PRESENT FOR THE FUTURE

DBS Group Holdings Ltd | Annual Report 2012

DBS. Living, Breathing Asia

DBS

Present for the Future

With our roots as the Development Bank of Singapore, DBS has helped finance the growth of Singapore. Through POSB, the nation's oldest bank, DBS has also inculcated a culture of thrift and savings in many generations of Singaporeans. Over the last few decades, we have helped individuals to protect and grow their wealth, played an integral role in developing Asia's capital markets, and enabled businesses across the region to expand.

As a bank that is born and bred in Asia, DBS has a passion for the region and strives to create value for all our stakeholders. DBS today continues to trailblaze numerous initiatives that are charting a course for banking in a vibrant and dynamic Asia. At DBS, we proudly embrace Asia's past, and are boldly shaping the future of banking in Asia.

At DBS, we are present for the future.

CONTENTS

KEY HIGHLIGHTS

INVESTORS

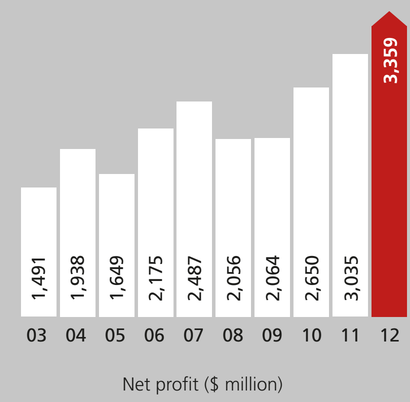
NET PROFIT*

+11%

$3,359 m

2011: $3,035 m

Net profit rose 11% to a new high of $3.36 billion, as focused execution of strategic initiatives, prudent risk management and a strong balance sheet reshaped the franchise to deliver solid and consistent performance.



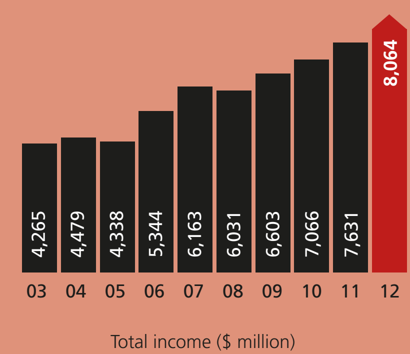
TOTAL INCOME*

+6%

$8,064 m

2011: $7,631 m

Total income crossed the $8 billion mark for the first time as net interest income reached a new high.

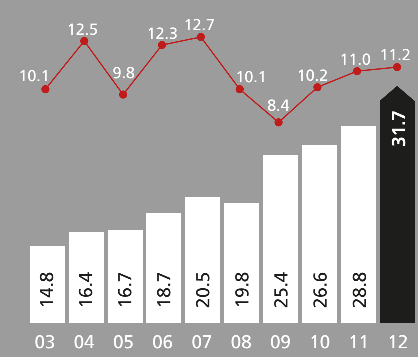


RETURN ON EQUITY*

11.2%

2011: 11.0%

ROE of 11.2% was the best in five years.



* *Excludes one-time items*

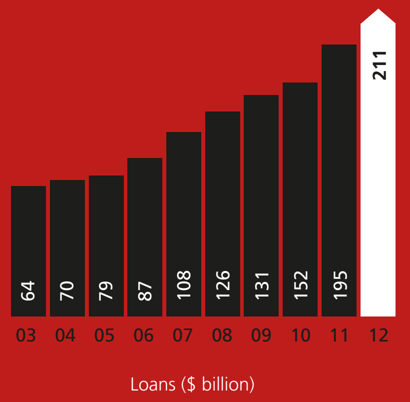
LOANS

+8%

$211 bn

2011: $195 bn

Loans grew 12% in constant currency terms from higher regional corporate borrowing and Singapore consumer loans.



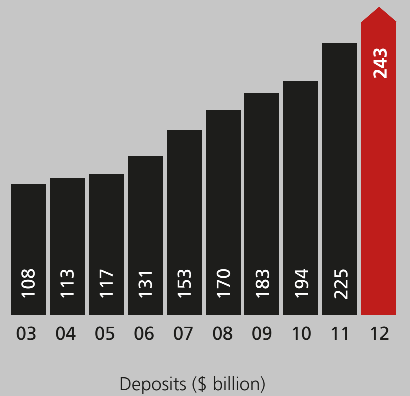
DEPOSITS

+8%

$243 bn

2011: $225 bn

Deposits grew 10% in constant currency terms with US dollar, Singapore dollar and Hong Kong dollar deposits leading the increase.



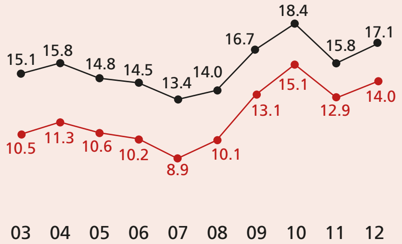
CAPITAL

14.0%
Tier 1 CAR

17.1%
Total CAR

Tier 1 ratio of 14.0% and total capital adequacy ratio of 17.1% were above regulatory requirements. DBS is well-positioned to comply with Basel III capital requirements.

- Tier 1 CAR (%)
- Total CAR (%)



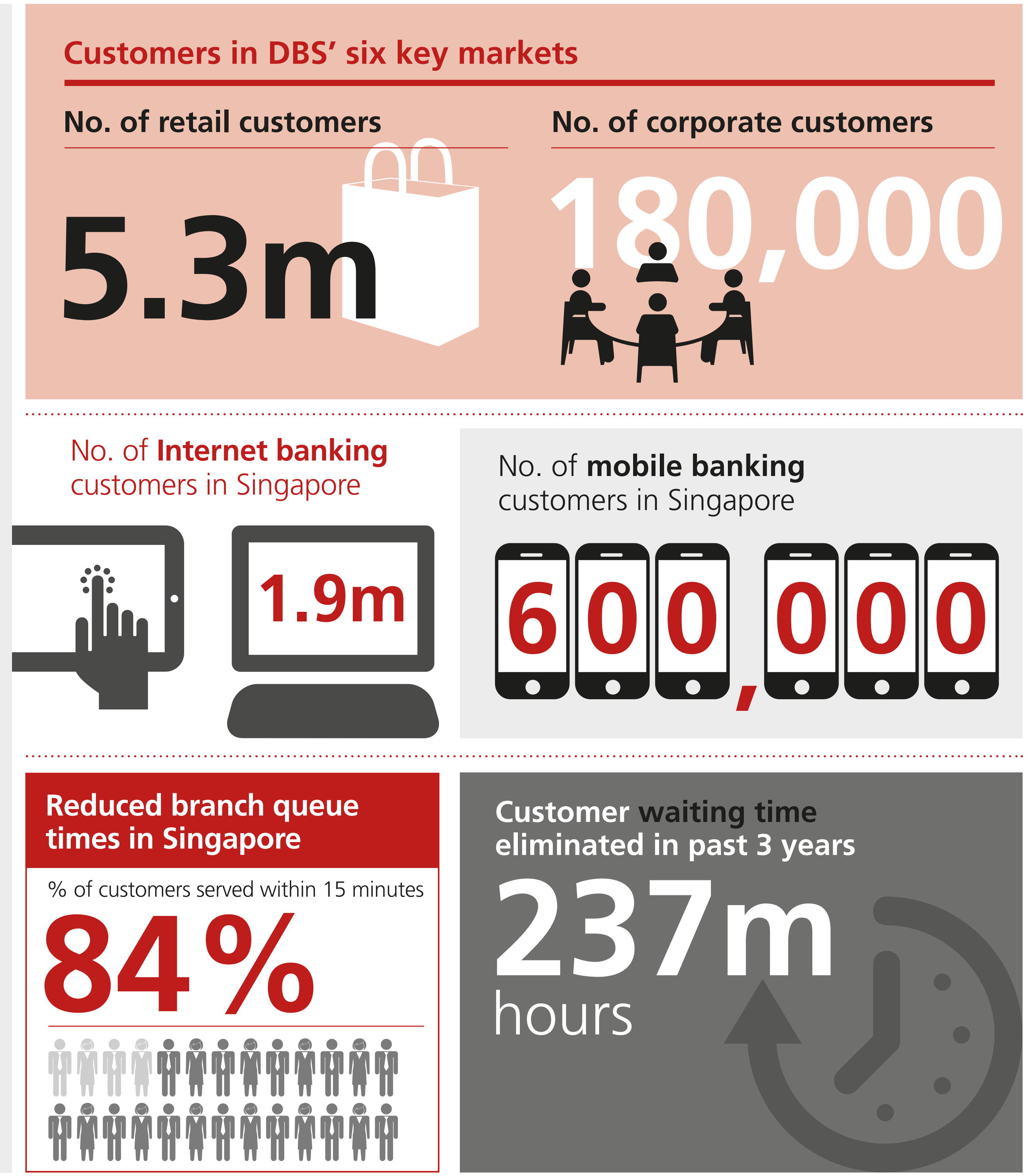
TEN YEAR SUMMARY

Group	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Selected Income Statement Items ($ million)										
Total income	**8,064**	7,631	7,066	6,603	6,031	6,163	5,344	4,338	4,479	4,265
Profit before allowances	**4,450**	4,328	4,141	3,999	3,421	3,545	2,975	2,312	2,523	2,473
Allowances	**417**	722	911	1,529	784	431	135	203	63	541
Profit before tax	**4,157**	3,733	3,332	2,536	2,712	3,224	2,910	2,163	2,509	1,992
Net profit excluding one-time items and goodwill charges	**3,359**	3,035	2,650	2,064	2,056	2,487	2,175	1,649	1,938	1,491
One-time items [1]	**450**	–	–	(23)	(127)	(209)	94	303	497	–
Goodwill charges	**–**	–	1,018	–	–	–	–	1,128	440	430
Net profit	**3,809**	3,035	1,632	2,041	1,929	2,278	2,269	824	1,995	1,061
Selected Balance Sheet Items ($ million)										
Total assets	**353,033**	340,847	283,710	258,644	256,718	232,963	197,372	180,204	175,671	159,479
Customer loans [2]	**210,519**	194,720	152,094	130,583	126,481	108,433	86,630	79,462	69,659	64,330
Total liabilities	**317,035**	307,778	250,608	229,145	232,715	209,805	176,326	161,014	156,796	143,574
Customer deposits [2]	**242,907**	225,346	193,692	183,432	169,858	152,944	131,373	116,884	113,206	108,041
Ordinary shareholders' funds	**31,574**	28,178	25,985	24,759	19,386	20,048	18,242	16,291	16,011	14,259
Preference shares	**163**	616	614	614	433	433	433	433	433	559
Total shareholders' funds	**31,737**	28,794	26,599	25,373	19,819	20,481	18,675	16,724	16,444	14,818
Per Ordinary Share ($) [3]										
Earnings excluding one-time items and goodwill charges	**1.39**	1.30	1.15	0.91	1.14	1.39	1.22	0.94	1.10	0.85
Earnings	**1.57**	1.30	0.70	0.90	1.07	1.27	1.28	0.46	1.13	0.60
Net tangible assets	**10.99**	9.95	9.18	8.29	7.69	7.98	7.22	6.41	5.80	4.87
Net asset value	**12.96**	11.99	11.25	10.85	10.25	10.55	9.79	8.98	8.88	8.18
Dividends [4]	**0.56**	0.56	0.56	0.56	0.65	0.68	0.65	0.49	0.34	0.26
Selected Financial Ratios (%)										
Dividend cover for ordinary shares (number of times)	**2.79**	2.28	1.25	1.57	1.55	2.15	2.46	1.17	4.14	3.03
Cost-to-income	**44.8**	43.3	41.4	39.4	43.3	42.5	44.3	46.7	43.7	42.0
Return on assets excluding one-time items and goodwill charges	**0.97**	0.97	0.98	0.80	0.84	1.15	1.15	0.93	1.16	0.97
Return on assets	**1.10**	0.97	0.60	0.79	0.79	1.06	1.20	0.46	1.19	0.69
Return on shareholders' funds excluding one-time items and goodwill charges	**11.2**	11.0	10.2	8.4	10.1	12.7	12.3	9.8	12.5	10.1
Return on shareholders' funds	**12.7**	11.0	6.3	8.4	9.5	11.7	12.8	5.0	12.8	7.3
Non-performing loan rate	**1.2**	1.3	1.9	2.9	1.5	1.1	1.7	2.1	2.5	5.2
Loss allowance coverage	**142**	126	100	83	114	135	115	97	89	63
Capital adequacy										
Tier I	**14.0**	12.9	15.1	13.1	10.1	8.9	10.2	10.6	11.3	10.5
Total	**17.1**	15.8	18.4	16.7	14.0	13.4	14.5	14.8	15.8	15.1

Prior years' figures have been restated to make them consistent with current period's presentation

1 *One-time items arise from gains on sale of properties and/or investments, impairment charges for investments and restructuring costs*
2 *Includes financial assets/liabilities at fair value through profit or loss*
3 *Per ordinary share figures have been adjusted for a rights issue in 2008*
4 *Dividend amounts are on gross basis prior to fourth quarter 2007 and on one-tier tax-exempt basis thereafter. 2006 includes special dividends of 4 cents*

CUSTOMERS



EMPLOYEES

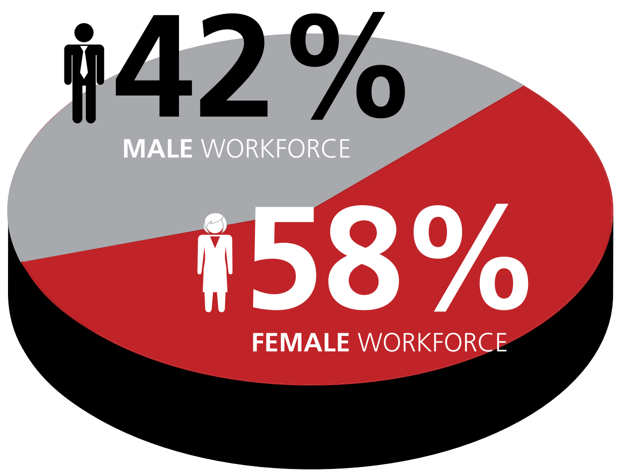
x 18,000

Total number of employees

Employee engagement

Ranked among **top 10%** of all companies surveyed by Gallup globally

Workplace gender diversity



1 in 3 leadership positions are filled by women

Total number of training days

137,000

REGULATORS

Senior management actively engaged regulators by participating in industry forums, including those on risk, capital and accounting.

DBS implemented the Basel III capital framework on 1 January 2013. DBS' liquidity ratios are comfortably above the benchmarks set by the Basel Committee.

SOCIETY

Funds raised for underprivileged children

$1m

for POSB PAssion Kids Fund

No. of accounts on electronic statement programme

1.2m

Waste paper recycled

307 tonnes

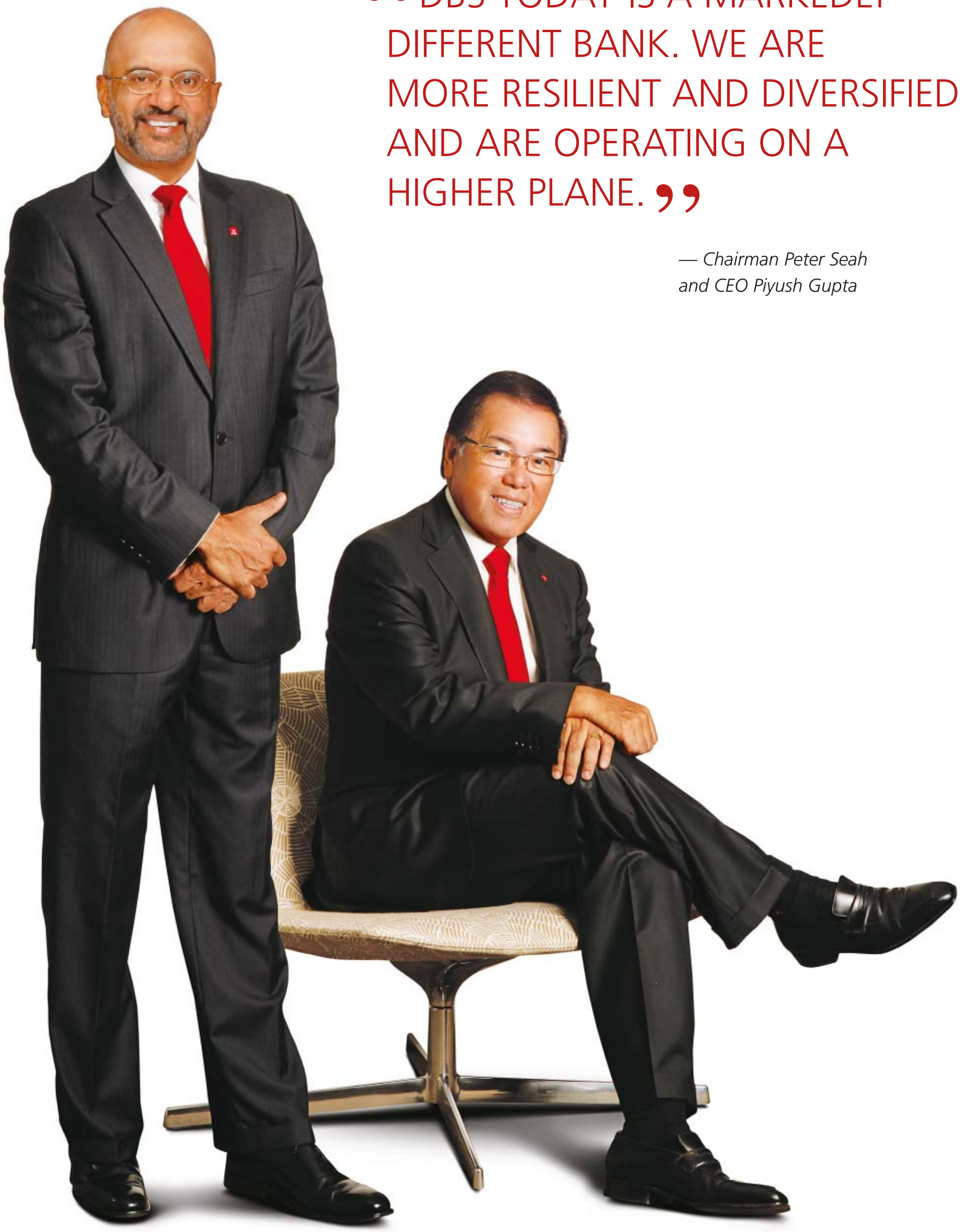
No. of Social Enterprises supported through **funding and coaching**

29

LETTER TO SHAREHOLDERS

"DBS TODAY IS A MARKEDLY DIFFERENT BANK. WE ARE MORE RESILIENT AND DIVERSIFIED, AND ARE OPERATING ON A HIGHER PLANE."

— Chairman Peter Seah and CEO Piyush Gupta



Scan here for CEO Piyush Gupta's video on DBS' progress.

2012 was a challenging year for the global economy.

While active monetary easing from the European Central Bank and US Federal Reserve prevented an international financial crisis, global growth was uninspiring. The US economy continued to grind along at a sub-par growth rate of 2% while Europe fell into recession.

This was compounded by sluggish growth in China, the world's second-largest economy. Investment growth in China slowed down, resulting in its economy growing by 7.8% from 9.3% in 2011.

These external headwinds had a ripple effect on the markets we operate in. Singapore, our home market, grew just 1.3% from 5.2% the previous year, weighed down by weaker demand for exports. Hong Kong, our second-largest market, grew 1.4% from 4.9% the previous year.

General concerns about the macroeconomic situation in Europe in the second half put a dampener on capital markets activities and amid an uncertain environment and flush liquidity conditions, net interest margins continued to be squeezed.

EARNINGS AT RECORD SGD 3.81 BILLION, RETURN ON EQUITY AT FIVE-YEAR HIGH

Despite the challenging operating environment, focused implementation of our strategy, prudent risk management and a strong balance sheet enabled DBS to capture opportunities across the region.

Full-year earnings reached a record SGD 3.81 billion. Excluding a SGD 450 million divestment gain, net profit rose 11% to SGD 3.36 billion. Return on equity before the divestment gain rose to 11.2%, the best in five years. Our balance sheet is healthy, with capital, liquidity and asset quality remaining strong.

RESHAPING OUR FRANCHISE

Our record performance represents the third consecutive year of solid results, and is testament to the soundness of our business strategy and disciplined execution.

Since 2010, we have consistently executed on our strategic priorities. We have entrenched our leadership in Singapore, repositioned Hong Kong and diversified our earnings base to other Asian markets. We have also built leading regional customer franchises in wealth management, SME banking, transaction banking and treasury activities.

DBS was named "Bank of the Year, Asia" by The Banker, a subsidiary of the Financial Times.

Over the course of the past three years, the fundamental construct of the bank has changed. Our business profile and earnings drivers have improved and the bank today is more resilient and better diversified.

Singapore now contributes 58% of the Group's income compared to 65% three years ago, based on internal measurements. This is due to an increase in customer acquisition and a deepening of customer relationships in the region. Even as the income contribution from our markets outside Singapore has increased, our leading market share in Singapore continues to grow – not an easy feat given our size and the maturity of our home market. In 2012, our Singapore domestic loan market share grew to 24% from 23% in the previous year. We continued to achieve strong growth in consumer and institutional banking. In capital markets, we remained a leading player in equities, fixed income, real estate investment trusts and business trusts. Hong Kong, which anchors our Greater China presence, is also a much stronger entity; 2012 earnings at SGD 716 million are a record in local-currency terms.

At the same time, we have shifted the composition of our business. Income from higher-return annuity businesses has grown substantially. For example, cash management, trade finance and treasury customer income today account for 28% of the Group's income, compared to 17% in 2009. Our SME and wealth businesses now account for 25% of Group income.

We have also reshaped our balance sheet. With a loan-deposit ratio of 87%, we are now utilising our balance sheet more effectively to achieve growth and stability. Over the past two years, we have also diversified our funding sources to include wholesale funding. With our reputation as the Safest Bank in Asia, an accolade conferred to us by Global Finance magazine since 2009, and credit ratings that are among the highest in the world, we are able to secure attractive pricing when we tap the debt markets for funding.

The DBS Treasures Private Client lounge at DBS Asia Central serves high net worth individuals.

Our achievements are being recognised. In 2012, DBS was named "Bank of the Year, Asia" by the industry's authoritative trade publication The Banker, a subsidiary of the Financial Times, based in London. This is a coveted award that has typically been the stranglehold of global banks.

During the year, we entered into an agreement to acquire a stake in Bank Danamon in Indonesia. We hope to become a meaningful player in Indonesia and are awaiting regulatory approvals for the proposed transaction.

WELL-POSITIONED FOR GROWTH

The Board recently reviewed and validated our strategy to become a leading Asia-centric commercial bank, present in Asia's three key axes of growth. We articulated our strategic priorities three years ago and will continue to execute on them. In the coming years, we will also give added focus to an additional two areas:

- Innovation and technology, especially in the SME and wealth management customer segments, and across all our customer channels and touchpoints. One specific area of focus will be electronic payments. New technologies, coupled with the high penetration rates of mobile and Internet banking, have revolutionised the way people bank, and we want to lead the industry in this space.

- Fixed income business. Debt markets complement bank financing, and are becoming more important for funding infrastructure investments, which are expected to reach USD 8 trillion over the next decade in Asia.

DELIVERING VALUE TO OUR STAKEHOLDERS

In 2012, we continued to add value to our customers. Underscoring our commitment to Taiwan, we set up a local subsidiary, DBS Bank (Taiwan). In China, we continued to expand our branch network. We also continued to provide new product opportunities, including offshore RMB activities, and strengthened our customer proposition in wealth management, SME and transaction banking activities. Our initiative to enhance customers' banking experience has resulted in the completion of 184 service improvement projects in the past three years, saving 237 million customer hours over the same period.

DBS is also committed to our employees. Over the past three years, we have been strengthening our DBS culture to one that is more defined by teamwork, individual accountability and empowerment. We have worked hard on instilling a sense of purpose and pride within the DBS family.

> "DESPITE THE CHALLENGING OPERATING ENVIRONMENT, DBS' FOCUSED EXECUTION OF OUR STRATEGY, PRUDENT RISK MANAGEMENT AND A STRONG BALANCE SHEET ENABLED US TO CAPTURE OPPORTUNITIES ACROSS THE REGION."

In addition, DBS has created more conducive working spaces for our people. In Singapore, the bank's new headquarters DBS Asia Central at Marina Bay Financial Centre Tower 3 (MBFC T3) epitomises the future of work. DBS Asia Central at MBFC T3 also raises the bar in workplace design in Asia. By coupling spatial design with effective change management, the bank has established a living, collaborative workplace that fosters ideation among our employees.

Today, DBS employees are among the most engaged globally, according to an independent employee engagement survey conducted by Gallup, an international research firm. In 2012, DBS' overall employee engagement scores put the bank at the top 10% of all companies surveyed by Gallup globally, and in the top 10% of all financial and insurance companies as well.

DBS Chairman Peter Seah (left) and Chongqing Yuzhong District Party Secretary Liu Qiang celebrating the opening of DBS' Chongqing branch, our first in Western China.

At DBS, we also recognise that the future of business is to be a force for good.

In our home market Singapore, we are privileged to play a significant role in banking the heartlands and serving every level of society. POSB has been around since 1877 and plays an important part in defining who we are. At POSB, we are "Neighbours first and Bankers second" and we will continue to recognise and uphold the responsibility we have as the nation's oldest and most loved bank.

DBS has also been active in engaging and supporting social enterprises in the region. We are committed to promoting the development of the sector, supporting social enterprises through funding, expertise and volunteerism, and procuring their goods and services where possible.

Finally, the symbiosis that exists between stakeholders means that we need to deliver value to all of them at the same time. We have to meet or exceed the expectations of our customers, employees, regulators and communities. Reflecting this approach, we are adopting an integrated reporting format for our annual report from this year. We have become the first Singapore member of a pilot programme set up by the International Integrated Reporting Council, which comprises a growing number of multinational companies – often industry leaders in their field – focusing on how best to communicate their strategies and values to stakeholders. Our engagement in this programme will help guide our approach to stakeholder communication.

DIVIDENDS

The Board proposed a final dividend of 28 cents per share, which will bring the full-year payout to 56 cents per share. The scrip dividend scheme will be applicable to the final dividend. Scrip dividends will be issued at the average of the last-dealt share price on each of 13, 14 and 15 May 2013.

ACKNOWLEDGEMENTS

During the year, two industry veterans Andre Sekulic and Ow Foong Pheng joined DBS as board members. Andre has 35 years of experience in banking and financial services in the Asia Pacific, Africa, Middle East and the US. Foong Pheng has held many senior positions in various government ministries, including her present role as Permanent Secretary of the Ministry of Trade and Industry in Singapore.

With their distinguished careers, both individuals complement and strengthen the overall composition of the DBS Boards. We would also like to express our gratitude to Christopher Cheng, who is stepping down as board member in April 2013. Christopher has been a DBS board member since June 2007 and we have benefited from his wise counsel and invaluable contributions over the years.

DBS' dragon boating team paddling to victory at the inaugural DBS Marina Regatta, which saw participation from close to 100 local and international teams.

> “IN 2012, DBS WAS NAMED BANK OF THE YEAR, ASIA BY *THE BANKER*, A SUBSIDIARY OF THE FINANCIAL TIMES.”

WELL-POSITIONED TO DEFINE THE FUTURE OF BANKING

DBS today is a markedly different bank. We are more resilient and diversified, and are operating on a higher plane.

Looking forward, we are aware that there is much more to be done. The problems in the Eurozone remain difficult and the outlook in the US is uncertain. Asia is not immune to the global malaise, though we are fairly optimistic that its long-term growth is still well on track.

As the banking landscape continues to change and customer behaviours rapidly evolve, we are well aware of the need to remain nimble and agile.

We have embarked on a journey, are making good progress, and will keep pressing ahead. Given the passion and commitment of our people, we are optimistic about the future. Together with our 18,000 colleagues around the region, we will continue to deliver banking the Asian way and entrench our position as a bank of choice in Asia.

Peter Seah Lim Huat
Chairman,
DBS Group Holdings

Piyush Gupta
Chief Executive Officer,
DBS Group Holdings

BOARD OF DIRECTORS

From left to right:

1 Bart Joseph Broadman
2 Piyush Gupta
3 Andre Sekulic
4 Peter Seah Lim Huat
5 Christopher Cheng Wai Chee
6 Danny Teoh Leong Kay
7 Ow Foong Pheng
8 Nihal Vijaya Devadas Kaviratne CBE
9 Euleen Goh Yiu Kiang
10 Ho Tian Yee

BOARD OF DIRECTORS

as at 28 February 2013

Peter Seah Lim Huat, 66
Chairman
Non-Executive and Independent Director

Bachelor of Business Administration (Honours)
National University of Singapore

- Date of first appointment as a director: 16 November 2009
- Date of appointment as Chairman: 1 May 2010
- Date of last re-election as a director: 25 April 2012
- Length of service as a director: 3 years 3 months

Board committee(s) served on:
Compensation and Management Development Committee *(Chairman) - Appointed on 26 April 2012*
Executive Committee *(Chairman)*
Nominating Committee *(Chairman)*
Audit Committee *(Member)*
Board Risk Management Committee *(Member)*

Present Directorships:
Other Listed Companies

- Singapore Technologies Engineering Ltd ... *Chairman*
- CapitaLand Limited ... *Deputy Chairman*
- StarHub Ltd ... *Director*
- STATS ChipPAC Ltd ... *Director*

Other Principal Commitments

- DBS Bank Ltd ... *Chairman*
- DBS Bank (Hong Kong) Limited ... *Chairman*
- Government of Singapore Investment Corporation Private Limited ... *Director*
- LaSalle College of the Arts Limited ... *Chairman*
- Singapore Health Services Pte Ltd ... *Chairman*

Past Directorships in listed companies held over the preceding 3 years:

- Sembcorp Industries Ltd ... *Chairman*
- Bank of China Limited ... *Director*

Piyush Gupta, 53
Chief Executive Officer
Executive and Non-Independent Director

Post Graduate Diploma in Management
Indian Institute of Management, Ahmedabad, India

Bachelor of Arts, Economics
University of Delhi, India

- Date of first appointment as a director: 9 November 2009
- Date of last re-election as a director: 25 April 2012
- Length of service as a director: 3 years 3 months

Board committee(s) served on:
Executive Committee *(Member)*

Present Directorships:
Other Listed Companies

Nil

Other Principal Commitments

- DBS Bank Ltd ... *Chief Executive Officer & Director*
- DBS Bank (Hong Kong) Limited ... *Vice Chairman*
- The Islamic Bank of Asia Limited ... *Director*
- The Association of Banks in Singapore ... *Chairman*
- Human Capital Leadership Institute ... *Board Member*
- Institute of International Finance, Washington ... *Board Member*
- Dr Goh Keng Swee Scholarship Fund ... *Director*
- MasterCard Asia/Pacific, Middle East and Africa - Regional Advisory Board ... *Director*
- Singapore Business Federation ... *Council Member*
- The Institute of Banking & Finance ... *Council Member*
- Sim Kee Boon Institute for Financial Economics ... *Member, Advisory Board*
- Indian Business-leaders Roundtable under Singapore Indian Development Association (SINDA) ... *Member, Managing Council*

Past Directorships in listed companies held over the preceding 3 years:

Nil

Bart Joseph Broadman, 51
Non-Executive and Independent Director

Bachelor of Science in Agricultural and Management
University of California at Davis

MBA in Financial Economics
University of Southern California, Graduate School of Business

Ph.D in Financial Economics
University of Southern California, Graduate School of Business

- Date of first appointment as a director: 17 December 2008
- Date of last re-election as a director: 28 April 2011
- Length of service as a director: 4 years 3 months

Board committee(s) served on:
Board Risk Management Committee *(Member)*
Compensation and Management Development Committee *(Member)*

Present Directorships:
Other Listed Companies

Nil

Other Principal Commitments

- DBS Bank Ltd ... *Director*
- Alphadyne Asset Management Pte Ltd ... *Director*
- Alphadyne (UK) Holdings Limited ... *Director*
- Monetary Authority of Singapore ... *Member, Financial Research Council*
- Nanyang Technological University ... *Member, Investment Committee*

Past Directorships in listed companies held over the preceding 3 years:

Nil

Christopher Cheng Wai Chee, 64
Non-Executive and Independent Director

Bachelor of Business Administration
University of Notre Dame

Master of Business Administration
Columbia University

Doctor of Social Sciences honoris causa
The University of Hong Kong

- Date of first appointment as a director: 1 June 2007
- Date of last re-election as a director: 28 April 2011[1]
- Length of service as a director: 5 years 9 months

Board committee(s) served on:
Audit Committee *(Member)*
Compensation and Management Development Committee *(Member)*

Present Directorships:
Other Listed Companies

- Wing Tai Properties Limited ... *Chairman*
- Kingboard Chemical Holdings Ltd ... *Director*
- New World China Land Ltd ... *Director*
- NWS Holdings Ltd ... *Director*

Other Principal Commitments

- DBS Bank Ltd ... *Director*
- DBS Bank (China) Limited ... *Director*
- Hong Kong Monetary Authority's Exchange Fund Advisory Committee ... *Chairman, Governance Committee*
- Temasek Foundation CLG Ltd ... *Director*
- Columbia Business School ... *Member, Board of Overseers*
- Hong Kong Polytechnic University ... *Member, International Advisory Board*
- University of Hong Kong ... *Council Member*
- Board of Investment's International Advisory Board of Mauritius ... *Member*
- Judicial Officers Recommendation Commission of HKSAR ... *Member*
- Yale University ... *Member, President's Council on International Activities*
- Hong Kong Jockey Club ... *Steward*

Past Directorships in listed companies held over the preceding 3 years:

- Winsor Properties Holdings Limited ... *Chairman*

(1) Due to retire at the Fourteenth Annual General Meeting to be held on 29 April 2013 and, although eligible, shall not be seeking re-election.

Euleen Goh Yiu Kiang, 57
Non-Executive
and Independent Director

Member of the following institutions:
Institute of Chartered Accountants in England and Wales

Chartered Institute of Taxation, UK

Institute of Certified Public Accountants of Singapore

ifs School of Finance, UK

- Date of first appointment as a director:
  1 December 2008
- Date of last re-election as a director:
  28 April 2011
- Length of service as a director:
  4 years 3 months

Board committee(s) served on:
Board Risk Management Committee *(Chairman)*
Compensation and Management
Development Committee *(Member)*
Executive Committee *(Member)*
Nominating Committee *(Member)*

Present Directorships:
Other Listed Companies

- CapitaLand Limited .... *Director*
- Singapore Airlines Limited .... *Director*

Other Principal Commitments

- DBS Bank Ltd .... *Director*
- Singapore International Foundation .... *Chairperson, Board of Governors*
- NUS Business School .... *Member, Management Advisory Board*

Past Directorships in listed companies held over the preceding 3 years:

- Aviva PLC .... *Director*
- Singapore Exchange Limited .... *Director*

Ho Tian Yee, 60
Non-Executive
and Independent Director

Bachelor of Arts (Honours) Economics (CNAA)
Portsmouth University, UK

- Date of first appointment as a director:
  29 April 2011
- Date of last re-election as a director:
  25 April 2012
- Length of service as a director:
  1 year 10 months

Board committee(s) served on:
Board Risk Management Committee *(Member)*
Nominating Committee *(Member)*

Present Directorships:
Other Listed Companies

- SP AusNet(1) .... *Director*

Other Principal Commitments

- DBS Bank Ltd .... *Director*
- Pacific Asset Management (S) Pte Ltd .... *Managing Director*
- Fullerton Fund Management Co. Ltd .... *Director*
- Hexa-Team Planners Pte Ltd .... *Director*
- Singapore Power Ltd .... *Director*

Past Directorships in listed companies held over the preceding 3 years:

- Fraser and Neave Limited .... *Director*
- Singapore Exchange Limited .... *Director*

(1) SP AusNet, a stapled security, comprises SP Australia Networks (Distribution) Ltd, SP Australia Networks (RE) Ltd and SP Australia Networks (Transmission) Ltd.

Nihal Vijaya Devadas Kaviratne CBE, 68
Non-Executive and Independent Director

Bachelor of Arts, Economics (Honours)
Bombay University, India

- Date of first appointment as a director: 29 April 2011
- Date of last re-election as a director: 25 April 2012
- Length of service as a director: 1 year 10 months

Board committee(s) served on:
Audit Committee *(Member)*
Board Risk Management Committee *(Member)*

Present Directorships:
Other Listed Companies

- Akzo Nobel India Limited ... *Chairman*
- GlaxoSmithKline Pharmaceuticals Ltd ... *Director*
- SATS Ltd ... *Director*
- StarHub Ltd ... *Director*

Other Principal Commitments

- DBS Bank Ltd ... *Director*
- TVS Motor Company (Europe) BV ... *Director*
- Wildlife Reserves Singapore Pte Ltd ... *Director*
- PT TVS Motor Company ... *President Commissioner*

Past Directorships in listed companies held over the preceding 3 years:

- Agro Tech Foods Ltd ... *Director*
- Titan Industries Ltd ... *Director*

Woo Foong Pheng (Mrs Ow Foong Pheng), 49
Non-Executive and Non-Independent Director

Master of Science in Management
Stanford University, USA

Bachelor of Arts, Politics, Philosophy and Economics
St John's College, Oxford University

- Date of first appointment as a director: 26 April 2012
- Date of last re-election as a director: Not applicable
- Length of service as a director: 10 months

Board committee(s) served on:
Audit Committee *(Member) - Appointed on 1 May 2012*
Nominating Committee *(Member) - Appointed on 1 June 2012*

Present Directorships:
Other Listed Companies

Nil

Other Principal Commitments

- DBS Bank Ltd ... *Director*
- Mapletree Greater China Commercial Trust Management Ltd ... *Director*
- Ministry of Trade and Industry ... *Permanent Secretary*

Past Directorships in listed companies held over the preceding 3 years:

Nil

Andre Sekulic, 62
Non-Executive and Independent Director

University of Sydney

- Date of first appointment as a director: 26 April 2012
- Date of last re-election as a director: Not applicable
- Length of service as a director: 10 months

Board committee(s) served on:
Audit Committee *(Member) - Appointed on 1 May 2012*
Compensation and Management Development Committee *(Member) - Appointed on 1 May 2012*

Present Directorships:
Other Listed Companies

Nil

Other Principal Commitments

- DBS Bank Ltd .... *Director*
- comGateway (S) Pte Ltd .... *Chairman*
- Hussar Pty Ltd .... *Director*
- Insourcing International Pty Ltd .... *Director*
- ourGroup Inc .... *Director*
- Queenstar Pte Ltd .... *Director*
- Queenstar Pty Ltd .... *Director*

Past Directorships in listed companies held over the preceding 3 years:

Nil

Danny Teoh Leong Kay, 57
Non-Executive and Independent Director

Institute of Chartered Accountants in England and Wales
Associate Member

Newcastle-upon-Tyne Polytechnic, England
Diploma in Accounting

- Date of first appointment as a director: 1 October 2010
- Date of last re-election as a director: 28 April 2011
- Length of service as a director: 2 years 5 months

Board committee(s) served on:
Audit Committee *(Chairman)*
Board Risk Management Committee *(Member)*
Nominating Committee *(Member)*

Present Directorships:
Other Listed Companies

- Keppel Corporation Limited .... *Director*

Other Principal Commitments

- DBS Bank Ltd .... *Director*
- CapitaMall Trust Management Limited (the Manager of CapitaMall Trust) .... *Director*
- Changi Airport Group (Singapore) Pte Ltd .... *Director*
- JTC Corporation .... *Director*
- Singapore Olympic Foundation .... *Director*
- Pro-Tem Singapore Accountancy Council .... *Council Member*

Past Directorships in listed companies held over the preceding 3 years:

Nil

DBS cements the Marina Bay area as Singapore's new financial centre with the move of our headquarters to DBS Asia Central at Marina Bay Financial Centre Tower 3. The bank occupies over 600,000 sq ft, or 18 floors, of the 46-storey building.

GROUP EXECUTIVE COMMITTEE

From left to right:

1 David Gledhill
Group Technology & Operations
David brings with him over 25 years of experience in the financial services industry and has spent over 20 years in Asia. Prior to joining DBS in 2008, he held progressively senior positions with regional responsibilities in JP Morgan where he was involved with several mergers, offshoring as well as the regionalisation of the bank's operations. David is a Director of Singapore Clearing House Pte Ltd and a member of IBM Advisory Board.

2 Elbert Pattijn
Chief Risk Officer
Elbert has been Chief Risk Officer for DBS since October 2008. Prior to that, he was Head of Specialised Corporate and Investment Banking at the bank. Before DBS, he was Head of Debt Products Origination, Asia for ING Bank. He has previously held the position of Head of Counterparty Risk, Country Risk, Risk Research and Modelling for ING Group in Amsterdam. Elbert has also worked for Barclays and ABN AMRO.

3 Tan Kong Khoon
Consumer Banking Group
Kong Khoon brings to DBS 30 years of banking experience, during which he has successfully built consumer banking franchises across multiple markets in Asia for Citibank, Standard Chartered Bank and ANZ. He is also known for his role in helping Bank of Ayudhya expand its business and profitability through organic growth and multiple acquisitions while he was the President and CEO from 2007 to 2009.

4 Piyush Gupta
Chief Executive Officer
Piyush is Chief Executive Officer and Director of DBS Group, as well as Director of DBS Bank (Hong Kong) and The Islamic Bank of Asia. Prior to joining DBS, he was Citigroup's Chief Executive Officer for South East Asia, Australia and New Zealand. His external appointments include serving on the boards of the Institute of International Finance, Washington, The Institute of Banking and Finance, Dr Goh Keng Swee Scholarship Fund, the MasterCard Asia/Pacific, Middle East and Africa Regional Advisory Board and Human Capital Leadership Institute.

5 Jeanette Wong
Institutional Banking Group
Jeanette oversees DBS' corporate banking and global transaction services businesses. She was the CFO of DBS for five years before taking on her current responsibilities in 2008. Prior to joining DBS in 2003, Jeanette spent 16 years at JP Morgan. Jeanette chairs the board of DBS Bank (Taiwan) and is also on the boards of DBS Bank (China) and Neptune Orient Lines. She also chairs the Advisory Board of SMU Lee Kong Chian School of Business.

6 Chng Sok Hui
Chief Financial Officer
Sok Hui is a career DBS banker. She joined DBS in 1983 and was appointed CFO in October 2008. Prior to her current role, Sok Hui was Head of Risk Management for six years. She is the Supervisor of DBS Bank (China) Board and serves on the boards of the Bank of the Philippine Islands, Housing and Development Board and the Singapore Accounting Standards Council.

7 Andrew Ng
Treasury and Markets
Andrew joined DBS in 2000 and has over 25 years of experience in the treasury business. Prior to joining DBS, he was Executive Director at Canadian Imperial Bank of Commerce (CIBC) from 1995 to 1999. He set up CIBC's trading platform and derivative capabilities on Asian currencies. Between 1986 and 1995, Andrew was Head of North Asia Trading and Treasurer of Chase Manhattan Bank in Taipei.

GROUP MANAGEMENT COMMITTEE

The Group Management Committee comprises a total of 20 members, including members of the Group Executive Committee.

1 Melvin Teo *DBS Indonesia*
President Director of PT Bank DBS Indonesia, Melvin is responsible for leading the team and driving organic business growth in Indonesia. Prior to this, he was the country head of DBS Bank (China) Limited. During his three-year stint as country head of China, Melvin successfully grew and strengthened the China franchise.

2 Kenneth Fagan *Group Legal, Compliance & Secretariat*
Kenneth joined DBS in 2008. He is an industry veteran with more than 30 years of legal experience. Kenneth spent 25 years with Citibank and relocated to Singapore in 1994. He served as the first General Counsel of Citibank's Asia Pacific Consumer Business and subsequently as the General Counsel for Citibank's Asia Pacific Corporate Bank as well.

3 Bernard Tan *Strategic Projects*
Bernard leads strategic projects for DBS Group. Prior to this, his stints at DBS include being country head of Indonesia and leading the successful integration of Bowa Commercial Bank with DBS Taiwan. Bernard held a variety of senior leadership positions in the Singapore military and government before joining DBS in 2008.

4 Lee Yan Hong *Group Human Resources*
With more than 25 years of Human Resources experience in a diverse range of industries, Yan Hong is responsible for driving the strategic people agenda of DBS Group. Prior to joining DBS in 2010, Yan Hong was Citigroup's Managing Director of Human Resources, Singapore. She has also worked at General Motors and Hewlett Packard previously.

5 Karen Ngui *Group Strategic Marketing & Communications*
Karen is responsible for corporate communications, brand management, strategic marketing and corporate social responsibility. She has over 25 years of experience in the financial sector and prior to joining DBS in 2005, was the Global Head of Brand Management and Strategic Marketing at Standard Chartered Bank. She sits on the Board of Governors of the Singapore International Foundation.

6 Jimmy Ng *Group Audit*
Jimmy is responsible for strengthening the bank's control environment, risk management and governance process. He has over 20 years of banking experience across a broad range of functions including Technology and Operations, Risk Management, Product Control and Audit.

7 Sanjiv Bhasin *DBS India*
Sanjiv is the country head of DBS Bank Ltd, India, a role he has held since 2008. A seasoned banker, Sanjiv started his career with HSBC India in 1979 where he was previously Chief Operating Officer. Sanjiv has worked in various capacities spanning corporate, investment banking, credit and risk management in India, London and Mauritius. Before joining DBS, he was the CEO and Managing Director of Rabo India Finance.

8 Sebastian Paredes *DBS Hong Kong*
Sebastian is the country head of DBS Bank (Hong Kong) Ltd. A banker of over 25 years, Sebastian has a strong track record in building franchises across multiple markets. Prior to joining DBS, Sebastian was President Director of PT Bank Danamon Indonesia where he solidified the bank's position in retail, SME and commercial banking. Prior to that, he spent 20 years at Citi in South America, Middle East, Africa and Europe.

9 Tan Su Shan *Wealth Management*
Su Shan is responsible for growing DBS' regional wealth management business which encompasses DBS Private Bank, DBS Treasures Private Client and DBS Treasures. Prior to joining the bank, Su Shan was Morgan Stanley's Head of Private Wealth Management for Southeast Asia. She has also worked at Citi Private Bank as the Region Head for Singapore, Malaysia and Brunei. Su Shan is a member of the Monetary Authority of Singapore Private Banking Advisory Group.

10 Sim S Lim *DBS Singapore*
Sim is the first DBS country head with dedicated oversight for Singapore. He is responsible for helping the bank to derive greater synergy and value across the Singapore franchise. He spent the bulk of his 28-year banking career in Asia, where he assumed a wide variety of roles. Prior to joining DBS, Sim was the President and CEO of Citigroup Global Markets Japan Inc.

11 Eric Ang *Capital Markets*
Eric started his career with DBS in 1978 and is currently responsible for Capital Markets. Within the DBS Group, he serves on a number of boards including DBS Asia Capital, Hwang-DBS Investment Bank Berhad and The Islamic Bank of Asia.

12 Jerry Chen *DBS Taiwan*
Jerry is the country head of DBS Bank Ltd, Taiwan. Prior to joining DBS in 2008, he was the President of Ta Chong Bank for four years, during which he significantly increased the bank's asset quality to attract foreign investments. Jerry has extensive experience in Corporate Banking, Consumer Banking and Treasury businesses and spent over 25 years in Citibank, Taiwan.

13 Neil Ge *DBS China*
Neil is the country head of DBS Bank (China) Ltd. A seasoned banker, he has over 20 years of international experience spanning Beijing, Shanghai, Hong Kong, Tokyo and New York. Formerly Managing Director at Credit Suisse's Shanghai office, Neil played an instrumental role in building up the joint venture between Credit Suisse and Founder Securities.

