBS, she was Citigroup's Managing Director of Human Resources, Singapore, and held senior positions at General Motors and Hewlett Packard. In 2018, Yan Hong was conferred the Institute for Human Resource Professionals Master Professional (IHRP-MP) certification.

Lim Him Chuan

Taiwan

Him Chuan is Managing Director and General Manager of DBS Bank Taiwan. Prior to this, he was Group Head of Product Management for Global Transaction Services at DBS. Under his leadership, the business registered robust growth with a strong focus on product digitalisation and significant improvements in the Greenwich Customer Satisfaction Survey. DBS also received a range of regional and international awards, including Global Finance's Best Bank in Asia Pacific for Cash Management, Documentary Trade and Open Account Trade. Before that, he was Chief Operating Officer for DBS' Institutional Banking Group and International Markets, leading various strategic business, customer and employee journey change programmes. He was also Head of Group Audit where he successfully transformed Group Audit into a multi-disciplinary professional services team, which won the Singapore Internal Audit Excellence Award in 2012.

Sim S Lim*

Consumer Banking/ Wealth Management

Sim is responsible for leading DBS' regional Consumer Banking and Wealth Management business, following his appointment to the role on 1 January 2019. Prior to this, he spent eight years as DBS' first country head with dedicated oversight for Singapore, during which he focused on delivering greater synergy and value across the bank's Singapore franchise. Sim is also Chairman of DBS Vickers Securities Holdings Pte Ltd. He has over 35 years of banking experience spanning Asia, North America and the Middle East.

Previously, Sim was the President and CEO of Nikko Citigroup Ltd. He was appointed Chairman of Singapore Land Authority in August 2014 and also sits on the Board of Nikko Asset Management Co., Ltd. in Japan, and the Board of ST Engineering. He has also been appointed as Singapore's High Commissioner-Designate (Non-Resident) to the Federal Republic of Nigeria.

Andrew Ng*

Treasury & Markets

Andrew joined DBS in 2000 and has over 33 years of experience in the treasury business. Prior to joining DBS, he was Executive Director at Canadian Imperial Bank of Commerce (CIBC) from 1995 to 1999 where he set up CIBC's trading platform and derivative capabilities on Asian currencies. Between 1986 and 1995, Andrew was Head of North Asia Trading and Treasurer of Chase Manhattan Bank in Taipei. He is currently President of ACI Singapore – The Financial Markets Association and Chairman of Asia Securities Industry & Financial Markets Association (ASIFMA).

Karen Ngui

Strategic Marketing & Communications

Karen is responsible for corporate communications, brand management, strategic marketing, internal communications, sponsorships and corporate social responsibility. She leads media and issues management efforts across the DBS Group and is responsible for shaping and enhancing the bank's brand positioning and persona in all businesses and markets that DBS operates in. She is also a member of the DBS Foundation Board.

Karen has over 30 years of experience in corporate branding, marketing and communications for financial institutions. Prior to joining DBS, she was the Global Head of Brand Management and Strategic Marketing for Standard Chartered Bank.

Sebastian Paredes*

Hong Kong

Sebastian is Chief Executive Officer of DBS Bank (Hong Kong) and Chairman of the Board Risk Management Committee and Non-Executive Director of DBS Bank (China) Limited. A banker for over 30 years, Sebastian has a strong track record in building franchises across multiple markets. Prior to joining DBS, Sebastian was President Director of P.T. Bank Danamon, Indonesia from 2005 to 2010. Before that, he spent 20 years at Citigroup as Country Head of Ecuador, Honduras, Turkey and Israel, and was also the Chief Executive Officer of Sub-Saharan Africa.

Pearlyn Phau

Consumer Banking/ Wealth Management

Pearlyn is Deputy Group Head of Consumer Banking and Wealth Management. With over 20 years of banking experience, she oversees the overall business performance of our six consumer markets including the key functions of product, marketing, digital and customer experience. She joined DBS in 2003, and has held leadership positions in wealth management and digital channels. She was also the Head of Consumer Banking/ Wealth Management in Hong Kong. Prior to DBS, Pearlyn held senior positions at Citibank.

Shee Tse Koon*

Singapore

Tse Koon is Singapore Country Head. Prior to this appointment, he was Managing Director and Head of Group Strategy and Planning. He has 24 years of experience in the banking industry and has worked in several countries in Asia, the Middle East and the United Kingdom. Prior to joining DBS, he held a diverse range of senior positions at Standard Chartered Bank, including as Chief Executive Officer of Indonesia, Chief Operating Officer covering Middle East, Africa, Europe and the Americas, as well as Chief Information Officer and Head of Technology and Operations in Singapore. He has also held the position of Regional Head of Trade, based in Singapore.

Surojit Shome

India

Surojit is Managing Director and Chief Executive Officer of DBS Bank India Limited. Surojit has over 30 years of banking experience across corporate and investment banking, capital markets and consumer banking. Before he joined DBS, he was the Chief Executive Officer of Rabobank in India. Prior to that, he worked for over 19 years at Citibank in various roles across consumer and wholesale banking. He subsequently headed the investment banking division at Lehman Brothers in India.

Paulus Sutisna

Indonesia

Paulus is President Director of PT Bank DBS Indonesia with 30 years of banking experience and responsible for driving business growth in Indonesia. Previously, he was Head of Client Management of Global Banking at HSBC Indonesia. Prior to that, he was at Citibank for 24 years where he held various functions, including Managing Director and Head of the Multinational Franchise in Indonesia. He also worked in Citi Amsterdam from 1999 to 2002.

Paulus completed his studies in Computer Science from University of Technology Sydney, Australia. He received SWA Magazine's "Best CEO Award" and Infobank Magazine's "Indonesia's Top 100 Bankers Award" in 2017.

Tan Su Shan*

Institutional Banking

Su Shan is Group Head of Institutional Banking. Prior to that, Su Shan was responsible for leading the group's Consumer Banking and Wealth Management business for close to a decade.

Prior to joining DBS, Su Shan was Morgan Stanley's Head of Private Wealth Management for Southeast Asia. She has also worked at Citibank and prior to that at ING Barings in London, Tokyo and Hong Kong. In 2018, she was nominated by Forbes Magazine as a top 25 emergent Asian Woman Business leader. In October 2014, Su Shan became the first Singaporean to be recognised as the world's "Best Leader in Private Banking" by PWM/ The Banker, a leading wealth publication by the Financial Times Group. She also served as a Nominated Member of Parliament in Singapore.

