DBS BANK LTD.

(Incorporated in Singapore. Registration Number: 196800306E)

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

Financial Statements
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DBS Bank Ltd. and its subsidiaries
Income Statements
For the Year Ended 31 December 2017

In $ millions	Note	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Interest income		**10,833**	9,748	**8,580**	7,568
Interest expense		**3,029**	2,457	**2,751**	2,007
Net interest income	4	**7,804**	7,291	**5,829**	5,561
Net fee and commission income	5	**2,623**	2,334	**1,900**	1,700
Net trading income	6	**1,037**	1,352	**1,296**	818
Net income from investment securities	7	**424**	330	**405**	299
Other income	8	**379**	166	**298**	163
Non-interest income		**4,463**	4,182	**3,899**	2,980
Total income		**12,267**	11,473	**9,728**	8,541
Employee benefits	9	**2,825**	2,725	**1,846**	1,753
Other expenses	10	**2,369**	2,240	**1,603**	1,474
Total expenses		**5,194**	4,965	**3,449**	3,227
Profit before allowances		**7,073**	6,508	**6,279**	5,314
Allowances for credit and other losses	11	**1,894**	1,434	**1,730**	979
Profit before tax		**5,179**	5,074	**4,549**	4,335
Income tax expense	12	**671**	719	**477**	615
Net profit		**4,508**	4,355	**4,072**	3,720
Attributable to:					
Shareholders		**4,388**	4,254	**4,072**	3,720
Non-controlling interests		**120**	101	**-**	-
		4,508	4,355	**4,072**	3,720

Statements of Comprehensive Income
For the Year Ended 31 December 2017

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Net profit	**4,508**	4,355	**4,072**	3,720
Other comprehensive income:				
Items that may be reclassified subsequently to income statement:				
Translation differences for foreign operations	**(200)**	42	**(79)**	48
Other comprehensive income of associates	**(4)**	(6)	**-**	-
Available-for-sale financial assets and others				
Net valuation taken to equity	**396**	131	**395**	168
Transferred to income statement	**(367)**	(188)	**(388)**	(181)
Taxation relating to components of other comprehensive income	**3**	12	**5**	4
Item that will not be reclassified to income statement:				
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	**(109)**	-	**(105)**	-
Other comprehensive income, net of tax	**(281)**	(9)	**(172)**	39
Total comprehensive income	**4,227**	4,346	**3,900**	3,759
Attributable to:				
Shareholders	**4,133**	4,230	**3,900**	3,759
Non-controlling interests	**94**	116	**-**	-
	4,227	4,346	**3,900**	3,759

(see notes on pages 6 to 81 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Balance Sheets as at 31 December 2017

In $ millions	Note	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Assets					
Cash and balances with central banks	14	**26,463**	26,840	**20,302**	20,001
Government securities and treasury bills	15	**39,753**	33,401	**33,801**	27,281
Due from banks		**35,962**	30,000	**27,927**	24,971
Derivatives	37	**17,612**	25,778	**16,092**	23,994
Bank and corporate securities	16	**55,589**	45,417	**51,999**	41,700
Loans and advances to customers	17	**323,099**	301,516	**268,266**	249,744
Other assets	19	**12,056**	11,027	**7,802**	7,632
Associates	22	**783**	890	**148**	192
Subsidiaries	21	**-**	-	**33,150**	26,381
Properties and other fixed assets	25	**1,233**	1,572	**711**	670
Goodwill and intangibles	26	**5,165**	5,117	**334**	281
Total assets		**517,715**	481,558	**460,532**	422,847
Liabilities					
Due to banks		**17,803**	15,915	**14,353**	12,694
Deposits and balances from customers	27	**373,634**	347,446	**284,798**	266,934
Derivatives	37	**18,039**	24,525	**16,352**	22,944
Other liabilities	28	**16,564**	15,853	**11,536**	10,339
Other debt securities	29	**36,638**	25,345	**35,007**	24,393
Due to holding company		**3,927**	2,102	**2,936**	1,029
Due to subsidiaries	30	**-**	-	**51,697**	41,205
Subordinated term debts	31	**508**	2,457	**508**	2,457
Total liabilities		**467,113**	433,643	**417,187**	381,995
Net assets		**50,602**	47,915	**43,345**	40,852
Equity					
Share capital	32	**24,452**	24,146	**24,452**	24,146
Other equity instruments	33	**1,813**	1,813	**1,813**	1,813
Other reserves	34	**(187)**	(119)	**47**	114
Revenue reserves	34	**22,040**	19,552	**17,033**	14,779
Shareholders' funds		**48,118**	45,392	**43,345**	40,852
Non-controlling interests	35	**2,484**	2,523	**-**	-
Total equity		**50,602**	47,915	**43,345**	40,852

(see notes on pages 6 to 81 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2017

The Group	Attributable to shareholders of the Bank						
In $ millions	**Share capital**	**Other equity instruments**	**Other reserves**	**Revenue reserves**	**Total Shareholders' funds**	**Non-controlling interests**	**Total equity**
2017							
Balance at 1 January	**24,146**	**1,813**	**(119)**	**19,552**	**45,392**	**2,523**	**47,915**
Issue of ordinary shares	**306**	**-**	**-**	**-**	**306**	**-**	**306**
Transfers	**-**	**-**	**78**	**(78)**	**-**	**-**	**-**
Dividends paid to holding company	**-**	**-**	**-**	**(1,675)**	**(1,675)**	**-**	**(1,675)**
Dividends paid on preference shares	**-**	**-**	**-**	**(38)**	**(38)**	**-**	**(38)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(110)**	**(110)**
Change of non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(23)**	**(23)**
Total comprehensive income	**-**	**-**	**(146)**	**4,279**	**4,133**	**94**	**4,227**
Balance at 31 December	**24,452**	**1,813**	**(187)**	**22,040**	**48,118**	**2,484**	**50,602**
2016							
Balance at 1 January	23,496	-	2,265	14,486	40,247	2,308	42,555
Issue of ordinary shares	650	-	-	-	650	-	650
Issue of preference shares	-	-	-	-	-	261	261
Issue of perpetual capital securities	-	1,813	-	-	1,813	-	1,813
Transfers	-	-	(2,360)	2,360	-	-	-
Dividends paid to holding company	-	-	-	(1,510)	(1,510)	-	(1,510)
Dividends paid on preference shares	-	-	-	(38)	(38)	-	(38)
Dividends paid to non-controlling interests	-	-	-	-	-	(104)	(104)
Change of non-controlling interests	-	-	-	-	-	(58)	(58)
Total comprehensive income	-	-	(24)	4,254	4,230	116	4,346
Balance at 31 December	24,146	1,813	(119)	19,552	45,392	2,523	47,915

(see notes on pages 6 to 81 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Statement of Changes in Equity
For the Year Ended 31 December 2017

Bank **In $ millions**	**Share capital**	**Other equity instruments**	**Other reserves**	**Revenue reserves**	**Total equity**
2017					
Balance at 1 January	**24,146**	**1,813**	**114**	**14,779**	**40,852**
Issue of ordinary shares	**306**	**-**	**-**	**-**	**306**
Dividends paid to holding company	**-**	**-**	**-**	**(1,675)**	**(1,675)**
Dividends paid on preference shares	**-**	**-**	**-**	**(38)**	**(38)**
Total comprehensive income	**-**	**-**	**(67)**	**3,967**	**3,900**
Balance at 31 December	**24,452**	**1,813**	**47**	**17,033**	**43,345**
2016					
Balance at 1 January	23,496	-	2,435	10,247	36,178
Issue of ordinary shares	650	-	-	-	650
Issue of perpetual capital securities	-	1,813	-	-	1,813
Transfers	-	-	(2,360)	2,360	-
Dividends paid to holding company	-	-	-	(1,510)	(1,510)
Dividends paid on preference shares	-	-	-	(38)	(38)
Total comprehensive income	-	-	39	3,720	3,759
Balance at 31 December	24,146	1,813	114	14,779	40,852

(see notes on pages 6 to 81 which form part of these financial statements)

DBS Bank Ltd. and its subsidiaries
Consolidated Cash Flow Statement
For the Year Ended 31 December 2017

The Group

In $ millions	2017	2016
Cash flows from operating activities		
Profit before tax	**5,179**	5,074
Adjustments for non-cash and other items:		
Allowances for credit and other losses	**1,894**	1,434
Depreciation of properties and other fixed assets	**297**	275
Share of profits or losses of associates	**(11)**	47
Net loss/(gain) on disposal, net of write-off of properties and other fixed assets	**18**	(47)
Net gain on divestment of subsidiary	**(350)**	-
Net loss on disposal of interest in associate	**7**	-
Net income from investment securities	**(424)**	(330)
Interest expense on subordinated term debts	**62**	113
Profit before changes in operating assets and liabilities	**6,672**	6,566
Increase/(Decrease) in:		
Due to banks	**1,993**	(2,354)
Deposits and balances from customers	**18,121**	25,659
Other liabilities	**(2,096)**	3,639
Other debt securities and borrowings	**11,456**	(10,942)
Due to holding company	**1,819**	(31)
(Increase)/Decrease in:		
Restricted balances with central banks	**(1,118)**	17
Government securities and treasury bills	**(6,815)**	1,616
Due from banks	**(6,158)**	8,250
Bank and corporate securities	**(10,395)**	(5,265)
Loans and advances to customers	**(19,685)**	(17,363)
Other assets	**3,813**	(805)
Tax paid	**(708)**	(805)
Net cash (used in)/ generated from operating activities (1)	**(3,101)**	8,182
Cash flows from investing activities		
Dividends from associates	**38**	36
Proceeds from disposal of interest in associates	**74**	3
Proceeds from disposal of properties and other fixed assets	**1**	76
Purchase of properties and other fixed assets	**(360)**	(321)
Proceeds from divestment of subsidiary	**735**	-
Net proceeds from acquisition of new business	**4,783**	-
Change in non-controlling interests	**(23)**	(58)
Net cash from/ (used in) investing activities (2)	**5,248**	(264)
Cash flows from financing activities		
Interest paid on subordinated term debts	**(76)**	(125)
Redemption/purchase of subordinated term debts	**(1,897)**	(973)
Increase in share capital	**306**	650
Issue of perpetual capital securities	**-**	1,813
Issue of preference shares and perpetual loan	**-**	261
Dividends paid to shareholders of the Bank	**(1,713)**	(1,548)
Dividends paid to non-controlling interests	**(110)**	(104)
Net cash used in financing activities (3)	**(3,490)**	(26)
Exchange translation adjustments (4)	**(96)**	163
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(1,439)**	8,055
Cash and cash equivalents at 1 January	**20,132**	12,077
Cash and cash equivalents at 31 December (Note 14)	**18,693**	20,132

(see notes on pages 6 to 81 which form part of these financial statements)

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the Directors on 7 February 2018.

1 Domicile and Activities

DBS Bank Ltd. (the Bank) 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. It is a wholly-owned subsidiary of DBS Group Holdings Ltd (DBSH).

The Bank is principally engaged in a range of commercial banking and financial services, principally in Asia.

The financial statements relate to the Bank and its subsidiaries (the Group) and the Group's interests in associates.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

Compliance with Singapore Financial Reporting Standards (FRS)
The financial statements of the Bank and the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (FRS) and related Interpretations promulgated by the Accounting Standards Council (ASC). In accordance with Section 201(18) of the Companies Act (the Act), the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (MAS Notice 612) issued by the Monetary Authority of Singapore (MAS).

The financial statements are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated.

Differences between International Financial Reporting Standards (IFRS) and FRS
Other than the above modification to FRS related to MAS Notice 612, there are no significant differences between IFRS and FRS in terms of their application to the Group. The consolidated financial statements and the notes thereon satisfy all necessary disclosures under IFRS and FRS.

The ASC announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to IFRS with effect from 1 January 2018. The new framework is referred to as 'Singapore Financial Reporting Standards (International) ("SFRS(I)") thereinafter.

The Group will be required to apply the specific requirements of SFRS(I) 1 First-time Adoption of International Financial Reporting Standards upon the transition to the new framework.

The Group does not expect the transition to have a significant impact on the financial statements, except for those relating to SFRS(I) 9 Financial Instruments which comes into effect at the same date. Please refer to Note 2.4 for more information.

2.2 Significant estimates and judgement

The preparation of financial statements requires management to exercise judgement, use estimates and make assumptions in the application of policies and in reporting the amounts in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 3.

2.3 New or amended FRS and Interpretations effective for 2017 year-end

On 1 January 2017, the Group adopted the following revised FRS that are issued by the ASC and relevant for the Group.

- Amendments to FRS 7: Disclosure Initiative
- Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 112: Clarification of the scope of the Standard (Improvements to FRSs 2016)

The adoption has no significant impact on the Group's financial statements.

Early adoption of SFRS(I) 9 Own Credit Risk and reclassification of Structured Notes and Structured Deposits
SFRS(I) 9 Financial Instruments (SFRS(I) 9), which has a mandatory adoption date of 1 January 2018, allows for the early adoption of the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. Under SFRS(I) 9, changes to the fair value of such financial liabilities that are attributable to a reporting entity's own credit risk are taken to revenue reserves through other comprehensive income. The amounts are not transferred to the income statement even when realised. The Group has early adopted this new presentation from 1 January 2017 as it better reflects the Group's underlying business model.

The Group has classified all un-bifurcated structured notes and deposits as "designated at fair value through profit or loss". There is no impact to the amounts and line items reflected in the income statements or balance sheets for prior periods. Please refer to Note 13 and Note 40 for more information.

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

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

- SFRS(I) 15 Revenue from Contracts with Customers (effective 1 January 2018) replaces the existing revenue recognition guidance and establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

- SFRS(I) 16 Leases (effective 1 January 2019) replaces the existing lease accounting guidance and requires almost all leases to be recognised on the balance sheet. It also changes the way in which lease expenses are presented in the income statement.

- SFRS(I) 9 Financial Instruments (effective 1 January 2018)

SFRS(I) 9: Financial Instruments
SFRS(I) 9 replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments; requires a more timely recognition of expected credit losses (ECL) of financial assets; and introduces revised requirements for general hedge accounting.

On transition, the estimated aggregate impact is a net increase in the shareholders' funds by approximately $65 million for the Group and $39 million for the Bank. Please refer to the sections below for additional information.

Classification and measurement
SFRS(I) 9 will replace the classification and measurement model in FRS 39 with a new model that categorises debt type financial assets based on the business model within which the assets are managed, and whether the contractual cash flows from the financial assets solely represent the payments of principal and interest.

Subsequent changes in fair value of non-trading equity instruments can be taken through profit or loss or other comprehensive income (FVOCI), as elected. The Group expects to elect for most of its non-trading equity instruments to be accounted for as FVOCI.

Changes in the classification and measurement of financial instruments will result in a net reduction in shareholders' funds of $10 million for the Group and $30 million for the Bank due primarily to the reversal of unrealised gains. The impact is mainly from the reclassification of approximately $16 billion of quoted debt securities from available-for-sale to amortised cost as the Group intends to collect the contractual cash flows of these portfolios.

Impairment
Under SFRS(I) 9, ECL will be assessed using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile in each instance.

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

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

In addition to the requirements of SFRS(I) 9, the MAS requires the Group to maintain a Minimum Regulatory Loss Allowance (MRLA). Where ECL falls below MRLA, additional loss allowance shall be maintained in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of the Group's retained earnings.

The opening general allowance balance as at 1 January 2018 is $2,620 million for the Group and $2,205 million for the Bank, which is also the amount required under MAS' MRLA as defined in the previous paragraph. This exceeds the Group's and Bank's estimated stage 1 and 2 ECL of approximately $2,525 million and $2,125 million respectively. Consequently, approximately $95 million for the Group and $80 million for the Bank will be transferred from the general allowance balance to RLAR as required by MAS Notice 612, thus increasing shareholders' funds. Taking into account deferred tax impact, the net increase in shareholders' funds is $75 million for the Group and $69 million for the Bank.

Hedge accounting
SFRS(I) 9 will introduce a more principles-based approach to assess hedge effectiveness. The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under SFRS(I) 9.

The impact from hedge accounting is not material.

A) General Accounting Policies

A summary of the significant group accounting policies is described further below starting with those relating to the entire financial statements followed by those relating to the income statement, the balance sheet and other specific topics. This does not reflect the relative importance of these policies to the Group.

2.5 Group Accounting

Subsidiaries
Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases.

The acquisition method is used to account for business combinations. Please refer to Note 2.13 for the Group's accounting policy on goodwill.

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

Associates
Associates are entities over which the Group has significant influence, but no control where the Group generally holds a shareholding of between and including 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

2.6 Foreign currency treatment

Functional and presentation currency
Items in the financial statements are measured using the functional currency of each entity in the Group, this being the currency of the primary economic environment in which the entity operates. The Group's financial statements are presented in Singapore dollars, which is the functional currency of the Bank.

Foreign currency transactions and balances
Transactions in foreign currencies are measured using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity undertaking the transaction at the exchange rates at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement within "Net trading income".

Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rates at the date of the transaction.

Non-monetary assets and liabilities measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined, which is generally the balance sheet date.

Unrealised foreign exchange differences arising from non-monetary financial assets and liabilities classified as fair value through profit or loss are recognised in the income statement within trading income. For non-monetary financial assets such as equity investments classified as available-for-sale, unrealised foreign exchange differences are recorded in other comprehensive income and accumulated in equity until the assets are disposed of or become impaired, upon which they are reclassified to the income statement.

Subsidiaries and branches
The results and financial position of subsidiaries and branches whose functional currency is not Singapore dollars ("foreign operations") are translated into Singapore dollars in the following manner:

- Assets and liabilities are translated at the exchange rates at the balance sheet date;
- Income and expenses in the income statement are translated at exchange rates prevailing at each month-end, approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated under capital reserves in equity. When a foreign operation is partially or fully disposed of, or when share capital is repaid, such exchange differences are recognised in the income statement as part of the gain or loss.

For acquisitions prior to 1 January 2005, the foreign exchange rates at the respective dates of acquisition were used. Please refer to Note 26 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 47 for further details on business and geographical segment reporting.

B) Income Statement

2.8 Income recognition

Interest income and interest expense
Interest income and interest expense as presented in Note 4 arise from all interest-bearing financial assets and financial liabilities regardless of their classification and measurement, with the exception of the Group's structured investment deposits which are carried at fair value through profit or loss. Interest expense on such structured investment deposits is presented together with other fair value changes in trading income.

Interest income and interest expense are recognised on a time-proportionate basis using the effective interest method. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

Fee and commission income
The Group earns fee and commission income from a diverse range of products and services provided to its customers.

Fee and commission income is generally recognised on the completion of a transaction. Such fees include underwriting fees, brokerage fees, bancassurance sales commission and variable service fees, and fees related to the completion of corporate finance transactions.

For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken. Such fees include the income from issuance of financial guarantees and bancassurance fixed service fees.

Fee and commission income is recorded net of expenses directly related to it. These expenses typically include brokerage fees paid, card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Dividend income
Dividend income is recognised when the right to receive payment is established. This is generally the ex-dividend date for listed equity securities, and the date when shareholders approve the dividend for unlisted equity securities. Dividend income arising from held-for-trading financial assets is recognised in "Net trading income", while those arising from available-for-sale financial assets is recognised in "Net income from investment securities".

Allowances for credit and other losses
Please refer to Note 2.11 for the accounting policy on impairment of financial assets.

C) Balance Sheet

2.9 Financial assets

Initial recognition
Purchases and sales of all financial assets, even if their classification and measurement are subsequently changed, are recognised on the date that the Group enters into the contractual arrangements with counterparties. When the Group acts as a trustee or in a fiduciary capacity for assets it does not directly control or benefit from, the assets and the corresponding income belonging to a customer are excluded from the financial statements.

Financial assets are initially recognised at fair value, which is generally the transaction price.

Classification and subsequent measurement
The Group classifies and measures financial assets based on their nature and the purpose for which they are acquired. This generally corresponds to the business models in which they are applied and how management monitors performance, as follows:

- Non-derivative financial assets that are managed mainly for longer-term holding and collection of payments are classified as **loans and receivables.** These assets have fixed or determinable payments, are not quoted in an active market and are mainly in the "Consumer Banking/Wealth Management" and "Institutional Banking" segments. Loans and receivables are carried at amortised cost using the effective interest method.

- Non-derivative financial assets that are managed on a fair value basis, which are mainly in the "Treasury Markets" segment, are classified as **financial assets at fair value through profit or loss**. Such assets include instruments held for the purpose of short-term selling and market-making ("**held for trading**"), or designated under the fair value option if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial asset contains an embedded derivative that would otherwise need to be separately recorded (**"designated at fair value through profit or loss"**).

  Realised or unrealised gains or losses on such financial assets, except interest income, are taken to "Net trading income" in the income statement in the period they arise.

  Derivatives (including derivatives embedded in other contracts but separated for accounting purposes) are also categorised as **held for trading** unless they are designated as hedging instruments in accordance with Note 2.19. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow or net investment hedges are included in "Net trading income".

- Non-derivative financial assets that the Group intends to hold to maturity are classified as **held to maturity**. These are Singapore Government securities that the Group holds for satisfying regulatory liquidity requirements and are held within the "Others" segment. These assets are carried at amortised cost using the effective interest method.

