Pillar 3 and Liquidity Coverage Ratio ("LCR") Disclosures

Fourth Quarter 2017

DBS Group Holdings Ltd
Incorporated in the Republic of Singapore
Company Registration Number: 199901152M

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES

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PART A : PILLAR 3 DISCLOSURES (FOR DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES)

1 INTRODUCTION

This part contains Pillar 3 disclosures of DBS Group Holdings Ltd and its Subsidiaries (Group) and is made pursuant to the Monetary Authority of Singapore Notice to Banks No. 637 “Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore (MAS Notice 637).

The Group views the Basel framework as part of continuing efforts to strengthen its risk management culture and ensure that the Group pursues business growth across segments and markets with the appropriate risk management discipline, practices and processes in place.

For the purpose of calculating its risk-weighted assets, the Group applies the Foundation Internal Ratings-Based Approach to certain wholesale credit exposures, the Advanced Internal Ratings-Based Approach to certain retail credit portfolios and the Standardised Approach to all other credit exposures. The Group applies the respective Standardised Approaches for operational and market risks.

The numbers in this document are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated.

2 SCOPE OF CONSOLIDATION

The Group's capital requirements are based on the principles of consolidation adopted in the preparation of its financial statements. The Group’s regulatory scope of consolidation is identical to its accounting scope of consolidation. Please refer to the financial statements in the latest available annual report for the principles of consolidation.

3 DISCLOSURE POLICY

Pillar 3 disclosures are prepared in accordance with:

- The principles outlined in the Group Disclosure Policy, which specify that all disclosures must be timely, complete and accurate; as well as
- The governance required and the internal control processes prescribed in the Pillar 3 Disclosure Standard, which have been established to ensure that the Pillar 3 disclosures will meet key stakeholders' expectations.

4 CAPITAL ADEQUACY

4.1 Capital Resources and Capital Adequacy Ratios

$m	31 Dec 2017	30 Sep 2017
Share capital	11,205	11,205
Disclosed reserves and others	34,455	33,383
Total regulatory adjustments to Common Equity Tier 1 capital	(4,490)	(4,431)
Common Equity Tier 1 capital	41,170	40,157
Additional Tier 1 capital instruments[1]	3,375	3,393
Total regulatory adjustments to Additional Tier 1 capital	(1,120)	(1,105)
Tier 1 capital	43,425	42,445
Provisions eligible as Tier 2 capital	961	915
Tier 2 capital instruments[1]	1,212	1,232
Total capital	45,598	44,592
Risk-Weighted Assets (RWA)		
Credit RWA	229,238	229,905
Market RWA	38,670	37,229
Operational RWA	19,681	19,288
Total RWA	287,589	286,422
Capital Adequacy Ratio (CAR) (%)		
Basel III fully phased-in Common Equity Tier 1[2]	13.9	13.6
Common Equity Tier 1	14.3	14.0
Tier 1	15.1	14.8
Total	15.9	15.6
Minimum CAR including Buffer Requirements (%)[3]		
Common Equity Tier 1	8.0	8.0
Effective Tier 1	9.5	9.5
Effective Total	11.5	11.5
Of which: Buffer Requirements (%)		
Capital Conservation Buffer	1.25	1.25
Countercyclical Buffer	0.2	0.2

Notes:

1 As part of the Basel III transition arrangements, regulatory capital recognition of outstanding Additional Tier 1 and Tier 2 capital instruments that no longer meet the minimum criteria is gradually being phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 90% in 2013, with this cap decreasing by 10 percentage points in each subsequent year. To the extent a capital instrument is redeemed or amortised after 1 January 2013, the nominal amount serving as the base is not reduced.

2 Calculated by dividing Common Equity Tier 1 capital after all regulatory adjustments (e.g. for goodwill) applicable from 1 January 2018 by RWA as at each reporting date.

3 Includes minimum Common Equity Tier 1, Tier 1 and Total CAR of 6.5%, 8.0% and 10.0% respectively.

Capital adequacy ratios improved in fourth quarter 2017 with net profit accretion outpacing RWA growth. Total RWA increased marginally by S$1.17 billion with credit RWA largely unchanged as RWA from loan growth was offset by lower RWA from off-balance sheet exposures as well as foreign currency translation. The Group's leverage ratio stood at 7.6%, well above the 3% minimum ratio set by Monetary Authority of Singapore effective 1 January 2018.

4.2 Geographical Distribution of Credit Exposures used in the Countercyclical Capital Buffer

The table below sets out the geographical distribution of the RWA of private sector credit exposures relevant for the calculation of the countercyclical capital buffer.

	31 Dec 17			
	(a)	(b)	(c)	(d)
Geographical breakdown	Jurisdiction-specific countercyclical buffer requirement (%)	RWA for private sector credit exposures used in the computation of the countercyclical buffer ($m)	Bank-specific countercyclical buffer requirement (%)	Countercyclical buffer amount ($m)
Hong Kong	1.25	31,438		
Sweden	1.25	105		
Others		171,282		
Total		202,825	0.2	558

The Basel III countercyclical capital buffer is calculated as the weighted average of the buffers in effect in the jurisdictions to which banks have private sector credit exposures, subject to the relevant transitional caps under MAS Notice 637. The Group attributes private sector credit exposures to jurisdictions primarily based on the jurisdiction of risk of each obligor, or its guarantor, if applicable. The determination of an obligor’s jurisdiction of risk is based on the look-through approach taking into consideration factors such the economic activity and availability of parental support.

4.3 Capital Adequacy of Significant Banking Subsidiaries

The capital adequacy ratios of each banking subsidiary are calculated in accordance with the regulatory requirements applicable in the respective jurisdictions, using the approaches available under those requirements. DBS Bank (Hong Kong) Limited and DBS Bank (China) Limited are deemed to be significant banking subsidiaries for the purposes of Pillar 3 disclosures under MAS Notice 637 paragraph 11.3.19.

	31 Dec 17			
	Total risk-weighted assets	CAR (%)		
	($m)	Common Equity Tier 1	Tier 1	Total
DBS Bank (Hong Kong) Limited	37,625	16.1	16.7	18.8
DBS Bank (China) Limited	16,907	12.8	12.8	15.7

5 COMPOSITION OF CAPITAL

5.1 Financial Statements and Regulatory Scope of Consolidation

	31 Dec 2017	
$m	**Amount**	**Cross Reference to Section 5.2**
ASSETS		
Cash and balances with central banks	26,463	
Government securities and treasury bills	39,753	
Due from banks	35,975	
Derivatives	17,585	
Bank and corporate securities	55,589	
of which: PE/VC investments held beyond the relevant holding periods	1	a
Loan and advances to customers	323,099	
of which: Impairment allowances admitted as eligible T2 Capital	(961)	b
Other assets	12,066	
of which: Deferred tax assets	400	c
Re-grossing of deferred tax assets and deferred tax liabilities as required under MAS Notice 637	103	d
Associates	783	
of which: Goodwill on acquisition[(1)]	15	e
Properties and other fixed assets	1,233	
Goodwill and intangibles	5,165	
of which: Goodwill	5,165	f
of which: Intangibles	-	g
TOTAL ASSETS	**517,711**	
LIABILITIES		
Due to banks	17,803	
Deposits and balances from customers	373,634	
Derivatives	18,003	
Other liabilities	16,615	
Re-grossing of deferred tax assets and deferred tax liabilities as required under MAS Notice 637	103	
Other debt securities	40,716	
Subordinated term debts	1,138	
of which: Eligible for recognition as T2 Capital under transitional arrangements	508	h
of which: Eligible for recognition as T2 Capital	630	i
TOTAL LIABILITIES	**467,909**	
NET ASSETS	**49,802**	

5.1 Financial Statements and Regulatory Scope of Consolidation (continued)

	31 Dec 2017	
$m	**Amount**	**Cross Reference to Section 5.2**
EQUITY		
Share capital	11,082	
of which: Amount eligible as CET1 Capital	11,205	j
of which: Treasury shares	(123)	k
Other equity instruments	1,812	l
Other reserves	4,256	m
of which: Cash flow hedge reserve	33	n
Revenue reserves	30,308	o
of which: Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	(118)	p
SHAREHOLDERS' FUNDS	47,458	
Non-controlling interests	2,344	
of which: Eligible for recognition as CET1 Capital under transitional arrangements	14	q
of which: Eligible for recognition as AT1 Capital under transitional arrangements	1,563	r
of which: Eligible for recognition as T2 Capital under transitional arrangements	74	s
TOTAL EQUITY	**49,802**	

(1) Not adjusted for subsequent share of losses or impairment losses (Refer to page A-4).

The Group's regulatory scope of consolidation is identical to its accounting scope of consolidation.

5.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet

The following disclosure is made according to the template prescribed in MAS Notice 637 Annex 11E. The column “Amount” shows the amounts used in the computation of the capital adequacy ratios. The column “Amount subject to Pre-Basel III Treatment” shows the amount of each regulatory adjustment that is subject to the treatment specified in the previous capital rules (i.e., according to the cancelled MAS Notice 637 dated 14 December 2007) for the duration of the Basel III transition period. Each of these amounts is taken into the computation of the capital adequacy ratios during the transition period under rows 41A and 56B, as the case may be. For example, during the year 2017, 20% of the regulatory adjustment (i.e., capital deduction) for goodwill is to be taken against Additional Tier 1 (c.f., row 41A) and 80% is to be taken against Common Equity Tier 1 (c.f., row 8). Each 1 January, up to 1 January 2018, the regulatory adjustment to be taken against Common Equity Tier 1 in the first instance (c.f. row 8) increases by 20 percentage points.

The alphabetic cross-references in the column “Cross Reference to Section 5.1” relate to those in reconciliation of the balance sheet in Section 5.1.

Row 64 “Bank-specific buffer requirement” and row 68 “Common Equity Tier 1 available to meet buffers” are not directly comparable. Row 64 is the sum of row 69 and rows 65 to 67. Row 68 is the CET1 CAR, less the minimum CET1 CAR requirement (Row 69) and any CET1 CAR used to meet the Tier 1 and Total capital requirements, expressed as a percentage of risk-weighted assets.

MAS Notice 637 specifies the computation of the amount of provisions that may be recognised in Tier 2 capital. General allowances in respect of assets under the standardised approach for credit risk are eligible (row 76), subject to a cap of 1.25% of risk-weighted assets under the standardised approach for credit risk (row 77). General and specific allowances in respect of assets under the internal ratings-based approach exceeding expected loss of these assets are eligible (row 78), subject to a cap of 0.6% of risk-weighted assets under the internal ratings-based approach for credit risk (row 79).

		31 Dec 2017		
$m		**Amount**	**Amount subject to Pre-Basel III Treatment**	**Cross Reference to Section 5.1**
Common Equity Tier 1 capital: instruments and reserves				
1	Paid-up ordinary shares and share premium (if applicable)	11,205		j
2	Retained earnings	30,308		o
3#	Accumulated other comprehensive income and other disclosed reserves	4,133		k+m
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-		
5	Minority interest that meets criteria for inclusion	14	(6)	q
6	**Common Equity Tier 1 capital before regulatory adjustments**	**45,660**		
Common Equity Tier 1 capital: regulatory adjustments				
7	Valuation adjustment pursuant to Part VIII of MAS Notice 637	11		
8	Goodwill, net of associated deferred tax liability	4,144	1,036	e+f
9#	Intangible assets, net of associated deferred tax liability	-	-	g
10#	Deferred tax assets that rely on future profitability	402	101	c+d
11	Cash flow hedge reserve	26	7	n
12	Shortfall of TEP relative to EL under IRBA	-	-	
13	Increase in equity capital resulting from securitisation transactions	-	-	
14	Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	(94)	(24)	p

		31 Dec 2017		
$m		Amount	Amount subject to Pre-Basel III Treatment	Cross Reference to Section 5.1
15	Defined benefit pension fund assets, net of associated deferred tax liability	-		
16	Investments in own shares	-		
17	Reciprocal cross-holdings in ordinary shares of financial institutions	-		
18	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	-		
19	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) (amount above 10% threshold)	-	-	
20#	Mortgage servicing rights (amount above 10% threshold)			
21#	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold	-		
23	of which: investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	-		
24#	of which: mortgage servicing rights			
25#	of which: deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments	1		
26A	PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	1	-	a
26B	Capital deficits in subsidiaries and associates that are regulated financial institutions	-	-	
26C	Any other items which the Authority may specify	-		
27	Regulatory adjustments applied in calculation of CET1 Capital due to insufficient AT1 Capital to satisfy required deductions	-		
28	**Total regulatory adjustments to CET1 Capital**	**4,490**		
29	**Common Equity Tier 1 capital (CET1)**	**41,170**		
Additional Tier 1 capital: instruments				
30	AT1 capital instruments and share premium (if applicable)	1,812		l
31	of which: classified as equity under the Accounting Standards	1,812		
32	of which: classified as liabilities under the Accounting Standards	-		
33	Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)	-		
34	AT1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	1,563		r
35	of which: instruments issued by subsidiaries subject to phase out	1,563		
36	**Additional Tier 1 capital before regulatory adjustments**	**3,375**		
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own AT1 capital instruments	-		
38	Reciprocal cross-holdings in AT1 capital instruments of financial institutions	-		
39	Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	-		
40	Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	-	-	

$m		31 Dec 2017 Amount	Amount subject to Pre-Basel III Treatment	Cross Reference to Section 5.1
41	National specific regulatory adjustments	1,120		
41A	Regulatory adjustments applied to AT1 Capital in respect of amounts subject to pre-Basel III treatment	1,120		
	of which: Goodwill, net of associated deferred tax liability	1,036		
	of which: Intangible assets, net of associated deferred tax liability	-		
	of which: Deferred tax assets that rely on future profitability	101		
	of which: Cash flow hedge reserve	7		
	of which: Increase in equity capital resulting from securitisation transactions	-		
	of which: Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	(24)		
	of which: Shortfall of TEP relative to EL under IRBA	-		
	of which: PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	-		
	of which: Capital deficits in subsidiaries and associates that are regulated financial institutions	-		
	of which: Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
	of which: Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
41B	Any other items which the Authority may specify			
42	Regulatory adjustments applied in calculation of AT1 Capital due to insufficient Tier 2 Capital to satisfy required deductions	-		
43	**Total regulatory adjustments to Additional Tier 1 capital**	**1,120**		
44	**Additional Tier 1 capital (AT1)**	**2,255**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**43,425**		
Tier 2 capital: instruments and provisions				
46	Tier 2 capital instruments and share premium (if applicable)	630		i
47	Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)	-		
48	Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	582		h+s
49	of which: instruments issued by subsidiaries subject to phase out	582		
50	Provisions	961		b
51	**Tier 2 capital before regulatory adjustments**	**2,173**		
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	-		
53	Reciprocal cross-holdings in Tier 2 capital instruments of financial institutions	-		
54	Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	-		
55	Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	-	-	

$m		31 Dec 2017 Amount	Amount subject to Pre-Basel III Treatment	Cross Reference to Section 5.1
56	National specific regulatory adjustments	-		
56A	Any other items which the Authority may specify	-		
56B	Regulatory adjustments applied to Tier 2 Capital in respect of amounts subject to pre-Basel III treatment	-		
	of which: Shortfall of TEP relative to EL under IRBA	-		
	of which: PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	-		
	of which: Capital deficits in subsidiaries and associates that are regulated financial institutions	-		
	of which: Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
	of which: Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
57	**Total regulatory adjustments to Tier 2 capital**	**-**		
58	**Tier 2 capital (T2)**	**2,173**		
59	**Total capital (TC = T1 + T2)**	**45,598**		
60	**Floor–adjusted total risk-weighted assets (after incorporating the floor adjustment set out in Table 11-3A(m))**	**287,589**		
Capital ratios (as a percentage of floor-adjusted risk-weighted assets)				
61	**Common Equity Tier 1 CAR**	**14.3%**		
62	**Tier 1 CAR**	**15.1%**		
63	**Total CAR**	**15.9%**		
64	Bank-specific buffer requirement	8.0%		
65	of which: capital conservation buffer requirement	1.25%		
66	of which: bank specific countercyclical buffer requirement	0.2%		
67	of which: G-SIB buffer requirement (if applicable)	-		
68	Common Equity Tier 1 available to meet buffers	5.9%		
National minima				
69	Minimum CET1 CAR	6.5%		
70	Minimum Tier 1 CAR	8.0%		
71	Minimum Total CAR	10.0%		
Amounts below the thresholds for deduction (before risk-weighting)				
72	Investments in ordinary shares, AT1 capital and Tier 2 capital of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	2,614		
73	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	226		
74	Mortgage servicing rights (net of related tax liability)	-		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-		

$m		31 Dec 2017 Amount	Amount subject to Pre-Basel III Treatment	Cross Reference to Section 5.1
Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	433		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	435		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	528		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	1,057		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements	2,081		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	219		
84	Current cap on T2 instruments subject to phase out arrangements	2,753		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		

For regulatory adjustments, deductions from capital are reported as positive numbers and additions to capital are reported as negative numbers.