Tan Teck Long*

Chief Risk Officer

Teck Long is Chief Risk Officer of DBS Group, a position he has held since July 2018. Prior to this, he was the Group Head responsible for the bank's large and mid-cap corporate customers. Teck Long has more than 25 years of banking experience spanning Corporate Banking, Investment Banking and Risk Management. Between 2011 and 2015, he was the Head of Institutional Banking Group, China, based in Shanghai.

Teck Long serves as Supervisor of the Board of DBS Bank (China) Limited as well as Commissioner of PT Bank DBS Indonesia. He is also a member of the Management Board of the Risk Management Institute at the National University of Singapore.

Jeanette Wong*

Institutional Banking
(retired on 1 Mar 2019)

A seasoned banker with over 35 years of experience, Jeanette oversees DBS' Institutional Banking business, which includes corporate banking and global transaction services. She was Chief Financial Officer of DBS between 2003 and 2008. Prior to that, Jeanette was at J.P. Morgan for 16 years, responsible for regional businesses in FX, fixed income and emerging markets. Jeanette is a Director of DBS Bank (China) Limited and the Chairperson of DBS Bank (Taiwan) Limited. She also sits on the boards of EssilorLuxottica, France, Fullerton Fund Management Company Ltd., FFMC Holdings Pte. Ltd., PSA International Pte Ltd and Jurong Town Corporation. She is a member of the Securities Industry Council and a member of the advisory boards of NUS Business School Management and the University of Chicago Booth School of Business.

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

Main subsidiaries and associated companies

DBS Bank Ltd ("DBS Bank")

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
100% owned by DBS Group Holdings Ltd

AXS Pte. Ltd.

61 Mohamed Sultan Road, #01-11 Sultan Link
Singapore 239001
Tel: (65) 6560 2727
Fax: (65) 6636 4550
27.65% owned by DBS Bank and 60.07% owned by Primefield Company Pte Ltd, a wholly-owned subsidiary of DBS Bank

Central Boulevard Development Pte. Ltd.

1 Raffles Quay
#19-10
Singapore 048583
33.33% owned by Heedum Pte. Ltd., a wholly-owned subsidiary of DBS Bank

Changsheng Fund Management Company Limited

3/F CSC Fortune International Center
No. 5 An Ding Road, Chaoyang District
Beijing 100029
People's Republic of China
Tel: (86 10) 8649 7777
Fax: (86 10) 8649 7666
33% owned by DBS Bank

DBS Asia Capital Limited

73rd Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1148
Fax: (852) 2868 0250
100% owned by DBS Bank

DBS Asia Hub 2 Private Limited

15th Floor, Tower 2.1, TSI Waverock IT/ITES
SEZ, Nanakramguda, Gachibowli
Serilingampally Mandal, Ranga Reddy District
Hyderabad - 500008
Telangana, India
Tel: (91 40) 6752 2222
100% owned by DBS Bank

DBS Bank (China) Limited

Units 1301, 1701 & 1801 DBS Bank Tower
1318 Lujiazui Ring Road
Pudong New Area, Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8989
100% owned by DBS Bank

DBS Bank (Hong Kong) Limited

11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222
100% owned by DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBS Bank

DBS Bank (Taiwan) Ltd

15th, 16th, 17th Floor
No. 32 & 36 Songren Road
Xinyi District, 110 Taipei City
Taiwan, R.O.C.
Tel: (886 2) 6612 9889
Fax: (886 2) 6612 9285
100% owned by DBS Bank

DBS Bank India Limited

GF: Nos. 11 & 12 & FF- Nos. 110 to 115
Capital Point, Bks Marg, Connaught Place
New Delhi 110 001
India
Tel: (91 11) 6653 8800
Fax: (91 11) 6653 8899
100% owned by DBS Bank

DBS Compass Limited

11th Floor, One Island East
18 Westlands Road, Island East
Hong Kong
Tel: (852) 2290 8888
Fax: (852) 2893 0410
100% owned by DBS Bank (Hong Kong) Limited

DBS Nominees (Private) Limited

10 Toh Guan Road, Level 4B
DBS Asia Gateway
Singapore 608838
Tel: (65) 6878 8888
100% owned by DBS Bank

DBS Securities (Japan) Company Limited

15th Floor, Otemachi First Square East Tower
1-5-1, Otemachi, Chiyoda-ku, Tokyo
Japan
Tel: (81 3) 3213 4660
Fax: (81 3) 3213 4415
100% owned by DBS Bank

DBS Trustee Limited

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
100% owned by DBS Bank

DBS Vickers Securities (Singapore) Pte Ltd

12 Marina Boulevard Level 3
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6327 2288
Email: info-sg@dbsvonline.com
100% owned by DBS Vickers Securities Holdings Pte Ltd, a wholly-owned subsidiary of DBS Bank

DBSN Services Pte. Ltd.

10 Toh Guan Road, Level 4B
DBS Asia Gateway
Singapore 608838
Tel: (65) 6878 8888
100% owned by DBS Bank

Network For Electronic Transfers (Singapore) Pte Ltd

298 Tiong Bahru Road, #06-01, Central Plaza
Singapore 168730
Tel: (65) 6272 0533/6274 1212
Email: info@nets.com.sg
33.33% owned by DBS Bank

PT Bank DBS Indonesia

DBS Bank Tower, Lobby
32nd to 37th Floor, Ciputra World 1
Jalan Prof. Dr. Satrio Kav. 3-5
Jakarta 12940
Indonesia
Tel: (62 21) 2988 5000
Fax: (62 21) 2988 5005
99% owned by DBS Bank

The Islamic Bank of Asia Limited

12 Marina Boulevard Level 46
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 5522
Fax: (65) 6878 5500
50% owned by DBS Bank

International banking offices

Australia

DBS Bank Australia Branch
Suite 1901, Level 19, Chifley Tower
2 Chifley Square, Sydney NSW 2000
Australia
Tel: (61 2) 8823 9300
Fax: (61 2) 8823 9301

India

DBS Bank India Limited
GF: Nos. 11 & 12 & FF- Nos. 110 to 115
Capital Point, Bks Marg, Connaught Place
New Delhi 110 001
India
Tel: (91 11) 6653 8800
Fax: (91 11) 6653 8899

DBS Bank Ltd
Express Towers Ground Floor
Nariman Point
Mumbai 400021
Tel: (91 22) 6638 8888
Fax: (91 22) 6638 8899

Korea

DBS Bank Seoul Branch
18th Floor, Seoul Finance Center
136 Sejong-daero Jung-Gu
Seoul Republic of Korea 04520
Tel: (822) 6322 2660
Fax: (822) 732 7953