- The Group also holds other non-derivative financial assets for the purpose of investment or satisfying regulatory liquidity requirements. Such assets are held for an indefinite period and may be sold in response to needs for liquidity or changes in interest rates, credit spreads, exchange rates or equity prices. Financial assets in this category are held in all business segments as well as the liquidity management unit in the "Others" segment. These assets are classified as **available-for-sale** and initially and subsequently measured at fair value.

  Unrealised gains or losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale revaluation reserves. When sold or impaired, the accumulated fair value adjustments in the available-for-sale revaluation reserves are reclassified to the income statement. Unquoted equity investments classified as available-for-sale for which fair values cannot be reliably determined are carried at cost, less impairment (if any).

Where the classification and measurement of financial assets do not reflect the management of the financial assets, the Group may apply hedge accounting where permissible and relevant to better reflect the management of the financial assets. Please refer to Note 2.19 for details on hedging and hedge accounting.

Please refer to Note 13 for further details on the types of financial assets classified and measured as above.

Reclassification
When the purpose of holding a financial asset changes, or when FRS otherwise requires it, non-derivative financial assets are reclassified accordingly. Financial assets may be classified out of the fair value through profit or loss or available-for-sale categories only in particular circumstances as prescribed by FRS 39. In 2008 and 2009, the Group reclassified certain financial assets between categories as a result of a change in its holding intention. The reclassifications did not have a material impact on the income statement and statement of comprehensive income for the current year.

Determination of fair value
The fair value of financial assets is the price that would be received if the asset is sold in an orderly transaction between market participants at the measurement date. Fair value is generally estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value. The determination of fair value is considered a significant accounting policy for the Group and further details are disclosed in Note 40.

Offsetting
Financial assets and liabilities are presented net when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

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

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

Please refer to Note 18 for disclosures on transferred financial assets.

2.10 Cash and cash equivalents

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

2.11 Impairment of financial assets

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

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

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

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

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

- High probability of bankruptcy or other financial reorganisation of the borrower.

Specific allowances for credit losses
A specific allowance for credit losses is recognised if there is evidence that the Group will be unable to collect all amounts due under a claim according to the original contractual terms or the equivalent value. A "claim" means a loan, debt security or a commitment such as financial guarantees and letters of credit.

A specific allowance for credit losses is recorded as a reduction in the carrying value of a claim on the balance sheet. For an off-balance sheet item such as a commitment, a specific allowance for credit loss is recorded as "provision for loss in respect of off-balance sheet credit exposures" within "Other liabilities".

Specific allowances for credit losses are evaluated either individually or collectively for a portfolio.

Specific allowance for an individual credit exposure is made when existing facts, conditions or valuations indicate that the Group is not likely to collect the principal and interest due contractually on the claim. An allowance is reversed only when there has been an identifiable event that has led to an improvement in the collectability of the claim. The amount of specific allowance also takes into account the collateral value, which may be discounted to reflect the impact of a forced sale or untimely liquidation.

Overdue unsecured consumer loans which are homogenous in nature, such as credit card receivables, are pooled according to their delinquency behaviour and evaluated for impairment collectively as a group, taking into account the historical loss experience of such loans.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the recovery procedures have been exhausted and the amount of the loss has been determined. Recoveries in full or in part of amounts previously written off are credited to the income statement in "Allowances for credit and other losses".

General allowances for credit losses
Apart from specific allowances, the Group also recognises general allowances for credit losses. The Group maintains a level of allowances that is deemed sufficient to absorb the estimated credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). The Group maintains general allowances of at least 1% of credit exposures arising from both on and off-balance sheet items (against which specific allowances have not been made), adjusted for collateral held. This is in accordance with the transitional arrangements under MAS Notice 612.

(b) Financial assets classified as available-for-sale

The Group assesses whether there is evidence that an available-for-sale financial asset is impaired at each balance sheet date.

In the case of an equity investment, a significant or prolonged decline in the fair value of the security below its cost is a factor in determining whether the asset is impaired.

When there is evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from the available-for-sale revaluation reserve within equity to the income statement as "Allowances for credit and other losses".

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

2.12 Repurchase agreements

Repurchase agreements (***Repos***) are treated as collateralised borrowings. The amount borrowed is reflected as a financial liability either as "Due to banks" or "Deposits and balances from customers". The securities sold under repos are treated as pledged assets and remain on the balance sheet at amortised cost or fair value depending on their classification.

Reverse repurchase agreements (***Reverse repos***) are treated as collateralised lending. The amount lent is reflected as a financial asset as "Cash and balances with central banks", "Due from banks" or "Loans and advances to customers".

Amounts paid and received in excess of the amounts borrowed and lent on the repos and reverse repos are amortised as interest expense and interest income respectively using the effective interest method.

2.13 Goodwill

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

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

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

2.14 Properties and other fixed assets

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

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

Generally, the useful lives are as follows:

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

Please refer to Note 25 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 13 for further details on the types of financial liabilities classified and measured as above.

Determination of fair value
The fair value of financial liabilities is the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Please refer to Note 40 for further fair value disclosures.

Derecognition
A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

2.16 Loan commitments, letters of credit and financial guarantees

Loan commitments
Loan commitments are typically not financial instruments and are not recognised on the balance sheet. They are disclosed in accordance with FRS 37 and form part of the disclosures in Note 36. Upon a loan draw-down, the amount of the loan is accounted for under "loans and receivables" as described in Note 2.9.

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

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

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

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

2.17 Provisions and other liabilities

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

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

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

2.18 Share capital and other instruments classified as equity

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

Dividends are recorded during the financial year in which they are approved by the Board of Directors and declared payable.

D) Other Specific Topics

2.19 Hedging and hedge accounting

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

In some cases, where the strict criteria in FRS 39 are met, hedge accounting is applied as set out in subsequent paragraphs. At the inception of each hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item; the risk management objective for undertaking the hedge transaction; and the methods used to assess the effectiveness of the hedge. At inception and on an on-going basis, the Group also documents its assessment of whether the hedging instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

Fair value hedge
The Group's fair value hedges consist principally of interest rate swaps used for managing the interest rate gaps that naturally arise from its purchases or issues of debt securities, and where a mismatch in the measurement between the hedging derivative and the hedged item exists. Such hedges are mainly used in the "Treasury Markets" and "Others" segments.

For a qualifying fair value hedge, the changes in the fair value of the hedging derivatives are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over its remaining maturity, using the effective interest method.

Cash flow hedge
For transactions with highly probable cash flows, derivatives are used to hedge against cash flow variability due to exchange rate movements in certain situations. Cash flow hedge accounting is principally applied in such cases.

The effective portion of changes in the fair value of a derivative designated and qualifying as a cash flow hedge is recognised in other comprehensive income and accumulated under the cash flow hedge reserve in equity. This amount is reclassified to the income statement in the periods when the hedged forecast cash flows affect the income statement. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Net trading income".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is reclassified from equity to the income statement.

Net investment hedge
Net investment hedge accounting is applied to hedged investments in foreign operations which comprise certain subsidiaries, branches and associates with a functional currency different from that of the Bank. Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or not hedged at all.

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

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

Please refer to Note 37.2 for disclosures on hedging derivatives.

2.20 Employee benefits

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

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

2.21 Share-based compensation

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

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

2.22 Current and deferred taxes

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

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exists and settlement in this manner is intended. This applies generally when they arise from the same tax reporting group and relate to the same tax authority.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

The amount of deferred tax assets recognised takes into account the likelihood the amount that can be used to offset payable taxes on future profits.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are recognised outside profit or loss, is also recognised outside profit or loss, i.e. in other comprehensive income and accumulated in the available-for-sale revaluation reserves.

3 Critical Accounting Estimates

The Group's accounting policies and use of estimates are integral to the reported amounts in the financial statements. Certain accounting estimates require management's judgement in determining the appropriate methodology for valuation of assets and liabilities. Procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of the Group's critical accounting estimates that involve management's valuation judgement.

3.1 Impairment of financial assets

It is the Group's policy to recognise, through charges against profit, specific and general allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2.11.

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

Another area requiring judgement is the calculation of general allowances, which are determined after taking into account historical data and management's assessment of the current economic and credit environment, country and portfolio risks, as well as industry practices.

Please refer to Note 42 for a further description of the Group's credit risk management.

3.2 Fair value of financial instruments

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

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

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

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

3.3 Goodwill impairment

The Group performs an impairment review to ensure that the carrying amount of a CGU to which goodwill is allocated does not exceed the recoverable amount of the CGU. Note 26 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 20 provides details of the Group's deferred tax assets/liabilities. In general, determination of the value of assets/liabilities relating to carry forward tax losses requires judgement.

4 Net Interest Income

	The Group		Bank	
In $ millions	2017	2016	2017	2016
Cash and balances with central banks and Due from banks	**621**	371	**509**	309
Customer non-trade loans	**7,096**	6,628	**5,587**	5,094
Trade assets	**1,138**	958	**739**	576
Securities and others	**1,978**	1,791	**1,745**	1,589
Total interest income	**10,833**	9,748	**8,580**	7,568
Deposits and balances from customers	**2,180**	1,726	**1,580**	1,126
Other borrowings	**849**	731	**1,171**	881
Total interest expense	**3,029**	2,457	**2,751**	2,007
Net interest income	**7,804**	7,291	**5,829**	5,561
Comprising:				
Interest income from financial assets at fair value through profit or loss	**625**	552	**478**	445
Interest income from financial assets not at fair value through profit or loss	**10,208**	9,196	**8,102**	7,123
Interest expense from financial liabilities at fair value through profit or loss	**(174)**	(193)	**(161)**	(188)
Interest expense from financial liabilities not at fair value through profit or loss	**(2,855)**	(2,264)	**(2,590)**	(1,819)
Total	**7,804**	7,291	**5,829**	5,561

5 Net Fee and Commission Income

	The Group		Bank	
In $ millions	2017	2016	2017	2016
Brokerage	**154**	155	**71**	43
Investment banking	**217**	192	**201**	174
Transaction services[(b)]	**618**	585	**437**	431
Loan-related	**409**	434	**324**	336
Cards[(c)]	**543**	483	**416**	353
Wealth management [(d)]	**966**	714	**647**	494
Others	**88**	86	**70**	67
Fee and commission income	**2,995**	2,649	**2,166**	1,898
Less: fee and commission expense	**372**	315	**266**	198
Net fee and commission income[(a)]	**2,623**	2,334	**1,900**	1,700

(a) Includes net fee and commission income of $68 million (2016: $56 million) and $54 million (2016: $45 million) for the Group and Bank respectively, which was derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss was $790 million (2016: $793 million) and $626 million (2016: $637 million) during the year for the Group and Bank respectively

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

(c) Card fees are net of interchange fees paid

(d) 2017 includes $72 million and $51 million for the Group and Bank respectively that would have been previously classified as other non-interest income. The amount represents fees earned from wealth management treasury products sold on open investment architecture platforms. The change in classification was applied prospectively from 1 April 2017

6 Net Trading Income

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Net trading income				
- Foreign exchange	**556**	815	**927**	435
- Interest rates, credit, equities and others[(a)]	**801**	540	**672**	384
Net gain from financial assets designated at fair value	**21**	80	**21**	80
Net loss from financial liabilities designated at fair value	**(341)**	(83)	**(324)**	(81)
Total	**1,037**	1,352	**1,296**	818

(a) Includes dividend income of $32 million (2016: $24 million) for both the Group and Bank

7 Net Income from Investment Securities

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Debt securities				
- Available-for-sale	**109**	247	**95**	223
- Loans and receivables	**2**	5	**2**	5
Equity securities[(a)]	**313**	78	**308**	71
Total[(b)]	**424**	330	**405**	299
Of which: net gains transferred from available-for-sale revaluation reserves	**316**	268	**319**	241

(a) Includes dividend income of $63 million (2016: $60 million) for the Group; and $58 million (2016: $54 million) for the Bank
(b) Includes fair value impact of hedges for investment securities

8 Other Income

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Rental income	**10**	37	**8**	8
Net gain on disposal of properties and other fixed assets	**1**	54	**#**	#
Others[(a)/(b)/(c)]	**368**	75	**290**	155
Total	**379**	166	**298**	163

\# Amount under $500,000
(a) Includes share of profits or losses of associates for the Group
(b) Includes dividend income from subsidiaries and associates of $27 million (2016: $14 million) for the Bank
(c) 2017 includes net gain from sale of DBS China Square Limited of $350 million for the Group and $241 million for the Bank (refer to Note 21)

9 Employee Benefits

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Salaries and bonuses	**2,276**	2,203	**1,483**	1,403
Contributions to defined contribution plans	**153**	149	**106**	102
Share-based expenses [(a)]	**110**	108	**88**	86
Others	**286**	265	**169**	162
Total	**2,825**	2,725	**1,846**	1,753

(a) Equity settled share-based expenses

10 Other Expenses

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Computerisation expenses[(a)]	**903**	877	**696**	680
Occupancy expenses[(b)]	**411**	402	**233**	219
Revenue-related expenses	**288**	273	**175**	161
Others[(c)]	**767**	688	**499**	414
Total	**2,369**	2,240	**1,603**	1,474

(a) Includes hire and maintenance costs of computer hardware and software
(b) Includes rental expenses of office and branch premises of $253 million (2016: $247 million) for the Group, and $141 million (2016: $138 million) for the Bank and amounts incurred in the maintenance and service of buildings
(c) Includes office administration expenses (e.g. printing, stationery, telecommunications, etc.), legal and professional fees

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Depreciation expenses	**297**	275	**205**	187
Hire and maintenance costs of fixed assets, including building-related expenses	**495**	476	**315**	298
Expenses on investment properties	**1**	7	**#**	#
Audit fees[(a)] payable to external auditors[(b)]:				
- Auditors of the Bank	**5**	3	**4**	3
- Associated firms of auditors of the Bank	**5**	4	**1**	1
Non-audit related fees payable to external auditors[(b)]:				
- Auditors of the Bank	**1**	1	**1**	1
- Associated firms of auditors of the Bank	**1**	1	**#**	1

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

11 Allowances for Credit and Other Losses

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Loans and advances to customers (Note 17)	**1,716**	1,000	**1,520**	634
Investment securities				
- Available-for-sale	**4**	7	**4**	2
- Loans and receivables	**39**	17	**39**	18
Properties and other fixed assets	**(3)**	-	**-**	-
Off-balance sheet credit exposures	**116**	157	**121**	160
Others	**22**	253	**46**	165
Total	**1,894**	1,434	**1,730**	979

12 Income Tax Expense

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Current tax expense				
- Current year	**819**	800	**602**	699
- Prior years' provision	**(79)**	(59)	**(79)**	(57)
Deferred tax expense				
- Prior years' provision	**4**	-	**-**	-
- Origination of temporary differences	**(73)**	(22)	**(46)**	(27)
Total	**671**	719	**477**	615

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

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Accelerated tax depreciation	**5**	3	**1**	1
Allowances for loan losses	**30**	(46)	**5**	(28)
Other temporary differences	**(104)**	21	**(52)**	-
Deferred tax credit to income statement	**(69)**	(22)	**(46)**	(27)

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

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Profit before tax	**5,179**	5,074	**4,549**	4,335
Prima facie tax calculated at a tax rate of 17% (2016: 17%)	**880**	863	**773**	737
Effect of different tax rates in other countries	**6**	(1)	**(2)**	(4)
Net income not subject to tax	**(114)**	(58)	**(89)**	(37)
Net income taxed at concessionary rate	**(99)**	(114)	**(99)**	(114)
Expenses not deductible for tax	**13**	15	**8**	11
Others	**(15)**	14	**(114)**	22
Income tax expense charged to income statement	**671**	719	**477**	615

Deferred income tax relating to available-for-sale financial assets and others of $3 million (2016: $12 million) and own credit risk of $3 million was credited directly to equity for the Group. Deferred income tax relating to available-for-sale financial assets and others of $5 million (2016: $4 million) and own credit risk of $3 million was credited directly to equity for the Bank.

Refer to Note 20 for further information on deferred tax assets/liabilities.

13 Classification of Financial Instruments

	The Group						
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables /amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
2017							
Assets							
Cash and balances with central banks	**937**	**-**	**22,266**	**3,260**	**-**	**-**	**26,463**
Government securities and treasury bills	**9,972**	**-**	**-**	**27,826**	**1,955**	**-**	**39,753**
Due from banks	**10,747**	**-**	**23,576**	**1,639**	**-**	**-**	**35,962**
Derivatives	**17,407**	**-**	**-**	**-**	**-**	**205**	**17,612**
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	**-**	**-**	**11,657**	**-**	**-**	**-**	**11,657**
Total financial assets	**52,765**	**515**	**406,063**	**48,632**	**1,955**	**205**	**510,135**
Other asset items outside the scope of FRS 39[(a)]							**7,580**
Total assets							**517,715**
Liabilities							
Due to banks	**523**	**-**	**17,280**	**-**	**-**	**-**	**17,803**
Deposits and balances from customers	**-**	**1,160**	**372,474**	**-**	**-**	**-**	**373,634**
Derivatives	**17,788**	**-**	**-**	**-**	**-**	**251**	**18,039**
Other financial liabilities	**1,961**	**-**	**13,611**	**-**	**-**	**-**	**15,572**
Other debt securities	**187**	**5,785**	**30,666**	**-**	**-**	**-**	**36,638**
Due to holding company	**-**	**-**	**3,927**	**-**	**-**	**-**	**3,927**
Subordinated term debts	**-**	**-**	**508**	**-**	**-**	**-**	**508**
Total financial liabilities	**20,459**	**6,945**	**438,466**	**-**	**-**	**251**	**466,121**
Other liability items outside the scope of FRS 39[(b)]							**992**
Total liabilities							**467,113**

	The Group						
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables /amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
2016							
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	-	22,966	1,182	-	-	30,000
Derivatives	25,357	-	-	-	-	421	25,778
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	-	-	10,694	-	-	-	10,694
Total financial assets	50,779	516	376,645	43,323	1,962	421	473,646
Other asset items outside the scope of FRS 39[(a)]							7,912
Total assets							481,558
Liabilities[(c)]							
Due to banks	481	-	15,434	-	-	-	15,915
Deposits and balances from customers	-	1,387	346,059	-	-	-	347,446
Derivatives	24,279	-	-	-	-	246	24,525
Other financial liabilities	2,303	-	12,410	-	-	-	14,713
Other debt securities	-	5,049	20,296	-	-	-	25,345
Due to holding company	-	-	2,102	-	-	-	2,102
Subordinated term debts	-	-	2,457	-	-	-	2,457
Total financial liabilities	27,063	6,436	398,758	-	-	246	432,503
Other liability items outside the scope of FRS 39[(b)]							1,140
Total liabilities							433,643

(a) Includes associates, goodwill and intangibles, properties and other fixed assets, and deferred tax assets
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures
(c) The 2016 comparatives have been restated with un-bifurcated structured notes and structured deposits being classified as "designated at fair value through profit or loss."
As at 1 January 2016, deposits and balances from customers of $91 million and other debt securities of $4,114 million were reclassified from "held for trading" to "designated at fair value through profit and loss". Following the reclassification, the restated balances for deposits and balances from customers and other debt securities classified as "designated at fair value through profit or loss" were $1,345 million and $5,538 million respectively. Refer to Note 2.3 for more information

	Bank						
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables/ amortised cost**	**Available-for-sale**	**Held to maturity**	**Hedging derivatives**	**Total**
2017							
Assets							
Cash and balances with central banks	**937**	**-**	**18,081**	**1,284**	**-**	**-**	**20,302**
Government securities and treasury bills	**7,819**	**-**	**-**	**24,027**	**1,955**	**-**	**33,801**
Due from banks	**7,787**	**-**	**18,501**	**1,639**	**-**	**-**	**27,927**
Derivatives	**15,904**	**-**	**-**	**-**	**-**	**188**	**16,092**
Bank and corporate securities	**11,954**	**87**	**26,143**	**13,815**	**-**	**-**	**51,999**
Loans and advances to customers	**477**	**428**	**267,361**	**-**	**-**	**-**	**268,266**
Other financial assets	**-**	**-**	**7,554**	**-**	**-**	**-**	**7,554**
Due from subsidiaries	**-**	**-**	**21,877**	**-**	**-**	**-**	**21,877**
Total financial assets	**44,878**	**515**	**359,517**	**40,765**	**1,955**	**188**	**447,818**
Other asset items outside the scope of FRS 39[(a)]							**12,714**
Total assets							**460,532**
Liabilities							
Due to banks	**141**	**-**	**14,212**	**-**	**-**	**-**	**14,353**
Deposits and balances from customers	**-**	**778**	**284,020**	**-**	**-**	**-**	**284,798**
Derivatives	**16,121**	**-**	**-**	**-**	**-**	**231**	**16,352**
Other financial liabilities	**1,209**	**-**	**9,510**	**-**	**-**	**-**	**10,719**
Other debt securities	**187**	**5,699**	**29,121**	**-**	**-**	**-**	**35,007**
Due to holding company	**-**	**-**	**2,936**	**-**	**-**	**-**	**2,936**
Due to subsidiaries	**-**	**-**	**51,697**	**-**	**-**	**-**	**51,697**
Subordinated term debts	**-**	**-**	**508**	**-**	**-**	**-**	**508**
Total financial liabilities	**17,658**	**6,477**	**392,004**	**-**	**-**	**231**	**416,370**
Other liability items outside the scope of FRS 39[(b)]							**817**
Total liabilities							**417,187**

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
	Bank						
2016							
Assets							
Cash and balances with central banks	2,822	-	15,999	1,180	-	-	20,001
Government securities and treasury bills	6,852	-	-	18,467	1,962	-	27,281
Due from banks	5,200	-	18,589	1,182	-	-	24,971
Derivatives	23,662	-	-	-	-	332	23,994
Bank and corporate securities	6,730	57	20,914	13,999	-	-	41,700
Loans and advances to customers	-	459	249,285	-	-	-	249,744
Other financial assets	-	-	7,428	-	-	-	7,428
Due from subsidiaries	-	-	14,910	-	-	-	14,910
Total financial assets	45,266	516	327,125	34,828	1,962	332	410,029
Other asset items outside the scope of FRS 39(a)							12,818
Total assets							422,847
Liabilities(c)							
Due to banks	71	-	12,623	-	-	-	12,694
Deposits and balances from customers	-	744	266,190	-	-	-	266,934
Derivatives	22,800	-	-	-	-	144	22,944
Other financial liabilities	832	-	8,405	-	-	-	9,237
Other debt securities	-	4,965	19,428	-	-	-	24,393
Due to holding company	-	-	1,029	-	-	-	1,029
Due to subsidiaries	-	-	41,205	-	-	-	41,205
Subordinated term debts	-	-	2,457	-	-	-	2,457
Total financial liabilities	23,703	5,709	351,337	-	-	144	380,893
Other liability items outside the scope of FRS 39(b)							1,102
Total liabilities							381,995

(a) Includes investments in subsidiaries, associates, properties and other fixed assets, and deferred tax assets
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of-balance sheet credit exposures
(c) The 2016 comparatives have been restated with un-bifurcated structured notes and structured deposits being classified as “designated at fair value through profit or loss.”
As at 1 January 2016, deposits and balances from customers of $81 million and other debt securities of $4,450 million were reclassified from “held for trading” to “designated at fair value through profit and loss”. Following the reclassification, the restated balances for deposits and balances from customers and other debt securities classified as “designated at fair value through profit or loss” were $1,032 million and $5,458 million respectively. Refer to Note 2.3 for more information

Financial assets and liabilities are presented net when there is a legally enforceable right to offset the recognised amounts, and there is intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities offset on the balance sheet

As at 31 December 2017, “Loans and advances to customers” of $38 million were set off against “Deposits and balances from customers” of $38 million for both the Group and Bank because contractually both the Group and Bank has a legally enforceable right to set off these amounts, and intends to settle the loans and the deposits simultaneously at maturity or termination dates. As at 31 December 2016, there were no offset of financial assets and liabilities.