Items marked with a hash [#] are elements where a more conservative definition has been applied to MAS Notice 637 relative to those set out under the Basel III capital standards.

Deferred tax assets relating to temporary differences in excess of specified thresholds c.f. row 21 and 25 are to be deducted under the Basel Committee capital rules (paragraph 69). Under MAS Notice 637, they are deducted in total. If Basel Committee capital rules were to be applied, eligible capital would have been $0.5 billion higher and risk-weighted assets $1.2 billion higher.

5.3 Main Features of Capital Instruments

The following disclosures are made solely pursuant to the requirements of MAS Notice 637 Annex 11D. They are not a summary of the terms, do not purport to be complete, and should be read in conjunction with, and are qualified in their entirety by, the relevant transaction documents available at http://www.dbs.com/investor/capital-disclosures.html. There were no new capital instrument issuances in fourth quarter 2017.

31 Dec 2017		DBS Group Holdings Ltd Ordinary Shares	S$805,000,000 4.70% Non-Cumulative Non-Convertible Perpetual Capital Securities First Callable in 2019
1	Issuer	DBS Group Holdings Ltd	DBS Group Holdings Ltd
2	Unique identifier	SGX Name: DBS GROUP HOLDINGS LTD ISIN Code: SG1L01001701	SGX Name: DBSGrp4.7%PerCapSec S ISIN Code: SG59H0999851
3	Governing law(s) of the instrument	Singapore	Singapore
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at Solo/Group/Group & Solo	Group	Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Non-Cumulative Non-Convertible Perpetual Capital Securities
8	Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	S$11,205 million	S$803 million
9	Par value of instrument (as of most recent reporting date, unless otherwise stated)	NA	S$805 million
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	9 Mar 1999	3 Dec 2013
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date	NA	03 Jun 2019
	Contingent call dates	NA	Change of Qualification Event, or Tax Event
	Redemption amount	NA	Principal amount together with, subject to certain conditions, accrued but unpaid Distributions
16	Subsequent call dates, if applicable	NA	Optional – Any date after 3 Jun 2019
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Discretionary dividend amount	Fixed to floating
18	Coupon rate and any related index	NA	4.70% p.a. up to 3 Jun 2019. 5Y SGD SOR plus 3.061% p.a. thereafter, reset every 5 years
19	Existence of a dividend stopper	NA	Yes
20	Fully discretionary, partially discretionally or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	NA	Contractual write-down. The earlier of: (i) the MAS notifying the Issuer in writing that it is of the opinion that a Write-off is necessary, without which the Issuer or the DBS Group would become non-viable; and (ii) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Issuer or the DBS Group would have become non-viable, as determined by the MAS
32	If write-down, full or partial	NA	Fully or partially
33	If write-down, permanent or temporary	NA	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinated to Additional Tier 1 capital instruments	Immediately subordinated to Tier 2 capital instruments
36	Non-compliant transitioned features	No	No
37	If yes, specify non-complaint features	NA	NA

5.3 Main Features of Capital Instruments (continued)

31 Dec 2017		US$750,000,000 3.60% Non-Cumulative Non-Convertible Perpetual Capital Securities First Callable in 2021	S$1,500,000,000 5.75% Non-Cumulative, Non-Convertible, Non-Voting Guaranteed Preference Shares Callable with Step-Up in 2018
1	Issuer	DBS Group Holdings Ltd	DBS Capital Funding II Corporation
2	Unique identifier	SGX Name: DBSGrp 3.6%PerCapSec S ISIN Code: XS1484844656	SGX Name: DBSCAFUNDIICORPS$1.5B5.75%NCPS ISIN Code: SG7R06940349
3	Governing law(s) of the instrument	England: Trust Deed Singapore: Subordination	Cayman Islands: Preference Shares Singapore: Subordinated Guarantee
4	Transitional Basel lll rules	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel lll rules	Additional Tier 1	Ineligible
6	Eligible at Solo/Group/Group & Solo	Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Non-Cumulative Non-Convertible Perpetual Capital Securities	Preference Shares
8	Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	S$1,009 million	S$1,020 million
9	Par value of instrument (as of most recent reporting date, unless otherwise stated)	US$750 million	S$1,500 million
10	Accounting classification	Shareholders' equity	Non-controlling interest in consolidated subsidiary
11	Original date of issuance	7 Sep 2016	27 May 2008
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date	07 Sep 2021	15 Jun 2018
	Contingent call dates	Change of Qualification Event, or Tax Event	Change of Qualification Event, or Tax Event
	Redemption amount	Principal amount together with, subject to certain conditions, accrued but unpaid Distributions	Liquidation Preference together with, subject to certain limitations and qualifications, accrued but unpaid Dividends
16	Subsequent call dates, if applicable	Optional - Any Distribution Payment Date after 7 Sep 2021	Optional – Any Dividend Date after 15 Jun 2018
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	3.60% p.a. up to 7 Sep 2021. 5Y USD Swap Rate plus 2.39% p.a. thereafter, reset every 5 years	5.75% p.a. up to 15 Jun 2018. 3M SGD SOR plus 3.415% p.a. determined quarterly thereafter
19	Existence of a dividend stopper	Yes	Yes
20	Fully discretionary, partially discretionally or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or incentive to redeem	No	Yes
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	Yes	No
31	If write-down, write-down trigger(s)	Contractual write-down. The earlier of: (i) the MAS notifying the Issuer in writing that it is of the opinion that a Write-off is necessary, without which the Issuer or the DBS Group would become non-viable; and (ii) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Issuer or the DBS Group would have become non-viable, as determined by the MAS	NA
32	If write-down, full or partial	Fully or partially	NA
33	If write-down, permanent or temporary	Permanent	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinated to Tier 2 capital instruments	Immediately subordinated to Tier 2 capital instruments
36	Non-compliant transitioned features	No	Yes
37	If yes, specify non-complaint features	NA	(i) has a step-up (ii) has no loss-absorbency at point of non-viability

5.3 Main Features of Capital Instruments (continued)

31 Dec 2017		S$800,000,000 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020
1	Issuer	DBS Bank Ltd.
2	Unique identifier	SGX Name: DBS S$800M 4.7% NCPS ISIN Code: SG2C54964409
3	Governing law(s) of the instrument	Singapore
4	Transitional Basel III rules	Additional Tier 1
5	Post-transitional Basel III rules	Ineligible
6	Eligible at Solo/Group/Group & Solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Preference Shares
8	Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	S$543 million
9	Par value of instrument (as of most recent reporting date, unless otherwise stated)	S$800 million
10	Accounting classification	Non-controlling interest in consolidated subsidiary
11	Original date of issuance	22 Nov 2010
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date	22 Nov 2020
	Contingent call dates	Change of Qualification Event[1], or Tax Event
	Redemption amount	Liquidation Preference together with, subject to certain limitations and qualifications, accrued but unpaid Dividends
16	Subsequent call dates, if applicable	Optional – Any date after 22 Nov 2020
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.70% p.a.
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionally or mandatory	Fully discretionary
21	Existence of step up or incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinated to Tier 2 capital instruments
36	Non-compliant transitioned features	Yes
37	If yes, specify non-complaint features	Has no loss-absorbency at point of non-viability

[1] Change of Qualification Event has occurred and is continuing pursuant to the terms and conditions of the instrument, as the instrument does not qualify in full as capital under MAS Notice 637 with effect from 1 January 2017.

5.3 Main Features of Capital Instruments (continued)

31 Dec 2017		S$250,000,000 3.80% Subordinated Notes due 2028 Callable in 2023 issued pursuant to the US$30,000,000,000 Global Medium Term Note Programme	JPY10,000,000,000 0.918% Subordinated Notes due 2026 issued pursuant to the US$30,000,000,000 Global Medium Term Note Programme
1	Issuer	DBS Group Holdings Ltd	DBS Group Holdings Ltd
2	Unique identifier	SGX Name: DBS GRP S$250M3.8% N280120 ISIN Code: SG71A5000002	ISIN Code: XS1376555865
3	Governing law(s) of the instrument	Singapore	Singapore
4	Transitional Basel III rules	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2
6	Eligible at Solo/Group/Group & Solo	Group	Group
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Notes	Subordinated Notes
8	Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	S$260 million	S$118 million
9	Par value of instrument (as of most recent reporting date, unless otherwise stated)	S$250 million	JPY10,000 million
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	20 Jan 2016	8 Mar 2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	20 Jan 2028	8 Mar 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date	20 Jan 2023	NA
	Contingent call dates	Change of Qualification Event, or Tax Event	Change of Qualification Event, or Tax Event
	Redemption amount	Principal amount together with accrued but unpaid interest	Principal amount together with accrued but unpaid interest
16	Subsequent call dates, if applicable	Optional – Any Interest Payment Date after 20 Jan 2023	NA
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	3.80% p.a. up to 20 Jan 2023. 5Y SGD SOR plus 1.10% p.a. thereafter, 1-time reset	0.918% p.a.
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionally or mandatory	Mandatory	Mandatory
21	Existence of step up or incentive to redeem	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down. The earlier of: (i) the MAS notifying the Issuer in writing that it is of the opinion that a Write-off is necessary, without which the Issuer or the DBS Group would become non-viable; and (ii) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Issuer or the DBS Group would have become non-viable, as determined by the MAS	Contractual write-down. The earlier of: (i) the MAS notifying the Issuer in writing that it is of the opinion that a Write-off is necessary, without which the Issuer or the DBS Group would become non-viable; and (ii) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Issuer or the DBS Group would have become non-viable, as determined by the MAS
32	If write-down, full or partial	Fully or partially	Fully or partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinated to senior creditors	Immediately subordinated to senior creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-complaint features	NA	NA

5.3 Main Features of Capital Instruments (continued)

31 Dec 2017		HK$1,500,000,000 3.24% Subordinated Notes due 2026 Callable in 2021 issued pursuant to the US$30,000,000,000 Global Medium Term Note Programme	S$1,000,000,000 3.10% Subordinated Notes due 2023 Callable in 2018 issued pursuant to the US$30,000,000,000 Global Medium Term Note Programme
1	Issuer	DBS Group Holdings Ltd	DBS Bank Ltd.
2	Unique identifier	SGX Name: DBS GRP HKD1.5B3.24% N260419 ISIN Code: XS1397782860	SGX Name: DBS BK S$1B N3.1%230214 ISIN Code: SG6W11984344
3	Governing law(s) of the instrument	Singapore	Singapore
4	Transitional Basel III rules	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Ineligible
6	Eligible at Solo/Group/Group & Solo	Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Notes	Subordinated Notes
8	Amount recognized in regulatory capital (Currency in millions, as of most recent reporting date)	S$252 million	S$508 million
9	Par value of instrument (as of most recent reporting date, unless otherwise stated)	HK$1,500 million	S$508.25 million Please click here for SGX announcement [(1)]
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	19 Apr 2016	14 Aug 2012
12	Perpetual or dated	Dated	Dated
13	Original maturity date	19 Apr 2026	14 Feb 2023
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date	19 Apr 2021	14 Feb 2018 [(1)]
	Contingent call dates	Change of Qualification Event, or Tax Event	Change of Qualification Event, or Tax Event
	Redemption amount	Principal amount together with accrued but unpaid interest	Principal amount together with accrued but unpaid interest
16	Subsequent call dates, if applicable	Optional – Any Interest Payment Date after 19 Apr 2021	Optional – Any Interest Payment Date after 14 Feb 2018
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	3.24% p.a. up to 19 Apr 2021. 5Y HKD Swap Rate plus 1.90% p.a. thereafter, 1-time reset	3.10% p.a. up to 14 Feb 2018. 5Y SGD SOR plus 2.085% p.a. thereafter, 1-time reset
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionally or mandatory	Mandatory	Mandatory
21	Existence of step up or incentive to redeem	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	Yes	No
31	If write-down, write-down trigger(s)	Contractual write-down. The earlier of: (i) the MAS notifying the Issuer in writing that it is of the opinion that a Write-off is necessary, without which the Issuer or the DBS Group would become non-viable; and (ii) a decision by the MAS to make a public sector injection of capital, or equivalent support, without which the Issuer or the DBS Group would have become non-viable, as determined by the MAS	NA
32	If write-down, full or partial	Fully or partially	NA
33	If write-down, permanent or temporary	Permanent	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinated to senior creditors	Immediately subordinated to senior creditors
36	Non-compliant transitioned features	No	Yes
37	If yes, specify non-complaint features	NA	Has no loss-absorbency at point of non-viability

[(1)] Pursuant to a notice of redemption issued on 16 January 2018, all of the outstanding notes will be redeemed on 14 February 2018.

6 LEVERAGE RATIO

6.1 Leverage Ratio

	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Capital and Total exposures ($m)				
Tier 1 capital	43,425	42,445	42,604	41,934
Total exposures	570,983	563,771	540,583	532,725
Leverage Ratio (%)	7.6	7.5	7.9	7.9

6.2 Components of Leverage Ratio

The following tables are disclosed in accordance with the templates prescribed in MAS Notice 637 Annex 11F and 11G.

Leverage Ratio Summary Comparison Table

	Item	31 Dec 2017 Amount[1] ($m)
1	Total consolidated assets as per published financial statements	517,711
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of the exposure measure	-
4	Adjustment for derivative transactions	9,738
5	Adjustment for SFTs	52
6	Adjustment for off-balance sheet items	49,171
7	Other adjustments	(5,689)
8	**Exposure measure**	**570,983**

[1] Leverage ratio is computed using quarter-end balances.

Leverage Ratio Common Disclosure Template

	Item	Amount[1] ($m) 31 Dec 2017	30 Sep 2017
	Exposure measures of on-balance sheet items		
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	494,134	480,970
2	Asset amounts deducted in determining Tier 1 capital	(5,728)	(5,648)
3	**Total exposure measures of on-balance sheet items** (excluding derivative transactions and SFTs)	**488,406**	**475,322**
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	8,522	7,603
5	Potential future exposure associated with all derivative transactions	15,899	16,135
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with the Accounting Standards	-	-
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	-	-
8	CCP leg of trade exposures excluded	-	-
9	Adjusted effective notional amount of written credit derivatives	2,902	2,971
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	**Total derivative exposure measures**	**27,323**	**26,709**
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	6,031	9,694
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	52	55
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	**Total SFT exposure measures**	**6,083**	**9,749**
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	265,292	262,790
18	Adjustments for calculation of exposure measures of off-balance sheet items	(216,121)	(210,799)
19	**Total exposure measures of off-balance sheet items**	**49,171**	**51,991**
	Capital and Total exposures		
20	Tier 1 capital	43,425	42,445
21	Total exposures	570,983	563,771
	Leverage Ratio		
22	**Leverage Ratio**	**7.6%**	**7.5%**

[1] Leverage ratio is computed using quarter-end balances.