China

DBS Bank (China) Limited
Units 1301 – 1801 DBS Bank Tower
No. 1318 Lujiazui Ring Road
Pudong New Area, Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8989

Indonesia

PT Bank DBS Indonesia
DBS Bank Tower, Lobby
31st – 37th Floor
Ciputra World 1
Jalan Prof. Dr. Satrio Kav 3-5
Jakarta 12940, Indonesia
Tel: (62 21) 2988 5000
Fax: (62 21) 2988 5005

Macau

DBS Bank (Hong Kong) Limited
Macau Branch
Nos 5 a 7E da Rua de Santa Clara
Edif, Ribeiro
Loja C e D., Macau
Tel: (853) 2832 9338
Fax: (853) 2832 3711

Hong Kong

DBS Bank (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222

DBS Bank Hong Kong Branch
18th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1900
Fax: (852) 2596 0577

Japan

DBS Bank Tokyo Branch
Otemachi First Square East Tower 15F
5-1, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-0004
Tel: (81 3) 3213 4411
Fax: (81 3) 3213 4415

Malaysia

DBS Bank Kuala Lumpur
Representative Office
#08-01, Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Tel: (60 3) 2116 3888
Fax: (60 3) 2116 3901

DBS Bank Labuan Branch
Level 10 (A) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 F.T. Labuan, Malaysia
Tel: (60 87) 595 500
Fax: (60 87) 423 376

Myanmar

DBS Bank Yangon
Representative Office
Unit 1002 Sakura Tower, Level 10
339 Bogyoke Aung San Road
Kyauktada Township
Yangon, Myanmar
Tel: (95 1) 255 299
Fax: (95 1) 255 239

Thailand

DBS Bank Bangkok
Representative Office
989 Siam Piwat Tower Building 15th Floor
Rama 1 Road, Pathumwan
Bangkok, 10330 Thailand
Tel: (66 2) 658 1400-1
Fax: (66 2) 658 1402

United States of America

DBS Bank Los Angeles
Representative Office
725 South Figueroa Street, Suite 2000
Los Angeles, CA 90017 USA
Tel: (1 213) 627 0222
Fax: (1 213) 627 0228

The Philippines

DBS Bank Manila
Representative Office
22F, The Enterprise Center, Tower 1 Ayala
Avenue corner Paseo de Roxas Makati City
Tel: (632) 869 3876
Fax: (632) 750 2144

United Arab Emirates

DBS Bank Ltd (DIFC Branch)
Units 608-610, Level 6, Gate Precinct
Building 5
Dubai International Financial Centre
P.O. Box 506538
Dubai, UAE
Tel: (971) 4364 1800
Fax: (971) 4364 1801

Vietnam

DBS Bank Hanoi
Representative Office
Room 1404
14th Floor, Pacific Place
83B Ly Thuong Kiet Street
Hanoi, Vietnam
Tel: (84 24) 3946 1688
Fax: (84 24) 3946 1689

DBS Bank Ho Chi Minh City Branch
11th Floor, Saigon Centre
65 Le Loi Boulevard, District 1
Ho Chi Minh City, Vietnam
Tel: (84 28) 3914 7888
Fax: (84 28) 3914 4488

Taiwan

DBS Bank (Taiwan) Limited
15F-17F, No 36 Songren Road
Xinyi District, Taipei City 110 Taiwan R.O.C
Tel: (886 2) 6612 9889
Fax: (886 2) 6612 9285

DBS Bank Taipei Branch
15F, No 32 Songren Road Xinyi District
Taipei City 110 Taiwan R.O.C
Tel: (886 2) 2722 8988
Fax: (886 2) 6638 3707

United Kingdom

DBS Bank London Branch
4th Floor, Paternoster House
65 St Paul's Churchyard
London EC4M 8AB, UK
Tel: (44 207) 489 6550
Fax: (44 207) 489 5850

Share price

	2014	2015	2016	2017	2018
Share Price (SGD)					
High	20.60	21.43	18.32	25.30	**30.84**
Low	15.66	16.13	13.02	17.32	**22.80**
Close	20.60	16.69	17.34	24.85	**23.69**
Average	17.62	19.14	15.44	20.80	**26.36**
Per Ordinary Share					
Gross dividend yield (%)[(1)]	3.3	3.1	3.9	4.5	4.6
Price-to-earning ratio (number of times)[(2)]	11.4	11.2	9.3	12.3	12.2
Price-to-book ratio (number of times)	1.2	1.2	0.9	1.2	1.5

(1) Based on ordinary dividends only

(2) Earnings exclude one-time items

Financial calendar

2018

30 April

2018 First Quarter Results

15 May

Payment date of Final Dividend and Special Dividend on Ordinary Shares for the financial year ended 31 December 2017

2 August

2018 Second Quarter Results

21 August

Payment date of Interim Dividend on Ordinary Shares for the six months ended 30 June 2018

5 November

2018 Third Quarter Results

31 December

Financial Year End

2019

18 February

2018 Full Year Results

25 April

20th Annual General Meeting

29 April

2019 First Quarter Results

17 May

Payment date of Final Dividend on Ordinary Shares for the financial year ended 31 December 2018*

29 July

2019 Second Quarter Results

11 November

2019 Third Quarter Results

**Subject to shareholders' approval at the 20th Annual General Meeting*

2020

February

2019 Full Year Results

Shareholding statistics

As at 1 March 2019

Class of Shares – Ordinary shares
Voting Rights – One vote per share
Total number of issued ordinary shares – 2,558,271,934 (excluding treasury shares)
Treasury Shares – 5,664,500 (representing 0.22% of the total number of issued ordinary shares, excluding treasury shares)

Size of Shareholdings	No. of Shareholders	%*	No. of Shares	%*
1 - 99	6,344	10.40	240,880	0.01
100 - 1,000	23,219	38.07	13,068,379	0.51
1,001 - 10,000	27,093	44.43	86,344,776	3.38
10,001 - 1,000,000	4,298	7.05	144,294,548	5.64
1,000,001 and above	28	0.05	2,314,323,351	90.46
Total	60,982	100.00	2,558,271,934	100.00
Location of Shareholders				
Singapore	45,595	74.77	2,500,747,524	97.75
Malaysia	1,864	3.06	10,991,705	0.43
Overseas	13,523	22.17	46,532,705	1.82
Total	60,982	100.00	2,558,271,934	100.00

Twenty largest shareholders (as shown in the register of members and depository register)