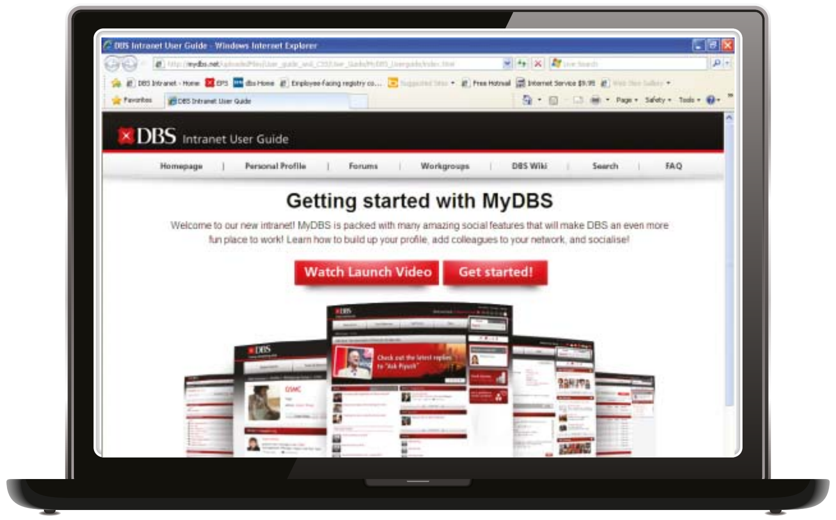
THE FUTURE OF BANKING

DBS is committed to making banking more intuitive and interactive for our customers across all key touchpoints.

1 Providing a wide range of apps, catering to banking and lifestyle needs
2 Customers can interact with our MicroTile installation, the first in Asia. The installation outside our flagship branch provides Asian insights, DBS rewards and other promotions
3 We have the largest mobile banking base in Singapore, with 600,000 users
4 Our flagship branch at DBS Asia Central offers a ground-breaking retail banking experience
5 Forms can be pre-filled at our flagship branch, saving our customers time

THE FUTURE OF WORK

We strive to create an engaging and conducive work environment in the physical and online space, so as to foster spontaneous interaction, exchange of ideas and bonding among our employees.



1 At DBS Asia Central, vibrant social hubs on each floor encourage interaction and ideation among our employees
2 Our employees have their own Intranet with Facebook-like functionalities
3 Our employees participating in wellness programmes at the bank
4 Our own DBS Brew is freely available to staff – compliments of the bank

THE FUTURE OF BUSINESS

At DBS, we believe in being a force for good. Apart from creating long-term economic value, we also seek to positively benefit the communities we are present in, and deliver social value.

1 *Two hundred organisations and 8,000 participants run for a cause at the POSB PAssion Run for Kids, raising $1 million for underprivileged children*

2 *DBS Hong Kong creates opportunities for students to understand more about social enterprises, gain business experience and serve the local community*

3 *Singapore's Deputy Prime Minister Tharman Shanmugaratnam interacting with social enterprises supported by DBS*

4 *DBS was the first to launch a social enterprise banking package in 2008, and further enhanced our offerings in 2012*

The Evolving Landscape

Broad trends involving the global economy, technology and the banking industry are changing the landscape that DBS is operating in.

First, Asia is likely to remain the world's main economic engine for the foreseeable future. By 2020, Asia's[1] GDP will double, growing by a projected USD 11.5 trillion. China, India and Asean will be the major drivers of Asia's incremental growth. Meanwhile, the US will only have grown by USD 4.6 trillion – that is to say, Asia will add 2.5 times of new US demand during the decade, and become a more significant economic driver. If this trajectory is achieved, by 2020, Asia will be 17% bigger than the US[2].

1 *Asia-10: China, Hong Kong, Korea, Taiwan, Singapore, Malaysia, Thailand, Indonesia, Philippines, India*

2 *DBS Economic Research on 'Imagining 2020'*

MANAGEMENT DISCUSSION

Asia's economies have built up strong foundations over the past decade, positioning them well to weather short-term economic volatility as they realise their long-term potential. Young populations, a ready pool of savings, improvements in education and health care, rising consumption as well as growing regional trade and investment flows have enabled Asia to grow under its own steam. In light of Asia's growth prospects, this part of the world will remain one of the best places to operate in.

Intra-Asian trade has tripled since 2000 as consumption has increased. The growth in intra-Asian trade has led to greater integration as supply chains become regionalised. The role of SMEs has become more important as they form the backbone of these growing supply chains. These companies require innovative solutions for their increasing trade financing and currency needs.

Over the next decade, infrastructure investment in Asia is expected to reach USD 8 trillion as the region develops energy, transport, housing, communications and water facilities to meet the needs of urbanisation and development. As a result, there will be strong demand for capital, creating significant opportunities for banks to lend and intermediate capital flows. This will lead to a deepening of debt and equity capital markets as companies tap into savings pools across Asia to fund growth. The demand for funding will also drive the creation of new financial instruments and asset classes, particularly in fixed income.

Asia is also creating wealth faster than anywhere else in the world. A growing middle class and rising numbers of high net worth individuals are changing consumption patterns and creating new markets. Asia is no longer only the factory of the world but an increasingly significant marketplace as domestic consumption becomes a bigger driver of economic growth. These consumers will need customised financial solutions to fund their lifestyle needs and manage their assets.

Second, technology, which is rapidly being adopted by Asia's young and the rising middle class, is propelling new innovations. The increasing use of Internet and mobile telephony is changing the way customers interact with their banks. Banking needs to respond by being intuitive, innovative and interactive, offering personalised financial solutions simply and quickly. Technology creates a new landscape which provides increasing payment and credit facilities for consumer spending.

Third, the banking industry is undergoing a profound change. Following the global financial crisis, regulators around the world have tightened regulatory standards to remove excesses from riskier aspects of the business and limit speculative activities. There has also been pressure from communities to steer banking back to more traditional and genuinely useful activities. In response, the banking industry has undergone a perceptible shift from expediency to values; from short-term profit maximisation to long-term profit sustainability; and from creating banking products that turn toxic to creating ones that facilitate the production of economic goods and services. There are also increasing demands for enhanced reporting so that banks can better demonstrate their commitment to corporate governance and responsibility to multiple stakeholders.

“WE AIM TO INTERMEDIATE TRADE AND INVESTMENT FLOWS BETWEEN ASIA'S THREE KEY AXES OF GROWTH – GREATER CHINA, SOUTH ASIA AND SOUTHEAST ASIA.”

Our Strategy

DELIVERING VALUE TO OUR STAKEHOLDERS

Our strategy is to become the Asian bank of choice for a rising Asia. We aim to intermediate trade and investment flows between Asia's three key axes of growth – Greater China, South Asia and Southeast Asia. In Singapore, our home market, we are a universal bank that serves all customer segments. Outside of Singapore, we focus on affluent individuals, SMEs and corporates.

We developed a roadmap comprising nine strategic priorities in 2010. We aim to build on our strong position in Singapore, reposition our franchise in Hong Kong, and achieve greater geographical balance by building out our presence in Greater China and South and Southeast Asia. We also aim to develop regional business lines: transaction banking to capitalise on increasing regional trade flows and the rise of Asian MNCs and SMEs, as well as wealth management to better serve the rising number of affluent individuals. We are steering our treasury capabilities towards structuring and marketing products for corporate and retail customers to hedge risks and take advantage of market trends. We are also improving our processes to achieve greater customer satisfaction and higher employee engagement as well as building more resilient technology infrastructure.

THE ASIAN BANK OF CHOICE FOR THE NEW ASIA – STRATEGIC PRIORITIES

1	**Geographies**	1. Entrench leadership in Singapore
		2. Reposition Hong Kong
		3. Rebalance geographic mix of our business
2	**Regional Businesses**	4. Build a leading SME business
		5. Strengthen wealth proposition
		6. Build out GTS, T&M cross-sell businesses
3	**Enablers**	7. Place customers at the heart of the banking experience
		8. Focus on management process, people and culture
		9. Strengthen technology and infrastructure platform

To differentiate ourselves, we will develop our unique brand of banking, Banking the Asian Way. We nurture Asian-style relationships with customers, staff and the community. We use our knowledge of how to do business in this region to provide unique Asian insights when we create solutions for our customers. We deliver Asian-style service to customers characterised by "the humility to serve and the confidence to lead". We offer customers seamless connectivity across our network of key Asian markets. Finally, we combine innovation with an understanding of fast-evolving customer trends and behaviours to reach out to customers.

WELL-POSITIONED FOR GROWTH

The Board and management team recently reviewed and validated our strategy; we will continue to execute on the nine strategic priorities that we articulated three years ago. In the coming years, we will also focus on additional areas to capture emerging megatrends.

As Asia continues to develop, funding requirements for infrastructure developments will grow. This demand cannot be met by bank financing alone and needs to be complemented by debt financing. With increasing financial integration, there will be tremendous growth potential for debt markets in Asia. We will leverage our strengths in fixed income to capture this opportunity.

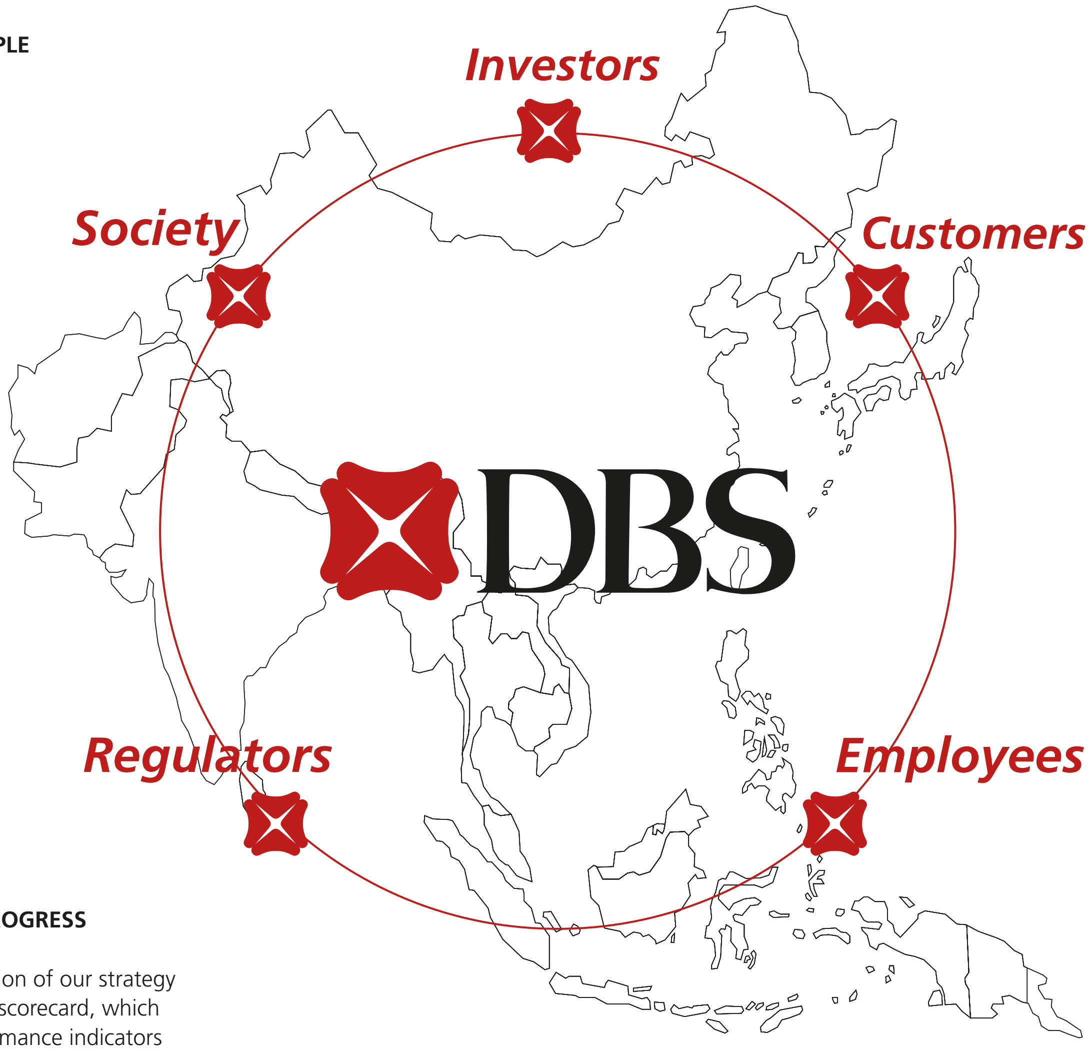
We recognise that the way we interact with our customers will change with technology. As new channels and forms of distribution develop, we will need to innovate to keep up with technological advances and cater to changing customer behaviour. To help us create the bank of the future, we will embrace innovation and technology to deliver banking in a way that is relevant and beneficial to consumers' changing needs.

Finally, our actions will be guided by a long-term perspective and the interests of multiple stakeholders we serve – investors, customers, employees, regulators and society. We will continue to grow prudently, maintain a strong balance sheet and uphold the spirit of regulatory reforms to ensure that we can preserve investors' capital, stand by customers, keep our people employed and serve the broader community throughout business cycles. We believe that to be a force for good, we must deliver sustainable banking. We can create value for our stakeholders over the long term only if our agenda facilitates the production of economic goods and services.

In this annual report, we have taken a step forward to further our commitment to delivering value to stakeholders. We have structured our discussions on our achievements for 2012 around our five key stakeholders. We recognise the symbiotic relationship that exists between stakeholders in the long term, and in achieving our strategic priorities, we serve more than one stakeholder. We are thus drawing on concepts around "integrated reporting". DBS is the first Singaporean member of a pilot programme set up by the International Integrated Reporting Council.

As we embark on this journey, we will be making continuous improvements over time to better communicate the progress we are making on our strategy and performance.

ENGAGING MULTIPLE STAKEHOLDERS



TRACKING OUR PROGRESS

We track the execution of our strategy through a balanced scorecard, which maps our key performance indicators (KPIs) across various stakeholder groups. The scorecard is divided into two parts, each with equal weighting. Specific objectives for each part are updated every year and approved by the Board. The scorecard is cascaded throughout the organisation to ensure the performance goals of all staff are aligned to it.

Specific KPIs are in place to track the progress made against investors, customers and employees. KPIs relating to regulators and society are embedded in our scorecard and cut across all aspects of our operations. As we operate in a regulated industry, upholding regulatory requirements is paramount and underlies all of our decisions and actions. We recognise the importance of serving society at large and being aware of our impact on the environment.

The first part of the scorecard comprises KPIs set for the current year. Shareholder metrics measure the financial results achieved and include income growth, return on equity and expense-related ratios. Control and compliance KPIs are also a focus in this section. We measure risk-related KPIs to ensure that the Group's income growth is balanced against the level of risk taken. Customer metrics measure the Group's achievement in increasing customer wallet share and satisfaction. Employee KPIs seek to measure the progress we have made in being an employer of choice, such as employee engagement, training, mobility and turnover.

The second part sets out the initiatives we intend to complete in the current year as part of our longer-term journey towards achieving our strategic objectives. Specific KPIs and targets are set for our nine priorities. Our ability to meet the current-year targets in the first part is dependent on successfully executing the second part in the preceding years.

In the next section, we will highlight the progress and achievements we made in 2012.

DBS GROUP SCORECARD

	Shareholder	Customer	Employee
Traditional KPIs 50%	**Achieve sustainable growth** • Income growth • Productivity • Returns • Portfolio risk • Controls and compliance	**Position DBS as Bank of Choice** • Cross-sell • Customer satisfaction	**Position DBS as Employer of Choice** • Employee engagement • People development

Strategic Priorities 50%	
Geographies	1. Entrench leadership in Singapore 2. Reposition Hong Kong 3. Rebalance geographic mix of our business
Regional Businesses	4. Build a leading SME business 5. Strengthen wealth proposition 6. Build out GTS and T&M cross-sell businesses
Enablers	7. Place customers at the heart of the banking experience 8. Focus on management process, people and culture 9. Strengthen technology and infrastructure platform

Investors

DELIVERING BETTER RETURNS

Our investors comprise shareholders and debtholders who expect superior and sustainable returns commensurate with their risk appetite, with profits earned in a responsible manner. We have consistently delivered strong financial performance over the past three years. 2012 was another year of record income and net profit. We pushed multiple levers to improve returns in an environment of continued interest rate softness.

We improved the efficiency of our balance sheet by driving the SGD loan-deposit ratio higher from 64% to 69%. We gained market share in domestic loans while retaining our dominant share of savings deposits. Our revamped branch operating model, introduced two years ago, contributed to higher cross-selling, which in turn improved the cost efficiency of our branch network.

Hong Kong's earnings reached a record. We continued to build out franchises in other countries to achieve a more balanced geographic mix. Strong growth in Indonesia enabled it to turn around its performance in 2012.

Our regional businesses – transaction banking, wealth management and SME, which all yield higher returns – also made good progress as their income grew 31%, 27% and 13% respectively. Income from treasury customer activities accounted for 44% of total treasury income, substantially above the proportion two years ago when we decided to steer the business towards more sustainable activities.

Our asset quality continued to be strong as a result of prudent risk management. Liquidity remained healthy as we built up funding from diversified sources. We are also strongly capitalised and well positioned to comply with Basel III capital and liquidity requirements.

GROUP PROFIT AND LOSS SUMMARY

	2012	2011	% chg
Selected income statement items ($m)			
Net interest income	**5,285**	4,825	10
Net fee and commission income	**1,579**	1,542	2
Net trading income	**689**	680	1
Other income	**511**	584	(13)
Total income	**8,064**	7,631	6
Expenses	**3,614**	3,303	9
Profit before allowances	**4,450**	4,328	3
Allowances for credit and other losses	**417**	722	(42)
Profit before tax	**4,157**	3,733	11
Net profit	**3,359**	3,035	11
One-time items	**450**	–	NM
Net profit including one-time items	**3,809**	3,035	26
Selected balance sheet items ($m)			
Customer loans[1]	**210,519**	194,720	8
Interbank assets[1]	**29,407**	27,183	8
Total assets	**353,033**	340,847	4
Customer deposits[2]	**242,907**	225,346	8
Interbank liabilities[2]	**25,908**	28,087	(8)
Total liabilities	**317,035**	307,778	3
Shareholders' funds	**31,737**	28,794	10
Key financial ratios (%) (excluding one-time items)			
Net interest margin	**1.70**	1.77	–
Non-interest/total income	**34.5**	36.8	–
Cost/income ratio	**44.8**	43.3	–
Return on assets	**0.97**	0.97	–
Return on equity	**11.2**	11.0	–
Loan/deposit ratio	**86.7**	86.4	–
NPL ratio	**1.2**	1.3	–
Specific allowances (loans)/average loans (bp)	**10**	11	–
Tier 1 capital adequacy ratio	**14.0**	12.9	–
Total capital adequacy ratio	**17.1**	15.8	–
Per share data ($)			
Per basic share			
– earnings excluding one-time items	**1.39**	1.30	–
– earnings	**1.57**	1.30	–
– net book value	**12.96**	11.99	–
Per diluted share			
– earnings excluding one-time items	**1.37**	1.26	–
– earnings	**1.56**	1.26	–
– net book value	**12.86**	11.75	–

1 *Includes financial assets at fair value through profit or loss on the balance sheet*
2 *Includes financial liabilities at fair value through profit or loss on the balance sheet*
NM *Not Meaningful*

"TOTAL INCOME CROSSED SGD 8 BILLION FOR THE FIRST TIME AS NET INTEREST INCOME REACHED A NEW HIGH AND CUSTOMER-DRIVEN NON-INTEREST INCOME CONTINUED TO GROW, REFLECTING OUR DEEPENING FRANCHISE ACROSS THE REGION."

DBS' return on equity before divestment gains rose to 11.2%, the best in five years.

OVERALL FINANCIAL PERFORMANCE

NET PROFIT AT A RECORD

Our net profit reached a record SGD 3.81 billion, which included divestment gains of SGD 450 million. Excluding the gains, net profit rose 11% from the previous year to SGD 3.36 billion.

Total income crossed SGD 8 billion for the first time as net interest income reached a new high and customer-driven non-interest income continued to grow, reflecting our deepening franchise across the region. Return on equity before the divestment gains rose to 11.2%, the best in five years.

Net interest income grew 10% to SGD 5.29 billion. Loans expanded 12% in constant currency terms to SGD 211 billion from regional corporate borrowing and Singapore consumer loan growth. Net interest margin fell seven basis points to 1.70% as a result of market liberalisation in China and asset re-pricing in a soft interest rate environment, partially offset by an improved average loan-deposit ratio.

Non-interest income was little changed at SGD 2.78 billion as improved cross-selling was offset by lower equity capital market activities. Fee income from trade and remittances, wealth management product sales and cards recorded double-digit percentage increases, in line with efforts to grow these businesses. Income from customer flows for treasury products increased 6% to SGD 868 million and accounted for 44% of total treasury income. While weak equity markets affected stockbroking and investment banking income, DBS benefited from strong bond and real estate investment trust activity during the year as we led in both domestic and cross-border issuances.

Expenses rose 9% to SGD 3.61 billion from the full-period impact of investments and staff increases made in the previous year to support business growth. The cost-income ratio was at 45%, with staff costs making up 23% of income.

Credit conditions remained benign and specific allowances were stable at SGD 198 million or 10 basis points of loans. General allowances of SGD 211 million were taken in tandem with SGD 16 billion of loan growth during the year.

A gain of SGD 450 million was recorded for the partial divestment of a stake in the Bank of Philippine Islands.

FINANCIAL POSITION REMAINS STRONG

Asset quality continued to be strong. Non-performing assets fell 6% from a year ago to SGD 2.7 billion, of which 46% were current in interest and principal. The non-performing loan rate declined slightly to 1.2%. The allowance coverage of non-performing assets rose to 142%, the highest on record.

Liquidity remained healthy as we built up funding from diversified sources.

> “ASSET QUALITY CONTINUED TO BE STRONG. LIQUIDITY REMAINED HEALTHY AS WE BUILT UP FUNDING FROM DIVERSIFIED SOURCES. WE ARE ALSO WELL CAPITALISED.”

Strong liquidity buffers were maintained across currencies to protect against contingencies as well as support business growth. The loan-deposit ratio was at 87% as deposits rose 10% in constant currency terms from a year ago to SGD 243 billion. In Singapore, we continued to capture more than half of the system savings deposits. Our non-SGD funding was supplemented by wholesale sources, including commercial papers and medium term notes. Our ability to attract funding has been supported by credit ratings of AA- (by S&P and Fitch) and Aa1 (by Moody’s), which are among the highest in the world. We have been named Safest Bank in Asia by Global Finance magazine since 2009.

Unrealised marked-to-market gains for the available-for-sale investment portfolio amounted to SGD 634 million, compared to SGD 411 million at end-2011. Gains of SGD 419 million were realised from the sale of investment securities during the year, compared to SGD 454 million in 2011.

We are also well capitalised. The Group’s Tier-1 ratio of 14.0% and total capital adequacy ratio of 17.1% are well above regulatory requirements. We are well positioned to comply with Basel III capital requirements, which came into effect in Singapore on 1 January 2013.

Based on transitional arrangements prevailing on 1 January 2013, the Group’s pro-forma Basel III core Tier-1 ratio as at 31 December 2012 was 13.5%. If all adjustments that are required by 1 January 2018 are made, the Group’s pro-forma core Tier-1 ratio was 11.8%. Both ratios are above the minimum requirement, which progressively rises from 4.5% on 1 January 2013 to 9.0% on 1 January 2019 (including the capital conservation buffer).

PERFORMANCE BY BUSINESS LINES

CONSUMER BANKING GROUP/ WEALTH MANAGEMENT

KEY 2012 HIGHLIGHTS

OPERATING INCOME
$2,300m
2011: $2,204m

LOANS GROWTH
+13%

WEALTH AUM*
+20%

WEALTH CUSTOMERS*
21,000

mBANKING USERS
600,000

iBANKING USERS
2,200,000

* *Wealth customers with more than $1.5 million in assets under management*

KEY FOCUS

- Build out regional Wealth business
- Bank mass market in Singapore (universal bank); consider consumer finance opportunistically in other countries, where appropriate

KEY PRIORITIES IN 2013

- Execute on Wealth regional blueprint and drive consumer acquisition
- Grow emerging affluent customer segment in Singapore by leveraging branch distribution and analytics
- Improve returns on mass market customer segment in Singapore by stepping up cross-selling and lowering unit costs
- Drive appropriate sales culture and processes including embedding a culture of fair dealing into the organisation
- Enhance service quality through the continued implementation of our Asian service standards
- Drive innovation in customer channels and touchpoints

INSTITUTIONAL BANKING GROUP

KEY 2012 HIGHLIGHTS

OPERATING INCOME
$4,312m
2011: $4,010m

CROSS-SELL REVENUE RATIO[(a)]
49%
2011: 45%

TRADE LOAN GROWTH[(b)]
+18%

CASH MANAGEMENT DEPOSIT GROWTH
+18%

NPL RATIO
1.6%
2011: 1.7%

(a) From transaction banking and treasury cross-sell
(b) Includes letters of credit

KEY FOCUS

- Grow large corporate banking regionally
- Build out regional SME business

KEY PRIORITIES IN 2013

- Step up corporate client acquisition by focusing on commodity companies, institutional investors and western MNCs
- Execute on SME regional blueprint and drive customer acquisition
- Focus on cross-sell of trade, cash, treasury and capital markets products
- Streamline regional client on-boarding and credit processes
- Implement enhanced regional client servicing model and infrastructure
- Drive discipline around risk-adjusted returns

SGD million[a]	Consumer Banking/Wealth Management	Institutional Banking	Treasury	Others	Total
2012					
Income	2,300	4,312	1,119	333	8,064
Expenses	1,602	1,416	462	134	3,614
Profit before allowances	698	2,896	657	199	4,450
Profit before tax	605	2,690	660	202	4,157
2011					
Income	2,204	4,010	1,152	265	7,631
Expenses	1,561	1,319	420	3	3,303
Profit before allowances	643	2,691	732	262	4,328
Profit before tax	572	2,259	730	172	3,733

(a) Excludes one-time items

CONSUMER BANKING/ WEALTH MANAGEMENT

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

Total income grew 4% to SGD 2.30 billion led by higher non-interest income from the Wealth Management segment and higher fee income from credit cards and unsecured loans. Net interest income was little changed as higher customer loan and deposit volumes were offset by lower net interest margin, similar to the industry. Profit before tax rose 6% to SGD 605 million.

We continued to execute on our Wealth Management blueprint, which is centred on offering the full suite of our products and services seamlessly to clients across the region. Wealth Management income grew 27% to SGD 787 million as we benefited from the full impact of our integrated wealth management platform, which was launched in second-half 2011. This has enabled us to gain scale across the full spectrum of affluent and private banking customer segments by using the same research capabilities, product expertise in capital markets and treasury, as well as an integrated back office and infrastructure to support the front line. We are therefore able to acquire new customers and serve existing ones with lower unit costs.

The new platform has allowed us to up-tier qualifying POSB and DBS customers, offering them access to the full range of wealth products. We continued to develop wealth relationships with existing Institutional Banking customers. Our private banking customer base extended to Europe and the Middle East as an increasing number of individuals and families outside Asia sought the safety and Asian opportunities that DBS provides. Total assets under management for high net worth individuals rose 20% to SGD 56 billion.

Our product range also expanded during the year. We strengthened our precious metals offerings and launched safekeeping facilities for physical gold, investment accounts for gold and silver, as well as call options on both metals. Leveraging on our research and insights into Asia, our customers benefited from a range of treasury products to take advantage of opportunities in currency, equity and credit markets. They also had access to fixed income issuances that we managed. For high net worth clients, we launched a discretionary portfolio management service. Attesting to our efforts in growing our franchise, we were named the "Outstanding Private Bank in Southeast Asia" by Private Banker International.

In Singapore, our DBS/POSB network of 89 branches and 1,100 ATMs served more than 4.5 million customers in the mass market and affluent segments. We maintained our 53% market share of Singapore-dollar savings deposits and kept our leading positions in housing loans, car loans, debit and credit cards. CBG's Singapore housing loan portfolio rose 19% to SGD 36 billion. We leveraged on our branch network and used customer analytics to improve customer sales. This contributed to new loan bookings during the year which, including amounts not yet disbursed, rose 35% to SGD 14 billion. In addition, income from sales of investments and insurance products from branches rose 24%. The higher fee income offset pressure on net interest margins on loans and deposits caused by the continued softness in interest rates.

As part of our efforts to expand customer touchpoints, we entered into a partnership with Singapore Post. The number of customers using Singapore Post branches to make cash deposits and withdrawals has grown steadily since this channel was made available in November 2011. In addition, the number of POSB centres rose to 19 from six two years ago. In Hong Kong, we continued with efforts to reposition the consumer banking business towards the affluent and private banking segments. We relocated branches to more suitable locations and upgraded them to serve these segments more effectively. These efforts are ongoing but yielded early results by improving the profitability of our consumer banking operations in Hong Kong.

INSTITUTIONAL BANKING

Institutional Banking (IBG) provides financial services and products to institutional clients including bank and non-bank financial institutions, government-linked companies, large corporates and SMEs. Products and services comprise the full range of credit facilities from short-term working capital financing to specialised lending. IBG also provides global transaction services such as cash management, trade finance and securities and fiduciary services; treasury and markets products; corporate finance and advisory banking as well as capital markets solutions.

Income grew 8% to SGD 4.31 billion across all client segments, led by transaction banking and cross-selling of treasury products which offset tighter margins in lending. Overall income growth was affected by slower equity capital markets, which resulted in lower investment banking fees and stockbroking commissions.

As a result of our efforts to drive cross-sell, IBG's income mix continued to shift from balance sheet lending towards transaction banking and treasury cross-selling. The proportion of income from both activities rose four percentage points from 2011 to 49%, which was beneficial to the Group's return on equity.

Overall expenses grew 7% to SGD 1.42 billion as headcount was added and investments were made to improve processes and systems to expand regional capabilities. The growth was in line with income growth and the cost-income ratio was unchanged from 2011 at 33%. Credit conditions remained benign and allowances were low. Profit before tax rose 19% to SGD 2.69 billion.

For our large corporate clients, we continued to leverage our balance sheet strength and deepen client relationships across our Asian network. Together with our ability to offer innovative financing solutions and advisory services, we delivered a 15% increase in income for the large corporate customer segment.

In the SME client segment, income rose 13% to SGD 1.23 billion. Our efforts to build a leading franchise premised on offering convenient, simple and fast service made headway after two years of investments. We rolled out a regional SME framework in key markets to standardise and streamline processes, shortening the response time to customers. While SME loans rose 11%, the percentage of income from non-loan products rose three percentage points to 60%, an all-time high, as deepening customer relationships further improved cross-selling.

Transaction banking had another record year with 18% growth in trade assets including letters of credit, record deposit growth of 18% and an increase in income of 31% to SGD 1.41 billion. This capped a third consecutive year of income growth, bringing the compounded annualised growth rate over the period to 26%. Trade finance income rose 37% to cross SGD 1 billion for the first time from strong asset growth, which offset the impact of lower margins in the second half of the year from interest rate liberalisation in China. Income from cash management and securities and fiduciary services increased 18%. During the year, we acquired 11,300 new transaction banking customers, which included more than 500 multinational and large companies. This brought the total number of customers we serve to more than 150,000. We won 88 large cash mandates and trade deals that generated annual income exceeding SGD 1 million each, demonstrating that our expanded profile and capabilities in Asia are on a par with global competitors. This was reinforced by the tripling of the industry awards we won in 2012 to 50, which included an impressive win of 15 awards at The Asset magazine's Transaction Banking Awards 2012.

"AS A RESULT OF OUR EFFORTS TO DRIVE CROSS-SELL, IBG'S INCOME MIX CONTINUED TO SHIFT FROM BALANCE SHEET LENDING TOWARDS TRANSACTION BANKING AND TREASURY CROSS-SELLING."

As part of the efforts to expand our transaction banking capabilities, we launched an award-winning regional Internet banking platform called DBS IDEAL3.0™ in our six key markets. The platform enables customers to carry out a complete suite of cash management and trade finance transactions at any time and from any place in the world. Our range of transaction banking services was expanded with new product offerings involving supply chain financing, accounts receivables solutions and structured financing for commodity clients.

Across the region, we further deepened our customer reach in Singapore, Hong Kong and emerging markets. Singapore continued to be an important contributor. Overall assets and deposits grew 12% and 16% respectively as IBG cemented relationships with large corporates and expanded its presence in the SME market.

“IN SINGAPORE, WE MAINTAINED CLEAR LEADERSHIP IN A BROAD RANGE OF ACTIVITIES, INCLUDING SGD/USD FOREIGN EXCHANGE, SGD BONDS, SGD MONEY MARKETS AND SGD DERIVATIVES.”

We added 12,000 new SME customers during the year, bringing our client coverage to more than 40% of the local SME market. A new social enterprise programme was launched to provide such SMEs with marketing support and management advice in addition to traditional banking products.

In Hong Kong, IBG continued to strengthen the connectivity with China and drove cross-border customer business and referrals in account management. This led to more than a doubling of Hong Kong-related cross-border income.

Income from China, Taiwan, India and Indonesia each rose by double-digit percentages, contributing 27% of total IBG income and further diversifying the geographical mix.

TREASURY

Treasury provides treasury services to companies, institutional and private investors, financial institutions and other market participants. It is involved in sales, structuring, market-making and trading across a broad range of financial products including foreign exchange, interest rate, credit, debt, equity and other structured derivatives. Treasury is also responsible for managing the Group's surplus deposits based on approved benchmarks.

In the presentation of the business units' financial performance, customer related income from the cross-sell of treasury products to individual and institutional customers is reflected under CBG and IBG and not in Treasury. Income from these activities rose 6% to SGD 868 million in line with efforts to enhance cross-selling. For a holistic view of our Treasury business, the commentary in this section encompasses customer cross-selling activities.

Income reflected in Treasury relates only to trading, market-making, risk warehousing and investment activities. Treasury's full-year performance was challenging as market sentiment was dampened by the Eurozone crisis and general economic uncertainty. Profit before tax declined 10% to SGD 660 million as total income fell 3% to SGD 1.12 billion and total expenses rose 10% to SGD 462 million. The lower income resulted from lower trading gains on interest rate and foreign exchange, partially offset by improved performance in credit as debt securities prices improved with declining yields during the year.

In Singapore, we maintained clear leadership in a broad range of activities, including SGD/USD foreign exchange, SGD bonds, SGD money markets and SGD derivatives across different asset classes. We continued to be the leading market maker for SGD FX and cross-currency options with an estimated 50% of market share. With the biggest foreign exchange derivatives team in Singapore among local banks, we were able to offer superior pricing capabilities to customers.

In Hong Kong, we continued to be a leading player in offshore RMB activities. We have an estimated 10% share of the interbank offshore RMB spot market.

We were also an active market-maker in USD/RMB non-deliverable forwards, USD/RMB non-deliverable swaps and RMB non-deliverable interest rate swaps in the interbank market. Our extensive capabilities and nimbleness enabled us to be one of the first banks to offer customers a range of offshore RMB products.

We were also a leading player in the onshore/offshore RMB (or CNY/CNH) options market globally. We provided risk management solutions to clients with CNY/CNH exposures from their cross-border businesses. Our structuring and warehousing capabilities allowed us to structure RMB investment products for private banking and retail customers to enhance investment yields.

Attesting to our regional leadership, we were named “Derivatives House of the Year in Asia ex-Japan” by Asia Risk.

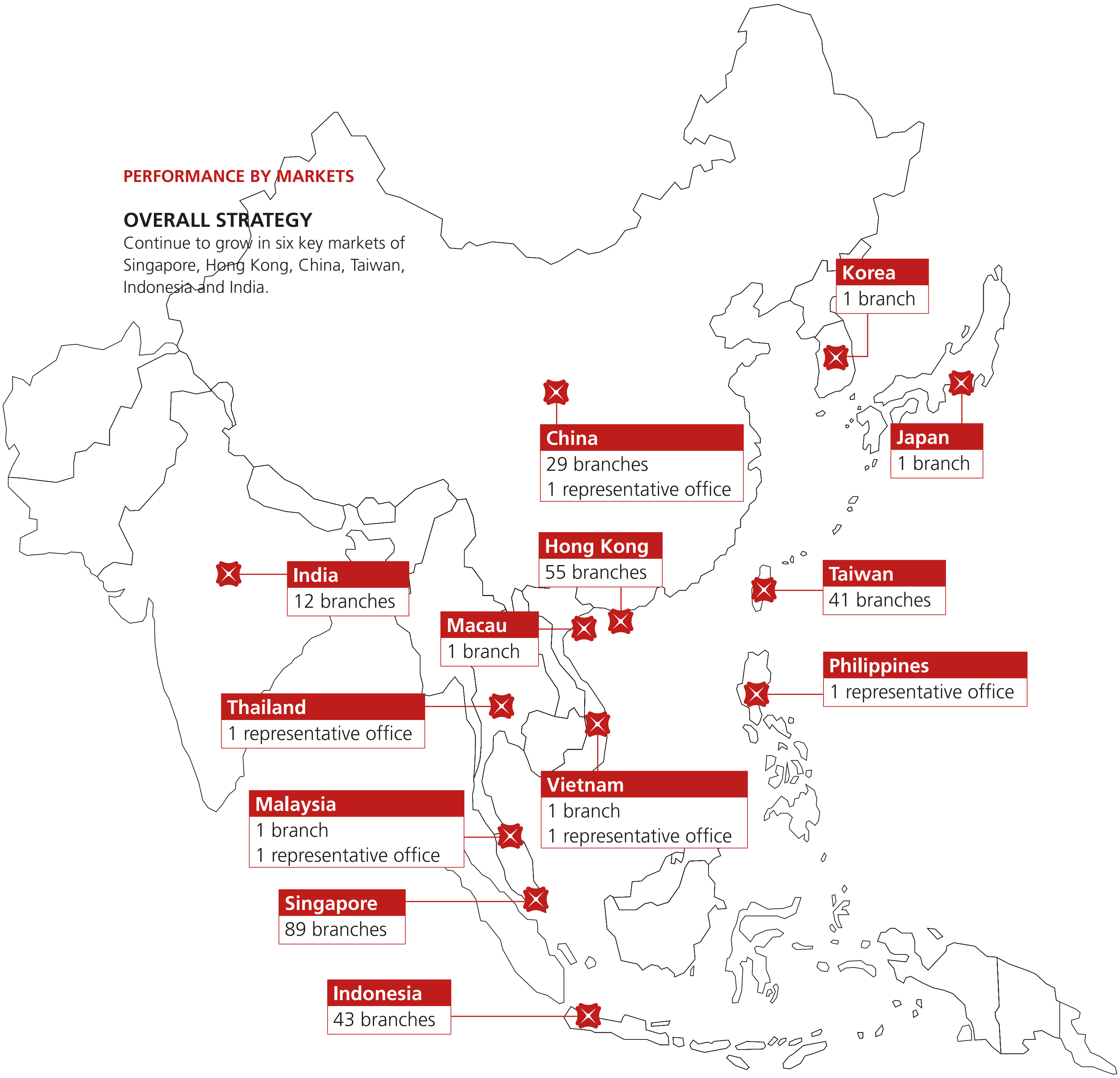
Our fixed income team capitalised on the strong appetite from individual and institutional investors for bond issuances during the year. We maintained our long-standing leadership in the SGD bond market and leveraged on this strength to extend our reach to overseas issuances. We are now ranked fourth in underwriting league tables for Asian local currency bonds and Asia ex-Japan equity-linked bonds, ahead of many global banks.

In Hong Kong, we were a joint-lead manager for China Oilfield Service's 10-year USD 1 billion issue, which was one of the largest and highest-rated Chinese-issuer bonds in 2012. In Indonesia, we were among the top 10 underwriters of rupiah bonds. In India, we underwrote 13 issues and executed a USD convertible bond for Amtek India as sole global co-ordinator and book-runner. We successfully brought Indian Oil Corporation to the SGD bond market. As it was the maiden SGD bond issuance from an Indian non-bank issuer, the SGD 400 million 10-year bond was named the India Capital Markets Deal of the Year by IFR Asia.

PERFORMANCE BY MARKETS

OVERALL STRATEGY

Continue to grow in six key markets of Singapore, Hong Kong, China, Taiwan, Indonesia and India.



As of 31 December 2012

Branches include sub-branches and centres.
DBS also has branches and outlets in London, Los Angeles, Dubai and a representative office licence in Myanmar. In addition, DBS Vickers has offices in Singapore, Hong Kong, Indonesia, Thailand, UK and US.

Over
250
branches across Asia

PERFORMANCE BY MARKETS

SGD million[(a)]	Singapore	Hong Kong	Rest of G. China	South and SE Asia	Rest of the World	Total
2012						
Income	4,966	1,532	663	591	312	8,064
Expenses	2,088	678	498	275	75	3,614
Profit before allowances	2,878	854	165	316	237	4,450
Net profit	2,079	716	110	293	161	3,359
2011						
Income	4,719	1,453	612	557	290	7,631
Expenses	1,948	646	397	247	65	3,303
Profit before allowances	2,771	807	215	310	225	4,328
Net profit	1,877	571	178	285	124	3,035

(a) The geographical segment financials are based on the location where transactions are booked. Excludes one-time items

"WE CONTINUED TO BE A LEADING PLAYER IN MORTGAGES, AUTO LOANS, UNSECURED CREDIT, DEBIT AND CREDIT CARDS. WE RETAINED OUR TOP POSITION IN DEPOSITS."

SINGAPORE

With Singapore as our home market, we further entrenched our leadership here. Despite the continued low interest rate environment, income rose 5% to SGD 4.97 billion as higher net interest income from loan and deposit growth and higher customer-driven non-interest income were offset by lower market-related contributions. Net profit rose 11% to SGD 2.08 billion.

We continued to make progress in gaining market share in SGD loans and deposits. Our market share in domestic loans rose for another year, from 23% in 2011 to 24%, as SGD loans grew SGD 12 billion or 15%. We continued to be a leading player in mortgages, auto loans, unsecured credit, debit and credit cards. We retained our top position in deposits with a 53% market share in SGD savings deposits and 25% in total deposits. Our SGD loan-deposit ratio improved from 64% to 69%.

We further enhanced the effectiveness of our branch network to serve our customers in a more systematic and targeted manner. A revamped branch operating model assigns branch managers with the responsibility to serve customers more effectively with better use of customer data analytics and targeted marketing activities. The number of housing loans closed by sales staff improved 138%, while a mortgage-related insurance product was sold for every two housing loans booked compared to one in three housing loans booked in 2011.

We made further headway with SMEs. We were named "Best SME Bank in Singapore" by Alpha Southeast Asia magazine. We leveraged on our strong balance sheet and expertise across the range of trade, cash, treasury and capital markets products to drive cross-sell and grow our franchise.

We reinforced our leadership position in high-return product segments. We remain the top market player in trade finance and cash management. We are also market leader in SGD currencies, SGD money markets and SGD derivatives across different asset classes. We are the leading market maker for SGD FX and cross-currency options, with an estimated 50% share of the market. We maintained our leading positions in equity, bond and REITs issuances.

As part of efforts to strengthen our technology and infrastructure, we started rolling out a new core banking platform for Singapore in 2012, having already completed the process in the emerging markets earlier.

In 2012, DBS was named the "Best Bank in Singapore" by Global Finance, Euromoney, Asiamoney, FinanceAsia and Alpha Southeast Asia. We were also named "Singapore Retail Bank of the Year" by Asian Banking and Finance and the "Best Private Bank in Singapore" by The Banker. We were also named "House of the Year, Singapore" by Asia Risk.

HONG KONG

In Hong Kong, our shift in strategy is bearing fruit. As the anchor of our Greater China franchise, our Hong Kong operations have been repositioned to better capture the benefits of the city's connectivity with China. In addition, we have repositioned our consumer segment towards affluent individuals. The shift in focus has led to stronger financial performance. Net profit rose 25% to SGD 716 million, a record high. Income rose 5% to SGD 1.53 billion led by higher net interest income from improved margins and higher average loan volumes. Improved balance sheet management – by skewing our loan mix towards corporate loans and lessening the proportion of housing loans, and by improving the quality of our funding – resulted in a nine basis point margin improvement to 1.48%.

> "AS THE ANCHOR OF OUR GREATER CHINA FRANCHISE, OUR HONG KONG OPERATIONS HAVE BEEN REPOSITIONED TO BETTER CAPTURE THE BENEFITS OF THE CITY'S CONNECTIVITY WITH CHINA."

The rise in interest margins occurred despite a lowering of the loan-deposit ratio from 123% to 97%. Non-interest income was supported by higher wealth management fees with our shift towards affluent banking, but was affected by lower stockbroking, investment banking and trading income.

We grew our customer base of China state-owned and private-owned enterprises by 35% in 2012. Income from Chinese large corporates in Hong Kong increased by more than 70%.

We continue to be a leading player in offshore RMB activities. We were named "House of the Year, Hong Kong" by Asia Risk, attesting to our ability to respond nimbly to market opportunities in the offshore RMB treasury segment.

We further expanded our SME franchise, among the largest in the market, by

focusing on cross-selling and customer acquisition. We won the Hong Kong General Chamber of Small and Medium Business' "Best SME's Partner" for the fourth consecutive year.

REST OF GREATER CHINA

Overall income growth in Rest of Greater China slowed to 8% from a year ago. While underlying franchise development was healthy, the performance was set back by a significant compression in interest margins in China. The lower margins, as well as higher expenses from the expansion of our China branch network, resulted in a 38% decline in net profit to SGD 110 million.

CHINA

There was a slowdown in economic activity for much of the second half of the year, which was caused by a combination of domestic and external factors. There was also considerable pressure on net interest margins from interest rate liberalisation. In addition, a concentration of maturing trade loans in the third quarter affected our China-related loan volumes. As a result of these market and DBS-specific factors, China's income was flat from a year ago. While income from the onshore franchise was soft, we leveraged on our China connectivity and doubled cross-border income from China clients.

We continued to grow our customer franchise centred on major China state-owned enterprises and private owned enterprises. However, given the macroeconomic uncertainties, we moderated the roll-out of our SME strategy.

We opened a branch in Chongqing and four sub-branches in Shanghai, Beijing and Hangzhou, which contributed to the higher expenses.

We made inroads among large corporate customers, particularly in our trade and cash businesses and in treasury cross-selling. We were named "Rising Star Treasury and Working Capital Bank for MNCs / Large Corporates in China" by The Asset. Our cash and treasury capabilities were also recognised by Asiamoney. We were ranked third best foreign cash management bank in China for large and small corporates, and fourth for medium-sized corporates. We were also named the "Best Treasury and Cash Management Bank, Foreign" by Global Finance.

DBS, headquartered at Marina Bay Financial Centre, was named the "Best Bank in Singapore" by Global Finance, Euromoney, Asiamoney, FinanceAsia and Alpha Southeast Asia.

TAIWAN

Our operations in Taiwan were converted to a locally-incorporated subsidiary in January 2012. We are now the fourth-largest foreign bank in the country by capital. DBS Bank (Taiwan) has also been named by S&P and Fitch as the most highly-rated bank in Taiwan. Income grew 22% as loans and deposits rose 17% and 16% respectively.

Two SME banking centres were opened in Taipei to support the expansion of our institutional banking franchise. We were the largest SME lender among all foreign banks in Taiwan. For large corporates, we leveraged on our debt capital market capabilities to launch and underwrite European convertible bonds for three technology clients with a total value of USD 768 million, accounting for 71% of the Taiwan market. Our cash capabilities were also recognised by the market. A poll by Asiamoney ranked us third best foreign cash management bank in Taiwan for small and medium-sized corporates, and fourth for large corporates.

SOUTH AND SOUTHEAST ASIA

Income for this region grew 6% to SGD 591 million and net profit rose 3% to SGD 293 million. We continued to register good growth in India and Indonesia.

INDIA

We are now the fourth-largest foreign bank in India. Income grew 12%. As a result of continued stress in the Indian economy which led to a depreciation of the rupee, reported loans remained flat but showed a slight growth in constant-currency terms. We continued to grow the local currency book and improved our funding. As a result, deposits grew 33%. Underlying franchise growth remained healthy.

> "STRONG ECONOMIC GROWTH IN INDONESIA COMBINED WITH CONSISTENT EXECUTION OF STRATEGY RESULTED IN A FURTHER TURNAROUND OF OUR INDONESIAN FRANCHISE."

We made headway among large corporates and SMEs in cash and trade. Asiamoney ranked us third-best foreign cash management bank in India for small and medium-sized corporates, and fifth for large corporates. We extended our product suite by leveraging on our strong bond product capabilities. We arranged 15 deals in the domestic and international markets, and facilitated the first ever SGD bond issuances by an Indian bank and an Indian corporate.