The leverage ratio as at 31 December 2017 increased by 0.1 percentage point to 7.6% as compared to the previous quarter due the mainly to increase in Tier 1 Capital. Total exposures increased in line with growth in total assets (see Financial Performance Summary - Audited Balance Sheets).

7 RISK MANAGEMENT APPROACH

In executing our strategic priorities and business opportunities, the Group is faced with economic, financial and other types of risks. These risks are interdependent and require a holistic approach to risk management. Very broadly, these risks can be aligned around the following risk categories:
(a) Credit
(b) Market
(c) Liquidity
(d) Operational
(e) Reputational
(f) Business and Strategic

The 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 our risk management approaches, the Board, through the Board Risk Management Committee (BRMC), sets our risk appetite, oversees the establishment of enterprise-wide risk management policies and processes, and sets risk appetite limits to guide the Group's risk-taking. The BRMC also oversees the identification, monitoring, management and reporting of credit, market, liquidity, operational and reputational risks.

To facilitate the BRMC's risk oversight, the following risk management committees have been established:

Risk Management Committees

Risk Executive Committee (Risk ExCo)	As the overall executive body regarding risk matters, the Risk ExCo oversees the Group's risk management as a whole.
Product Approval Committee (PAC)	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 for certain client segments. In addition, the committee assesses whether we have the appropriate systems to monitor and manage the resulting risks.
Group Credit Risk Models Committee (GCRMC) **Group Credit Policy Committee (GCPC)** **Group Scenario and Stress Testing Committee (GSSTC)** **Group Credit Risk Committee (GCRC)** **Group Market and Liquidity Risk Committee (GMLRC)** **Group Operational Risk Committee (GORC)**	Each of the committees reports to the Risk ExCo, and the committees as a whole serve as an executive forum to discuss and implement 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 • 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.

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

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

We manage these risks by diversifying our risks across industries and individual exposures. In addition, the Group relies on specialist knowledge of our regional markets and industry segments to effectively assess our risks.

Risk appetite is managed through a capital allocation structure to monitor internal capital demand. The Group manages risks along the dimensions of customer facing and non-customer facing units. To ensure that the thresholds pertaining to our risk appetite are completely risk-sensitive, we have adopted economic capital (EC) as our primary risk metric. EC is also a core component in our Internal Capital Adequacy Assessment Process (ICAAP).

7 RISK MANAGEMENT APPROACH (CONTINUED)

As a commercial bank, the Group allocates more economic capital to our Institutional Banking and Consumer Banking business segments, as compared to Treasury. A buffer is also maintained for other risks as well, including country risk, operational risk, reputational risk and model risk.

The Group has three lines of defence when it comes to risk taking where each line of defence has a clear responsibility. Working closely with the support units, our business units are our first line of defence for risk management. Their responsibilities include identification and management of risks inherent in their businesses/countries and ensuring that our business operations remain within approved boundaries of our risk appetite and policies.

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

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

The Group believes that effective safeguards against undesired business conduct have to go beyond a "tick-the-box" mentality. Other than relying on published codes of conduct, the Group also advocates the following organisational safeguards to maintain a strong risk and governance culture:

- Tone from the top
- Aligning strategies and incentives via balanced scorecard. Performance is assessed against the scorecard to determine remuneration, providing a clear line of sight between employee goals and organisational imperatives.
- Respecting voice of control functions
- Risk ownership
- Having established escalation protocols
- Encouraging constructive challenges at all level
- Reinforcing cultural alignment

In addition to cultivating a strong risk and governance culture, robust internal control processes and systems have been designed and implemented to support the respective risk management approaches. These are reviewed regularly by the respective risk units to assess and ensure their effectiveness.

Please refer to sections 9.1.2 and 12.1 for details relating to strategies and processes that the Group uses to manage, hedge and mitigate risks and for monitoring the continuing effectiveness of hedges and mitigants.

Risk management reports including exposure and position information for all significant risk areas are provided to the BRMC and management on a regular basis, as deemed appropriate. The Group, through various committees, determines the risk reporting requirements that best suit the business.

This includes the following:
i. risk exposures and profile against risk limits and risk strategy
ii. large risk events and subsequent remedial action plans
iii. market developments such as macro-economic, credit, industry, country risks, emerging risk concentrations and stress tests related to these developments.

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

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

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

8 OVERVIEW OF RISK-WEIGHTED ASSETS

The following table sets out the Group's RWA and capital requirements.

		a	b	c
		RWA		**Minimum capital requirements**[1]
$m		**31 Dec 2017**	**30 Sep 2017**	**31 Dec 2017**
1	**Credit risk (excluding CCR)**	205,114	203,498	20,512
2	*of which: SA(CR) and SA(EQ)*	*33,048*	*32,216*	*3,305*
3	*of which: IRBA and IRBA(EQ) for equity exposures under the PD/LGD method*	*172,066*	*171,282*	*17,207*
4	**CCR**	15,199	15,811	1,520
5	*of which: Current Exposure Method*	*7,687*	*7,986*	*769*
6	*of which: CCR Internal Models Method*	-	-	-
7	IRBA(EQ) for equity exposures under the simple risk weight method or the IMM	7,174	8,614	717
8	Equity investments in funds – look-through approach	377	550	38
9	Equity investments in funds – mandate-based approach	42	50	4
10	Equity investments in funds – fall-back approach	#	#	#
10a	Equity investment in funds – partial use of an approach	-	-	-
11	**Unsettled transactions**	163	67	16
12	**Securitisation exposures in banking book**	603	590	60
13	*of which: IRBA(SE) - RBM and IAM*	#	#	#
14	*of which: IRBA(SE) - SF*	-	-	-
15	*of which: SA(SE)*	*603*	*590*	*60*
16	**Market risk**	38,670	37,229	3,867
17	*of which: SA(MR)*	*38,670*	*37,229*	*3,867*
18	*of which: IMA*	-	-	-
19	**Operational risk**	19,681	19,288	1,968
20	*of which: BIA*	-	-	-
21	*of which: SA(OR)*	*19,681*	*19,288*	*1,968*
22	*of which: AMA*	-	-	-
23	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	566	725	57
24	**Floor adjustment**	-	-	-
25	**Total**	287,589	286,422	28,759

Numbers below 0.5.

[1] Minimum capital requirements in this column correspond to 10% of the RWA in column "(a)" which is 2.0 percentage points higher than the Basel Committee’s requirement.

Total RWA increased marginally by S$1.17 billion with credit RWA largely unchanged as RWA from loan growth was offset by lower RWA from off-balance sheet exposures as well as foreign currency translation.

9 CREDIT RISK

9.1 Qualitative Disclosures

9.1.1 General Qualitative Disclosures

Credit risk arises from borrowers or counterparties failing to meet their debt or contractual obligations. It includes both the risk of lending as well as the pre-settlement and settlement risk of foreign exchange, derivatives and debt securities.

The Group Core Credit Risk Policies established for Consumer Banking Group / Wealth Management and Institutional Banking (herein referred to as CCRPs) 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.

In managing its risk profile, the Group has in place:
- The Target Market and Risk Acceptance Criteria (TMRAC) that serve to support the Group's portfolio strategy planning and ensure sound, well-defined and consistent credit underwriting standards across business units of the Group.
- Target Market (TM) represents the business and industry segments in which the Group focuses its marketing efforts and is aligned to its business strategies.
- Risk Acceptance Criteria (RAC) specifies the guidelines for the acceptance of risks associated with the extension of credit facilities.
- The Delegation of Authority (DOA) Standard sets out the level of credit authority required for approval of credit extension to a counterparty group and depends on counterparty group type, risk rating and total credit facility limits extended on global basis.

RMG-Credit Risk unit, as part of the RMG, is the second line of defence responsible for the development and maintenance of credit risk management and internal control frameworks. It provides independent review and challenge to the first line of defence (e.g. Business Units) who are ultimately responsible for the identification, assessment and management of risk on an end-to-end basis and in conformity with approved risk appetite and policies.

Various functions under RMG-Credit Risk unit reports to the Chief Credit Officer (CCO):
- Credit risk managers approve and control credit risk and portfolio quality and ensure compliance with all applicable credit policies, and procedures.
- Credit control units act as a monitoring function to ensure compliance with credit risk policies and standards of the Group and to perform independent checks on completeness of documentation to be executed, and compliance of conditions precedent / credit conditions prior to the activation of credit facilities / disbursement / accommodation of credit excess and ad-hoc facilities.
- Credit remediation units are responsible for establishing, formalising and standardising the end-to-end process to identify, categorise, review and monitor problem credits.

The Group's ultimate credit authority is vested with the Board and the Group Credit Committee is delegated with the authority to approve large exposures and is the highest level of approving authority required before exposures above its DOA are recommended for approval by the Group Board Executive Committee.

Please refer to Section 7 on the risk management committees established to discuss the various risk types.

RMG-Credit Risk unit also partners the Group Legal and Compliance unit to ensure all risk-taking activities abide by all regulations, while Group Audit unit serves as a third line of defence to provide an independent assessment and assurance on the reliability, adequacy and effectiveness of our system of internal controls, risk management procedures, governance framework and processes.

The Group constantly invests in systems to support risk monitoring and reporting for our Institutional Banking and Consumer Banking Group / Wealth Management businesses. The end-to-end credit process is continually reviewed and improved through various front-to-back initiatives involving the business units, operations, 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 the Group's philosophy of effective credit risk management. Credit trends, which may include industry analysis, early warning alerts and significant weak credits are submitted to the various risk committees.

Independent risk management functions that report to the Credit Risk Officer (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 the management, various risk committees and regulators are informed.

9.1.2 Qualitative Disclosures related to CRM Techniques

The Group's Core Credit Risk Policy provides detailed policy requirements and references on:
- Eligible collaterals
- Collateral valuation and valuation method
- Appointment of valuer's / appraisers
- Loan-to-valuation / margin calls

Core processes for collateral evaluation include:
- Frequency of valuation for the various asset classes
- In the case of classified credits, the minimum discount to be applied to the Net Book Value / Fair Market Value
- Ownership and approving authority.
- Deviations

Where possible, the Group takes collateral as a secondary recourse to the borrower. This includes, but not limited to, cash, marketable securities, properties, 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. Properties constitutes the bulk of the Group's 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 marked-to-market on a frequency the Group and the counterparties mutually agreed upon. This is governed by internal guidelines with respect to the eligibility of the collateral. In the event of a default, the credit risk exposure is reduced by master-netting arrangements where the Group is allowed to offset what is owed to 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 customer's specific situation and circumstances to assist them in restructuring their repayment liabilities. However, should the need arise, disposal and recovery processes are in place to dispose of collateral held. The Group also maintains a panel of agents and solicitors that helps us to dispose of non-liquid assets and specialised equipment quickly.

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

9.1.3 Qualitative Disclosures on the use of External Credit Ratings under SA(CR)

The Group uses external ratings for credit exposures under the Standardized Approach where relevant and only accepts ratings from Standard & Poor's Ratings Services, Moody’s Investor Services and Fitch Ratings. There has been no change in this regard during the reporting period. The Group follows the processes prescribed in MAS Notice 637 to map the ratings to the relevant risk weights across the various asset classes under the Standardised Approach.

Where the SA(CR) exposure has an issue-specific external credit assessment, the Group uses such an assessment for calculating the applicable risk weights. Where the SA(CR) exposure does not have an issue-specific external credit assessment, a process is in place to use the available external credit ratings of comparable assets as prescribed in MAS Notice 637.

9.1.4 Qualitative Disclosures for IRBA Models

The Group adopts rating systems for the different asset classes under the IRBA. There is a robust governance process for the development, independent validation and approval of any credit risk model. The roles and responsibilities between various stakeholders in the model development and management process are articulated in the Model Risk Policy. This policy applies to the Group, including its banking subsidiaries on a global basis.

The models go through a rigorous review process before they are endorsed by the GCRMC and the Risk ExCo. They must be approved by the BRMC before being used. The key risk measures generated by the internal credit risk rating models to quantify regulatory capital include Probability of Default (PD), Loss Given Default (LGD) and Exposure at the time of Default (EAD). PD measures the likelihood that a borrower defaults on its credit obligation over a period of one year. LGD is the loss likely to be incurred on an exposure upon default of an obligor relative to the amount outstanding at default, i.e., EAD. EAD is the expected amount of an exposure that the Group is exposed to upon the default of an obligor. It is measured gross of specific provisions and adjusted for the risk mitigating effects of valid bilateral netting arrangements. Credit rating systems used for regulatory capital reporting under the IRBA are subject to regulatory approvals.

For portfolios under the F-IRBA, the supervisory LGD and EAD estimates are applied. For retail portfolios under the A-IRBA, internal estimates are used. Relevant regulatory floors are applied in regulatory capital calculation and reporting.

The performance of the rating systems is monitored regularly and informed to the GCRMC and the BRMC to ensure their ongoing effectiveness. To provide assurance to the approving authority, models are periodically reviewed and/or validated by RMG-Model Validation unit. RMG-Model Validation unit also conducts formal validations for the respective rating systems annually. The validation processes are also independently reviewed by Group Audit.

Retail Portfolios

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

A-IRBA portfolios constitute 17% of the Group's Credit EAD and 6% of Group's Credit RWA. Within each asset class, exposures are managed on a portfolio basis. Each account is assigned to a risk pool, considering factors such as borrower characteristics and collateral type. PD and LGD estimates are based on internal historical default and realised losses within a defined period. Default is identified at facility level.

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

For LGD, a downturn component is explicitly estimated for each model segment using specific macroeconomic variables to time periods considered representative of downturn conditions. For on-balance sheet items (e.g., term loans or mortgage loans), EAD is equal to the current book value of the facility. For off-balance sheet transactions, (e.g., undrawn amount of revolving facility), EAD consists of the amount currently drawn and the expected utilisation of committed and undrawn amount at the time of default.

Wholesale Portfolios

Wholesale exposures are under F-IRBA for capital computation. They include sovereign, bank and corporate. Specialised lending exposures are under IRBA using supervisory slotting citeria specified in Annex 7V of MAS Notice 637.

Portfolios on F-IRB approach (excluding Specialised Lending) constitute 64% of the Group's Credit EAD and 57% of Group's Credit RWA. Portfolios on Standardised approach account for 10% of Group's Credit EAD and 15% of Group's Credit RWA. The risk ratings for the wholesale exposures (other than securitisation exposures) are mapped to corresponding external rating equivalents.

Sovereign exposures are risk-rated using internal risk-rating models. The models are built through statistical methods using external data (e.g., macroeconomic information and external ratings). Factors related to country-specific macroeconomic risk, political risk, social risk and liquidity risk are included in the sovereign rating models to assess the sovereign credit risk in an objective and systematic way.

9.1.4 Qualitative Disclosures for IRBA Models (continued)

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

Large corporate credits are assessed using internal rating models. It is a statistical model built based on internal data and calibrated to the long-run (~ 7 years) internal default experience. Factors considered in the risk assessment process include the counterparty's financial standing and qualitative factors such as industry risk, access to funding, market standing and management strength.