	Name of Shareholders	No. of Shareholdings	%*
1	CITIBANK NOMINEES SINGAPORE PTE LTD	506,992,498	19.82
2	DBS NOMINEES PTE LTD	460,879,705	18.02
3	MAJU HOLDINGS PTE. LTD.	458,899,869	17.94
4	DBSN SERVICES PTE LTD	310,853,569	12.15
5	TEMASEK HOLDINGS (PRIVATE) LTD	284,145,301	11.11
6	HSBC (SINGAPORE) NOMINEES PTE LTD	149,069,623	5.83
7	RAFFLES NOMINEES (PTE) LIMITED	43,871,205	1.71
8	BPSS NOMINEES SINGAPORE (PTE.) LTD.	28,427,654	1.11
9	LEE FOUNDATION	11,191,714	0.44
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,567,336	0.33
11	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	6,610,128	0.26
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,099,589	0.24
13	DB NOMINEES (SINGAPORE) PTE LTD	5,286,936	0.21
14	OCBC SECURITIES PRIVATE LTD	4,281,817	0.17
15	OCBC NOMINEES SINGAPORE PTE LTD	3,846,531	0.15
16	MERRILL LYNCH (SINGAPORE) PTE LTD	3,275,137	0.13
17	PHILLIP SECURITIES PTE LTD	3,110,492	0.12
18	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,700,641	0.11
19	UOB KAY HIAN PTE LTD	2,607,912	0.10
20	SOCIETE GENERALE SINGAPORE BRANCH	2,504,235	0.10
TOTAL		**2,303,221,892**	**90.05**

* *Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares*

Substantial shareholders
(as shown in the register of substantial shareholders)

	Direct Interest No. of Shares	%*	Deemed Interest No. of Shares	%*
Maju Holdings Pte. Ltd.	458,899,869	17.94	0	17.94
Temasek Holdings (Private) Limited	284,145,301	11.11	481,618,920	29.93

* *Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares*

1. Maju Holdings Pte. Ltd. ("Maju") is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek").
2. Temasek, a company wholly-owned by the Minister for Finance, is deemed to be interested in all the ordinary shares held by Maju.
3. In addition, Temasek is deemed to be interested in 22,719,051 ordinary shares in which its other subsidiaries and associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

As at 1 March 2019, approximately 69.95% of the issued ordinary shares of DBS Group Holdings Ltd are held by the public and, therefore, Rule 723 of the SGX Listing Manual is complied with.

Notice of Annual General Meeting

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

To: All shareholders of DBS Group Holdings Ltd
NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of the shareholders of DBS Group Holdings Ltd (the "Company" or "DBSH") will be held at Marina Bay Sands Expo and Convention Centre, Level 4, Roselle and Simpor Ballrooms, 10 Bayfront Avenue, Singapore 018956 on Thursday, 25 April 2019 at 2.00 pm to transact the following business:

Routine Business	Ordinary Resolution No.
To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 and the Auditor's Report thereon.	Resolution 1
To declare a one-tier tax exempt Final Dividend of 60 cents per ordinary share for the year ended 31 December 2018. [2017: Final Dividend of 60 cents per ordinary share, one-tier tax exempt and Special Dividend of 50 cents per ordinary share, one-tier tax exempt]	Resolution 2
To approve the amount of SGD 4,580,005 proposed as Directors' remuneration for the year ended 31 December 2018. [2017: SGD 3,637,702]	Resolution 3
To re-appoint Messrs PricewaterhouseCoopers LLP as Auditor of the Company and to authorise the Directors to fix its remuneration.	Resolution 4
To re-elect the following Directors, who are retiring under article 99 of the Company's Constitution and who, being eligible, offer themselves for re-election: (a) Ms Euleen Goh Yiu Kiang (b) Mr Danny Teoh Leong Kay (c) Mr Nihal Vijaya Devadas Kaviratne CBE *Key information on Ms Goh, Mr Teoh and Mr Kaviratne can be found on pages 198 to 200 and 218 to 222 of the 2018 Annual Report.*	 Resolution 5 Resolution 6 Resolution 7
To re-elect the following Directors, who are retiring under article 105 of the Company's Constitution and who, being eligible, offer themselves for re-election: (a) Dr Bonghan Cho (b) Mr Tham Sai Choy *Key information on Dr Cho and Mr Tham can be found on pages 197, 201 and 218 to 222 of the 2018 Annual Report.*	 Resolution 8 Resolution 9
Special Business	**Ordinary Resolution No.**
To consider and, if thought fit, to pass the following Resolutions which will be proposed as ORDINARY RESOLUTIONS:	
That authority be and is hereby given to the Directors of the Company to: (a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/ or (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and	Resolution 10

Special Business	Ordinary Resolution No.
(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that: (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall be less than 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with paragraph (2) below); (2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time this Resolution is passed, after adjusting for: (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and (ii) any subsequent bonus issue, consolidation or subdivision of shares, and, in paragraph (1) above and this paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST; (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.	
That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of new ordinary shares of the Company as may be required to be allotted and issued pursuant to the DBSH Scrip Dividend Scheme.	Resolution 11
That: (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("Ordinary Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of: (i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") and/ or any other securities exchange on which the Ordinary Shares may for the time being be listed and quoted ("Other Exchange"); and/ or (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate"); (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of: (i) the date on which the next Annual General Meeting of the Company is held; (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and	Resolution 12