In the wealth management customer segment, deposits grew 120%, albeit from a small base, as we deepened non-resident Indian customer relationships.

INDONESIA

Strong economic growth in Indonesia combined with consistent execution of strategy resulted in a further turnaround of our Indonesian franchise. Income and net profit rose 18% and 30% to record highs as loans rose 11%, deposits grew 18% and net interest margin improved. Returns also improved significantly, compared to a low in 2010. We were named "Best Foreign Bank in Indonesia" by Bisnis Indonesia.

The institutional banking franchise focused on customer acquisition and driving cross-sell in trade, cash and foreign exchange. We were named the "Best Arranger of Loans for Indonesian Borrowers" by Euroweek, while Asiamoney ranked us the best foreign cash management bank in Indonesia for small corporates, fourth for medium-sized corporates and third for large corporates. We were also named the "Best Treasury and Working Capital Bank for MNCs / Large Corporates" by The Asset magazine.

REST OF THE WORLD

Our presence in Korea and Japan serves Asian MNCs as they expand in the region. Our offices in Dubai, London and Los Angeles are used to intermediate capital and investment flows into Asia from corporates as well as high net worth individuals. Income from these countries collectively grew 8% to SGD 312 million while net profit rose 30% to SGD 161 million.

Customers

OUR CUSTOMER PROPOSITION

To differentiate ourselves in an industry as commoditised as banking, we must put our customers at the centre of all that we do. This means anticipating our customers' needs as well as offering better products, a superior experience and greater convenience.

We are using analytics and data to enable us to become more intuitive and interactive in the way we serve our customers. Our call centres in Singapore and Hong Kong, which collectively handle over 7.7 million calls per year, were awarded accolades for being best in class.

For our institutional and consumer banking customers, we tapped on our Asian insights and emerging technology to develop new products and service offerings, some of which are firsts in the industry. We scaled up our presence in the regional markets so that customers would have more touchpoints and greater connectivity across the region.

REACHING MORE CUSTOMERS

In Singapore, our ubiquitous presence enables us to operate a universal banking franchise that includes the mass consumer market. In other markets, we serve affluent individuals, corporates, SMEs and financial institutions.

During the course of the year, we grew our customer base across Asia. Today, DBS serves 5.3 million individuals and more than 180,000 corporates across the region.

Customers are attracted to us because we offer them peace of mind in an uncertain global economic environment. With high credit ratings, as well as a strong capital and liquidity position, DBS has been recognised by Global Finance, a leading trade magazine, as the "Safest Bank in Asia" since 2009.

By spanning key markets, our network also enables us to connect customers with opportunities across the region. Many of our competitors either focus on a particular sub-region, or do not have the Asian roots, insights and connectivity that we do.

Moreover, our distribution and product capabilities enable us to offer "one-bank" solutions to customers as we cross-sell wealth management solutions to institutional banking customers and vice versa, better serving both their personal and business needs. We are also cross-selling more capital market, transaction banking and treasury products to institutional banking customers whose primary product from us used to be loans.

PROVIDING CUSTOMER ACCESS

DBS is the largest retail bank in Singapore. We have 89 branches, 1,100 ATMs, over 250 cash deposit machines as well as 830 AXS multi-purpose kiosks that allow retail customers to do things such as pay bills and buy movie tickets. We serve more than 4.5 million retail customers across five franchises: DBS and POSB in the mass market; and DBS Treasures, DBS Treasures Private Client and DBS Private Bank in the affluent segments. POSB is the well-loved national savings bank that serves more than four million customers. DBS Treasures is our priority banking segment, serving clients with assets of SGD 200,000 and above, while DBS Treasures Private Client and DBS Private Bank cater to high net worth individuals with at least SGD 1.5 million and SGD 5 million in assets respectively.

We have been enhancing our physical network and online touchpoints. A strategic alliance with Singapore Post enables our customers to carry out transactions such as cash withdrawals and deposits at an additional 59 post office outlets. In the fourth quarter of 2012, our customers conducted 33,000 transactions at these outlets.

To deepen our engagement with students and young adults, we launched our second DBS Remix branch, at the National University of Singapore, during the year. Our DBS Remix format enables customers to carry out their branch transactions in a digital, almost paperless way.

Apart from our physical branch footprint, we continued to introduce applications to meet the lifestyle needs of customers who are banking online or on the go, while ensuring security. DBS continues to have the largest Internet banking and mobile banking customer base in Singapore, with about 1.9 million and 600,000 users respectively.

In Hong Kong, we have 55 branches, loan centres and SME centres. As part of the repositioning of our consumer business towards the affluent segment, several branches were renovated and we also opened two new DBS Treasures Centres.

In China, we expanded our network with a new branch in Chongqing, our first in the country's western region. In its first year of opening, the branch has made encouraging headway with state-owned and privately-owned enterprises as well as foreign companies. In 2012, we also opened four sub-branches in Shanghai, Beijing and Hangzhou. This takes our network to 29 branches in 10 cities.

In Taiwan we opened two new SME Centres in New Taipei City, giving us 41 branches islandwide. In addition, we relocated six branches to better cater to affluent customers.

"DURING THE COURSE OF THE YEAR, WE GREW OUR CUSTOMER BASE ACROSS ASIA. TODAY, DBS SERVES 5.3 MILLION INDIVIDUALS AND MORE THAN 180,000 CORPORATES ACROSS THE REGION."

In Indonesia, we have 43 branches and sub-branches in 11 cities. In India, DBS is the largest Singapore bank with 12 branches and we have applied for four more under a bilateral economic agreement.

PROVIDING INNOVATIVE SOLUTIONS

In 2010, we set up a Customer Experience Council and an Innovation Council to improve customer experience, deepen customer engagement, as well as drive differentiation.

In 2012, we unveiled our state-of-the-art flagship branch at our headquarters – DBS Asia Central at Marina Bay Financial Centre. The branch offers a ground-breaking retail banking experience. Customers can use touch-pads to shorten the time needed to complete forms and are provided with iPads while they wait their turn. Other touches include Singapore's largest Microtile screen. The branch's ergonomic facilities and futuristic design are part of our efforts to define the future of banking and set the direction for the development of our branch network.

We also continued to pioneer new firsts to make it more convenient for our customers to bank electronically or on the go.

With DBS One.Tap, we were the first Singapore bank to introduce contactless payments using mobile phones. Using near-field communications (NFC) technology, DBS One.Tap is a DBS MasterCard Paypass credit card that allows users to make secure payments through an NFC-enabled mobile phone, doing away with plastic, paper or wallet clutter.

With the launch of the DBS Rewards mobile app, we became the first bank in Asia Pacific to offer credit card holders the flexibility and convenience of instant rewards redemption via their mobile phones. This mobile application allows card holders to redeem electronic vouchers instantly at more than 1,000 outlets across Singapore. This further strengthens our existing suite of mobile offerings, which already include mobile banking, share trading, entertainment and shopping promotions, and travel insurance.

We revolutionised the card application process by being the first in Singapore to offer instant card approval online in less than 30 seconds. Since launching this service in March 2012, we have received close to 30,000 card applications via the online channel.

For institutional banking customers, we launched our award-winning Internet transaction banking platform DBS IDEAL3.0™, with several state-of-the-art capabilities incorporated after extensive customer research and usability studies. These include personalisation tools, alerts, "drag and drop" dashboard functionality and local language support. Besides rich information reporting features, the latest third-generation platform also provides comprehensive transaction initiation capabilities catering to domestic as well as international payment and trade finance needs.

In capital markets, we were involved in several landmark bond deals that brought value to corporate issuers and provided retail customers with attractive investment opportunities:

- Genting Singapore PLC's SGD 1.8 billion 5.125% perpetual capital securities – the largest single tranche corporate perpetual deal issued in Singapore to date.
- Cheung Kong (Holdings)'s HKD 1 billion guaranteed senior perpetual securities – the first corporate to issue HKD senior perpetuals.
- Indian Oil Corporation Limited's SGD 400 million 4.10% 10-year fixed rate notes – the largest amount and longest tenor issued by an Indian corporate in the SGD market.
- Lend Lease Finance Limited's SGD 275 million 4.625% 5-year fixed rate notes – the first Australian corporate to tap the SGD market.
- ABN AMRO Bank N.V.'s SGD 1 billion 4.70% 10-year subordinated Tier 2 notes – the largest order book for a single tranche SGD bond issuance with SGD 17 billion garnered.
- China Resources Gas Group Limited's USD 750 million 10-year senior fixed rate notes – DBS was a global coordinator for its inaugural bond issuance.

Similarly, we pioneered a number of equity market innovations that benefited both issuers and investors. We played a key role in Mapletree Logistics Trust's (MLT) landmark SGD 350 million issuance

"WE ARE COMMITTED TO OUR ASIAN SERVICE STANDARDS OF BEING RESPECTFUL, EASY TO DEAL WITH AND DEPENDABLE. TODAY, OVER 10,000 DBS EMPLOYEES HAVE BEEN TRAINED IN THESE SERVICE STANDARDS."

DBS offers a wide range of mobile banking apps catering to different lifestyle needs. With DBS One.Tap, we were the first Singapore bank to introduce contactless payments using mobile phones.

of perpetual securities, the first issuance of perpetual securities by a real estate investment trust (REIT) in Singapore. The terms of the perpetual securities were structured to qualify as equity under the REIT code. The issue enabled MLT to raise equity capital at a lower cost while providing unitholders with higher distributions.

We were the sole adviser to Hutchison Port Holdings Trust (HPHT) for its launch of dual currency trading on the Singapore Exchange. HPHT was the first listed issuer in the Asia-Pacific to trade in two currencies, USD and SGD, on the same exchange. DBS worked closely with the Singapore Exchange and the broking community to deliver this milestone, which broadens the range of options for investors. This will pave the way for more foreign listings on the Singapore Exchange.

IMPROVING OUR SERVICE DELIVERY

We are committed to our Asian service standards of being respectful, easy to deal with and dependable. Today, over 10,000 DBS employees have been trained in these service standards.

We completed more than 74 service improvement projects in 2012, bringing the total to 184 projects over the past three years. As a result of these initiatives, 237 million hours of customer waiting time have been eliminated.

The initiatives include:

- Reducing branch queue times in Singapore, resulting in 84% of our customers being served within 15 minutes.
- Improving the end-to-end processing time for credit card applications in Hong Kong by 28%.
- Reducing the time for completing outward and inward remittances in Taiwan by 50%.
- Reducing account statement delivery time in China by 30%.
- Improving the turnaround time for handling complaints in Indonesia, resulting in 95% of complaints being handled within three days from 76% previously.
- Reducing the time to open a savings account in India by 40%.

The number of compliments received by the customer call centre in Singapore more than doubled in 2012. This was the result of various initiatives, including using a speech analytics tool to analyse customers' needs, as well as a relentless focus throughout the management and employee ranks on delivering top-notch customer service.

The customer call centre won a number of gold awards, including being the best contact centre, from the Contact Centre Association of Singapore. In Hong Kong, our customer centre also won multiple gold awards from the Hong Kong Call Centre Association.

For a list of key awards and accolades won by DBS in 2012, please refer to Page 178.

FAIR DEALING

Fair dealing is integral to our culture and is a key performance indicator in the Group's balanced scorecard. All employees complete training modules on fair dealing every year. Front line sales staff also undergo comprehensive training on the bank's product suite and compliance guidelines.

In addition, our relationship managers are compensated based on a balanced scorecard approach, which takes into account sales and non-sales performance indicators such as the quality of the advisory and sales process, the suitability of product recommendations and customer satisfaction.

Employees

VALUING OUR EMPLOYEES

People are at the heart of banking and we are committed to creating sustainable job opportunities in the economies we operate in.

The ability to continuously attract, retain and develop talent is key to our success. We bring out the best in our people by building a culture that values empowerment, accountability, teamwork and inclusiveness. We build a conducive work environment for our employees to interact, ideate and collaborate with one another. We constantly provide our people with development opportunities so that they are able to grow personally and professionally, and build fulfilling careers while having fun.

BEING AN EMPLOYER OF CHOICE

DBS has 18,000 employees across 15 markets, of which more than half are based outside Singapore. We empower our employees with a broad suite of programmes and enable them to drive their careers based on their aspirations. We are committed to helping our people learn, grow and excel in their jobs. We have a strong performance culture, supported by a robust performance management system, aligned to the Group scorecard. This scorecard is cascaded throughout the organisation and drives every employee's goals and key performance indicators.

Women account for 58% of our employees and one-third of our leadership positions. Five of our 20 most senior leaders in the Management Committee are women heading key businesses and support functions.

We continue to work towards being an employer of choice: one that invests in our people to help them realise their personal and career aspirations.

SUPPORTING LEARNING AND DEVELOPMENT

Our employee development programme enables our people to broaden their exposure across various businesses and markets. We believe that grooming our own people to take on larger roles is necessary to retain talent, institutionalise skill sets developed over time, as well as to develop and embed our corporate culture. In 2010, we rolled out an internal mobility policy to encourage our people to move into new roles every few years. In 2012, more than one-quarter of our positions were filled internally; among senior positions, more than three-quarters were filled this way. The reverse was true two years ago – at that time, three-quarters of senior positions were filled via external hires.

The DBS Academy, an in-house school with centres in Singapore, Hong Kong and Shanghai, creates training programmes under a framework that aligns learning and development initiatives with business objectives. The programmes develop our employees across six core competencies: leadership, customer focus, performance and results orientation, innovation and change management, teamwork and professional excellence. They are designed to support employees' career progression and develop professional staff who can deliver a differentiated client experience. We carried out more than 137,000 training days in 2012, or an average of more than seven days of training per employee.

For individuals with the potential to take on leadership positions, we have a talent development programme that enables us to build a succession pipeline across the organisation from fresh university graduates to senior leaders. The structured development programme comprises training, experiential learning, mentoring and internal mobility. For the senior levels of our talent programme, we provided rotation and enhanced roles for more than 20 senior leaders in 2012.

OUR REMUNERATION APPROACH

We take a total approach to remuneration, which consists of fixed pay and discretionary variable remuneration that depends on performance as measured by the Group scorecard. For further details on our remuneration policy, please see page 63 of the Corporate Governance Report.

Five of DBS' 20 most senior leaders in the management committee are women. They are (from left to right) Jeanette Wong, Tan Su Shan, Chng Sok Hui, Karen Ngui and Lee Yan Hong.

“STAFF ENGAGEMENT LEVELS HAVE IMPROVED SIGNIFICANTLY. WE NOW RANK AMONG THE TOP 10% OF ALL FINANCIAL INSTITUTIONS AND COMPANIES SURVEYED BY GALLUP.”

ENGAGING OUR EMPLOYEES

We believe in communicating with our employees and value their views and feedback. We hold regular townhalls for the Group, individual businesses and countries and send out periodic Groupwide and local newsletters. In addition, we have an intranet forum called “Ask Piyush” that enables employees to pose questions directly to the CEO or share their views with him. The topics are wide-ranging and span strategy, customer service, culture and employment matters. The feedback has led to improvements in policies and practices.

We believe the future of work is collaborative. Our new headquarters, DBS Asia Central at Singapore’s iconic Marina Bay Financial Centre, is designed to foster interaction, collaboration and teamwork, which we believe is key to generating new ideas and improving productivity. We created social hubs with panoramic views of Singapore’s skyline on each floor. These spaces encourage spontaneous interaction, exchange of ideas and bonding among our employees, allowing us to better shape the future of banking.

We developed a package of benefits and rewards called DBS Cares to show appreciation to our employees. The package includes preferential rates when employees take a loan or make a deposit, long-service awards and time off to celebrate occasions such as birthdays.

Recognising that employees have different needs depending on their career and life stage, we also have a comprehensive suite of flexi-work programmes and schemes that they can choose from depending on their individual circumstances. Employees have the option of flexibility in working hours, working part-time, working from home or taking no-pay leave of up to a year. These arrangements are intended to help employees manage their work and family responsibilities.

Most importantly, staff engagement levels have improved significantly. We now rank among the top 10% of all financial institutions and companies surveyed by Gallup. In particular, our employees value the opportunities they have to learn and grow, and they also believe they have made good progress in the previous six months. The improved staff engagement is corroborated by a 23% reduction in voluntary departures in 2012 from the previous year.

Our efforts have also been recognised. We garnered the Best Leadership Development Award by the Singapore affiliate of the Centre of Creative Leadership, an internationally-recognised provider of executive programmes. We were also the winner of Singapore’s 100 Leading Graduate Employers in the Insurance and Financial Services sector.

Our new headquarters is designed to foster interaction, collaboration and teamwork.

Regulators

PLAYING AN ACTIVE ROLE IN CREATING A SUSTAINABLE FINANCIAL SYSTEM

Our long-term viability is in the interest of all our stakeholders. Following the global financial crisis, regulators around the world have taken an active role in ensuring that banks conduct their business in a way that protects depositors' and investors' long-term interests and does not lead to the emergence of systemic risk. In addition to improving the stability and resilience of the banking industry, there is also a need to restore public trust in the banking system. We are committed to creating a sustainable financial system. We have robust processes to ensure compliance with both letter and spirit of the laws and regulations in the countries we operate in.

We believe we can contribute to the stability of the financial system by engaging regulators and industry bodies to shape the development of policies and actively participate in forums to do so.

While the new rules are compelling banks around the world to alter their operating models, we are well placed to face the changing regulatory landscape head-on. We emerged from the Asian financial crisis fifteen years ago resolving to maintain a strong balance sheet and capital position. Doing so has helped position us ahead of the curve. The shifts we now have to make to comply with the new rules are smaller than our counterparts in other regions.

BEING A WELL-CAPITALISED BANK

Being safe and well capitalised provides assurance to our depositors, borrowers, counterparties and investors. We remain among the best capitalised banks globally. Our credit ratings (AA- by S&P and Fitch and Aa1 by Moody's) are among the world's highest. We have been named Safest Bank in Asia by Global Finance magazine since 2009. We adopted Basel III capital standards on 1 January 2013. Our focus in 2013 will include ensuring we remain well capitalised under Basel III as we expand regionally.

COMPLYING WITH REGULATIONS

We have robust compliance programmes to ensure that regulatory requirements, industry codes or standards of professional conduct are adhered to. We aim to comply with both the letter and the spirit of such standards. We inculcate a strong compliance culture, and our employees are required to attend regular training sessions to refresh and update their knowledge of compliance requirements. The principles of our compliance framework are outlined in our corporate governance report.

An important component of compliance is the tracking of international and domestic regulatory developments. New requirements are promptly disseminated to relevant employees and embedded into our processes and systems.

We have adopted all new financial reporting standards on time. In 2012, we also carried out several initiatives to ensure full compliance with new directives from the Monetary Authority of Singapore (MAS).

We also ensure that we are in compliance with tax regulations. Being a taxpayer is one way DBS plays our part in the communities we operate in. In 2012, our income tax expense was SGD 588 million, of which SGD 290 million was for our home market. We also actively support the development of tax regulation and policy. For example, we participate in consultations with the Singapore government on tax matters related to issues such as productivity in a maturing economy. We also worked with MAS on the liberalisation of the withholding tax scheme on interest payments and on enhancements to the financial sector incentive scheme, which was included in the Singapore government's 2013 Budget.

REGULATORY ENGAGEMENT AND APPOINTMENTS

DBS is an active partner in the development of policies and industry guidelines and participates in regulatory consultations across various global forums.

Our Chief Executive Officer Piyush Gupta's external appointments include his election in 2011 to the Board of Directors at the Institute of International Finance (IIF), an organisation dedicated to ensuring the stability of the international financial system. This marked the first time an executive from a Singapore headquartered bank has been appointed to the IIF Board.

Piyush also serves on the Group of Experts to the ASEAN Capital Markets Forum. He was appointed to the MAS' Financial Advisory Industry Review, which looks into the quality of financial advisory firms and the promotion of fair dealing.

Our Chief Financial Officer Chng Sok Hui has served on the Accounting Standards Council in Singapore since 2009. The Council's mandate is to develop and approve accounting standards in Singapore. Sok Hui participates actively in discussions with regulatory bodies and was invited to speak at the Financial Stability Board's (FSB) Roundtable on Risk Disclosures in December 2011, the FSB Standing Committee on Standards Implementation meeting in December 2012 and the Basel Committee on Banking Supervision – Financial Stability Institute – EMEAP High Level Meeting in February 2013. She also represents DBS in several industry and professional forums and previously served on the executive committee of the Global International Financial Risk Institute's chief risk officer forum as well as the tax advisory committee under Singapore's Ministry of Finance.

Our Chief Risk Officer Elbert Pattijn served as a member of the Enhanced Disclosure Task Force – a task force formed at the initiative of the

FSB to propose enhancement of disclosures on risk, which is an area of significant importance for banks around the world.

Society

IMPACTING SOCIETY

We recognise that our role in society goes beyond corporate citizenship and philanthropy. We believe we have a much broader social purpose – to create long-term economic value through the provision of responsible banking products and services to enhance the communities we serve.

We see society as an essential stakeholder. We are prepared to invest in programmes that address the social needs of the communities we operate in.

COMMUNITY

POSB

POSB – the "People's Bank" – has served multiple generations of Singaporeans since it was established in 1877. At POSB, we are "Neighbours first, Bankers second", and serve more than four million customers across all strata of society. As custodians of Singapore's oldest and most loved bank, we are committed to being inclusive and providing banking services to everyone in the community. We are also responsible for ensuring that our products are suitable for customers' needs and risk appetites.

POSB is involved in a range of community initiatives. Since 2009, it has partnered the Council for Third Age, a non-governmental organisation, to promote active ageing in Singapore. One of the partnership's initiatives is the POSB Active Neighbours programme, in which senior Singaporeans assist other senior citizens with banking transactions at our branches, and guide them on the use of self-service banking terminals.
In 2011, POSB launched a micro-business loan scheme in Singapore in collaboration with Singapore's Tote Board and SE Hub, a social enterprise, to help customers start up or expand their micro-businesses. This complements the public sector's efforts to help Singaporeans become more self-reliant.

> "CHAMPIONING SOCIAL ENTREPRENEURSHIP ACROSS THE REGION IS THE CENTREPIECE OF OUR CORPORATE SOCIAL RESPONSIBILITY EFFORTS."

In partnership with People's Association, we rallied 200 organisations and 8,000 participants of all ages to run for a cause at the POSB PAssion Run for Kids in 2012 as part of an annual series. Together, we raised SGD 1 million for the POSB PAssion Kids Fund to benefit underprivileged children.

SOCIAL ENTREPRENEURSHIP

Championing social entrepreneurship across the region is the centrepiece of our social responsibility efforts. Social enterprises strive to resolve social issues by coming up with financially-viable solutions, which enable them to sustain their efforts over the long term. Such an approach resonates with our roots as a development bank. Our commitment to the sector is one way that we contribute to society and are a force for good in the communities in which we operate.

To ensure that we make a genuine difference, we have adopted a comprehensive, three-pronged framework.

First, we strive for the holistic development of the sector. Social enterprises face numerous challenges, including a lack of commercial expertise in some cases. We seek to build an ecosystem to support them by partnering like-minded academic institutions, government bodies, industry associations, sector developers and the media in order to develop awareness and knowledge.

We work with respected academic institutions across our key markets, including Tata Institute of Social Sciences in India, Fudan University in China, Fujen Catholic University in Taiwan and Atma Jaya Catholic University in Indonesia. We also partner renowned social sector developers such as Non-Profit Incubator in China, Social Innovation Park and Social Enterprise Association in Singapore, Hong Kong Council of Social Service, and AKSI UI in Indonesia.

Together, we hosted seminars for social entrepreneurs to use their expertise and experience to promote public understanding of social enterprises and their challenges. The seminars also provided a forum for social enterprises to share knowledge and skills.

Second, we support social enterprises by offering grants and loans, as well as by sharing our commercial expertise with them. We encourage our employees to volunteer with social enterprises to assist them in business planning and strategy development.

We have set aside SGD 1 million as project grants for social enterprises with the potential for high growth and social impact.

In Singapore, China and Taiwan, the grants are being used for projects that provide training or employment to disadvantaged groups such as migrant women, the blind, hearing-impaired or mentally handicapped.

In Indonesia, we are working with AKSI UI to provide comprehensive training and coaching to social enterprises to improve their commercial viability and ability to make a social impact. These enterprises have beneficiaries ranging from released convicts to the visually-handicapped and impoverished children.

In India, the DBS-TISS Social Entrepreneurship Programme, launched in August 2012, promotes the cause of social entrepreneurship through conferences, research, workshops and an incubation programme that provides seed funding. Eight social enterprise start-ups are currently benefiting from the incubation programme and we expect to support another cohort of enterprises in 2013.

Social Enterprises supported through funding and coaching	2012
Singapore	4
China	4
Taiwan	3
Indonesia	10
India	8

Third, we are integrating social enterprises into our day-to-day business activities. In July 2012, we enhanced a banking package first introduced in 2008 specially tailored for social enterprises. The revised package, which remains the only one of its kind in Singapore, enables social enterprises to open deposit accounts with no minimum balance and take loans at preferential interest rates. The package is intended to help social enterprises with their cash flow. A similar package was launched for the first time in China in November 2012, and we plan to launch local variants in other markets in the coming months. Over the past year, we have consciously used the services of social enterprises where possible.

We have also set aside a dedicated area called the Social Enterprise Exchange at our headquarters to provide a platform for social enterprises to market their goods and services, and share their social causes with our employees in Singapore.

For our efforts in promoting the social enterprise sector, we were awarded the Corporate Award (Gold) by the Social Enterprise Association of Singapore in 2012.

We believe like-minded individuals and organisations from the public and private sectors must come together to develop and promote the social enterprise sector. Only then can we make a real difference towards tackling the pressing social challenges of today and build a better future for Asia.

In addition to championing social entrepreneurship, we have also led other community engagement activities. In 2012, DBS sponsored the inaugural DBS Marina Regatta, Singapore's first international dragon boat competition since 2000. The regatta saw close to 100 international and local dragon boat teams paddling in the beautiful waters of Marina Bay. It was open to the public and held in conjunction with DBS family day, and successfully brought together the community. In addition, DBS also helps to bring the Marina Bay area to life by supporting the sailing community.

ENVIRONMENT

Waste recycled (tonnes)	2012
Paper	307
Aluminum	8
Plastics	9

We are committed to conserving energy and resources throughout our operations and supply chain.

Our sustainability programme reduces the environmental impact of our operations through initiatives that include energy conservation, waste management and recycling.

In 2012, we were also able to reduce our energy bills and minimise electricity usage through initiatives such as:

- Zoning of air-conditioning and lighting systems for areas with different usage or occupancy
- Optimising air conditioning usage by switching it on at specific times
- Using energy-efficient light fittings at branches and offices

We recycled 307 tonnes of paper, eight tonnes of aluminium and nine tonnes of plastics in 2012.

In a concerted drive to reduce printing and go paperless, we converted over 16 million physical documents to electronic format during the move to our new headquarters. Starting with Singapore, we have also encouraged our customers to adopt electronic statements. As of December 2012, we had over 1.2 million accounts on our eStatement programme, and we expect more to come on board in the coming year.

Given our sizable shareholder base, we distribute our annual reports on compact discs and have developed an online version that can be downloaded from our website or QR codes. Printed copies are available on request.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

As a financial institution, DBS Group Holdings Ltd ("Group" or "DBSH") is guided in its corporate governance practice and arrangements by the Code of Corporate Governance 2012 ("2012 Code" or "Code"); the Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers which are incorporated in Singapore issued in 2005 and amended in 2010 ("Guidelines"); and the Banking (Corporate Governance) Regulations 2005 as amended in 2007 and 2010 ("Banking Regulations").

The Group aspires to the highest standards of corporate governance and welcomed the introduction of the 2012 Code. In this report, our corporate governance practice and arrangements have been disclosed in accordance with the 2012 Code. For the financial year 2012, the Group complied in all material aspects with the principles laid down by the Code, the Guidelines and the Banking Regulations. Where there is any deviation, appropriate explanation has been provided within this report.

The Group believes that a strong culture of corporate governance will safeguard the interests of its stakeholders and contribute to the long term sustainability of the company. The promotion of corporate transparency, fairness and accountability is led by a qualified and independent Board aided by a seasoned and experienced management team.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS PRINCIPLE 1

Board Responsibility

The Board directs the Group in the conduct of its affairs, exercising its fiduciary role at all times in the interests of the Group, to ensure that corporate responsibility and ethical standards are met. The Board is ultimately responsible for the activities of the Group, its strategy and governance, risk management and financial performance. The following matters are specifically reserved to the Board:

(i) Setting the strategic direction and long-term goals of the Group and ensuring that adequate resources are available to meet these objectives.
(ii) Approving and monitoring capital and financial plans to ensure that they are in line with the Group's strategic directions; the annual budget; the annual and interim financial statements; and capital expenditures and strategic acquisitions and divestments.
(iii) Establishing a risk strategy and a framework for risks to be assessed and managed.
(iv) Monitoring and reviewing management performance.
(v) Using its wide-ranging expertise to review corporate plans and policies.
(vi) Determining the Group's values and standards (including ethical standards) and ensuring that obligations to the stakeholders are understood and met.
(vii) Making succession plans for itself and for the chief executive officer (CEO) to ensure continuity of leadership.
(viii) Considering sustainability issues (including environmental and social factors) as part of the Group's strategy.

As part of its ethical responsibilities, the Board ensures that a culture of fair dealing is embedded across the Group and the values of being 'Respectful, Easy to deal with and Dependable' are entrenched across the Group's processes and business practices so as to place customers at the heart of the banking experience.

Delegation by the Board

The Board delegates authority and powers to Board committees to oversee specific responsibilities, such as executive leadership and strategy, financial reporting, audit, risk management, credit controls and approvals, and compensation and management development. These committees enable the Board to better carry out its stewardship and fiduciary responsibilities. As part of DBSH's corporate governance framework, the Executive, Nominating, Compensation and Management Development, Board Risk Management and Audit committees have long been established to assist the Board in the discharge of specific responsibilities. Please refer to Page 60 for the role of each Board committee.

The Board has established an internal framework called the Group Approving Authority (GAA) to ensure that guidelines for the delegation of authority at various levels are consistently applied throughout the Group. The material transactions that require Board approval under the GAA include:

– Group strategy.
– Group business plan.
– Capital expenditures and expenses exceeding certain material limits.
– Strategic investments and divestments.
– Capital-related matters including capital adequacy objectives, capital structure, capital issuance and redemption.
– Dividend policy.
– Risk strategy and risk appetite.

Board Meetings and Attendance

During the financial year, there were nine Board meetings. At those meetings, the Board reviewed the Group's financial performance, annual budget, corporate strategy, business plans, potential acquisitions and significant operational matters. At each Board meeting, the Chairman of each Board committee reported the updates from their respective Board committee meetings. In addition, the Board receives regular updates from the CEO on the Group's operations, reports from the Chief Financial Officer (CFO) on financial performance and where applicable, updates on developments in, and the Group's compliance with, corporate governance requirements and other regulations.

When exigencies prevent a member from attending a Board meeting in person, he or she can participate by telephone or video-conference. Board approvals for routine matters in the ordinary course of business are obtained through written resolutions approved by circulation. The Articles of Association of DBSH (Articles of Association) allow written resolutions that are signed by a quorum of members to be as effective as if they were passed at physical meetings.

During Board and Board committee meetings, management provides updates on impending changes in market conditions as well as corporate governance, capital, tax, accounting, listing and other regulations, which may have an impact on the Group's affairs.

Board Offsite

In addition to the scheduled Board meetings, members of the Board and key management met in a two-day closed door offsite meeting in Taiwan to deliberate on the Group's strategy and action plans for future growth. During the offsite, members of the Board had ample opportunity to interact with the Group's top executives from key Asian markets and to familiarise themselves with one of its key overseas operations.

The table below sets forth the number of meetings held and attended by Board members during the financial year.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS (1 JANUARY 2012 TO 31 DECEMBER 2012)

Name of Director	Board Meetings		EXCO Meetings		AC Meetings		BRMC Meetings		NC Meetings		CMDC Meetings	
	No. of Meetings Held @	Attendance	No. of Meetings Held @	Attendance	No. of Meetings Held @	Attendance	No. of Meetings Held @	Attendance	No. of Meetings Held @	Attendance	No. of Meetings Held @	Attendance
Peter Seah Lim Huat[1]	9	9	12	12	4	4	5	5	3	3	3	3
Piyush Gupta	9	9	12	12	4	4[5]	5	5[5]	–	–	3	3[5]
Bart Joseph Broadman	9	9	–	–	–	–	5	4	–	–	3	2
Christopher Cheng Wai Chee	9	9	–	–	4	4	–	–	–	–	3	3
Euleen Goh Yiu Kiang	9	9	12	10	–	–	5	5	3	3	3	2
Ho Tian Yee	9	9	–	–	–	–	5	5	3	3	–	–
Nihal Vijaya Devadas Kaviratne CBE	9	9	–	–	4	4	5	5	–	–	–	–
Kwa Chong Seng[2]	4	4	–	–	–	–	–	–	1	0	2	2
Andre Sekulic[3]	5	5	–	–	2	2	–	–	–	–	1	0
Danny Teoh Leong Kay	9	9	–	–	4	4	5	5	3	3	–	–
Woo Foong Pheng (Mrs Ow)[4]	5	5	–	–	2	2	–	–	2	2	–	–

@ the number of meetings held during the period of appointment

1 Appointed as Chairman of CMDC on 26 April 2012
2 Stepped down on 25 April 2012 as (i) Director of DBSH and DBS Bank, (ii) Chairman of CMDC and (iii) Member of NC
3 Appointed as (i) Director of DBSH and DBS Bank on 26 April 2012, (ii) Member of AC on 1 May 2012 and (iii) Member of CMDC on 1 May 2012
4 Appointed as (i) Director of DBSH and DBS Bank on 26 April 2012, (ii) Member of AC 1 May 2012 and (iii) Member of NC on 1 June 2012
5 By invitation

Board Induction
There is a comprehensive and tailored induction for incoming directors joining the Board on the discharge of their duties and to introduce the Group's business and governance practice and arrangements, amongst others. Please refer to Page 62 for details on the selection criteria and nomination process as well as the induction programme for new directors.

Continuous Development Programme (CDP)
The CDP was introduced in 2010 as an ongoing initiative to ensure that directors have the opportunity on a continuing basis to update themselves on legal, regulatory, economic and business matters relevant to the business and operations of the Group. The scope of the CDP is wide and flexible to ensure that the members of the Board benefit from both external expertise and tap on available resources internally. The NC which reviews the CDP schedule encourages management to conduct in-house sessions to brief the Board on business and industry updates or new growth areas.

The CDP has the following key objectives:

(i) Augmenting the knowledge of Board members so that they can contribute effectively.
(ii) Providing ongoing training conducted by external advisors, professional trainers and subject matter experts within the Group to ensure all directors receive the knowledge they need to effectively carry out their duties.
(ii) Ensuring that the Board is kept abreast of regulatory and legislative developments and changes across key markets.

The CDP schedule is reviewed by the NC regularly, so that the program remains timely and current. For example, after the issue of the 2012 Code, the Board received training on the changes that were made, and the implications to Group governance practice and arrangements. A gap analysis and action plan addressing the Group's response to the changes was presented to the Board as well. Noting the turbulent macro-economic environment in Europe and elsewhere, the NC arranged for regular updates to the Board on the Group's key markets, and also for a presentation on global political and macro-economic developments by a distinguished external speaker. Recognizing that the Board must have a good understanding of risk concepts, the Board also received training on market risks and a briefing on the operationalising of risk appetite, in the course of 2012.

BOARD COMPOSITION AND GUIDANCE PRINCIPLE 2

Independence of Judgement
The present Board comprises ten members, namely Mr Peter Seah Lim Huat (Chairman), Mr Piyush Gupta (CEO), Dr Bart Joseph Broadman, Dr Christopher Cheng Wai Chee, Ms Euleen Goh Yiu Kiang, Mr Ho Tian Yee, Mr Nihal Vijaya Devadas Kaviratne CBE, Mr Andre Sekulic, Mr Danny Teoh Leong Kay and Mrs Ow Foong Pheng. There is a strong and independent element on the DBSH Board; of the ten Board members, nine are non-executive, of which eight are independent. The number of non-executive and independent directors exceeds the requirements set out in the Code, Guidelines and Banking Regulations. This ensures that the Board is able to exercise objective judgment on corporate affairs independently. Please refer to the section on 'Board of Directors' in the Annual Report for key information on each director.

Annual Review of Director's Independence
The NC conducts a review and determines annually whether each director is independent. The eight directors considered independent by the NC are Dr Broadman, Dr Cheng, Ms Goh, Mr Ho, Mr Kaviratne, Mr Seah, Mr Sekulic and Mr Teoh. The independent non-executive directors provide the Board with objectivity and a balance of perspectives. They also ensure that the performance of executive directors and management is objectively measured against the key performance indicators established annually to measure and guide management performance. The attributes that an independent director should have include: not being a former executive with the Group, not being a significant customer or supplier, not being recommended or appointed on the basis of personal relationships, not being a close relative of an executive director, and not being related to any of the Group's external auditors, lawyers, consultants or service providers and not being linked to or associated with DBSH's substantial shareholder. Independence is assessed in compliance with the stringent standards required of financial institutions prescribed under the Banking Regulations.

None of the directors have served for a continuous period of nine years or more, and therefore all directors are independent based on length of service.

Dr Cheng, Ms Goh, Mr Ho, Mr Kaviratne, Mr Seah and Mr Teoh are on the boards of companies that have a banking relationship with DBS but the revenues arising from such relationships are not material. Hence the NC considers the above-named directors independent of business relationships.

Ms Goh, Mr Ho, Mr Kaviratne, Mr Seah and Mr Teoh are directors of companies linked to Temasek Holdings (Private) Limited ("Temasek Holdings"), DBSH's substantial shareholder. As their appointments are non-executive in nature and they are not involved in the day-to-day conduct of these companies' businesses, the NC has determined that they are independent of the substantial shareholder.

Mrs Ow who is a Permanent Secretary for the Ministry of Trade and Industry, Singapore, is considered not independent of the substantial shareholder as the Singapore government is the ultimate owner of Temasek Holdings. Mrs Ow is considered independent of management and business relationships with DBSH.

Robust procedures have been instituted to manage potential conflicts of interest between a director and the Group. Such conflicts could arise, for instance, when the Group extends credit facilities or provides products or services to a director's company. An appropriate account tagging mechanism has been put in place to monitor and control the occurrences of conflicts, any of which are then escalated for aggregation purposes under the SGX-ST Listing Manual (SGX Listing Rules). Exposures of DBS Bank Ltd (DBS Bank) to the individual directors and their respective related concerns are tabled at the quarterly Board meetings.

Board Composition

The Group is of the view that the size of the Board is appropriate, given the current size and geographic footprint of the Group's operations. The NC reviews the size and composition of the Board at least annually, taking into account the requirements of the business and the resourcing level required at Board committees.

The Board members, two of whom are women, collectively bring range and depth of experience and industry expertise to the table, representing diversity of age, gender, nationality, skills and knowledge.

Board Committees

The Board committees have been constituted in compliance with the Banking Regulations and areas delegated to each Board committee are set out in the table provided.

The terms of reference (TORs) for each Board committee are clearly defined. The TORs stipulate the responsibilities of the committee, quorum and voting requirements, as well as qualifications for Board committee membership. Each Board committee has direct access to management and the power to hire independent advisers as it deems necessary.

BOARD COMMITTEE	ROLE	COMPLIANCE WITH BANKING REGULATIONS
Executive Committee (Exco)	Reviews strategic matters such as country and business strategies, and strategic mergers and acquisitions. The Board has delegated to the Exco the authority to approve items exceeding the CEO's authorised limits (for example credit lines, non-strategic investments and capital expenditure items). The Exco also reviews the annual budget and weak credit cases.	• Comprises a majority of directors who are independent directors.
Nominating Committee (NC)	Identifies Board candidates and assesses their suitability and independence. The NC reviews whether Board members commit appropriate amounts of time to the discharge of their duties and performs an annual evaluation of the Board's effectiveness in performing its duties.	• Comprises at least 5 directors. • Comprises a majority of directors (including the chairman of the NC) who are independent directors.
Audit Committee (AC)	Supervises the Group's internal controls and oversees the adequacy of internal controls over financial, operational and compliance risks. The AC interacts with the external auditors to ensure compliance with regulations governing accounting standards and financial reporting.	• Comprises at least 3 directors who are independent from management and business relationships. • Comprises at least a majority of directors (including the chairman of the AC) who are independent directors.
Board Risk Management Committee (BRMC)	Provides oversight of risk governance, risk frameworks and limits as well as capital adequacy for the Group and reviews the effectiveness of risk management practices and policies.	• Comprises at least 3 directors. • Comprises at least a majority of directors (including the chairman of the BRMC) who are non-executive directors.
Compensation and Management Development Committee (CMDC)	Oversees compensation policies and management development and ensures that remuneration policies are in line with strategic objectives.	• Comprises at least 3 directors. • Comprises a majority of directors (including the chairman of the CMDC) who are independent directors.

Please refer to the respective sections for further information on the composition, responsibilities and activities of the following Board committees:

NC – Principles 1, 2, 4 and 5
AC – Principle 12
BRMC – Principle 11
CMDC – Principles 7, 8 and 9

Executive Committee
The Exco is chaired by Mr Seah and comprises Ms Goh and Mr Gupta. Please refer to the section on 'Board of Directors' in the Annual Report for key information on the Exco members, including their academic and professional qualifications.

The responsibilities of the Exco include:

(i) Reviewing the Group's strategy, business plans, annual budget and capital structure.
(ii) Reviewing strategic investments or divestments.
(iii) Reviewing the delegation of authority stipulated by the GAA.
(iv) Reviewing weak credit cases.
(v) Approving credit transactions, investments, capital expenditure and expenses that exceed the limits that can be authorised by the CEO.

In the course of the financial year, the Exco reviewed the potential impact on the Group's operations arising from changes in global market conditions to ensure that the Group's strategy remains relevant and responsive to changes in business conditions. It also reviewed several corporate actions, divestments and investments as well as capital expenditure, providing an initial review prior to discussion and approval by the Board.

Meeting of Directors without Management
At each Board meeting, there are formal sessions arranged for the non-executive directors to meet without the presence of management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
PRINCIPLE 3

Separation of the Role of Chairman and the CEO
Mr Seah is the non-executive and independent Chairman of the Boards of DBSH and DBS Bank. Mr Gupta is the CEO of DBSH and DBS Bank.

The Group's leadership model espouses a clear division of responsibilities between the Chairman and the CEO, which ensures independent oversight of the Board and management. This separation also ensures an appropriate balance of power, increased accountability and enhanced independence in decision-making.

The Chairman's duties include:

(i) Leading the Board to ensure its effectiveness.
(ii) Managing the Board's business, including supervising the work of the Board committees.
(iii) Overseeing the Board agenda and ensuring the information flow and timing are adequate to address all agenda items, in particular, strategic issues.
(iv) Setting the tone of Board discussions to promote open and frank debate and effective decision-making.
(v) Ensuring effective communication with shareholders and other stakeholders.
(vi) Encouraging constructive relations within the Board and between the Board and senior management.
(vii) Facilitating effective contribution from non-executive directors.
(viii) Maintaining and enhancing the Group's standards of corporate governance.

The Board is of the view that it is not necessary to appoint a lead independent director, given that the present Chairman is independent, non-executive and unrelated to the CEO. The Chairman provides clear and distinct leadership to the Board with respect to the Group's strategic growth. The Chairman maintains open lines of communication with senior management, and acts as a sounding board on strategic and operational matters.

The CEO heads the Group Management Committee and the Group Executive Committee, which are the highest management bodies. He oversees the execution of the Group's strategy and is responsible for managing its day-to-day operations.

BOARD MEMBERSHIP
PRINCIPLE 4

The NC leads and has put in place a formal and transparent process for the appointment and re-appointment of directors to the Board.

Nominating Committee
The NC is chaired by Mr Seah and comprises Ms Goh, Mr Ho, Mrs Ow and Mr Teoh, all of whom are non-executive directors. The majority of NC members are independent directors, save for Mrs Ow who is considered not independent of DBSH's substantial shareholder. NC members are subject to an annual assessment of their independence as prescribed by the Code, the Guidelines and the Banking Regulations. This independence assessment takes into account the NC members' business relationships with the Group, relationship with members of management and relationship with the substantial shareholder of DBSH. Please refer to the section on 'Board of Directors' in the Annual Report for key information on the NC members, including their academic and professional qualifications.

The NC's responsibilities include:

(i) Reviewing regularly the composition of the Board and Board committees taking into account size and independence requirements, amongst others. Please refer to Principle 2 for details of the 'Annual Review of Director's Independence'.
(ii) Reviewing the Board's succession plans for directors, in particular, the Chairman and the CEO.
(iii) Identifying, reviewing and recommending Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidate and the needs of the Board.
(iv) Reviewing and recommending to the Board the re-appointment of any non-executive director having regard to their performance, commitment and ability to contribute to the Board as well as his or her skillset.
(v) Conducting on an annual basis an evaluation of the performance of the Board, the Board committees and the directors, and analyzing whether each director is independent in accordance with regulatory guidelines.
(vi) Making an annual assessment of whether each director has sufficient time to discharge his or her responsibilities, taking into consideration multiple board representations and other principal commitments.
(vii) Exercising oversight of the CDP for training of Board members.

Selection Criteria and Nomination Process for New Directors

The NC recognizes the importance of an appropriate balance and diversity of industry knowledge, skills, backgrounds, experience, professional qualifications, gender and nationalities in building an effective Board. To achieve this, the NC reviews the Board's collective skills matrix regularly to ensure that the Board has the appropriate diversity to perform effectively. The matrix takes into account the dynamic changes occurring within the financial services industry and local, regional and global markets.

As part of the formal process for the appointment of new directors, the NC reviews the composition of the Board and identifies the skillsets which will enhance the Board's effectiveness. Thereafter, suitable candidates are identified from various sources. The NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience. The NC then proceeds to interview short-listed candidates. The NC considers the proposed candidate's independence, expertise and background, and determines if he or she possesses the skills required and makes its recommendations to the Board accordingly. A candidate's capabilities are mapped against a detailed matrix which has been crafted and tailored to suit the Group's requirements.

Induction Programme

Upon appointment, a new director receives his or her letter of appointment, and is issued with a Directors' Handbook setting out a director's duties, responsibilities and disclosure obligations as a director of a financial institution. He or she is also briefed on key disclosure duties and statutory obligations. As part of the induction programme, the new director gains an understanding of the Group's management, business and governance practices through a series of detailed induction briefings by members of senior management on the Group's various businesses and support functions.

Mrs Ow and Mr Sekulic, who were appointed in 2012, completed the induction programme and in addition, attended external training courses for directors conducted in Singapore.

The NC believes that knowledge, regular training and development are essential to enhance the Board's effectiveness. Please refer to the section on CDP in Principle 1 for details of continuous training for directors.

Terms of Appointment

The Group has a standing policy that a non-executive director may serve up to a maximum of three three-year terms. The Group considers this tenure to be appropriate for members to gain an understanding of the Group and to make an effective contribution. None of the incumbent directors have served more than 6 years.

Prior to the end of each three-year term, there is a formal process in place for the NC to consider whether to extend the tenure of the non-executive director. If a non-executive director is a member of the NC, he or she will recuse himself from deliberations on his or her own re-appointment.

Rotation and Re-election of Directors

The Articles of Association require one-third of directors who are longest-serving to retire from office every year at the AGM. Based on such a rotation process, each director is required to submit himself or herself for re-election by shareholders at least once every three years.

Dr Cheng, Ms Goh and Mr Teoh shall be retiring by rotation at the 2013 AGM, pursuant to Article 95 of the Articles of Association of DBSH.

At the recommendation of the NC, Ms Goh and Mr Teoh will be seeking re-election at the AGM to be held on 29 April 2013 (2013 AGM). The NC believes Ms Goh and Mr Teoh will continue to contribute effectively as independent directors of the Board.

Dr Cheng, who has served on the Board for almost six years (as at the date of the 2013 AGM) is not seeking re-election and shall step down at the conclusion of the 2013 AGM.