SME credit rating model is a statistical model including risk factors on the counterparty's financial position and strength, as well as its account performance. The models are calibrated to the long-run (~ 7 years) internal default experience. Credit risk ratings under the IRBA portfolios are, at a minimum, reviewed by designated officer on an annual basis unless credit conditions require more frequent assessment.

9.1.5 Additional Disclosures related to the Credit Quality of Assets

The Group's credit facilities are classified as "Performing assets" or "Non-performing assets" (NPA), in accordance with the MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (MAS Notice 612). This is the same basis that is adopted for the Group's financial statements.

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 [(1)]	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 non-retail 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 action such as realising security (if held)
- Technical default: Borrower is more than 90 days past due on any credit obligation to the Group

For retail borrower, the categorisation into NPA is consistent with the above except that the NPA is managed and reported at credit facility level.

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

[(1)] This includes a non-defaulting asset category which is not reported under section 9.2.1 as defaulted exposures.

9.1.5 Additional Disclosures related to the Credit Quality of Assets (continued)

Credit facilities are classified as restructured assets when the Group grants non-commercial concessions to a borrower because it is in a worse financial position 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.

9.2 Quantitative Disclosures

9.2.1 Credit Quality of Assets

The following table provides an overview of the credit quality of the Group's on- and off-balance sheet assets. Figures are based on carrying amounts as reported in the financial statements.

$m		31 Dec 2017			
		a	b	c	d
		Gross carrying amount of			
		Defaulted exposures	Non-defaulted exposures	Impairment allowances	Net values (a+b-c)
1	Loans[1]	5,573	375,128	4,761	375,940
2	Debt Securities	115	69,015	97	69,033
3	Off-balance sheet exposures	329	60,218	281	60,266
4	**Total**	**6,017**	**504,361**	**5,139**	**505,239**

$m		30 Jun 2017			
		a	b	c	d
		Gross carrying amount of			
		Defaulted exposures	Non-defaulted exposures	Impairment allowances	Net values (a+b-c)
1	Loans[1]	4,230	357,045	4,552	356,723
2	Debt Securities	94	63,719	93	63,720
3	Off-balance sheet exposures	156	62,250	177	62,229
4	**Total**	**4,480**	**483,014**	**4,822**	**482,672**

A default[2] is considered to have occurred with regard to a particular borrower when either or both of the following events have taken place:

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

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

9.2.2 Changes in Stock of Defaulted Loans and Debt Securities

The following table provides the changes in the Group's defaulted loans and debt securities (excluding off-balance sheet exposures), including any (i) return to non-defaulted status, and (ii) reduction in defaulted exposures due to write-off. Figures are based on carrying amounts as reported in the financial statements.

$m		31 Dec 2017
		a
1	**Defaulted loans and debt securities at end of the previous semi-annual reporting period**	**4,324**
2	Loans and debt securities that have defaulted since the previous semi-annual reporting period	2,465
3	Returned to non-defaulted status	17
4	Amounts written off	764
5	Other changes	(320)
6	**Defaulted loans and debt securities at end of the semi-annual reporting period (1+2-3-4±5)**	**5,688**

(1) Loans include loans and advances to customers and other assets which give rise to credit exposures.

(2) Defaulted assets are a subset of non performing assets as disclosed in the financial statements.

The increase in the balance of defaulted loans and debt securities at the end of 2017 was driven largely by an accelerated recognition of the weak cases in oil and gas support services, partially offset by write-offs and recoveries. Other changes (as shown above) mainly include recoveries and foreign currency translation differences.

9.2.3 Additional Quantitative Disclosures related to Credit Quality of Assets

The following tables show the breakdown of credit risk exposures by geographical areas, industry and residual maturity.

Breakdown by geographical areas

	31 Dec 2017
$m	Total
Singapore	212,868
Hong Kong	62,894
Rest of Greater China	82,623
South and Southeast Asia	38,459
Rest of the world	113,534
Total	**510,378**

Breakdown by industry

	31 Dec 2017
$m	Total
Manufacturing	46,821
Building and construction	80,570
Housing loans	79,269
General commerce	66,184
Transportation, storage and communications	39,330
Financial institutions, investment and holding companies	89,040
Government	29,957
Professional and private individuals(excluding housing loans)	25,659
Others	53,548
Total	**510,378**

Breakdown by residual maturity

	31 Dec 2017
$m	Total
Up to 1 year	256,809
More than 1 year	251,201
No specific maturity	2,368
Total	**510,378**

9.2.3 Additional Quantitative Disclosures related to Credit Quality of Assets (continued)

The following tables show the breakdown of impaired exposures, specific allowances and write offs (during the year 2017) by geographical areas and industry. General allowances are established in accordance with the requirements of MAS Notice to Banks No. 612; there are no industry-specific or geography-specific considerations.

Breakdown by geographical areas

	31 Dec 2017		
$m	**Impaired exposures**	**Specific allowances**	**Write-off (during year 2017)**
Singapore	3,191	1,322	659
Hong Kong	625	279	120
Rest of Greater China	436	131	70
South and Southeast Asia	1,078	489	277
Rest of the world	187	55	84
Sub-total	5,517	2,276	1,210
Debt Securities, contingent liabilities and others	553	243	144
Total	**6,070**	**2,519**	**1,354**

Breakdown by industry

	31 Dec 2017		
$m	**Impaired exposures**	**Specific allowances**	**Write-off (during year 2017)**
Manufacturing	817	358	102
Building and construction	229	96	72
Housing loans	167	7	1
General commerce	623	231	119
Transportation, storage and communications	2,824	1,350	681
Financial institutions, investment and holding companies	66	22	10
Professional and private individuals(excluding housing loans)	491	121	123
Others	300	91	102
Sub-total	5,517	2,276	1,210
Debt Securities, contingent liabilities and others	553	243	144
Total	**6,070**	**2,519**	**1,354**

The following table shows the breakdown of the ageing analysis of past due exposures.

	31 Dec 2017
$m	**Total**
Within 90 days	2,873
Over 90 to 180 days	1,097
Over 180 days	2,660
Total	**6,630**

Credit facilities are classified as restructured assets when the Group grant non-commercial concessions to a borrower because it is in a worse financial position 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.

The amount of impaired restructured credit exposures as at 31 December 2017 is S$848 million.

9.2.4 SA(CR) and SA(EQ) – Credit Risk Exposure and CRM Effects[1]

The following table provides the effects of CRM on the calculation of the Group's capital requirements for SA(CR).

		31 Dec 2017					
		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density[2]	
		On-balance sheet amount ($m)	Off-balance sheet amount ($m)	On-balance sheet amount ($m)	Off-balance sheet amount ($m)	RWA ($m)	RWA density (%)
	Asset classes and others						
1	Cash items	4,005	-	4,005	-	7	#
2	Central government and central bank	85	-	207	-	#	#
3	PSE	310	-	282	-	145	51
4	MDB	4,488	6	4,488	1	-	-
5	Bank	415	1	438	#	207	47
6	Corporate	9,358	16,157	7,597	182	7,719	99
7	Regulatory retail	2,425	531	2,349	54	1,802	75
8	Residential mortgage	10,137	1,271	10,071	199	3,815	37
9	CRE	639	269	634	13	647	100
10	Equity - SA(EQ)	-	-	-	-	-	-
11	Past due exposures	409	#	408	#	507	124
12	Higher-risk categories	-	-	-	-	-	-
13	Other exposures	23,333	63,265	18,084	115	18,199	100
14	**Total**	**55,604**	**81,500**	**48,563**	**564**	**33,048**	**67**

		30 Jun 2017					
		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density[2]	
		On-balance sheet amount ($m)	Off-balance sheet amount ($m)	On-balance sheet amount ($m)	Off-balance sheet amount ($m)	RWA ($m)	RWA density (%)
	Asset classes and others						
1	Cash items	4,084	-	4,084	-	6	#
2	Central government and central bank	57	-	182	-	-	-
3	PSE	352	-	342	-	157	46
4	MDB	4,510	-	4,510	-	-	-
5	Bank	326	3	351	1	158	45
6	Corporate	9,372	15,788	7,648	221	7,823	99
7	Regulatory retail	2,348	696	2,260	55	1,737	75
8	Residential mortgage	6,956	1,245	6,903	164	2,680	38
9	CRE	615	299	610	20	630	100
10	Equity - SA(EQ)	-	-	-	-	-	-
11	Past due exposures	205	-	205	-	260	127
12	Higher-risk categories	-	-	-	-	-	-
13	Other exposures	19,922	55,292	15,589	116	15,707	100
14	**Total**	**48,747**	**73,323**	**42,684**	**577**	**29,158**	**67**

\# Numbers below 0.5.

(1) The Group adopts the IRBA Simple Risk Weight Method (see 9.2.8) to calculate RWA for its equity exposures in the Banking book.

(2) RWA density is calculated as total RWA divided by the exposures post-CCF and post-CRM, expressed as a percentage.

The increase in total exposures and RWA in the second half of 2017 was driven mainly by increases in exposures and RWA in residential mortgage and other exposures asset classes arising from the consolidation of ANZ wealth management and retail banking business. The RWA density across the various asset classes largely remained unchanged.

9.2.5 SA(CR) and SA(EQ) – Exposures by Asset Classes and Risk Weights[1]

The following table provides the breakdown of Group's credit risk exposures under the SA(CR) by asset class and risk weight.

		31 Dec 2017									
		a	b	c	d	e	f	g	h	i	j
		Risk weight									Total credit exposure amount (post-CCF and post-CRM)
$m		0%	10%	20%	35%	50%	75%	100%	150%	Others	
	Asset class and others										
1	Cash items	3,972	-	33	-	-	-	-	-	-	4,005
2	Central government and central bank	207	-	#	-	-	-	-	-	-	207
3	PSE	-	-	54	-	188	-	40	-	-	282
4	MDB	4,489	-	-	-	-	-	-	-	-	4,489
5	Bank	-	-	91	-	315	-	32	-	-	438
6	Corporate	-	-	20	-	88	-	7,671	-	-	7,779
7	Regulatory retail	-	-	-	-	-	2,403	-	-	-	2,403
8	Residential mortgage	-	-	-	9,817	-	297	156	-	-	10,270
9	CRE	-	-	-	-	-	-	647	-	-	647
10	Equity - SA(EQ)	-	-	-	-	-	-	-	-	-	-
11	Past due exposures	-	-	-	-	-	-	210	198	-	408
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other exposures	-	-	-	-	-	-	18,199	-	-	18,199
14	**Total**	**8,668**	**-**	**198**	**9,817**	**591**	**2,700**	**26,955**	**198**	**-**	**49,127**

		30 Jun 2017									
		a	b	c	d	e	f	g	h	i	j
		Risk weight									Total credit exposure amount (post-CCF and post-CRM)
$m		0%	10%	20%	35%	50%	75%	100%	150%	Others	
	Asset class and others										
1	Cash items	4,054	-	30	-	-	-	-	-	-	4,084
2	Central government and central bank	182	-	-	-	-	-	-	-	-	182
3	PSE	-	-	127	-	167	-	48	-	-	342
4	MDB	4,510	-	-	-	-	-	-	-	-	4,510
5	Bank	-	-	95	-	237	-	20	-	-	352
6	Corporate	-	-	2	-	88	-	7,779	-	-	7,869
7	Regulatory retail	-	-	-	-	-	2,315	-	-	-	2,315
8	Residential mortgage	-	-	-	6,622	-	329	116	-	-	7,067
9	CRE	-	-	-	-	-	-	630	-	-	630
10	Equity - SA(EQ)	-	-	-	-	-	-	-	-	-	-
11	Past due exposures	-	-	-	-	-	-	96	109	-	205
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other exposures	-	-	-	-	-	-	15,701	4	-	15,705
14	**Total**	**8,746**	**-**	**254**	**6,622**	**492**	**2,644**	**24,390**	**113**	**-**	**43,261**

\# Numbers below 0.5.

(1) The Group adopts the IRBA Simple Risk Weight Method (see 9.2.8) to calculate RWA for its equity exposures in the Banking book.

As explained in section 9.2.4, the increase in total exposures in the second half of 2017 was driven mainly by increases in residential mortgage and other exposures asset classes arising from the consolidation of ANZ wealth management and retail banking business.

9.2.6 IRBA – Credit Risk Exposures by Portfolio and PD Range

The following tables provide the main parameters used to calculate the Group's capital requirements for its IRBA models[1].

9.2.6.1 Advanced IRBA

	31 Dec 2017											
	a	b	c	d	e	f	g	h	i	j	k	l
PD Range (%)	Original on-balance sheet gross exposures ($m)	Off-balance sheet exposures pre CCF ($m)	Average CCF (%)	EAD post CRM and post-CCF ($m)	Average PD (%)	Number of obligors[2]	Average LGD (%)	Average maturity (years)	RWA ($m)	RWA density[3] (%)	EL ($m)	TEP ($m)
Retail - QRRE												
0.00 to <0.15	596	12,354	51	6,874	0.12	659,208	93		480	7	8	
0.15 to <0.25	784	4,954	51	3,320	0.20	349,179	90		335	10	6	
0.25 to <0.50	484	2,540	41	1,519	0.42	212,864	85		264	17	5	
0.50 to <0.75	-	-	-	-	-	-	-		-	-	-	
0.75 to <2.50	1,175	4,204	62	3,761	1.54	326,297	93		1,972	52	54	
2.50 to <10.00	804	456	82	1,179	4.54	104,618	87		1,213	103	47	
10.00 to <100.00	749	346	162	1,308	37.47	63,252	92		3,510	268	446	
100.00 (Default)[4]	191	-	-	191	100.00	24,854	92		-	-	176	
Sub-total	**4,783**	**24,854**	**54**	**18,152**	**4.48**	**1,740,272**	**91**		**7,774**	**43**	**742**	**839**
Retail - Residential mortgage												
0.00 to <0.15	14,705	3,981	100	18,686	0.14	23,510	11		665	4	3	
0.15 to <0.25	7,787	31	100	7,818	0.19	23,952	12		385	5	2	
0.25 to <0.50	34,465	341	100	34,806	0.27	73,004	12		2,145	6	11	
0.50 to <0.75	540	-	-	540	0.63	1,075	13		70	13	#	
0.75 to <2.50	3,542	1,220	100	4,762	1.13	11,706	12		830	17	7	
2.50 to <10.00	690	2	100	692	3.99	1,509	15		313	45	4	
10.00 to <100.00	335	1	100	336	24.77	910	14		280	83	11	
100.00 (Default)[4]	132	#	100	132	100.00	441	26		-	-	34	
Sub-total	**62,196**	**5,576**	**100**	**67,772**	**0.64**	**136,107**	**12**		**4,688**	**7**	**72**	**81**
Other retail exposures												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	
0.15 to <0.25	1,366	-	-	1,366	0.16	37,286	24		119	9	1	
0.25 to <0.50	687	-	-	687	0.28	10,831	19		70	10	#	
0.50 to <0.75	2	-	-	2	0.64	17	40		1	35	#	
0.75 to <2.50	134	-	-	134	1.16	3,806	28		43	32	#	
2.50 to <10.00	-	-	-	-	-	-	-		-	-	-	
10.00 to <100.00	35	-	-	35	15.02	936	34		25	71	2	
100.00 (Default)[4]	2	-	-	2	100.00	73	46		-	-	1	
Sub-total	**2,226**	**-**	**-**	**2,226**	**0.60**	**52,949**	**23**		**258**	**12**	**4**	**5**
Total (all portfolios)	**69,205**	**30,430**	**62**	**88,150**	**1.43**	**1,929,328**	**28**		**12,720**	**14**	**818**	**925**

\# Numbers below 0.5.

(1) As at the reporting date, the Group does not have any credit derivative used as CRM in its Banking book.