Financial assets and liabilities subject to netting agreements but not offset on the balance sheet

The Group enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Master netting arrangements do not result in an offset of financial assets and liabilities on the balance sheet, as the legal right to offset the transactions is conditional upon default.

These agreements include derivative master agreements (including the International Swaps and Derivatives Association (ISDA) Master Agreement), global master repurchase agreements and global securities lending agreements. The collaterals received and pledged under these agreements are generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge those non-cash collateral (i.e. securities) lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional cash collateral, and typically the counterparty has recourse only to the securities.

In addition, the Group receives cash and other collateral such as marketable securities to reduce its credit exposure. The Group also engages in a variety of counterparty credit mitigation arrangements in addition to netting and collateral arrangements.

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the Group's and Bank's balance sheets but are subject to master netting arrangement or similar agreement that covers similar financial instruments. The disclosures enable the understanding of both the gross and net amounts, as well as provide additional information on how such credit risk is mitigated.

The Group			Amounts in scope of offsetting disclosures			
				Related amounts not offset on balance sheet		
In $ millions	Carrying amounts on balance sheet	Amounts not in scope of offsetting disclosures	Net amounts	Financial instruments	Financial collateral received/ pledged	Net amounts
2017						
Financial Assets						
Derivatives	**17,612**	**6,190**[(a)]	**11,422**	**9,724**[(a)]	**935**	**763**
Reverse repurchase agreements	**5,312**[(b)]	**300**	**5,012**	**-**	**4,980**	**32**
Securities borrowings	**56**[(c)]	**-**	**56**	**54**	**-**	**2**
Total	**22,980**	**6,490**	**16,490**	**9,778**	**5,915**	**797**
Financial Liabilities						
Derivatives	**18,039**	**5,696**[(a)]	**12,343**	**9,724**[(a)]	**1,544**	**1,075**
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	**20,774**	**7,482**	**13,292**	**10,525**	**1,685**	**1,082**
2016						
Financial Assets						
Derivatives	25,778	8,720[(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	32,697	8,948	23,749	14,845	8,192	712
Financial Liabilities						
Derivatives	24,525	6,863[(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	28,251	9,051	19,200	16,246	1,830	1,124

(a) Related amounts under "Financial instruments" are prepared on the same basis as netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) as set out under MAS Notice 637 (unaudited), which incorporates a conservative stance on enforceable netting. Accordingly, the amounts shown under "Amounts not in scope of offsetting disclosures" are those where either no netting agreements exist or where the netting agreements have not been recognised for computation of CAR
(b) Reverse repurchase agreements are presented under separate line items on the balance sheet, namely "Cash and balances with central banks", "Due from banks" and "Loans and advances to customers"
(c) Cash collateral pledged under securities borrowings are presented under "Other assets" on the balance sheet
(d) Repurchase agreements are presented under separate line items on the balance sheet, namely "Due to banks" and "Deposits and balances from customers"
(e) Cash collateral received under securities lendings are presented under "Other liabilities" on the balance sheet
(f) Short sale of securities are presented under "Other liabilities" on the balance sheet

		Bank				
			Amounts in scope of offsetting disclosures			
				Related amounts not offset on balance sheet		
In $ millions	**Carrying amounts on balance sheet**	**Amounts not in scope of offsetting disclosures**	**Net amounts**	**Financial instruments**	**Financial collateral received/ pledged**	**Net amounts**
2017						
Financial Assets						
Derivatives	**16,092**	**4,426**[(a)]	**11,666**	**9,923**[(a)]	**935**	**808**
Reverse repurchase agreements	**5,302**[(b)]	**290**	**5,012**	**-**	**4,980**	**32**
Securities borrowings	**56**[(c)]	**-**	**56**	**54**	**-**	**2**
Total	**21,450**	**4,716**	**16,734**	**9,977**	**5,915**	**842**
Financial Liabilities						
Derivatives	**16,352**	**3,772**[(a)]	**12,580**	**9,923**[(a)]	**1,511**	**1,146**
Repurchase agreements	**337**[(d)]	**196**	**141**	**-**	**141**	**-**
Securities lendings	**56**[(e)]	**-**	**56**	**49**	**-**	**7**
Total	**16,745**	**3,968**	**12,777**	**9,972**	**1,652**	**1,153**
2016						
Financial Assets						
Derivatives	23,994	6,377[(a)]	17,617	15,104[(a)]	1,575	938
Reverse repurchase agreements	6,832[(b)]	228	6,604	-	6,604	-
Securities borrowings	74[(c)]	-	74	57	-	17
Total	30,900	6,605	24,295	15,161	8,179	955
Financial Liabilities						
Derivatives	22,944	4,959[(a)]	17,985	15,104[(a)]	2,025	856
Repurchase agreements	1,003[(d)]	932	71	-	71	-
Total	23,947	5,891	18,056	15,104	2,096	856

(a) Related amounts under “Financial instruments” are prepared on the same basis as netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) as set out under MAS Notice 637 (unaudited), which incorporates a conservative stance on enforceable netting. Accordingly, the amounts shown under “Amounts not in scope of offsetting disclosures” are those where either no netting agreements exist or where the netting agreements have not been recognised for computation of CAR
(b) Reverse repurchase agreements are presented under separate line items on the balance sheet, namely “Cash and balances with central banks”, “Due from banks” and “Loans and advances to customers”
(c) Cash collateral pledged under securities borrowings are presented under “Other assets” on the balance sheet
(d) Repurchase agreements are presented under separate line items on the balance sheet, namely “Due to banks” and “Deposits and balances from customers”
(e) Cash collateral received under securities lendings are presented under “Other liabilities” on the balance sheet

14 Cash and Balances with Central Banks

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Cash on hand	**2,205**	2,938	**2,017**	2,697
Non-restricted balances with central banks	**16,488**	17,194	**12,644**	12,460
Cash and cash equivalents	**18,693**	20,132	**14,661**	15,157
Restricted balances with central banks[(a)]	**7,770**	6,708	**5,641**	4,844
Total	**26,463**	26,840	**20,302**	20,001

(a) Mandatory balances with central banks

15 Government Securities and Treasury Bills

The Group In $ millions	Held for trading	Available-for-sale	Held to maturity	Total
2017				
Singapore Government securities and treasury bills[(a)]	**4,406**	**7,878**	**1,955**	**14,239**
Other government securities and treasury bills[(b)]	**5,566**	**19,948**	**-**	**25,514**
Total	**9,972**	**27,826**	**1,955**	**39,753**
2016				
Singapore Government securities and treasury bills[(a)]	3,567	6,454	1,962	11,983
Other government securities and treasury bills[(b)]	5,431	15,987	-	21,418
Total	8,998	22,441	1,962	33,401

(a) Includes financial assets transferred of $467 million (2016: $70 million) (See Note 18)
(b) Includes financial assets transferred of $2,109 million (2016: $2,740 million) (See Note 18)

Bank In $ millions	Held for trading	Available-for-sale	Held to maturity	Total
2017				
Singapore Government securities and treasury bills[(a)]	**4,406**	**7,878**	**1,955**	**14,239**
Other government securities and treasury bills[(b)]	**3,413**	**16,149**	**-**	**19,562**
Total	**7,819**	**24,027**	**1,955**	**33,801**
2016				
Singapore Government securities and treasury bills[(a)]	3,567	6,454	1,962	11,983
Other government securities and treasury bills[(b)]	3,285	12,013	-	15,298
Total	6,852	18,467	1,962	27,281

(a) Includes financial assets transferred of $467 million (2016: $70 million) (See Note 18)
(b) Includes financial assets transferred of $1,139 million (2016: $1,130 million) (See Note 18)

16 Bank and Corporate Securities

	The Group				
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Total**
2017					
Bank and corporate debt securities (Gross) [(a)]	**9,105**	**87**	**26,467**	**14,630**	**50,289**
Less: Impairment allowances	**-**	**-**	**(97)**	**-**	**(97)**
Bank and corporate debt securities	**9,105**	**87**	**26,370**	**14,630**	**50,192**
Equity securities[(b)]	**4,120**	**-**	**-**	**1,277**	**5,397**
Total	**13,225**	**87**	**26,370**	**15,907**	**55,589**
2016					
Bank and corporate debt securities (Gross) [(a)]	5,340	57	21,299	14,897	41,593
Less: Impairment allowances	-	-	(154)	-	(154)
Bank and corporate debt securities	5,340	57	21,145	14,897	41,439
Equity securities[(b)]	2,410	-	-	1,568	3,978
Total	7,750	57	21,145	16,465	45,417

(a) Includes financial assets transferred of $337 million (2016: $414 million) (See Note 18)
(b) Includes financial assets transferred of $49 million (2016: nil) (See Note 18)

	Bank				
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Total**
2017					
Bank and corporate debt securities (Gross)	**7,834**	**87**	**26,238**	**12,553**	**46,712**
Less: impairment allowances	**-**	**-**	**(95)**	**-**	**(95)**
Bank and corporate debt securities	**7,834**	**87**	**26,143**	**12,553**	**46,617**
Equity securities[(a)]	**4,120**	**-**	**-**	**1,262**	**5,382**
Total	**11,954**	**87**	**26,143**	**13,815**	**51,999**
2016					
Bank and corporate debt securities (Gross)	4,321	57	21,066	12,479	37,923
Less: impairment allowances	-	-	(152)	-	(152)
Bank and corporate debt securities	4,321	57	20,914	12,479	37,771
Equity securities[(a)]	2,409	-	-	1,520	3,929
Total	6,730	57	20,914	13,999	41,700

(a) Includes financial assets transferred of $49 million (2016: nil) (See Note 18)

17 Loans and Advances to Customers

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Gross	**327,769**	305,415	**272,073**	252,784
Less: Specific allowances	**2,276**	1,270	**1,819**	845
General allowances	**2,394**	2,629	**1,988**	2,195
	323,099	301,516	**268,266**	249,744
Analysed by product				
Long-term loans	**137,003**	136,305	**113,963**	114,124
Short-term facilities	**72,215**	65,894	**60,713**	54,928
Housing loans	**73,293**	64,465	**62,438**	55,419
Trade loans	**45,258**	38,751	**34,959**	28,313
Gross total	**327,769**	305,415	**272,073**	252,784
Analysed by currency				
Singapore dollar	**134,558**	123,733	**134,503**	123,698
Hong Kong dollar	**38,891**	35,588	**18,821**	14,416
US dollar	**103,943**	102,120	**92,516**	90,242
Chinese yuan	**11,055**	11,577	**1,277**	3,089
Others	**39,322**	32,397	**24,956**	21,339
Gross total	**327,769**	305,415	**272,073**	252,784

Refer to Note 42.4 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**
2017						
Specific allowances						
Manufacturing	**298**	**171**	**(102)**	**-**	**(9)**	**358**
Building and construction	**136**	**37**	**(72)**	**-**	**(5)**	**96**
Housing loans	**8**	**-**	**(1)**	**-**	**-**	**7**
General commerce	**271**	**96**	**(119)**	**-**	**(17)**	**231**
Transportation, storage and communications	**316**	**1,727**	**(681)**	**-**	**(12)**	**1,350**
Financial institutions, investment and holding companies	**15**	**25**	**(10)**	**-**	**(8)**	**22**
Professionals and private individuals (excluding housing loans)	**71**	**137**	**(123)**	**38**	**(2)**	**121**
Others	**155**	**45**	**(102)**	**-**	**(7)**	**91**
Total specific allowances	**1,270**	**2,238**	**(1,210)**	**38**	**(60)**	**2,276**
Total general allowances[(a)]	**2,629**	**(522)**	**-**	**13**	**274**	**2,394**
Total allowances	**3,899**	**1,716**	**(1,210)**	**51**	**214**	**4,670**
2016						
Specific allowances						
Manufacturing	224	204	(143)	-	13	298
Building and construction	120	39	(26)	-	3	136
Housing loans	7	1	-	-	-	8
General commerce	157	239	(146)	-	21	271
Transportation, storage and communications	94	404	(261)	-	79	316
Financial institutions, investment and holding companies	60	13	(59)	-	1	15
Professionals and private individuals (excluding housing loans)	58	125	(116)	-	4	71
Others	101	86	(37)	-	5	155
Total specific allowances	821	1,111	(788)	-	126	1,270
Total general allowances	2,761	(111)	-	-	(21)	2,629
Total allowances	3,582	1,000	(788)	-	105	3,899

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

	Bank					
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**
2017						
Specific allowances						
Manufacturing	**180**	**90**	**(67)**	**-**	**(6)**	**197**
Building and construction	**133**	**28**	**(71)**	**-**	**(4)**	**86**
Housing loans	**4**	**(3)**	**-**	**-**	**-**	**1**
General commerce	**54**	**65**	**(77)**	**-**	**(2)**	**40**
Transportation, storage and communications	**301**	**1,723**	**(679)**	**-**	**(15)**	**1,330**
Financial institutions, investment and holding companies	**11**	**24**	**(10)**	**-**	**(8)**	**17**
Professionals and private individuals (excluding housing loans)	**36**	**81**	**(66)**	**26**	**(1)**	**76**
Others	**126**	**26**	**(75)**	**-**	**(5)**	**72**
Total specific allowances	**845**	**2,034**	**(1,045)**	**26**	**(41)**	**1,819**
Total general allowances[(a)]	**2,195**	**(514)**	**-**	**12**	**295**	**1,988**
Total allowances	**3,040**	**1,520**	**(1,045)**	**38**	**254**	**3,807**
2016						
Specific allowances						
Manufacturing	120	83	(66)	-	43	180
Building and construction	104	51	(25)	-	3	133
Housing loans	4	1	(1)	-	-	4
General commerce	56	45	(68)	-	21	54
Transportation, storage and communications	75	392	(245)	-	79	301
Financial institutions, investment and holding companies	2	9	-	-	-	11
Professionals and private individuals (excluding housing loans)	27	56	(48)	-	1	36
Others	81	77	(34)	-	2	126
Total specific allowances	469	714	(487)	-	149	845
Total general allowances	2,291	(80)	-	-	(16)	2,195
Total allowances	2,760	634	(487)	-	133	3,040

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

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

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Fair value designated loans and advances and related credit derivatives/enhancements				
Maximum credit exposure	**428**	459	**428**	459
Credit derivatives/enhancements – protection bought	**(428)**	(459)	**(428)**	(459)
Cumulative change in fair value arising from changes in credit risk	**(49)**	(98)	**(49)**	(98)
Cumulative change in fair value of related credit derivatives/enhancements	**49**	98	**49**	98

Changes in fair value arising from changes in credit risk are determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. These changes in market conditions include changes in a benchmark interest rate, foreign exchange rate or index of prices or rates.

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was a gain of $49 million (2016: gain of $182 million) for both the Group and Bank. During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a loss of $49 million for both the Group and Bank (2016: loss of $182 million).

18 Financial Assets Transferred

The Group transfers financial assets to third parties or structured entities in the course of business, for example when it pledges securities as collateral for repurchase agreements or when it undertakes securities lending arrangements.

Transferred assets are derecognised in the Group's financial statements when substantially all of their risks and rewards are also transferred. Among them is pledged collateral (mainly cash) for derivative transactions under credit support agreements. Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2017 and 2016.

Where the Group retains substantially all the risks and rewards of the transferred assets, they continue to be recognised in the Group's financial statements. These assets are described below.

Securities

Securities transferred under repurchase agreements and securities lending arrangements are generally conducted under terms in line with normal market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional cash collateral. The counterparty typically has no further recourse to the Group's other assets beyond the transferred securities.

For repurchase agreements, the securities transferred are either classified as "fair value through profit or loss" or "available-for-sale". The Group receives cash in exchange and records a financial liability for the cash received. The Group also pledges assets to secure its short position in securities and to facilitate settlement operations. The fair value of the associated liabilities approximates the carrying amount of $1,455 million (2016: $2,881 million) for the Group and $322 million (2016: $1,003 million) for the Bank, which are recorded under "Due to banks", "Deposits and balances from customers" and "Other liabilities" on the balance sheet.

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

In addition, the Group also pledges securities for derivative transactions under credit support agreements. These assets are either classified as "fair value through profit or loss" or "available-for-sale". As the related derivative assets and liabilities are managed on a portfolio basis, there is no direct relationship between the securities pledged and the associated liabilities. As such, the associated liabilities are not disclosed.

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Securities pledged and transferred				
Singapore Government securities and treasury bills	**467**	70	**467**	70
Other government securities and treasury bills	**2,109**	2,740	**1,139**	1,130
Bank and corporate debt securities	**337**	414	**-**	-
Equity securities	**49**	-	**49**	-
Total	**2,962**	3,224	**1,655**	1,200

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 21.2 and 29.4). These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2017, the carrying value of the covered bonds in issue was $5,028 million (2016: $2,227 million), while the carrying value of assets assigned was $12,930 million (2016: $8,636 million) for both the Group and Bank. 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 of the Group and the Bank both amount to $428 million (2016: $516 million).

19 Other Assets

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Accrued interest receivable	**1,298**	1,165	**1,000**	912
Deposits and prepayments	**555**	423	**183**	179
Receivables from securities business	**990**	643	**-**	-
Sundry debtors and others	**6,489**	5,495	**4,345**	3,369
Cash collateral pledged[(a)]	**2,325**	2,968	**2,026**	2,968
Deferred tax assets (Note 20)	**399**	333	**248**	204
Total	**12,056**	11,027	**7,802**	7,632

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

20 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 19) and “Other liabilities” (Note 28) respectively.

Deferred tax assets and liabilities comprise the following temporary differences:

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Deferred income tax assets				
Allowances for loan losses	**319**	356	**218**	226
Available-for-sale financial assets and others	**7**	6	**1**	-
Own credit risk	**3**	-	**3**	-
Other temporary differences	**239**	177	**156**	102
	568	539	**378**	328
Amounts offset against deferred tax liabilities	**(169)**	(206)	**(130)**	(124)
Total	**399**	333	**248**	204
Deferred income tax liabilities				
Accelerated tax depreciation	**116**	114	**64**	63
Available-for-sale financial assets and others	**5**	7	**3**	7
Other temporary differences	**71**	113	**65**	63
	192	234	**132**	133
Amounts offset against deferred tax assets	**(169)**	(206)	**(130)**	(124)
Total	**23**	28	**2**	9
Net deferred tax assets	**376**	305	**246**	195

21 Subsidiaries and Consolidated Structured Entities

In $ millions	Bank 2017	Bank 2016
Investment in subsidiaries[(a)(b)]		
Ordinary shares	**11,273**	11,471
	11,273	11,471
Due from subsidiaries		
Other receivables	**21,877**	14,910
Total	**33,150**	26,381

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

21.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below.