Special Business	Ordinary Resolution No.
(iii) the date on which purchases and acquisitions of Ordinary Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; (c) in this Resolution: "Average Closing Price" means the average of the closing market prices of an Ordinary Share over the last five market days on which transactions in the Ordinary Shares on the SGX-ST or, as the case may be, Other Exchange were recorded, immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; "date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Ordinary Shares from Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out below) for each Ordinary Share and the relevant terms of the equal access scheme for effecting the off-market purchase; "Maximum Percentage" means that number of issued Ordinary Shares representing 2% of the issued Ordinary Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and "Maximum Price" in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed: (i) in the case of a market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and (ii) in the case of an off-market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and (d) the Directors of the Company and/ or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/ or he may consider expedient or necessary to give effect to the transactions contemplated and/ or authorised by this Resolution.	
That: (a) pursuant to Rule 14.1 of the Rules of the DBSH Share Plan (the "Plan") and further to the Ordinary Resolutions passed by the Company in General Meeting on 21 April 2003 and 8 April 2009, the extension of the duration of the Plan for a further period of 10 years from 18 September 2019 up to 17 September 2029 (both dates inclusive) be and is hereby approved; (b) the Amended and Restated Rules of the DBSH Share Plan set out in Appendix 1 to the Letter to Shareholders dated 28 March 2019 (the "Letter"), incorporating the alterations to the Plan as described in the Letter, be and are hereby approved and adopted in substitution for, and to the exclusion of, the existing Rules of the Plan; and (c) authority be and is hereby given to the Directors of the Company to offer and grant awards in accordance with the provisions of the Plan (as altered) and to allot and issue from time to time such number of ordinary shares of the Company ("Ordinary Shares") as may be required to be issued pursuant to the vesting of awards under the Plan (as altered), provided that: (i) the aggregate number of new Ordinary Shares issued and/ or to be issued pursuant to the Plan (as altered) shall not exceed 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time; and (ii) the aggregate number of new Ordinary Shares under awards to be granted pursuant to the Plan (as altered) during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited.	Resolution 13
That subject to and contingent upon the passing of Resolution 13: (a) the California sub-plan (the "California Sub-Plan") to the DBSH Share Plan (as altered) (the "Plan") set out in Appendix 2 to the Letter to Shareholders dated 28 March 2019 be and is hereby approved and adopted; and	Resolution 14

Special Business	Ordinary Resolution No.
(b) authority be and is hereby given to the Directors of the Company to offer and grant awards and to allot and issue from time to time such number of ordinary shares of the Company as may be required to be issued pursuant to the vesting of such awards, to participants who are residents of the state of California in the United States of America, in accordance with the provisions of the Plan (as altered) and the California Sub-Plan.	

By Order of the Board

Teoh Chia-Yin (Ms)
Group Secretary
DBS Group Holdings Ltd

28 March 2019
Singapore

Notes:

1. (a) *A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*

   (b) *A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. *A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.*

3. *A proxy need not be a member of the Company.*

4. *The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at* ***80 Robinson Road #11-02, Singapore 068898****, at least 72 hours before the time for holding the Annual General Meeting.*

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the Annual General Meeting and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/ or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request.

Explanatory notes

Routine Business

Ordinary Resolution 2: Declaration of final dividend on ordinary shares

Resolution 2 is to approve the declaration of a final dividend of 60 cents per ordinary share. Please refer to page 91 of the Capital Management and Planning section in the 2018 Annual Report for an explanation of DBSH's dividend policy.

Ordinary Resolution 3: Directors' remuneration for 2018

Resolution 3 is to approve the payment of an aggregate amount of SGD 4,580,005 as Directors' remuneration for the non-executive Directors of the Company for the year ended 31 December 2018. If approved, each of the non-executive Directors (with the exception of Mrs Ow Foong Pheng) will receive 70% of his or her Directors' fees in cash and 30% of his or her Directors' fees in the form of share awards granted pursuant to the DBSH Share Plan (which is proposed to be extended and altered pursuant to Resolution 13). The share awards will not be subject to a vesting period, but will be subject to a selling moratorium whereby each non-executive Director will be required to hold the equivalent of one year's basic retainer for the duration of his or her tenure as a Director, and for one year after the date he or she steps down as a Director. The actual number of shares to be awarded will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 10 trading days immediately prior to (and excluding) the date of the forthcoming Annual General Meeting, rounded down to the nearest share, and any residual balance will be paid in cash. The Director's fees for Mrs Ow Foong Pheng will be paid in cash to a government agency, the Directorship & Consultancy Appointments Council. Please refer to pages 42 and 56 of the Corporate Governance Report in the 2018 Annual Report for more details on the non-executive Directors' remuneration for 2018.

Ordinary Resolutions 5, 6 and 7: Re-election of Directors retiring under article 99

(a) Ms Euleen Goh Yiu Kiang, upon re-election as a Director of the Company, will remain as Chairperson of the Board Risk Management Committee, and as a member of the Compensation and Management Development Committee. Ms Goh is a non-executive Director and has no management or business relationships with the Company. Ms Goh is considered non-independent as she has served as a Director of the Company for more than 9 years.

(b) Mr Danny Teoh Leong Kay, upon re-election as a Director of the Company, will remain as Chairman of the Audit Committee, and as a member of each of the Board Risk Management Committee and Nominating Committee, and will be considered independent. Mr Teoh, who will have served as an independent Director beyond 9 years by the end of September 2019, will be re-designated as a non-executive and non-independent Director with effect from 1 October 2019.

(c) Mr Nihal Vijaya Devadas Kaviratne CBE, upon re-election as a Director of the Company, will remain as a member of each of the Board Risk Management Committee and Compensation and Management Development Committee, and will be considered independent.

Ordinary Resolutions 8 and 9: Re-election of Directors retiring under article 105

(a) Dr Bonghan Cho, upon re-election as a Director of the Company, will remain as a member of each of the Audit Committee and Nominating Committee, and will be considered independent.

(b) Mr Tham Sai Choy, upon re-election as a Director of the Company, will remain as a member of each of the Audit Committee and Board Risk Management Committee, and will be considered independent.

Special Business

Ordinary Resolution 10: Share Issue Mandate

Resolution 10 is to empower the Directors to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, of which the number of shares that may be issued other than on a *pro rata* basis to shareholders must be less than 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings). For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Resolution 10 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 10 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. As at 1 March 2019 (the "Latest Practicable Date"), the Company had 5,664,500 treasury shares and no subsidiary holdings.

Ordinary Resolution 11: DBSH Scrip Dividend Scheme

Resolution 11 is to authorise the Directors, should they choose to apply the DBSH Scrip Dividend Scheme (the "Scheme") to a qualifying dividend, to issue such number of new ordinary shares of the Company as may be required to be issued pursuant to the Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend. If the Directors should decide to apply the Scheme to a qualifying dividend, the current intention is that no discount will be given for the scrip shares.

Ordinary Resolution 12: Renewal of the Share Purchase Mandate

Resolution 12 is to renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in the Resolution.

The Company intends to use its internal sources of funds to finance its purchase or acquisition of the ordinary shares of the Company ("Ordinary Shares"). The amount of financing required for the Company to purchase or acquire its Ordinary Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on whether the Ordinary Shares are purchased or acquired out of capital or profits, the number of Ordinary Shares purchased or acquired and the price at which such Ordinary Shares were purchased or acquired.

Based on the existing issued and paid-up Ordinary Shares as at the Latest Practicable Date and excluding any Ordinary Shares held in treasury, the purchase by the Company of 2% of its issued Ordinary Shares will result in the purchase or acquisition of 51,165,438 Ordinary Shares.