(2) Number of obligors or accounts used in the respective asset classes as per the Group's A-IRBA models.

(3) For definition of RWA density, refer to footnote of 9.2.4.

(4) For definition of default, refer to 9.2.1.

9.2.6.1 Advanced IRBA (continued)

	30 Jun 2017											
	a	b	c	d	e	f	g	h	i	j	k	l
PD Range (%)	Original on-balance sheet gross exposures ($m)	Off-balance sheet exposures pre CCF ($m)	Average CCF (%)	EAD post CRM and post-CCF ($m)	Average PD (%)	Number of obligors(2)	Average LGD (%)	Average maturity (years)	RWA ($m)	RWA density(3) (%)	EL ($m)	TEP ($m)
Retail - QRRE												
0.00 to <0.15	571	11,899	53	6,891	0.12	687,697	94		491	7	8	
0.15 to <0.25	761	4,483	54	3,183	0.20	344,040	91		326	10	6	
0.25 to <0.50	415	2,129	42	1,311	0.42	211,003	85		229	17	5	
0.50 to <0.75	-	-	-	-	-	-	-		-	-	-	
0.75 to <2.50	1,103	3,976	63	3,603	1.54	312,660	93		1,894	53	52	
2.50 to <10.00	859	430	88	1,240	4.45	112,789	87		1,258	101	48	
10.00 to <100.00	449	71	95	517	20.62	37,216	92		1,231	238	97	
100.00 (Default)(4)	151	49	-	151	100.00	21,581	93		-	-	140	
Sub-total	**4,309**	**23,037**	**55**	**16,896**	**2.30**	**1,726,986**	**92**		**5,429**	**32**	**356**	**475**
Retail - Residential mortgage												
0.00 to <0.15	12,265	4,112	100	16,377	0.14	21,004	11		583	4	2	
0.15 to <0.25	7,446	31	100	7,477	0.19	23,308	12		362	5	2	
0.25 to <0.50	31,319	447	100	31,766	0.28	68,416	12		1,975	6	10	
0.50 to <0.75	613	-	-	613	0.63	1,292	13		79	13	1	
0.75 to <2.50	4,682	2,030	100	6,712	1.25	14,377	12		1,243	19	10	
2.50 to <10.00	516	3	100	519	4.08	1,300	12		186	36	3	
10.00 to <100.00	278	1	100	279	24.73	841	11		189	68	8	
100.00 (Default)(4)	122	2	100	124	100.00	390	26		-	-	33	
Sub-total	**57,241**	**6,626**	**100**	**63,867**	**0.67**	**130,928**	**12**		**4,617**	**7**	**69**	**91**
Other retail exposures												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	
0.15 to <0.25	1,315	-	-	1,315	0.16	36,876	26		122	9	1	
0.25 to <0.50	731	-	-	731	0.28	11,889	19		73	10	#	
0.50 to <0.75	2	-	-	2	0.64	18	41		1	35	#	
0.75 to <2.50	179	-	-	179	1.16	5,155	30		62	34	1	
2.50 to <10.00	-	-	-	-	-	-	-		-	-	-	
10.00 to <100.00	38	-	-	38	15.32	1,019	35		28	74	2	
100.00 (Default)(4)	2	-	-	2	100.00	77	46		-	-	1	
Sub-total	**2,267**	**-**	**-**	**2,267**	**0.63**	**55,034**	**24**		**286**	**13**	**5**	**6**
Total (all portfolios)	**63,817**	**29,663**	**65**	**83,030**	**1.00**	**1,912,948**	**28**		**10,332**	**12**	**430**	**572**

Numbers below 0.5.

(1) As at the reporting date, the Group does not have any credit derivative used as CRM in its Banking book.

(2) Number of obligors or accounts used in the respective asset classes as per the Group's A-IRBA models.

(3) For definition of RWA density, refer to footnote of 9.2.4.

(4) For definition of default, refer to 9.2.1.

The increase in total exposures in the second half of 2017 in QRRE and residential mortgages was driven mainly by the consolidation of ANZ wealth management and retail banking business. In the QRRE asset class, the Group has provisionally rated some ANZ customers in the highest PD% bucket until they clear the internal risk assessments. This has resulted in an increase in RWA density in QRRE in the second half of 2017.

9.2.6.2 Foundation IRBA

	31 Dec 2017											
	a	b	c	d	e	f	g	h	i	j	k	l
PD Range (%)	**Original on-balance sheet gross exposures ($m)**	**Off-balance sheet exposures pre CCF ($m)**	**Average CCF (%)**	**EAD post CRM and post-CCF ($m)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA ($m)**	**RWA density(1) (%)**	**EL ($m)**	**TEP ($m)**
Sovereign												
0.00 to <0.15	49,298	12	88	51,450	0.02	21	45	2	3,946	8	4	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	3,992	-	-	3,992	0.39	6	45	2	2,290	57	7	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	80	-	-	80	1.76	2	45	3	98	122	1	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)(2)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	**53,370**	**12**	**88**	**55,522**	**0.05**	**29**	**45**	**2**	**6,334**	**11**	**12**	**13**
Banks												
0.00 to <0.15	53,070	2,951	24	53,596	0.05	131	45	1	8,488	16	11	
0.15 to <0.25	1,970	66	44	2,116	0.24	24	45	1	857	41	2	
0.25 to <0.50	5,067	512	57	5,629	0.34	51	43	1	2,827	50	8	
0.50 to <0.75	176	55	21	188	0.61	10	45	1	110	59	1	
0.75 to <2.50	3,022	234	25	2,758	1.05	61	42	1	2,067	75	12	
2.50 to <10.00	66	73	20	80	3.21	9	45	#	87	108	1	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)(2)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	**63,371**	**3,891**	**29**	**64,367**	**0.13**	**286**	**45**	**1**	**14,436**	**22**	**35**	**40**
Corporate												
0.00 to <0.15	49,563	34,385	28	62,791	0.04	450	45	2	11,886	19	12	
0.15 to <0.25	23,863	22,894	19	29,143	0.22	347	45	2	12,271	42	29	
0.25 to <0.50	33,596	34,180	22	40,195	0.33	859	44	2	21,859	54	59	
0.50 to <0.75	13,004	11,381	17	14,481	0.56	654	43	2	10,228	71	35	
0.75 to <2.50	30,882	29,236	12	30,988	1.53	7,321	40	2	27,607	89	189	
2.50 to <10.00	8,164	4,836	9	7,352	4.49	2,644	40	2	9,156	125	131	
10.00 to <100.00	1,480	232	18	1,382	12.80	326	41	2	2,782	201	72	
100.00 (Default)(2)	4,153	315	84	4,241	100.00	566	43	2	-	-	1,828	
Sub-total	**164,705**	**137,459**	**20**	**190,573**	**2.90**	**13,167**	**43**	**2**	**95,789**	**50**	**2,355**	**2,662**
Corporate small business												
0.00 to <0.15	105	205	15	136	0.05	2	45	2	17	12	#	
0.15 to <0.25	21	60	6	31	0.22	13	40	4	15	51	#	
0.25 to <0.50	425	644	11	560	0.38	221	41	3	321	57	1	
0.50 to <0.75	855	635	9	921	0.56	352	40	3	638	69	2	
0.75 to <2.50	4,061	2,068	11	4,183	1.67	1,398	40	3	3,849	92	28	
2.50 to <10.00	2,127	714	13	2,113	4.22	837	40	2	2,392	113	36	
10.00 to <100.00	299	56	13	291	12.53	106	40	2	483	166	15	
100.00 (Default)(2)	312	9	62	309	100.00	105	42	1	-	-	130	
Sub-total	**8,205**	**4,391**	**11**	**8,544**	**5.99**	**3,034**	**41**	**3**	**7,715**	**90**	**212**	**240**
Total (all portfolios)	**289,651**	**145,753**	**20**	**319,006**	**1.93**	**16,516**	**44**	**2**	**124,274**	**39**	**2,614**	**2,955**

\# Numbers below 0.5.

(1) For definition of RWA density, refer to footnote of 9.2.4.

(2) For definition of default, refer to 9.2.1.

9.2.6.2 Foundation IRBA (continued)

	30 Jun 2017											
	a	b	c	d	e	f	g	h	i	j	k	l
PD Range (%)	Original on-balance sheet gross exposures ($m)	Off-balance sheet exposures pre CCF ($m)	Average CCF (%)	EAD post CRM and post-CCF ($m)	Average PD (%)	Number of obligors[3]	Average LGD (%)	Average maturity (years)	RWA ($m)	RWA density[1] (%)	EL ($m)	TEP ($m)
Sovereign												
0.00 to <0.15	48,454	12	98	50,337	0.02	22	45	2	3,347	7	4	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	4,107	-	-	4,107	0.39	7	45	2	2,381	58	7	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	23	-	-	23	1.76	2	45	2	24	105	#	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)[2]	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	**52,584**	**12**	**98**	**54,467**	**0.04**	**31**	**45**	**2**	**5,752**	**11**	**11**	**15**
Banks												
0.00 to <0.15	46,364	2,878	22	46,642	0.04	99	45	1	7,316	16	9	
0.15 to <0.25	19	-	-	19	0.24	4	45	#	7	36	#	
0.25 to <0.50	8,024	846	54	9,044	0.31	99	44	1	4,169	46	12	
0.50 to <0.75	#	-	-	#	0.61	2	45	#	#	56	#	
0.75 to <2.50	2,828	284	28	2,721	1.16	81	42	1	2,032	75	14	
2.50 to <10.00	141	13	20	144	5.69	12	45	#	201	139	4	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)[2]	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	**57,376**	**4,021**	**29**	**58,570**	**0.15**	**297**	**45**	**1**	**13,725**	**23**	**39**	**52**
Corporate												
0.00 to <0.15	46,913	32,798	30	61,516	0.04	447	45	2	11,562	19	12	
0.15 to <0.25	24,341	21,427	25	29,872	0.22	331	45	2	12,678	42	29	
0.25 to <0.50	31,814	30,876	24	38,020	0.33	844	44	2	20,326	53	56	
0.50 to <0.75	12,393	11,552	12	12,970	0.56	659	43	2	8,794	68	31	
0.75 to <2.50	31,448	29,515	12	32,392	1.57	7,026	40	2	29,042	90	201	
2.50 to <10.00	9,111	6,080	9	7,775	4.73	2,727	40	2	9,844	127	145	
10.00 to <100.00	2,398	428	27	2,236	14.86	364	41	2	4,625	207	139	
100.00 (Default)[2]	2,997	155	82	2,913	100.00	557	43	2	-	-	1,260	
Sub-total	**161,415**	**132,831**	**21**	**187,694**	**2.35**	**12,955**	**43**	**2**	**96,871**	**52**	**1,873**	**2,508**
Corporate small business												
0.00 to <0.15	143	126	25	175	0.05	2	45	1	12	7	#	
0.15 to <0.25	28	130	31	76	0.22	24	43	2	27	35	#	
0.25 to <0.50	599	745	10	696	0.37	309	41	3	377	54	1	
0.50 to <0.75	902	679	14	1,010	0.56	320	41	3	661	65	2	
0.75 to <2.50	3,581	1,870	12	3,761	1.70	1,310	40	3	3,215	85	25	
2.50 to <10.00	2,109	821	12	2,123	4.19	772	40	2	2,303	108	35	
10.00 to <100.00	281	79	13	295	13.19	91	40	2	492	167	16	
100.00 (Default)[2]	326	1	50	317	100.00	91	42	1	-	-	134	
Sub-total	**7,969**	**4,451**	**13**	**8,453**	**6.12**	**2,919**	**40**	**3**	**7,087**	**84**	**213**	**286**
Total (all portfolios)	**279,344**	**141,315**	**21**	**309,184**	**1.63**	**16,202**	**44**	**2**	**123,435**	**40**	**2,136**	**2,861**

Numbers below 0.5.

(1) For definition of RWA density, refer to footnote of 9.2.4.

(2) For definition of default, refer to 9.2.1.

(3) Comparatives have been refined to be consistent with year end basis.

9.2.6.2 Foundation IRBA (continued)

Exposures increased in the second half of 2017 mainly due to higher exposures to banks and corporate asset classes resulting largely from increases in securities, bills and loans. Overall RWA density remained largely unchanged.

9.2.7 IRBA – Effect on RWA of Credit Derivatives used as CRM

As at the reporting date, the Group does not have any credit derivative used as CRM in its Banking book.

9.2.8 IRBA – Specialised Lending and Equities under the Simple Risk Weight Method

9.2.8.1 IRBA - Specialised Lending (Other than HVCRE)[1]

The following table provides the exposure amounts and RWA of the Group's specialised lending exposures by each asset sub-class in accordance with the supervisory slotting criteria.

$m											
		31 Dec 2017 Specialised lending Other than HVCRE									
					Exposure amount						
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk Weight	PF	OF	CF	IPRE	Total	RWA	Expected losses
Strong	Less than 2.5 years	6,898	1,442	50%	638	-	-	7,154	7,792	4,130	-
	Equal to or more than 2.5 years	9,647	1,319	70%	2,533	117	-	7,844	10,494	7,786	42
Good	Less than 2.5 years	7,118	1,043	70%	549	-	-	7,173	7,722	5,730	31
	Equal to or more than 2.5 years	5,794	1,499	90%	931	196	-	5,592	6,719	6,409	54
Satisfactory		6,417	1,605	115%	468	116	-	6,601	7,185	8,759	201
Weak		699	217	250%	290	5	-	557	852	2,258	68
Default		213	-	0%	-	388	-	27	415	-	207
Total		**36,786**	**7,125**		**5,409**	**822**	**-**	**34,948**	**41,179**	**35,072**	**603**

$m											
		30 Jun 2017 Specialised lending Other than HVCRE									
					Exposure amount						
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk Weight	PF	OF	CF	IPRE	Total	RWA	Expected losses
Strong	Less than 2.5 years	7,906	1,366	50%	590	-	-	8,234	8,824	4,676	-
	Equal to or more than 2.5 years	7,922	1,444	70%	2,369	126	-	6,205	8,700	6,456	35
Good	Less than 2.5 years	5,779	922	70%	392	47	-	5,906	6,345	4,708	25
	Equal to or more than 2.5 years	5,448	1,982	90%	931	120	-	5,628	6,679	6,372	53
Satisfactory		6,741	1,624	115%	855	84	-	6,580	7,519	9,165	211
Weak		556	228	250%	-	114	-	599	713	1,889	57
Default		253	-	0%	-	410	-	9	419	-	209
Total		**34,605**	**7,566**		**5,137**	**901**	**-**	**33,161**	**39,199**	**33,266**	**590**

[1] As at reporting date, the Group does not have any HVCRE exposures.

Exposures and RWA increased in the second half of 2017 due to loan growth.

9.2.8.2 IRBA - Equities under the Simple Risk Weight Method

The following table provides the exposure amounts and RWA of the Group's equity exposures under the Simple Risk Weight method.

31 Dec 2017					
$m	**Equity exposures under the simple risk weight method**				
Categories	**On-balance sheet amount**	**Off-balance sheet amount**	**RW**	**Exposure amount**	**RWA**
Exchange-traded equity exposures	1,259	-	300%	1,259	4,002
Other equity exposures	697	69	400%	748	3,172
Total	**1,956**	**69**		**2,007**	**7,174**

30 Jun 2017					
$m	**Equity exposures under the simple risk weight method**				
Categories	**On-balance sheet amount**	**Off-balance sheet amount**	**RW**	**Exposure amount**	**RWA**
Exchange-traded equity exposures	1,312	-	300%	1,312	4,172
Other equity exposures	760	236	400%	937	3,974
Total	**2,072**	**236**		**2,249**	**8,146**

Other equity exposures decreased in second half of 2017 mainly due to a decline in underwriting commitments.