Mrs Ow and Mr Sekulic both joined the Board on 26 April 2012. Key information on Mrs Ow and Mr Sekulic, who bring a wide range of experience and diverse backgrounds to the Board, can be found on Page 19 and 20 respectively. Since Mrs Ow and Mr Sekulic were appointed during the financial year, they will be seeking re-election at the 2013 AGM.

Key Information on Directors

The Notice of AGM sets out the directors proposed for re-election at the 2013 AGM. Key information on each director can be found in the 'Board of Directors' section of the Annual Report.

Directors' Time Commitment

As a director's ability to commit time to the Group's affairs is essential for performance, the NC has formulated guidelines to assess each director's ability to make such a commitment. The guidelines consider the number of other board and committee memberships a director holds, as well as size and complexity of the companies in which he or she is a board member. All directors are aware of his or her time commitment obligations and have met the requirements for time commitment under the guidelines. In addition, each director completed a self-assessment of his or her time commitment obligations in 2012. The NC conducts a review of the time commitment of each director on an ongoing basis. The Board believes that each director has to personally determine the demands of his or her competing directorships and obligations and assess how much time is available to serve on the Board effectively. Accordingly, the Board has not made a determination of the maximum number of board representations a director may hold.

BOARD PERFORMANCE
PRINCIPLE 5

The NC makes an assessment at least once a year to determine whether the Board and Board committees are performing effectively and identifies steps for improvement. The evaluation covers a range of issues including Board composition as well as the timeliness and quality of information provided to the Board.

In the course of the financial year, the Board underwent a board effectiveness evaluation. As part of the evaluation, each director completes a Board evaluation questionnaire and returns it to the Chairman. The evaluation results were discussed with the NC and the Board, and key action steps were mapped with the goal of enhancing the workings of the Board and the Board committees.

The Board considers the current arrangement useful as directors are given the opportunity to debate the Board's workings and processes collectively.

ACCESS TO INFORMATION
PRINCIPLE 6

The Board meetings agenda are set in advance with items proposed by the CEO and management. Directors have direct access to senior management and are provided with complete and relevant information in a timely manner. Directors are entitled to request from management such additional information as needed in order to make informed and timely decisions. Directors have the discretion to engage external advisers at the expense of the Group.

Group Secretary

The Group Secretary, Mr Goh Peng Fong, was appointed on 3 August 2012. The Group Secretary attends all Board meetings and ensures that applicable rules and regulations and Board procedures are complied with. The Group Secretary facilitates communication between the Board, its committees and Management, and the induction of new directors, and generally assists directors in the discharge of their duties.

Under the Articles of Association, the appointment and removal of the Group Secretary require the approval of the Board.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 7

The overall objective of the Group's remuneration policy is to establish a framework for attracting, retaining and motivating employees, and creating incentives for delivering long-term performance within established risk limits. The policy reinforces a culture that rewards for performance.

The Group's remuneration policy aims to be consistent with the principles and standards set out by the Financial Stability Board (FSB) and the relevant local regulators where it operates.

Governance

The governance of remuneration policies involves the design, implementation and ongoing review of remuneration practices.

Compensation and Management Development Committee

The CMDC is chaired by Mr Seah and comprises Dr Broadman, Dr Cheng, Ms Goh and Mr Sekulic, all of whom are non-executive and independent directors. In 2012, the composition of the CMDC was beefed up with the appointment of Mr Sekulic as a CMDC member. Mr Sekulic's background in economics and extensive experience in the Asia Pacific, Africa, Middle East and the United States markets complement the existing skillset of the CMDC. The number of independent directors exceeds the requirements of the Code, Guidelines and Banking Regulations.

Please refer to the section on 'Board of Directors' in the Annual Report for key information on the CMDC members, including their academic and professional qualifications.

The CMDC's responsibilities include:

(i) Overseeing the Group's principles and framework of compensation to ensure their alignment with prudent risk-taking to build a sustainable business in the long term.
(ii) Overseeing the remuneration of senior executives including reviewing and approving the remuneration of the executive director.
(iii) Approving employee incentive schemes and reviewing their effectiveness in employee retention and the creation of long-term value for the Group.
(iv) Overseeing management development and succession planning to ensure that the Group strengthens its core competencies, bench strength and leadership pipeline.

In fulfilling its responsibilities, the CMDC ensures that the Group complies with the corporate governance practices as stipulated under the Code and the Banking Regulations. Details of these are outlined under Principles 7, 8 and 9 of this report.

In 2012, the CMDC engaged an external consultant to provide an independent review of the bank's compensation system and processes to ensure compliance with the principles of Sound Compensation Practices by the FSB.

DBS also undertakes an annual comprehensive review of people plans for all its business and support units and DBS major markets. Reviews focused on succession, the talent pipeline, people development and readiness of the people plans to support business operations. Talent health of each business and support units / countries as well as the state of talent development activities in DBS were reviewed with the CMDC.

The CMDC reviews and approves the Group's remuneration policy and the annual variable remuneration pool which are also endorsed at the Board level. It provides oversight of the remuneration of executive directors, senior executives and control functions in line with FSB guidelines. The CMDC reviews cases where total remuneration exceeds a pre-defined threshold, or where a claw-back is implemented. Dr Broadman, Ms Goh and Mr Seah are also members of the BRMC while Dr Cheng, Mr Seah and Mr Sekulic are members of the AC. Their membership in other Board committees enables them to make remuneration decisions in a more informed, holistic and independent manner. The CMDC has direct access to senior management and works closely with the BRMC and the AC when performing its role.

Performance management

The Group uses a comprehensive performance methodology to determine the size and allocation of the variable remuneration. The assessment is based on a balanced scorecard agreed to with the Board at the beginning of each year. The scorecard comprises financial and non-financial metrics encompassing employees, customers, shareholders, and risk and compliance objectives. The financial metrics link the variable remuneration to the Group's and the individual business unit's financial results, while the non-financial metrics capture the performance of qualitative aspects such as adherence to risk policies and client satisfaction.

The balanced scorecard is cascaded throughout the Group to drive synergies across business units and strengthen the alignment between pay and performance.

The Group also ensures that sales staff are incentivised to promote the development of client relationships that are beneficial to the long term interests of the clients as well as the Group, rather than on short term volume growth. Non-financial metrics, such as customer satisfaction and compliance with the principles of fair dealing, are included in the assessment of sales staff.

The control functions, comprising Risk, Finance, Legal, Compliance and Audit, are measured independently from the business units that they support to prevent any conflicts of interest. An employee in a control function is assessed according to key performance indicators set by the control unit management, which are independent of the performance of the business units they support.

Remuneration structures

In line with these objectives, the Group's remuneration structure has four key features.

(i) *Focus on total compensation*: An employee's total compensation consists of fixed pay and discretionary variable remuneration. Total compensation is determined by the employee's roles and responsibilities, performance and contributions, and market dynamics. The Group benchmarks total remuneration against other organisations of similar size and standing with which it competes in its principal markets.

(ii) *Differentiation of variable and fixed remuneration across employee groups*: The Group aims to differentiate the ratio between variable and fixed remuneration according to performance, rank and function. This is done to ensure that employee incentives remain focused on prudent risk taking and effective control, depending on the employee's role.

(iii) *Payout structures focused on aligning incentive payment with appropriate risk taking behaviour*: The payout structure is designed to incentivise employees whose decisions can have a material impact on the Group to adopt appropriate risk behaviour. These employees include senior management, key personnel at business units, and senior control staff. The Group defines this group of staff based on their roles as well as the quantum of their variable remuneration and the ratio of their variable to fixed pay, where such employees may have an impact on the risk profile of the Group.

Variable remuneration for this group of employees is subject to a tiered deferral rate that ranges from 20%-60%. All deferred remuneration is paid in restricted shares that have a vesting period of four years and comprise two elements – a main award and a retention award. The retention award is designed to retain talent and compensate the staff for the time value of deferral. It vests at the end of four years from the grant date. Vesting of these awards is conditional on an eligible employee's continued employment with the Group at the respective vesting dates and subject to the terms and conditions of the awards, their applicable share plans and such other terms and conditions that may be implemented by the Group from time to time.

The Group also subjects deferred shares that are unvested to claw-backs. The claw-backs will be triggered by events such as a material violation of risk limits, material losses due to negligent risk taking or inappropriate individual behaviour, a material restatement of the Group's financials due to inaccurate performance measures, and misconduct or fraud.

The detailed variable remuneration pool allocation process is outlined below.

(iv) *No special payouts*: The Group does not practise accelerated payment of deferred remuneration for departing employees other than in exceptional cases, such as death in service. There is also no provision for special executive retirement plans, golden parachutes or special severance packages for executives. The Group also does not provide any guaranteed bonuses beyond one year.

Sizing and allocation of variable remuneration pool

In determining the variable remuneration pool, the Group's financial performance, its performance relative to peers, market benchmarks and market conditions are considered in light of agreed metrics contained in the balance scorecard. The pool is calibrated as a percentage of profit before tax, as well as economic profit. The latter is a measure that links financial performance with the risks assumed and capital utilized in the process, thereby allowing the CMDC to ensure that the level of risk undertaken by the various businesses to achieve the Group's financial results remains prudent and appropriate.

The Group's Finance and Risk functions are responsible for the accuracy of the financial results used in sizing and allocating the variable remuneration pool. The Human Resources, Finance and Group Planning functions are responsible for ensuring the accuracy of the Group's as well as individual business and support units' balanced scorecards.

After the amount of variable remuneration has been approved by the CMDC, management takes inputs from control functions such as Audit, Compliance and Risk to allocate the pool across the business and support units according to their individual scorecards. The various business and support unit heads then cascade their allocated bonus pools to their teams and individuals following a similar approach. Country heads are also consulted in the allocation process.

LEVEL AND MIX OF REMUNERATION PRINCIPLE 8

Remuneration of Non-Executive Director

The remuneration for non-executive directors, including the Chairman, has been benchmarked to reflect trends in global, regional and local banking markets. Non-executive directors will receive 70% of their director's fees in cash and the remaining 30% in share awards. The share awards are not subject to a vesting period, but are subject to a selling moratorium whereby each non-executive director is required to hold the equivalent of one year's basic retainer for his or her tenure as a director and for one year after the date he or she steps down as a director. The fair value of share grants to the non-executive directors shall be based on the volume-weighted average price of DBSH shares over the 10 trading days immediately following the AGM. Shareholders are entitled to vote on non-executive directors' remuneration at the forthcoming AGM.

Remuneration of Executive Director

The remuneration for the executive director reflects the CMDC's assessment of the Group's achievements against the balanced scorecard framed by market or comparable remuneration data. The remuneration structure incentivises the executive director to achieve the Group's annual as well as long-term goals and ensure that they are aligned with shareholders' interests.

The CMDC's recommendation for the executive director's remuneration has to be endorsed by the Board.

Long-term share incentives – DBSH Share Plan, DBSH Employee Share Plan and Share Ownership Scheme

As the Group seeks to foster a culture that aligns employees' interests with shareholders' as well as to enable employees to share in the Group's success, it has put in place share-based plans. There are three plans – the DBSH Share Plan (Share Plan), the DBSH Employee Share Plan (ESP) and the DBSH Share Ownership Scheme (SOS).

Prior to 2009, a DBSH Share Option Plan (SOP) was also part of the long-term share incentives that had been put in place. The SOP expired on 19 June 2009 and it was not extended or replaced. The termination does not affect the rights of holders of outstanding existing options.

Employees holding the corporate rank of Managing Director, Senior Vice President and Vice President are eligible to participate in the Share Plan whilst ESP caters to employees who are Assistant Vice Presidents and below.

Awards made under both the Share Plan and ESP form part of the employee's annual deferred remuneration.

The grants operate like restricted share awards and comprise two elements – the main award and the retention award. The shares given in the retention award constitute 20% of the shares given in the main award. Awards made under the plans vest over a 4-year period. 33% of the shares in the main award will vest two years after the grant date, another 33% three years after and the remaining 34% four years after, when the shares in the retention award will also vest.

In addition, shares can also be awarded to Vice Presidents and below as part of talent retention. Shares awarded in such cases only comprise one element - the main award and have similar vesting arrangements as those awarded under the Share Plan and ESP.

Vesting of awards made under the Share Plan and ESP is conditional on eligible employee's continued employment with the Group at the respective vesting dates and is subject to the terms and conditions of the award, the Share Plan or ESP (where applicable) and such other terms and conditions that may be implemented by the Group from time to time.

The aggregate number of new DBSH ordinary shares that may be issued under the Share Plan together with the shares subject to the exercising of options under the former SOP may not at any time exceed 7.5% of the issued ordinary shares (excluding treasury shares) of the Group.

Details of the Share Plan and SOP appear on Pages 166 to 167 of the Directors' Report.

In addition, employees who are not eligible for the Share Plan are eligible to participate in the SOS. The SOS is a market purchase plan administered by DBS Trustee Ltd, a wholly-owned subsidiary of DBS Bank Ltd. All eligible confirmed employees with at least one year of service can participate in the scheme. Participants and the Group contribute up to 10% and 5% of monthly base salary respectively to buy units of DBSH ordinary shares.

DISCLOSURE ON REMUNERATION
PRINCIPLE 9

The annual fee structure for the Board in 2012, which is unchanged from last year, is as follows.

Annual Fees for the Board

Chairman:	$500,000
Director:	$ 80,000

Additional Fees for Memberships in Board Committees

Type of Committee	Chairman	Member
Executive Committee	$75,000	$45,000
Audit Committee	$75,000	$45,000
Board Risk Management Committee	$75,000	$45,000
Nominating Committee	$35,000	$20,000
Compensation and Management Development Committee	$65,000	$35,000

Breakdown of Directors' Remuneration

The following table shows the composition of directors' remuneration for 2012. Directors who were appointed or who resigned or retired during the year are included in the table.

BREAKDOWN OF DBS DIRECTORS' REMUNERATION FOR PERFORMANCE YEAR 2012 (1 JANUARY 2012 – 31 DECEMBER 2012)[1]

Name of Director	Salary Remuneration $	Cash Bonus[2] $	Share Plan $	Directors' Fees[3] $	Share-based Remuneration[4] $	Others[5] $	Total $
Peter Seah Lim Huat	–	–	–	662,544	283,948	52,792	999,284
Piyush Gupta	1,200,000	3,485,000	4,615,000[6]	–	–	31,249	9,331,249
Bart Joseph Broadman	–	–	–	153,300	65,700	–	219,000
Christopher Cheng Wai Chee[7]	–	–	–	227,600	–	–	227,600
Euleen Goh Yiu Kiang	–	–	–	245,700	105,300	–	351,000
Ho Tian Yee	–	–	–	140,000	60,000	–	200,000
Nihal Vijaya Devadas Kaviratne CBE	–	–	–	181,580	77,820	–	259,400
Kwa Chong Seng[8]	–	–	–	79,295	–	–	79,295
Andre Sekulic[9]	–	–	–	109,478	46,919	–	156,397
Danny Teoh Leong Kay	–	–	–	207,200	88,800	–	296,000
Woo Foong Pheng (Mrs Ow)[10]	–	–	–	135,462	–	–	135,462

1 *Refers to 2012 performance remuneration – includes fixed pay in 2012, cash bonus received in 2013 and shares granted in 2013*
2 *The amount has been accrued in 2012 financial statements*
3 *Fees payable in cash, in 2013, for being a director in 2012. This is subject to shareholder approval at the 2013 AGM*
4 *This is to be granted in the form of DBSH shares, for being a director in 2012. This is subject to shareholder approval at the 2013 AGM*
5 *Represents non-cash component and comprises club, car and driver benefits and employer's contribution to CPF*
6 *For better comparability with other listed companies, these figures exclude the estimated value of retention shares amounting to $923,000 which will only vest in the 4th year if the incumbent is still in the employment of the Group*
7 *Dr Cheng, who shall step down at the conclusion of the 2013 AGM, will receive all of his director's remuneration in cash*
8 *Mr Kwa, who stepped down on 25 April 2012, will receive all of his director's remuneration in cash*
9 *Mr Sekulic was appointed as Director on 26 April 2012*
10 *Mrs Ow was appointed as Director on 26 April 2012. Director's remuneration payable to Mrs Ow will be paid fully in cash to a government agency, the Directorship & Consultancy Appointments Council*

Notes:
- *Directors are also paid attendance fees for Board and Board Committee meetings, as well as for attending the AGM and the annual Board offsite*
- *Fees have been pro-rated according to the date of appointment or resignation. There were 366 days in calendar year 2012*

In 2012, none of the Group's employees were immediate family members of a director.

Senior Management and Material Risk Takers' Remuneration

The following tables show the breakdown of remuneration and long-term remuneration awards for senior management and key risk takers. Senior management (SM) is defined as the executive director and members of the Group Management Committee, who have authority and responsibility for planning the activities and the overall direction of the Group. Material risk takers (MRTs) are defined as individual employees whose duties require them to take on material risk on behalf of the Group. These could be either individual employees or a group of employees who may not pose a risk to the financial soundness of an institution on an individual basis, but may present a material risk on a collective basis.

TABLE 1: GUARANTEED BONUSES, SIGN-ON AWARDS AND SEVERANCE PAYMENTS

CATEGORY	SM	MRTs
Number of guaranteed bonuses	0	0
Number of sign-on awards	0	5
Number of severance payments	0	0
Total amounts of above payments made during the Financial Year ($'000)	0	989

TABLE 2: BREAKDOWN OF REMUNERATION AWARDED IN CURRENT FINANCIAL YEAR

CATEGORY		SM		MRTs	
		Unrestricted %	Deferred %	Unrestricted %	Deferred %
Fixed remuneration	Cash-based	20	–	38	–
	Shares and share-linked instruments	–	–	–	–
	Other forms of remuneration	–	–	–	–
Variable remuneration	Cash-based	37	–	41	–
	Shares and share-linked instruments	–	43	–	21
	Other forms of remuneration	–	–	–	–
	Total	**100**		**100**	

TABLE 3: BREAKDOWN OF LONG-TERM REMUNERATION AWARDS

CATEGORY	SM %	MRTs %
Change in deferred remuneration awarded in current financial year[1]	10 (9)[4]	4 (2)[4]
Change in amount of outstanding deferred remuneration from previous financial year[2]	66[3] (67)[4]	55[3] (54)[4]
Outstanding deferred remuneration (breakdown):		
Cash	0	0
Shares & share-linked instruments	100	100
Other forms of remuneration	0	0
Total	**100**	**100**
Outstanding deferred remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	100	100
Reductions in current year due to ex-post adjustments (explicit)	–	–
Reductions in current year due to ex-post adjustments (implicit)[2]	–	–
Outstanding retained remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	–	–
Reductions in current year due to ex-post adjustments (explicit)	–	–
Reductions in current year due-to ex-post adjustments (implicit)	–	–
Headcount	20	225

1 Value of shares + retention shares accrued in 2012 vs. value of shares + retention shares accrued in 2011. Share price taken at date of grant
2 [No. of unvested shares as at 31 Dec 12 x share price as at 31 Dec 12] / [No. of unvested shares as at 31 Dec 11 x share price as at 30 Dec 11]
3 The increase is due to increase in both share price and number of shares granted in 2012. The change in vesting period of 3 years to 4 years for 2010 grant onwards also increases the number of unvested shares.
4 The figure in the parenthesis showed the change in deferred remuneration awarded if the same population of staff that fulfills the definition of SM and MRTs for both performance year 2011 and 2012 is used

Examples of explicit ex-post adjustments include malus, clawbacks or similar reversal or downward revaluations of awards.

Examples of implicit ex-post adjustments include fluctuations in the value of shares or performance units.

KEY EXECUTIVES' REMUNERATION
Although the Code and the Guidelines recommend that at least the top five key executives' remuneration be disclosed within bands of $250,000 and in aggregate, the Board believes that such disclosure would be disadvantageous to the Group's business interests, given the highly competitive conditions in the banking industry where poaching of executives is commonplace.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
PRINCIPLE 10

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

Management provides Board members with detailed reports on the Group's financial performance and related matters prior to the Board meetings every quarter. The CEO and CFO provide the AC and the external auditors with a letter of representation attesting to the integrity of the financial statements each quarter. In addition, management provides the Board with detailed financial performance reports each month.

RISK MANAGEMENT AND INTERNAL CONTROLS
PRINCIPLE 11

Board Risk Management Committee
The BRMC is chaired by Ms Goh and comprises Dr Broadman, Mr Ho, Mr Kaviratne, Mr Seah and Mr Teoh, all of whom are non-executive and independent directors. The BRMC members are appropriately qualified to discharge their responsibilities. The number of non-executive directors exceeds the composition requirements which are set out in the Guidelines and Banking Regulations. Please refer to the section on 'Board of Directors' in the Annual Report for key information on the BRMC members, including their academic and professional qualifications.

The BRMC's responsibilities include:

(i) Monitoring risk exposures and risk strategy in accordance with approved guidelines.
(ii) Approving the Group's overall and specific risk governance frameworks (including setting risk appetite and risk authority limits) and Basel II compliant risk models.
(iii) Overseeing an independent Group-wide risk management system and ensuring there are sufficient resources to monitor risks.
(iv) Exercising oversight of the Internal Capital Adequacy Assessment Process through stress scenario setting approval and other regular reporting.
(v) Approving the Recovery Plan.

In 2012, the BRMC continued to steer the development of the Risk Appetite Framework. This framework encompasses the Risk Appetite Statement and the allocation of risk limits and capital to the various risk types, geographies, industries and individual clients. The Risk Appetite statement has been approved by the Board in April 2012. During discussions of the risk dashboard (which was introduced in 2011), the BRMC closely monitored the Eurozone crisis and other significant macro-economic outlook; it reviewed the impact and actions taken by management which included various stress testing exercises on the various portfolios and country risk exposures. The BRMC was also kept apprised of the regulatory developments such as Basel III. In addition, the Committee reviewed and approved the Recovery Plan. The Recovery Plan sets out the framework and options that the Group can take to stabilise itself and restore the capital, liquidity and profitability it needs to continue as a going concern should it come under severe stress.

Internal Controls
The Group has instituted an internal controls framework covering financial, operational, compliance and technology controls, as well as risk management policies and systems. DBS' risk governance structure includes three lines of defence with clear roles and responsibilities. The business management, in partnership with support functions, is the first line of defence and is primarily responsible for identification, assessment and management of risk within approved risk appetite and policies. They are required to develop and maintain appropriate risk management controls including self-assurance processes. As the second line of defence, corporate oversight functions (such as Risk Management Group and Group Legal & Compliance) are responsible for establishment and maintenance of risk management frameworks as well as monitoring and reporting of key risk issues. Group Audit, as the third line of defence, provides assurance on the adequacy and effectiveness of the Group's risk management, governance and internal control systems.

Please refer to the section on 'Risk Management' in the Annual Report which sets out the overall risk governance and various risk management frameworks covering credit, market, liquidity and operational risks.

The Group has in place a risk management process that requires all units to perform a half-yearly Control Self Assessment (CSA) to assess the effectiveness of their internal controls. In addition, all units of the Group are required to submit quarterly attestations on their controls relating to the financial reporting process, and annual attestations on their compliance with the overall internal controls framework. Leveraging on the results of the CSA and the quarterly and annual attestations, the CEO and CFO would in turn provide an annual attestation to the AC relating to adequacy and effectiveness of the Group's risk management and internal control systems. Group Audit performs regular independent reviews to provide assurance on the adequacy and effectiveness of the Group's risk management, control and governance processes. The AC and BRMC review the overall adequacy and effectiveness of the Group's internal controls framework.

The Board has received assurance from the CEO and CFO that, as at 31 December 2012:

(a) the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances; and
(b) the Group's risk management and internal control systems were adequate to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management and various Board Committees and assurances received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate as at 31 December 2012 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

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

Whistle-blowing policy

The Group has established procedures on the escalation, investigation and follow up of any reported wrong-doing by a DBS employee, customer, vendor or third party. The procedure for escalation is in various Group policies but most predominantly in the DBS Code of Conduct (Code of Conduct). The Code of Conduct promotes employees to report their concerns to the Group's dedicated, independent investigation team within Group Legal, Compliance and Secretariat which handles whistle-blowing cases according to a well defined protocol. Alternatively, in case of actual or potential conflict of interest or fear of retribution, employees may write in confidence to Human Resources, Group Audit, or even the CEO or Chairman. Members of the public may access the Code of Conduct on the Group's website, as well as write in via the portal available.

Related Party Transactions

The Group has embedded procedures to comply with all regulations governing related party transactions, including those in the Banking Act, Chapter 19 (Banking Act), MAS directives and the SGX Listing Rules. The Banking Act and MAS directives impose limits on credit exposures by the Group to certain related entities and persons, while the SGX Listing Rules cover interested party transactions in general.

All new directors are briefed on all relevant provisions that affect them. If necessary, existing credit facilities to related parties are adjusted prior to a director's appointment, and all credit facilities to related parties are continually monitored. Checks are conducted before the Group enters into credit or other transactions with related parties to ensure compliance with regulations.

As required under the SGX Listing Rules, the following are details of interested person transactions in 2012:

Name of Interested Person	Aggregate value of all Interested Person Transactions during 2012 (excluding transactions less than $100,000)
CapitaLand Limited Group	167,403
Certis CISCO Security Pte Ltd Group	67,235,722
Fullerton Management Pte Ltd Group	28,793,700
Mapletree Investments Pte Ltd Group	12,000,937
MediaCorp Pte Ltd Group	127,600
Singapore Telecommunications Limited Group	83,991,021
Singapore Technologies Telemedia Pte Ltd Group	103,353
SMRT Corporation Ltd Group	2,096,252
StarHub Ltd Group	2,143,402
Total Interested Person Transactions ($)	**196,659,390**

Material Contracts

Since the end of the previous financial year, no material contracts involving the interest of any director or controlling shareholder of the Group has been entered into by the Group or any of its subsidiary companies, and no such contract subsisted as at 31 December 2012, save as disclosed via SGXNET.

Dealings in securities

In conformance with the "black-out" policies prescribed under SGX Listing Rules, DBSH directors and employees are prohibited from trading in DBSH securities one month before the release of the full-year results and two weeks before the release of the first, second and third quarter results. In addition, directors and officers are prohibited at all times from trading in DBSH securities if they are in possession of material non-public information.

Employees with access to price-sensitive information in the course of their duties are prohibited from trading in securities in which they possess such price-sensitive information. Such employees are also instructed to trade through the Group's stock broking subsidiaries for securities listed in Singapore and Hong Kong. In addition, business units and subsidiaries engaging in proprietary trading are restricted from trading in DBSH securities during the black-out period.

AUDIT COMMITTEE
PRINCIPLE 12

The AC is chaired by Mr Teoh and comprises Dr Cheng, Mr Kaviratne, Mr Seah, Mrs Ow and Mr Sekulic, all of whom are non-executive directors. In 2012, the composition of the AC was beefed up by the appointment of two new members, namely Mrs Ow and Mr Sekulic. Mr Teoh possesses an accounting qualification and was the managing partner of KPMG, Singapore. All members of the AC have recent and relevant accounting or related financial management expertise or experience.

In accordance with the requirements of the Code, Guidelines and Banking Regulations, a majority (five out of six members of the AC) including the AC Chairman are independent directors, with the exception of Mrs Ow. Mrs Ow, who is a non-independent director, is considered independent from business relationships and management. Please refer to the section on 'Board of Directors' in the Annual Report for key information on the AC members, including their academic and professional qualifications.

The AC's responsibilities include:

(i) Reviewing the adequacy of internal controls, such as financial, operational, compliance and information technology controls, as well as accounting policies and systems.
(ii) Monitoring the financial reporting process and ensuring the integrity of the Group's financial statements.
(iii) Reinforcing the effectiveness of internal and external audit processes.
(iv) Reviewing the internal auditor's plans, the scope and results of audits, and effectiveness of the internal audit function.
(v) Approving the hiring of Head of Group Audit, including appointment, removal, evaluation, annual compensation and salary adjustment.
(vi) Reviewing the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are also in place for independent investigation of such matters and for appropriate follow up action.
(vii) Maintaining effective communications between the Board, management and external auditors. The AC reviews external auditors' plans, the effectiveness of their audits, and the independence of the external auditors.

(viii) Making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and renewal of the external auditors and approving the remuneration and terms of engagement of the external auditors.

All AC meetings are also attended by the CEO, heads of Group Audit, Finance, and Legal, Compliance and Secretariat. The AC also has full discretion to invite any director and executive to attend its meetings. Separate sessions with the external auditors are held without the presence of management after each AC meeting to discuss matters that might have to be raised privately. In addition, there is at least one scheduled private session annually for the head of Group Audit to meet with the AC. The AC Chairman meets the internal auditors regularly to discuss the internal audit plan, current work, key findings and other significant matters. The AC has explicit authority to investigate any matter within its terms of reference, and has full access to and cooperation by management.

The AC has reviewed the Group's audited financial statements with management and the external auditors and is of the view that the Group's financial statements for 2012 are fairly presented in conformity with relevant Singapore Financial Reporting Standards in all material aspects.

During the financial year, the AC carried out an annual assessment of the effectiveness of the Group Audit function and believes that it has good standing within the Group and is adequately resourced to fulfil its mandate.

During the course of 2012, the AC's activities included:

- Quarterly reviews of the financial statements (audited and unaudited), and recommendation to the Board for approval.
- Quarterly reviews of reports from Group Audit and Group Legal and Compliance.
- Reviewing the Group's progress on the implementation of the Fair Dealing Outcomes across the Group, in line with the principles issued by MAS.
- Reviewing the annual audit plan and the legal and compliance plans, approving any changes as necessary, and
- Reviewing the annual re-appointment of the external auditors and determining their remuneration, and making a recommendation for Board approval.
- Reviewing the appointment of the independent external assessor to conduct an assessment of Group Audit's conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing.

External Auditors

The AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditors including the remuneration and terms of engagement. The Group has complied with Rule 712 and Rule 715 of the SGX Listing Rules in relation to its external auditors.

INTERNAL AUDIT
PRINCIPLE 13

Group Audit is a function that is independent of the activities it audits. The objective, scope of authority and responsibility of Group Audit are defined in the Group Audit charter, which is approved by the AC.

In DBSH, Group Audit reports functionally to the Chairman of the AC and administratively to the CEO.

Group Audit's responsibilities include:

(i) Evaluating the adequacy and effectiveness of the Group's risk management and internal control systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets;
(ii) Providing an independent assessment of the Group's credit management processes, portfolio strategies and portfolio quality;
(iii) Reviewing whether the Group complies with laws and regulations and adheres to established policies; and
(iv) Reviewing whether management is taking appropriate steps to address control deficiencies.

Group Audit adopts a risk-based approach in its auditing activities. An annual audit plan is developed using a structured risk and control assessment framework, where Group Audit assesses the inherent risk and control effectiveness of each auditable entity in the Group. The assessment also covers risks arising from new lines of business or product. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas. Appropriate resources are deployed to complete the plan, which is reviewed and approved by the AC.

Group Audit has unfettered access to the AC, the Board and senior management, as well as the right to seek information and explanation. Group Audit staff are required to adhere to the Code of Conduct as well as the Code of Ethics established by the IIA, from which the principles of objectivity, competence, confidentiality and integrity are based.

Audit reports containing identified issues and corrective action plans are reported to the AC and senior management. The progress of the corrective action plans is monitored through a centralised issue management system. Information on outstanding issues is included in regular reports to the AC, the Chairman, senior management and business and support unit heads.

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

In line with leading practices, Group Audit has established a quality assurance and improvement programme that covers all aspects of its audit activity and conforms to the International Standards for the Professional Practice of Internal Auditing. The programme includes periodic internal quality assurance reviews, self-assessments based on standards established by the IIA and internal audit methodologies, stakeholder surveys and industry benchmarking surveys. External quality assessments are also carried out at least once every five years by qualified professionals from an external organisation. The next one will be performed in 2013.

In response to the June 2012 supervisory guidance issued by the Basel Committee on Banking Supervision for "*The Internal Audit Function in Banks*" (Guidance), Group Audit conducted a self-assessment against the supervisory expectations relevant to the internal audit function specified in the Guidance. The Guidance takes into account developments in supervisory practices and banking organisations, and incorporates lessons drawn from the recent financial crisis. The self-assessment results have shown that Group Audit is compliant with the Guidance.

Group Audit achieved a significant milestone during its participation in the 2012 Securities Investors Association of Singapore (SIAS) Investors' Choice Awards, jointly organised by the SIAS, IIA Singapore and Singapore Management University. Group Audit emerged the winner for the Internal Audit Excellence Award and was recognised for its crucial role in the Group's corporate governance framework.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS
PRINCIPLE 14

The Group's robust corporate governance culture and awareness promote fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore Companies' Act and Articles of Association. All shareholders are treated fairly and equitably.

These rights include, amongst others, pecuniary rights, for example, the right to participate in profit distributions and membership rights such as the right to participate in general meetings and the right to exercise their voting rights. Under the Articles of Association, ordinary shareholders are entitled to attend and vote at the Annual General Meeting (AGM) by person or proxy. A shareholder may appoint up to the maximum of two proxies permitted by law, who need not be shareholders of DBSH.

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

COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 15

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

During the year, management met more than 400 local and foreign investors at more than 370 meetings. It participated in eight local and foreign investor conferences and non-deal road shows. These meetings provide a forum for management to explain the Group’s strategy and financial performance. Management also uses meetings with investors and analysts to solicit their perceptions of the Group.

The Group has a formal disclosure policy to ensure that all disclosures of material information are timely, complete and accurate. The policy also spells out how material information should be managed to prevent selective disclosure. In 2012, the Group Disclosure Committee (GDC) was formed to assist the CEO and CFO in implementing the Group’s disclosure policy. The GDC comprises the CFO, members of the Group Executive Committee as well as various department heads. The GDC’s objectives are to periodically review the Group’s disclosure policy and update it as needed; ensure that all material disclosures are appropriate, complete and accurate; and ensure the avoidance of selective or inadvertent disclosure of material information.

CONDUCT OF SHAREHOLDER MEETINGS
PRINCIPLE 16

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

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders and the Board members. The Group encourages and values shareholder participation at its general meetings. To enhance shareholder participation, the Group puts all resolutions at general meetings to vote by electronic poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage.

In accordance with the recommendations contained in the Code and the Guidelines, resolutions requiring shareholder approval are tabled separately for adoption at the DBSH's general meetings unless they are closely related and are more appropriately tabled together.

RISK MANAGEMENT

THIS REPORT FORMS PART OF DBS' AUDITED FINANCIAL STATEMENTS, EXCEPT FOR SECTIONS MARKED WITH AN ASTERISK.

RISK MANAGEMENT APPROACH

The Group sees strong risk management capabilities as vital to the success of a well-managed bank. The Risk Management Group (RMG) function is the central resource for driving such capabilities in DBS.

The key components of DBS' risk management approach are: strong risk governance and culture; robust and comprehensive processes to identify, measure, monitor, control and report risks; sound assessments of capital adequacy relative to risks; and a rigorous system of internal control reviews involving internal auditors and other internal control units as well as external auditors.

RISK GOVERNANCE

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

The Chief Risk Officer (CRO) has been appointed to oversee the risk management function. The CRO is a member of the Group Executive Committee and has a dual reporting line to the CEO and to the Board which is also responsible for the appointment, remuneration, resignation or dismissal of the CRO. Working closely with the established risk and business committees, the CRO is responsible for the following:

- Management of the risks in the Group including developing and maintaining systems and processes to identify, approve, measure, monitor, control and report risks;
- Engagement of senior management on material matters relating to the various types of risks and development of risk controls and mitigation processes;
- Ensuring the effectiveness of risk management and adherence to the risk appetite established by the Board.

To provide risk oversight, senior management committees are mandated to focus on specific risk areas. These oversight committees are the Risk Executive Committee, the Product Approval Committee, the Group Credit Risk Committee, the Group Market and Liquidity Risk Committee, the Group Credit Policy Committee and the Group Operational Risk Committee. Other committees include Group Capital Committee as well as the Fair Dealing Committee.

The Risk Executive Committee is responsible for the oversight of various risks (including credit, market, liquidity, operational and reputational risks) and overall risk architecture, direction and priorities of the Group. It is also responsible for approval of core risk policies and allocation of risk limits.

DBS RISK CULTURE*

The risk culture in DBS is defined by the tone being set from the top. This is largely incorporated in the Group's defined business strategy, Risk Appetite Statement, accountability, reporting lines, remuneration structure and escalation processes. The combination of these items defines the Group's risk tolerance and ensures the Group stays within that risk tolerance.

Business Strategy: As an Asian commercial bank, the Group has clearly defined the arena to be active in. Therefore banking transactions need to fit the Group's strategic intent. For credit risk, this intent is laid down in the various Target Market and Risk Acceptance Criteria that outline in which areas the Group wishes to be active and what risks deem to be acceptable within those areas. For market risk, the Group has defined mandates for the trading and banking books to ensure the positions stay within the stated intent.

Risk Appetite Statement: The Board has established an overall risk appetite which is supervised by the BRMC. This risk appetite guides Management in the pursuit of the Group's strategy and business plans. This is encapsulated in a formal risk appetite statement which considers external credit rating, capital adequacy, earnings and value volatility and the various risk types including but not limited to credit risk, country risk, market risk, liquidity risk, operational risk and reputational risk.

Portfolio risk limits for the quantifiable risk types are established through a top down approach and operationalised through a formal framework. Other significant risk aspects are guided by qualitative expression of principles.

Accountability: The Group has three lines of defence where it comes to risk taking where each line of defence has a clear responsibility. Working closely with the support functions, the first line of defence is the front office that has a clear responsibility for risk in terms of identifying risks and reporting on any changes in the risk profile of the clients or positions. As a second line of defence, RMG and other control functions such as Group Compliance have their own responsibility for developing, overseeing and reporting on risk frameworks; in addition, RMG is responsible for identifying individual and portfolio risk, approve transactions and trades and ensure that they are within approved limits and monitor and report on the portfolio, taking into account current and future potential developments through stress testing. Finally Group Audit forms the third line of defence as a completely independent check to ensure adherence to approved policies and procedures.

Reporting Lines: In order to maintain independence, the risk managers report into the RMG, headed by the Group CRO and in the overseas locations, the local risk management head also has a reporting line to the country heads.

Remuneration Structure: As explained in page 64, the Group has a remuneration structure that takes into account its performance against various metrics contained in the balanced scorecard. This would ensure that the level of risk undertaken by the various businesses to achieve the Group's financial results remains prudent and appropriate. In addition RMG, Group Compliance and Group Audit advise the CEO in the bonus process on quantitative and qualitative risk issues in the various units as part of the variable remuneration decision making.

Escalation Process: The Group has in place a significant incident protocol that highlights processes and procedures for incidents according to the level of severity. In this way the Group endeavours that appropriate levels of management are made aware of these incidents and can take action accordingly. In addition a whistleblower process is in place to handle other types of incidents and protect the rights of the whistleblower in question.

TOP AND EMERGING RISKS*

In recognising top and emerging risks, the Group looks at both its major existing risk as well as new emerging risk.

As an Asian commercial bank with exposures across major Asian markets, the Group, in addition to global macro economic risk, is exposed to both country transfer risk and liquidity risk in its major markets.

Country Risk: DBS has a stated strategy to be a regional bank in Asia. Consequently the Group has large concentrations in a limited number of countries and those countries are correlated as well. Therefore a country risk event in the countries to which the Group has large exposures could have a major impact. This risk is mitigated by setting limits for the maximum exposure in each country. In addition the potential loss given transfer event is monitored on the basis of how the exposure is divided between short term and long term, trade and non-trade as well as wrong way risk. Based on the macro economic outlook, the country risk limits and exposures will be adjusted in order to stay within the Group's risk appetite.

Liquidity Risk: The Group is very liquid in its home currency (Singapore Dollar – SGD), given that it has a more than 50% market share of SGD sticky savings deposits and a SGD loan to deposit ratio of below 70%. Demand for non-SGD loans on the other hand, is mostly in US Dollar (USD). The Group converts its surplus SGD funds to USD for on-lending by way of swaps, that can have a shorter maturity than the USD loans. This exposes the Group to liquidity gapping risk, because it requires that its counterparties continue to be willing to roll-over their swaps with the Group. This liquidity risk is mitigated by setting a maximum limit on the gapping risk based on what should be available to the Group in the swap market. In addition the Group has undertaken actions to increase the size of its direct USD funding by more actively seeking funds from the wholesale deposit market, by improving the USD cash management services and by issuing Euro Commercial Paper and Medium Term Notes.

Financial Crime and Information Security: Fraud continues to be a risk for financial institutions particularly as criminals embrace the use of technology. The Group takes this threat seriously and has implemented a broad range of controls to identify and mitigate risk to customers and business. Traditional fraud such as card skimming and online fraud continue to present a risk for financial institutions globally. These risks are being mitigated in the main through the implementation of Europay, Mastercard and Visa (EMV) technology for card payments and multi factor authentication for online payments along with increased level of transaction monitoring. Physical security enhancements at point-of-sale terminals and self service banking facilities are also acting as a deterrent to skimming attacks.

Regulators globally continue to focus on anti-money laundering and counter-terrorism financing to safeguard the financial system. Singapore recently designated tax evasion as a predicate offence to money laundering placing greater onus on financial institutions to understand the source of customer monies. The Hong Kong Monetary Authority implemented the Anti-Money Laundering and Counter-Terrorist (Financial Institutions) Ordinance placing obligations on financial institutions operating in that jurisdiction.

The Group takes the issue of financial system integrity most seriously and has robust policies and procedures in place to ensure use of the bank's facilities only for legitimate purposes. Systems are in place to detect suspicious transactions and report such transactions to the appropriate authorities.

Regulatory Developments: The global regulatory landscape is evolving continuously. The Group remains vigilant in tracking international and domestic regulatory developments to ensure that it stays on top of these developments. New requirements are promptly disseminated to the respective action parties and, where applicable, embedded into the Group's processes and systems. Standards of compliance behaviour expected of all staff are reinforced through training sessions, briefings and other means of communication and dissemination. In addition, individuals who perform certain activities may be required to fulfil specific training and examination criteria.

The Group also recognises the importance on proactive engagement with regulators. Towards this end, the Group strives to build and maintain positive relationships with regulators that have oversight responsibilities in the locations where it operates.

The Group is concerned about increased regulatory initiatives around ring-fencing capital and liquidity in addition to the increased capital requirements. Both these developments will make the cost of capital higher and will result in less efficiency in freely deploying surplus capital and liquidity. At the end this cost will have to be borne by society at large and will result in downward pressure on economic activity on a global scale.

RISK ORGANISATION

The RMG function is organised in different units responsible for credit risk, market and liquidity risk and operational risk.

CREDIT RISK

Credit risk is the risk of loss resulting from the failure of borrowers or counterparties to meet their debt or contractual obligations. Exposure to credit risks arises from lending, sales and trading as well as derivative activities. Lending exposures are typically represented by the notional value or principal amount of on-balance sheet financial instruments. Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans even though they are of contingent nature. Documentary and commercial letters of credit, which are undertakings by the Group on behalf of a customer, are usually collateralised by the underlying shipments of goods to which they relate and therefore exhibit different risk characteristics from direct lending. Commitments to extend credit include unused portions of loan commitments, guarantees or letters of credit. The majority of unused commitments are contingent upon customers observing or meeting certain credit terms and conditions.

CREDIT RISK GOVERNANCE AND ORGANISATION

The oversight committee for credit risk is the Group Credit Risk Committee. This committee serves as an executive forum for discussion on credit trends and all aspects of credit risk management, including the identification, measurement, monitoring, mitigation and control processes. It also provides oversight of credit risk committees that are established in the key markets in which the Group operates. This structure ensures that key credit management decisions are effectively cascaded to the appropriate country, business and functional units.

CREDIT RISK MANAGEMENT FRAMEWORK AND CREDIT POLICIES

The Credit Risk Management Framework, approved by the BRMC, defines credit risk and the scope of its application; establishes the dimensions of credit risk; and provides a consistent Group-wide framework for managing credit risk across the Group.

An enterprise-wide Core Credit Risk Policy sets forth the principles by which the Group conducts its credit risk management activities. The policy ensures consistency in credit risk underwriting across the Group, and provides guidance in the formulation of business-specific and/or location-specific credit policies. The Core Credit Risk Policy is considered and approved by the Risk Executive Committee based on recommendations from Group Credit Policy Committee. The business-specific and/or location-specific credit policies are established to provide greater details on the implementation of the credit principles within the Core Credit Risk Policy and are adapted to reflect different credit environments and portfolio risk profiles.

Senior management sets the overall direction and policy for managing credit risk at the enterprise level. In so doing, it directs the risk appetite and underwriting activities for various countries, industries and counterparties taking into account factors such as prevailing business and economic conditions.

CONSUMER CREDIT

Retail exposures comprise mainly residential mortgages, credit cards, auto loans and other unsecured loans. Retail exposures are typically managed on a portfolio basis and assessed based on credit scoring models supplemented by risk acceptance criteria.

WHOLESALE CREDIT

Wholesale exposures comprise sovereign, bank, corporate, corporate small business, specialised lending and securitisation exposures. Wholesale exposures are assessed using approved credit models, and reviewed and analysed by experienced credit risk managers taking into consideration the relevant credit risk factors. Credit extensions are proposed by the business unit and are approved by the credit risk function based on the business strategies determined by senior management.

TRADED PRODUCTS AND SECURITIES

Counterparty risk that may arise from traded products and securities is viewed similarly to loan exposures and included under the Group's overall lending limits to counterparties. Issuer Default Risk that may arise from traded products and securities are generally measured based on Jump-to-default computations.

The Group actively monitors and manages its exposure to counterparties in over-the-counter (OTC) derivative trades to protect its balance sheet in the event of counterparty default. Counterparty risk exposures which may be materially and adversely affected by market risk events are identified, reviewed and acted upon by management and highlighted to the appropriate risk committees. In addition, the Group takes into account any strong relationship between the creditworthiness of a counterparty and the expected future replacement value of a relevant transaction (so called wrong-way risk) during the risk onboarding process. The current exposure method is used for calculating the Group's net credit exposure and regulatory capital for counterparty exposures, using the mark-to-market exposures with an appropriate add-on factor for potential future exposures.

INTERNAL CREDIT RISK MODELS*

The Group adopts rating systems for the different asset classes under Internal Ratings Based Approach (IRBA). There is a robust governance process for the development, independent validation and approval of a credit risk model. Credit risk models developed are validated by an independent risk unit in the Group to ensure they are fit for purpose. The models are placed through a rigorous review process prior to endorsement by the Group Credit Risk Committee and the Risk Executive Committee and have to be approved by the BRMC before use.

To ensure the adequacy and robustness of these rating systems on an ongoing basis, RMG – Credit Portfolio Analytics conducts performance monitoring on these rating systems and reports the results to the Group Credit Risk Committee, the Risk Executive Committee and the BRMC on a periodic basis. This process will highlight any material deterioration in the credit risk systems for management attention. In addition, an independent risk unit, RMG – Model Validation, conducts formal validation annually for each of the rating systems. The validation processes are also subject to an independent review by Group Audit.

The internal credit risk ratings produced by credit rating models are used to calculate the IRBA capital requirements. In addition, the ratings from the credit models are used as the basis to support the underwriting of credit, monitor the performance of the portfolios and determine business strategies.

The Group applies the supervisory Loss Given Default (LGD) estimate provided by the Monetary Authority of Singapore (MAS) for its Foundation IRBA portfolios. These supervisory LGD estimates are used in the computation of risk weights and regulatory capital calculations. For its Advanced IRBA portfolios, the LGD is estimated using internal models, and used in capital calculations and risk return assessments.

Exposure or Exposure at Default (EAD) is the sum of the on-balance sheet amount and/or credit equivalent of the off-balance sheet amount (multiplied by a credit conversion factor) determined in accordance with MAS Notice 637.

Retail Exposure Models

Retail portfolios are categorised into asset classes under the Advanced IRBA, namely residential mortgages, qualifying revolving retail exposures and other retail exposures, including vehicle loans extended to individuals.

Within each asset class, exposures are managed on a portfolio basis. Each account is assigned to a risk pool, taking into consideration factors such as borrower characteristics and collateral type. Loss estimates are based on historical default and realised losses within a defined period. The definition of default is applied at the level of a particular facility, rather than at the level of the obligor.