Assuming that the Company purchases or acquires 51,165,438 Ordinary Shares at the Maximum Price, in the case of both market and off-market purchases, of SGD 26.32 for one Ordinary Share (being the price equivalent to 5% above the average closing prices of the Ordinary Shares traded on the SGX-ST over the last five market days on which transactions were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately SGD 1.3 billion.

The financial effects of the purchase or acquisition of such Ordinary Shares by the Company pursuant to the proposed Share Purchase Mandate on the financial statements of the Group and the Company for the financial year ended 31 December 2018 based on these and other assumptions are set out in paragraph 2.7 of the Letter to Shareholders dated 28 March 2019 (the "Letter").

Please refer to the Letter for further details.

Ordinary Resolution 13: Extension of, and alterations to, the DBSH Share Plan

Resolution 13 is to approve the extension of, and alterations to, the DBSH Share Plan, which is due to expire on 17 September 2019. The rationale for the proposed extension of the DBSH Share Plan and summary of the principal alterations to the DBSH Share Plan are set out in paragraphs 3.2 and 3.3 of the Letter, respectively.

If passed, Resolution 13 will also empower the Directors to offer and grant awards and to allot and issue new Ordinary Shares pursuant to the DBSH Share Plan (as altered), provided that: (a) the maximum number of Ordinary Shares which may be issued under the DBSH Share Plan (as altered) is limited to 5% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and (b) the aggregate number of new Ordinary Shares under awards which may be granted pursuant to the DBSH Share Plan (as altered) from this Annual General Meeting to the next Annual General Meeting shall not exceed 1% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) from time to time.

Please refer to the Letter for further details.

Ordinary Resolution 14: Adoption of the California Sub-Plan to the DBSH Share Plan

Resolution 14 is to approve and adopt the California sub-plan (the "California Sub-Plan") to the DBSH Share Plan (as altered), subject to and contingent upon the passing of Resolution 13. The rationale for the adoption of the California Sub-Plan and summary of the rules of the California Sub-Plan are set out in paragraph 4 of the Letter.

If passed, Resolution 14 will empower the Directors to offer and grant awards and to allot and issue new Ordinary Shares pursuant to the DBSH Share Plan (as altered) to participants who are residents of the state of California in the United States of America, subject to the terms of the California Sub-Plan, provided that: (a) the maximum aggregate number of Ordinary Shares which may be issued under the California Sub-Plan is limited to 1,000,000 Ordinary Shares, subject to any lower limitations required under the DBSH Share Plan (as altered); (b) the California Sub-Plan will terminate on, and no further awards will be granted under the California Sub-Plan after, the tenth (10th) anniversary of its approval by the Board of Directors of the Company; and (c) the awards granted under the California Sub-Plan will be subject to adjustment upon certain changes in the capitalisation of the Company. In addition, the California Sub-Plan imposes additional restrictions on participants residing in California other than those contemplated under the DBSH Share Plan (as altered).

Please refer to the Letter for further details.

Additional information on Directors seeking re-election

Name of Director	Euleen Goh Yiu Kiang	Nihal Vijaya Devadas Kaviratne CBE
Date of appointment	**1 December 2008**	**29 April 2011**
Date of last re-appointment (if applicable)	**28 April 2016**	**28 April 2016**
Age	**63**	**74**
Country of principal residence	**Singapore**	**India**
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Having served as an Independent Director for more than nine years, Ms Goh was re-designated non-independent under the Banking (Corporate Governance) Regulations 2005 (Banking Regulations) with effect from 1 December 2017. In view of the risk landscape and challenging credit environment, the Board (having considered the Nominating Committee's recommendation and assessment of her background, experience and commitment in the discharge of her duties as a Director of DBS Group Holdings Ltd) agreed that Ms Goh, who is a former banker with strong credit risk expertise and experience, should continue to serve as a Non-Executive Director and as Chairperson of the Board Risk Management Committee.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Kaviratne's background, experience, independence and commitment in the discharge of his duties as a Director of DBS Group Holdings Ltd, and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Non-Independent Director Chairperson of the Board Risk Management Committee Member of the Compensation and Management Development Committee	Non-Executive and Independent Director Member of the Board Risk Management Committee Member of the Compensation and Management Development Committee
Professional qualifications	Fellow – Institute of Singapore Chartered Accountants Associate – Institute of Chartered Accountants in England and Wales Associate – The London Institute of Banking & Finance, UK Member – Chartered Institute of Taxation, UK Fellow – Singapore Institute of Directors	Bachelor of Arts (Honours), Economics, Bombay University, India
Working experience and occupation(s) during the past 10 years	Ms Goh held various senior management positions in Standard Chartered Bank (SCB) for some 21 years before she retired as the Chief Executive Officer of SCB, Singapore in March 2006. Ms Goh currently serves as an Independent Director/ Chairman of various companies. Please refer to her present directorships provided below for further information.	Mr Kaviratne's career with the Unilever Group spanned over 40 years during which he held various senior level management positions in sales, marketing, brand and strategic planning and development, and as Chairman, CEO and Independent Director in a span of organisations across Asia, Europe and Latin America. He retired from Unilever in 2005. Mr Kaviratne currently serves as an Independent Director/ Chairman of various companies. Please refer to his present directorships provided below for further information.