9.2.9 IRBA - Backtesting of PD per portfolio[1]

The following table shows the backtesting of PD of retail portfolios whose exposures are under A-IRBA for capital computation. The portfolios comprise of QRRE, residential mortgage and other retail exposures. PD, EAD and LGD estimates are based on internal historical default and realised losses within a defined period. Refer to Section 9.1.4 for key rating models used for retail exposures and the percentage of RWA covered by these models.

			31 Dec 2017				
a	b	c	d		e	f	g
			Number of obligors				
PD Range (%)	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of previous annual reporting period	End of the annual reporting period	Defaulted obligors in the annual reporting period	of which: new defaulted obligors in the annual reporting period	Average historical annual default rate (%)
Retail - QRRE							
0.00 to < 0.15	0.13	0.12	640,026	659,208	636	-	0.09
0.15 to < 0.25	0.20	0.19	366,543	349,179	557	12	0.14
0.25 to < 0.50	0.42	0.40	223,941	212,864	972	24	0.26
0.50 to < 0.75	-	-	-	-	-	-	-
0.75 to < 2.50	1.55	1.48	319,309	326,297	2,517	93	0.76
2.50 to < 10.00	4.40	4.30	125,950	104,618	6,676	356	2.27
10.00 to < 100.00	21.05	22.51	37,433	63,252	6,641	30	14.42
Retail - Residential mortgage							
0.00 to < 0.15	0.14	0.14	18,535	23,510	2	-	0.09
0.15 to < 0.25	0.19	0.19	22,702	23,952	10	1	0.04
0.25 to < 0.50	0.28	0.29	67,615	73,004	75	-	0.16
0.50 to < 0.75	0.72	0.73	12,349	10,372	20	1	0.10
0.75 to < 2.50	1.63	1.63	5,558	2,409	5	-	0.19
2.50 to < 10.00	4.21	4.19	1,348	1,509	28	-	1.07
10.00 to < 100.00	24.77	24.63	760	910	131	1	15.81
Other retail exposures							
0.00 to < 0.15	-	-	-	-	-	-	-
0.15 to < 0.25	0.16	0.16	40,279	37,286	21	-	0.05
0.25 to < 0.50	0.28	0.28	10,369	10,831	5	-	0.15
0.50 to < 0.75	0.64	0.64	24	17	-	-	3.47
0.75 to < 2.50	1.16	1.16	5,116	3,806	30	-	0.52
2.50 to < 10.00	-	-	-	-	-	-	-
10.00 to < 100.00	14.52	14.40	1,215	936	78	-	6.16

[1] All obligors with facilities are included.

9.2.9 IRBA - Backtesting of PD per portfolio[1] (continued)

The following table shows the backtesting of PD of wholesale portfolios whose exposures are under F-IRBA for capital computation. The portfolios comprise of sovereign, bank and corporates. Refer to Section 9.1.4 for key rating models used for wholesale exposures and the percentage of RWA covered by these models.

31 Dec 2017										
a	b			c	d	e		f	g	h
						Number of obligors				
PD Range (%)	Standard & Poor's Ratings Services	Fitch Rating	Moody's Investor Services	Weighted average PD (%)	Arithmetic average PD by obligors (%)	End of previous annual reporting period	End of the annual reporting period	Defaulted obligors in the annual reporting period	of which: new defaulted obligors in the annual reporting period	Average historical annual default rate (%)
Sovereign										
0.00 to < 0.15	AAA to BBB+	AAA to BBB+	Aaa to Baa1	0.02	0.01	27	24	-	-	-
0.15 to < 0.25	BBB+ to BBB	BBB+ to BBB	Baa1 to Baa2	-	-	-	-	-	-	-
0.25 to < 0.50	BBB to BBB-	BBB to BBB-	Baa2 to Baa3	0.39	0.39	7	6	-	-	-
0.50 to < 0.75	BB+	BB+	Ba1	-	-	-	-	-	-	-
0.75 to < 2.50	BB to BB-	BB to BB-	Ba2 to Ba3	1.23	0.98	3	2	-	-	-
2.50 to < 10.00	B+ to B-	B+ to B-	Ba1 to B3	-	-	-	-	-	-	-
10.00 to < 100.00	B- to C	B- to C	B3 to Ca	-	-	-	-	-	-	-
Banks										
0.00 to < 0.15	AAA to BBB+	AAA to BBB+	Aaa to Baa1	0.04	0.04	115	156	-	-	-
0.15 to < 0.25	BBB+ to BBB	BBB+ to BBB	Baa1 to Baa2	0.24	0.24	1	27	-	-	-
0.25 to < 0.50	BBB to BBB-	BBB to BBB-	Baa2 to Baa3	0.30	0.28	122	71	-	-	-
0.50 to < 0.75	BB+	BB+	Ba1	0.61	0.61	1	12	-	-	-
0.75 to < 2.50	BB to BB-	BB to BB-	Ba2 to Ba3	1.13	1.19	88	69	-	-	-
2.50 to < 10.00	B+ to B-	B+ to B-	Ba1 to B3	5.71	5.71	13	9	-	-	-
10.00 to < 100.00	B- to C	B- to C	B3 to Ca	-	-	-	-	-	-	-
Corporate										
0.00 to < 0.15	AAA to BBB+	AAA to BBB+	Aaa to Baa1	0.04	0.05	524	514	-	-	-
0.15 to < 0.25	BBB+ to BBB	BBB+ to BBB	Baa1 to Baa2	0.22	0.22	443	451	-	-	-
0.25 to < 0.50	BBB to BBB-	BBB to BBB-	Baa2 to Baa3	0.34	0.35	1,085	1,143	-	-	0.06
0.50 to < 0.75	BB+	BB+	Ba1	0.56	0.56	842	942	1	-	0.30
0.75 to < 2.50	BB to BB-	BB to BB-	Ba2 to Ba3	1.58	1.69	4,559	4,629	45	-	1.19
2.50 to < 10.00	B+ to B-	B+ to B-	Ba1 to B3	4.68	4.89	3,191	3,076	116	1	3.20
10.00 to < 100.00	B- to C	B- to C	B3 to Ca	12.70	12.51	471	372	50	6	19.70
Corporate small business										
0.00 to < 0.15	AAA to BBB+	AAA to BBB+	Aaa to Baa1	0.04	0.05	2	2	-	-	-
0.15 to < 0.25	BBB+ to BBB	BBB+ to BBB	Baa1 to Baa2	0.22	0.22	60	17	-	-	-
0.25 to < 0.50	BBB to BBB-	BBB to BBB-	Baa2 to Baa3	0.36	0.37	457	297	1	-	0.04
0.50 to < 0.75	BB+	BB+	Ba1	0.56	0.56	373	416	-	-	-
0.75 to < 2.50	BB to BB-	BB to BB-	Ba2 to Ba3	1.71	1.72	1,408	1,523	8	-	0.11
2.50 to < 10.00	B+ to B-	B+ to B-	Ba1 to B3	4.10	3.93	709	887	20	-	2.22
10.00 to < 100.00	B- to C	B- to C	B3 to Ca	13.36	12.89	88	111	13	1	26.39

[1] All obligors with facilities are included.

10 COUNTERPARTY CREDIT RISK

10.1 Qualitative Disclosures

Counterparty Credit Risk is defined as the risk that a counterparty could default before the final settlement of the cash flows of derivatives or securities financing transactions.

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

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

The Group CCRP and related standards set out the Group's overarching requirements for guarantees and Traded Products, including Securities Trading (Equity and Debt), Over-the-counter (OTC) Derivatives Trading, Exchange Traded Derivatives and Securities Borrowings and Lendings (including repos).

Risk Appetite is managed through a capital allocation structure to monitor internal capital demand. The Group manages risks along the dimensions of customer facing and non-customer facing units. To ensure that the thresholds pertaining to our Risk Appetite are completely risk-sensitive, the Group has adopted EC as our primary risk metric. EC is also a core component in the Group's ICAAP.

Credit limits and exposures to counterparties are subject to the Group’s overarching credit risk management framework. Counterparties (including Central Clearing Counterparties (CCPs)) are assessed individually using an internal rating model and assigned credit risk ratings. After the credit exposures are assessed, credit limits are proposed by the business unit, and are approved by the credit risk function after an independent credit assessment. The Group's assessment for CCPs takes into consideration additional parameters including but not limited to default waterfall protection, margining process, risk management capabilities, segregation of margins, member liability provisions, regulatory oversight etc.

Counterparty credit exposures (including that of CCP exposures) are also subject to economic capital and limit allocation rules that are applied for Institutional Banking clients.

The Group actively monitors and manages our exposure to counterparties in OTC derivative trades to protect our balance sheet in the event of a counterparty default. Counterparty risk exposures that may be adversely affected by market risk events are identified, reviewed and acted upon by management, and highlighted to the appropriate risk committees.

The Group enters into master netting arrangements with counterparties where it is appropriate and feasible to do netting to mitigate counter risk. The credit risk associated with favorable 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. These agreements include derivative master agreements (including ISDA Master Agreement), global master repurchase agreements and global securities lending agreements. 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.

Please refer to section 9.1.2 for details relating to collateral arrangements relating to derivatives, repurchase agreements (repo) and other repo style transactions as well as guarantees used as credit risk mitigants.

The Group also clears OTC Derivatives trades through CCPs to manage overall counterparty credit risks. In the recent years, regulatory changes requiring mandatory clearing of standardised OTC derivatives through central counterparties, have resulted in increasing volumes of trades being cleared through CCPs.

The Group’s CCRP provides the definition and management of specific wrong-way risk (SWWR). SWWR arises when the credit exposure of a counterparty (from the traded product transaction) directly correlates with the probability of default of the counterparty. An example of SWWR is when a counterparty buys or sells its own equity share.

The Group is required to post additional collateral in the event of a rating downgrade. As at 31 December 2017, for a three-notch downgrade of the Group's Standard & Poor's Ratings Services and Moody's Investor Services ratings, we will have to post additional collateral amounting to S$19 million (2016: S$44 million).

10.2 Quantitative Disclosures

10.2.1 Analysis of CCR Exposure by Approach

The following table provides the methods used to calculate the Group's CCR capital requirements and the main parameters used for each method.

		31 Dec 2017					
		a	b	c	d	e	f
$m		Replacement cost	Potential future exposure	Effective EPE	α used for computing regulatory EAD	EAD (post-CRM)	RWA
1	Current exposure method (for derivatives)	8,204	10,460			18,383	7,687
2	CCR internal models method (for derivatives and SFTs)			-	-	-	-
3	FC(SA) (for SFTs)					-	-
4	FC(CA) (for SFTs)					6,247	407
5	VaR for SFTs					-	-
6	**Total**						**8,094**

		30 Jun 2017					
		a	b	c	d	e	f
$m		Replacement cost	Potential future exposure	Effective EPE	α used for computing regulatory EAD	EAD (post-CRM)	RWA
1	Current exposure method (for derivatives)	8,071	10,639			18,351	7,765
2	CCR internal models method (for derivatives and SFTs)			-	-	-	-
3	FC(SA) (for SFTs)					-	-
4	FC(CA) (for SFTs)					11,394	459
5	VaR for SFTs					-	-
6	**Total**						**8,224**

CCR exposures decreased in the second half of 2017 driven by a decline in repurchase agreement transactions.

10.2.2 CVA Risk Capital Requirements

The Group adopts the standardised method to compute CVA risk capital requirements. The following table provides the exposure amount (post-CRM) and RWA.

		31 Dec 2017	
		a	b
$m		EAD (post-CRM)	RWA
	Total portfolios subject to the Advanced CVA capital requirement	-	-
1	(i) VaR component (including the three-times multiplier)		-
2	(ii) Stressed VaR component (including the three-times multiplier)		-
3	All portfolios subject to the Standardised CVA capital requirement	16,575	6,560
4	**Total portfolios subject to the CVA capital requirement**	**16,575**	**6,560**

		30 Jun 2017	
		a	b
$m		EAD (post-CRM)	RWA
	Total portfolios subject to the Advanced CVA capital requirement	-	-
1	(i) VaR component (including the three-times multiplier)		-
2	(ii) Stressed VaR component (including the three-times multiplier)		-
3	All portfolios subject to the Standardised CVA capital requirement	16,781	6,728
4	**Total portfolios subject to the CVA capital requirement**	**16,781**	**6,728**

There were no significant movements in the second half of 2017.

10.2.3 Credit Derivative Exposures

The following table provides the notional amounts (before any netting) and fair values of the Group's credit derivative exposures, broken down between credit derivatives bought or sold.

		31 Dec 2017	
		a	b
$m		Protection bought	Protection sold
	Notionals		
1	Single-name credit default swaps	6,117	7,793
2	Index credit default swaps	2,931	2,848
3	Total return swaps	7,180	-
4	Other credit derivatives	201	-
5	**Total notionals**	**16,429**	**10,641**
	Fair values		
6	Positive fair value (asset)	40	169
7	Negative fair value (liability)	256	2

		30 Jun 2017	
		a	b
$m		Protection bought	Protection sold
	Notionals		
1	Single-name credit default swaps	6,535	8,330
2	Index credit default swaps	3,762	3,627
3	Total return swaps	4,563	-
4	Other credit derivatives	207	-
5	**Total notionals**	**15,067**	**11,957**
	Fair values		
6	Positive fair value (asset)	16	183
7	Negative fair value (liability)	216	7

The increase in credit derivative exposures in the second half of 2017 was driven by an increase in the notionals of total return swaps due to increased business volumes from new business segments. This was partly offset by a reduction in the notionals of index credit default swaps driven by lower business volumes and lower volatility in the market.

10.2.4 Standardised Approach – CCR Exposures by Portfolio and Risk Weights

The following table provides the breakdown of the Group's CCR exposure amounts (post-CRM) under SA(CR) by asset class and risk weight.

		31 Dec 2017								
		a	b	c	d	e	f	g	h	i
		Risk Weight								Total Credit Exposure
$m		0%	10%	20%	50%	75%	100%	150%	Others	
	Asset Classes									
1	Central government and central bank	-	-	-	-	-	-	-	-	-
2	PSE	-	-	-	-	-	-	-	-	-
3	MDB	1,455	-	-	3	-	-	-	-	1,458
4	Bank	-	-	2	1	-	-	-	-	3
6	Corporate	-	-	-	#	-	243	-	-	243
7	Regulatory retail	-	-	-	-	#	-	-	-	#
8	Other exposures	-	-	-	-	-	542	-	-	542
9	**Total**	**1,455**	**-**	**2**	**4**	**#**	**785**	**-**	**-**	**2,246**

		30 Jun 2017								
		a	b	c	d	e	f	g	h	i
		Risk Weight								Total Credit Exposure
$m		0%	10%	20%	50%	75%	100%	150%	Others	
	Asset Classes									
1	Central government and central bank	-	-	-	-	-	-	-	-	-
2	PSE	-	-	-	-	-	-	-	-	-
3	MDB	1,384	-	-	6	-	-	-	-	1,390
4	Bank	-	-	3	1	-	-	-	-	4
6	Corporate	-	-	-	-	-	146	-	-	146
7	Regulatory retail	-	-	-	-	#	-	-	-	#
8	Other exposures	-	-	-	-	-	487	-	-	487
9	**Total**	**1,384**	**-**	**3**	**7**	**#**	**633**	**-**	**-**	**2,027**

Numbers below 0.5.

There were no significant movements in the second half of 2017.

10.2.5 IRBA – CCR Exposures by Portfolio and PD Range

The following table sets out the parameters used to calculate the Group's CCR capital requirements for IRBA models. The Group adopts F-IRBA for all of its IRBA exposures which are subject to CCR capital requirements.