Name of subsidiary	Incorporated in	Effective shareholding % 2017	Effective shareholding % 2016
Commercial Banking			
DBS Bank (Hong Kong) Limited*	Hong Kong	**100**	100
DBS Bank (China) Limited*	China	**100**	100
DBS Bank (Taiwan) Limited*	Taiwan	**100**	100
PT Bank DBS Indonesia*	Indonesia	**99**	99
Stockbroking			
DBS Vickers Securities Holdings Pte Ltd	Singapore	**100**	100

* Audited by PricewaterhouseCoopers network firms outside Singapore

The Group's main subsidiaries are regulated banks and non-bank financial institutions. Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests may restrict the ability of the Bank to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests as at the balance sheet dates, any protective rights associated with these did not give rise to significant restrictions in 2016 and 2017.

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

21.2 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 29.4). 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 and $241 million was recorded for the Group and Bank respectively for the year ended 31 December 2017.

22 Associates

In $ millions	The Group 2017	2016
Quoted equity securities[(a)]	**-**	57
Unquoted equity securities[(b)]	**796**	812
Sub-total	**796**	869
Share of post-acquisition reserves	**(13)**	21
Total	**783**	890

(a) As of 31 December 2016, the market value of the quoted associate amounted to $60 million and was based on the last traded price on 1 September 2016 prior to its trading suspension. Interest in the quoted associate was disposed of in 2017
(b) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

In $ millions	Bank 2017	2016
Quoted equity securities[(a)]	**-**	10
Unquoted equity securities[(b)]	**148**	182
Total	**148**	192

(a) As of 31 December 2016, the market value of the quoted associate amounted to $9 million and was based on the last traded price on 1 September 2016 prior to its trading suspension. Interest in the quoted associate was disposed of in 2017
(b) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

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

In $ millions	The Group 2017	2016
Income statement		
Share of income	**209**	155
Share of expenses	**(198)**	(202)
Balance sheet		
Share of total assets	**1,793**	1,701
Share of total liabilities	**1,010**	811
Off-balance sheet		
Share of contingent liabilities and commitments	**#**	#

Amount under $500,000

22.1 Main associates

The main associates of the Group are listed below.

Name of associate	Incorporated in	Effective shareholding % 2017	2016
Unquoted			
Central Boulevard Development Pte Ltd**	Singapore	**33.3**	33.3
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	**33.3**	33.3
Changsheng Fund Management Company**	China	**33.0**	33.0

** Audited by other auditors

As of 31 December 2017 and 31 December 2016, no associate was individually material to the Group. As a non-controlling shareholder, the Group's ability to receive dividends is subject to agreement with other shareholders. The associates may also be subject to statutory, contractual or regulatory requirements restricting dividend payments or to repay loans or advances made.

The Group's share of commitments and contingent liabilities of the associates as well as its commitments to finance or otherwise provide resources to them are not material.

Divestment of Hwang Capital (Malaysia) Berhad (HCM)

HCM ceased to be an associated company of the Group following a selective capital reduction and repayment exercise by HCM that became effective on 15 November 2017. The transaction does not have any material impact to the Group's 2017 financial statements.

23 Unconsolidated Structured Entities

"Unconsolidated structured entities" are structured entities, as defined by FRS 112, that are not controlled by the Group. In the normal course of business, the Group enters into transactions with these structured entities to facilitate customer transactions and for specific investment opportunities.

While the economic exposures may be the same as those to other type of entities, FRS 112 specifically requires companies to disclose such exposures arising from transactions with unconsolidated structured entities. The table below reflects exposures to third party securitisation structures where the Group holds an interest in the normal course of business. As is the case with other types of counterparties, the carrying amount from transactions with unconsolidated structured entities have been included in the Group's financial statements.

The risks arising from such transactions are subject to the Group's risk management practices.

The table below represents the Group's and Bank'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		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Derivatives	**100**	-	**100**	-
Corporate debt securities	**2,262**	1,267	**2,165**	1,241
Loans and advances to customers	**28**	19	**28**	19
Total assets	**2,390**	1,286	**2,293**	1,260
Commitments and guarantees	**32**	23	**32**	23
Maximum Exposure to Loss	**2,422**	1,309	**2,325**	1,283
Derivatives	**#**	107	**#**	107
Total liabilities	**#**	107	**#**	107

\# Amount under $500,000

FRS 112 also requires additional disclosures where the Group acts as a sponsor to unconsolidated structured entities. The Group is deemed a sponsor of a third party structured entity if it plays a key role in establishing the entity, and has an on-going involvement with the structured entity or if the Group's name appears in the structured entity's name.

The Group has not sponsored any structured entity during the financial year.

24 Acquisition

On 31 October 2016, DBS Bank Ltd. agreed to acquire the wealth management and retail banking business of Australia and New Zealand Banking Group Limited (ANZ) in five markets for approximately $110 million above book value, of which an estimated $53 million represented goodwill.

The portfolio of businesses being acquired is in Singapore, Hong Kong, China, Taiwan and Indonesia. The acquisition of the businesses in each jurisdiction is independent of each other. As at 31 December 2017, the Group completed the acquisition of the businesses in Singapore, Hong Kong, China and Taiwan.

The Group has received cash of $4,783 million, largely represented by the difference between the assets acquired (comprising mainly loans and advances to customers) of $8,573 million and the liabilities assumed (comprising mainly deposit and balances with customers) of $13,432 million.

The contribution to revenue and net profit from the progressive consolidation of the acquired portfolio for the financial period from 15 July 2017 to 31 December 2017 was not material.

25 Properties and Other Fixed Assets

	The Group				
In $ millions	**Investment properties**	**Owner-occupied properties**	**Other fixed assets[(a)]**	**Subtotal of owner-occupied properties and other fixed assets**	**Total**
	(1)	**(2)**	**(3)**	**(4)=(2)+(3)**	**(5)=(1)+(4)**
2017					
Cost					
Balance at 1 January	**603**	**545**	**2,056**	**2,601**	**3,204**
Additions	**-**	**9**	**351**	**360**	**360**
Acquisition of new business		**26**	**1**	**27**	**27**
Disposals	**(1)**	**(11)**	**(213)**	**(224)**	**(225)**
Divestment of subsidiary[(b)]	**(507)**	**-**	**(9)**	**(9)**	**(516)**
Transfer	**(31)**	**31**	**-**	**31**	**-**
Exchange differences and others	**#**	**(58)**	**(30)**	**(88)**	**(88)**
Balance at 31 December	**64**	**542**	**2,156**	**2,698**	**2,762**
Less: Accumulated depreciation					
Balance at 1 January	**165**	**161**	**1,278**	**1,439**	**1,604**
Depreciation charge	**2**	**16**	**279**	**295**	**297**
Disposals	**(1)**	**(11)**	**(194)**	**(205)**	**(206)**
Divestment of subsidiary[(b)]	**(129)**	**-**	**(8)**	**(8)**	**(137)**
Transfer	**(2)**	**2**	**-**	**2**	**-**
Exchange differences and others	**#**	**(33)**	**(21)**	**(54)**	**(54)**
Balance at 31 December	**35**	**135**	**1,334**	**1,469**	**1,504**
Less: Allowances for impairment	**-**	**25**	**-**	**25**	**25**
Net book value at 31 December	**29**	**382**	**822**	**1,204**	**1,233**
2016					
Cost					
Balance at 1 January	627	529	1,840	2,369	2,996
Additions	-	4	317	321	321
Disposals	(25)	(2)	(115)	(117)	(142)
Exchange differences and others	1	14	14	28	29
Balance at 31 December	603	545	2,056	2,601	3,204
Less: Accumulated depreciation					
Balance at 1 January	172	139	1,111	1,250	1,422
Depreciation charge	7	13	255	268	275
Disposals	(15)	(2)	(96)	(98)	(113)
Exchange differences and others	1	11	8	19	20
Balance at 31 December	165	161	1,278	1,439	1,604
Less: Allowances for impairment	-	28	-	28	28
Net book value at 31 December	438	356	778	1,134	1,572

\# Amount under $500,000
(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets
(b) DBS China Square Limited, which owns PWC Building, was divested in 2017 (refer to Note 21)

	Bank				
In $ millions	Investment properties	Owner-occupied properties	Other fixed assets[(a)]	Subtotal of owner-occupied properties and other fixed assets	Total
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
2017					
Cost					
Balance at 1 January	**38**	**158**	**1,479**	**1,637**	**1,675**
Additions	**-**	**7**	**261**	**268**	**268**
Transfers	**6**	**(6)**	**-**	**(6)**	**-**
Disposals	**(1)**	**(11)**	**(197)**	**(208)**	**(209)**
Exchange differences and others	**-**	**-**	**(1)**	**(1)**	**(1)**
Balance at 31 December	**43**	**148**	**1,542**	**1,690**	**1,733**
Less: Accumulated depreciation					
Balance at 1 January	**17**	**74**	**914**	**988**	**1,005**
Depreciation charge	**1**	**5**	**199**	**204**	**205**
Transfers	**3**	**(3)**	**-**	**(3)**	**-**
Disposals	**(1)**	**(11)**	**(176)**	**(187)**	**(188)**
Exchange differences and others	**-**	**-**	**#**	**-**	**-**
Balance at 31 December	**20**	**65**	**937**	**1,002**	**1,022**
Net book value at 31 December	**23**	**83**	**605**	**688**	**711**
2016					
Cost					
Balance at 1 January	38	156	1,289	1,445	1,483
Additions	-	2	227	229	229
Disposals	-	-	(37)	(37)	(37)
Exchange differences and others	-	-	#	-	-
Balance at 31 December	38	158	1,479	1,637	1,675
Less: Accumulated depreciation					
Balance at 1 January	16	70	762	832	848
Depreciation charge	1	4	182	186	187
Disposals	-	-	(30)	(30)	(30)
Exchange differences and others	-	-	#	-	-
Balance at 31 December	17	74	914	988	1,005
Net book value at 31 December	21	84	565	649	670

\# Amount under $500,000
(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets

25.1 The total market value of all properties as at 31 December 2017 was $1,878 million for the Group and $413 million for the Bank, of which investment properties accounted for $107 million (2016: $848 million) for the Group and $98 million (2016: $85 million) for the Bank. The market values of the properties are determined using an investment method, or using a combination of comparable sales and investment methods. The properties are classified under Level 3 of the fair value hierarchy and the significant unobservable input used for valuation is market yields. As at 31 December 2017, there were no transfers into or out of Level 3.

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

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

	The Group		Bank	
In $ millions	2017	2016	2017	2016
Minimum lease receivables[(a)]				
Not later than 1 year	**3**	31	**3**	2
Later than 1 year but not later than 5 years	**4**	44	**4**	2
Total	**7**	75	**7**	4

(a) 2016 includes lease receivables from operating leases under PWC Building which was divested in 2017. Refer to Note 21 for disclosure on the sale of DBS China Square Limited, which owned PWC Building

26 Goodwill and Intangibles

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

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
DBS Bank (Hong Kong) Limited	**4,631**	4,631	**-**	-
Others[(a)]	**534**	486	**334**	281
Total	**5,165**	5,117	**334**	281

(a) 2017 includes goodwill arising from ANZ acquisition (refer to Note 24)

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

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

A growth rate of 4.5% (2016: 4.5%) and discount rate of 9.0% (2016: 9.0%) were assumed in the value-in-use calculation for DBS Bank (Hong Kong) Limited's franchise.

The process of evaluating goodwill impairment involves management judgement and prudent estimates of various factors including future cash flows as well as the cost of capital and long-term growth rates. The results can be highly sensitive to the assumptions used. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating unit to exceed its recoverable amount at 31 December 2017. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be impaired in future periods.

27 Deposits and Balances from Customers

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Analysed by currency				
Singapore dollar	**156,893**	152,115	**156,526**	151,792
US dollar	**128,586**	112,107	**98,528**	87,620
Hong Kong dollar	**35,208**	36,234	**5,633**	5,434
Chinese yuan	**11,402**	9,822	**461**	496
Others	**41,545**	37,168	**23,650**	21,592
Total	**373,634**	347,446	**284,798**	266,934
Analysed by product				
Savings accounts	**152,737**	140,617	**124,913**	115,000
Current accounts	**80,143**	73,984	**64,970**	62,134
Fixed deposits	**137,696**	130,178	**93,747**	88,553
Other deposits	**3,058**	2,667	**1,168**	1,247
Total	**373,634**	347,446	**284,798**	266,934

28 Other Liabilities

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Cash collateral received[(a)]	**2,128**	1,710	**2,115**	1,348
Accrued interest payable	**491**	414	**339**	251
Provision for loss in respect of off-balance sheet credit exposures	**282**	453	**276**	434
Payable in respect of securities business	**823**	641	**-**	-
Sundry creditors and others[(b)]	**10,169**	9,645	**7,056**	6,806
Current tax liabilities	**687**	659	**539**	659
Short sale of securities	**1,961**	2,303	**1,209**	832
Deferred tax liabilities (Note 20)	**23**	28	**2**	9
Total	**16,564**	15,853	**11,536**	10,339

(a) Mainly relates to cash collateral received in respect of derivative portfolios
(b) Includes income received in advance of $1,387 million (2016: $1,493 million) and $1,054 million (2016: $1,135 million) for the Group and Bank respectively arising from a 15-year regional distribution agreement entered with Manulife Financial Asia Limited

29 Other Debt Securities

In $ millions	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Negotiable certificates of deposit (Note 29.1)	**3,793**	2,137	**2,465**	1,496
Senior medium term notes (Note 29.2)	**4,119**	4,119	**4,119**	4,119
Commercial papers (Note 29.3)	**17,696**	11,586	**17,696**	11,586
Covered bonds (Note 29.4)	**5,028**	2,227	**5,028**	2,227
Other debt securities (Note 29.5)	**6,002**	5,276	**5,699**	4,965
Total	**36,638**	25,345	**35,007**	24,393
Due within 1 year	**27,343**	17,539	**26,200**	17,296
Due after 1 year	**9,295**	7,806	**8,807**	7,097
Total	**36,638**	25,345	**35,007**	24,393

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

In $ millions Currency	Interest Rate and Repayment Terms	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Issued by the Bank and other subsidiaries					
HKD	3.48% to 4.22%, payable quarterly	**286**	314	**-**	-
HKD	2.9% to 4.2%, payable annually	**93**	118	**-**	-
HKD	Zero-coupon, payable on maturity	**338**	84	**-**	-
AUD	1.68% to 2.07%, payable on maturity	**2,465**	1,455	**2,465**	1,455
TWD	0.52%, payable on maturity	**202**	-	**-**	-
INR	Zero-coupon, payable on maturity	**-**	41	**-**	41
CNY	2.97% to 4.32%, payable on maturity	**409**	125	**-**	-
Total		**3,793**	2,137	**2,465**	1,496

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

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

In $ millions Currency	Interest Rate and Repayment Terms	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Issued by the Bank					
AUD	Floating rate note, payable quarterly	**313**	-	**313**	
GBP	Floating rate note, payable quarterly	**2,254**	-	**2,254**	-
USD	2.35%, payable semi-annually	**-**	1,447	**-**	1,447
USD	1.27% to 1.94%, payable quarterly	**875**	984	**875**	984
USD	Floating rate note, payable quarterly	**508**	1,273	**508**	1,273
USD	1.45%, payable annually	**-**	145	**-**	145
HKD	1.43% payable annually	**100**	109	**100**	109
HKD	2.24%, payable quarterly	**-**	93	**-**	93
CNH	4.4%, payable annually	**69**	68	**69**	68
Total		**4,119**	4,119	**4,119**	4,119

The senior medium term notes were issued by the Bank under its USD 30 billion Global Medium Term Note Programme. The outstanding senior medium term notes as at 31 December 2017 were issued between 9 October 2014 and 12 December 2017 (2016: 21 February 2012 and 7 September 2016) and mature between 6 March 2018 and 20 March 2020 (2016: 20 January 2017 and 15 January 2020).

29.3 The commercial papers which are payable on maturity were issued by the Bank under its USD 5 billion Euro Commercial Paper Programme and USD 15 billion US Commercial Paper Programme. These are zero-coupon papers, or floating rate papers pegged to monthly or quarterly market rates. The outstanding notes as at 31 December 2017 were issued between 28 June 2017 and 22 December 2017 (2016: 21 September 2016 and 16 December 2016) and mature between 2 January 2018 and 17 July 2018 (2016: 3 January 2017 and 12 April 2017).

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

The outstanding covered bonds as at 31 December 2017 were issued between 6 August 2015 and 21 November 2017 (2016: 6 August 2015 and 3 June 2016) and mature between 6 August 2018 and 21 November 2024 (2016: 6 August 2018 and 3 June 2019).

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

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Issued by the Bank and other subsidiaries				
Equity linked notes	**1,260**	1,521	**1,247**	1,501
Credit linked notes	**1,720**	1,202	**1,720**	1,202
Interest linked notes	**2,495**	2,042	**2,495**	2,042
Foreign exchange linked notes	**237**	220	**237**	220
Fixed rate bonds	**290**	291	**-**	-
Total	**6,002**	5,276	**5,699**	4,965

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

30 Due to Subsidiaries

	Bank	
In $ millions	**2017**	**2016**
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 30.1)	**1,500**	1,500
Due to subsidiaries	**50,197**	39,705
Total	**51,697**	41,205

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

31 Subordinated Term Debts

The following subordinated term debts issued by 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. These 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-down at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Tier 2 capital (subject to a cap) for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

In $ millions	Note	Issue Date	Maturity Date	Interest payment	The Group 2017	The Group 2016	Bank 2017	Bank 2016
Issued by the Bank								
S$1,000m 3.30% Subordinated Notes due 2022 Callable in 2017	31.1	21 Feb 2012	21 Feb 2022	Feb/Aug	**-**	866	**-**	866
US$750m 3.625% Subordinated Notes due 2022 Callable in 2017	31.1	21 Mar 2012	21 Sep 2022	Mar/Sep	**-**	1,085	**-**	1,085
S$1,000m 3.10% Subordinated Notes due 2023 Callable in 2018	31.2	14 Aug 2012	14 Feb 2023	Feb/Aug	**508**	506	**508**	506
Total					**508**	2,457	**508**	2,457
Due within 1 year					**508**	866	**508**	866
Due after 1 year					**-**	1,591	**-**	1,591
Total					**508**	2,457	**508**	2,457

31.1 These notes have been fully redeemed in 2017.

31.2 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 holding company purchased $491.75 million of the notes. Pursuant to a notice of redemption issued on 16 January 2018, all of the outstanding notes will be redeemed on 14 February 2018.

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

32 Share Capital

	The Group and Bank			
	Number of shares ('000)		In $ millions	
	2017	**2016**	**2017**	**2016**
Ordinary shares				
Balance at 1 January	**2,611,242**	2,574,643	**23,347**	22,697
Issue of shares (Note 32.1)	**14,954**	36,599	**306**	650
Balance at 31 December	**2,626,196**	2,611,242	**23,653**	23,347
Non-cumulative preference shares				
Balance at 1 January				
S$800m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020 (Note 32.2)	**8,000**	8,000	**799**	799
Balance at 31 December	**8,000**	8,000	**799**	799
Issued share capital at 31 December			**24,452**	24,146

32.1 The ordinary shares are fully paid-up and do not have par value. In 2017, the Bank issued 15 million (2016: 37 million) ordinary shares to its holding company, DBS Group Holdings Ltd, for a total cash consideration of $306 million (2016: $650 million). The newly issued shares rank pari passu in all respect with the previously issued shares.

32.2 The preference shares were issued on 22 November 2010 with a liquidation preference of $100 each. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 May and 22 November each year at 4.70% per annum. They are redeemable on 22 November 2020 or on any date thereafter. The preference shares 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 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.

33 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	Note	Issue Date	Distribution Payment	The Group and Bank 2017	2016
Issued by the Bank					
S$550m 3.85% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	33.1	1 Sep 2016	Sep	**550**	550
US$185m 4.0% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	33.2	1 Sep 2016	Sep	**252**	252
US$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	33.3	7 Sep 2016	Mar/Sep	**1,011**	1,011
Total				**1,813**	1,813

33.1 Distributions are payable at 3.85% per annum up to 1 September 2021. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year Singapore Dollar Swap Offer Rate plus 2.13% per annum. Distributions are paid annually on 1 September each year, unless cancelled by the Bank. The capital securities are redeemable on 1 September 2021 or on any date thereafter.

33.2 Distributions are payable at 4.0% per annum up to 1 September 2021. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year U.S. Dollar Swap Rate plus 2.84% per annum. Distributions are paid annually on 1 September each year, unless cancelled by the Bank. The capital securities are redeemable on 1 September 2021 or on any date thereafter.

33.3 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 Bank. The capital securities are redeemable on 7 September 2021 or on any distribution payment date thereafter.