Danny Teoh Leong Kay	Bonghan Cho	Tham Sai Choy
1 October 2010	**26 April 2018**	**3 September 2018**
28 April 2016	**Not applicable**	**Not applicable**
63	**54**	**59**
Singapore	**Republic of Korea**	**Singapore**
The Board had considered the Nominating Committee's recommendation and assessment on Mr Teoh's background, experience, independence and commitment in the discharge of his duties as a Director of DBS Group Holdings Ltd, and is satisfied that he will continue to contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Dr Cho's background, experience, independence and commitment in the discharge of his duties as a Director of DBS Group Holdings Ltd, and is satisfied that he will continue to contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Tham's background, experience, independence and commitment in the discharge of his duties as a Director of DBS Group Holdings Ltd, and is satisfied that he will continue to contribute to the Board.
Non-Executive	Non-Executive	Non-Executive
Non-Executive and Independent Director Chairman of Audit Committee Member of Nominating Committee Member of Board Risk Management Committee	Non-Executive and Independent Director Member of the Audit Committee Member of the Nominating Committee	Non-Executive and Independent Director Member of the Audit Committee Member of the Board Risk Management Committee
Associate Member – Institute of Chartered Accountants in England and Wales Diploma in Accounting – Newcastle-upon-Tyne Polytechnic, England	Bachelor of Science in Computer Science and Statistics, Seoul National University Ph.D and MS in Computer Science, specialising in Artificial Intelligence, University of Southern California	Bachelor of Arts (Honours) in Economics, University of Leeds, UK Fellow – Institute of Chartered Accountants in England and Wales – Institute of Singapore Chartered Accountants – Singapore Institute of Directors
KPMG LLP, Singapore 2005 to 2010: Managing Partner Mr Teoh currently serves as an Independent Director/ Chairman of various companies. Please refer to his present directorships provided below for further information.	January 2014 to December 2015 Executive Vice President & Chief Innovation Officer, Samsung Fire & Marine Insurance, Seoul, Korea April 2008 to December 2013 Group Deputy Chief Executive Officer & Chief Information Officer, Hana Financial Holdings, Seoul, Korea April 2008 to December 2013 President & Chief Executive Officer, Hana INS, Seoul, Korea August 2004 to December 2011 Senior Executive Vice President & Chief Information Officer, Hana Bank, Seoul, Korea 2001 to 2004 Chief Technology Officer & General Manager of Next Generation System, KB Kookmin Bank, Seoul, Bank	KPMG Singapore from 1 October 1990 to 31 July 2017, including: Head of Audit – 2005 to 2010 Managing Partner – 2010 to 2016 Head of Audit, KPMG Asia Pacific – 2007 to 2010 Chairman, KMPG Asia Pacific – 2013 to 2017

Name of Director	Euleen Goh Yiu Kiang	Nihal Vijaya Devadas Kaviratne CBE
Shareholding interest in the listed issuer and its subsidiaries	Yes 54,414 ordinary shares in DBS Group Holdings Ltd 3,000 DBS Bank Ltd. 4.7% preference shares	Yes 33,768 ordinary shares in DBS Group Holdings Ltd
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships ** "Principal Commitments" has the same meaning as defined in the Code.*		
Past (for the last 5 years)	1. NorthLight School, Chairman, Board of Governors 2. Singapore Chinese Girls' School, Chairman 3. Singapore International Foundation, Chairman, Board of Governors 4. Cinnamon College, National University of Singapore, Rector 5. NUS Business School, Member, Management Advisory Board	1. Akzo Nobel India Limited, Chairman 2. SATS Ltd, Director 3. TVS Motor (Singapore) Pte. Limited, Director 4. PT TVS Motor Company, President Commissioner 5. Wildlife Reserves Singapore Pte Ltd, Director
Present	Other listed companies: 1. CapitaLand Limited, Director 2. Royal Dutch Shell PLC, Director 3. SATS Ltd, Chairman Other principal commitments: 4. DBS Bank Ltd., Director 5. DBS Foundation Ltd., Chairman 6. Singapore Health Services Pte Ltd, Director 7. Singapore Institute of Management, Chairman, Governing Council 8. Temasek Trustees Pte Ltd (the Trustee of Temasek Trust), Director	Other listed companies: 1. GlaxoSmithKline Pharmaceuticals Ltd, Director 2. Olam International Limited, Director 3. StarHub Ltd, Lead Independent Director Other principal commitments: 4. DBS Bank Ltd., Director 5. DBS Foundation Ltd., Director 6. Caraway Pte. Ltd., Chairman 7. Bain & Company SE Asia, Inc, Member, Advisory Board for Southeast Asia/ Indonesia 8. McKinsey & Company, Inc, Member, Corporate Resilience Advisory Council 9. The Department for International Development (DFID), Member, UK Government's DFID Private Sector Portfolio Advisory Committee for India

Danny Teoh Leong Kay	Bonghan Cho	Tham Sai Choy
Yes 60,825 ordinary shares in DBS Group Holdings Ltd (Direct and deemed interests)	No	Yes 88,000 ordinary shares in DBS Group Holdings Ltd
Nil	Nil	Nil
Nil	Nil	Nil
Yes	Yes	Yes
1. CapitaLand Mall Trust Management Limited (the Manager of CapitaLand Mall Trust), Chairman 2. JTC Corporation, Board Member 3. Singapore Olympic Foundation, Director	Nil	1. Singapore Accountancy Commission 2. KPMG LLP and related partnerships and companies in Singapore 3. Armoire Ante Pte. Ltd. 4. KPMG Resources Sdn. Bhd. (Malaysia) 5. KPMG International Resource Limited (Cayman Islands) 6. KPMG Asia Pacific Limited (BVI) 7. KPMG International Cooperative (Switzerland) 8. PT KPMG Siddharta Advisory (Indonesia) 9. PT KPMG Infrastructure Advisory (Indonesia)
Other listed companies: 1. Keppel Corporation Limited, Director 2. M1 Limited, Chairman Other principal commitments: 3. DBS Bank Ltd., Director 4. DBS Bank (China) Limited, Director 5. DBS Bank (Taiwan) Ltd, Director 6. DBS Foundation Ltd., Director 7. Ascendas-Singbridge Pte. Ltd., Director 8. Changi Airport Group (Singapore) Pte Ltd, Director	Other principal commitments: 1. DBS Bank Ltd., Director 2. Equalkey Corporation, Founder & Chief Executive Officer 3. AMO Labs Pte. Ltd., Member, Advisory Board	Other principal commitments: 1. DBS Bank Ltd., Director 2. Singapore Institute of Directors, Chairman 3. Accounting and Corporate Regulatory Authority, Board Member 4. Housing and Development Board, Board Member 5. Nanyang Polytechnic, Board Member 6. Mount Alvernia Hospital, Director 7. Singapore International Arbitration Centre, Director

Name of Director	Euleen Goh Yiu Kiang	Nihal Vijaya Devadas Kaviratne CBE	
	Danny Teoh Leong Kay	Bonghan Cho	Tham Sai Choy

Information required Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
(ii) any entity (not being a corporation) which has been investigated for a breach for any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

Proxy form

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

IMPORTANT:

(1) Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.

(2) This Proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/ SRS investors who hold ordinary shares through their CPF/ SRS funds. CPF/ SRS investors should contact their respective Agent Banks/ SRS Operators if they have any queries regarding their appointment as proxies.

(3) By submitting an instrument appointing a proxy(ies) and/ or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 March 2019.