	31 Dec 2017						
	a	b	c	d	e	f	g
PD Range (%)	**EAD post CRM ($m)**	**Average PD (%)**	**Number of obligors**	**Average LGD (%)**	**Average maturity (years)**	**RWA ($m)**	**RWA density[1] (%)**
Sovereign							
0.00 to <0.15	1,676	0.01	7	34	#	12	#
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	148	0.39	1	1	#	1	1
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)[2]	-	-	-	-	-	-	-
Sub-total	**1,824**	**0.04**	**8**	**32**	**#**	**13**	**1**
Banks							
0.00 to <0.15	7,903	0.08	98	34	1	1,517	19
0.15 to <0.25	723	0.24	17	39	1	331	46
0.25 to <0.50	866	0.32	60	35	2	419	48
0.50 to <0.75	33	0.61	9	39	1	20	61
0.75 to <2.50	317	1.25	39	45	1	323	102
2.50 to <10.00	#	2.57	1	45	#	#	99
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)[2]	-	-	-	-	-	-	-
Sub-total	**9,842**	**0.15**	**224**	**34**	**1**	**2,610**	**27**
Corporate							
0.00 to <0.15	2,203	0.04	118	45	3	532	24
0.15 to <0.25	2,700	0.22	68	25	2	751	28
0.25 to <0.50	2,283	0.33	206	37	2	1,227	54
0.50 to <0.75	364	0.56	114	41	2	262	72
0.75 to <2.50	2,518	1.92	368	21	1	1,295	51
2.50 to <10.00	89	6.05	113	37	1	114	128
10.00 to <100.00	45	28.58	17	25	#	59	132
100.00 (Default)[2]	4	100.00	8	44	1	-	-
Sub-total	**10,206**	**0.85**	**1,012**	**32**	**2**	**4,240**	**42**
Corporate small business							
0.00 to <0.15	#	0.05	1	45	#	#	5
0.15 to <0.25	#	0.22	1	40	#	#	17
0.25 to <0.50	1	0.31	12	31	1	#	21
0.50 to <0.75	6	0.56	18	43	1	3	55
0.75 to <2.50	19	1.53	82	40	1	14	72
2.50 to <10.00	1	4.60	35	25	1	1	74
10.00 to <100.00	#	12.15	5	45	#	#	159
100.00 (Default)[2]	-	-	-	-	-	-	-
Sub-total	**27**	**1.49**	**154**	**40**	**1**	**18**	**67**
Total (all portfolios)	**21,899**	**0.47**	**1,398**	**33**	**2**	**6,881**	**31**

\# Numbers below 0.5.

(1) For definition of RWA density, refer to footnote of 9.2.4.

(2) For definition of default, refer to 9.2.1.

10.2.5 IRBA – CCR Exposures by Portfolio and PD Range (continued)

	30 Jun 2017						
	a	b	c	d	e	f	g
PD Range (%)	EAD post CRM ($m)	Average PD (%)	Number of obligors[3]	Average LGD (%)	Average maturity (years)	RWA ($m)	RWA density[1] (%)
Sovereign							
0.00 to <0.15	2,345	0.01	10	10	#	7	#
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	249	0.39	3	4	#	7	3
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)[2]	-	-	-	-	-	-	-
Sub-total	**2,594**	**0.05**	**13**	**9**	**#**	**14**	**1**
Banks							
0.00 to <0.15	8,629	0.05	75	25	1	971	11
0.15 to <0.25	10	0.24	2	45	#	4	33
0.25 to <0.50	5,551	0.26	94	20	1	1,349	24
0.50 to <0.75	50	0.61	2	#	#	#	#
0.75 to <2.50	314	1.35	49	42	1	316	101
2.50 to <10.00	#	5.71	1	45	#	#	136
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)[2]	-	-	-	-	-	-	-
Sub-total	**14,554**	**0.16**	**223**	**23**	**1**	**2,640**	**18**
Corporate							
0.00 to <0.15	3,241	0.04	115	35	2	575	18
0.15 to <0.25	1,843	0.22	83	34	2	691	37
0.25 to <0.50	2,362	0.34	215	35	2	1,225	52
0.50 to <0.75	686	0.56	119	35	2	412	60
0.75 to <2.50	1,748	1.90	382	29	2	1,319	75
2.50 to <10.00	231	6.53	135	37	1	298	129
10.00 to <100.00	34	12.64	25	45	1	70	204
100.00 (Default)[2]	2	100.00	8	45	2	-	-
Sub-total	**10,147**	**0.70**	**1,082**	**34**	**2**	**4,590**	**45**
Corporate small business							
0.00 to <0.15	#	0.05	1	45	#	#	5
0.15 to <0.25	#	0.22	1	40	#	#	18
0.25 to <0.50	1	0.33	22	33	1	#	24
0.50 to <0.75	6	0.56	17	43	1	3	52
0.75 to <2.50	10	2.00	82	38	1	7	74
2.50 to <10.00	2	3.92	40	24	1	1	61
10.00 to <100.00	#	12.15	5	42	2	#	158
100.00 (Default)[2]	1	100.00	1	40	1	-	-
Sub-total	**20**	**8.12**	**169**	**38**	**1**	**11**	**60**
Total (all portfolios)	**27,315**	**0.36**	**1,487**	**26**	**1**	**7,255**	**27**

Numbers below 0.5.

(1) For definition of RWA density, refer to footnote of 9.2.4.

(2) For definition of default, refer to 9.2.1.

(3) Comparatives have been refined to be consistent with year end basis.

10.2.5 IRBA – CCR Exposures by Portfolio and PD Range (continued)

RWA density for CCR exposures increased in the second half of 2017 due to a decline in repurchase agreement transactions with relatively low risk weights.

10.2.6 RWA Flow Statements under the CCR Internal Models Method

This disclosure is not applicable as the Group does not adopt the CCR Internal Models method.

11 SECURITISATION

11.1 Qualitative Disclosures

The Group is not active in securitisation activities that are motivated by credit risk transfer or other strategic considerations. As a result, the Group does not securitise its own assets nor does it acquire assets with a view to securitising them. The securitisation transactions are arranged for the clients, primarily for fees. These transactions do not involve special-purpose entities which the Group controls or to which it acts as a sponsor.

For transactions that are not underwritten, no securitisation exposures are assumed as a direct consequence of arranging the transactions. Any decision to invest in any of such arranged transactions is subject to independent risk assessment. Where the Group provides an underwriting commitment, any securitisation exposure that arises is held in the trading book to be traded or sold down in accordance with our internal policy and risk limits.

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

In addition, the Group does not provide implicit support for any transactions it structures or has invested in.

The Group's securitisation positions are recognised as financial assets pursuant to the Group's accounting policies and valued accordingly. Please refer to the financial statements in the latest available annual report on the Group's accounting policies on financial assets.

Subject to MAS Notice 637 paragraph 7.1.11, securitisation exposures in the banking book are risk-weighted using either the SA or the IRBA Ratings-Based Method applying ratings from Fitch Ratings, Moody's Investor Services and/or Standard & Poor's Ratings Service, where available.

Securitisation exposures in the trading book are risk-weighted under the SA applying ratings from Fitch Ratings, Moody's Investor Services and/or Standard & Poor's Ratings Services, where available.

11.2 Quantitative Disclosures

11.2.1 Securitisation Exposures in the Banking Book

The following table provides an overview of the Group's securitisation exposures in the Banking book. Figures are based on carrying amounts as reported in the financial statements.

		31 Dec 2017	30 Jun 2017
		a	
		A Reporting Bank acts as investor	
$m		Traditional[(1)]	
1	**Total retail**	**2,324**	**2,327**
2	of which: residential mortgage	2	2
3	of which: credit card	2,008	1,848
4	of which: other retail exposures	314	477
5	**Total wholesale**	**-**	**-**

There were no significant movements in the second half of 2017.

11.2.2 Securitisation Exposures in the Trading Book

The following table provides an overview of the Group's securitisation exposures in the Trading book. Figures are based on carrying amounts as reported in the financial statements.

		31 Dec 2017	30 Jun 2017
		a	
		A Reporting Bank acts as investor	
$m		Traditional[(1)]	
1	**Total retail**	**21**	**28**
2	of which: residential mortgage	20	22
3	of which: credit card	-	-
4	of which: other retail exposures	1	6
5	**Total wholesale**	**-**	**-**

[(1)] The Group does not invest in synthetic securitisation structures.

There were no significant movements in the second half of 2017.

11.2.3 Securitisation Exposures in the Banking Book and associated Regulatory Capital Requirements – A Reporting Bank acting as Originator or as Sponsor

The Group does not act as an Originator or a Sponsor for its securitisation exposures in the Banking book.

11.2.4 Securitisation Exposures in the Banking Book and associated Regulatory Capital Requirements – A Reporting Bank acting as an Investor

The following table provides the exposure amounts, RWA and capital requirements of the Group's securitisation exposures in the Banking book.

	31 Dec 2017																	
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap[1]			
	$m	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRBA(SE) - RBM and IAM	IRBA(SE) - SF	SA/(SE)	1250%	IRBA(SE) - RBM and IAM	IRBA(SE) - SF	SA/(SE)	1250%	IRBA(SE) - RBM and IAM	IRBA(SE) - SF	SA/(SE)	1250%
1	**Total exposures**	**2,102**	**85**	**93**	**-**	**4**	**2**	**-**	**2,278**	**4**	**#**	**-**	**556**	**47**	**#**	**-**	**55**	**5**
2	**Traditional securitisation**	2,102	85	93	-	4	2	-	2,278	4	#	-	556	47	#	-	55	5
3	Of which: securitisation	2,102	85	93	-	4	2	-	2,278	4	#	-	556	47	#	-	55	5
4	Of which: retail underlying	2,102	85	93	-	4	2	-	2,278	4	#	-	556	47	#	-	55	5
5	Of which: wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which: re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which: senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which: non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Of which: securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which: retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which: wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which: re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which: senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which: non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	30 Jun 2017																	
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap[1]			
	$m	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRBA(SE) - RBM and IAM	IRBA(SE) - SF	SA/(SE)	1250%	IRBA(SE) - RBM and IAM	IRBA(SE) - SF	SA/(SE)	1250%	IRBA(SE) - RBM and IAM	IRBA(SE) - SF	SA/(SE)	1250%
1	**Total exposures**	**2,089**	**81**	**113**	**-**	**4**	**2**	**-**	**2,281**	**4**	**#**	**-**	**571**	**47**	**#**	**-**	**57**	**5**
2	**Traditional securitisation**	2,089	81	113	-	4	2	-	2,281	4	#	-	571	47	#	-	57	5
3	Of which: securitisation	2,089	81	113	-	4	2	-	2,281	4	#	-	571	47	#	-	57	5
4	Of which: retail underlying	2,089	81	113	-	4	2	-	2,281	4	#	-	571	47	#	-	57	5
5	Of which: wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which: re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which: senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which: non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Of which: securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which: retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which: wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which: re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which: senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which: non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Numbers below 0.5.

[1] Capital charge after cap in these columns correspond to 10% of the relevant RWA figures in column “(j)”, “(k)”, “(l)” and “(m)” which are 2.0 percentage points higher than the Basel Committee’s requirement.

There were no significant movements in the second half of 2017.

12 MARKET RISK

12.1 Qualitative Disclosures

Market risk arises from adverse changes in interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices as well as related factors. The Group's exposures in the trading portfolios are from the undertaking of trading activities, for the purpose of market-making, client-facilitation and benefiting from market opportunities.

The Group adopts the Value-at-Risk (VaR) model to monitor market risk. The VaR model is based on historical simulation with a one-day holding period. It 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 conducts back-testing to verify the predictiveness of the VaR model. We use Expected Shortfall (ES), which is the average of potential loss beyond a given level of confidence, to monitor and limit market risk exposures, as well as to monitor net open positions net of hedges. To monitor the Group's vulnerability to unexpected but plausible extreme market risk-related events, we conduct multiple market risk stress tests regularly.

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 (a) investments, (b) maturity mismatches between loans and deposits, (c) structured product issuances, and (d) other assets and liabilities.

Independent monitoring of the Group's market risk (including interest rate risk in the banking book) is the responsibility of the RMG-Market and Liquidity Risk unit. The unit monitors, controls and analyses the Group's market risk (including interest rate risk in the banking book) regularly.

Please refer to Section 7 on the risk management committees established to discuss the various risk types.

Internal control processes and systems have been designed and implemented to support our Group's market risk management approach. We review these control processes and systems regularly, and these reviews allow the management to assess their effectiveness.

The Group does not adopt IMA to measure its regulatory capital requirements for market risk.

12.2 Quantitative Disclosures

12.2.1 Market Risk under Standardised Approach

The following table provides the components of the Group's market risk RWA as measured under the Standardised Approach.

		31 Dec 2017	30 Jun 2017
		a	
$m		RWA[1]	
	Products excluding options		
1	Interest rate risk (general and specific)	26,123	23,705
2	Equity risk (general and specific)	327	312
3	Foreign exchange risk	5,705	7,763
4	Commodity risk	4	9
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	6,442	6,507
8	**Securitisation**	69	81
9	**Total**	**38,670**	**38,377**

[1] The RWA is derived by multiplying the capital requirements by 12.5.

There were no significant RWA movements in the second half of 2017. The increase in interest rate risk was offset by the decrease in foreign exchange risk.

12.2.2 RWA Flow Statements of Market Risk Exposures under IMA, IMA Values for Trading Portfolios and Comparison of VaR Estimates with Gains or Losses

The Group does not adopt IMA to measure its regulatory capital requirements for market risk.

13 OPERATIONAL RISK

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

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

Robust internal control processes and systems are integral to identifying, monitoring, managing and reporting operational risk.

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 relevant risk committees and recommend appropriate risk mitigation strategies.

Please refer to Section 7 on the risk management committees established to discuss the various risk types.

The Group Operational Risk Management (ORM) Policy sets our overall approach for managing operational risk in a structured, systematic and consistent manner.

There are policies, standards, tools and programmes in place to govern ORM practices across 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.

The Group adopts the standardised approach to compute operational risk regulatory capital.

To manage and control operational risk, we use various tools, including risk and control self-assessment, operational risk event management and key risk indicator monitoring.

In 2017, the Group’s three lines of defense completed an alignment of the operational risk management and assessment approaches, and one common risk universe and taxonomy to manage operational risks. In this regard the Group has developed an integrated governance, risk and compliance system which will be fully implemented in 2018. 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. We have also established policies and standards to manage and address cyber security risk. To enhance the management of this risk, we have appointed a Chief Information Security Officer who is responsible for our cyber security risk management strategy and programme.

Compliance risk
Compliance risk refers to the risk of the Group not being able to successfully conduct our business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and professional conduct applicable to the financial sector.

This includes, in particular, laws and regulations applicable to the licensing and conducting of banking or other financial businesses, financial crime such as anti-money laundering and countering the financing of terrorism, fraud and bribery/ corruption. We maintain a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

13 OPERATIONAL RISK (CONTINUED)

Compliance risk (Continued)
The Group also provides relevant training and implements assurance processes. We strongly believe in the need to promote a strong compliance culture as well, and this is developed through the leadership of our Board and management.

Fraud risk
The Group has established minimum standards for our business and support units to prevent, detect, investigate and remediate fraud and related events. This is based on the Fraud Management Programme, through which standards are implemented at the unit and geographical levels. These standards aim to provide end-to-end management for fraud and related issues within the Group.