34 Other Reserves and Revenue Reserves

34.1 Other reserves

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Available-for-sale revaluation reserves	**38**	26	**60**	66
Cash flow hedge reserves	**36**	20	**39**	21
General reserves	**95**	95	**-**	-
Capital reserves	**(356)**	(182)	**(52)**	27
Others	**-**	(78)	**-**	-
Total	**(187)**	(119)	**47**	114

Movements in other reserves for the Group during the year are as follows:

	The Group					
In $ millions	**Available-for-sale revaluation reserves**	**Cash flow hedge reserves**	**General reserves**	**Capital reserves(b)**	**Other reserves(a)**	**Total**
2017						
Balance at 1 January	**26**	**20**	**95**	**(182)**	**(78)**	**(119)**
Net exchange translation adjustments	**-**	**-**	**-**	**(174)**	**-**	**(174)**
Share of associates' reserves	**(3)**	**(1)**		**-**	**-**	**(4)**
Transfer to revenue reserves (Note 34.2)	**-**	**-**	**-**	**-**	**78**	**78**
Available-for-sale (AFS) financial assets and others:						
- net valuation taken to equity	**321**	**75**	-	**-**	**-**	**396**
- transferred to income statement	**(312)(c)**	**(55)**	-	**-**	**-**	**(367)**
- taxation relating to components of other comprehensive income	**6**	**(3)**	-	**-**	**-**	**3**
Balance at 31 December	**38**	**36**	**95**	**(356)**	**-**	**(187)**
2016						
Balance at 1 January	96	8	2,453	(214)	(78)	2,265
Transfer to revenue reserves (Note 34.2)	-	-	(2,360)	-	-	(2,360)
Net exchange translation adjustments	(5)	-	2	30	-	27
Share of associates' reserves	(3)	(5)	-	2	-	(6)
Available-for-sale (AFS) financial assets and others:						
- net valuation taken to equity	185	(54)	-	-	-	131
- transferred to income statement	(261)(c)	73	-	-	-	(188)
- taxation relating to components of other comprehensive income	14	(2)	-	-	-	12
Balance at 31 December	26	20	95	(182)	(78)	(119)

(a) During the year, the Bank 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) Includes impairment of AFS financial assets of $4 million (2016: $7 million)

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

	Bank				
In $ millions	**Available-for-sale revaluation reserves**	**Cash flow hedge reserves**	**General reserves**	**Capital reserves[(a)]**	**Total**
2017					
Balance at 1 January	**66**	**21**	**-**	**27**	**114**
Net exchange translation adjustments	**-**	**-**	**-**	**(79)**	**(79)**
Available-for-sale (AFS) financial assets and others:					
- net valuation taken to equity	**302**	**93**	**-**	**-**	**395**
- transferred to income statement	**(315)[(b)]**	**(73)**	**-**	**-**	**(388)**
- taxation relating to components of other comprehensive income	**7**	**(2)**	**-**	**-**	**5**
Balance at 31 December	**60**	**39**	**-**	**(52)**	**47**
2016					
Balance at 1 January	92	6	2,360	(23)	2,435
Net exchange translation adjustments	(2)	-	-	50	48
Transfer to revenue reserves (Note 34.2)	-	-	(2,360)	-	(2,360)
Available-for-sale (AFS) financial assets and others:					
- net valuation taken to equity	210	(42)	-	-	168
- transferred to income statement	(240)[(b)]	59	-	-	(181)
- taxation relating to components of other comprehensive income	6	(2)	-	-	4
Balance at 31 December	66	21	-	27	114

(a) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign branches and the related foreign currency instruments designated as a hedge
(b) Includes impairment of AFS financial assets of $4 million (2016: $1 million)

34.2 Revenue reserves

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Balance at 1 January	**19,552**	14,486	**14,779**	10,247
Transfers (Note 34.1)	**(78)**	2,360	**-**	2,360
Net profit attributable to shareholders	**4,388**	4,254	**4,072**	3,720
Other comprehensive income attributable to shareholders	**(109)**	-	**(105)**	-
Amount available for distribution	**23,753**	21,100	**18,746**	16,327
Less: Dividends paid to holding company	**1,675**	1,510	**1,675**	1,510
Dividends paid on preference shares	**38**	38	**38**	38
Balance at 31 December	**22,040**	19,552	**17,033**	14,779

35 Non-controlling Interests

The following instruments 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.

In $ millions	Note	Issue Date	Liquidation Preference	Distribution Payment	The Group 2017	The Group 2016
Issued by DBS Capital Funding II Corporation						
S$ 1,500m 5.75% Non-Cumulative, Non-Convertible, Non-Voting, Guaranteed Preference Shares Callable with Step-up in 2018	35.1	27 May 2008	S$ 250,000	Jun/Dec	**1,500**	1,500
Issued by Heedum Pte Ltd S$ 344m 1.6% Perpetual Subordinated Loan		12 Nov 2015		Nov	**344**	344
Issued by DBS Bank (Taiwan) Ltd TW$ 8,000m 4% Non-Cumulative and Perpetual Preferred Shares		20 Jan 2015			**359**	359
Issued by DBS Bank (Hong Kong) Limited HK$ 1,400m 3.9% Non-Cumulative Preference Shares		13 Oct 2016	HK$ 10,000,000	Mar	**240**	261
Non-controlling interests in subsidiaries					**41**	59
Total					**2,484**	2,523

35.1 The preference shares issued by DBS Capital Funding II Corporation 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. Dividends are payable if declared by the Board of Directors of DBS Capital Funding II Corporation. They are payable semi-annually on 15 June and 15 December each year at 5.75% per annum up to 15 June 2018, and thereafter quarterly on 15 March, 15 June, 15 September and 15 December each year at a floating rate of the three-month Singapore Dollar Swap Offer Rate plus 3.415% per annum. The preference shares are redeemable on 15 June 2018 or any dividend payment date thereafter.

36 Contingent Liabilities and Commitments

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

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

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

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Guarantees on account of customers	**13,378**	15,078	**13,584**	14,930
Endorsements and other obligations on account of customers	**7,441**	7,636	**5,433**	5,488
Undrawn credit commitments[(a)]	**244,397**	235,324	**200,898**	191,783
Undisbursed and underwriting commitments in securities	**76**	9	**11**	9
Sub-total	**265,292**	258,047	**219,926**	212,210
Operating lease commitments (Note 36.1)	**717**	549	**417**	262
Capital commitments	**74**	69	**63**	37
Total	**266,083**	258,665	**220,406**	212,509
Analysed by industry (excluding operating lease and capital commitments)				
Manufacturing	**40,884**	42,718	**31,837**	33,135
Building and construction	**23,540**	23,436	**21,196**	20,753
Housing loans	**6,849**	7,155	**6,618**	6,942
General commerce	**47,231**	50,338	**36,932**	36,810
Transportation, storage and communications	**12,350**	13,933	**10,100**	11,796
Financial institutions, investment and holding companies	**25,312**	22,686	**24,148**	22,380
Professionals and private individuals (excluding housing loans)	**87,057**	75,615	**69,082**	59,940
Others	**22,069**	22,166	**20,013**	20,454
Total	**265,292**	258,047	**219,926**	212,210
Analysed by geography[(b)] (excluding operating lease and capital commitments				
Singapore	**111,986**	105,141	**111,842**	104,256
Hong Kong	**44,364**	48,334	**19,135**	20,342
Rest of Greater China	**26,987**	22,533	**11,155**	10,339
South and Southeast Asia	**26,280**	25,750	**24,173**	24,003
Rest of the World	**55,675**	56,289	**53,621**	53,270
Total	**265,292**	258,047	**219,926**	212,210

(a) Include commitments that are unconditionally cancellable at any time by the Group (2017: $204,338 million, 2016: $193,016 million) and Bank (2017: $163,038 million, 2016: $152,153 million)
(b) Based on the location of incorporation of the counterparty or borrower

36.1 The Group has existing significant operating lease commitments including the leasing of office premises in Changi Business Park and Marina Bay Financial Centre in Singapore; and One Island East in Hong Kong. These include lease commitments for which the payments will be determined in the future based on the prevailing market rates in accordance with the lease agreements, of which the related amounts have not been included. The leases have varying terms, escalation clauses and renewal rights.

37 Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following sections outline the nature and terms of the most common types of derivatives used by the Group.

Interest rate derivatives

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are exchange-traded agreements to buy or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a standard future date.

Interest rate options give the buyer on payment of a premium the right, but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period and commencing on a specified future date.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds, instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. This category includes combinations of interest rate caps and floors, which are known as interest rate collars.

Foreign exchange derivatives

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Equity derivatives

Equity options give the buyer, on payment of a premium, the right but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

Equity swaps involve the exchange of a set of payments whereby one of these payments is based on an equity-linked return while the other is typically based on an interest reference rate.

Credit derivatives

Credit default swaps involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for an undertaking by the seller to make a payment to the buyer upon the occurrence of a predefined credit event.

Commodity derivatives

Commodity contracts are agreements between two parties to exchange cash flows which are dependent on the price of the underlying physical assets.

Commodity futures are exchange-traded agreements to buy or sell a standard amount of a commodity at an agreed price on a standard future date.

Commodity options give the buyer, on payment of a premium, the right but not the obligation, to buy or sell a specific amount of commodity at an agreed contract price on or before a specified date.

37.1 Trading derivatives

Most of the Group's derivatives relate to sales and trading activities. Sales activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for dealer's margin or for the purpose of generating a profit from short-term fluctuations in price.

Trading includes mainly market-making and warehousing to facilitate customer orders. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Warehousing involves holding on to positions in order to liquidate in an orderly fashion with timing of unwinding determined by market conditions and traders' views of markets as they evolve.

37.2 Hedging derivatives

The accounting treatment of the hedge derivative transactions varies according to the nature of the hedge and whether the hedge meets the specified criteria to qualify for hedge accounting. Derivatives transacted as economic hedges but do not qualify for hedge accounting are treated in the same way as derivative instruments held for trading purposes.

Fair value hedges

The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. For the year ended 31 December 2017, the gain on hedging instruments was $45 million (2016: $77 million). The total loss on hedged items attributable to the hedged risk amounted to $52 million (2016: $81 million).

At the Bank, for the year ended 31 December 2017, the gain on hedging instruments was $45 million (2016: loss of $66 million). The total loss on hedged items attributable to the hedged risk amounted to $51 million (2016: gain of $69 million).

Cash flow hedges

The Group's cash flow hedges consist principally of currency forwards and currency swaps transacted to hedge highly probable forecast transactions expected to occur at various future dates against variability in exchange rates. The currency forwards and currency swaps have maturity dates that coincide within the expected occurrence of these transactions. The forecast transactions are expected to occur within ten years from the balance sheet date, and are expected to affect income statement in the same period these cash flows occur.

The ineffectiveness arising from these hedges was insignificant.

Net investment hedges

The Group hedges part of the currency translation risk of investments through financial derivatives and borrowings. The ineffectiveness arising from hedging of investments was insignificant. The Group regularly reviews its hedging strategy taking into account the long-term outlook of currency fundamentals and the impact of fluctuations in foreign exchange rates on capital adequacy ratios.

The tables below analyses the currency exposure of Group by functional currency as at 31 December.

	The Group		
In $ millions	**Net investments in foreign operations[a]**	**Financial instruments which hedge the net investments**	**Remaining unhedged currency exposures**
2017			
Hong Kong dollar	**10,189**	**9,169**	**1,020**
Chinese yuan	**2,276**	**286**	**1,990**
Others	**5,111**	**2,352**	**2,759**
Total	**17,576**	**11,807**	**5,769**
2016			
Hong Kong dollar	10,161	9,065	1,096
Chinese yuan	2,292	290	2,002
Others	5,174	2,223	2,951
Total	17,627	11,578	6,049

(a) Refer to net tangible assets of subsidiaries, associates and overseas branches

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes outstanding at balance sheet date. They do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as derivative assets or derivative liabilities. Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There were no offset of derivative assets and liabilities in 2017 and 2016.

	The Group					
	2017			2016		
In $ millions	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements	**-**	**-**	**-**	1,000	#	#
Interest rate swaps	**1,066,143**	**5,639**	**5,654**	1,084,216	6,767	6,630
Interest rate futures	**17,648**	**5**	**2**	14,554	5	3
Interest rate options	**7,624**	**85**	**69**	8,002	72	84
Interest rate caps/floors	**27,770**	**385**	**787**	27,707	510	953
Sub-total	**1,119,185**	**6,114**	**6,512**	1,135,479	7,354	7,670
Foreign exchange (FX) derivatives						
FX contracts	**518,374**	**5,561**	**5,911**	576,932	8,227	8,070
Currency swaps	**208,225**	**4,900**	**4,299**	208,102	8,373	7,109
Currency options	**72,219**	**458**	**561**	94,173	983	1,008
Sub-total	**798,818**	**10,919**	**10,771**	879,207	17,583	16,187
Equity derivatives						
Equity options	**4,964**	**67**	**135**	2,934	29	69
Equity swaps	**3,125**	**9**	**82**	1,766	21	33
Sub-total	**8,089**	**76**	**217**	4,700	50	102
Credit derivatives						
Credit default swaps and others	**27,070**	**209**	**258**	31,969	191	192
Sub-total	**27,070**	**209**	**258**	31,969	191	192
Commodity derivatives						
Commodity contracts	**966**	**64**	**21**	1,072	115	52
Commodity futures	**343**	**22**	**6**	1,217	52	62
Commodity options	**631**	**3**	**3**	742	12	14
Sub-total	**1,940**	**89**	**30**	3,031	179	128
Total derivatives held for trading	**1,955,102**	**17,407**	**17,788**	2,054,386	25,357	24,279
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**9,318**	**77**	**77**	11,081	112	79
Interest rate swaps held for cash flow hedge	**1,692**	**7**	**#**	900	5	1
FX contracts held for cash flow hedge	**3,161**	**18**	**63**	3,630	106	133
FX contracts held for hedge of net investment	**1,417**	**2**	**16**	1,332	7	15
Currency swaps held for fair value hedge	**325**	**#**	**-**	-	-	-
Currency swaps held for cash flow hedge	**5,973**	**100**	**95**	1,966	191	18
Currency swaps held for hedge of net investment	**1,767**	**1**	**-**	-	-	-
Total derivatives held for hedging	**23,653**	**205**	**251**	18,909	421	246
Total derivatives	**1,978,755**	**17,612**	**18,039**	2,073,295	25,778	24,525
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)(unaudited)		**(9,724)**	**(9,724)**		(14,788)	(14,788)
		7,888	**8,315**		10,990	9,737
Of which: derivatives with holding company	**2,787**	**27**	**36**	2,743	22	29

Amount under $500,000

	Bank					
	2017			2016		
In $ millions	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements	**-**	**-**	**-**	1,000	#	#
Interest rate swaps	**874,602**	**5,385**	**5,415**	954,852	6,459	6,328
Interest rate futures	**17,648**	**5**	**2**	14,535	4	3
Interest rate options	**7,624**	**85**	**69**	8,002	72	84
Interest rate caps/floors	**27,769**	**384**	**787**	27,707	510	953
Sub-total	**927,643**	**5,859**	**6,273**	1,006,096	7,045	7,368
Foreign exchange (FX) derivatives						
FX contracts	**440,991**	**4,504**	**4,645**	499,642	7,043	7,026
Currency swaps	**206,461**	**4,832**	**4,277**	205,281	8,235	7,039
Currency options	**54,981**	**336**	**421**	85,555	919	945
Sub-total	**702,433**	**9,672**	**9,343**	790,478	16,197	15,010
Equity derivatives						
Equity options	**4,937**	**66**	**135**	2,829	29	69
Equity swaps	**3,122**	**9**	**82**	1,766	21	33
Sub-total	**8,059**	**75**	**217**	4,595	50	102
Credit derivatives						
Credit default swaps and others	**27,070**	**209**	**258**	31,969	191	192
Sub-total	**27,070**	**209**	**258**	31,969	191	192
Commodity derivatives						
Commodity contracts	**966**	**64**	**21**	1,072	115	52
Commodity futures	**343**	**22**	**6**	1,217	52	62
Commodity options	**632**	**3**	**3**	742	12	14
Sub-total	**1,941**	**89**	**30**	3,031	179	128
Total derivatives held for trading	**1,667,146**	**15,904**	**16,121**	1,836,169	23,662	22,800
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**8,718**	**63**	**67**	10,298	93	64
Interest rate swaps held for cash flow hedge	**1,692**	**7**	**#**	900	5	1
FX contracts held for fair value hedge	**1,085**	**-**	**15**	1,090	6	8
FX contracts held for cash flow hedge	**1,650**	**17**	**53**	1,604	37	52
FX contracts held for hedge of net investment	**140**	**-**	**1**	93	-	1
Currency swaps held for fair value hedge	**342**	**#**	**-**	-	-	-
Currency swaps held for cash flow hedge	**5,973**	**100**	**95**	1,966	191	18
Currency swaps held for hedge of net investment	**1,328**	**1**	**-**	-	-	-
Total derivatives held for hedging	**20,928**	**188**	**231**	15,951	332	144
Total derivatives	**1,688,074**	**16,092**	**16,352**	1,852,120	23,994	22,994
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)		**(9,923)**	**(9,923)**		(15,104)	(15,104)
		6,169	**6,429**		8,890	7,890
Of which: derivatives with subsidiaries and holding company	**50,770**	**349**	**347**	60,304	634	375

Amount under $500,000

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,044 billion (2016: $1,127 billion) and $935 billion (2016: $946 billion) respectively for the Group and $771 billion (2016: $933 billion) and $917 billion (2016: $919 billion) respectively for the Bank. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

38 Share-based Compensation Plans

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

Main Scheme/Plan	Note
DBSH Share Plan (Share Plan) • The Share Plan is granted to Group executives as determined by the Committee appointed to administer the Share Plan from time to time. • Participants are awarded shares of DBSH 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 DBSH's 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 DBSH's Annual Report.	38.1
DBSH Employee Share Plan (ESP) • The ESP caters to employees not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of DBSH, 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 DBSH 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 DBSH's Annual Report.	38.1
DBSH Share Ownership Scheme • All Singapore-based employees with at least one year of service who hold the rank of Assistant Vice President and below are eligible. • Participants contribute up to 10% of monthly salary and the Group will match up to 5% of monthly base salary to buy units of the DBSH's ordinary shares.	38.2

38.1 DBSH Share Plan and DBSH Employee Share Plan

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

	The Group			
	2017		2016	
Number of shares	**Share Plan**	**ESP**	**Share Plan**	**ESP**
Balance at 1 January	**19,663,278**	**2,287,414**	17,368,488	1,998,781
Granted	**5,483,617**	**901,838**	8,251,608	1,067,078
Vested	**(5,372,256)**	**(610,968)**	(5,507,188)	(551,646)
Forfeited	**(536,357)**	**(239,750)**	(449,630)	(226,799)
Balance at 31 December	**19,238,282**	**2,338,534**	19,663,278	2,287,414
Weighted average fair value of the shares granted during the year	**$18.58**	**$18.50**	$13.72	$13.69

	Bank			
	2017		2016	
Number of shares	**Share Plan**	**ESP**	**Share Plan**	**ESP**
Balance at 1 January	**16,672,078**	**1,298,010**	14,193,645	1,125,508
Granted	**4,676,747**	**512,738**	6,925,578	593,951
Vested	**(4,408,830)**	**(348,841)**	(4,575,466)	(310,599)
Transferred	**(400,786)**	**5,711**	438,701	(1,657)
Forfeited	**(433,124)**	**(120,069)**	(310,380)	(109,193)
Balance at 31 December	**16,106,085**	**1,347,549**	16,672,078	1,298,010
Weighted average fair value of the shares granted during the year	**$18.57**	**$18.50**	$13.71	$13.69

38.2 DBSH Share Ownership Scheme

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

	The Group and Bank			
	Ordinary shares			
	Number of shares		Market value (In $ millions)	
	2017	**2016**	**2017**	**2016**
Balance at 1 January	**8,388,820**	7,282,740	**145**	122
Balance at 31 December	**6,967,989**	8,388,820	**173**	145

39 Related Party Transactions

39.1 Transactions between the Bank and its subsidiaries, including consolidated structured entities and associates which are related parties of the Bank, are disclosed in Notes 39.4 to 39.6.

39.2 During the financial year, the Group had banking transactions with related parties, consisting of subsidiaries, associates and key management personnel of the Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and were not material.

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

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

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Short-term benefits[(b)]	**41**	37	**33**	30
Share-based payments[(c)]	**29**	30	**26**	27
Total	**70**	67	**59**	57
Of which: Bank Directors' remuneration and fees	**12**	11	**12**	11

(a) Includes Bank Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group. The composition and number of Directors and Management Committee members may differ from year to year
(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year
(c) Share-based payments are expensed over the vesting period in accordance with FRS 102

39.4 Income received from and expenses paid to related parties

In addition to the related party information shown elsewhere in the financial statements, the following transactions took place between the Bank and related parties during the financial year on terms agreed by the parties concerned.

	The Group		Bank	
In $ millions	**2017**	**2016**	**2017**	**2016**
Income received from:				
-Holding company	**1**	3	**1**	3
-Subsidiaries	**-**	-	**345**	280
-Associates	**43**	44	**49**	57
Total	**44**	47	**395**	340
Expenses paid to:				
-Holding company	**52**	51	**16**	19
-Subsidiaries	**-**	-	**697**	401
-Associates	**83**	73	**83**	73
Total	**135**	124	**796**	493

39.5 Amounts due from and to related parties

	Bank	
In $ millions	**2017**	**2016**
Amounts due from:		
-Subsidiaries (Note 21)	**21,877**	14,910
-Associates	**972**	981
Total	**22,849**	15,891
Amounts due to:		
-Holding company	**2,936**	1,029
-Subsidiaries (Note 30)	**51,697**	41,205
-Associates	**137**	167
Total	**54,770**	42,401

39.6 Guarantees to related parties

Guarantees granted to and from subsidiaries amounted to $1,350 million (2016: $1,952 million) and $1,055 million (2016: $1,455 million) respectively.

The Bank also finances customer through discounting bills issued by related parties. As at 31 December 2017, outstanding amount of such bills was $44 million (2016: $93 million).