Business-specific credit risk policies and procedures including underwriting criteria, scoring models, approving authorities, frequency of asset quality and business strategy reviews, as well as systems, processes and techniques to monitor portfolio performance against benchmarks are in place. Credit risk models for secured and unsecured portfolios are used to update the risk level of each loan on a monthly basis, reflecting the broad usage of risk models in portfolio quality reviews in accordance with Basel II principles.

Wholesale Exposure Models

Wholesale exposures are assessed under the Foundation IRBA. The risk ratings for the wholesale exposures (other than securitization exposures) have been mapped to likely corresponding external rating equivalents. A description of the rating grades is provided in the table to give a qualitative explanation of the risk benchmarks.

Sovereign exposures are risk rated using internal risk rating models and guidelines in line with IRBA portfolios. Country-specific macroeconomic risk factors, political risk factors, social risk factors and liquidity risk factors are reviewed objectively in the sovereign rating models to assess the sovereign credit risk in a disciplined and systematic approach.

Bank exposures are assessed using a bank rating model covering various credit risk factors such as capital levels and liquidity, asset quality, earnings, management and market sensitivity. The risk ratings derived are benchmarked against external credit risk ratings to ensure that the internal rating systems are well aligned and appropriately calibrated.

Large corporate credits are assessed using approved models and reviewed by designated credit approvers. Credit factors considered in the risk assessment process include the counterparty's financial standing and specific non-quantitative factors such as industry risk, access to funding, market standing and management strength.

The counterparty risk rating assigned to smaller business borrowers is primarily based on the counterparty's financial position and strength.

Credit ratings under the IRBA portfolios are, at a minimum, reviewed on an annual basis unless credit conditions require more frequent assessment. The counterparty risk rating process is reinforced by the facility risk rating system, which considers other exposure risk mitigants, such as collateral and third party guarantees.

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

- Subjective default: Obligor is unlikely to pay its credit obligations in full, without recourse by the Group to actions such as realising security (if held).
- Technical default: Obligor is past due more than 90 days on any credit obligation to the Group.

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

A description of the internal ratings used for the various portfolios is as follows:

Risk Grades Description

Grade (ACRR)	Description of Rating Grade	Classification	MAS Classification	Equivalent
PD Grade 1	Taking into account the impact of relevant economic, social or geopolitical conditions, capacity to meet its financial commitment is exceptional	Exceptional	Passed	AAA
PD Grade 2	Taking into account the impact of the relevant economic, social or geopolitical conditions, capacity to meet its financial commitment is excellent	Excellent	Passed	AA+, AA, AA-
PD Grade 3	More susceptible to adverse economic, social, geopolitical conditions and other circumstances. Capacity to meet its financial commitment is strong	Strong	Passed	A+, A, A-
PD Grade 4A/4B	Adequate protection against adverse economic, social or geopolitical conditions or changing circumstances. More likely to lead to a weakened capacity of the obligor to meet its financial commitment	Good	Passed	BBB+/BBB
PD Grade 5	Relatively worse off than an obligor rated "4B" but exhibits adequate protection parameters	Satisfactory	Passed	BBB-
PD Grade 6A/6B	Satisfactory capacity to meet its financial commitment but capacity may become inadequate due to adverse business, financial, economic, social or geopolitical conditions and changing circumstances	Acceptable	Passed	BB+/BB
PD Grade 7A/7B	Marginal capacity to meet its financial commitment but capacity may become inadequate or uncertain due to adverse business, financial, economic, social or geopolitical conditions and changing circumstances	Marginal	Passed	BB-
PD Grade 8A	Sub-marginal capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment	Sub-Marginal	Passed	B+
PD Grade 8B/8C	Low capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment	Special Caution	Special Mention	B/B-
PD Grade 9	Vulnerable to non-payment and is dependent upon favourable business, financial, and economic conditions for the obligor to meet its financial commitment. Likely to have little capacity to meet its financial commitment under adverse conditions	Sub-Performing	Sub-Standard (Non-Defaulting)	CCC-C
PD Grade 10 and Above	An obligor rated '10' and above is in default (as defined under Basel II)	Default	Sub-Standard and Below (Defaulting)	D

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

Securitisation Exposures
The Group is not active in securitisation activities that are motivated by credit risk transfer or other strategic considerations.

The Group's investments in securitised assets are accounted for using the principles of Financial Reporting Standards 39. Refer to Note 2.8 to the Financial Statements for the Group's accounting policies on financial assets.

Where securitised assets are rated by external rating agencies, the Ratings-Based Method is used to calculate the risk weights of the exposures. The Group only accepts ratings from Standard & Poor's, Moody's and Fitch for such exposures.

The Group has processes in place to monitor the credit risk of the bank's securitisation exposures.

Credit Exposures Falling Outside of Internal Credit Risk Models
The Group applies the Standardised Approach (SA) for portfolios which are individually immaterial in terms of both size and risk profile and for transitioning portfolios. These portfolios include:

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

The transitioning retail and wholesale exposures are expected to transit to the Advanced IRBA and Foundation IRBA respectively over the next few years, subject to certification by MAS. In the meantime, the SA has been applied.

The portfolios under the SA are subject to the Group's overall governance framework and credit risk management practices. Under this framework, the Group continues to monitor the size and risk profile of these portfolios and will look to enhance risk measurement processes should these risk exposures become material.

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

CREDIT MONITORING AND CONTROL

Day-to-day monitoring of credit exposures, portfolio performance and the external environment that may have an impact on credit risk profiles is key to the Group's philosophy of effective credit risk management. Risk reporting on credit trends, which may include industry analysis, early warning alerts and key weak credits, is provided to the various credit committees, and key strategies and action plans are formulated and tracked.

Credit control functions ensure that credit risks are being taken and maintained in compliance with Group-wide credit policies and guidelines. These functions ensure proper activation of approved limits, ensure appropriate endorsement of excesses and policy exceptions, and monitor compliance with credit standards and credit covenants established by management and regulators.

An independent credit risk review team conducts regular reviews of credit exposures and judgmental credit risk management processes. It also conducts independent validation of internal credit risk rating processes on an annual basis. These reviews provide senior management with objective and timely assessments of the effectiveness of credit risk management practices and ensure Group-wide policies, internal rating models and guidelines are being adopted consistently across different business units including relevant subsidiaries.

CREDIT RISK MITIGANTS

Collateral
Where possible, the Group takes collateral as a secondary recourse to the borrower. Collateral includes cash, marketable securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. The Group may also take fixed and floating charges on the assets of borrowers. It has put in place policies to determine the eligibility of collateral for credit risk mitigation, which include requiring specific collaterals to meet minimum operational requirements in order to be considered as effective risk mitigants. Collateral taken for financial market operations is marked to-market on a mutually-agreed period with the respective counterparties.

Collateral taken for commercial banking is revalued periodically ranging from daily to annually, depending on the type of collateral. While real estate properties constitute the largest percentage of collateral assets, the Group generally considers the collateral assets to be diversified.

Other Risk Mitigating Factors
The Group also uses guarantees, credit derivatives and credit insurance as credit risk mitigants. While the Group may accept guarantees from any counterparty, it sets internal thresholds for

considering guarantors to be eligible for credit risk mitigation. Credit derivatives are used as credit risk mitigating factors mainly in structured transactions and for financial market operations. Credit insurance is used for risk sharing in various products such as factoring. The Group further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis.

The Group may also enter into Credit Support Annexes with counterparties for credit risk reduction and increased competitiveness. These are governed by internal guidelines with respect to the eligibility of various collaterals and the frequency of collateral calls.

COLLATERAL POSTING*

As at 31 December 2012, for a one notch downgrade of its Standard & Poor's Ratings Services and Moody's Investors Services ratings, the Group would have had to post additional collateral amounting to $216 million and $6 million respectively.

CREDIT CONCENTRATION

The Group's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Group on an ongoing basis. Limits are established and regularly monitored in respect of country exposures and major industry groups, as well as for single counterparty exposures. Control structures exist to ensure that appropriate limits are in place, exposures are monitored against these limits, and appropriate actions are taken if limits are breached.

STRESS TESTING

Stress testing forms an integral part of the Group's risk management process. Stress testing enables the bank to assess the impact of credit losses on capital adequacy and establish mitigation actions for possible significant losses arising from credit portfolios. The Group uses stress testing to identify segments which may come under pressure under specific scenarios for the purpose of managing these segments proactively. Stress testing scenarios are run in part to ensure that the Tier 1 capital level can withstand the impact of diverse and increasingly severe scenarios.

Comprehensive stress tests are conducted to assess the potential impact of various scenarios across a multitude of risk and business dimensions through macro and micro variables. These scenarios vary in impact from mild to severe and are assessed and agreed through formal governance structures. The Stress testing program is deeply rooted in assessing the sensitivity of the portfolio to various risk parameters associated with the IRB Approach.

Stress testing governance spans across the organisation from the Board of Directors to line personnel who actively participate in the running of stress tests. Stress testing scenarios are derived and agreed across a broad spectrum of management and staff with senior management directing the development of scenarios. The stress testing program utilizes internal and external data to generate results – multiple macroeconomic variables are used to assess scenario impact chief among them, real GDP growth, unemployment rate, asset prices and related variables.

NON-PERFORMING LOANS AND IMPAIRMENTS

The Group classifies its credit facilities in accordance with MAS Notice to Banks No. 612, "Credit Files, Grading and Provisioning" issued by the MAS. These guidelines require the Group to categorise its credit portfolios according to its assessment of a borrower's ability to repay a credit facility from the borrower's normal sources of income. There are five categories of assets as follows:

Performing Assets
- Pass grade indicates that the timely repayment of the outstanding credit facilities is not in doubt;
- Special mention grade indicates that the credit facilities exhibit potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by the Group.

Classified or Non-Performing Assets
- Substandard grade indicates that the credit facilities exhibit definable weaknesses either in respect of business, cash flow or financial position of the borrower that may jeopardise repayment on existing terms;
- Doubtful grade indicates that the credit facilities exhibit 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 grade indicates the amount of recovery is assessed to be insignificant.

The Group may also apply a split classification to any credit facility where appropriate. For instance, when a non-performing loan is partially secured, the portion covered by the amount realisable from a collateral may be classified as substandard while the unsecured portion of the loan is classified as doubtful or loss, as appropriate.

Restructured Non-Performing Assets
Credit facilities are classified as restructured assets when the Group grants concessions to a borrower because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade depending on the

assessment of the financial condition of the borrower and the ability of the borrower to repay based on 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. The Group does not give forbearance as a policy but any waiver, indulgence or forbearance will be reviewed based on internal credit assessment on the merits of the case.

Repossessed Collateral
When required, the Group will take possession of collateral it holds as securities and will dispose of them as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2012 and 2011 were not material.

TRANSFER RISK

The principles and approach in the management of transfer risk are set out in the Group's Country Risk Management Framework. The framework includes an internal country (and sovereign) risk rating system where the assessments are made independent of business decisions. Transfer risk limits are set in accordance to the bank's risk appetite. Limits for non-strategic countries are set using a model-based approach. Limits for strategic countries may be allowed to exceed model generated limits, after examining country-specific strategic business considerations and the extent of potential loss versus the risk appetite. There are active discussions amongst the senior management and credit management in right-sizing cross-border exposures to take into account not only risks and rewards, but also whether such exposures are in line with the strategic intent of the Group.

MARKET RISK

Market risk affects the economic values of financial instruments held by the Group, and arises from changes in interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads and changes in the correlations and volatilities of these risk factors.

The Group manages market risk in the course of market-making, structuring and packaging treasury products for investors and other clients, as well as to benefit from market opportunities.

MARKET RISK GOVERNANCE AND ORGANISATION

The oversight committee for market risk is the Group Market & Liquidity Risk Committee. This Committee oversees the Group's market risk management infrastructure (comprising frameworks, policies, risk methodologies, processes and systems), sets market risk limits and provides enterprise-wide oversight of all market risks and their management. RMG Market & Liquidity Risk, comprising risk control, risk analytics, production and reporting teams, is the independent market risk management function that reports to the CRO and is responsible for day-to-day market risk monitoring, control and analysis.

MARKET RISK FRAMEWORK, POLICIES AND MEASURES

The Group's market risk framework sets out the overall approach towards market risk management and this is supplemented with policies which articulate the standards relating to limit setting, independent valuation model validation, risk monitoring and valuation.

The Group's market risk methodology uses a historical simulation approach to forecast the Group's potential loss distribution arising from market risk in the trading and banking books. The principal market risk appetite measures for market risk used by the Group are Tail Value-at-Risk (TVaR) and stress loss. The Group also calculates Value-at-Risk (VaR) at 99% confidence level using the same potential loss distribution and holding period used for TVaR.

TVaR captures losses beyond the chosen confidence interval from the potential loss distribution and hence provides additional information to VaR. TVaR is calculated using a one-day time horizon and a 95% confidence interval. The risk factor scenarios are aligned to parameters and market data that are used for valuation. The scenarios are maintained in the risk system and are used to compute TVaR at Group level, and for each business unit and location. The TVaR is supplemented by risk control measures, such as sensitivities to risk factors as well as loss triggers for management action.

VaR on the other hand facilitates backtesting and comparability at the industry level. Regular backtesting of daily profit and loss against the VaR forecast is carried out for the trading book as a whole and at the subportfolio level.

Although both VaR and TVaR provide valuable insights, no statistical measure can capture all aspects of market risk. Historical simulation VaR and TVaR are based on the assumption that historical rate and price movements are good predictors of the future. To supplement VaR and TVaR, regular stress testing is carried out using a combination of historical and hypothetical scenarios, to monitor the Group's vulnerability to unexpected and extreme shocks.

TRADING BOOK AND BANKING BOOK

The trading book definition is based on the firm's investment intent. Issuer risk in trading book is governed by credit spread sensitivity of one basis point shift (CSPVO1) and Jump-to-default measurements.

The Group also manages banking book interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges), including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. Behavioural assumptions are applied in managing the interest rate risk of banking book deposits with indeterminate maturities.

LIQUIDITY RISK

Funding liquidity risk (or liquidity risk) is the risk arising from an inability to meet obligations when they become due. The Group's liquidity obligations arise from withdrawals of deposits, repayments of borrowed funds at maturity, and commitments to extend credit and support working capital needs. The Group seeks to manage its liquidity in a manner that ensures that its liquidity obligations would continue to be honoured under normal as well as adverse circumstances.

LIQUIDITY RISK GOVERNANCE AND ORGANISATION

The oversight committee for liquidity risk is the Group Market & Liquidity Risk Committee. This committee oversees the Group's liquidity risk management infrastructure (comprising frameworks, policies, risk methodologies, processes and systems), sets liquidity risk limits and provides enterprise-wide oversight of all liquidity risks and their management. RMG Market & Liquidity Risk, comprising risk control, risk analytics, production and reporting teams, is the independent liquidity risk management function that reports to the CRO and is responsible for day-to-day liquidity risk monitoring, control and analysis.

LIQUIDITY RISK FRAMEWORK, POLICIES AND MEASURES

In practice, the Group employs a range of strategies to manage its liquidity. These include maintaining an adequate counterbalancing capacity (comprising liquid assets, the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity) to address potential cashflow shortfalls, maintaining diversified sources of liquidity, and having robust internal control processes. In the event of a potential or actual crisis, the Group has in place a set of liquidity contingency and recovery plans to ensure that decisive actions are taken to ensure the Group maintains adequate liquidity.

The primary measure used to manage liquidity within the appetite defined by the Board is the maturity mismatch analysis. The analysis is performed on a regular basis under normal and adverse scenarios, and assesses the adequacy of the counterbalancing capacity to fund or mitigate any cashflow shortfalls that may occur as forecasted in the cashflow movements across successive time bands. To ensure that liquidity is managed in line with the risk appetite statement, core parameters underpinning the performance of the analysis, such as the types of scenarios, the survival period and the minimum level of liquid assets, are pre-specified for monitoring and control at the Group. Any occurrences of forecasted shortfalls that cannot be covered by the counterbalancing capacity would be escalated to the relevant internal risk committees for deliberation and actions.

To complement the maturity mismatch analysis in its objective to manage liquidity within the risk appetite statement, liquidity risk control measures, such as liquidity-related ratios and balance sheet analysis, are performed for more granular monitoring and control over the liquidity profile of the Group and across locations.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events, including legal risk, but does not include strategic or reputational risk which are managed separately under other governance processes. Examples of operational risk include processing errors, fraudulent acts, inappropriate behaviour of staff, vendors' misperformance, system failure and natural disasters. Operational risk is inherent in most of the Group's businesses and activities.

The goal is to keep operational risk at appropriate levels, taking into account the markets the Group operates in, the characteristics of the businesses as well as the competitive and regulatory environment the Group is subject to.

OPERATIONAL RISK GOVERNANCE AND ORGANISATION

The Group's operational risk governance structure includes the three lines of defence; the business/support management, as first line of defence and supported by their unit operational risk managers (UORMs), are primarily responsible for managing operational risk. They are challenged and supported by corporate oversight functions (such as RMG, Group Compliance) as second line of defence. RMG Operational Risk is responsible for the establishment and maintenance of the operational risk management framework and tools as well as monitoring and reporting of relevant operational risk issues to senior management and BRMC. Group Audit, as third line of defence, provides assurance of the effectiveness of the framework including validating and challenging the adequacy and effectiveness of processes and organisational controls.

The Group Operational Risk Committee oversees the Group's operational risk management infrastructure, including the framework, policies, processes, information, methodologies and systems. The members include RMG Operational Risk and representatives from the key business and support units. The Group Operational Risk Committee also performs regular review of the operational risk profiles of the Group, and endorses and recommends corporate operational risk policies to be approved by senior management.

To enhance the level of accountability, consistency and sustainability in business controls, key business units have established their risk and control forums. Providing regional oversight of all key risks arising in the units' activities including end-to-end process, the forums focus on the identification, monitoring and resolution of control issues.

OPERATIONAL RISK MANAGEMENT FRAMEWORK, POLICIES AND TOOLS

The Operational Risk Management Framework (the Framework), approved by the BRMC, has been developed with the objective to ensure that operational risks within the Group are identified, monitored, managed and reported in a structured, systematic and consistent manner.

To manage and control operational risk, the Framework encompasses various tools including control self-assessment, operational risk event management and key risk indicators monitoring. Control self-assessment is used by each business or support unit to identify key operational risk and assess the degree of effectiveness of the internal controls. For those control issues identified, the units are responsible to develop action plans and track the timely resolution of these issues. Operational risk events are classified in accordance with Basel standards; such events, including any significant incidents that may impact the Group's reputation, are required to 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.

The Group has implemented a web-based system that supports multiple operational risk management processes and tools including operational risk event reporting, control self-assessment, key risk indicators, tracking of issues or action plans and operational risk reporting.

A key component of the Framework is a set of Core Operational Risk Standards which provides guidance on the baseline controls to ensure a controlled and sound operating environment. Each new product or service introduced or outsourcing initiative is subject to a risk review and sign-off process where relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service. Variations of existing products or services and outsourcing initiatives are also subject to a similar process.

Compliance risk is viewed as the risk of impairment to the Group's ability to successfully conduct its business as a result of any failure to comply with or implement any applicable regulatory requirement, industry code or standard of professional conduct. To address compliance risk, the Group strongly believes in the need to inculcate a strong compliance culture in its employees, mindset and DNA, and in its processes and systems. The Group aims to comply with the letter and spirit of the laws, regulatory standards and environment in which it operates.

The Group has a Fraud Management Policy which establishes minimum standards for its businesses and functional units to prevent, detect, investigate and remediate against fraud and related events. This Policy also establishes the components, key roles and the framework of the Fraud Management Programme through which the standards are to be implemented on a unit and geographical level. These standards aim to provide end-to-end management of fraud and related issues for the Group.

The Group Anti Money Laundering and Countering the Financing of Terrorism Policy establishes minimum standards for the business and functional units to mitigate and manage actual and/or potential exposure of the Group to money laundering, terrorist financing, corruption, or other illicit financial activity. The Policy also establishes accountabilities for the protection of the assets and reputation of the Group and the interests of customers and shareholders.

Information Technology (IT) risk is managed in accordance to an IT Risk Management Framework (which covers risk governance, communication, monitoring, assessment, mitigation and acceptance), supported by a set of IT Policies & Standards, Control processes and risk mitigation programs.

Major operational risk mitigation programmes include Business Continuity Management and Global Insurance Programme. A robust crisis management and business continuity management program is in place within the Group to oversee the continuity of essential business services during unforeseen events. Types of incidents being managed include technology incidents having enterprise-wide impact on essential banking services, natural disasters with wide geographical area impact, safety-at-risk incidents e.g. terrorism and other events leading to significant business disruption. Senior management provides an attestation to the BRMC on an annual basis including the state of business continuity readiness, extent of alignment to regulatory guidelines and disclosure of residual risks.

To mitigate losses from specific unexpected and significant event risks, the Group purchases group-wide insurance policies, under the Global Insurance Programme, from third-party insurers. These policies cover fraud and civil liability, property damage and general liability and directors' and officers' liability.

CAPITAL MANAGEMENT AND PLANNING

OBJECTIVE

The capital management and planning process is overseen by the Capital Committee which is chaired by the Chief Financial Officer. Quarterly updates on the Group's capital position are provided to the Board of Directors.

The Group's capital management objective is to maintain a strong capital position consistent with regulatory requirements under the MAS' Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore" (Notice 637) and the expectations of various stakeholders, i.e., customers, investors and rating agencies. This objective is pursued while delivering returns to shareholders and ensuring adequate capital resources are available for business growth, investment opportunities as well as adverse situations.

The Group's capital management objective is articulated concretely as capital targets that are consistent with the need to support organic and inorganic business growth in line with its strategic plans and risk appetite. A key tool for capital planning is the annual Internal Capital Adequacy Assessment Process (ICAAP). Through the ICAAP, the Group assesses its forecast capital supply and demand relative to its regulatory and internal capital targets, under various scenarios, including stress scenarios of differing scope and severity, over a 3-year horizon.

The Group seeks to pay sustainable dividends over time, in line with its capital management objective and long-term growth prospects. For the year ended 31 December 2012, the Board has recommended a final dividend of $0.28 per ordinary share, to which the Scrip Dividend Scheme is being applied, bringing the total ordinary dividend for the year to $0.56.

CAPITAL STRUCTURE

The Group manages the structure of its capital resources in order to optimise the cost of these resources relative to the flexibility offered by the different types of resources and regulatory norms. In order to achieve this, the Group assesses the need and the opportunity to raise capital from the financial markets.

During the year, approximately 20 million ordinary shares were issued pursuant to the Scrip Dividend Scheme. This added $268 million to share capital. Refer to Note 35 to the Financial Statements for details on the movement of the Group's share capital and treasury shares during the year ended 31 December 2012.

The Group redeemed two Tier 2 instruments and issued three Tier 2 instruments with a year-on-year net increase in Tier 2 capital of $201 million. Refer to Notes 34 and 35 to the Financial Statements for the terms of the capital instruments other than ordinary shares that are included in Eligible Total Capital.

RISK-WEIGHTED ASSETS

During the year, risk-weighted assets increased in line with asset growth, moderated by savings from the partial divestment of the Group's stake in Bank of the Philippine Islands, ongoing efforts at data and process improvements in the computation of risk-weighted assets and improved credit quality. Refer to 'Pillar 3 Disclosures' section for further details on risk-weighted assets.

CAPITAL ADEQUACY RATIOS

The Group's Tier 1 Capital Adequacy Ratio (CAR) and Total CAR as at 31 December 2012 were well above the MAS' minimum requirements of 6.0% and 10.0% respectively.

The table below sets out the capital resources and capital adequacy ratios for the Group as at 31 December 2012. Refer to 'Ten-Year Summary' for the historical trend of Tier 1 and Total CAR.

In $ millions	2012	2011
Tier 1		
Share capital	9,645	9,350
Disclosed reserves and others	25,724	23,308
Less: Tier 1 Deductions	(5,173)	(5,123)
Eligible Tier 1 Capital	30,196	27,535
Tier 2		
Loan allowances admitted as Tier 2 Capital	1,283	1,151
Subordinated term debts	5,505	5,305
Eligible revaluation surplus from available-for-sale equity securities	95	29
Less: Tier 2 Deductions	(248)	(192)
Eligible Total Capital	36,831	33,828
Risk-weighted assets	215,591	213,722
CAR (%)		
Tier 1	14.0	12.9
Total (Tier 1 & Tier 2)	17.1	15.8
Pro forma Basel III CET1#		
– under transitional arrangements as at 1 Jan 2013	13.5	
– under final rules effective 1 Jan 2018	11.8	

Under Basel III rules, the proportion of adjustments previously applied to Tier 1 and/or Tier 2 under Basel II to be applied to CET1 will be 20% from 1 Jan 2014, 40% from 1 Jan 2015, 60% from 1 Jan 2016, 80% from 1 Jan 2017 and 100% from 1 Jan 2018

CAPITAL ALLOCATION

The Group allocates capital capacity on two dimensions: by business line and by entity. Capital allocations by business line are set as part of the budget process and monitored during the year. Return on regulatory capital is one of several metrics used to measure business performance. Capital allocations by entity seek to optimise the distribution of capital resources across the Group's various entities, taking into account that overseas subsidiaries and non-banking subsidiaries of the Group may be required to comply with country-specific and industry-specific capital requirements. Capital is allocated to ensure that each subsidiary is able to comply with regulatory requirements as it executes its business strategies in line with the Group strategy. During the course of the year, these subsidiaries did not experience any impediments to the distribution of dividends.

REGULATORY CHANGE

In December 2010, the Basel Committee for Banking Supervision published the Basel III framework (revised in June 2011) to strengthen global capital standards, with the aim of promoting a more resilient banking sector. On 14 September 2012, the MAS revised Notice 637 to implement Basel III capital standards for Singapore-incorporated banks. The Group is required to comply with the revised Notice 637 from 1 January 2013.

The revised Notice 637 sets out a minimum Common Equity Tier 1 (CET1) CAR of 4.5% and a minimum Tier 1 CAR of 6% with effect from 1 January 2013. These will increase progressively to 6.5% and 8% respectively by 1 January 2015. MAS' existing requirement for Total CAR will remain unchanged at 10%. The minimum capital requirements under Notice 637 are 2 percentage points higher than the Basel III minima specified by the Basel Committee. The Basel III CET1, Tier 1 and Total CAR minima are 4.5%, 6% and 8% respectively.

In line with Basel III, the revised Notice 637 also introduces a capital conservation buffer (CCB) and a countercyclical buffer. The capital conservation buffer of 2.5% will be phased in from 1 January 2016 to 1 January 2019 and will be an additional requirement above the CET1, Tier 1 and Total CAR minima. The countercyclical buffer will be phased in from 1 January 2016 to 1 January 2019. It is not an ongoing requirement but only applied as and when specified by the relevant banking supervisors. These two buffers are to be maintained in the form of CET1 capital.

The table below summarises the capital requirements under Notice 637.

From 1 Jan	2013	2014	2015	2016	2017	2018	2019
Minimum CAR %							
CET1 *(a)*	4.5	5.5	6.5	6.5	6.5	6.5	6.5
CCB *(b)*	–	–	–	0.625	1.25	1.875	2.5
CET1 including CCB *(a)* + *(b)*	4.5	5.5	6.5	7.125	7.75	8.375	9.0
Tier 1	6.0	7.0	8.0	8.625	9.25	9.875	10.5
Total	10.0	10.0	10.0	10.625	11.25	11.875	12.5
Countercyclical Buffer	–	–	–	0.625	1.25	1.875	2.5

In addition to changes in minimum capital requirements, Basel III also mandates various adjustments in the calculation of capital resources. These adjustments will be phased in from 1 January 2013 and are for items such as goodwill, and investments exceeding certain thresholds.

Lastly, Basel III has revised the criteria for the eligibility of capital instruments. The Group's existing preference shares and subordinated term debts are ineligible in the first instance as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-down at the point of non-viability as determined by the MAS, but are accorded partial recognition under the Basel III transitional arrangements.

On a pro forma basis, the Group's Basel III CET1 CAR as at 31 December 2012 was 13.5% based on transitional rules effective on 1 January 2013 and 11.8% on a "look-through" basis, i.e., after all adjustments that will eventually be taken against CET1 by 1 January 2018. These levels exceed the minimum CET1 CAR requirements under Notice 637 of 4.5% effective on 1 January 2013 and 9.0% effective on 1 January 2019 and take into account higher risk-weights for exposures to financial institutions and new capital charges for over-the-counter derivatives under Basel III.

The Group is well-positioned to comply with other forthcoming Basel III requirements, viz., leverage ratio, liquidity coverage ratio and net stable funding ratio.

PILLAR 3 DISCLOSURES

Year Ended 31 December 2012

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 right risk management discipline, practices and processes in place.

The qualitative disclosures as required by Notice 637 are presented in the Risk Management report on page 74 to page 83, the Capital Management and Planning report on page 84 to page 85 and the Notes to the Financial Statements as referred to below. Disclosures on remuneration are presented in the Corporate Governance report on page 57 to page 73. The following information does not form part of the audited accounts.

1 SCOPE OF APPLICATION

The Group applies the Basel II Internal Ratings-Based Approach (IRBA) for computing part of its regulatory capital requirements for credit risk. Approved wholesale portfolios are on the Foundation IRBA, while the approved retail portfolios are on the Advanced IRBA. Most of the remaining credit exposures are on the Standardised Approach (SA) for credit risk. The Group also adopts the SA for operational and market risks.

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as discussed in Note 2.4 to the Financial Statements, except where deductions from eligible capital are required under Notice 637 or where entities meet separation requirements set by the MAS. Refer to Note 23 to the Financial Statements for the list of subsidiaries and other controlled entities.

2 CAPITAL ADEQUACY

The following table sets forth details on the capital resources and capital adequacy ratios (CAR) for the Group as at 31 December 2012. The Group's Tier 1 CAR and Total CAR as at 31 December 2012 were 14.0% and 17.1% respectively, which are above the MAS minimum requirements of 6.0% and 10.0%.

The constituents of Eligible Total Capital are set out in Notice 637 Part VI. These include shareholders' funds after regulatory-related adjustments, minority interests, and eligible capital instruments issued by the Group. Refer to Notes 34 and 35 to the Financial Statements for the terms of these capital instruments and the Capital Management and Planning report for the approach to assessing the adequacy of capital to support current and future activities.

In $ millions	2012
Tier 1 capital	
Share capital	9,645
Disclosed reserves	21,463
Paid-up non-cumulative preference shares	2,500
Minority interests	261
Innovative Tier 1 instruments	1,500
Less: Deductions from Tier 1 capital	
Goodwill and deferred tax assets	4,925
Other deductions (50%)	248
Eligible Tier 1 Capital	30,196
Tier 2 capital	
Loan allowances admitted as Tier 2 Capital	1,283
Subordinated debts	5,505
Eligible revaluation surplus from available-for-sale equity securities	95
Less: Deductions from Tier 2 capital	
Other deductions (50%)	248
Eligible Total Capital	36,831
Risk-Weighted Assets (RWA)	
Credit	173,969
Market	27,827
Operational	13,795
Total RWA	215,591
Tier 1 CAR (%)	14.0
Total CAR (%)	17.1

Significant Banking Subsidiary

DBS Bank (Hong Kong) Limited[(a)]

Tier 1 CAR (%)[(b)]	14.3
Total CAR (%)	16.7

(a) The capital adequacy ratios are compiled in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority (HKMA) under Section 98A of the Hong Kong Banking Ordinance
(b) Core capital ratio under HKMA rules

3 CREDIT RISK

3.1 SUMMARY OF CREDIT EXPOSURES[(a)] AND RWA

2012 In $ millions	Exposures	RWA
Advanced IRBA		
Retail exposures		
Residential mortgage exposures	50,547	2,927
Qualifying revolving retail exposures	10,393	2,718
Other retail exposures	3,569	940
Foundation IRBA		
Wholesale exposures		
Sovereign exposures	47,930	4,152
Bank exposures	66,046	17,233
Corporate exposures	130,049	71,950
Corporate small business exposures (SME)	8,581	6,536
Specialised lending exposures (SL)	24,203	21,689
IRBA for equity exposures	2,566	7,640
IRBA for securitisation exposures	258	152
Total IRBA	344,142	135,937
Adjusted IRBA RWA post scaling factor of 1.06		144,093
SA		
Securitisation	455	211
Residential mortgage exposures	5,304	1,857
Regulatory retail exposures	1,542	1,163
Corporate exposures	11,942	11,784
Commercial real estate exposures	2,241	2,246
Other exposures		
Real estate, premises, equipment and other fixed assets	1,442	1,442
Exposures to individuals	7,899	7,919
Others	7,175	3,254
Total SA	38,000	29,876
Total Credit Risk	382,142	173,969
Market risk:		
SA		
Interest rate risk		17,955
Equity position risk		121
Foreign exchange risk		9,687
Commodity risk		64
Total market risk		27,827
Operational risk (SA)		13,795
Total RWA		215,591

(a) Amounts represent exposures after credit risk mitigation and where applicable include on-balance sheet amounts and credit equivalent amounts of off-balance sheet items determined in accordance with Notice 637

Refer to Notes 19 to 21, 38, 43.1 and 45 for major types of credit exposures by geographic location and industry distribution, analysis of maximum exposures to credit risk and credit exposures by residual contractual maturity distribution.

3.2 CREDIT RISK ASSESSED USING INTERNAL RATINGS-BASED APPROACH

3.2.1 Retail exposures

(A) Residential mortgage exposures

Expected Loss (EL)% range	Exposures[a] (In $ millions)	Exposure-weighted average risk weight[b] (%)
Up to 0.10%	48,590	5
> 0.10% to 0.50%	1,559	25
> 0.50%	398	46
Total	50,547	6

(a) Includes undrawn commitments set out in table(D) below
(b) Percentages disclosed are before the application of IRBA scaling factor and exclude default exposures

(B) Qualifying revolving retail exposures

EL% range	Exposures[a] (In $ millions)	Exposure-weighted average risk weight[b] (%)
Up to 5%	9,874	19
> 5%	519	171
Total	10,393	26

(a) Includes undrawn commitments set out in table(D) below
(b) Percentages disclosed are before the application of IRBA scaling factor and exclude default exposures

(C) Other retail exposures

EL% range	Exposures (In $ millions)	Exposure-weighted average risk weight[a] (%)
Up to 0.30%	2,507	17
> 0.30%	1,062	48
Total	3,569	26

(a) Percentages disclosed are before the application of IRBA scaling factor and exclude default exposures

(D) Undrawn commitment for retail exposures

In $ millions	Notional amount	Credit Equivalent amount[a]
Residential mortgage exposures	9,783	9,783
Qualifying revolving retail exposures	11,897	8,644
Total	21,680	18,427

(a) Credit equivalent amount represents notional amounts multiplied by the applicable credit conversion factors

3.2.2 Wholesale exposures

(A) Sovereign exposures

PD grade	PD Range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight[a] (%)
PD grade 1-3	0.01 – 0.10	44,405	6
PD grade 4	0.10 – 0.33	5	25
PD grade 5	0.33 – 0.47	3,361	38
PD grade 6	0.47 – 1.11	–	–
PD grade 7-9	1.11 – 99.99	159	98
Total		47,930	9

(a) Percentages disclosed are before the application of IRBA scaling factor

(B) Bank exposures

PD grade	PD Range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight[a] (%)
PD grade 1-3	0.03[b] – 0.10	29,058	11
PD grade 4	0.10 – 0.33	22,292	29
PD grade 5	0.33 – 0.47	9,251	40
PD grade 6	0.47 – 1.11	3,665	60
PD grade 7-9	1.11 – 99.99	1,780	84
Total		66,046	26

(a) Percentages disclosed are before the application of IRBA scaling factor
(b) For bank exposures, the PD is the greater of the one-year PD associated with the internal borrower grade to which that exposure is assigned, or 0.03% as specified in Notice 637

(C) Corporate exposures

PD grade	PD Range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight[a] (%)
PD grade 1-3	0.03[b] – 0.10	32,111	17
PD grade 4	0.10 – 0.33	18,829	45
PD grade 5	0.33 – 0.47	20,711	48
PD grade 6	0.47 – 1.11	23,876	67
PD grade 7-9	1.11 – 99.99	32,669	99
PD grade 10	Default	1,853	-
Total		130,049	56[c]

(a) Percentages disclosed are before the application of IRBA scaling factor
(b) For corporate exposures, the PD is the greater of the one-year PD associated with the internal borrower grade to which that exposure is assigned, or 0.03% as specified in Notice 637
(c) Excludes default exposures

(D) Corporate small business exposures

PD grade	PD Range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight[(a)] (%)
PD grade 1-3	0.03[(b)] – 0.10	445	21
PD grade 4	0.10 – 0.33	341	46
PD grade 5	0.33 – 0.47	628	40
PD grade 6	0.47 – 1.11	2,004	64
PD grade 7-9	1.11 – 99.99	5,094	93
PD grade 10	Default	69	–
Total		8,581	77[(c)]

(a) Percentages disclosed are before the application of IRBA scaling factor
(b) For SME exposures, the PD is the greater of the one-year PD associated with the internal borrower grade to which that exposure is assigned, or 0.03% as specified in Notice 637
(c) Excludes default exposures

3.2.3 Specialised lending exposures

2012	RWA (In $ millions)	Exposures (In $ millions)	Exposure-weighted average risk weight[(a)] (%)
Strong	6,268	10,559	59
Good	6,869	8,596	80
Satisfactory	3,465	3,013	115
Weak	5,087	2,035	250
Default	–	#	–
Total	21,689	24,203	90[(b)]

(a) Percentages disclosed are before the application of applicable IRBA scaling factor
(b) Excludes default exposures
 # amount below $0.5m

3.2.4 Provisioning policies for past due and impaired exposures

Refer to the Notes to the Financial Statements listed in the following table for the Group's provisioning policies in relation to past due and impaired exposures.

Financial disclosures	Notes to the Financial Statements
The Group's accounting policies on the assessment of specific and general allowances on financial assets	2.10
Classified loans and past due loans by geographic and industry distribution	43.2
Movements in specific and general allowances during the year for the Group	13 and 20

3.2.5 Comparison of Expected Loss against Actual Losses

The following table sets out actual loss incurred in 2012 compared with EL reported for certain IRBA asset classes at December 2011. Actual loss refers to specific impairment loss allowance and charge-offs to the Group's income statement during the financial year ended 31 December 2012.

Basel Asset Class	2011 Expected Loss In $ millions	2012 Actual Loss In $ millions
Wholesale Exposures		
Sovereign exposures	8	–
Bank exposures	79	–
Corporate exposures (including SME & SL)	939	103
Retail Exposures		
Residential mortgage exposures	19	#
Qualifying revolving retail exposures	96	24
Other retail exposures	13	2

 # amount below $0.5m

EL is an estimate of expected future losses using IRBA model estimates of PD and LGD parameters. Under the IRBA, PD estimates are required to be through-the-cycle and LGD estimates are on a downturn basis, floored at regulatory minima for retail exposures and based on supervisory estimates for wholesale exposures. Actual Loss is an accounting-based measure which includes net impairment allowances taken for accounts defaulting during the year and includes write-offs during the year. The two measures of losses are hence not directly comparable and it is not appropriate to use Actual Loss data to assess the performance of internal rating process or to undertake comparative trend analysis.

3.3 CREDIT RISK ASSESSED USING STANDARDISED APPROACH

The following table shows the exposures under SA, analysed by risk weights:

In $ millions	Exposures
Risk weights	
0%	3,329
20%	410
35%	5,304
50%	871
75%	1,528
100%	26,019
>100%	84
Total	37,545[(a)]

(a) Excludes securitisation exposures. Refer to page 92 for securitisation under SA.

3.4 CREDIT RISK MITIGATION

The following table summarises the extent to which credit exposures are covered by eligible financial collateral, other eligible collateral and eligible credit protection after the application of haircuts:

2012 In $ millions	Eligible financial collateral	Other eligible collateral	Amount by which credit exposures have been reduced by eligible credit protection
Foundation IRBA			
Wholesale exposures			
Sovereign exposures	2,312	–	7
Bank exposures	2,884	–	27
Corporate exposures	7,813	7,262	2,003
Corporate SME	1,409	2,492	297
Specialised lending exposures	261	–	–
Sub-total	14,679	9,754	2,334
SA			
Residential mortgage exposures	78	–	–
Regulatory retail exposures	101	–	4
Commercial real estate exposures	63	–	108
Corporate/ other exposures	6,579	–	1,044
Sub-total	6,821	–	1,156
Total	21,500	9,754	3,490

The above table excludes exposures where collateral has been taken into account directly in the risk weights, such as the specialised lending and residential mortgage exposures. It also excludes exposures where the collateral, while generally considered as eligible under Basel II, does not meet the required legal/ operational standards e.g. legal enforcement certainty in specific jurisdictions. Certain exposures where the collateral is eligible under Foundation IRBA and not under SA have also been excluded for portfolios where the SA is applied e.g. exposures collateralised by commercial properties.

3.5 COUNTERPARTY CREDIT RISK-RELATED EXPOSURES

3.5.1 Notional principal amounts of credit derivatives

In $ millions	Notional of Credit Derivatives Protection Bought	Protection Sold
Own Credit Portfolio	24,770	22,717
Client Intermediation Activities	6,417	6,621
Total	31,187	29,338
Credit default swaps	31,100	29,338
Total return swaps	87	–
Total	31,187	29,338

Notional values of credit derivatives do not accurately reflect their economic risks. They comprise both beneficiary and guarantor (buy and sell protection) positions.

The Group generally has higher total notional amounts of protection bought than sold as credit derivatives are also used to hedge risks from other instruments, including those from customer flows. The protection sold in credit derivatives are largely matched with the protection bought through other credit derivatives or structured notes issued.

The Group actively monitors its counterparty credit risk in credit derivative contracts. More than 90% of the notional value of the Group's credit derivative positions as at 31 December 2012 is to 12 large, established names with which the Group maintains collateral agreements.

3.5.2 Credit equivalent amounts for counterparty exposures

In $ millions	2012
Replacement cost	16,208
Potential future exposure	16,928
Gross credit equivalent amount	33,136
Comprising:	
Interest rate contracts	10,521
Credit derivative contracts	3,849
Equity contracts	132
Foreign exchange and gold contracts	18,527
Commodities and precious metals contracts	107
Gross credit equivalent amount	33,136
Less: Effect of netting arrangement	16,029
Credit equivalent amount after netting	17,107
Less: Collateral amount	
Eligible financial collateral	720
Other eligible collateral	16
Net credit equivalent amount	16,371

Counterparty credit exposure is mitigated by exposure netting through ISDA agreements and recognition of eligible collateral, effects of which have been included in regulatory capital calculations where appropriate.

4 EQUITY EXPOSURES IN BANKING BOOK

4.1 SCOPE OF APPLICATION

The Group's banking book equity investments consist of:
- Investments held for yield and/or long-term capital gains;
- Strategic stakes in entities held as part of growth initiatives and/or in support of business operations.

The Group's banking book equity investments are classified and measured in accordance with Financial Reporting Standards and are categorised as either available-for-sale (AFS) investments or investments in associates. Refer to Notes 2.4 and 2.8 to the Financial Statements for the Group's accounting policies. Entities in which the Group holds significant interests are disclosed in Notes 24 and 25 to the Financial Statements.

4.2 CAPITAL TREATMENT

The Group has adopted the IRBA simple risk weight method to calculate regulatory capital for equity exposures in its banking book.

The following tables summarise the Group's equity exposures in the banking book, including investments in Tier 1 capital instruments of financial institutions:

2012 In $ millions	Total exposures	Exposures risk-weighted	Deduction from Tier 1 or Tier 2 Capital
Risk weights			
300%	1,142	1,142	–
400%	1,054	1,054	–
Deducted	370	–	370
Total	2,566	2,196	370

2012	Exposures (in $ millions)	Exposure-weighted average risk weight[(a)] (%)
Major stake companies approved under section 32 of the Banking Act	574	336
Capital investments in financial institutions incorporated in Singapore, approved, licensed, registered or otherwise regulated by the Authority <= 2% of Eligible Total Capital	32	300
Other equity exposures	1,590	353
Total	2,196	348

(a) Percentages disclosed are before the application of IRBA scaling factor

Details of the Group's investments in AFS securities and Associates are set out in Notes 21 and 25 to the Financial Statements respectively while realised gains arising from sale and liquidation of equity exposures are set out in Note 9 to the Financial Statement.

The amount of unrealised gains for AFS equity that have not been reflected in the Group's income statement, but have been included in Tier 2 Capital is $95 million.

5 SECURITISATION EXPOSURES

The Group does not securitise its own assets, nor does it acquire assets with a view to securitising them. The Group does not provide implicit support for any transactions it structures or in which it has invested.

Banking book assets and trading book securitisation positions are valued in accordance with the Group accounting policy for the respective assets and positions. Refer to Note 2 to the Financial Statements on the Group's accounting policy.

Securitisations for clients
The Group arranges securitisations for clients and earns fees for arranging such transactions and placing the securities issued into the market. These transactions do not involve special purpose entities that are controlled by the Group. 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 such arranged transaction is subject to independent risk assessment. Where the Group provides an underwriting commitment, any securitisation exposure arising will be held in the trading book to be traded or sold down in accordance with internal policy and risk limits.

Exposures to client asset-backed securitisations

The Group invests in clients' securitisation transactions from time to time, and this may include securitisation transactions arranged by either the Group or by other parties. The Group may also act as liquidity facility provider, working capital facility provider or swap counterparty. Subject to Notice 637 paragraph 7.1.11, securitisation exposures in the banking book are risk weighted using either SA or the Ratings-Based Method for exposures under IRBA. Such exposures require the approval of the independent risk function prior to being assumed and are subject to regular risk review thereafter, taking into account the underlying risk characteristics of the assets.

Investment in collateralised debt obligations and asset-backed securitisations

The Group continues to hold certain investments in collateralised debt obligations and asset-backed securitisations that were made before 2008. Allowances for credit losses have been made for the total exposures arising from investments in CDOs. The remaining exposures are reviewed regularly by the independent risk function. To determine the capital requirements, the ratings-based method is used for banking book exposures and the standardised approach is used for trading book exposures. Other than these legacy exposures, the Group has invested in asset-backed securitisations in order to meet policy lending requirements in a certain jurisdiction. These latter exposures are in the banking book and risk weighted under SA. They require the approval of the independent risk function prior to being assumed and are subject to regular risk review thereafter, taking into account the underlying risk characteristics of the assets.

The table below sets out the banking book securitisation exposures (net of specific allowances) held by the Group, analysed by regulatory capital approach, risk weights and exposure type:

2012 In $ millions	Total Exposures	Exposures Risk-Weighted	RWA	Deductions from Tier 1 capital and Tier 2 capital
IRBA				
Risk weights				
On-balance sheet[a]				
0% – 29%				
RMBS	3	3	#	–
30% – 100%				
CMBS	164	164	115	–
Off-balance sheet[b]				
30% – 100%				
CMBS	53	53	37	–
Deducted				
ABS CDO & Others	38	–	–	38
Total IRBA	258	220	152	38
SA				
Risk weights				
On-balance sheet[a]				
0% – 29%				
ABS	249	249	50	–
30% – 100%				
ABS	204	204	161	–
Deducted				
ABS	2	–	–	2
Total SA	455	453	211	2
Grand total	713	673	363	40[c]

RMBS refers to Residential Mortgage-Backed Securities
CMBS refers to Commercial Mortgage-Backed Securities
ABS CDO refers to ABS collateralised debt/ loan obligations
ABS refers to Asset-Backed Securities

(a) Includes undrawn commitment
(b) Interest rate and cross currency swaps with securitisation vehicle
(c) Includes resecuritisation exposures amounting to $38m
 # amount below $0.5m

The table below sets out the trading book securitisation exposures held by the Group, analysed by risk weights and exposure type:

2012 In $ millions	Total Exposures	Exposures subject to Specific Risk capital requirement	RWA	Deductions from Tier 1 capital and Tier 2 capital
Risk weights				
On-balance sheet				
0% – 29%				
RMBS	63	63	20	–
30% – 100%				
ABS	2	2	9	–
Deducted				
Tranched Credit Index CDS	86	–	–	86
Total	151	65	29	86

The Group did not enter into any sale of securitisation exposures during the year. The Group did not obtain credit risk mitigants and guarantees for its resecuritisation exposures.