Money laundering, financing of terrorism and sanctions risks
There are minimum standards for our business and support units to mitigate and manage our actual and/or potential exposure to money laundering, terrorist financing, sanctions, corruption, or other illicit financial activities. Accountabilities have also been established for the protection of the Group's assets and reputation, as well as the interests of our customers and shareholders.

New product and outsourcing risks
Each new product, service or outsourcing initiative is subject to a risk review and signoff 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 our 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, we have in place an incident management process. This covers the situation from the point it begins and the crisis is declared to when the relevant committees or teams are activated to manage the crisis.

Exercises are conducted annually, simulating different scenarios to test our BCPs and crisis management protocol. These scenarios include technology issues affecting essential banking services across 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, our alignment to regulatory guidelines and our disclosure of residual risks, are communicated and verified with 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.

14 INTEREST RATE RISK IN THE BANKING BOOK

The Group uses Expected Shortfall and Net Interest Income variability as key risk metrics to manage our assets and liabilities. Credit risk arising from loans and receivables is managed under the credit risk management framework.

Internal control processes and systems have been designed and implemented to support our market risk management approach. The Group reviews these control processes and systems regularly, and these reviews allow management to assess their effectiveness.

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.

We manage banking book interest rate risk arising from mismatches in the interest rate profiles of assets, liabilities and capital instruments (and associated hedges), which includes basis risk arising from different interest rate benchmarks, interest rate repricing 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.

The key market risk drivers of our non-trading portfolios are SGD and USD 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 S$1,221 million and negative S$2,311 million [2016: negative S$156 million and S$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.

15 REMUNERATION

Remuneration disclosures are disclosed in the 2017 annual report which is available at https://www.dbs.com/investor/group-annual-reports.html.

The following table signposts the disclosure requirements to the relevant pages and sections in the 2017 annual report.

Disclosure requirements	Reference in 2017 Annual Report
MAS Notice 637 Table 11-44: Remuneration Policy	
Name, composition and mandate of the main body overseeing remuneration	Pages 52 and 56; subsection on Compensation and Management Development Committee (CMDC)
External consultants engagement in the remuneration process	Page 64; section 5; third paragraph
Scope of the remuneration policy	Page 62; section 1
Types of employees considered as material risk-takers and as senior managers	Page 65; section 5; footnotes (1) and (2)
Information relating to the design and structure of remuneration processes	Pages 62 to 64; sections 1, 3 and 4; Pages 52 and 56, subsection on CMDC
Description of the ways in which current and future risks are taken into account in the remuneration process	Pages 62 to 64; sections 2 to 4
Description of the ways the Group seeks to link performance during a performance measurement period with levels of remuneration	Pages 62 to 66; sections 2 to 5
Description of the ways in which the Group seeks to adjust remuneration to take account of longer-term performance	Pages 62 to 64; sections 2 and 4
Description of the different forms of variable remuneration that the Group utilises and the rationale for using these different forms	Pages 62 to 64; sections 2 to 4
MAS Notice 637 Table 11-44A: Remuneration Awarded during the Financial Year	
Quantitative information on remuneration for the financial year	Pages 65 and 66; section 5; table and pie chart under "Breakdown of deferred remuneration awards"
MAS Notice 637 Table 11-44C: Special Payments	
Quantitative information on special payments for the financial year	Page 66; section 5; table "Guaranteed bonuses, sign-on bonuses and severance payments"
MAS Notice 637 Table 11-44E: Deferred Remuneration	
Quantitative information on deferred and retained remuneration	Page 65; section 5; table "Breakdown of deferred remuneration awards"

PART B: LIQUIDITY COVERAGE RATIO ("LCR") DISCLOSURES (FOR DBS BANK GROUP)

The following disclosures for the DBS Bank Group[1] are made pursuant to the Monetary Authority of Singapore ("MAS") Notice to Banks No. 651 "Liquidity Coverage Ratio ("LCR") Disclosure" ("Notice 651").

DBS Bank Group ("Group") has been subjected to the Basel III Liquidity Coverage Ratio ("LCR") standards from 1 January 2015, pursuant to MAS Notice 649. At the all-currency level, the Group is required to maintain daily LCR above an initial 60%, with a 10 percentage point step-up each year to 100% on 1 January 2019. The all-currency LCR minimum for 2017 is 80%. The Group is also required to maintain daily Singapore dollar ("SGD") LCR above 100%.

LCR aims to ensure that a bank has an adequate stock of unencumbered High Quality Liquid Assets ("HQLA") to meet its liquidity needs for a 30-calendar day liquidity stress scenario. Notice 649 stipulates the range of liquid assets that qualify as HQLA, as well as the applicable haircuts for each category. Net cash outflows are computed using the standardized 30-day cash flow rates defined in the same notice. The amounts after the application of haircuts or 30-day cash flow rates are reflected in the "weighted amount" column of the tables below.

The Group seeks to ensure that its LCR remains above the specified regulatory minimum requirements. This is achieved by:

1 Establishing internal early warning triggers and thresholds based on observed movements in LCR over time;

2 Monitoring and managing the LCR closely to ensure it stays within established boundaries; and

3 Strategically managing the liquidity risk arising from the balance sheet structure.

[1] Pursuant to Sections 36 and 38 of the Banking Act, and as outlined in MAS Notice 649, DBS Bank complies with the LCR requirements on a consolidated ("DBS Bank Group") level, which includes the assets and liabilities of its banking subsidiaries

1.1 Average All-Currency LCR for the Quarter ended 31 December 2017
(Number of data points: 92)

$m		31 Dec 2017 UNWEIGHTED[1]	31 Dec 2017 WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)**		**73,722**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**190,539**	**15,923**
3	Stable deposits	61,732	3,042
4	Less stable deposits	128,807	12,881
5	**Unsecured wholesale funding, of which**	**140,773**	**75,492**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	26,038	6,269
7	Non-operational deposits (all counterparties)	110,309	64,797
8	Unsecured debt	4,426	4,426
9	**Secured wholesale funding**		**500**
10	**Additional requirements, of which**	**50,853**	**10,543**
11	Outflows related to derivatives exposures and other collateral requirements	9,323	6,250
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	41,530	4,293
14	**Other contractual funding obligations**	**1,787**	**1,746**
15	**Other contingent funding obligations**	**20,136**	**605**
16	**TOTAL CASH OUTFLOWS**		**104,809**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**2,122**	**259**
18	**Inflows from fully performing exposures**	**66,067**	**42,901**
19	**Other cash inflows**	**8,264**	**4,993**
20	**TOTAL CASH INFLOWS**	**76,453**	**48,153**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**73,722**
22	**TOTAL NET CASH OUTFLOWS**		**56,656**
23	**LIQUIDITY COVERAGE RATIO (%)[2]**		**131%**

(1) The unweighted amounts refer to cash flows due or callable within 30 days, with the exception of items in rows 13 and 15 which reflect the full notional balances.

(2) The LCR is computed as an average of observations of LCR during the quarter. This may not be equal to an LCR computed with the average values of HQLA and net cash outflows disclosed in the table.

1.2 Average SGD LCR for the Quarter ended 31 December 2017

(Number of data points: 92)

		31 Dec 2017	
$m		UNWEIGHTED[(1)]	WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)**		**35,460**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**128,296**	**10,393**
3	Stable deposits	48,727	2,436
4	Less stable deposits	79,569	7,957
5	**Unsecured wholesale funding, of which**	**25,055**	**10,458**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	11,060	2,666
7	Non-operational deposits (all counterparties)	13,954	7,751
8	Unsecured debt	41	41
9	**Secured wholesale funding**		**0**
10	**Additional requirements, of which**	**23,874**	**8,854**
11	Outflows related to derivatives exposures and other collateral requirements	7,872	7,643
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	16,002	1,211
14	**Other contractual funding obligations**	**167**	**155**
15	**Other contingent funding obligations**	**2,951**	**88**
16	**TOTAL CASH OUTFLOWS**		**29,948**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**523**	**1**
18	**Inflows from fully performing exposures**	**16,396**	**10,988**
19	**Other cash inflows**	**21,895**	**21,763**
20	**TOTAL CASH INFLOWS**	**38,814**	**32,752**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**35,460**
22	**TOTAL NET CASH OUTFLOWS**[(1)]		**7,487**
23	**LIQUIDITY COVERAGE RATIO (%)**[(2)]		**475%**

[(1)] Total net cash outflows does not equal to the total cash outflows minus total cash inflows as the cap on inflows is binding. Cash inflows may be netted against cash outflows up to an aggregate cap of 75% of total cash outflows.

[(2)] The LCR is computed as an average of observations of LCR during the quarter. This may not be equal to an LCR computed with the average values of HQLA and net cash outflows disclosed in the table.

1.3 Liquidity Coverage Ratio

In the fourth quarter of 2017, the average all-currency and SGD LCRs were 131% and 475% respectively. This is a decrease from the third quarter average of 141% and 500% for all-currency and SGD LCRs respectively. The LCR remains well above the regulatory minimum requirements of 80% and 100%. DBS maintains a healthy liquidity position by keeping a stable balance sheet structure that is supported by a diversified funding base.

Compared to the last quarter:

1. All-currency LCR decreased mainly due to increase in cash outflows from non-operational deposits and a decrease in cash inflows from loans.
2. SGD LCR decreased mainly due to higher cash outflows from deposits and derivative transactions.

The Group’s LCR is sensitive to (i) balance sheet movements resulting from commercial loan/deposit activities and wholesale inter-bank lending/ borrowing; and (ii) movements due to positions falling into or out of the LCR 30-day tenor, such as loan rollovers. LCR is also sensitive to movements in HQLA, driven primarily by changes in balances with central banks and collaterals from secured lending and borrowing transactions.

a) Composition of High Quality Liquid Assets (“HQLA”)

DBS holds a pool of unencumbered HQLA that are readily available to meet cash flow obligations under stress scenarios, as defined in the LCR rules. These liquid assets consist predominantly of Level 1 HQLA, which comprises cash, balances with central banks and highly rated bonds issued by governments or supranational entities. These may be included, without haircuts or limitations in quantum, in the total pool of HQLA.

DBS’ HQLA include Singapore government securities and local government/central bank securities held at the Group’s overseas branches and subsidiaries. This is supplemented by bonds issued by highly rated corporate issuers (including public sector entities), as well as covered bonds issued by reputable financial institutions.

b) Concentration of Funding Sources

DBS strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. DBS’ funding strategy is anchored on strengthening the core deposit franchise as the foundation of the Group’s long-term funding source. Within wholesale funding, senior medium term notes were gradually replaced with covered bonds which are more cost effective. Please refer to the Risk management disclosures in the latest available annual report for more information on the Group’s funding strategy.

c) Derivative Exposures and Potential Collateral Calls

DBS actively manages its over-the-counter (“OTC”) and exchange-traded financial derivative exposures arising from market making, trading activities, and its commercial business (including structuring and packaging products for investors and clients). Derivative exposures are mainly from, but not limited to, interest rate swaps and futures, foreign exchange forwards and swaps, and currency swaps. These derivative positions are marked-to-market daily, affecting the collateral amounts posted to and received from interbank counterparties and/or exchanges. Cash flows resulting from potential changes in collateral amounts posted/received are incorporated into LCR net cash outflows.

1.3 Liquidity Coverage Ratio (continued)

d) Currency Mismatch

As part of the Group's funding strategy, DBS makes use of the swap markets to support funding needs across currencies. The Group's stable funding base of customer deposits is predominantly denominated in the local currency of its key operating locations. The Group's core SGD deposit funding provides surplus funds that are swapped into other currencies to support loan demand. Matching the deposit funding currency, the main portion of the Group's liquid assets is denominated in SGD and the local currencies of key operating locations.

e) Centralization of Liquidity Management

In managing funding needs across locations, overseas branches and subsidiaries are encouraged but not required to centralise majority of their borrowing and deployment of funds with Head Office, taking into account the relevant regulatory restrictions while maintaining a commensurate level of presence and participation in the local funding markets.

In managing the Group's pool of liquid assets, the Group is able to monetize liquid assets to meet liquidity shortfalls under times of stress.

Please refer to the latest available annual report for more information on the Group's liquidity risk management.

PART C : ATTESTATION

The Pillar 3 disclosures as at 31 December 2017 have been prepared in accordance with the internal controls processes approved by the DBSH Board of Directors.

Piyush Gupta
Chief Executive Officer

7 February 2018
Singapore

PART D: ABBREVIATIONS

Abbreviations	Brief Description
A-IRBA	Advanced Internal Ratings-Based Approach
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
BCP	Business Continuity Plan
BIA	Basic Indicator Approach
BRMC	Board Risk Management Committee
CAR	Capital Adequacy Ratio
CCF	Credit Conversion Factor
CCO	Chief Credit Officer
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCRPs	Core Credit Risk Policies
CEM	Current Exposure Method
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CF	Commodities Finance
CFO	Chief Financial Officer
CRE	Commercial Real Estate
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CVA	Credit Valuation Adjustment
DOA	Delegation of Authority
EAD	Exposure at the time of default
EC	Economic Capital
EL	Expected Loss
EPE	Expected Positive Exposure
ES	Expected Shortfall
F-IRBA	Foundation Internal Ratings-Based Approach

PART D: ABBREVIATIONS (CONTINUED)

Abbreviations	Brief Description
FC(CA)	Financial Collateral Comprehensive Approach
FC(SA)	Financial Collateral Simple Approach
GCPC	Group Credit Policy Committee
GCRC	Group Credit Risk Committee
GCRMC	Group Credit Risk Models Committee
GDC	Group Disclosure Committee
GMLRC	Group Market and Liquidity Risk Committee
GORC	Group Operational Risk Committee
GSSTC	Group Scenario and Stress Testing Committee
HQLA	High Quality Liquid Assets
HVCRE	High-volatility Commercial Real Estate
IAM	Internal Assessment Method
ICAAP	Internal Capital Adequacy Assessment Process
IMA	Internal Models Approach
IMM	Internal Models Method
IPRE	Income-producing Real Estate
IRBA	Internal Ratings-Based Approach
IRBA(EQ)	Internal Ratings-Based Approach for Equity Exposures
IRBA(SE)	Internal Ratings-Based Approach for Securitisation Exposures
ISDA	International Swaps & Derivatives Association
IT	Information Technology
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MAS	Monetary Authority of Singapore
MDB	Multilateral Development Bank
NPA	Non-performing Assets
OF	Object Finance
ORM	Operational Risk Management

PART D: ABBREVIATIONS (CONTINUED)

Abbreviations	Brief Description
OTC	Over-the-counter
PAC	Product Approval Committee
PD	Probability of Default
PE/VC	Private Equity and Venture Capital
PF	Project Finance
PSE	Public Sector Entity
QRRE	Qualifying Revolving Retail Exposures
RAC	Risk Acceptance Criteria
RBM	Ratings-Based Method
Repo	Repurchase agreements
Risk ExCo	Risk Executive Committee
RMG	Risk Management Group
RW	Risk Weight
RWA	Risk-Weighted Assets
SA	Standardised Approach
SA(CR)	Standardised Approach to Credit Risk
SA(EQ)	Standardised Approach for Equity Exposures
SA(MR)	Standardised Approach to Market Risk
SA(OR)	Standardised Approach to Operational Risk
SA(SE)	Standardised Approach for Securitisation Exposures
SF	Supervisory Formula
SFT	Securities or Commodities Financing Transaction
SWWR	Specific Wrong-way Risk
TEP	Total Eligible Provisions
TM	Target Market
TMRAC	Target Market and Risk Acceptance Criteria
T2	Tier 2
VaR	Value-at-risk

PART D: ABBREVIATIONS (CONTINUED)

Abbreviations	Brief Description
α	Alpha Factor