40 Fair Value of Financial Instruments

40.1 Valuation Process

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

The Valuation Policy and supporting standards govern the revaluation of all financial assets and liabilities that are measured at fair value, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model. Products with a liquid market or those traded via an exchange will fall under the former while most over-the-counter (OTC) products will form the latter. Market parameters include interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates.

Valuation models go through an assurance process carried out by the Risk Management Group (RMG), independent of the model developers. This assurance process covers the review of the underlying methodology including its logic and conceptual soundness together with the model inputs and outputs. Model assurances are conducted prior to implementation and subject to regular review or when there are significant changes arising from market or portfolio changes. Where necessary, the Group also imposes model reserves and other adjustments in determining fair value. Models are approved by the Group Market and Liquidity Risk Committee.

The majority of OTC derivatives are traded in active markets. Valuations are determined using generally accepted models (for example, discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings or market parameters.

A process of independent price verification (IPV) is in place to establish the accuracy of the market parameters used when the marking is performed by the Front Office. The IPV process entails independent checks to compare traders' marks to independent sources such as broker/dealer sources or market consensus providers. The results of the IPV are reviewed by independent control functions on a monthly basis.

For illiquid financial instruments where mark-to-market is not possible, the Group will value these products using an approved valuation model. Prices and parameters used as inputs to the model or to any intermediate technique involving a transformation process must be derived using approved market sources. Where possible, the inputs must be checked against multiple sources for reliability and accuracy. Reliance will be placed on the model assurance process established by RMG for assurance of valuation models as fit for purpose.

The Group uses various market accepted benchmark interest rates such as LIBOR and Swap Offer Rates to determine the fair value of the financial instruments.

Where significant unobservable inputs are used in these models, the financial instruments are classified as Level 3 in the fair value hierarchy and valuation adjustments or reserves are taken to provide for any uncertainty in valuations. Valuation adjustments or reserve methodologies are also used to substantiate the significance of unobservable inputs. Such methodologies are approved by the Group Market and Liquidity Risk Committee and governed by the Valuation Policy and supporting standards.

The main valuation adjustments and reserves are described below.

Model and Parameter Uncertainty Adjustments
Valuation uncertainties may occur during fair value measurement either due to uncertainties in the required input parameters or uncertainties in the modelling methods used in the valuation process. In such situations, adjustments may be necessary to take these factors into account.

For example, where market data such as prices or rates for an instrument are no longer observable after an extended period of time, these inputs used to value the financial instruments may no longer be relevant in the current market conditions. In such situations, adjustments may be necessary to address the pricing uncertainty arising from the use of stale market data inputs.

Credit Valuation Adjustments
Credit valuation adjustments are taken to reflect the impact on fair value of counterparty credit risk. Credit valuation adjustments are based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting and collateral arrangements, and the maturity of the underlying transactions.

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

Day 1 Profit or Loss (P&L) Reserve
In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, the Day 1 P&L arising from the difference in transacted price and end-of-day model valuation is set aside as reserves. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to the income statement when the parameters become observable or when the transaction is closed out or amortised over the duration of the transaction. At year end, the unamortised Day 1 P&L was not material.

Bid-Offer Adjustments
The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid-market levels. Bid-offer adjustments are then made to account for close-out costs.

40.2 Fair Value Hierarchy

The fair value hierarchy accords the highest level to observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level to unobservable inputs. The fair value measurement of each financial instrument is categorised in accordance with the same level of the fair value hierarchy as the input with the lowest level that is significant to the entire measurement. If unobservable inputs are deemed significant, the financial instrument will be categorised as Level 3.

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 within the fair value hierarchy. These would include government and sovereign securities, listed equities and corporate debt securities which are actively traded. Derivatives contracts which are traded in an active exchange market are also classified as Level 1 of the valuation hierarchy.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group will determine the fair value based on valuation techniques that use market parameters as inputs including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data so that reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Group's OTC derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data, for example, asset correlations or certain volatilities. Level 3 instruments also include unquoted equity securities which are measured based on the net asset value of the investments. In addition, Level 3 inputs include all quoted security prices that have not been updated for more than 3 months, quoted proxies in active markets for non-similar asset classes (e.g. bonds valued using credit default swap spreads), as well as prices/valuations that are obtained from counterparties. Valuation reserves or pricing adjustments where applicable, are used to converge to fair value.

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

	The Group							
	2017				2016			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets at fair value through profit or loss (FVPL)								
- Government securities and treasury bills	**8,001**	**1,971**	**-**	**9,972**	7,713	1,285	-	8,998
- Bank and corporate securities	**9,443**	**3,844**	**25**	**13,312**	5,022	2,743	42	7,807
- Other financial assets	**-**	**12,589**	**-**	**12,589**	-	9,133	-	9,133
Available-for-sale (AFS) financial assets								
- Government securities and treasury bills	**26,907**	**919**	**-**	**27,826**	21,352	1,089	-	22,441
- Bank and corporate securities [(a)]	**14,278**	**1,379**	**72**	**15,729**	14,510	1,598	115	16,223
- Other financial assets	**-**	**4,899**	**-**	**4,899**	-	4,417	-	4,417
Derivatives	**27**	**17,585**	**-**	**17,612**	57	25,720	1	25,778
Liabilities								
Financial liabilities at fair value through profit or loss (FVPL)								
- Other debt securities	**-**	**5,972**	**-**	**5,972**	-	5,045	4	5,049
- Other financial liabilities	**1,961**	**1,683**	**-**	**3,644**	2,290	1,881	-	4,171
Derivatives	**9**	**18,028**	**2**	**18,039**	66	24,443	16	24,525

(a) Excludes unquoted equities stated at cost of $178 million (2016: $242 million)

	Bank							
	2017				2016			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets at fair value through profit or loss (FVPL)								
- Government securities and treasury bills	**6,818**	**1,001**	**-**	**7,819**	5,983	869	-	6,852
- Bank and corporate securities	**9,296**	**2,720**	**25**	**12,041**	4,742	2,003	42	6,787
- Other financial assets	**-**	**9,629**	**-**	**9,629**	-	8,481	-	8,481
Available-for-sale (AFS) financial assets								
- Government securities and treasury bills	**23,866**	**161**	**-**	**24,027**	18,093	374	-	18,467
- Bank and corporate securities [(a)]	**12,588**	**994**	**71**	**13,653**	12,533	1,160	96	13,789
- Other financial assets	**-**	**2,923**	**-**	**2,923**	-	2,362	-	2,362
Derivatives	**27**	**16,065**	**-**	**16,092**	57	23,936	1	23,994
Liabilities								
Financial liabilities at fair value through profit or loss (FVPL)								
- Other debt securities	**-**	**5,886**	**-**	**5,886**	-	4,965	4	4,969
- Other financial liabilities	**1,208**	**920**	**-**	**2,128**	832	815	-	1,647
Derivatives	**9**	**16,341**	**2**	**16,352**	66	22,862	16	22,944

(a) Excludes unquoted equities stated at cost of $163 million (2016: $210 million)

The following table presents the changes in Level 3 instruments for the Group.

	The Group					
	Financial assets			Financial liabilities		
	FVPL	AFS	Derivatives	FVPL		Derivatives
In $ millions	**Bank and corporate securities**	**Bank and corporate securities**		**Other debt securities**	**Other financial liabilities**	
2017						
Balance at 1 January	**42**	**115**	**1**	**(4)**	**-**	**(16)**
Purchases/ Issues	**5**	**1**	**-**	**(1)**	**-**	**-**
Settlements	**(18)**	**(21)**	**-**	**-**	**-**	**-**
Transfers:						
- Transfers into Level 3	**2**	**-**	**-**	**-**	**-**	**-**
- Transfers out of Level 3	**-**	**(17)**	**(1)**	**5**	**-**	**8**
Gains/(losses) recorded in the income statement	**(6)**	**11**	**-**	**-**	**-**	**6**
Gains/(losses) recognised in other comprehensive income	**-**	**(17)**	**-**	**-**	**-**	**-**
Balance at 31 December	**25**	**72**	**-**	**-**	**-**	**(2)**
2016						
Balance at 1 January	838	156	20	(17)	(73)	(123)
Purchases/ Issues	68	20	-	(4)	-	-
Settlements	(747)	(35)	(24)	16	-	137
Transfers:						
- Transfers into Level 3	14	1	3	-	-	(16)
- Transfers out of Level 3	(127)	(20)	(4)	1	72	2
Gains/(losses) recorded in the income statement	(4)	6	6	-	1	(16)
Gains/(losses) recognised in other comprehensive income	-	(13)	-	-	-	-
Balance at 31 December	42	115	1	(4)	-	(16)

The following table presents the changes in Level 3 instruments for the Bank.

	Bank					
	Financial assets			**Financial liabilities**		
	FVPL	**AFS**	**Derivatives**	**FVPL**		**Derivatives**
In $ millions	**Bank and corporate securities**	**Bank and corporate securities**		**Other debt securities**	**Other financial liabilities**	
2017						
Balance at 1 January	**42**	**96**	**1**	**(4)**	**-**	**(16)**
Purchases/ Issues	**5**	**1**	**-**	**(1)**	**-**	**-**
Settlements	**(18)**	**(21)**	**-**	**-**	**-**	**-**
Transfers:						
- Transfers into Level 3	**2**	**-**	**-**	**-**	**-**	**-**
- Transfers out of Level 3	**-**	**-**	**(1)**	**5**	**-**	**8**
Gains/(losses) recorded in the income statement	**(6)**	**11**	**-**	**-**	**-**	**6**
Gains/(losses) recognised in other comprehensive income	**-**	**(16)**	**-**	**-**	**-**	**-**
Balance at 31 December	**25**	**71**	**-**	**-**	**-**	**(2)**
2016						
Balance at 1 January	838	156	24	(17)	(73)	(123)
Purchases/ Issues	68	1	-	(4)	-	-
Settlements	(747)	(35)	(24)	16	-	137
Transfers:						
- Transfers into Level 3	14	1	3	-	-	(16)
- Transfers out of Level 3	(127)	(20)	(8)	1	72	2
Gains/(losses) recorded in the income statement	(4)	6	6	-	1	(16)
Gains/(losses) recognised in other comprehensive income	-	(13)	-	-	-	-
Balance at 31 December	42	96	1	(4)	-	(16)

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

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

Gains and losses on Level 3 financial assets and liabilities measured at fair value for the Group and the Bank

The Group **In $ millions**	**Net trading Income**	**Net income from investment securities**	**Total**
2017			
Total gain/(loss) for the period included in income statement	**-**	**11**	**11**
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	**3**	**-**	**3**
2016			
Total gain/(loss) for the period included in income statement	(13)	6	(7)
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	(8)	-	(8)

Bank **In $ millions**	**Net trading Income**	**Net income from investment securities**	**Total**
2017			
Total gain/(loss) for the period included in income statement	**-**	**11**	**11**
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	**3**	**-**	**3**
2016			
Total gain/(loss) for the period included in income statement	(13)	6	(7)
Of which:			
Change in unrealised gain/(loss) for assets and liabilities held at the end of the reporting period	(8)	-	(8)

Fair value gains or losses taken to other comprehensive income are reported in the Statement of Comprehensive Income as “Net valuation taken to equity”.

Effect of changes in significant unobservable inputs to reflect reasonably possible alternatives

As at 31 December 2017, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included equity investments, bank and corporate debt securities, interest rate, equity and credit derivatives and financial liabilities from structured product issuances.

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised as Level 3 because of a single unobservable input.

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

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

The Group **In $ millions**	**2017**	**2016**	**Classification**	**Valuation technique**	**Unobservable input**
Assets					
Bank and corporate debt securities	**25**	42	FVPL	Discounted cash flows	Credit spreads
Bank and corporate debt securities	**-**	20	AFS	Discounted cash flows	Credit spreads
Equity securities (Unquoted)	**72**	95	AFS	Net asset value	Net asset value of securities
Derivatives	**-**	1	FVPL	Discounted cash flows / CDS models / Option & interest rate pricing models	Credit spreads / Correlations / Volatility
Total	**97**	158			
Liabilities					
Other debt securities	**-**	4	FVPL	Discounted cash flows / Option pricing model	Credit spreads / Correlations
Derivatives	**2**	16	FVPL	Discounted cash flows / CDS models / Option & interest rate pricing model	Credit spreads / Correlations / Volatility
Total	**2**	20			

Bank In $ millions	2017	2016	Classification	Valuation technique	Unobservable input
Assets					
Bank and corporate debt securities	**25**	42	FVPL	Discounted cash flows	Credit spreads
Bank and corporate debt securities	**-**	1	AFS	Discounted cash flows	Credit spreads
Equity securities (Unquoted)	**71**	95	AFS	Net asset value	Net asset value of securities
Derivatives	**-**	1	FVPL	Discounted cash flows / CDS models / Option & interest rate pricing model	Credit spreads / Correlations / Volatility
Total	**96**	139			
Liabilities					
Other debt securities	**-**	4	FVPL	Discounted cash flows / Option pricing model	Credit spreads / Correlations
Derivatives	**2**	16	FVPL	Discounted cash flows / CDS models / Option & interest rate pricing model	Credit spreads / Correlations / Volatility
Total	**2**	20			

40.3 Own credit adjustments on financial liabilities designated at fair value through profit or loss

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to the Group's own credit risk are recognised in other comprehensive income. As the Group does not hedge changes in own credit risk arising from financial liabilities, presenting the own credit movements within other comprehensive income does not create or increase an accounting mismatch in the income statement.

The change in fair value attributable to changes in own credit risk has been determined as the amount of change in fair value that is attributable to changes in funding spreads above benchmark interest rates. Fair value changes arising from factors other than the Group's own credit risk are insignificant.

The cumulative amounts attributable to changes in own credit risk for these financial liabilities was an unrealised loss of $115 million as at 31 December 2017 (2016: unrealised loss of $3 million) for the Group and unrealised loss of $113 million as at 31 December 2017 (2016: unrealised loss of $5 million) for the Bank, reflecting improved credit spreads.

Realised gains or losses attributable to changes in own credit risk for 2017 were insignificant.

40.4 Financial assets & liabilities not carried at fair value

For financial assets and liabilities not carried at fair value in the financial statements, the Group has ascertained that their fair values were not materially different from their carrying amounts at year-end.

For cash and balances with central banks, due from banks, loans and advances to customers, as well as due to banks and deposits and balances from customers, the basis of arriving at fair values is by discounting cash flows using the relevant market interest rates for the respective currencies.

For investment debt securities and subordinated term debts issued, fair values are determined based on independent market quotes, where available. Where market prices are not available, fair values are estimated using discounted cash flow method.

For unquoted equities not carried at fair value, fair values have been estimated by referencing to the net tangible asset of the investee. Unquoted equities of $178 million as at 31 December 2017 (2016: $242 million) for the Group and $163 million as at 31 December 2017 (2016: $210 million) for the Bank were stated at cost less accumulated impairment losses because the fair value cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of such instruments through public listing or trade sale.

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

41 Risk Governance

The Group Board oversees the Group's 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 the Group's risk management approach, the Board, through the Board Risk Management Committee (BRMC), sets the Group's risk appetite, oversees the establishment of enterprise-wide risk management policies and processes, and sets risk appetite limits to guide risk-taking within the Group.

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

1. Risk Executive Committee (Risk ExCo);
2. Product Approval Committee (PAC);
3. Group Credit Risk Models Committee (GCRMC);
4. Group Credit Policy Committee (GCPC);
5. Group Scenario and Stress Testing Committee (GSSTC);
6. Group Credit Risk Committee (GCRC);
7. Group Market and Liquidity Risk Committee (GMLRC); and
8. Group Operational Risk Committee (GORC).

As the overall executive body regarding risk matters, the Risk ExCo oversees the Group's risk management as a whole.

The PAC oversees new product approvals, which are vital for mitigating risk within the Group. The committee assesses the reputational risk and suitability of products. In addition, the committee assesses whether the Group has the appropriate systems to monitor and manage the resulting risks

Each of the committees reports to the Risk Exco, and the committees as a whole serve as an executive forum to discuss and implement the Group's risk management.

Key responsibilities:

- Assess and approve risk-taking activities;
- Oversee the Group's 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; and
- Recommend scenarios and the resulting macroeconomic variable projections used for enterprise-wide stress tests.

The members in these committees comprise representatives from the Risk Management Group (RMG) as well as key business and support units.

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

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

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

- Management of the Group's 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; and
- Ensuring the Group's risk management is effective and the Risk Appetite established by the Board is adhered to.

42 Credit Risk

The most significant measurable risk the Group faces is credit risk, which arises from the Group's daily activities in various businesses. These activities include lending to retail, corporate and institutional customers; it includes both the risk of lending as well as the pre-settlement and settlement risk of foreign exchange, derivatives and debt securities.

Credit Risk Management
The Group's approach to credit risk management comprises the following building blocks:

- **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 the Group conducts its credit risk management and control activities. These policies, supplemented by a number of operational policies and standards, ensure consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across the Group, and provide guidance in the formulation of business-specific and/or location-specific credit risk policies and standards.

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

- **Risk Methodologies**
  Credit risk is managed by thoroughly understanding the Group's customers – the businesses they are in, as well as the economies in which they operate.

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

  The 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 small and medium-sized enterprises (SME) segment, the Group also uses a programme-based approach to achieve a balanced management of risks and rewards. Retail exposures are assessed using credit scoring models, credit bureau records, as well as internally and externally available customer behaviour records. These are supplemented by the Group's Risk Acceptance Criteria.

  Credit extensions are proposed by the business unit, and these are approved by the credit risk function after taking into account independent credit assessments and the business strategies set by senior management.

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

  The Group actively monitors and manages its exposure to counterparties in over-the-counter (OTC) derivative trades to protect its balance sheet in the event of a counterparty default. Counterparty risk exposures that may be adversely affected by market risk events are identified, reviewed and acted upon by management, and highlighted to the appropriate risk committees. Specific wrong-way risk arises when the exposure to a counterparty directly correlates with the probability of defaulting due to the nature of the transactions. The Group 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
The Group's risk management processes, which are aligned with its Risk Appetite, ensure that an acceptable level of risk diversification is maintained across the Group.

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

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

The Group continually examines how it can enhance the scope of its thresholds to effect better risk management.

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

The Group manages country risk through the Group Credit Risk Management Policy and CCRP for Institutional Banking, and the said risk is part of its concentration risk management. The way the Group manages transfer risk is set out in its Country Risk Management Standard. This includes an internal transfer risk and sovereign risk rating system, where assessments are made independently of business decisions. The Group's transfer risk limits are set in accordance with the Group Risk Appetite Policy.

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

All country limits are approved by the BRMC.

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

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

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

Pillar 1 credit stress testing	The Group conducts Pillar 1 credit stress testing regularly as required by regulators. Under Pillar 1 credit stress testing, the Group 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	The Group conducts Pillar 2 credit stress testing once a year as part of the internal capital adequacy assessment process (ICAAP).
	Under Pillar 2 credit stress testing, the Group 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 the Group.
Industry-wide stress testing	The Group participates in the annual industry-wide stress test (IWST) conducted by the Monetary Authority of Singapore (MAS) to facilitate its ongoing assessment of financial stability. Under the IWST, the Group 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	The Group 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**
The Group constantly invests in systems to support risk monitoring and reporting for its Institutional Banking and Consumer Banking/Wealth Management businesses.

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

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

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

Non-performing assets
The Group's credit facilities are classified as "Performing assets" or "Non-performing assets" (NPA), in accordance with the MAS Notice 612.

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

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 the Group.
Classified or NPA	
Substandard	Indicates that the borrower exhibits definable weaknesses in its business, cash flow or financial position that may jeopardise repayment on existing terms. These credit facilities may be non-defaulting.
Doubtful	Indicates that the borrower exhibits severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.
Loss	Indicates that the amount of recovery is assessed to be insignificant.

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

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without the Group taking actions such as realising security (if held)

- Technical default: Borrower is more than 90 days past due on any credit obligation to the Group

This is consistent with the guidance provided under the MAS Notice 637.

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

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

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

Refer to Note 2.11 for the Group's 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 the Group's NPA by loan grading and industry and the related amounts of specific allowances can be found in Note 42.2. A breakdown of past due loans can also be found in the same note.

When required, the Group will take possession of all collateral and dispose them as soon as practicable. Realised proceeds are used to reduce outstanding indebtedness. A breakdown of collateral held for NPA is shown in Note 42.2.

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

Credit Risk Mitigants

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

Policies are in place to determine the eligibility of collateral for credit risk mitigation. These include requiring specific collateral to meet minimum operational requirements in order to be considered as effective risk mitigants. The Group's collateral is generally diversified and periodic valuations of collateral are required. Real estate constitutes the bulk of its 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 which the Group 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 the Group is allowed to offset what it owes a counterparty against what is due from that counterparty in a netting-eligible jurisdiction.

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 Group may be required to accept less highly rated or liquid government bonds and currencies. Reverse repo-transactions are generally limited to large institutions with reasonably good credit standing. The Group 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, the Group will review the customers' specific situation and circumstances to assist them in restructuring their repayment liabilities. However, should the need arise, disposal and recovery processes are in place to dispose collateral held by the Group. The Group also maintains a panel of agents and solicitors that helps it to dispose non-liquid assets and specialised equipment quickly.