FINANCIAL STATEMENTS

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES

DBS BANK LTD

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

In $ millions	Note	2012	2011
Income			
Interest income		**7,621**	6,555
Interest expense		**2,336**	1,730
Net interest income	5	**5,285**	4,825
Net fee and commission income	6	**1,579**	1,542
Net trading income	7	**737**	698
Net loss from financial instruments designated at fair value	8	**(48)**	(18)
Net income from financial investments	9	**419**	454
Other income	10	**542**	130
Total income		**8,514**	7,631
Expenses			
Employee benefits	11	**1,888**	1,712
Other expenses	12	**1,726**	1,591
Allowances for credit and other losses	13	**417**	722
Total expenses		**4,031**	4,025
Share of profits of associates		**124**	127
Profit before tax		**4,607**	3,733
Income tax expense	14	**588**	443
Net profit for the year		**4,019**	3,290
Attributable to:			
Shareholders		**3,809**	3,035
Non-controlling interests		**210**	255
		4,019	3,290
Basic earnings per ordinary share ($)	15	**1.57**	1.30
Diluted earnings per ordinary share ($)	15	**1.56**	1.26

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

In $ millions	2012	2011
Net profit for the year	**4,019**	3,290
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**(110)**	(38)
Share of other comprehensive income of associates	**(3)**	(1)
Available-for-sale financial assets and others		
Net valuation taken to equity	**622**	398
Transferred to income statement	**(337)**	(425)
Tax on items taken directly to or transferred from equity	**(44)**	31
Other comprehensive income for the year, net of tax	**128**	(35)
Total comprehensive income	**4,147**	3,255
Attributable to:		
Shareholders	**3,948**	3,019
Non-controlling interests	**199**	236
	4,147	3,255

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

BALANCE SHEETS

at 31 December 2012

In $ millions	Note	Group 2012	Group 2011	Company 2012	Company 2011
Assets					
Cash and balances with central banks	17	**17,772**	25,304		
Singapore Government securities and treasury bills	18	**12,092**	12,503		
Due from banks		**28,808**	25,571		
Financial assets at fair value through profit or loss	19	**11,540**	11,927		
Positive fair values for financial derivatives	39	**17,280**	21,164		
Loans and advances to customers	20	**209,395**	194,275		
Financial investments	21	**35,567**	30,491		
Securities pledged and transferred	22	**4,397**	2,634		
Subsidiaries	23	**–**	–	**11,159**	10,957
Investments in associates	25	**1,236**	949		
Goodwill on consolidation	26	**4,802**	4,802		
Properties and other fixed assets	27	**945**	976		
Investment properties	27	**497**	372		
Deferred tax assets	28	**91**	149		
Other assets	29	**8,611**	9,730	**–**	18
Total assets		**353,033**	340,847	**11,159**	10,975
Liabilities					
Due to banks		**25,162**	27,601		
Due to non-bank customers	30	**241,165**	218,992		
Financial liabilities at fair value through profit or loss	31	**7,849**	11,912		
Negative fair values for financial derivatives	39	**17,532**	22,207		
Bills payable		**316**	254		
Current tax liabilities		**824**	837		
Deferred tax liabilities	28	**30**	30		
Other liabilities	32	**8,416**	10,287	**8**	6
Other debt securities in issue	33	**10,236**	10,354		
Subordinated term debts	34	**5,505**	5,304		
Total liabilities		**317,035**	307,778	**8**	6
Net assets		**35,998**	33,069	**11,151**	10,969
Equity					
Share capital	35	**9,645**	9,350	**9,645**	9,350
Treasury shares	35	**(103)**	(154)	**(71)**	(115)
Other reserves	36	**7,229**	7,075	**101**	86
Revenue reserves	36	**14,966**	12,523	**1,476**	1,648
Shareholders' funds		**31,737**	28,794	**11,151**	10,969
Non-controlling interests	37	**4,261**	4,275		
Total equity		**35,998**	33,069	**11,151**	10,969

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

In $ millions	Ordinary shares	Convertible preference shares	Treasury shares	Other reserves	Revenue reserves	Total	Non-controlling interests	Total equity
2012								
Balance at 1 January 2012	9,101	249	(154)	7,075	12,523	28,794	4,275	33,069
Conversion of DBSH Non-voting CPS and Non-voting redeemable CPS to ordinary shares	86	(86)				–		–
Issue of shares upon exercise of share options	25					25		25
Cost of share-based payments				68		68		68
Reclassification of reserves upon exercise of share options	2			(2)		–		–
Draw-down of reserves upon vesting of performance shares			51	(51)		–		–
Issue of shares pursuant to Scrip Dividend Scheme	268					268		268
Final dividends paid for previous year					(677)	(677)		(677)
Interim dividends paid for current year					(689)	(689)		(689)
Dividends paid to non-controlling interests						–	(213)	(213)
Total comprehensive income				139	3,809	3,948	199	4,147
Balance at 31 December 2012	9,482	163	(103)	7,229	14,966	31,737	4,261	35,998
2011								
Balance at 1 January 2011	8,533	247	(84)	7,084	10,819	26,599	6,503	33,102
Issue of shares upon exercise of share options	19					19		19
Cost of share-based payments				54		54		54
Reclassification of reserves upon exercise of share options	2			(2)		–		–
Draw-down of reserves upon vesting of performance shares			45	(45)		–		–
Issue of shares pursuant to Scrip Dividend Scheme	547	2				549		549
Purchase of Treasury shares			(115)			(115)		(115)
Final dividends paid for previous year					(645)	(645)		(645)
Interim dividends paid for current year					(686)	(686)		(686)
Dividends paid to non-controlling interests						–	(275)	(275)
Redemption of preference shares issued by a subsidiary						–	(2,112)	(2,112)
Change in non-controlling interests						–	(77)	(77)
Total comprehensive income				(16)	3,035	3,019	236	3,255
Balance at 31 December 2011	9,101	249	(154)	7,075	12,523	28,794	4,275	33,069

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012

In $ millions	2012	2011
Cash flows from operating activities		
Net profit for the year	**4,019**	3,290
Adjustments for non-cash items:		
Allowances for credit and other losses	**417**	722
Depreciation of properties and other fixed assets	**179**	185
Share of profits of associates	**(124)**	(127)
Net gain on disposal (net of write-off) of properties and other fixed assets	**(42)**	(6)
Net income from financial investments	**(419)**	(454)
Net gain on disposal of subsidiary	**–**	(47)
Net gain on disposal of associate	**(450)**	–
Income tax expense	**588**	443
Profit before changes in operating assets and liabilities	**4,168**	4,006
Increase/(Decrease) in:		
Due to banks	**(2,439)**	8,790
Due to non-bank customers	**22,173**	31,297
Financial liabilities at fair value through profit or loss	**(4,063)**	1,684
Other liabilities including bills payable	**(6,389)**	8,522
Debt securities and borrowings	**(355)**	7,949
(Increase)/Decrease in:		
Restricted balances with central banks	**(366)**	(322)
Singapore Government securities and treasury bills	**411**	(957)
Due from banks	**(3,250)**	(5,297)
Financial assets at fair value through profit or loss	**387**	(1,748)
Loans and advances to customers	**(15,529)**	(43,215)
Financial investments	**(4,674)**	(3,509)
Other assets	**3,605**	(8,366)
Tax paid	**(587)**	(511)
Net cash used in operating activities (1)	**(6,908)**	(1,677)
Cash flows from investing activities		
Dividends from associates	**82**	46
Purchase of properties and other fixed assets	**(338)**	(177)
Proceeds from disposal of properties and other fixed assets	**90**	47
Acquisition of interest in associates	**(566)**	(55)
Disposal of interest in associate	**757**	–
Net cash generated from/(used in) investing activities (2)	**25**	(139)
Cash flows from financing activities		
Increase in share capital	**295**	570
Payment upon maturity of subordinated term debts	**(2,575)**	(1,046)
Issue of subordinated term debts	**2,943**	–
Purchase of treasury shares	**–**	(115)
Dividends paid to shareholders of the Company	**(1,366)**	(1,331)
Dividends paid to non-controlling interests	**(213)**	(275)
Payment upon redemption of preference shares	**–**	(2,112)
Change in non-controlling interests	**–**	(77)
Net cash used in financing activities (3)	**(916)**	(4,386)
Exchange translation adjustments (4)	**(99)**	(19)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(7,898)**	(6,221)
Cash and cash equivalents at 1 January	**18,891**	25,112
Cash and cash equivalents at 31 December (Note 17)	**10,993**	18,891

(The notes on pages 99 to 159 as well as the Risk Management section on pages 74 to 83 form part of these financial statements)

DBS Group Holdings Ltd and its Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2012 were authorised for issue by the directors on 5 February 2013.

1 DOMICILE AND ACTIVITIES

The Company, DBS Group Holdings Ltd, is incorporated and domiciled in the Republic of Singapore and has its registered office at 12 Marina Boulevard, Marina Bay Financial Centre Tower Three, Singapore 018982.

The Company is listed on the Singapore Exchange.

The principal activity of the Company is that of an investment holding company and the principal activity of its main wholly-owned subsidiary, DBS Bank Ltd (the Bank), is the provision of retail, small and medium-sized enterprise, corporate and investment banking services.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Compliance with Singapore Financial Reporting Standards (FRS)
The consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (FRS) and related Interpretations promulgated by the Accounting Standards Council (ASC). In accordance with Section 201(19) of the Companies Act (the Act), the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

The financial statements of the Company are prepared in accordance with FRS including related Interpretations to FRS (INT FRS) promulgated by the ASC. As permitted by Section 201(4B) of the Act, the Company's income statement has not been included in these financial statements.

The financial statements are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated. They are prepared on the historical cost convention, except as disclosed in the accounting policies below.

Differences between International Financial Reporting Standards (IFRS) and FRS
Beyond the above modification to FRS related to Notice No. 612, there are no significant differences between IFRS and FRS in terms of their application to the Group for periods covered by these financial statements and consequently there would otherwise be no significant differences had the financial statements been prepared in accordance with IFRS. The consolidated financial statements together with the notes thereon as set out on pages 99 to 159 include the aggregate of all disclosures necessary to satisfy IFRS and FRS.

2.2 SIGNIFICANT ESTIMATES AND JUDGMENT

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

2.3 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

On 1 January 2012, the Group adopted the new or revised FRS and INT FRS that are applicable in the current financial year. The financial statements have been prepared in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of these new or revised FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)
The revised Framework is based on fundamental economic concepts rather than a collection of arbitrary conventions. The revisions include stipulating existing or potential investors, lenders and other creditors as primary users of financial statements. It also distinguishes between two types of qualitative characteristics that are necessary to provide useful financial information: (1) fundamental qualitative characteristics, comprising relevance and faithful representation and (2) enhancing qualitative characteristics, comprising comparability, timeliness, verifiability and understandability.

There is no impact on the financial statements, as the chapters only provide more clarity about the underlying principles of financial reporting.

Amendments to FRS 107 Financial Instruments: Disclosures
The amendments require additional disclosures for all transferred financial assets that are not derecognised in their entirety, and those that are derecognised in their entirety but for which the transferor retains continuing involvement existing as at the reporting date, irrespective of when the

related transfer transaction occurred. The amendments also clarify the conditions under which an entity is deemed to have transferred a financial asset.

Please refer to Note 22 for the corresponding disclosures.

Standards to be adopted in future reporting periods are outlined in Note 4.

A summary of the most significant group accounting policies are described further below starting with those relating to the entire financial statements followed by those relating to the income statement, the balance sheet and other specific topics. This does not reflect the relative importance of these policies to the Group. A summary of the accounting policies for areas that are not material for the Group's financial statements for the current year are not presented.

A) General Accounting Policies

2.4 GROUP ACCOUNTING

Subsidiaries
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. It is generally accompanied by a shareholding of more than 50% of voting rights. Potential voting rights that are currently exercisable or convertible are considered when determining whether an entity is considered a subsidiary.

The acquisition method is used to account for business combinations. Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases. The consideration transferred for an acquisition is measured as the acquisition-date fair value of the assets transferred, the liabilities incurred and the equity interests issued. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition. Refer to Note 2.12 for the Group's accounting policy on goodwill.

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

Special purpose entities
In the normal course of business, the Group is involved with a number of entities with limited and predetermined activities (special purpose entities or SPEs) in different capacities such as through derivative transactions. While the Group may hold little or no equity in SPEs, it may consolidate such entities under certain circumstances. These include situations where:

- the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE; or
- the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The main SPEs that the Group controls and consolidates are outlined in Note 23. These entities are used for issuance of structured products on behalf of the Group.

Joint ventures
Joint ventures are entities that are jointly controlled by the Group together with one or more parties through contractual arrangements. The Group recognises its interests in joint ventures using the proportionate consolidation method.

Associates
Associates are entities over which the Group has significant influence, but no control, and generally holds a shareholding of between and including 20% and 50% of the voting rights. The Group recognises its investments in associates using the equity method of accounting.

Under the equity method of accounting, an investment is initially carried at cost. The carrying amount is increased or decreased to recognise the Group's share of net assets of the associate, less any impairment in value after the date of acquisition. The results of the associates are taken from the latest audited accounts or unaudited management accounts of the associates and adjusted where required to align with the Group's application of FRS. The accounts are prepared at dates not more than three months prior to the end of the financial year of the Group. Adjustments are made for the effects of significant transactions or events that occur between the two dates.

2.5 FOREIGN CURRENCY TREATMENT

Functional and presentation currency
Items in the financial statements of the Company and each of the Group's subsidiaries are measured using the entities' functional currency, being the currency of the primary economic environment in which the entity operates. The Company's financial statements are presented in Singapore dollars, which is its functional currency. It is also the Group's presentation currency because Singapore dollars form the major currency in which the Group transacts, incurs cost and funds its business.

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity undertaking the transaction at the exchange rate ruling as at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

Foreign currency translation
The results and financial position of the Group's operations whose functional currency is not Singapore dollars are translated into Singapore dollars in the following manner:

- Assets and liabilities are translated at the exchange rates ruling as at the balance sheet date;
- Income and expenses in the income statement are translated at exchange rates prevailing at each month-end, approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income.

For acquisitions prior to 1 January 2005, comprising mainly DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd, the foreign exchange rates at the respective dates of acquisition were used. Please refer to Note 26 for an overview of goodwill recorded. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 will be treated as assets and liabilities of the foreign operation and translated at the closing rate.

On consolidation, foreign exchange differences arising from the translation of net investments in foreign entities, as well as any borrowings and instruments designated as foreign currency hedges of such investments, are recognised in other comprehensive income and accumulated under capital reserves in equity. When a foreign operation is disposed of, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

2.6 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to management responsible for allocating resources and assessing performance of the operating segments. Segment income, segment profits, segment assets and segment liabilities are also measured on a basis that is consistent with internal reporting.

The Group's operating segments comprise Consumer Banking/ Wealth Management, Institutional Banking, Treasury and Others (including activities from corporate decisions, capital and balance sheet management, funding and liquidity). In total, the Group has four reportable segments.

As part of a group that provides integrated financial activities, segments frequently interact with one another including the integrated provision of financial services across its business lines. External client incomes and expenses incurred by internal service providers to reportable segments are allocated on a basis that reflects the relative value generated by each segment. Assets and liabilities of the reportable segments are funded through and invested with the funding management unit within the "Others" segment. Specific and general allowances are generally allocated to the same segment where the corresponding assets to which the provisions pertain to are reported.

The Group also prepares disclosures on its main geographical areas. The segments represent the aggregate financial position of those legal entities that are located in the geographical area (i.e. booking location). The presentation of these segments does not necessarily represent the country to which the Group has exposure due to cross border activities. The credit exposure from customer loans by country of incorporation of borrower is provided in Note 20.

Please refer to Note 47 for further details on business and geographical segment reporting.

B) Income Statement

2.7 REVENUE RECOGNITION

Interest income and interest expense
Interest income and interest expense as presented in Note 5 represent the income on all assets and liabilities regardless of the classification and measurement of the assets and liabilities on accrual or at fair value. No interest expense is accrued on the Group's structured investment deposits which are carried at fair value through profit or loss.

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

Fee and commission income
The Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income is recognised on the completion of a transaction. For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken. Specifically:

- Card-related fee and commission income is recognised net of interchange fees paid;
- Income from issued financial guarantees are generally amortised over the duration of the instruments. For loan commitments, revenue is recognised over the period covered by the commitment. Please see Note 2.15 for the accounting policy on such commitments. Loan syndication fee received as payment for arranging a loan is recognised as revenue when the act has been completed, i.e. when the syndication has been finalised and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants;
- Management and advisory fees are recognised over the period for which the services are provided.

Fees that are recognised upon the completion of a single transaction include underwriting fees, brokerage fees and fees related to completion of corporate finance transactions in general.

Expenses that are required, directly related and incremental to the revenue generation are offset in the net fee and commission. These typically include brokerage fees paid, card-related expenses, sales commissions but do not include expenses for services delivered over a period (service contracts) and other expenses that are not directly related to any specific transaction. Judgment is required in making these determinations.

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

Allowances for credit and other losses
Please refer to Note 2.10 for the accounting policy on impairment on financial assets including loan loss provisions.

C) Balance Sheet

2.8 FINANCIAL ASSETS

Initial recognition
Purchases and sales of all financial assets regardless of the subsequent classification and measurement are recognised on the date that the Group enters into the contractual provisions of the arrangements with counterparties. When the Group acts in a capacity as trustee or other fiduciary capacity without the direct control or direct benefit from the assets, these assets and the corresponding income belonging to a customer are excluded from the financial statements.

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

Classification and subsequent measurement
The Group attempts to classify and measure financial assets based on the business model in which they are applied and how management monitors performance. The classification is consistently applied across segments and where allowed by FRS. FRS mandates the classification and measurement for financial assets based on their nature and purpose, which broadly means:

- Financial assets (other than derivatives) that are managed mainly for longer term holding and collection of payments are classified as **loans and receivables**. These assets have fixed or determinable payments, are not quoted in an active market and are mainly transactions within the segments "Consumer Banking/Wealth Management" and "Institutional Banking". Loans and receivables are carried at amortised cost using the effective interest method. The majority of these assets are reported on the balance sheet under "Due from banks" and "Loans and advances to customers" but also in other captions. The income from these assets is reported in the income statement mainly as "Interest income".

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

  Financial assets at fair value through profit or loss are reported on the balance sheet mainly under "Financial assets at fair value through profit or loss" and "Singapore Government securities and treasury bills" where these are held either for the purpose of market making and trading purposes. Realised or unrealised gains or losses on such financial assets, except interest income, are taken to "Net trading income" and "Net income from financial instruments designated at fair value" in the income statement in the period they arise.

- **Derivatives** are classified as assets when the fair value is positive ("Positive fair values for financial derivatives") and as liabilities when the fair value is negative ("Negative fair values for financial derivatives"). Changes in the fair value of derivatives other than those designated as hedges in accordance with Note 2.18 are included in "Net trading income". Where a derivative is linked to and settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, cost may be the best and only approximation of fair value for the derivative. In some cases, derivatives may be embedded in financial contracts otherwise carried at amortised cost. Embedded derivatives may be separated from the host contract and accounted for as a standalone derivative instrument at fair value through profit or loss when required by FRS 39. For such cases, the embedded derivatives are reported on the balance sheet under "Positive/Negative fair values for financial derivatives" and are measured at fair value with changes in fair value recognised in "Net trading income".

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

  Unrealised gains or losses arising from changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale revaluation reserves. When sold or impaired, the accumulated fair value adjustments in the available-for-sale revaluation reserves are reclassified to the income statement. Unquoted equity investments classified as available-for-sale for which fair values cannot be reliably determined are carried at cost, less impairment. These assets are presented on the balance sheet under "Singapore Government securities and treasury bills" and "Financial investments".

Where FRS does not allow for a classification and measurement that reflect the management of the financial assets (or financial liabilities), the Group may apply hedge accounting where permissible and relevant to better reflect the management of the financial assets. Please see Note 2.18 for details on hedging and hedge accounting.

Please refer to Note 16 for further details on the types of financial assets classified and measured as above.

Reclassification of financial assets
When the purpose for holding a financial asset changes, or when FRS otherwise requires it, non-derivative financial assets are reclassified accordingly. Financial assets may be classified out of the fair value through profit or loss or available-for-sale categories in particular circumstances as prescribed by FRS 39. The Group made a one-off reclassification in 2008 and 2009 as outlined in Note 16.

Reclassifications are made at fair value as of the reclassification date. The fair value becomes the new cost or amortised cost as applicable. Any gain or loss already recognised in the income statement before the reclassification date is not reversed.

Determination of fair value
The fair value of financial assets is the amount for which they could be exchanged between knowledgeable, willing parties in arm's length transaction. Determining fair value is considered a significant accounting policy for the Group and further details are disclosed in Note 42.1 on fair value measurements.

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

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

The Group enters into certain transactions where it transfers financial assets recognised on its balance sheet but retains either all or a portion of the risks and rewards of the transferred financial assets. If all or substantially all risks and rewards are retained, the transferred financial assets are not derecognised from the balance sheet. Transactions where transfers of financial assets result in the Group retaining all or substantially all risks and rewards include repurchase transactions described in Note 2.11. They also include certain transactions where control over the financial asset is retained, for example, by a simultaneous transaction with the same counterparty to which the asset is transferred such as options. They are mainly transacted in the "Treasury" segment. In such cases the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Please refer to Note 22 for disclosures on transferred financial assets.

2.9 CASH AND CASH EQUIVALENTS

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

2.10 IMPAIRMENT OF FINANCIAL ASSETS

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

(a) Financial assets classified as loans and receivables
The Group carries out regular and systematic reviews of all credit facilities extended to customers.

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

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

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

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

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

Specific allowance for an individual credit exposure is made when existing facts, conditions or valuations indicate that the Group is not likely to collect the principal and interest due contractually on the claim. An allowance is reversed only when there has been an identifiable event that led to an improvement in the collectability of the claim. The amount of specific allowance also takes into account the collateral value, which may be discounted to reflect the impact of a forced sale or untimely liquidation. Over-due unsecured consumer loans which are homogenous in nature such as credit card receivables are pooled according to their delinquency behaviour and evaluated for impairment collectively as a group, taking into account the historical loss experience of such loans.

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

General allowances for credit losses
Apart from specific allowances, the Group also carries general allowances for credit losses. The Group maintains a level of allowances that is deemed sufficient to absorb the estimated credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). The Group maintains general allowances of at least 1% of credit exposures arising from both on and off-balance sheet items (against which specific allowances have not been made) adjusted for collaterals held. This is in accordance with the transitional arrangements under Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

Loans which are restructured as determined in Note 43.2 will no longer be presented as past due but remain classified as non-performing. Accordingly such loans will continue to follow the accounting treatment for the relevant classification as outlined above.

(b) Financial assets classified as available-for-sale
The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of an equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. When there is objective evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from the revaluation reserve within equity to the income statement. Impairment losses recognised in the income statement on equity investments are not reversed, until the equity investments are disposed of. A subsequent recovery in the value of an available-for-sale debt instrument whose value has been impaired is reversed through the income statement if there has been an identifiable event that led to the recovery.

2.11 REPURCHASE AGREEMENTS

Repurchase agreements (***Repos***) are treated as collateralised borrowing. The amount borrowed is reflected as a liability either as "Due to non-bank customers", "Due to banks" or "Financial liabilities at fair value through profit or loss" when related to trading activities. The securities sold under repos are treated as pledged assets and remain on the balance sheet at amortised cost or fair value depending on their classification.

Reverse repurchase agreements (***Reverse repos***) are treated as collateralised lending. The amount lent is reflected as an asset either as "Loans and advances to customers", "Due from banks" or "Financial assets at fair value through profit or loss".

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

2.12 GOODWILL ON CONSOLIDATION

Goodwill arising from business combinations on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill in business combinations prior to 1 January 2010 represents the excess of acquisition cost over the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed at the date of exchange. Goodwill is stated at cost less impairment losses and it is tested at least annually for impairment.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (CGU) or group of CGUs expected to benefit from the combination's synergies for the purpose of impairment testing. The determination of CGUs takes into account how the Group manages and reports its businesses and requires judgment.

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

2.13 PROPERTIES AND OTHER FIXED ASSETS

Properties (including investment properties) and other fixed assets are stated at cost less accumulated depreciation and allowances for impairment. The cost of an item of properties and other fixed assets includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to write down the cost of properties and other fixed assets to their residual values over their estimated useful lives. Generally, the useful lives are as follows:

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

The estimated useful life and residual values of properties and other fixed assets are reviewed on each balance sheet date.

Subsequent expenditure relating to properties and other fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Other subsequent expenditure is recognised as hire and maintenance expense in the income statement during the financial year in which it is incurred.

Properties and other fixed assets are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

Upon disposal, the difference between the net disposal proceeds and the carrying amount is taken to the income statement.

Please refer to Note 27 for the details of properties and other fixed assets and their movements during the year.

2.14 FINANCIAL LIABILITIES

Initial recognition, classification and subsequent measurement

Financial liabilities are initially recognised at fair value. The Group classifies and measures its financial liabilities where allowed by FRS in accordance with the purpose for which the financial liabilities are incurred and managed. Accordingly,

- Financial liabilities are classified as **financial liabilities at fair value through profit or loss** if they are incurred for the purpose of repurchasing in the near term (held for trading) or designated by management on initial recognition (designated under the fair value option). This is mainly the case within the "Treasury" segment and pertains often to short positions in securities for the purpose of ongoing market making, hedging or trading. Such financial liabilities are reported on the balance sheet under "Financial liabilities at fair value through profit or loss".

  In addition, some financial liabilities used to fund specific financial assets measured at fair value through profit or loss are designated under the fair value option when doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise. Please refer to Note 31 for details on these financial liabilities in the Group's financial statements.

  Realised or unrealised gains or losses on financial liabilities held for trading and financial liabilities designated under the fair value option, except interest expense, are taken to "Net trading income" and "Net income from financial instruments designated at fair value" respectively in the income statement in the period they arise.

- Derivative liabilities are treated consistently with derivative assets. Please refer to Note 2.8 for the accounting policy on derivatives.

- Other financial liabilities are carried at **amortised cost** using the effective interest method. These comprise predominantly the Group's deposit portfolio under "Due to non-bank customers" and "Due to banks", and those under "Other liabilities".

Please refer to Note 16 for further details on the types of financial liabilities classified and measured as above.

Determination of fair value
The fair value of financial liabilities is the amount the liability can be settled at. The fair value is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value.

Please refer also to Note 42.1 for further fair value measurement disclosures.

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

2.15 LOAN COMMITMENTS, LETTERS OF CREDIT AND FINANCIAL GUARANTEES

Loan Commitments
Loan commitments are typically not financial instruments and are not recognised on balance sheet but are disclosed off-balance sheet in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets. They form part of the disclosures in Note 38. Upon a loan draw-down by the counterparty, the amount of the loan is generally accounted for under "Loans and receivables" as described in Note 2.8.

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

Financial Guarantees
A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the initial measurement less amortisation and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

The exposure to potential losses associated with a financial guarantee is monitored periodically. When there is objective evidence indicating probable losses, a provision is recognised for the financial guarantee.

2.16 PROVISIONS AND OTHER LIABILITIES

Provisions are recognised when:

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

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

2.17 SHARE CAPITAL AND TREASURY SHARES

Ordinary shares and preference shares which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity. Incremental external costs directly attributable to the issuance of new shares are deducted against share capital.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of the treasury shares is deducted against either the share capital account or retained earnings. When treasury shares are subsequently sold or reissued, any realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserves.

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

D) Other Specific Topics

2.18 HEDGING AND HEDGE ACCOUNTING

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

In some cases, these hedges are designated as such for accounting purposes in order to modify the timing of the recognition of the profit or loss from the instruments in accordance with the items they are intended to hedge. Such designation requires the Group to meet strict requirement for documentation and hedge effectiveness as set out in FRS 39. For such hedge accounting relationships, each entity within the Group documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge. Each entity within the Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

Specifically hedge accounting is applied in the following types of hedge relationships.

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

For a qualifying fair value hedge, the changes in the fair value of the hedging derivatives are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk. Gain or loss arising from hedge ineffectiveness is recognised in the income statement.

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

Cash flow hedge
Cash flow hedge accounting is employed principally for hedges against variability in exchange rates from highly probable forecast transactions including interest cash flows expected to occur at various future dates. In addition, cash flow hedge accounting is applied to currency swaps used to hedge foreign currency cash flows of purchased bonds to avoid volatility from the recognition of changes in forward points in the currency swaps that is inconsistent with the management's strategy. Such hedging is performed mainly by funding management unit in "Others" segment.

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

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

Net investment hedge
Net investment hedging is applied to hedge investments which comprise certain subsidiaries, branches, associates and joint ventures with a functional currency different from that of the Group. Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or fully opened.

Hedges of net investments in the Group's foreign operations are accounted for in a manner similar to cash flow hedges. The gain or loss from the derivative relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the capital reserves in equity. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement under "Net trading income". On disposal of the foreign operations, the cumulative gain or loss in the capital reserves is reclassified to the income statement under "Net trading income".

Economic hedges which do not qualify for hedge accounting
Some hedging instruments serve as fully or partially effective economic hedges but do not qualify for hedge accounting given the exact nature of the derivatives or due to the inability to prove expected effectiveness of the hedging relationship within the strict requirements outlined by FRS 39. This includes entering into swaps and other derivatives (e.g. futures, options) to manage interest rate, foreign exchange and other risks. Such hedges are treated in the same way as derivative instruments used for trading purposes, i.e. realised and unrealised gains and losses are recognised in "Net trading income". Similarly, the hedged exposures are typically recorded at fair value through profit or loss, thereby achieving some measure of offset in the income statement.

Derivatives that do not qualify for hedge accounting include some hedges entered into as part of documented interest rate management strategies. The size and direction of changes in fair value of non-qualifying hedges can be volatile from year to year, but do not alter the cash flows expected as part of the documented management strategies for both the non-qualifying hedge instruments and the assets and liabilities to which the documented interest rate strategies relate. Non-qualifying hedges therefore operate as economic hedges of the related assets and liabilities.

Please refer to Note 39.2 for disclosures on hedging derivatives.

2.19 EMPLOYEE BENEFITS

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

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

2.20 SHARE-BASED COMPENSATION

Employee benefits also include share-based compensation, namely the DBSH Share Ownership Scheme (the Scheme), the DBSH Share Option Plan, the DBSH Share Plan and the DBSH Employee Share Plan (the Plans). The details of the Scheme and Plans are described in Note 40.

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

For the DBSH Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The employee trust funds are consolidated and the DBSH shares held by the trust funds are accounted for as "Treasury shares", which is presented as a deduction within equity.

2.21 CURRENT AND DEFERRED TAXES

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

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

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill that is not deductible for tax purposes and for the initial recognition of assets or liabilities that neither affects accounting nor taxable profit, other than a business combination. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising from investments in subsidiaries, branches, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

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

3 CRITICAL ACCOUNTING ESTIMATES

The Group's accounting policies and use of estimates are integral to the reported results. Certain accounting estimates require exercise of management's judgment in determining the appropriate methodology for valuation of assets and liabilities. In addition, procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of the Group's critical accounting estimates involving management's valuation judgment.

3.1 IMPAIRMENT ALLOWANCES

It is the Group's policy to establish, through charges against profit, specific and general allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2.10.

A significant judgmental area is the calculation of general and other allowances assessed on a collective basis. Such allowances require judgment partly because it is not possible or practical to determine losses on individual loans due to the large number of individual loans and hence a portfolio assessment is required taking into account historical data and combined with professional judgment by management on the current economic and credit environment. In determining such allowances, management considers country and portfolio risks, as well as industry practices. Please refer to the Risk Management section for a further description of the risk management strategies applied.

3.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, such as interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The determination of fair value is subject to the Valuation Framework approved by the Board Risk Management Committee (BRMC) and the oversight of senior management committees. The Valuation Framework is implemented by the Group through policies and procedures approved by the committees. These policies and procedures facilitate the exercise of judgment in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgment may also be applied in adjusting prices for less readily observable external parameters such as through the use of valuation reserves. Other factors such as model assumptions and market dislocations leading to market anomalies can also materially affect these estimates. Please refer to Note 42 for details about the fair value hierarchy of the Group's financial instruments measured at fair value.

The fair value of financial instruments without an observable market price in liquid market may be determined using valuations models. The choice of model requires significant judgment for complex products especially those in the "Treasury" segment and is governed by the above Valuation Framework and subject to approval by an independent control function. Note 42 provides details of financial instruments that are valued with observable and unobservable parameters (Levels 1 to 3). Instruments designated as Levels 2 and 3 are frequently revalued using a valuation technique employing a relevant model.

3.3 GOODWILL ON CONSOLIDATION

The Group performs an impairment review to ensure that the carrying amount of the CGU, to which the goodwill is allocated, does not exceed the recoverable amount of the CGU. Note 26 provides details of goodwill as of the reporting date.

The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgment in estimating the future cash flows, growth rate and discount rate.

3.4 INCOME TAXES

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where uncertainty exists around the Group's tax position including resolution of any related appeals or litigation processes, appropriate provisions are provided based on technical merits of the positions with the same tax authority. Note 28 provides details of the Group's deferred tax assets/liabilities. In general, determination of the value of assets/liabilities relating to carry forward tax losses requires judgment.

Judgment is also required for other areas of the Group's financial statements including the application of hedge accounting and consolidation of entities.

4 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS

The Group has not applied the following FRS that have been issued but are not yet effective. These new/revised standards will be adopted by the Group for annual periods commencing on their effective dates as indicated below, and are not expected to have significant impact to the Group's financial statements. The adoption of FRS 107, FRS 112 and FRS 113 as outlined below, will mandate additional disclosures for the Group's financial statements.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
The amendments require entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially recycled to the income statement (reclassification adjustments). Where an entity presents its comprehensive income in two separate statements, the amendments specifically require these statements to be presented consecutively.

FRS 113 Fair Value Measurement (effective 1 January 2013)
FRS 113 defines fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. It explains how to measure the fair

value when it is required by other FRS. It does not introduce new fair value measurements, neither does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
The amendments require more extensive disclosures than are currently required under FRS. The disclosures focus on quantitative information about recognised financial instruments that are offset on the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset on the balance sheet.

Annual Improvements 2011 (effective 1 January 2013)
As part of IASB's annual improvements project, there are amendments made to 7 standards this year. These revisions are of a technical or clarifying nature.

FRS 110 Consolidated Financial Statements (effective 1 January 2014)
FRS 110 establishes control as the basis for determining which entities are consolidated. It provides a single model to be applied in the control analysis for all investees, including special purpose entities that are currently within the scope of INT FRS 12 Consolidation – Special Purpose Entities. Control exists under FRS 110 when the investor has power, exposure to variable returns and the ability to use that power to affect its returns from the investee.

FRS 111 Joint Arrangements (effective 1 January 2014)
FRS 111 applies to all parties to a joint arrangement including those who participate in, but do not have joint control of, a joint arrangement. The standard prescribes the accounting for joint operations and joint ventures in both consolidated and separate financial statements.

FRS 112 Disclosure of Interests in Other Entities (effective 1 January 2014)
FRS 112 combines the existing disclosure requirements in a single disclosure standard. It requires the disclosure of summarised financial information about each subsidiary that has material non-controlling interests as well as material associates and joint ventures. It also sets out new disclosure requirements such as financial or other support provided to consolidated and unconsolidated structured entities, and financial information about unconsolidated structured entities that the reporting entity had sponsored.

Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
The amendments clarify that to qualify for offsetting in the balance sheet, the right of set-off must not be contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

5 NET INTEREST INCOME

In $ millions	The Group 2012	2011
Cash and balances with central banks and Due from banks	**496**	532
Loans and advances to customers	**5,644**	4,571
Debt securities	**1,481**	1,452
Total interest income	**7,621**	6,555
Due to banks	**269**	196
Due to non-bank customers	**1,684**	1,267
Others	**383**	267
Total interest expense	**2,336**	1,730
Net interest income	**5,285**	4,825
Comprising:		
Interest income for financial assets at fair value through profit or loss	**353**	317
Interest income for financial assets not at fair value through profit or loss	**7,268**	6,238
Interest expense for financial liabilities at fair value through profit or loss	**(92)**	(87)
Interest expense for financial liabilities not at fair value through profit or loss	**(2,244)**	(1,643)
Total	**5,285**	4,825

6 NET FEE AND COMMISSION INCOME

In $ millions	The Group 2012	2011
Stockbroking	**179**	214
Investment banking	**148**	190
Trade and remittances	**320**	284
Loan-related	**333**	359
Guarantees	**79**	71
Deposit-related	**74**	82
Cards[(b)]	**299**	267
Wealth management	**300**	228
Others[(c)]	**43**	71
Fee and commission income	**1,775**	1,766
Less: fee and commission expense	**196**	224
Net fee and commission income[(a)]	**1,579**	1,542

(a) Includes net fee and commission income of $29 million (2011: $42 million), which is derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss is $603 million (2011: $607 million) during the year
(b) Cards fees are net of interchange fees paid
(c) 2011 includes fund management fees

7 NET TRADING INCOME

In $ millions	The Group 2012	2011
Foreign exchange	**705**	726
Interest rates, credit and equities[a]	**32**	(28)
Total	**737**	698

(a) Includes dividend income of $11 million (2011: $12 million)

8 NET LOSS FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

In $ millions	The Group 2012	2011
Financial assets designated at fair value	**(3)**	(42)
Financial liabilities designated at fair value	**(45)**	24
Total	**(48)**	(18)

Gains or losses from changes in fair value of financial liabilities designated at fair value not attributable to changes in market conditions are not material. Refer to Note 31.

9 NET INCOME FROM FINANCIAL INVESTMENTS

In $ millions	The Group 2012	2011
Debt securities		
– Available-for-sale	**294**	301
– Loans and receivables	**7**	6
Equity securities[a][b]	**118**	147
Total[c]	**419**	454
Comprising net gains transferred from:		
Available-for-sale revaluation reserves	**345**	425

(a) Includes gain on sale of unquoted equity securities which were stated at cost of $3 million (2011: $1 million), their carrying amounts were $40,000 (2011: $1) at the time of sale
(b) Includes dividend income of $38 million (2011: $24 million)
(c) Includes fair value impact of hedges for the financial investments

10 OTHER INCOME

In $ millions	The Group 2012	2011
Rental income	**23**	19
Net gain on disposal of properties and other fixed assets	**49**	19
Others[a]	**470**	92
Total	**542**	130

(a) 2012 includes a $450 million gain from the partial divestment of the Bank of the Philippine Islands investment. Refer to Note 25 for details. 2011 includes a $47 million gain from the disposal of DBS Asset Management

11 EMPLOYEE BENEFITS

In $ millions	The Group 2012	2011
Salary and bonus	**1,544**	1,434
Contributions to defined contribution plans	**95**	83
Share-based expenses	**68**	54
Others	**181**	141
Total	**1,888**	1,712

12 OTHER EXPENSES

In $ millions	The Group 2012	2011
Computerisation expenses[a]	**622**	640
Occupancy expenses[b]	**330**	291
Revenue-related expenses	**222**	170
Others[c]	**552**	490
Total	**1,726**	1,591

(a) Includes hire and maintenance of computer hardware and software
(b) Includes rental expenses of office and branch premises of $178 million (2011: $148 million) and amounts incurred in the maintenance and service of buildings owned by the Group's subsidiary companies
(c) Includes office administration expenses (e.g. printing and stationery, telecommunications, etc), legal and professional fees

In $ millions	The Group 2012	2011
Depreciation expenses	**179**	185
Hire and maintenance of fixed assets, including building-related expenses	**319**	277
Expenses on investment properties	**1**	1
Audit fees payable to external auditors[a]:		
– Auditors of the Company	**3**	3
– Associated firms of Auditors of the Company	**3**	3
Non audit fees payable to external auditors[a]:		
– Auditors of the Company	**#**	#
– Associated firms of Auditors of the Company	**1**	1

 # Amount under $500,000
(a) PricewaterhouseCoopers network firms

13 ALLOWANCES FOR CREDIT AND OTHER LOSSES

In $ millions	The Group 2012	2011
Loans and advances to customers (Note 20)	**379**	638
Financial investments		
– Available-for-sale	**16**	4
– Loans and receivables	**1**	17
Properties and other fixed assets	**1**	1
Off-balance sheet credit exposures	**5**	26
Others (bank loans and sundry debtors)	**15**	36
Total	**417**	722

The table below shows the movements in specific and general allowances during the year for the Group:

	The Group				
In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2012					
Specific allowances					
Loans and advances to customers (Note 20)	**1,188**	**198**	**(149)**	**(20)**	**1,217**
Financial investments	**66**	**17**	**(10)**	**(2)**	**71**
Properties and other fixed assets	**62**	**1**	**(12)**	**(1)**	**50**
Off-balance sheet credit exposures	**40**	**(8)**	**–**	**(30)**	**2**
Others (bank loans and sundry debtors)	**45**	**(2)**	**(3)**	**(1)**	**39**
Total specific allowances	**1,401**	**206**	**(174)**	**(54)**	**1,379**
Total general allowances for credit exposures	**2,339**	**211**	**–**	**(39)**	**2,511**
Total allowances	**3,740**	**417**	**(174)**	**(93)**	**3,890**
2011					
Specific allowances					
Loans and advances to customers (Note 20)	1,152	194	(177)	19	1,188
Financial investments	72	28	(34)	–	66
Properties and other fixed assets	68	1	(6)	(1)	62
Off-balance sheet credit exposures	24	17	–	(1)	40
Others (bank loans and sundry debtors)	119	4	(80)	2	45
Total specific allowances	1,435	244	(297)	19	1,401
Total general allowances for credit exposures	1,852	478	–	9	2,339
Total allowances	3,287	722	(297)	28	3,740

14 INCOME TAX EXPENSE

Income tax expense in respect of profit for the financial year is analysed as follows:

In $ millions	The Group 2012	The Group 2011
Current tax expense		
– Current year	**637**	582
– Prior years' provision	**(63)**	(113)
Deferred tax expense		
– Prior years' provision	**(2)**	–
– Effect of change in tax rate	**–**	1
– Origination of temporary differences	**16**	(27)
Total	**588**	443

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

In $ millions	The Group 2012	The Group 2011
Accelerated tax depreciation	**7**	(4)
Allowances for loan losses	**6**	8
Other temporary differences	**1**	(30)
Deferred tax charge/(credit) to income statement	**14**	(26)

The tax on the Group's profit (before share of profits of associates) differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In $ millions	The Group 2012	The Group 2011
Profit	**4,483**	3,606
Prima facie tax calculated at a tax rate of 17% (2011: 17%)	**762**	613
Effect of different tax rates in other countries	**88**	55
Effect of change in tax rate	**–**	1
Net income not subject to tax	**(96)**	(62)
Net income taxed at concessionary rate	**(69)**	(62)
Others	**(97)**	(102)
Income tax expense charged to income statement	**588**	443

Refer to Note 28 for further information on deferred tax assets/liabilities.

15 EARNINGS PER ORDINARY SHARE

Number of shares (millions)		The Group 2012	The Group 2011
Weighted average number of ordinary shares in issue	(a)	**2,413**	2,316
Dilutive effect of share options		**1**	1
Full conversion of non-voting redeemable CPS		**30**	100
Full conversion of non-voting convertible preference shares		**–**	#
Weighted average number of ordinary shares in issue (diluted)	(aa)	**2,444**	2,417

\# *Amount under 500,000*

In $ millions		The Group 2012	The Group 2011
Net profit attributable to shareholders (Net Profit)	(b)	**3,809**	3,035
Net profit (less preference dividends)	(c)	**3,800**	3,005
Earnings per ordinary share ($)			
Basic	(c)/(a)	**1.57**	1.30
Diluted	(b)/(aa)	**1.56**	1.26

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the effect of a full conversion of non-voting convertible preference shares (CPS) and non-voting redeemable CPS. In addition, the calculation takes into account the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the average share price during the financial year.

16 MEASUREMENT BASIS OF FINANCIAL INSTRUMENTS

	The Group 2012					
In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Hedging derivatives	Total
Assets						
Cash and balances with central banks	–	–	14,841	2,931	–	17,772
Singapore Government securities and treasury bills	2,274	–	–	9,818	–	12,092
Due from banks	–	–	27,514	1,294	–	28,808
Financial assets at fair value through profit or loss	10,351	1,189	–	–	–	11,540
Positive fair values for financial derivatives	17,044	–	–	–	236	17,280
Loans and advances to customers	–	–	209,395	–	–	209,395
Financial investments	–	–	9,553	26,014	–	35,567
Securities pledged and transferred	1,662	–	53	2,682	–	4,397
Other assets	–	–	8,611	–	–	8,611
Total financial assets	31,331	1,189	269,967	42,739	236	345,462
Non-financial assets[(a)]						7,571
Total assets						353,033
Liabilities						
Due to banks	–	–	25,162	–	–	25,162
Due to non-bank customers	–	–	241,165	–	–	241,165
Financial liabilities at fair value through profit or loss	5,754	2,095	–	–	–	7,849
Negative fair values for financial derivatives	17,243	–	–	–	289	17,532
Bills payable	–	–	316	–	–	316
Other liabilities	–	–	8,190	–	–	8,190
Other debt securities in issue	–	–	10,236	–	–	10,236
Subordinated term debts	–	–	5,505	–	–	5,505
Total financial liabilities	22,997	2,095	290,574	–	289	315,955
Non-financial liabilities[(b)]						1,080
Total liabilities						317,035

(a) Includes investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Hedging derivatives	Total
	The Group 2011					
Assets						
Cash and balances with central banks	–	–	23,401	1,903	–	25,304
Singapore Government securities and treasury bills	2,039	–	–	10,464	–	12,503
Due from banks	–	–	24,193	1,378	–	25,571
Financial assets at fair value through profit or loss	11,394	533	–	–	–	11,927
Positive fair values for financial derivatives	20,989	–	–	–	175	21,164
Loans and advances to customers	–	–	194,275	–	–	194,275
Financial investments	–	–	9,244	21,247	–	30,491
Securities pledged and transferred	1,361	–	–	1,273	–	2,634
Other assets	–	–	9,730	–	–	9,730
Total financial assets	35,783	533	260,843	36,265	175	333,599
Non-financial assets[(a)]						7,248
Total assets						340,847
Liabilities						
Due to banks	–	–	27,601	–	–	27,601
Due to non-bank customers	–	–	218,992	–	–	218,992
Financial liabilities at fair value through profit or loss	6,764	5,148	–	–	–	11,912
Negative fair values for financial derivatives	21,806	–	–	–	401	22,207
Bills payable	–	–	254	–	–	254
Other liabilities	–	–	10,037	–	–	10,037
Other debt securities in issue	–	–	10,354	–	–	10,354
Subordinated term debts	–	–	5,304	–	–	5,304
Total financial liabilities	28,570	5,148	272,542	–	401	306,661
Non-financial liabilities[(b)]						1,117
Total liabilities						307,778

(a) Includes investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

In 2008 and 2009, the Group had reclassified certain financial assets between categories as a result of its change in holding intention. Had the Group not reclassified assets out of the available-for-sale category into the loans and receivables category, fair value gains recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $3 million (2011: losses of $16 million) in the revaluation reserves. The impact of other reclassifications would not have a material impact on the income statement for the current period.

The Group has the intention and ability to hold the reclassified assets in the loans and receivables category for the foreseeable future or until maturity.