Annual General Meeting

*I/ We ____ (NRIC/ Passport/ Co. Reg No. _________________________________)

of ____

being an Ordinary Shareholder of DBS Group Holdings Ltd (the "Company") hereby appoint

Name	Address	NRIC/ Passport number	Proportion of shareholdings (%)

*and/ or

as *my/ our proxy/ proxies, to attend, speak and vote for *me/ us and on *my/ our behalf, at the 20th Annual General Meeting of the Company, to be held at **Marina Bay Sands Expo and Convention Centre, Level 4, Roselle and Simpor Ballrooms, 10 Bayfront Avenue, Singapore 018956** on **Thursday, 25 April 2019** at **2.00 pm** and at any adjournment thereof in the following manner:

No.	Ordinary Resolutions	For	Against
	Routine Business		
1	Adoption of Directors' Statement, Audited Financial Statements and Auditor's Report		
2	Declaration of Final Dividend on Ordinary Shares		
3	Approval of proposed Directors' remuneration of SGD 4,580,005 for FY2018		
4	Re-appointment of PricewaterhouseCoopers LLP as Auditor and authorisation for Directors to fix its remuneration		
5	Re-election of Ms Euleen Goh Yiu Kiang as a Director retiring under article 99		
6	Re-election of Mr Danny Teoh Leong Kay as a Director retiring under article 99		
7	Re-election of Mr Nihal Vijaya Devadas Kaviratne CBE as a Director retiring under article 99		
8	Re-election of Dr Bonghan Cho as a Director retiring under article 105		
9	Re-election of Mr Tham Sai Choy as a Director retiring under article 105		
	Special Business		
10	General authority to issue shares and to make or grant convertible instruments subject to limits		
11	Authority to issue shares pursuant to the DBSH Scrip Dividend Scheme		
12	Approval of the proposed renewal of the Share Purchase Mandate		
13	Approval of the proposed extension of, and alterations to, the DBSH Share Plan and authorisation for Directors to grant awards and issue shares pursuant to the DBSH Share Plan (as altered)		
14	Approval of the proposed adoption of the California Sub-Plan to the DBSH Share Plan (as altered) and authorisation for Directors to grant awards and issue shares pursuant to the California Sub-Plan		

If you wish to exercise all your votes **For** or **Against**, please tick with "✓" within the relevant box. Alternatively, please indicate the number of votes **For** or **Against** each resolution.

The proxy/ proxies may vote or abstain as the proxy/ proxies deems fit on any of the above resolutions if no voting instruction is specified, and on any other matter arising at the Annual General Meeting.

Voting will be conducted by poll.

Dated this ___________ day of_____________ 2019.

No. of Ordinary Shares held	

____
Signature or Common Seal of Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.
** delete as appropriate*

Notes:

(1) *Please insert the total number of ordinary shares ("Ordinary Shares") held by you. If you have Ordinary Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares.*

(2) (a) *A member of the Company ("Member") who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*

(b) *A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

(3) *The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at* ***80 Robinson Road #11-02, Singapore 068898****, at least 72 hours before the time for holding the Annual General Meeting.*

(4) *The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.*

(5) *A corporation which is a Member may, in accordance with Section 179 of the Companies Act, Chapter 50, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting.*

(6) *The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of Members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.*

2ND FOLD HERE

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 08558

THE COMPANY SECRETARY

DBS Group Holdings Ltd

c/o TRICOR BARBINDER SHARE REGISTRATION SERVICES

(a division of Tricor Singapore Pte. Ltd.)

80 ROBINSON ROAD #11-02

SINGAPORE 068898

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Corporate information

Board of Directors

Peter Seah
Chairman
Piyush Gupta
Chief Executive Officer
Bonghan Cho
(appointed on 26 Apr 2018)
Euleen Goh
Ho Tian Yee
Lead Independent Director
Nihal Kaviratne CBE
Olivier Lim
Ow Foong Pheng
Andre Sekulic
Danny Teoh
Tham Sai Choy
(appointed on 3 Sep 2018)

Audit Committee

Danny Teoh
Chairman
Bonghan Cho
(appointed on 26 Apr 2018)
Ow Foong Pheng
Peter Seah
Andre Sekulic
Tham Sai Choy
(appointed on 3 Sep 2018)

Nominating Committee

Ho Tian Yee
Chairman
(appointed as Chairman
on 16 Nov 2018)
Bonghan Cho
(appointed on 26 Apr 2018)
Ow Foong Pheng
Peter Seah
Danny Teoh

Board Risk Management Committee

Euleen Goh
Chairman
Ho Tian Yee
Nihal Kaviratne CBE
Olivier Lim
Peter Seah
Danny Teoh
Tham Sai Choy
(appointed on 3 Sep 2018)

Board Executive Committee

Peter Seah
Chairman
Ho Tian Yee
Olivier Lim
(appointed on 16 Nov 2018)

Compensation and Management Development Committee

Andre Sekulic
Chairman
(appointed as Chairman
on 16 Nov 2018)
Euleen Goh
Nihal Kaviratne CBE
(appointed on 16 Nov 2018)
Olivier Lim
Peter Seah

Group Secretary

Teoh Chia-Yin
(appointed on 5 Jun 2018)

Group Executive Committee

Piyush Gupta
Chief Executive Officer
Chng Sok Hui
Chief Financial Officer
David Gledhill
Chief Information Officer
Sim S Lim
Consumer Banking/
Wealth Management
Andrew Ng
Treasury & Markets
Sebastian Paredes
Hong Kong
Shee Tse Koon
Singapore
Tan Su Shan
Institutional Banking
Tan Teck Long
Chief Risk Officer
Jeanette Wong
Institutional Banking
(retired on 1 Mar 2019)

Group Management Committee

Includes the Group Executive Committee and the following:

Eng-Kwok Seat Moey
Capital Markets
Philip Fernandez
Corporate Treasury
Neil Ge
China
Derrick Goh
Audit
Lam Chee Kin
Legal, Compliance & Secretariat
Lee Yan Hong
Human Resources
Lim Him Chuan
Taiwan
Karen Ngui
Strategic Marketing & Communications
Pearlyn Phau
Consumer Banking/ Wealth Management
Surojit Shome
India
Paulus Sutisna
Indonesia

Registrar

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road, #02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 3405

Auditor

PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936

Partner in charge of the Audit

Melvin Poon
Appointed on 25 Apr 2018
(DBS Group Holdings Ltd) and
24 Apr 2018 (DBS Bank Ltd.)

Registered Office

12 Marina Boulevard
Marina Bay Financial Centre
Tower 3, Singapore 018982
Tel: (65) 6878 8888
Website: www.dbs.com

Investor Relations

Email: investor@dbs.com