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

42.1 Maximum exposure to credit risk

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

	The Group	
In $ millions	**2017**	**2016**
On-balance sheet		
Cash and balances with central banks (excluding cash on hand)	**24,258**	23,902
Government securities and treasury bills	**39,753**	33,401
Due from banks	**35,962**	30,000
Derivatives	**17,612**	25,778
Bank and corporate debt securities	**50,192**	41,439
Loans and advances to customers	**323,099**	301,516
Other assets (excluding deferred tax assets)	**11,657**	10,694
	502,533	466,730
Off-balance sheet		
Contingent liabilities and commitments (excluding operating lease and capital commitments)	**265,292**	258,047
Total	**767,825**	724,777

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

Analysis of Collateral

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

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

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

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

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

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

42.2 Loans and advances to customers

	The Group	
In $ millions	**2017**	**2016**
Loans and advances to customers		
Performing Loans		
- Neither past due nor impaired (i)	**320,270**	299,602
- Past due but not impaired (ii)	**1,982**	1,397
Non-Performing Loans		
- Impaired (iii)	**5,517**	4,416
Total gross loans (Note 17)	**327,769**	305,415

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

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

	The Group		
In $ millions	**Pass**	**Special Mention**	**Total**
2017			
Manufacturing	**31,082**	**633**	**31,715**
Building and construction	**63,632**	**567**	**64,199**
Housing loans	**72,455**	**10**	**72,465**
General commerce	**49,436**	**770**	**50,206**
Transportation, storage and communications	**26,837**	**761**	**27,598**
Financial institutions, investment and holding companies	**17,001**	**36**	**17,037**
Professionals and private individuals (excluding housing loans)	**28,368**	**4**	**28,372**
Others	**27,976**	**702**	**28,678**
Total	**316,787**	**3,483**	**320,270**
2016			
Manufacturing	29,184	1,053	30,237
Building and construction	57,416	514	57,930
Housing loans	63,859	3	63,862
General commerce	44,873	1,005	45,878
Transportation, storage and communications	28,815	1,585	30,400
Financial institutions, investment and holding companies	16,535	71	16,606
Professionals and private individuals (excluding housing loans)	24,387	37	24,424
Others	29,941	324	30,265
Total	295,010	4,592	299,602

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

In $ millions	Less than 30 days past due	30 to 59 days past due	60 to 90 days past due	Total
	The Group			
2017				
Manufacturing	**99**	**4**	**1**	**104**
Building and construction	**89**	**2**	**1**	**92**
Housing loans	**529**	**87**	**45**	**661**
General commerce	**261**	**25**	**4**	**290**
Transportation, storage and communications	**38**	**19**	**1**	**58**
Financial institutions, investment and holding companies	**99**	**19**	**-**	**118**
Professionals and private individuals (excluding housing loans)	**378**	**74**	**78**	**530**
Others	**119**	**8**	**2**	**129**
Total	**1,612**	**238**	**132**	**1,982**
2016				
Manufacturing	87	3	4	94
Building and construction	45	1	1	47
Housing loans	370	76	23	469
General commerce	108	10	5	123
Transportation, storage and communications	104	24	9	137
Financial institutions, investment and holding companies	53	-	-	53
Professionals and private individuals (excluding housing loans)	298	65	24	387
Others	82	4	1	87
Total	1,147	183	67	1,397

(iii) Non-performing assets (NPAs)

Non-performing assets by grading and industry

In $ millions	NPAs Sub-standard	NPAs Doubtful	NPAs Loss	NPAs Total	Specific allowances Sub-standard	Specific allowances Doubtful	Specific allowances Loss	Specific allowances Total
	The Group							
2017								
Manufacturing	**461**	**231**	**125**	**817**	**33**	**200**	**125**	**358**
Building and construction	**145**	**64**	**20**	**229**	**24**	**52**	**20**	**96**
Housing loans	**158**	**6**	**3**	**167**	**-**	**4**	**3**	**7**
General commerce	**341**	**232**	**50**	**623**	**11**	**170**	**50**	**231**
Transportation, storage and communications	**1,548**	**348**	**928**	**2,824**	**223**	**199**	**928**	**1,350**
Financial institutions, investment and holding companies	**36**	**21**	**9**	**66**	**2**	**11**	**9**	**22**
Professional and private individuals (excluding housing loans)	**445**	**32**	**14**	**491**	**78**	**29**	**14**	**121**
Others	**151**	**139**	**10**	**300**	**11**	**70**	**10**	**91**
Total non-performing loans	**3,285**	**1,073**	**1,159**	**5,517**	**382**	**735**	**1,159**	**2,276**
Debt securities, contingent liabilities and others	**276**	**143**	**134**	**553**	**15**	**94**	**134**	**243**
Total	**3,561**	**1,216**	**1,293**	**6,070**	**397**	**829**	**1,293**	**2,519**
Of which: restructured assets	**545**	**256**	**47**	**848**	**76**	**182**	**47**	**305**

	The Group							
	NPAs				Specific allowances			
In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
2016								
Manufacturing	661	142	101	904	73	124	101	298
Building and construction	263	111	7	381	29	100	7	136
Housing loans	121	8	5	134	-	3	5	8
General commerce	523	310	47	880	48	176	47	271
Transportation, storage and communications	1,147	44	236	1,427	37	43	236	316
Financial institutions, investment and holding companies	62	21	-	83	11	4	-	15
Professional and private individuals (excluding housing loans)	254	18	8	280	46	17	8	71
Others	238	29	60	327	71	24	60	155
Total non-performing loans	3,269	683	464	4,416	315	491	464	1,270
Debt securities, contingent liabilities and others	170	109	161	440	23	87	161	271
Total	3,439	792	625	4,856	338	578	625	1,541
Of which: restructured assets	467	139	7	613	91	93	7	191

Non-performing assets by geography[(a)]

	The Group	
In $ millions	NPAs	Specific allowances
2017		
Singapore	**3,191**	**1,322**
Hong Kong	**625**	**279**
Rest of Greater China	**436**	**131**
South and Southeast Asia	**1,078**	**489**
Rest of the World	**187**	**55**
Total non-performing loans	**5,517**	**2,276**
Debt securities, contingent liabilities and others	**553**	**243**
Total	**6,070**	**2,519**
2016		
Singapore	1,725	383
Hong Kong	687	187
Rest of Greater China	432	136
South and Southeast Asia	1,188	425
Rest of the World	384	139
Total non-performing loans	4,416	1,270
Debt securities, contingent liabilities and others	440	271
Total	4,856	1,541

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

Non-performing assets by past due period

	The Group	
In $ millions	2017	2016
Not overdue	**1,448**	705
Within 90 days	**865**	698
Over 90 to 180 days	**1,097**	1,215
Over 180 days	**2,660**	2,238
Total past due assets	**4,622**	4,151
Total	**6,070**	4,856

Secured non-performing assets by collateral type

	The Group	
In $ millions	**2017**	**2016**
Properties	**959**	973
Shares and debentures	**224**	312
Fixed deposits	**33**	11
Others	**1,876**	1,318
Total	**3,092**	2,614

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

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

		The Group	
Analysed by external rating **In $ millions**	**Singapore Government securities and treasury bills**	**Other government securities and treasury bills (Gross)**	**Bank and corporate debt securities (Gross)**
2017			
AAA	**14,239**	**8,414**	**20,236**
AA- to AA+	**-**	**9,388**	**5,703**
A- to A+	**-**	**3,678**	**6,369**
Lower than A-	**-**	**4,034**	**5,806**
Unrated	**-**	**-**	**12,175**
Total	**14,239**	**25,514**	**50,289**
2016			
AAA	11,983	5,454	16,194
AA- to AA+	-	10,715	5,133
A- to A+	-	1,283	4,146
Lower than A-	-	3,966	4,009
Unrated	-	-	12,111
Total	11,983	21,418	41,593

42.4 Credit risk by geography and industry

			The Group			
Analysed by geography[a] **In $ millions**	**Government securities and treasury bills (Gross)**	**Due from banks**	**Derivatives**	**Bank and corporate debt securities (Gross)**	**Loans and advances to customers (Gross)**	**Total**
2017						
Singapore	**14,239**	**285**	**1,911**	**15,185**	**155,299**	**186,919**
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**	**12,680**	**11,307**	**24,219**	**43,959**	**107,585**
Total	**39,753**	**35,962**	**17,612**	**50,289**	**327,769**	**471,385**
2016						
Singapore	11,983	569	2,373	13,398	145,025	173,348
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	10,890	17,260	19,286	39,718	98,323
Total	33,401	30,000	25,778	41,593	305,415	436,187

(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

	The Group					
Analysed by industry **In $ millions**	**Government securities and treasury bills (Gross)**	**Due from banks**	**Derivatives**	**Bank and corporate debt securities (Gross)**	**Loans and advances to customers (Gross)**	**Total**
2017						
Manufacturing	**-**	**-**	**195**	**2,542**	**32,636**	**35,373**
Building and construction	**-**	**-**	**426**	**4,680**	**64,520**	**69,626**
Housing loans	**-**	**-**	**-**	**-**	**73,293**	**73,293**
General commerce	**-**	**-**	**179**	**1,205**	**51,119**	**52,503**
Transportation, storage and communications	**-**	**-**	**650**	**3,840**	**30,480**	**34,970**
Financial institutions, investment and holding companies	**-**	**35,962**	**15,421**	**26,261**	**17,221**	**94,865**
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**	**35,962**	**17,612**	**50,289**	**327,769**	**471,385**
2016						
Manufacturing	-	-	457	2,644	31,235	34,336
Building and construction	-	-	414	3,229	58,358	62,001
Housing loans	-	-	-	-	64,465	64,465
General commerce	-	-	460	1,069	46,881	48,410
Transportation, storage and communications	-	-	669	2,527	31,964	35,160
Financial institutions, investment and holding companies	-	30,000	22,737	19,313	16,742	88,792
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	30,000	25,778	41,593	305,415	436,187

43 Market Risk

The Group's 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 the Group's Institutional Banking and Consumer Banking/Wealth Management assets and liabilities, (ii) equity investments comprising of investments held for yield and/or long-term capital gains, (iii) strategic stakes in entities and (iv) structural foreign exchange risk arising mainly from the Group's strategic investments, which are denominated in currencies other than the Singapore Dollar.

The Group uses 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 the Group's (i) investments, (ii) maturity mismatches between loans and deposits, (iii) structured product issuances, and (iv) other assets and liabilities.

Market Risk Management

The Group's approach to market risk management comprises the following building blocks:

- **Policies**
  The Market Risk Management Policy sets the Group's overall approach towards market risk management, while the Market Risk Management Standard establishes the basic requirements for the said management within the Group. 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 the Group. 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.

  The Group's VaR model is based on historical simulation with a one-day holding period. The Group uses 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 to 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.

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

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

  VaR models allow the Group 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 the Group's vulnerability to unexpected but plausible extreme market risk-related events, it conducts 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 the Group's assets and liabilities. As an exception, credit risk arising from loans and receivables is managed under the credit risk management framework. The Group also manages 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. The Group 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 the Group's market risk management approach. The Group 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 the Group's market risk daily. The unit comprises risk control, risk analytics, production and reporting teams.

Market Risk

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

		The Group 1 Jan 2017 to 31 Dec 2017		
In $ millions	**As at 31 Dec 2017**	**Average**	**High**	**Low**
Total	**104**	**112**	**146**	**80**

		The Group 1 Jan 2016 to 31 Dec 2016		
In $ millions	**As at 31 Dec 2016**	**Average**	**High**	**Low**
Total	89	98	112	84

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

		The Group 1 Jan 2017 to 31 Dec 2017		
In $ millions	**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**	**#**

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

Amount under $500,000

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

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

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

44 Liquidity Risk

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

Liquidity Risk Management

Liquidity Management and Funding Strategy
The Group strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The Group's funding strategy is anchored on strengthening its core deposit franchise as the foundation of the Group's long-term funding advantage.

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, the Group makes 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, the Group is 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. The Group mitigates 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 its cash flow maturity gap analysis.

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

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

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

Approach to Liquidity Risk Management
The Group's approach to liquidity risk management comprises the following building blocks:

- **Policies**
  The Group Liquidity Risk Management Policy sets its overall approach towards liquidity risk management and describes the range of strategies the Group employs to manage its liquidity.

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

  The Group's 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, the Group has in place a set of liquidity contingency and recovery plans to ensure that it maintains 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 the Group. The set of Policies, Standards and supporting Guides communicate these baseline requirements to ensure consistent application throughout the Group.

- **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 the Group's 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 the Group's 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 the Group's 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 the Group's 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 the Group's 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 the Group's 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 the Group's overall approach in identifying, measuring, aggregating, controlling and monitoring liquidity risk across the Group.

  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.

Liquidity risk in 2017

The Group actively monitors and manages its liquidity profile through cash flow maturity mismatch analysis.

In forecasting cash flow under the analysis, behavioural profiling is necessary in cases where a product has indeterminate maturity or the contractual maturity does not realistically reflect the expected cash flow.

Two examples are maturity-indeterminate savings and current account deposits, which are generally viewed as sources of stable funding for commercial banks. In fact, they consistently exhibit stability even under historical periods of stress. A conservative view is adopted in the behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the contractual maturity profile shown under Note 44.1.

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
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	**12,114**	**4,182**	**6,476**	**12,075**	**559**	**556**	**-**	**-**	**35,962**
Derivatives[(a)]	**17,612**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,612**
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	**6,186**	**1,412**	**1,503**	**2,017**	**166**	**51**	**21**	**700**	**12,056**
Associates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**783**	**783**
Properties and other fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,233**	**1,233**
Goodwill and intangibles	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,165**	**5,165**
Total assets	**81,417**	**63,206**	**47,855**	**74,244**	**85,810**	**60,923**	**90,982**	**13,278**	**517,715**
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)]	**18,039**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,039**
Other liabilities	**7,747**	**1,384**	**2,071**	**2,559**	**87**	**11**	**117**	**2,588**	**16,564**
Other debt securities	**3,129**	**5,657**	**11,281**	**7,276**	**4,295**	**449**	**4,551**	**-**	**36,638**
Due to holding company	**2,439**	**-**	**499**	**-**	**-**	**-**	**989**	**-**	**3,927**
Subordinated term debts	**-**	**-**	**508**	**-**	**-**	**-**	**-**	**-**	**508**
Total liabilities	**303,041**	**53,406**	**54,865**	**39,582**	**5,932**	**1,295**	**6,404**	**2,588**	**467,113**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,484**	**2,484**
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48,118**	**48,118**
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50,602**	**50,602**
2016									
Cash and balances with central banks	15,674	6,853	2,394	1,300	619	-	-	-	26,840
Government securities and treasury bills	470	1,475	3,178	7,524	6,874	4,452	9,428	-	33,401
Due from banks	11,458	2,971	4,197	10,078	1,082	214	-	-	30,000
Derivatives[(a)]	25,778	-	-	-	-	-	-	-	25,778
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	5,540	917	1,315	2,322	143	24	32	734	11,027
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	40,800	69,885	77,615	56,350	84,862	12,291	481,558
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)]	24,525	-	-	-	-	-	-	-	24,525
Other liabilities	6,502	1,082	2,080	3,229	37	7	128	2,788	15,853
Other debt securities	1,074	3,516	8,891	4,058	4,155	1,584	2,067	-	25,345
Due to holding company	413	-	134	-	-	781	774	-	2,102
Subordinated term debts	-	-	866	-	-	-	1,591	-	2,457
Total liabilities	282,796	50,606	47,576	34,688	7,498	2,738	4,953	2,788	433,643
Non-controlling interests	-	-	-	-	-	-	-	2,523	2,523
Shareholders' funds	-	-	-	-	-	-	-	45,392	45,392
Total equity	-	-	-	-	-	-	-	47,915	47,915

(a) Derivative financial assets and liabilities are included in the "Less than 7 days" bucket as they are mainly held for trading. Refer to the table in Note 44.2 on cash flows associated with these derivatives

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

44.2 Derivatives

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

	The Group					
In $ millions[a]	**Less than 7 days**	**1 week to 1 month**	**1 to 3 months**	**3 to 12 months**	**More than 1 year**	**Total**
2017						
Derivatives settled on a net basis	**(619)**	**11**	**67**	**(14)**	**(442)**	**(998)**
Derivatives settled on a gross basis						
- inflow	**67,937**	**114,531**	**144,589**	**204,733**	**173,495**	**705,285**
- outflow	**(67,580)**	**(114,740)**	**(144,832)**	**(205,412)**	**(172,917)**	**(705,481)**
2016						
Derivatives settled on a net basis	(475)	(12)	140	262	1,406	1,321
Derivatives settled on a gross basis						
- inflow	59,091	104,505	171,874	232,827	184,404	752,701
- outflow	(58,909)	(104,280)	(171,858)	(232,889)	(184,541)	(752,477)

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

44.3 Contingent liabilities and commitments

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

	The Group				
In $ millions	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
2017					
Guarantees, endorsements and other contingent liabilities	**20,819**	**-**	**-**	**-**	**20,819**
Undrawn credit commitments[a] and other facilities	**217,081**	**13,146**	**12,048**	**2,198**	**244,473**
Operating lease commitments	**330**	**342**	**42**	**3**	**717**
Capital commitments	**42**	**32**	**-**	**-**	**74**
Total	**238,272**	**13,520**	**12,090**	**2,201**	**266,083**
2016					
Guarantees, endorsements and other contingent liabilities	22,714	-	-	-	22,714
Undrawn credit commitments[a] and other facilities	206,183	11,970	13,028	4,152	235,333
Operating lease commitments	234	267	42	6	549
Capital commitments	54	12	3	-	69
Total	229,185	12,249	13,073	4,158	258,665

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

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

45 Operational Risk

Operational risk is inherent in the Group's business activities and it may arise from inadequate or failed internal processes, people, systems, or external events.

The Group's objective is to keep operational risk at appropriate levels, taking into account the markets it operates in, the characteristics of the businesses as well as its economic and regulatory environment.

Operational Risk Management

The Group's approach to operational risk management comprises the following building blocks:

- **Policies**
  The Group Operational Risk Management (ORM) Policy sets its 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 the Group. 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**
  The Group adopts the standardised approach to compute operational risk regulatory capital.

  To manage and control operational risk, the Group uses various tools, including risk and control self-assessment, operational risk event management and key risk indicator monitoring.

  In 2017, the Group's three lines of defence completed an alignment of the operational risk management and assessment approaches, and adopted one common risk universe to manage operational risks. Risk and control self-assessment is conducted by each business or support unit to identify key operational risk and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues.

  Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact the Group's 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.

The Group has also established policies and standards to manage and address cyber security risk. To enhance the management of this risk, the Group has appointed a Chief Information Security Officer who is responsible for its cyber security risk management strategy and programme.

Compliance risk
Compliance risk refers to the risk of the Group not being able to successfully conduct its 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. The Group maintains a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

The Group also provides relevant training and implements assurance processes. The Group strongly believes in the need to promote a strong compliance culture as well, and this is developed through the leadership of its Board and senior management.

Fraud risk
The Group has established minimum standards for its 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 the Group.

Money laundering, financing of terrorism and sanctions risks
There are minimum standards for the Group's business and support units to mitigate and manage its 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 the Group's assets and reputation, as well as the interests of its 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 the Group's risk mitigation programme.

A robust crisis management and business continuity management programme is in place within essential business services for unforeseen events. Planning for business resilience includes the identification of key business processes via Business Impact Analysis as well as the documentation and maintenance of the Group's Business Continuity Plan (BCP).

The Group's 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, the Group has in place an incident management process, which provides guidance on incident severity assessment, roles and responsibilities of process owners and escalation protocols for the effective management of a crisis.

Exercises are conducted annually, simulating different scenarios to test the Group's BCPs and crisis management protocol. These scenarios include technology issues affecting essential banking services across the Group, 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 the Group's business continuity readiness, its alignment to regulatory guidelines and its 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, the Group purchases group-wide insurance policies – under the Group Insurance Programme – from third-party insurers. The Group has acquired insurance policies relating to crime and professional indemnity; Director and officer liability; property damage and business interruption; general liability; and terrorism.

- **Processes, Systems and Reports**
  Robust internal control processes and systems are integral to identifying, monitoring, managing and reporting operational risk.

  The Group's units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the various frameworks and policies. The RMG Operational Risk unit and other corporate oversight and control functions oversee and monitor the effectiveness of operational risk management, assess key operational risk issues with the units, and report and/or escalate key operational risks to risk committees with recommendations on appropriate risk mitigation strategies.

  The Group has developed an integrated Governance, Risk and Compliance system with aligned risk assessment methodology, common taxonomy and unified processes for the three lines of defence. The Group will complete the full implementation in 2018.

46 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 the Group's strategic plans and risk appetite.

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

The Group is subject to and has complied with the capital adequacy requirements set out in the MAS Notice 637, which effects the Basel Committee on Banking Supervision's capital adequacy framework in Singapore throughout the year. The Group's capital adequacy ratios as at 31 December 2017 have been subject to an external limited assurance review, pursuant to the MAS Notice 609 "Auditors' Reports and Additional Information to be submitted with Annual Accounts".

47 Segment Reporting

47.1 Business segment reporting

The business segment results are prepared based on the Group's internal management reporting which reflects the organisation management structure. As the activities of the Group are highly integrated, internal allocation has been made in preparing the segment information. Amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The Group's various business segments are described below.