The fair values and carrying amounts of the reclassified financial assets are as follows:

In $ millions Reclassified from	Reclassified to	The Group 2012 Fair values	 Carrying amounts	 2011 Fair values	 Carrying amounts
Reclassified in 2009					
Held for trading	Loans and receivables	**4**	**4**	17	17
Reclassified in 2008					
Held for trading	Available-for-sale	**106**	**106**	635	635
Available-for-sale	Loans and receivables	**447**	**445**	529	531
Total		**557**	**555**	1,181	1,183

17 CASH AND BALANCES WITH CENTRAL BANKS

In $ millions	The Group 2012	 2011
Cash on hand	**1,656**	1,629
Non-restricted balances with central banks	**9,337**	17,262
Cash and cash equivalents	**10,993**	18,891
Restricted balances with central banks [(a)]	**6,779**	6,413
Total	**17,772**	25,304

(a) Mandatory balances with central banks

18 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In $ millions	The Group 2012	 2011
Held for trading	**2,639**	2,272
Available-for-sale	**10,294**	10,987
Total	**12,933**	13,259
Less: securities pledged and transferred	**841**	756
	12,092	12,503

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2012	 2011
Held for trading		
Other government securities and treasury bills	**6,206**	6,790
Corporate debt securities	**4,609**	3,892
Equity securities	**235**	229
Other financial assets (due from banks)	**598**	1,611
Sub-total	**11,648**	12,522
Designated at fair value through profit or loss		
Corporate debt securities	**65**	88
Loans and advances to customers (Note 20)	**1,124**	445
Sub-total	**1,189**	533
Total	**12,837**	13,055
Less: securities pledged and transferred	**1,297**	1,128
	11,540	11,927

Corporate debt, equity and government securities

In $ millions	The Group 2012	 2011
Analysed by industry		
Manufacturing	**308**	313
Building and construction	**175**	227
General commerce	**176**	148
Transportation, storage and communications	**335**	340
Financial institutions, investment and holding companies	**3,137**	2,448
Government	**6,206**	6,790
Others	**778**	733
Total	**11,115**	10,999
Analysed by geography[(a)]		
Singapore	**1,300**	1,173
Hong Kong	**1,206**	1,610
Rest of Greater China	**2,383**	2,029
South and Southeast Asia	**3,029**	2,922
Rest of the World	**3,197**	3,265
Total	**11,115**	10,999

(a) Based on the country of incorporation of the issuer

In $ millions	The Group 2012	2011
Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	**1,124**	445
Credit derivatives/enhancements – protection bought	**(1,124)**	(445)
Cumulative change in fair value arising from changes in credit risk	**(61)**	(77)
Cumulative change in fair value of related credit derivatives/enhancements	**61**	77

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

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was a gain of $16 million (2011: loss of $63 million).

During the year, the amount of change in the fair value of the related credit derivatives/enhancements was a loss of $16 million (2011: gain of $63 million).

20 LOANS AND ADVANCES TO CUSTOMERS

In $ millions	The Group 2012	2011
Gross	**213,828**	197,827
Less: Specific allowances	**1,217**	1,188
General allowances	**2,092**	1,919
	210,519	194,720
Of which: loans and advances held at fair value through profit or loss (Note 19)	**1,124**	445
	209,395	194,275
Comprising:		
Bills receivable	**32,086**	24,980
Loans	**177,309**	169,295
	209,395	194,275

In $ millions	The Group 2012	2011
Analysed by industry[(a)]		
Manufacturing	**26,625**	24,872
Building and construction	**32,073**	28,527
Housing loans	**45,570**	41,322
General commerce	**38,077**	34,159
Transportation, storage and communications	**17,177**	16,929
Financial institutions, investment and holding companies	**16,914**	19,743
Professionals and private individuals (excluding housing loans)	**14,969**	12,800
Others	**22,423**	19,475
Gross total	**213,828**	197,827
Analysed by product		
Long-term loans	**92,917**	87,860
Short-term facilities	**39,521**	40,204
Overdrafts	**3,424**	3,317
Housing loans	**45,570**	41,322
Bills receivable	**32,396**	25,124
Gross total	**213,828**	197,827
Analysed by currency		
Singapore dollar	**90,503**	78,756
Hong Kong dollar	**29,443**	31,511
US dollar	**67,156**	61,007
Others	**26,726**	26,553
Gross total	**213,828**	197,827
Analysed by geography[(b)]		
Singapore	**101,485**	89,427
Hong Kong	**38,119**	40,369
Rest of Greater China	**30,678**	30,147
South and Southeast Asia	**23,045**	19,290
Rest of the World	**20,501**	18,594
Gross total	**213,828**	197,827

(a) The industry classifications have been prepared at the level of the borrowing entity. A loan to an entity is classified by the industry in which it operates, even though its parent or group's main business may be in a different industry

(b) Based on the country of incorporation of the borrower

The table below shows the movements in specific and general allowances for loans and advances to customers during the year for the Group:

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2012					
Specific allowances					
Manufacturing	**223**	**26**	**(19)**	**(8)**	**222**
Building and construction	**37**	**(3)**	**1**	**(1)**	**34**
Housing loans	**11**	**(1)**	**–**	**–**	**10**
General commerce	**125**	**46**	**(17)**	**(5)**	**149**
Transportation, storage and communications	**282**	**96**	**(9)**	**1**	**370**
Financial institutions, investment and holding companies	**392**	**(21)**	**(5)**	**(3)**	**363**
Professionals and private individuals (excluding housing loans)	**63**	**76**	**(90)**	**(4)**	**45**
Others	**55**	**(21)**	**(10)**	**–**	**24**
Total specific allowances	**1,188**	**198**	**(149)**	**(20)**	**1,217**
Total general allowances	**1,919**	**181**	**–**	**(8)**	**2,092**
Total allowances	**3,107**	**379**	**(149)**	**(28)**	**3,309**
2011					
Specific allowances					
Manufacturing	305	(29)	(55)	2	223
Building and construction	24	14	(2)	1	37
Housing loans	15	(6)	2	–	11
General commerce	101	55	(32)	1	125
Transportation, storage and communications	180	99	(1)	4	282
Financial institutions, investment and holding companies	380	29	(23)	6	392
Professionals and private individuals (excluding housing loans)	69	54	(61)	1	63
Others	78	(22)	(5)	4	55
Total specific allowances	1,152	194	(177)	19	1,188
Total general allowances	1,476	444	–	(1)	1,919
Total allowances	2,628	638	(177)	18	3,107

21 FINANCIAL INVESTMENTS

In $ millions	The Group 2012	2011
Available-for-sale		
Quoted other government securities and treasury bills	**17,262**	10,343
Quoted corporate debt securities	**9,859**	10,497
Quoted equity securities	**701**	654
Unquoted equity securities	**398**	503
Available-for-sale financial investments	**28,220**	21,997
Loans and receivables		
Other government securities and treasury bills	**25**	107
Corporate debt securities	**9,702**	9,258
Less: Impairment allowances for corporate debt securities	**121**	121
Loans and receivables financial investments[(a)]	**9,606**	9,244
Total	**37,826**	31,241
Less: securities pledged and transferred	**2,259**	750
	35,567	30,491
Analysed by industry		
Manufacturing	**835**	586
Building and construction	**1,828**	1,623
General commerce	**841**	573
Transportation, storage and communications	**2,177**	1,963
Financial institutions, investment and holding companies	**8,399**	10,738
Government	**17,287**	10,450
Others	**6,459**	5,308
Total carrying value	**37,826**	31,241
Analysed by geography[(b)]		
Singapore	**8,565**	6,632
Hong Kong	**2,708**	3,117
Rest of Greater China	**1,711**	1,586
South and Southeast Asia	**3,548**	2,824
Rest of the World	**21,294**	17,082
Total carrying value	**37,826**	31,241

(a) The market value of loans and receivables financial investments amounted to $9,887 million (2011: $9,351 million)
(b) Based on the country of incorporation of the issuer

22 SECURITIES PLEDGED AND TRANSFERRED

The Group enters into transactions in the normal course of business by which it transfers financial assets to third parties or to special purpose entities. These transfers may give rise to full or partial derecognition of those financial assets.

The following table provides information on the financial assets which are sold or transferred under repurchase agreements and securities lending arrangements, which are generally conducted under terms that are in accordance with normal market practice. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In these transactions, the counterparty is typically allowed to sell or repledge those securities lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required, to pay additional cash collateral, and typically the counterparty has recourse only to the securities.

For repurchase agreements, the securities transferred are either classified as “fair value through profit or loss” or “available-for-sale” (see Note 16). The Group recognises a financial liability for cash received. The fair values of the associated liabilities approximate the carrying value and amount to $3,335 million (2011: $2,627 million).

For securities lending transactions, the securities lent are classified as "available-for-sale" or "loans and receivables" on the balance sheet (see Note 16), and the carrying amount is equal to the fair value. As the Group receives mainly other financial assets in exchange, the associated liabilities recorded are not material.

In $ millions	The Group 2012	2011
Securities pledged and transferred		
Singapore Government securities and treasury bills	**841**	756
Other government securities and treasury bills	**2,207**	1,856
Corporate debt securities	**1,349**	22
Total securities pledged and transferred[(a)]	**4,397**	2,634

(a) Securities transferred under securities lending transactions ($1,328 million) were presented under financial investments in 2011

The Group also enters into structured funding transactions where the Group retains the contractual rights to receive cash flows of loans extended to third parties, but assumes a contractual obligation to pay these cash flows under the issued notes. The carrying amounts and fair values of these financial assets and liabilities both amount to $1,124 million (2011: $445 million).

Collaterals pledged in connection with derivative transactions under Credit Support Annexes (CSA) agreement are mainly cash.

Transferred financial assets which are subject to partial continuing involvement were not material in 2012 and 2011.

23 SUBSIDIARIES AND OTHER CONTROLLED ENTITIES

In $ millions	The Company 2012	2011
Unquoted equity shares, at cost	**10,326**	9,426
Due from subsidiaries	**833**	1,531
Total	**11,159**	10,957

23.1 MAIN OPERATING SUBSIDIARIES

The main operating subsidiaries of the Group are listed below:

Name of subsidiary	Country of incorporation	Effective shareholding % 2012	2011
Commercial Banking			
DBS Bank Ltd	Singapore	**100**	100
DBS Bank (China) Limited*	China	**100**	100
PT Bank DBS Indonesia*	Indonesia	**99**	99
DBS Bank (Taiwan) Limited*	Taiwan	**100**	100
DBS Bank (Hong Kong) Limited*	Hong Kong	**100**	100
Merchant Banking			
The Islamic Bank of Asia Limited	Singapore	**50**	50
Stockbroking			
DBS Vickers Securities (Singapore) Pte Ltd	Singapore	**100**	100

* *Audited by PricewaterhouseCoopers network firms outside Singapore*

23.2 SPECIAL PURPOSE ENTITIES

The main special purpose entities controlled and consolidated by the Group are listed below:

Name of entity	Purpose of special purpose entity	Country of incorporation
Zenesis SPC	Issuance of structured notes	Cayman Islands
Constellation Investment Ltd	Issuance of structured notes	Cayman Islands

24 JOINT VENTURES

The Group's share of income and expenses, and assets and liabilities of joint venture at 31 December are as follows:

In $ millions	The Group 2012	2011
Income statement		
Share of income	**25**	25
Share of expenses	**(19)**	(19)
Balance sheet		
Share of total assets	**205**	205
Share of total liabilities	**153**	156

The main joint venture of the Group is listed below:

Name of joint venture	Country of incorporation	Effective shareholding % 2012	2011
Hutchinson DBS Card Limited*	British Virgin Islands	**50**	50

* *Audited by PricewaterhouseCoopers network firms outside Singapore*

25 INVESTMENTS IN ASSOCIATES

In $ millions	The Group 2012	2011
Unquoted		
Cost	**718**	160
Share of post acquisition reserves	**130**	143
Sub-total	**848**	303
Quoted		
Cost	**246**	426
Net exchange translation adjustments	**(14)**	(40)
Share of post acquisition reserves	**156**	260
Sub-total[(a)]	**388**	646
Total	**1,236**	949

(a) The market value of quoted associates amounted to $1,063 million (2011: $1,247 million)

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

In $ millions	The Group 2012	2011
Income statement		
Share of income	**472**	476
Share of expenses	**(348)**	(349)
Balance sheet		
Share of total assets	**4,779**	5,807
Share of total liabilities	**3,543**	4,858
Off-balance sheet		
Share of contingent liabilities and commitments	**57**	53

25.1 MAIN ASSOCIATES

The main associates of the Group are listed below:

Name of associate	Country of incorporation	Effective shareholding % 2012	2011
Quoted			
Bank of the Philippine Islands[(a)]**	The Philippines	9.9	20.3
Hwang - DBS (Malaysia) Bhd[(b)]*	Malaysia	27.7	27.7
Unquoted			
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	33.3	33.3
Changsheng Fund Management Company**	China	33.0	33.0
Central Boulevard Development Pte Ltd	Singapore	30.0	–

* *Audited by PricewaterhouseCoopers network firms outside Singapore*
** *Audited by other auditors*
(a) *The Group's effective interest in Bank of the Philippine Islands (BPI) is held via Ayala DBS Holdings Inc.(Ayala), in which the Group owns 34.1% (2011: 40%). BPI is an associate of Ayala*
(b) *Shareholding includes 4.15% held through the Bank*

25.2 ACQUISITION AND DISPOSAL OF INTERESTS IN ASSOCIATES

Acquisition of 30% equity stake in Central Boulevard Development Pte Ltd (CBDPL)
On 31 December 2012, the Group acquired a 30% stake in Marina Bay Financial Centre Tower 3 by buying a 30% interest in CBDPL. The purchase was done via Heedum Pte Ltd (Heedum), a wholly-owned subsidiary, from Choicewide Group Limited (CGL), a joint venture of Cheung Kong (Holdings) Ltd and Hutchison Whampoa Limited. The acquisition is structured as a purchase from CGL of the 30% equity interest it holds in, and its associated shareholder's loan it has advanced to, CBDPL for an aggregate purchase consideration of $1.04 billion.

Both parties also entered into a conditional put option agreement for the Group to take up CGL's remaining 3.33% equity stake in CBDPL and its associated loan, for an estimated aggregate price of $115 million (Put Option). If the Put Option is exercised by CGL, the Group will own a one-third equity stake in CBDPL.

The Group does not equity account for the results of Marina Bay Suites Pte Ltd (MBSPL), a wholly-owned subsidiary of CBDPL as the acquisition of the 30% interest in CBDPL is structured to effectively exclude any significant interest in MBSPL. The Group, through Heedum, has entered into a deed of undertaking with CGL whereby the Group agrees not to participate in the financial and operating policy decisions in MBSPL and that the Group would exercise all voting rights and other rights and powers that it directly or indirectly has or controls in CBDPL and MBSPL in accordance with the written instructions of CGL on all matters arising from, relating to, or otherwise connected with MBSPL and/or CGL's ownership of MBSPL.

Partial Divestment of Bank of the Philippine Islands (BPI)
On 11 October 2012, the Group entered into an agreement to divest 10.4% of its investment in BPI to Ayala Corporation for a total cash consideration of $757 million (PHP 25.6 billion). A $450 million gain was recognised from the transaction (Note 10).

The Group held an effective interest of 20.3% in the BPI prior to the divestment and 9.9% after the divestment. The effective shareholding of 9.9% is held through joint venture company, Ayala DBS Holdings Inc, in which the Group owns 34.1%. The Group continues to have representation on the BPI's board and to equity account for the investment in BPI.

26 GOODWILL ON CONSOLIDATION

The carrying value of the Group's goodwill arising from acquisition of subsidiaries is allocated to the Group's CGUs or groups of CGUs as follows:

In $ millions	The Group 2012	2011
DBS Bank (Hong Kong) Limited	**4,631**	4,631
DBS Vickers Securities Holdings Pte Ltd	**154**	154
Primefield Company Pte Ltd	**17**	17
Total	**4,802**	4,802

Key assumptions used for value-in-use calculations:

	DBS Bank (Hong Kong) Limited	DBS Vickers Securities Holdings Pte Ltd
Growth rate[(a)]	4.5%	4.0%
Discount rate[(a)]	9.5%	9.0%

(a) No change from 2011

The recoverable amounts are determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets and forecasts approved by senior management, taking into account projected regulatory capital requirements. The recoverable value is determined by discounting the cash flow projections to their present values. The terminal value reflecting all periods beyond the fifth year is calculated based on the forecast fifth year profit, the cost of equity and the long term growth rate stated above. The growth rates do not exceed the long term average growth rate for the market in which the businesses operate.

The process of evaluating goodwill impairment requires significant management judgment, the results of which are highly sensitive to the assumptions used. The review of goodwill impairment represents management's prudent estimate of the various factors, including the future cash flows and the discount and growth rates used.

If the estimated long term growth rates for DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd are reduced by 25 basis points or the estimated discount rates increased by 25 basis points, the impact on the recoverable amounts for these entities is not material. On this basis, the Group concluded that goodwill remains recoverable at 31 December 2012. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be further impaired in future periods.

27 PROPERTIES AND OTHER FIXED ASSETS

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

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

In $ millions	The Group 2012	2011
Minimum lease receivable		
Not later than 1 year	**22**	7
Later than 1 year but not later than 5 years	**64**	4
Later than 5 years	**3**	–
Total	**89**	11

In $ millions	Investment properties	The Group Non-investment properties Owner-occupied properties	Other fixed assets[(a)]	Subtotal of non-investment properties	Total
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2012					
Cost					
Balance at 1 January	**491**	**760**	**1,027**	**1,787**	**2,278**
Additions[(b)]	**2**	**3**	**333**	**336**	**338**
Disposals	**(1)**	**(71)**	**(78)**	**(149)**	**(150)**
Transfers	**172**	**(155)**	**(17)**	**(172)**	**–**
Exchange differences	**(10)**	**(23)**	**(31)**	**(54)**	**(64)**
Balance at 31 December	**654**	**514**	**1,234**	**1,748**	**2,402**
Less: Accumulated depreciation					
Balance at 1 January	**119**	**124**	**625**	**749**	**868**
Depreciation charge	**8**	**16**	**155**	**171**	**179**
Disposals	**–**	**(19)**	**(77)**	**(96)**	**(96)**
Transfers	**31**	**(17)**	**(14)**	**(31)**	**–**
Exchange differences	**(1)**	**(15)**	**(25)**	**(40)**	**(41)**
Balance at 31 December	**157**	**89**	**664**	**753**	**910**
Less: Allowances for impairment	**–**	**50**	**–**	**50**	**50**
Net book value at 31 December	**497**	**375**	**570**	**945**	**1,442**
Market value at 31 December	**772**	**704**			
2011					
Cost					
Balance at 1 January	465	825	911	1,736	2,201
Additions	–	3	174	177	177
Disposals	(3)	(45)	(63)	(108)	(111)
Transfers	27	(27)	–	(27)	–
Exchange differences	2	4	5	9	11
Balance at 31 December	491	760	1,027	1,787	2,278
Less: Accumulated depreciation					
Balance at 1 January	107	126	517	643	750
Depreciation charge	5	18	162	180	185
Disposals	(1)	(15)	(55)	(70)	(71)
Transfers	8	(8)	–	(8)	–
Exchange differences	–	3	1	4	4
Balance at 31 December	119	124	625	749	868
Less: Allowances for impairment	–	62	–	62	62
Net book value at 31 December	372	574	402	976	1,348
Market value at 31 December	532	994			

(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets
(b) 2012 includes additions relating to the Group's move to Marina Bay Financial Centre

27.1 PWC Building is held as an investment property following the Group's move to Marina Bay Financial Centre in 2012. Its net book value was $404 million as at 31 December 2012 (2011: $410 million), and its fair value was independently appraised at $583 million (2011: $578 million).

28 DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheet.

In $ millions	The Group 2012	The Group 2011
Deferred tax assets	**91**	149
Deferred tax liabilities	**(30)**	(30)
Total	**61**	119

The movement in deferred tax (prior to offsetting of balances within the same tax jurisdiction) is as follows:

In $ millions — The Group 2012

Deferred income tax assets	Allowances for losses	Other temporary differences	Total
Balance at 1 January	**142**	**84**	**226**
Charge to income statement	**(6)**	**(11)**	**(17)**
Balance at 31 December	**136**	**73**	**209**

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments and others	Other temporary differences	Total
Balance at 1 January	**(82)**	**(3)**	**(22)**	**(107)**
Credit/(Charge) to income statement	**(7)**	**–**	**10**	**3**
Charge to equity	**–**	**(44)**	**–**	**(44)**
Balance at 31 December	**(89)**	**(47)**	**(12)**	**(148)**

In $ millions — The Group 2011

Deferred income tax assets	Allowances for losses	Other temporary differences	Total
Balance at 1 January	150	39	189
Credit/(Charge) to income statement	(8)	45	37
Balance at 31 December	142	84	226

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments and others	Other temporary differences	Total
Balance at 1 January	(86)	(34)	(7)	(127)
Credit/(Charge) to income statement	4	–	(15)	(11)
Credit to equity	–	31	–	31
Balance at 31 December	(82)	(3)	(22)	(107)

29 OTHER ASSETS

In $ millions	The Group 2012	The Group 2011
Accrued interest receivable	**844**	847
Deposits and prepayments	**297**	263
Clients' monies receivable from securities business	**778**	435
Sundry debtors and others	**6,692**	8,185
Total	**8,611**	9,730

30 DUE TO NON-BANK CUSTOMERS

In $ millions	The Group 2012	The Group 2011
Due to non-bank customers	**241,165**	218,992
Due to non-bank customers which are at fair value through profit or loss (Note 31)	**1,742**	6,354
Total Due to non-bank customers	**242,907**	225,346
Analysed by currency		
Singapore dollar	**131,000**	122,992
US dollar	**45,981**	40,336
Hong Kong dollar	**25,730**	21,733
Others	**40,196**	40,285
Total	**242,907**	225,346
Analysed by product		
Savings accounts	**103,512**	97,314
Current accounts	**42,841**	38,145
Fixed deposits	**91,959**	82,922
Other deposits	**4,595**	6,965
Total	**242,907**	225,346

31 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2012	The Group 2011
Trading		
Other debt securities in issue (Note 33)	**2,373**	2,443
Due to non-bank customers (Note 30)		
– structured investments	**792**	1,531
– others	**–**	235
Payable in respect of short sale of securities	**1,843**	2,068
Other financial liabilities	**746**	487
Sub-total	**5,754**	6,764
Fair value designated[(a)]		
Due to non-bank customers (Note 30)		
– structured investments[(b)]	**950**	4,588
Other debt securities in issue (Note 33)	**1,145**	560
Sub-total	**2,095**	5,148
Total	**7,849**	11,912

(a) Changes in fair value arising from changes in credit risks are determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in benchmark interest rate, foreign exchange rate or index of prices or rates. Change in fair value arising from change in credit risks is not significant. Net unrealised loss for the fair value designated liabilities amount to $10 million at 31 December 2012 (2011: $73 million)

(b) Certain structured investments issued in 2012 are bifurcated and the host contract amounts are carried at amortised cost

32 OTHER LIABILITIES

In $ millions	The Group 2012	The Group 2011
Cash collaterals received in respect of derivative portfolios	**745**	821
Accrued interest payable	**624**	382
Provision for loss in respect of off-balance sheet credit exposures	**226**	250
Clients' monies payable in respect of securities business	**679**	372
Sundry creditors and others	**6,142**	8,462
Total	**8,416**	10,287

33 OTHER DEBT SECURITIES IN ISSUE

In $ millions	The Group 2012	The Group 2011
Negotiable certificates of deposit[(a)] (Note 33.1)	**1,149**	2,767
Medium term notes (Note 33.2)	**3,168**	1,381
Commercial papers (Note 33.3)	**5,820**	6,228
Other debt securities in issue[(a)] (Note 33.4)	**3,617**	2,981
Total	**13,754**	13,357
Of which: Debt securities in issue at fair value through profit or loss (Note 31)	**3,518**	3,003
	10,236	10,354
Due within 1 year	**8,498**	9,270
Due after 1 year	**5,256**	4,087
Total	**13,754**	13,357

(a) Includes debt securities in issue at fair value through profit or loss

33.1 Details of negotiable certificates of deposit issued and outstanding at 31 December are as follows:

In $ millions Currency	Interest Rate and Repayment Terms	The Group 2012	 2011
Issued by other subsidiaries			
CNH	1.95%, payable quarterly	**–**	10
CNH	1.6% to 2.99%, payable semi-annually	**48**	34
CNH	2.8%, payable yearly	**88**	–
HKD	0.4% to 4.22%, payable quarterly	**462**	931
HKD	3M HIBOR* + 0.3% to 0.9%, payable quarterly	**244**	258
HKD	1.5% to 4.2%, payable yearly	**307**	422
HKD	Zero coupon certificate of deposit, payable on maturity	**–**	657
USD	Zero coupon certificate of deposit, payable on maturity	**–**	165
JPY	Zero coupon certificate of deposit, payable on maturity	**–**	168
GBP	Zero coupon certificate of deposit, payable on maturity	**–**	122
Total		**1,149**	2,767

* *HIBOR: Hong Kong Interbank Offer Rate*

The negotiable certificates of deposit were issued by DBS Bank (Hong Kong) Limited under its HKD 28 billion Certificate of Deposit Programme. The outstanding negotiable certificates of deposit as at 31 December 2012 were issued between 21 August 2008 and 31 January 2012 (2011: 21 August 2008 and 20 December 2011) and mature between 16 January 2013 and 16 March 2021 (2011: 18 January 2012 and 25 November 2021).

33.2 Details of medium term notes issued and outstanding at 31 December are as follows:

In $ millions Currency	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2012	 2011
Issued by the Bank					
USD	2.35%, payable half yearly	21 Feb 2012	28 Feb 2017	**1,219**	–
USD	2.35%, payable half yearly	19 Jun 2012	28 Feb 2017	**2**	–
USD	2.375%, payable half yearly	08 Sep 2010	14 Sep 2015	**1,281**	1,318
USD	Floating rate note, payable quarterly	24 Aug 2012	04 Sep 2013	**37**	–
GBP	Floating rate note, payable quarterly	28 Mar 2012	04 Apr 2013	**247**	–
GBP	Floating rate note, payable quarterly	12 Sep 2012	19 Sep 2013	**247**	–
HKD	2.24%, payable quarterly	21 Mar 2012	30 Mar 2017	**79**	–
IDR	6.89%, payable yearly	09 Dec 2011	23 Dec 2013	**28**	31
IDR	7.25%, payable yearly	22 Feb 2011	04 Mar 2014	**28**	32
Total				**3,168**	1,381

The medium term notes were issued by the Bank under its USD 10 billion Euro Medium Term Note Programme which was first established in June 2010 and updated to a USD 15 billion Global Medium Term Note Programme in October 2011.

33.3 The zero-coupon commercial papers which are payable on maturity were issued by the Bank under its USD 5 billion Euro Commercial Paper programme established in August 2011 and US Commercial Paper programme originally established in December 2011 with a programme size of USD 5 billion. The US Commercial Paper programme was upsized from USD 5 billion to USD 15 billion in June 2012. The outstanding notes as at 31 December 2012 were issued between 31 January 2012 and 31 December 2012 (2011: 19 August 2011 and 28 December 2011) and mature between 3 January 2013 and 18 September 2013 (2011: 6 January 2012 and 29 November 2012).

33.4 Details of other debt securities issued and outstanding at 31 December are as follows:

In $ millions Type	The Group 2012	 2011
Issued by the Bank and other subsidiaries		
Equity linked notes	**459**	368
Credit linked notes	**1,696**	945
Interest linked notes	**766**	1,592
Foreign exchange linked notes	**597**	76
Bonds	**99**	–
Total	**3,617**	2,981

The outstanding securities as at 31 December 2012 were issued between 31 March 2006 and 31 December 2012 (2011: 27 March 2006 and 30 December 2011) and mature between 2 January 2013 and 31 October 2042 (2011: 3 January 2012 and 4 March 2041).

34 SUBORDINATED TERM DEBTS

Subordinated term debts issued by subsidiaries of the Group are classified as liabilities in accordance with FRS 32. These are long term debt instruments that have a junior or lower priority claim on the issuing entity's assets in the event of a default or liquidation, and qualify as Tier 2 capital for capital adequacy purposes.

In $ millions Face Value		Issue Date	Maturity Date	The Group 2012	 2011
Issued by the Bank					
US$750m	5.00% Subordinated notes callable with step-up in 2014 (Note 34.1)	1 Oct 2004	15 Nov 2019	**951**	1,025
US$900m	Floating rate subordinated notes callable with step-up in 2016 (Note 34.2)	16 Jun 2006	15 Jul 2021	**1,100**	1,170
S$500m	4.47% Subordinated notes callable with step-up in 2016 (Note 34.3)	11 Jul 2006	15 Jul 2021	**500**	500
US$500m	5.13% Subordinated notes callable with step-up in 2012 (Note 34.4)	15 May 2007	#	**–**	660
US$1,500m	Floating rate subordinated notes callable with step-up in 2012 (Note 34.5)	15 May 2007	#	**–**	1,949
S$1,000m	3.30% Callable subordinated notes with step-up in 2017 (Note 34.6)	21 Feb 2012	21 Feb 2022	**1,013**	–
US$750m	3.625% Callable subordinated notes with step-up in 2017 (Note 34.7)	21 Mar 2012	21 Sep 2022	**939**	–
S$1,000m	3.10% Callable subordinated notes with step-up in 2018 (Note 34.8)	14 Aug 2012	14 Feb 2023	**1,002**	–
Total				**5,505**	5,304
Due within 1 year				**–**	–
Due after 1 year				**5,505**	5,304
Total				**5,505**	5,304

\# *The notes were called in May 2012*

34.1 Interest is payable semi-annually on 15 May and 15 November commencing 15 May 2005. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.61% via interest rate swaps. If the notes are not called at the tenth year, the interest rate steps up and will be reset at six-month LIBOR + 1.61% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.2 Interest is payable quarterly on 15 January, 15 April, 15 July and 15 October commencing 15 October 2006. Interest on the notes will be paid initially at three-month LIBOR + 0.61%. If the notes are not called at the tenth year, the interest rate steps up and will be set at three-month LIBOR + 1.61% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.3 Interest is payable semi-annually on 15 January and 15 July commencing 15 January 2007. If the notes are not called at the tenth year, the interest rate steps up and will be reset at a floating rate per annum equal to six-month Singapore Dollar Swap Offer Rate + 1.58% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.4 Interest was payable semi-annually on 16 May and 16 November commencing 16 November 2007. The fixed rate funding was converted to floating rate at three-month LIBOR + 0.22% via interest rate swaps. The notes were called in May 2012. If the notes had not been called, the interest rate will have been reset with a step up to three-month LIBOR + 1.22% on the call date.

34.5 Interest was payable quarterly on 16 February, 16 May, 16 August and 16 November commencing 16 August 2007. Interest on the notes was paid initially at three-month LIBOR + 0.22%. The notes were called in May 2012. If the notes had not been called, the interest rate will have been reset with a step up to three-month LIBOR + 1.22% on the call date.

34.6 Interest is payable semi-annually on 21 August and 21 February commencing 21 August 2012. The fixed rate funding has been converted to floating rate at six-month Singapore Dollar Swap Offer Rate + 2.22% via interest rate swaps. If the notes are not called on 21 February 2017, the interest rate from that date will be reset at a fixed rate per annum of the then-prevailing five-year Swap Offer Rate + 2.147%. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.7 Interest is payable semi-annually on 21 September and 21 March commencing 21 September 2012. The fixed rate funding has been converted to floating rate at three-month LIBOR + 2.21% via interest rate swaps. If the notes are not called on 21 September 2017, the interest rate from that date will be reset at a fixed rate per annum of the then-prevailing five-year US Dollar Swap Rate + 2.229%. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.8 Interest is payable semi-annually on 14 February and 14 August commencing 14 February 2013. The fixed rate funding has been converted to floating rate at six-month Singapore Dollar Swap Offer Rate + 2.16% via interest rate swaps. If the notes are not called on 14 February 2018, the interest rate from that date will be reset at a fixed rate per annum of the then-prevailing five-year Swap Offer Rate + 2.085%. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

35 SHARE CAPITAL AND TREASURY SHARES

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 2,104,176 (2011: 1,667,402) ordinary shares, fully paid in cash upon the exercise of the options granted. The Company also issued 19,579,969 (2011: 39,859,969) ordinary shares to eligible shareholders who elected to participate in the scrip dividend scheme.

On 28 February 2012, the Company issued 70,026,649 ordinary shares upon the conversion of 180,915 non-voting CPS and 69,845,734 non-voting redeemable CPS. The newly issued shares rank pari passu in all respects with the previously issued shares.

The movements in number of ordinary shares and Convertible Preference Shares (CPS) are as follows:

	The Company	
Number of shares (millions)	**2012**	**2011**
Balance at 1 January	**2,450**	2,409
Issue of shares pursuant to Scrip Dividend Scheme	**20**	39
Issue of shares upon exercise of share options	**2**	2
Balance at 31 December	**2,472**	2,450
The balance includes the following:		
2,442,028,426 (2011: 2,350,317,632) ordinary shares[(a)]	**2,442**	2,350
Nil (2011: 180,915) non-voting CPS	**–**	#
30,011,421 (2011: 99,857,155) non-voting redeemable CPS	**30**	100
Total	**2,472**	2,450

(a) The ordinary shares are fully paid-up and do not have par value
 # Amount under $500,000

The non-voting CPS and non-voting redeemable CPS enjoy the same dividend rate paid on ordinary shares except that the dividend payable is subject to maximum of $0.30 per annum (non-cumulative). All non-voting CPS have been converted to ordinary shares on 28 February 2012. The CPS do not carry voting rights, except in certain instances e.g. where any relevant dividend due is not paid up in full or where a resolution is proposed varying the rights of the preference shares. Subject to the terms set out in the Company's Articles of Association, each CPS may be converted into one fully paid ordinary share at the option of the holder. The Company may also redeem the non-voting redeemable CPS in accordance with the Articles of Association.

Movements in carrying amount of share capital and treasury shares are as follows:

	The Group		The Company	
In $ millions	**Issued share capital**	**Treasury shares**	**Issued share capital**	**Treasury shares**
Balance at 1 January 2012	**9,350**	**(154)**	**9,350**	**(115)**
Issue of shares pursuant to Scrip Dividend Scheme	**268**	**–**	**268**	**–**
Transfer of treasury shares	**–**	**–**	**–**	**44**
Draw-down of reserves upon vesting of performance shares	**–**	**51**	**–**	**–**
Issue of shares upon exercise of share options	**25**	**–**	**25**	**–**
Reclassification of reserves upon exercise of share options	**2**	**–**	**2**	**–**
Balance at 31 December 2012	**9,645**	**(103)**	**9,645**	**(71)**
Balance at 1 January 2011	8,780	(84)	8,780	–
Issue of shares pursuant to Scrip Dividend Scheme	549	–	549	–
Draw-down of reserves upon vesting of performance shares	–	45	–	–
Issue of shares upon exercise of share options	19	–	19	–
Reclassification of reserves upon exercise of share options	2	–	2	–
Purchase of treasury shares	–	(115)	–	(115)
Balance at 31 December 2011	9,350	(154)	9,350	(115)

As at 31 December 2012, the number of treasury shares held by the Group is 7,648,152 (2011: 11,320,681), which is 0.31% (2011: 0.46%) of the total number of issued shares excluding treasury shares.

Movements in the number of treasury shares are as follows:

	The Group		The Company	
Number of shares	**2012**	**2011**	**2012**	**2011**
Balance at 1 January	**11,320,681**	5,762,894	**8,644,000**	–
Purchase of treasury shares	**–**	8,644,000	**–**	8,644,000
Vesting of performance shares	**(3,672,529)**	(3,086,213)	**–**	–
Transfer of treasury shares	**–**	–	**(3,300,000)**	–
Balance at 31 December	**7,648,152**	11,320,681	**5,344,000**	8,644,000

36 OTHER RESERVES AND REVENUE RESERVES

36.1 OTHER RESERVES

	The Group		The Company	
In $ millions	**2012**	**2011**	**2012**	**2011**
Available-for-sale revaluation reserves	**634**	411	**–**	–
Cash flow hedge reserves	**(1)**	(16)	**–**	–
General reserves	**2,453**	2,453	**–**	–
Capital reserves	**(229)**	(130)	**–**	–
Share option and share plan reserves	**101**	86	**101**	86
Others	**4,271**	4,271	**–**	–
Total	**7,229**	7,075	**101**	86

Movements in other reserves during the year are as follows:

	The Group						
In $ millions	**Available-for-sale revaluation reserves**	**Cash flow hedge reserves**	**General reserves[(a)]**	**Capital reserves[(b)]**	**Share option and share plan reserves**	**Other reserves[(c)]**	**Total**
Balance at 1 January 2012	**411**	**(16)**	**2,453**	**(130)**	**86**	**4,271**	**7,075**
Net exchange translation adjustments	**–**	**–**	**–**	**(99)**	**–**	**–**	**(99)**
Share of associates' reserves	**(3)**	**–**	**–**	**–**	**–**	**–**	**(3)**
Cost of share-based payments	**–**	**–**	**–**	**–**	**68**	**–**	**68**
Reclassification of reserves upon exercise of share options	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**–**	**–**	**(51)**	**–**	**(51)**
Available-for-sale financial assets and others:							
– net valuation taken to equity	**613**	**9**	**–**	**–**	**–**	**–**	**622**
– transferred to income statement	**(345)**	**8**	**–**	**–**	**–**	**–**	**(337)**
– tax on items taken directly to or transferred from equity	**(42)**	**(2)**	**–**	**–**	**–**	**–**	**(44)**
Balance at 31 December 2012	**634**	**(1)**	**2,453**	**(229)**	**101**	**4,271**	**7,229**
Balance at 1 January 2011	387	–	2,453	(106)	79	4,271	7,084
Net exchange translation adjustments	–	–	–	(19)	–	–	(19)
Share of associates' reserves	4	–	–	(5)	–	–	(1)
Cost of share-based payments	–	–	–	–	54	–	54
Reclassification of reserves upon exercise of share options	–	–	–	–	(2)	–	(2)
Draw-down of reserves upon vesting of performance shares	–	–	–	–	(45)	–	(45)
Available-for-sale financial assets and others:							
– net valuation taken to equity	416	(18)	–	–	–	–	398
– transferred to income statement	(425)	–	–	–	–	–	(425)
– tax on items taken directly to or transferred from equity	29	2	–	–	–	–	31
Balance at 31 December 2011	411	(16)	2,453	(130)	86	4,271	7,075

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007

(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, joint ventures, associates and branches, and the related foreign currency financial instruments designated as a hedge

(c) Other reserves relate to the share premium of the Bank prior to the restructuring of the Bank under a financial services holding company, DBSH, pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on 26 June 1999

Movements in share option and share plan reserves of the Company during the year are as follows:

In $ millions	The Company Share option and share plan reserves
Balance at 1 January 2012	**86**
Cost of share-based payments	**68**
Reclassification of reserves upon exercise of share options	**(2)**
Draw-down of reserves upon vesting of performance shares	**(51)**
Balance at 31 December 2012	**101**
Balance at 1 January 2011	79
Cost of share-based payments	54
Reclassification of reserves upon exercise of share options	(2)
Draw-down of reserves upon vesting of performance shares	(45)
Balance at 31 December 2011	86

36.2 REVENUE RESERVES

In $ millions	The Group 2012	 2011
Balance at 1 January	**12,523**	10,819
Net profit attributable to shareholders	**3,809**	3,035
Amount available for distribution	**16,332**	13,854
Less: Final dividend on ordinary shares of $0.28 (one-tier tax-exempt) paid for the previous financial year (2011: $0.28 one-tier tax-exempt)	**677**	643
Final dividends on non-voting CPS and non-voting redeemable CPS of $0.02 (one-tier tax-exempt) paid for the previous financial year (2011: $0.02 one-tier tax-exempt)	**#**	2
Interim dividends on ordinary shares of $0.28 (one-tier tax-exempt) paid for the current financial year (2011: $0.28 one-tier tax-exempt)	**681**	658
Interim dividends on non-voting redeemable CPS of $0.28 (one-tier tax-exempt) paid for the current financial year (2011: $0.28 one-tier tax-exempt)	**8**	28
Balance at 31 December	**14,966**	12,523

Amount under $500,000

36.3 PROPOSED DIVIDEND

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.28 per share and DBSH non-voting redeemable CPS of $0.02 per share will not be accounted for in the financial statements for the year ended 31 December 2012 until they are approved at the Annual General Meeting on 29 April 2013.

37 NON-CONTROLLING INTERESTS

In $ millions	The Group 2012	2011
Preference shares issued by the Bank (Note 37.1)	**1,700**	1,700
Preference shares issued by the Bank (Note 37.2)	**800**	800
Preference shares issued by DBS Capital Funding II Corporation (Note 37.3)	**1,500**	1,500
Other subsidiaries	**261**	275
Total	**4,261**	4,275

37.1 $1,700 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $250,000 each, was issued on 22 October 2010 by the Bank, a subsidiary of the Company, to third parties. They qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 April and 22 October at a fixed rate of 4.7% of the liquidation preference per annum.

37.2 $800 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $100 each, was issued on 22 November 2010 by the Bank, a subsidiary of the Company, to third parties. They qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 May and 22 November at a fixed rate of 4.7% of the liquidation preference per annum.

37.3 $1,500 million 5.75% non-cumulative non-convertible non-voting guaranteed preference shares, with a liquidation preference of $250,000 was issued on 27 May 2008 by DBS Capital Funding II Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding II Corporation, are payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018 and quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Dollar Swap Offer Rate + 3.415% per annum. In computing the Group's capital adequacy ratios, these guaranteed preference shares qualify as Tier 1 capital.

38 CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

In $ millions	The Group 2012	2011
Guarantees on account of customers	**12,578**	11,246
Endorsements and other obligations on account of customers		
– Letters of credit	**6,487**	7,324
– Others	**1,994**	2,198
Other contingent items (Note 38.2)	**–**	21
Undrawn loan commitments[(a)]	**135,513**	116,278
Undisbursed commitments in securities	**291**	133
Sub-total	**156,863**	137,200
Operating lease commitments (Note 38.3)	**875**	881
Capital commitments	**19**	33
Total	**157,757**	138,114
Analysed by industry (excluding operating lease commitments and capital commitments)		
Manufacturing	**25,680**	24,428
Building and construction	**10,973**	9,291
Housing loans	**9,783**	8,779
General commerce	**29,185**	22,083
Transportation, storage and communications	**10,767**	6,232
Government	**319**	340
Financial institutions, investment and holding companies	**16,317**	19,902
Professionals and private individuals (excluding housing loans)	**39,069**	29,534
Others	**14,770**	16,611
Total	**156,863**	137,200
Analysed by geography (excluding operating lease commitments and capital commitments)[(b)]		
Singapore	**71,403**	57,301
Hong Kong	**32,231**	27,542
Rest of Greater China	**11,354**	14,855
South and Southeast Asia	**14,849**	14,144
Rest of the World	**27,026**	23,358
Total	**156,863**	137,200

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group (2012: $103,666 million, 2011: $90,458 million)
(b) Based on the country of incorporation of the counterparty or borrower

38.1 The Group has existing outsourcing agreements for the provision of information technology and related support to the Group's operations. There are various termination clauses in the agreements that could require the Group to pay termination fees on early termination of the contract or part thereof. The termination fees are stipulated in the agreements and are determined based on the year when the agreements or part thereof are terminated.

38.2 Included in "Other contingent items" at 31 December 2011, was an amount representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely prior to December 2011. Under the terms of the agreement, the termination fee payable reduces upon achieving the sales volume target. The liability was extinguished during the course of 2012.

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

39 FINANCIAL DERIVATIVES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39.1 TRADING DERIVATIVES

Most of the Group's derivatives relate to sales and trading activities. Sales activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for dealer's margin or for the purpose of generating a profit from short-term fluctuations in price. Trading includes mainly market making and warehousing to facilitate customer orders. Market making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Warehousing involves holding on to positions in order to liquidate in an orderly fashion with timing of unwinding determined by market conditions and traders' views of markets as they evolve.

39.2 HEDGING DERIVATIVES

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

Fair value hedges
The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. For the year ended 31 December 2012, the gain on hedging instruments was $144 million (2011: $44 million). The total loss on hedged items attributable to the hedged risk amounted to $143 million (2011: $43 million).

Cash flow hedges
The Group's cash flow hedges consist principally of currency forwards and currency swaps transacted to hedge highly probable forecast transactions expected to occur at various future dates against variability in exchange rates. The currency forwards and currency swaps have maturity dates that coincide within the expected occurrence of these transactions. The hedged cash flows are expected to occur over next 5 years following the balance sheet date, and are expected to affect profit or loss in the same period these cash flows occur. The ineffectiveness arising from these hedges is insignificant.

Net investment hedges
The Group hedges part of the currency translation risk of investments through financial derivatives and borrowings. The ineffectiveness arising from hedging of investments is insignificant. The Group regularly reviews its hedging strategy and rebalance based on long term outlook of the currency fundamentals.

In $ millions	Net investments in foreign operations [(a)]	Financial instruments which hedge the net investments [(b)]	Remaining unhedged currency exposures
2012			
Hong Kong dollar	**5,417**	**5,394**	**23**
US dollar	**801**	**797**	**4**
Others	**4,957**	**1,997**	**2,960**
Total	**11,175**	**8,188**	**2,987**
2011			
Hong Kong dollar	5,176	5,139	37
US dollar	862	859	3
Others	4,578	3,076	1,502
Total	10,616	9,074	1,542

(a) Refer to net tangible assets of subsidiaries, joint ventures and associates, and capital funds/retained earnings of overseas branches operations
(b) Includes forwards, non-deliverable forwards and borrowings used to hedge the investments

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

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as assets (Positive fair values for financial derivatives) or liabilities (Negative fair values for financial derivatives). Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There was no offset of derivative assets and liabilities in 2012 and 2011.

In $ millions	2012 Underlying notional	2012 Year-end positive fair values	2012 Year-end negative fair values	2011 Underlying notional	2011 Year-end positive fair values	2011 Year-end negative fair values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements	**–**	**–**	**–**	2,109	1	1
Interest rate swaps	**545,166**	**8,013**	**7,987**	711,406	9,123	9,166
Financial futures	**4,801**	**1**	**1**	22,725	2	4
Interest rate options	**7,788**	**87**	**110**	7,655	73	83
Interest rate futures options	**–**	**–**	**–**	780	–	#
Interest rate caps/floors	**23,249**	**356**	**534**	21,809	334	575
Sub-total	**581,004**	**8,457**	**8,632**	766,484	9,533	9,829
Foreign exchange (FX) derivatives						
FX contracts	**511,736**	**3,794**	**3,779**	485,450	5,927	5,736
Currency swaps	**107,227**	**3,452**	**3,511**	98,537	2,515	3,479
Currency options	**146,528**	**610**	**490**	150,713	1,275	927
Sub-total	**765,491**	**7,856**	**7,780**	734,700	9,717	10,142
Equity derivatives						
Equity options	**1,933**	**207**	**245**	2,809	163	166
Equity swaps	**409**	**6**	**8**	994	6	15
Sub-total	**2,342**	**213**	**253**	3,803	169	181
Credit derivatives						
Credit default swaps and others	**60,665**	**457**	**520**	94,902	1,544	1,635
Sub-total	**60,665**	**457**	**520**	94,902	1,544	1,635
Commodity derivatives						
Commodity contracts	**1,255**	**31**	**36**	737	11	8
Commodity futures	**2,006**	**28**	**17**	45	1	#
Commodity options	**500**	**2**	**5**	504	14	11
Sub-total	**3,761**	**61**	**58**	1,286	26	19
Total derivatives held for trading	**1,413,263**	**17,044**	**17,243**	1,601,175	20,989	21,806
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**8,554**	**228**	**231**	5,526	154	265
FX contracts held for fair value hedge	**20**	**–**	**#**	65	–	6
FX contracts held for cash flow hedge	**586**	**#**	**1**	605	–	18
FX contracts held for hedge of net investment	**1,930**	**8**	**26**	2,830	17	81
Currency swaps held for fair value hedge	**61**	**–**	**2**	97	1	1
Currency swaps held for cash flow hedge	**160**	**–**	**2**	–	–	–
Currency swaps held for hedge of net investment	**1,635**	**–**	**27**	1,740	3	30
Total derivatives held for hedging	**12,946**	**236**	**289**	10,863	175	401
Total derivatives	**1,426,209**	**17,280**	**17,532**	1,612,038	21,164	22,207
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)		**(9,616)**	**(9,616)**		(11,812)	(11,812)
		7,664	**7,916**		9,352	10,395

Amounts less than $500,000

Year-end positive fair values Analysed by geography[(a)]	2012	2011
Singapore	**2,609**	2,496
Hong Kong	**1,358**	1,788
Rest of Greater China	**927**	720
South and Southeast Asia	**661**	1,082
Rest of the World	**11,725**	15,078
Total	**17,280**	21,164

(a) Based on the country of incorporation of the counterparty

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,025 billion (2011: $1,277 billion) and $401 billion (2011: $335 billion) respectively. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

The conditional put option agreement for the Bank through Heedum Pte Ltd to take up Choicewide Group Limited's remaining 3.33% equity stake in Central Boulevard Development Pte Ltd for $115 million and its associated loan of $59 million (Refer to Note 25.2) is carried at cost. The fair value cannot be reliably estimated because of the lack of comparable market data points and the associated uncertain parameters in the option valuation model.