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

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

Treasury Markets
Treasury Markets' activities primarily include structuring, market-making and trading across a broad range of treasury products.

Income from sale of treasury products offered to customers of Consumer Banking/Wealth Management and Institutional Banking is not reflected in the Treasury Markets segment, but in the respective customer segments.

Others
Others encompass a range of activities from corporate decisions and include income and expenses not attributed to other business segments, including capital and balance sheet management, funding and liquidity. DBS Vickers Securities and the Islamic Bank of Asia are also included in this segment.

The following table analyses the results, total assets and total liabilities of the Group by business segment.

	The Group				
In $ millions	**Consumer Banking/ Wealth Management**	**Institutional Banking**	**Treasury Markets**	**Others**	**Total**
2017					
Net interest income	**2,843**	**3,622**	**563**	**776**	**7,804**
Non-interest income	**1,828**	**1,653**	**293**	**689**	**4,463**
Total income	**4,671**	**5,275**	**856**	**1,465**	**12,267**
Total expenses	**2,575**	**1,755**	**572**	**292**	**5,194**
Allowances for credit and other losses	**161**	**2,326**	**1**	**(594)**	**1,894**
Profit before tax	**1,935**	**1,194**	**283**	**1,767**	**5,179**
Income tax expense					**671**
Net profit attributable to shareholders					**4,388**
Total assets before goodwill and intangibles	**110,718**	**246,863**	**103,158**	**51,811**	**512,550**
Goodwill and intangibles					**5,165**
Total assets					**517,715**
Total liabilities	**207,485**	**177,418**	**40,209**	**42,001**	**467,113**
Capital expenditure	**87**	**15**	**8**	**250**	**360**
Depreciation	**48**	**13**	**4**	**232**	**297**
2016					
Net interest income	2,715	3,487	578	511	7,291
Non-interest income	1,564	1,729	551	338	4,182
Total income	4,279	5,216	1,129	849	11,473
Total expenses	2,384	1,737	564	280	4,965
Allowances for credit and other losses	129	1,499	-	(194)	1,434
Profit before tax	1,766	1,980	565	763	5,074
Income tax expense					719
Net profit attributable to shareholders					4,254
Total assets before goodwill and intangibles	96,405	231,929	102,701	45,406	476,441
Goodwill and intangibles					5,117
Total assets					481,558
Total liabilities	187,387	167,598	47,836	30,822	433,643
Capital expenditure	87	19	17	198	321
Depreciation	39	20	4	212	275

47.2 Geographical segment reporting

The performance by geography is classified based on the location in which income and assets are recorded. Hong Kong comprises mainly DBS Bank (HK) Limited and DBS HK branch. Rest of Greater China comprises mainly DBS Bank (China) Ltd, DBS Bank (Taiwan) Ltd and DBS Taipei branch. South and Southeast Asia comprises mainly PT Bank DBS Indonesia, DBS India branches and DBS Labuan branch. All results are prepared in accordance with Singapore Financial Reporting Standard, as modified by the requirements of the MAS Notice 612.

	The Group					
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China**	**South and Southeast Asia**	**Rest of the World**	**Total**
2017						
Net interest income	**5,114**	**1,439**	**545**	**457**	**249**	**7,804**
Non-interest income	**3,027**	**784**	**310**	**239**	**103**	**4,463**
Total income	**8,141**	**2,223**	**855**	**696**	**352**	**12,267**
Total expenses	**3,048**	**958**	**632**	**457**	**99**	**5,194**
Allowances for credit and other losses	**1,483**	**80**	**131**	**184**	**16**	**1,894**
Profit before tax	**3,610**	**1,185**	**92**	**55**	**237**	**5,179**
Income tax expense	**392**	**200**	**26**	**(11)**	**64**	**671**
Net profit attributable to shareholders	**3,099**	**985**	**66**	**65**	**173**	**4,388**
Total assets before goodwill and intangibles	**335,906**	**79,361**	**49,966**	**19,731**	**27,586**	**512,550**
Goodwill and intangibles	**5,136**	**29**	**-**	**-**	**-**	**5,165**
Total assets	**341,042**	**79,390**	**49,966**	**19,731**	**27,586**	**517,715**
Non-current assets[(a)]	**1,487**	**338**	**118**	**69**	**4**	**2,016**
2016						
Net interest income	4,874	1,317	464	425	211	7,291
Non-interest income	2,650	785	370	292	85	4,182
Total income	7,524	2,102	834	717	296	11,473
Total expenses	2,864	961	645	399	96	4,965
Allowances for credit and other losses	658	302	191	196	87	1,434
Profit before tax	4,002	839	(2)	122	113	5,074
Income tax expense	490	126	19	29	55	719
Net profit attributable to shareholders	3,412	713	(21)	92	58	4,254
Total assets before goodwill and intangibles	316,896	73,338	40,436	21,613	24,158	476,441
Goodwill and intangibles	5,083	34	-	-	-	5,117
Total assets	321,979	73,372	40,436	21,613	24,158	481,558
Non-current assets[(a)]	1,941	382	80	53	6	2,462

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

DBS Bank Ltd. and its subsidiaries

Directors' Statement

The Directors are pleased to submit their statement to the Member, together with the audited consolidated financial statements of DBS Bank Ltd. (the Bank) and its subsidiaries (the Bank Group) and the financial statements of the Bank for the financial year ended 31 December 2017. These have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and the Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 “Credit Files, Grading and Provisioning” issued by the Monetary Authority of Singapore.

In the opinion of the Directors, the consolidated financial statements of the Bank Group, consisting of the Bank and its subsidiaries, and the financial statements of the Bank, together with the notes thereon, as set out on pages 1 to 81, are drawn up so as to give a true and fair view of the financial position of the Bank and Bank Group, as at 31 December 2017, and the performance and changes in equity of the Bank and Bank Group, and cash flow statement of the Bank Group for the financial year ended on that date. As at the date of this statement, there are reasonable grounds to believe that the Bank and the Bank Group will be able to pay their debts as and when they fall due.

DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 5,483,617 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Bank Group. This included 263,545 ordinary shares comprised in awards granted to the executive Director, Mr Piyush Gupta, which formed part of his remuneration. During the financial year, certain non-executive Directors received an aggregate of 48,890 share awards, which formed part of their directors’ fees for acting as Directors of DBSH. Details are set out below.

Directors of the Bank	Share awards granted during the financial year under review	Share awards vested during the financial year under review
Mr Peter Seah Lim Huat (2)	26,307	26,307
Mr Piyush Gupta	263,545 (1)	340,877
Dr Bart Joseph Broadman(2)	3,080	3,080
Ms Euleen Goh Yiu Kiang (2)	4,985	4,985
Mr Ho Tian Yee(2)	2,830	2,830
Mr Nihal Vijaya Devadas Kaviratne CBE(2)	3,668	3,668
Mr Andre Sekulic(2)	3,918	3,918
Mr Danny Teoh Leong Kay (2)	4,102	4,102

(1) Mr Piyush Gupta’s awards formed part of his remuneration for 2016
(2) The awards of these non-executive Directors formed part of their directors’ fees for acting as Directors of DBSH in 2016. All the awards granted to these non-executive Directors during the financial year under review vested immediately upon grant.

Information on the DBSH Share Plan is as follows:

(i) Awards over DBSH's ordinary shares may be granted to Bank 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 the Bank who hold such rank as may be determined by the Compensation and Management Development Committee from time to time, and non-executive Directors of DBSH.

The participants of the DBSH Share Plan shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

(ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH or, at the Compensation and Management Development Committee's discretion, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee. Dividends on unvested shares do not accrue to employees.

(iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary General Meeting of DBSH 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 DBSH in treasury).

(vi) The class and/or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

Board of Directors

The Directors in office at the date of this statement are:

Mr Peter Seah Lim Huat	- Chairman
Mr Piyush Gupta	- Chief Executive Officer
Dr Bart Joseph Broadman	
Ms Euleen Goh Yiu Kiang	
Mr Ho Tian Yee	
Mr Olivier Lim Tse Ghow	- (Appointed 7 November 2017)
Mr Nihal Vijaya Devadas Kaviratne CBE	
Mr Andre Sekulic	
Mr Danny Teoh Leong Kay	
Mrs Ow Foong Pheng	

Mr Peter Seah Lim Huat, Mr Piyush Gupta and Mr Andre Sekulic will retire in accordance with Article 95 of the Bank's Constitution at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

Mr Olivier Lim Tse Ghow will retire in accordance with Article 74(b) of the Bank's Constitution at the forthcoming AGM and will offer himself for re-election at the AGM.

Arrangements to enable Directors to acquire shares or debentures

Neither at the end of, nor at any time during the financial year, was the Bank 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 Bank or any other body corporate, save as disclosed in this statement.

Directors' interest in shares or debentures

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Bank and related corporations as stated below:

	Holdings in which Directors have a direct interest		**Holdings in which Directors are deemed to have an interest**	
	As at 31 Dec 2017	**As at** 1 Jan 2017 (or date of appointment if later)	**As at 31 Dec 2017**	**As at 1 Jan 2017** (or date of appointment if later)
DBSH ordinary shares				
Mr Peter Seah Lim Huat	202,218	175,911	-	-
Mr Piyush Gupta	802,884	962,007	318,000	318,000
Dr Bart Joseph Broadman	112,956	109,876	-	-
Ms Euleen Goh Yiu Kiang	50,860	45,209	-	-
Mr Ho Tian Yee	32,013	38,591	-	-
Mr Olivier Lim Tse Ghow	10,000	10,000	-	-
Mr Nihal Vijaya Devadas Kaviratne CBE	31,300	16,224	-	-
Mr Andre Sekulic	21,994	17,476	-	-
Mr Danny Teoh Leong Kay	38,738	34,636	19,099	19,099
Mrs Ow Foong Pheng	25,839	25,464	-	-
Share awards (unvested) granted under the DBSH Share Plan				
Mr Piyush Gupta(1)	1,124,189	1,201,521	-	-
DBS Bank 4.7% non-cumulative non-convertible redeemable perpetual preference shares				
Ms Euleen Goh Yiu Kiang	3,000	3,000	-	-

(1) Mr Piyush Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 38 of the Notes to the 2017 Bank Group's financial statements

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2018.

Independent Auditor

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent external auditor.

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

Singapore

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBS BANK LTD.

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of DBS Bank Ltd. (the "Bank") and its subsidiaries (the "Bank Group") and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs"), including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore ("MAS 612") so as to give a true and fair view of the consolidated financial position of the Bank Group and the financial position of the Bank as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Bank Group, and of the financial performance and changes in equity of the Bank for the financial year ended on that date.

What we have audited

The financial statements of the Bank Group and the Bank, as set out on pages 1 to 81, comprise:

- the income statements of the Bank Group and the Bank for the year ended 31 December 2017;
- the statements of comprehensive income of the Bank Group and the Bank for the year then ended;
- the balance sheets of the Bank Group and of the Bank as at 31 December 2017;
- the consolidated statement of changes in equity of the Bank Group for the year then ended;
- the statement of changes in equity of the Bank for the year then ended;
- the consolidated cash flow statement of the Bank 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.

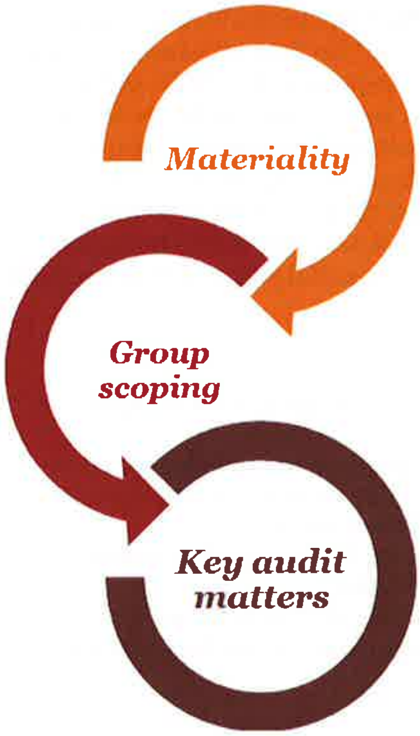
Independence

We are independent of the Bank 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBS BANK LTD. (continued)

Our audit approach

Overview



Materiality

- We determined the overall Bank Group materiality based on 5% of the Bank Group's profit before tax.

Group scoping

- Audit procedures were performed over the Singapore Operations of DBS Bank Ltd. and DBS Group (HK) Limited.
- We identified DBS Bank Ltd. Hong Kong Branch, DBS Bank (China) Limited, PT Bank DBS Indonesia, DBS Bank (Taiwan) Ltd and DBS Bank Ltd. India Branch as component entities where certain account balances were considered to be significant in size in relation to the Bank Group. Consequently, specific audit procedures for the significant account balances of these components were performed to obtain sufficient appropriate audit evidence.

Key audit matters

- Specific and general allowances for loans and advances to customers
- Acquisition of the wealth management and retail banking businesses of Australia and New Zealand Banking Group Limited in Singapore, China, Hong Kong and Taiwan
- Goodwill and intangibles
- Valuation of complex or illiquid financial instruments

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank 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 Bank Group materiality	5% of the Bank 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 Bank Group is most commonly measured. • We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit-related thresholds.

In performing our audit, we allocated materiality levels to the significant components of the Bank Group. These are less than the overall Bank 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 Bank Group, the accounting processes and controls, and the industry in which the Bank Group operates.

In establishing the overall Bank Group audit approach, we determined the extent of audit procedures that are needed to be performed across the Bank 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 Bank Group's key locations and held a Bank Group audit planning meeting with the auditors of the significant components. We also held regular conference calls with all component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole; and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Specific and general allowances for loans and advances to customers At 31 December 2017, the specific allowances for loans and advances to customers of the Bank Group was $2,276 million, the majority of which related to Institutional Banking Group ("IBG") customers. Apart from specific allowances, the Bank Group also recognised general allowances for loans and advances to customers in accordance to the transitional provision set out in MAS 612 ("general provision") of $2,394 million at that date. We focused on this area because of the subjective judgements by management in determining the necessity for, and then estimating the size of, allowances against loans and advances. In particular, we focused on specific allowances for loans and advances to IBG customers because any assessment of impairment can be inherently subjective and involve significant judgement over both timing of recognition of any impairment and the estimation of the size of such impairment. This includes: • the classification of loans and advances in line with MAS 612; and • the principal assumptions underlying the calculation of specific allowances for loans and advances to IBG customers where there is evidence of impairment losses (including the future profitability of the borrowers and the expected realisable value of collateral held).	We assessed the design and evaluated the operating effectiveness of the controls over the specific allowances for loans and advances to IBG customers. These controls included: • oversight of credit risk by the Credit Risk Committee; • timely review of credit risk; • the watchlist identification and monitoring process; • timely identification of impairment events; • classification of loans and advances in line with MAS 612; and • the collateral valuation processes. We determined that we could rely on these controls for the purposes of our audit. We inspected a sample of loans and advances to IBG customers to assess whether we agreed with the classification of the loans and advances in line with MAS 612 and, where there was evidence of an impairment loss, whether it had been identified in a timely manner including, where relevant, how forbearance had been considered. 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.

Key audit matter	How our audit addressed the key audit matter
We focused on borrowers incorporated in China, India and Indonesia, and with exposures to the oil and gas support services and other commodities sectors in view of continued heightened credit risks impacting some parts of the portfolio. We also focused on the disclosure on transitional impact from the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I) 9") Financial Instruments on recognition of expected credit losses ("ECL") of financial assets (i.e. impairment) which is effective from 1 January 2018. Management has estimated the transitional impact as a net decrease of approximately $95 million in the loan loss allowances for assets classified at amortised cost or fair value through other comprehensive income. Approximately $95 million is expected to be appropriated from revenue reserves to a non-distributable regulatory reserve prescribed by MAS 612 effective from 1 January 2018. (Refer also to Notes 2.4, 3 and 17 to the financial statements)	For a sample of performing loans and advances to IBG customers which had not been identified by management as potentially impaired, considering the latest developments in relation to the borrower, we challenged management's assumptions on whether management's classification was appropriate, using external evidence where available in respect of the relevant borrower. In addition to the controls detailed above on the specific allowances for loans and advances to IBG customers, we also tested the key reconciliations of the underlying data used for the general loan loss provisioning. We determined that we could rely on these controls for the purposes of our audit. We reviewed management's calculation of the general provision as at 31 December 2017 in accordance with MAS 612. The amount of the general provision met the minimum MAS 612 requirements. We obtained an understanding of how the Bank Group has implemented SFRS(I) 9. Specialists in our team critically assessed the assumptions and methodologies used to estimate the ECL as at 1 January 2018 and found that the transitional impact estimated by management was within a reasonable range of outcomes.
Acquisition of the wealth management and retail banking businesses of Australia and New Zealand Banking Group Limited ("ANZ business") in Singapore, China, Hong Kong and Taiwan As at 31 December 2017, the Bank Group had completed the acquisition of the ANZ business in Singapore, China, Hong Kong and Taiwan. The purchase consideration for the acquisition was $110 million above the book value, of which estimated $53 million represented goodwill. The Bank Group received cash of $4,783 million, largely represented by the difference between the assets acquired	We assessed the competence, capabilities and objectivity of the external expert appointed by management and evaluated the reasonableness of their conclusions in relation to the key assumptions used. We assessed the Bank Group's determination of the fair value of the remaining assets and liabilities having regard to the completeness of assets and liabilities identified and the reasonableness of underlying assumptions in their respective valuations. We also evaluated the reasonableness of the key assumptions and methodologies used in the valuation. Based on the evidence obtained, we found that the key assumptions and methodologies used were within a reasonable range of expectations. We read the sales and purchase agreement, confirmed that the accounting treatment was in

Key audit matter	How our audit addressed the key audit matter
(comprising mainly loans and advances to customers) of $8,573 million and the liabilities assumed (comprising mainly deposit and balances with customers) of $13,432 million. We focused on this area because any assessment of the purchase price allocation, the fair valuation of assets and liabilities, and the identification and valuation of intangible assets can be inherently subjective and involve significant judgement. (Refer also to Note 24 to the financial statements)	accordance to FRS 103 Business Combinations, and reviewed the financial statements for appropriate disclosure.
Goodwill and intangibles As at 31 December 2017, the Bank Group had $5,165 million of goodwill and intangibles as a result of acquisitions. We focused on this area as management makes significant judgements when estimating future cash flows and growth rates in undertaking its annual goodwill impairment testing. We specifically focused on the following key assumptions used in the discounted cash flow analyses: • Cash flow forecasts; • Discount rate; and • Growth rate. (Refer also to Notes 3 and 26 to the financial statements)	We assessed the appropriateness of management's identification of the Bank Group's cash generating units and the process by which indicators of impairment were identified. There were no significant issues noted. For DBS Bank (Hong Kong) Limited's franchise (goodwill of $4,631 million as at 31 December 2017), we evaluated management's cash flow forecasts and the process by which they were developed, including verifying the mathematical accuracy of the underlying calculations. Valuation specialists in our team critically assessed the assumptions and methodologies used to forecast the value-in-use and compared key inputs (such as the discount rates and long-term growth rates) to the Bank Group's own historical data, performance and external available trend analysis, industry and economic indicators. Based on the evidence obtained, we found that the estimates used by management were within a reasonable range of expectations in the context of the value-in-use calculations. We reviewed management's stress test over the key assumptions to determine whether any reasonably possible change in these assumptions would not cause an impairment. Additionally, we considered whether the Bank Group's disclosure of the application of judgement in estimating cash flow projections and the sensitivity of the results of those estimates adequately reflected the uncertainties and risks associated with goodwill impairment.

Key audit matter	How our audit addressed the key audit matter
Valuation of complex or illiquid financial instruments Financial instruments held by the Bank Group at fair value include derivative assets and liabilities, trading securities, available-for-sale securities, certain debt instruments and other assets and liabilities designated at fair value. The Bank Group's financial instruments are predominantly valued using quoted market prices ('Level 1') or market observable prices ('Level 2'). The valuation of 'Level 3' instruments involves reliance on unobservable inputs. We focused on the carrying value of the Level 3 instruments, as significant judgement and assumptions were involved in determining the value of these financial instruments given either the instrument's complex nature or limited market liquidity. Significant judgement is also involved in determining derivative valuation adjustments, including those made to reflect the cost of funding of uncollateralised derivatives and counterparty credit risk. The methods for calculating some of these adjustments continue to evolve across the banking industry. (Refer also to Notes 3 and 40 to the financial statements)	We assessed the design and tested the operating effectiveness of the controls over the Bank Group's financial instruments valuation processes, including over Level 3 instruments. These included the controls over: • the completeness and accuracy of the data feeds and other inputs into valuation models; and • management's testing and approval of new models or revalidation of existing models We determined that we could rely on the controls for the purposes of our audit. We assessed the reasonableness of the methodologies used and the assumptions made for a sample of financial instrument valuations with significant unobservable valuation inputs. We also performed procedures on collateral disputes to identify possibly inappropriate valuations and assessed the appropriateness of the methodologies for the derivative valuation adjustments, in light of evolving industry practice. Overall, the valuation of complex or illiquid financial instruments was within a reasonable range of outcomes.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 82 to 85 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the Annual Report ("the Other Sections") which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Bank 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 Bank Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Bank 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 Bank Group's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBS BANK LTD. (continued)

- 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 Bank 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 Bank 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 Bank Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank 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 Bank and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 7 February 2018