40 SHARE-BASED COMPENSATION PLANS

40.1 DBSH SHARE OWNERSHIP SCHEME

The DBSH Share Ownership Scheme is a fund set up to hold units of the Company's ordinary shares. All employees based in Singapore with at least one year of service and who hold the rank of Assistant Vice President and below are eligible.

Under the Scheme, participants and the Group contribute up to 10% and 5% of monthly base salary respectively to buy units of the Company's ordinary shares. Amounts contributed by the Group under the Scheme are recognised as employee benefits when paid.

	Ordinary shares			
	Number		Market value (In $ millions)	
	2012	2011	2012	2011
Balance at 1 January	**5,933,584**	5,473,697	**68**	78
Balance at 31 December	**6,509,414**	5,933,584	**97**	68

40.2 DBSH SHARE OPTION PLAN

Under the DBSH Share Option Plan (the Option Plan), options to subscribe for the Company's ordinary shares may be granted to Group executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent).

The exercise price of the granted options is equal to the average of the last dealt prices for the Company's shares, as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd, for the three consecutive trading days immediately preceding the date of the grant.

These share options vest over a period in accordance with a vesting schedule determined by the Compensation and Management Development Committee (Committee), and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. The fair value of options granted is determined using the Binomial model.

The DBSH Share Option Plan expired on 19 June 2009 and the Plan was neither extended nor replaced. The termination of this Plan will, however, not affect the rights of holders of any outstanding existing options.

The following table sets out the fair value of the outstanding time-based awards and the movement during the year.

	2012		2011	
	Unissued number of ordinary shares under outstanding options	**Weighted average exercise price ($)**	**Unissued number of ordinary shares under outstanding options**	**Weighted average exercise price ($)**
Balance at 1 January	**5,769,925**	**11.56**	11,417,819	12.58
Movements during the year:				
– Exercised	**(2,104,176)**	**11.69**	(1,667,402)	11.38
– Forfeited/Expired	**(420,337)**	**12.55**	(3,980,492)	14.53
Balance at 31 December	**3,245,412**	**11.32**	5,769,925	11.56
Additional information:				
Weighted average remaining contractual life of options outstanding at 31 December	**1.04 years**		1.51 years	
Range of exercise price of options outstanding at 31 December	**$8.84 to $12.81**		$8.84 to $12.81	

In 2012, 2,104,176 options (2011: 1,667,402) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the Company's shares was $14.08 (2011: $14.10).

40.3 DBSH SHARE PLAN

Under the DBSH Share Plan (the Share Plan), the Company's ordinary shares may be granted to Group executives who hold such rank as may be determined by the Committee appointed to administer the Share Plan from time to time. The awards could be performance-based and/or time-based.

Where time-based awards are granted, they will only vest after the satisfactory completion of time-based service conditions. Participants are awarded shares of the Company, their equivalent cash value or a combination of both as part of their deferred bonus (at the discretion of the Committee).

A time-based award comprises two elements, namely, the main award and the retention award. The shares comprised in the retention award constitute twenty percent of the shares comprised in the main award. Awards made under the plans vest over a 4-year period. Thirty-three percent of the shares comprised in the main award will vest two years after the date of grant. A further thirty-three percent of the shares comprised in the main award will vest three years after the date of grant. The remainder thirty-four percent of the shares comprised in the main award, together with the shares comprised in the retention award, will vest four years after the date of grant. For time-based awards, the fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement and Share Plan reserves.

The following table sets out the outstanding awards at the end of each reporting period and the movement during the year:

Number of shares	2012	2011
Balance at 1 January	**11,595,571**	9,444,365
Granted	**6,002,356**	5,319,354
Vested	**(3,500,581)**	(2,932,204)
Forfeited	**(455,221)**	(235,944)
Balance at 31 December	**13,642,125**	11,595,571

The weighted average fair value of the shares granted during the year is $14.09 (2011: $14.40).

Since the inception of the Share Plan, no awards have been cash-settled under the Share Plan.

40.4 DBSH EMPLOYEE SHARE PLAN

The DBSH Employee Share Plan (the ESP) caters to all employees of the Group who are not eligible to participate in the DBSH Share Option Plan, the DBSH Share Plan or other equivalent plans.

Under the ESP, eligible employees are awarded ordinary shares of the Company, their equivalent cash value or a combination of both as part of their deferred bonus (at the discretion of the Committee), when time-based conditions are met.

A time-based award comprises two elements, namely, the main award and the retention award. The shares comprised in the retention award constitute twenty percent of the shares comprised in the main award. Shares awarded are subject to a 4-year vesting period. Under the vesting schedule, thirty-three percent of the shares comprised in the main award will vest two years after the date of grant. A further thirty-three percent of the shares comprised in the main award will vest three years after the date of grant. The remainder thirty-four percent of the shares comprised in the main award, together with the shares comprised in the retention award, will vest four years after the date of grant. In addition, shares can also be awarded to selected individuals as part of talent retention. Shares awarded in such cases only comprise one element - the main award and have similar vesting arrangements as those awarded under the Share Plan and ESP. The fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement and Share Plan reserves.

The following table sets out the outstanding awards at the end of each reporting period and the movement during the year:

Number of shares	2012	2011
Balance at 1 January	**846,050**	575,426
Granted	**639,213**	526,400
Vested	**(171,934)**	(154,009)
Forfeited	**(80,403)**	(101,767)
Balance at 31 December	**1,232,926**	846,050

The weighted average fair value of the shares granted during the year is $14.10 (2011: $14.48).

Since the inception of the ESP, no awards have been cash-settled under the ESP.

41 RELATED PARTY TRANSACTIONS

41.1 Transactions between the Company and its subsidiaries, including consolidated special purpose entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

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

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

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

	The Group	
In $ millions	2012	2011
Short-term benefits[(b)]	**41**	40
Share-based payments[(c)]	**16**	14
Total	**57**	54
Of which: Company Directors' Remuneration and fees	**10**	9

(a) Includes Company Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group. The composition and number of Directors and Management Committee members may differ from year to year
(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year
(c) Share-based payments are expensed over the vesting period in accordance with FRS102

42 FAIR VALUE OF FINANCIAL INSTRUMENTS

42.1 VALUATION PROCESS

The valuation processes used by the Group are governed by the Valuation, the Rates and the Reserves frameworks. These frameworks apply to financial assets and liabilities where mark-to-market or model valuation is required. The overall framework is endorsed by Group Market and Liquidity Risk Committee and Risk Executive Committee before approval by the BRMC.

The Rates framework governs the daily revaluation of all financial assets and liabilities that are fair value measured, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model. Products with a liquid market or those traded via an exchange will fall under the former while most over-the-counter (OTC) exotic products will form the latter.

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

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

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

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

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

Where unobservable inputs are used in these models resulting in Level 3 classification, valuation adjustments or reserves will be taken for the purpose of adjusting for uncertainty in valuations. Valuation adjustment or reserve methodologies are used to substantiate the unobservable inputs and attempt to quantify the level of uncertainty in valuations. Such methodologies are governed by the Reserve Framework and require approval by the Group Market and Liquidity Risk Committee.

The main valuation adjustments and reserves are described below:

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

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

Credit risk adjustment
Credit risk adjustment is incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk. Credit risk adjustment is based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting arrangements, collateral arrangements, and the maturity of the underlying transactions.

Day 1 profit or loss (P&L) reserve
In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, Day 1 P&L reserve is utilised to defer the P&L arising from the difference between the transaction price and the model value. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to profit or loss as the parameters become observable or the transaction closed out or amortised over the duration of the transaction. At year end, the unamortised Day 1 P&L is not material.

Bid Offer adjustment
The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid market levels. Bid offer adjustments are then made to adjust net open position valuations to the respective bid or offer levels as appropriate.

42.2 FAIR VALUE HIERARCHY

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

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

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

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data such as correlation or volatilities as well as unquoted equity securities. The fair value of unquoted equity securities is measured in comparison with recent transactions in the equity of the company in question or comparable companies in similar industries. Level 3 inputs also include all quoted security prices that have not been updated for more than 3 months, quoted proxies in active markets for non-similar asset classes (e.g. bonds marked over credit default swap spreads), as well as prices/valuations that are obtained from counterparties. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The following table presents assets and liabilities measured at fair value, classified by level of the fair value hierarchies:

	The Group			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
2012				
Assets				
Singapore Government securities and treasury bills	**12,092**	**–**	**–**	**12,092**
Financial assets at fair value through profit or loss[(a)]				
– Debt securities	**8,803**	**683**	**97**	**9,583**
– Equity securities	**235**	**–**	**–**	**235**
– Other financial assets	**–**	**1,722**	**–**	**1,722**
Available-for-sale financial investments				
– Debt securities	**22,260**	**2,619**	**36**	**24,915**
– Equity securities[(b)]	**702**	**43**	**126**	**871**
– Other financial assets	**–**	**4,225**	**–**	**4,225**
Securities pledged and transferred	**3,920**	**424**	**–**	**4,344**
Positive fair values for financial derivatives	**29**	**17,229**	**22**	**17,280**
Liabilities				
Financial liabilities at fair value through profit or loss[(c)]				
– Other debt securities in issue	**–**	**3,493**	**25**	**3,518**
– Other financial liabilities	**1,861**	**2,469**	**1**	**4,331**
Negative fair values for financial derivatives	**19**	**17,502**	**11**	**17,532**

In $ millions	The Group Level 1	Level 2	Level 3	Total
2011				
Assets				
Singapore Government securities and treasury bills	12,503	–	–	12,503
Financial assets at fair value through profit or loss[(a)]				
– Debt securities	9,103	329	210	9,642
– Equity securities	229	–	–	229
– Other financial assets	–	2,056	–	2,056
Available-for-sale financial investments				
– Debt securities	17,608	2,196	286	20,090
– Equity securities[(b)]	553	192	278	1,023
– Other financial assets	1,903	1,378	–	3,281
Securities pledged and transferred	2,634	–	–	2,634
Positive fair values for financial derivatives	2	21,144	18	21,164
Liabilities				
Financial liabilities at fair value through profit or loss[(c)]				
– Other debt securities in issue	–	2,975	28	3,003
– Other financial liabilities	2,069	6,840	–	8,909
Negative fair values for financial derivatives	5	22,184	18	22,207

(a) Includes other government securities, corporate debt securities, equity securities and other financial assets at fair value through profit or loss
(b) Excludes unquoted equities stated at cost of $228 million (2011: $134 million)
(c) Includes debt securities in issue, due to non-bank customers (structured investments) and other financial liabilities at fair value through profit or loss

The following table presents the changes in Level 3 instruments for the financial year ended:

In $ millions	Opening balance	Fair value gains or losses: Profit or loss	Fair value gains or losses: Other comprehensive income	Purchases	Issues	Settlement	Transfer in	Transfer out	Closing balance
2012									
Assets									
Financial assets at fair value through profit or loss									
– Debt securities	**210**	**(38)**	**–**	**6**	**–**	**(97)[(a)]**	**25**	**(9)**	**97**
Available-for-sale financial investments									
– Debt securities	**286**	**–**	**(15)**	**–**	**–**	**(216)[(a)]**	**–**	**(19)**	**36**
– Equity securities	**278**	**15**	**(12)**	**18**	**–**	**(27)**	**–**	**(146)**	**126**
Positive fair values for financial derivatives	**18**	**(21)**	**–**	**–**	**–**	**(5)**	**34**	**(4)**	**22**
Liabilities									
Financial liabilities at fair value through profit or loss									
– Other debt securities in issue	**28**	**(3)**	**–**	**–**	**–**	**(24)**	**25**	**(1)**	**25**
– Other financial liabilities	**–**	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**1**
Negative fair values for financial derivatives	**18**	**–**	**–**	**–**	**3**	**(6)**	**7**	**(11)**	**11**

In $ millions	Opening balance	Fair value gains or losses		Purchases	Issues	Settlement	Transfer in	Transfer out	Closing balance
		Profit or loss	Other compre-hensive income						
2011									
Assets									
Financial assets at fair value through profit or loss									
– Debt securities	489	19	–	4	–	(190)	–	(112)[d]	210
Available-for-sale financial investments									
– Debt securities	230	–	(23)	107	–	(26)	104[c]	(106)[d]	286
– Equity securities	137	21	(26)	162	–	(13)	–	(3)	278
Positive fair values for financial derivatives	25	8	–	–	–	(2)	6	(19)	18
Liabilities									
Financial liabilities at fair value through profit or loss									
– Other debt securities in issue	176	1	–	–	25	(63)	1	(112)[e]	28
– Other financial liabilities	82[b]	–	–	–	–	–	–	(82)[f]	–
Negative fair values for financial derivatives	35	(2)	–	–	–	(2)	14	(27)	18

(a) Principally reflects settlement of Level 3 debt securities which were called back/matured during the year
(b) Principal amounts totalling $82 million are included within the fair value figures for structured investments
(c) Principally reflects transfers from Level 1 & 2 within the fair value hierarchy due to reduced transparency for selected bonds
(d) Principally reflects transfers to Level 1 & 2 within the fair value hierarchy due to availability of price quotes on the back of improved liquidity conditions
(e) Principally reflects transfers to Level 2 within the fair value hierarchy for credit derivatives due to availability of in-house pricing model within significant observable inputs
(f) Principally reflects transfers to Level 2 within the fair value hierarchy for interest rate derivatives due to correlation inputs having reduced impact on overall fair value of the instrument

Total fair value losses for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2012 is $56 million (2011: $29 million).

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

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at 31 December 2012, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include some of the following: private equity investments, corporate debt securities, equity, interest rate and credit derivatives and financial liabilities from structured product issuances.

In estimating significance, the Group performed a sensitivity analysis based on methodologies currently used for fair value adjustments. These adjustments reflect the values that the Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

The movement in fair value arising from reasonably possible changes to the valuation assumptions is assessed as not significant.

42.3 FINANCIAL ASSETS & LIABILITIES NOT CARRIED AT FAIR VALUE

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

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

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

For unquoted equities not carried at fair value, fair values have been estimated by reference to the net tangible asset backing of the investee. Unquoted equities of $228 million as at 31 December 2012 (2011: $134 million) were stated at cost less accumulated impairment losses because the fair value cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of such instruments through trade sale.

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

43 CREDIT RISK

43.1 MAXIMUM EXPOSURE TO CREDIT RISK

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

	The Group			
In $ millions	**Average 2012**	**Average 2011**	**2012**	**2011**
Cash and balances with central banks (excluding cash on hand)	**19,896**	26,754	**16,116**	23,675
Singapore Government securities and treasury bills	**12,298**	12,024	**12,092**	12,503
Due from banks	**27,190**	22,939	**28,808**	25,571
Financial assets at fair value through profit or loss (excluding equity securities)				
Other government securities and treasury bills	**5,498**	4,254	**5,334**	5,662
Corporate debt securities	**4,114**	3,791	**4,249**	3,980
Loans and advances to customers	**784**	420	**1,124**	445
Other financial assets	**1,104**	2,301	**598**	1,611
Positive fair values for financial derivatives	**19,222**	18,965	**17,280**	21,164
Loans and advances to customers	**201,835**	172,986	**209,395**	194,275
Financial investments (excluding equity securities)				
Other government securities and treasury bills	**12,837**	9,098	**15,952**	9,723
Corporate debt securities	**19,063**	18,273	**18,516**	19,611
Securities pledged and transferred				
Singapore Government securities and treasury bills	**798**	585	**841**	756
Other government securities and treasury bills	**2,032**	1,706	**2,207**	1,856
Corporate debt securities	**686**	17	**1,349**	22
Other assets	**9,171**	8,055	**8,611**	9,730
Credit exposure	**336,528**	302,168	**342,472**	330,584
Contingent liabilities and commitments (excluding operating lease and capital commitments)	**147,032**	124,094	**156,863**	137,200
Total credit exposure	**483,560**	426,262	**499,335**	467,784

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

Analysis of Collateral

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

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

Balances with central banks, Singapore Government securities and treasury bills, due from banks, financial assets at fair value through profit or loss and financial investments

Collateral is generally not sought for these assets.

Positive fair values for financial derivatives

The Group maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions. Please refer to Note 39 for the impact of netting arrangements recognised for the computation of Capital Adequacy Ratio (CAR).

Advances to customers, contingent liabilities and commitments

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

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

43.2 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are summarised as follows:

In $ millions	The Group 2012	2011
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	**210,541**	194,594
– Past due but not impaired (ii)	**745**	633
Non-Performing Loans		
– Impaired (iii)	**2,542**	2,600
Total gross loans (Note 20)	**213,828**	197,827

(i) Loans and advances neither past due nor impaired, analysed by loan grading and industry

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice to Banks No. 612, "Credit Files, Grading and Provisioning" are as follows:

In $ millions	Pass	The Group Special mention	Total
2012			
Manufacturing	**25,373**	**804**	**26,177**
Building and construction	**31,723**	**183**	**31,906**
Housing loans	**45,119**	**150**	**45,269**
General commerce	**36,558**	**1,105**	**37,663**
Transportation, storage and communications	**16,041**	**447**	**16,488**
Financial institutions, investments and holding companies	**15,995**	**50**	**16,045**
Professionals and private individuals (excluding housing loans)	**14,684**	**23**	**14,707**
Others	**21,845**	**441**	**22,286**
Total	**207,338**	**3,203**	**210,541**
2011			
Manufacturing	23,614	835	24,449
Building and construction	27,902	395	28,297
Housing loans	40,779	297	41,076
General commerce	32,664	1,141	33,805
Transportation, storage and communications	15,671	631	16,302
Financial institutions, investments and holding companies	18,586	225	18,811
Professionals and private individuals (excluding housing loans)	12,485	52	12,537
Others	19,033	284	19,317
Total	190,734	3,860	194,594

(ii) Loans and advances past due but not impaired, analysed by past due period and industry

	The Group			
In $ millions	**Less than 30 days past due**	**30-59 days past due**	**60-90 days past due**	**Total**
2012				
Manufacturing	**93**	**17**	**4**	**114**
Building and construction	**82**	**1**	**6**	**89**
Housing loans	**180**	**14**	**3**	**197**
General commerce	**122**	**18**	**3**	**143**
Transportation, storage and communications	**5**	**–**	**–**	**5**
Financial institutions, investment and holding companies	**–**	**–**	**–**	**–**
Professionals and private individuals (excluding housing loans)	**88**	**10**	**2**	**100**
Others	**84**	**12**	**1**	**97**
Total	**654**	**72**	**19**	**745**
2011				
Manufacturing	50	7	1	58
Building and construction	134	5	–	139
Housing loans	132	4	2	138
General commerce	73	17	1	91
Transportation, storage and communications	62	1	4	67
Financial institutions, investment and holding companies	12	–	–	12
Professionals and private individuals (excluding housing loans)	80	5	4	89
Others	34	5	–	39
Total	577	44	12	633

(iii) Non-performing assets (NPAs)

The table below shows the movements in non-performing assets during the year for the Group:

	The Group	
In $ millions	**2012**	**2011**
Balance as at 1 January	**2,904**	3,213
New NPAs	**364**	487
Upgrades, recoveries and translations	**(364)**	(493)
Write-offs	**(178)**	(303)
Balance as at 31 December	**2,726**	2,904

Non-performing assets by loan grading and industry

	The Group							
	NPAs[a]				Specific allowances[a]			
In $ millions	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
2012								
Customer loans								
Manufacturing	**108**	**152**	**92**	**352**	**9**	**139**	**92**	**240**
Building and construction	**47**	**32**	**4**	**83**	**8**	**26**	**4**	**38**
Housing loans	**92**	**4**	**10**	**106**	**1**	**1**	**10**	**12**
General commerce	**140**	**63**	**74**	**277**	**23**	**58**	**74**	**155**
Transportation, storage and communications	**199**	**207**	**286**	**692**	**10**	**82**	**286**	**378**
Financial institutions, investment and holding companies	**614**	**258**	**41**	**913**	**185**	**181**	**41**	**407**
Professional and private individuals (excluding housing loans)	**138**	**12**	**12**	**162**	**23**	**11**	**12**	**46**
Others	**18**	**7**	**17**	**42**	**4**	**5**	**17**	**26**
Total customer loans	**1,356**	**735**	**536**	**2,627**	**263**	**503**	**536**	**1,302**
Debt securities	**7**	**2**	**4**	**13**	**–**	**–**	**4**	**4**
Contingent items and others	**42**	**15**	**29**	**86**	**5**	**15**	**29**	**49**
Total	**1,405**	**752**	**569**	**2,726**	**268**	**518**	**569**	**1,355**
Of which: restructured loans	**888**	**223**	**276**	**1,387**	**200**	**114**	**276**	**590**
2011								
Customer loans								
Manufacturing	140	122	121	383	8	112	121	241
Building and construction	53	34	5	92	7	26	5	38
Housing loans	97	–	11	108	2	–	11	13
General commerce	133	79	57	269	–	73	58	131
Transportation, storage and communications	138	360	65	563	8	212	65	285
Financial institutions, investment and holding companies	632	264	34	930	184	182	34	400
Professional and private individuals (excluding housing loans)	134	13	28	175	24	12	27	63
Others	69	15	35	119	6	15	35	56
Total customer loans	1,396	887	356	2,639	239	632	356	1,227
Debt securities	5	2	3	10	–	–	3	3
Contingent items and others	125	96	34	255	2	55	34	91
Total	1,526	985	393	2,904	241	687	393	1,321
Of which: restructured loans	835	120	35	990	199	97	35	331

(a) NPAs and specific allowances for customer loans each includes $85 million (2011: $39 million) in interest receivables

Non-performing assets by region(a)

In $ millions	NPAs	The Group Specific allowances	General allowances
2012			
Singapore	**411**	**133**	**1,056**
Hong Kong	**245**	**127**	**431**
Rest of Greater China	**237**	**132**	**354**
South and Southeast Asia	**257**	**159**	**330**
Rest of the World	**1,576**	**804**	**340**
Total	**2,726**	**1,355**	**2,511**
2011			
Singapore	602	227	923
Hong Kong	337	178	469
Rest of Greater China	239	134	350
South and Southeast Asia	301	140	275
Rest of the World	1,425	642	322
Total	2,904	1,321	2,339

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

Non-performing assets by past due period

In $ millions	The Group 2012	2011
Not overdue	**1,245**	1,161
< 90 days past due	**297**	169
91-180 days past due	**193**	607
> 180 days past due	**991**	967
Total past due assets	**1,481**	1,743
Total	**2,726**	2,904

Collateral value for non-performing assets

In $ millions	The Group 2012	2011
Properties	**269**	355
Shares and debentures	**58**	78
Fixed deposits	**32**	41
Others	**252**	213
Total	**611**	687

Past due non-performing assets by industry

In $ millions	The Group 2012	2011
Manufacturing	**341**	318
Building and construction	**73**	74
Housing loans	**105**	98
General commerce	**231**	161
Transportation, storage and communications	**193**	365
Financial institutions, investment and holding companies	**312**	400
Professional and private individuals (excluding housing loans)	**118**	136
Others	**39**	93
Sub-total	**1,412**	1,645
Debt securities, contingent items and others	**69**	98
Total	**1,481**	1,743

Past due non-performing assets by region(a)

In $ millions	The Group 2012	2011
Singapore	**346**	315
Hong Kong	**198**	273
Rest of Greater China	**215**	147
South and Southeast Asia	**194**	151
Rest of the World	**459**	759
Sub-total	**1,412**	1,645
Debt securities, contingent items and others	**69**	98
Total	**1,481**	1,743

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

43.3 CREDIT QUALITY OF SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS, FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL INVESTMENTS (INCLUDING SECURITIES PLEDGED AND TRANSFERRED)[a]

The table below presents an analysis of Singapore Government securities and treasury bills, financial assets at fair value through profit or loss and financial investments (including securities pledged and transferred) for the Group by rating agency designation as at 31 December:

In $ millions External rating	Singapore Government securities and treasury bills[c]	Financial assets at fair value through profit or loss[c] Other government securities and treasury bills	Corporate debt securities	Loans and advances to customer	Other financial assets (due from banks)[b]	Total	Financial investments[c] Other government securities and treasury bills	Corporate debt securities	Total
	(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)	(9)=(7+8)
2012									
AAA	**12,933**	**5**	**750**	**–**	**–**	**755**	**1,637**	**2,521**	**4,158**
AA- to AA+	**–**	**3,894**	**133**	**–**	**–**	**4,027**	**12,280**	**1,600**	**13,880**
A- to A+	**–**	**358**	**667**	**–**	**–**	**1,025**	**503**	**5,008**	**5,511**
Lower than A-	**–**	**1,949**	**1,169**	**–**	**–**	**3,118**	**2,867**	**1,584**	**4,451**
Unrated	**–**	**–**	**1,955**	**1,124**	**598**	**3,677**	**–**	**8,727**	**8,727**
Total	**12,933**	**6,206**	**4,674**	**1,124**	**598**	**12,602**	**17,287**	**19,440**	**36,727**
2011									
AAA	13,259	863	625	–	–	1,488	1,250	2,885	4,135
AA- to AA+	–	2,166	158	–	–	2,324	6,344	2,272	8,616
A- to A+	–	1,514	1,322	–	–	2,836	1,386	5,573	6,959
Lower than A-	–	2,247	952	–	–	3,199	1,470	1,918	3,388
Unrated	–	–	923	445	1,611	2,979	–	6,986	6,986
Total	13,259	6,790	3,980	445	1,611	12,826	10,450	19,634	30,084

(a) *The amount of securities that are past due but not impaired is not material*
(b) *For amounts due from banks, majority of the bank counterparties are accorded "Pass" grade in accordance with the loan grading per MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning"*
(c) *Include securities pledged and transferred*

43.4 CREDIT EXPOSURES OUTSIDE SINGAPORE- BY COUNTRY OF INCORPORATION

The top 10 exposures of the Group (outside Singapore) as at 31 December are set out below. The exposures are determined based on the country of incorporation of borrower or issuer.

In $ millions Assets in	Loans and debt securities Banks	 Central banks and Government securities	 Non-banks[a]	 Investments	Total exposure Amount	 As a % of Total assets
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2012						
Top 10 countries						
Hong Kong SAR	**1,135**	**3,712**	**39,127**	**85**	**44,059**	**12.5**
China	**16,705**	**1,297**	**23,718**	**159**	**41,879**	**11.9**
India	**3,716**	**2,583**	**14,407**	**36**	**20,742**	**5.9**
United States	**1,710**	**9,641**	**2,454**	**125**	**13,930**	**3.9**
Taiwan	**92**	**4,808**	**7,163**	**2**	**12,065**	**3.4**
South Korea	**1,561**	**2,731**	**5,216**	**–**	**9,508**	**2.7**
Indonesia	**145**	**936**	**6,960**	**3**	**8,044**	**2.3**
United Kingdom	**1,270**	**874**	**3,481**	**1**	**5,626**	**1.6**
Japan	**1,757**	**1**	**1,424**	**124**	**3,306**	**0.9**
Malaysia	**469**	**219**	**2,460**	**103**	**3,251**	**0.9**
Total	**28,560**	**26,802**	**106,410**	**638**	**162,410**	**46.0**
2011						
Top 10 countries						
Hong Kong SAR	1,955	3,584	41,689	75	47,303	13.9
China	6,067	2,157	23,226	192	31,642	9.3
India	3,130	2,222	11,197	39	16,588	4.9
South Korea	3,597	2,680	5,377	–	11,654	3.4
Taiwan	114	3,954	6,616	3	10,687	3.1
United Kingdom	3,715	321	3,692	6	7,734	2.3
Indonesia	70	1,433	5,820	9	7,332	2.1
United States	1,042	3,893	2,230	119	7,284	2.1
Australia	2,582	319	1,800	97	4,798	1.4
Malaysia	240	157	2,731	101	3,229	1.0
Total	22,512	20,720	104,378	641	148,251	43.5

(a) Non-bank loans include loans to government and quasi-government entities

44 MARKET RISK

The Group has a comprehensive risk appetite framework for all types of market risk across both the trading and banking books, (including structural foreign exchange risk arising from the Group's strategic investments). The Group level total TVaR associated with this framework is tabulated below, showing the period-end, average, high and low TVaR (at a 95% confidence level over a one-day holding period).

The Group

In $ millions	As at 31 Dec 2012	1 Jan 2012 to 31 Dec 2012 Average	High	Low
Total	**40**	**52**	**62**	**38**

The Group

In $ millions	As at 31 Dec 2011	1 Jan 2011 to 31 Dec 2011 Average	High	Low
Total	44	41	48	35

The Group's interest rate trading business is the major contributor of trading book risk and the significant exposures are in SGD and USD.

The following table shows the period-end, average, high and low VaR (at a 99% confidence level over a one-day holding period) for trading book market risk:

The Group

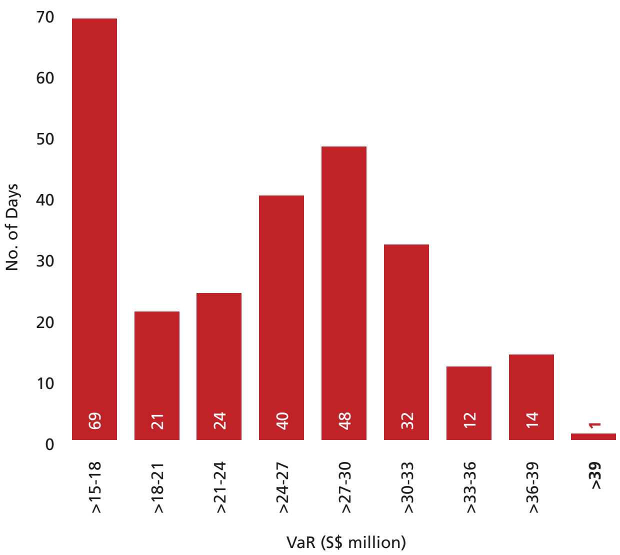
In $ millions	As at 31 Dec 2012	1 Jan 2012 to 31 Dec 2012 Average	High	Low
Total	**17**	**25**	**40**	**15**

The Group

In $ millions	As at 31 Dec 2011	1 Jan 2011 to 31 Dec 2011 Average	High	Low
Total	37	27	42	14

The chart below (unaudited) provides the range of VaR for the trading portfolio for the period from 1 January 2012 to 31 December 2012

DBSH GROUP VAR FOR TRADING BOOK



Back-testing is a procedure used to verify the predictive power of the VaR model involving comparison of daily profits and losses adjusted with the estimates from the VaR model. In the back-testing for the period from 1 January 2012 to 31 December 2012, there were no backtesting exceptions (2011: 5 exceptions).

For the banking book market risk the main risk drivers are SGD and USD interest rate positions. The economic value impact of changes in interest rates is simulated under various assumptions for the banking book. The simulated economic value changes are negative $449 million and $848 million (2011: negative $243 million and $433 million) based on parallel shocks to all yield curves of 100 basis points and 200 basis points respectively. The reported figures are based on the worst case of an upward and downward parallel shift in the yield curves.

45 LIQUIDITY RISK

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

	2012			2011		
In $ millions	**Up to 1 year**	**More than 1 year**	**Total**	**Up to 1 year**	**More than 1 year**	**Total**
Cash and balances with central banks	**17,772**	**–**	**17,772**	25,304	–	25,304
Singapore Government securities and treasury bills	**5,675**	**6,417**	**12,092**	6,209	6,294	12,503
Due from banks	**27,470**	**1,338**	**28,808**	24,383	1,188	25,571
Financial assets at fair value through profit or loss	**6,397**	**5,143**	**11,540**	6,633	5,294	11,927
Positive fair values for financial derivatives	**17,280**	**–**	**17,280**	21,164	–	21,164
Loans and advances to customers	**92,629**	**116,766**	**209,395**	86,134	108,141	194,275
Financial investments	**9,709**	**25,858**	**35,567**	9,509	20,982	30,491
Securities pledged and transferred	**2,576**	**1,821**	**4,397**	1,423	1,211	2,634
Investments in associates	**–**	**1,236**	**1,236**	–	949	949
Goodwill on consolidation	**–**	**4,802**	**4,802**	–	4,802	4,802
Properties and other fixed assets	**–**	**945**	**945**	–	976	976
Investment properties	**–**	**497**	**497**	–	372	372
Deferred tax assets	**–**	**91**	**91**	–	149	149
Other assets	**5,430**	**3,181**	**8,611**	7,595	2,135	9,730
Total assets	**184,938**	**168,095**	**353,033**	188,354	152,493	340,847
Due to banks	**23,603**	**1,559**	**25,162**	26,124	1,477	27,601
Due to non-bank customers	**237,675**	**3,490**	**241,165**	217,075	1,917	218,992
Financial liabilities at fair value through profit or loss	**4,508**	**3,341**	**7,849**	7,624	4,288	11,912
Negative fair values for financial derivatives	**17,532**	**–**	**17,532**	22,207	–	22,207
Bills payable	**316**	**–**	**316**	254	–	254
Current tax liabilities	**824**	**–**	**824**	837	–	837
Deferred tax liabilities	**–**	**30**	**30**	–	30	30
Other liabilities	**8,073**	**343**	**8,416**	8,330	1,957	10,287
Other debt securities in issue	**6,629**	**3,607**	**10,236**	7,945	2,409	10,354
Subordinated term debts	**–**	**5,505**	**5,505**	–	5,304	5,304
Total liabilities	**299,160**	**17,875**	**317,035**	290,396	17,382	307,778
Non-controlling interests	**–**	**4,261**	**4,261**	–	4,275	4,275
Shareholders' funds	**–**	**31,737**	**31,737**	–	28,794	28,794
Total equity	**–**	**35,998**	**35,998**	–	33,069	33,069

The table below shows the assets and liabilities of the Group as at 31 December based on contractual undiscounted repayment obligations:

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	No specific maturity	Total
2012							
Cash and balances with central banks	**10,261**	**1,975**	**4,161**	**1,381**	**–**	**–**	**17,778**
Due from banks	**7,233**	**4,120**	**5,662**	**10,521**	**1,352**	**–**	**28,888**
Financial assets at fair value through profit or loss	**419**	**1,371**	**1,676**	**3,143**	**5,243**	**235**	**12,087**
Other securities[(a)]	**169**	**1,249**	**5,230**	**12,058**	**35,312**	**1,099**	**55,117**
Loans and advances to customers	**14,772**	**23,637**	**20,711**	**35,661**	**125,456**	**–**	**220,237**
Other assets[(b)]	**2,467**	**159**	**506**	**1,453**	**3,181**	**7,572**	**15,338**
Total assets	**35,321**	**32,511**	**37,946**	**64,217**	**170,544**	**8,906**	**349,445**
Due to banks	**10,489**	**6,289**	**5,166**	**1,679**	**1,561**	**–**	**25,184**
Due to non-bank customers	**158,547**	**29,605**	**25,372**	**24,497**	**3,498**	**–**	**241,519**
Financial liabilities at fair value through profit or loss	**771**	**1,019**	**1,433**	**1,347**	**3,464**	**–**	**8,034**
Other liabilities[(c)]	**6,596**	**3,408**	**1,627**	**3,689**	**4,098**	**30**	**19,448**
Subordinated term debts	**–**	**14**	**49**	**113**	**6,268**	**–**	**6,444**
Total liabilities	**176,403**	**40,335**	**33,647**	**31,325**	**18,889**	**30**	**300,629**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**4,261**	**4,261**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**31,737**	**31,737**
Total equity	**–**	**–**	**–**	**–**	**–**	**35,998**	**35,998**
Derivatives settled on a net basis[(d)]	**(469)**	**(8)**	**(10)**	**53**	**151**	**–**	**(283)**
Net liquidity gap	**(141,551)**	**(7,832)**	**4,289**	**32,945**	**151,806**	**(27,122)**	**12,535**
2011							
Cash and balances with central banks	10,703	5,904	7,248	1,462	–	–	25,317
Due from banks	10,144	3,211	4,792	6,361	1,213	–	25,721
Financial assets at fair value through profit or loss	422	1,210	1,557	3,532	5,863	229	12,813
Other securities[(a)]	197	2,276	4,876	9,428	31,294	1,157	49,228
Loans and advances to customers	11,193	24,729	18,282	33,698	118,986	–	206,888
Other assets[(b)]	3,975	216	622	37	2,134	9,380	16,364
Total assets	36,634	37,546	37,377	54,518	159,490	10,766	336,331
Due to banks	12,843	7,770	4,314	1,211	1,478	–	27,616
Due to non-bank customers	146,846	25,772	25,417	19,282	1,928	–	219,245
Financial liabilities at fair value through profit or loss	1,526	1,242	1,408	3,421	4,480	60	12,137
Other liabilities[(c)]	4,285	4,166	4,642	1,441	4,529	2,748	21,811
Subordinated term debts	–	14	3	96	5,868	–	5,981
Total liabilities	165,500	38,964	35,784	25,451	18,283	2,808	286,790
Non-controlling interests	–	–	–	–	–	4,275	4,275
Shareholders' funds	–	–	–	–	–	28,794	28,794
Total equity	–	–	–	–	–	33,069	33,069
Derivatives settled on a net basis[(d)]	(440)	(22)	26	(73)	(119)	–	(628)
Net liquidity gap	(129,306)	(1,440)	1,619	28,994	141,088	(25,111)	15,844

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged and transferred
(b) Other assets include investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets
(c) Other liabilities include bills payable, other debt securities in issue, current and deferred tax liabilities and other liabilities
(d) Positive indicates inflow and negative indicates outflow of funds

The balances in the above table will not agree with the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, relating to both principal as well as future interest payments.

Customer assets and liabilities (including non-maturing savings/current deposits) are represented on a contractual basis or in a period when it can legally be withdrawn. On a behavioural basis for liquidity risk analysis, the assets and liabilities cash flows may differ from contractual basis.

45.1 DERIVATIVES SETTLED ON A GROSS BASIS

The table below shows the Group's derivative financial instruments in the period where they mature based on the remaining period to contractual maturity date as at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows on a gross settlement basis.

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	Total
2012						
Foreign exchange derivatives						
– outflow	**30,018**	**63,640**	**111,228**	**136,208**	**77,202**	**418,296**
– inflow	**30,017**	**63,741**	**111,257**	**136,421**	**76,786**	**418,222**
2011						
Foreign exchange derivatives						
– outflow	62,640	61,447	112,085	147,500	65,387	449,059
– inflow	62,494	61,360	112,600	147,560	64,508	448,522

45.2 CONTINGENT LIABILITIES AND COMMITMENTS

The table below shows the Group's contingent liabilities and commitments in the period where they expire based on the remaining period to contractual maturity date as at the balance sheet date:

In $ millions	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2012					
Guarantees, endorsements and other contingent items	**21,059**	**–**	**–**	**–**	**21,059**
Undrawn loan commitments[(a)] and other facilities	**126,127**	**3,656**	**3,744**	**2,277**	**135,804**
Operating lease commitments	**211**	**301**	**255**	**108**	**875**
Capital commitments	**17**	**2**	**–**	**–**	**19**
Total	**147,414**	**3,959**	**3,999**	**2,385**	**157,757**
2011					
Guarantees, endorsements and other contingent items	20,789	–	–	–	20,789
Undrawn loan commitments[(a)] and other facilities	109,321	3,255	3,333	502	116,411
Operating lease commitments	149	300	241	191	881
Capital commitments	30	3	–	–	33
Total	130,289	3,558	3,574	693	138,114

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group

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

45.3 LIQUID ASSETS

The table below shows the Group's liquid assets by instrument and counterparty based on the carrying value as at the balance sheet date. The composition of the pool of liquid assets is internally defined under the guiding principle that the assets should be readily available and can be easily monetised to meet liquidity shortfalls under times of stress.

Liquid assets are maintained across key locations to ensure that each location is able to manage liquidity stresses on a standalone basis. The main portion of the Group's liquid assets is centrally maintained under DBS Bank Ltd to support liquidity needs in smaller overseas subsidiaries and branches.

In $ millions	2012
Cash and holdings at central banks[a]	2,779
Deposits in other banks available overnight	2,428
Securities issued or guaranteed by sovereigns and central banks[b]	36,370
Other corporate securities[b][c]	16,753
Total Liquid assets	58,330

(a) Holdings at central banks consist only of unrestricted balances available overnight
(b) Securities are based on market value, excluding pledged bonds and including collateral received in reverse repo transactions
(c) Other corporate securities consist of corporate bonds and equities that are internally assessed to be liquid

45.4 BEHAVIOURAL PROFILING

For the purpose of liquidity risk management, the Group actively monitors and manages its liquidity profile within a 1-year period. A conservative view is adopted in the behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the actual contractual maturity profile. Examples where behavioural profiling is applied include the profiling of run-offs on deposits and the rate of draw downs on committed facilities. Assumptions made in behavioural profiling are subject to the governance of the Group internal risk committees.

The table below shows the Group's behavioural net and cumulative maturity mismatch between assets and liabilities over a 1-year period under a normal scenario without incorporating growth projections:

In $ millions[a]	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year
2012					
Net liquidity mismatch	**18,190**	**(6,941)**	**2,199**	**8,134**	**2,321**
Cumulative mismatch	**18,190**	**11,249**	**13,448**	**21,582**	**23,903**
2011					
Net liquidity mismatch	15,272	(1,120)	9,694	4,586	2,670
Cumulative mismatch	15,272	14,152	23,846	28,432	31,102

(a) Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has to be funded

As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the information presented above is not directly comparable across past balance sheet dates.

46 CAPITAL MANAGEMENT

The Group's capital management objectives are to diversify its sources of capital, to allocate capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses, and to meet the expectations of key constituencies, including investors, regulators and rating agencies. The Group has complied with all prescribed regulatory capital adequacy ratios.

The capital management process, which is under the oversight of the Capital Committee, includes periodic reviews of both the demand for and supply of capital across the Group. Overseas subsidiaries and non-banking subsidiaries of the Group may be required to comply with country-specific and industry-specific capital requirements depending on the jurisdiction and industry in which they operate, and are allocated capital accordingly to ensure regulatory compliance. Quarterly updates on the Group's capital position are provided to the Board of Directors.

The Group is subject to the capital adequacy requirements set out in the Monetary Authority of Singapore's Notice to Banks No. 637 (Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore), which effects the Basel Committee on Banking Supervision's capital adequacy framework in Singapore.

47 SEGMENT REPORTING

47.1 BUSINESS SEGMENT REPORTING

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

The various business segments are described below:

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

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

Treasury
Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primarily involved in sales, structuring, market making and trading across a broad range of financial products including foreign exchange, interest rate, debt, credit, equity and other structured derivatives. Income from these financial products and services offered to the customer of other business segments, such as Consumer Banking/Wealth Management and Institutional Banking, is reflected in the respective segments. Treasury is also responsible for managing surplus deposits relative to approved benchmarks.

Others
Others encompasses a range of activities from corporate decisions and income and expenses not attributed to the business segments, including capital and balance sheet management, funding and liquidity.

During the year, no one group of related customers as defined under banking regulations accounted for more than 10% of the Group's revenues.

The following table analyses the results, total assets and total liabilities of the Group by business segments:

In $ millions	Consumer Banking/ Wealth Management	Institutional Banking	Treasury	Others	Total
2012					
Net interest income	**1,427**	**2,767**	**692**	**399**	**5,285**
Non-interest income	**873**	**1,545**	**427**	**384**	**3,229**
Total income	**2,300**	**4,312**	**1,119**	**783**	**8,514**
Expenses	**1,602**	**1,416**	**462**	**134**	**3,614**
Allowances for credit and other losses	**93**	**212**	**(3)**	**115**	**417**
Share of profits of associates	**–**	**6**	**–**	**118**	**124**
Profit before tax	**605**	**2,690**	**660**	**652**	**4,607**
Income tax expense					**588**
Net profit attributable to shareholders					**3,809**
Total assets before goodwill	**63,232**	**177,073**	**75,434**	**32,492**	**348,231**
Goodwill on consolidation					**4,802**
Total assets					**353,033**
Total liabilities	**136,639**	**103,450**	**75,697**	**1,249**	**317,035**
Capital expenditure	**57**	**29**	**13**	**239**	**338**
Depreciation[(a)]	**32**	**18**	**7**	**122**	**179**
2011					
Net interest income	1,446	2,317	951	111	4,825
Non-interest income	758	1,693	201	154	2,806
Total income	2,204	4,010	1,152	265	7,631
Expenses	1,561	1,319	420	3	3,303
Allowances for credit and other losses	71	453	2	196	722
Share of profits of associates	–	21	–	106	127
Profit before tax	572	2,259	730	172	3,733
Income tax expense					443
Net profit attributable to shareholders					3,035
Total assets before goodwill	56,167	165,930	103,900	10,048	336,045
Goodwill on consolidation					4,802
Total assets					340,847
Total liabilities	127,475	103,977	71,166	5,160	307,778
Capital expenditure	31	29	21	96	177
Depreciation[(a)]	43	26	13	103	185

(a) Amounts for each business segment are shown before allocation of centralised cost

47.2 GEOGRAPHICAL SEGMENT REPORTING

Income and net profit attributable to shareholders (Net profit) are based on the country in which the transactions are booked. Total assets are shown by geographical area in which the assets are booked. It would not be materially different if total assets shown are based on the country in which the counterparty or assets are located. The total assets, income and net profit are stated after elimination of inter-group assets and revenues.

			The Group			
In $ millions	Singapore	Hong Kong	Rest of Greater China[(a)]	South and Southeast Asia[(b)]	Rest of the World[(c)]	Total
2012						
Net interest income	**3,209**	**886**	**510**	**451**	**229**	**5,285**
Non-interest income	**2,207**	**646**	**153**	**140**	**83**	**3,229**
Total income	**5,416**	**1,532**	**663**	**591**	**312**	**8,514**
Expenses	**2,088**	**678**	**498**	**275**	**75**	**3,614**
Allowances for credit and other losses	**318**	**11**	**34**	**38**	**16**	**417**
Share of profits of associates	**19**	**–**	**6**	**99**	**–**	**124**
Profit before tax	**3,029**	**843**	**137**	**377**	**221**	**4,607**
Income tax expense	**290**	**127**	**27**	**84**	**60**	**588**
Net profit attributable to shareholders	**2,529**	**716**	**110**	**293**	**161**	**3,809**
Total assets before goodwill	**225,678**	**56,577**	**35,317**	**16,860**	**13,799**	**348,231**
Goodwill on consolidation	**4,802**	**–**	**–**	**–**	**–**	**4,802**
Total assets	**230,480**	**56,577**	**35,317**	**16,860**	**13,799**	**353,033**
Non-current assets[(d)]	**2,189**	**355**	**111**	**21**	**2**	**2,678**
2011						
Net interest income	2,906	789	550	361	219	4,825
Non-interest income	1,813	664	62	196	71	2,806
Total income	4,719	1,453	612	557	290	7,631
Expenses	1,948	646	397	247	65	3,303
Allowances for credit and other losses	492	130	19	39	42	722
Share of profits of associates	20	–	22	85	–	127
Profit before tax	2,299	677	218	356	183	3,733
Income tax expense	168	106	40	70	59	443
Net profit attributable to shareholders	1,877	571	178	285	124	3,035
Total assets before goodwill	212,002	63,869	31,281	16,224	12,669	336,045
Goodwill on consolidation	4,802	–	–	–	–	4,802
Total assets	216,804	63,869	31,281	16,224	12,669	340,847
Non-current assets[(d)]	1,759	376	133	27	2	2,297

(a) Rest of Greater China includes branch, subsidiary and associate operations in Mainland China and Taiwan
(b) South and Southeast Asia includes branch, subsidiary and associate operations in India, Indonesia, Malaysia, Vietnam and the Philippines
(c) Rest of the World includes branch operations in South Korea, Japan, Dubai, United States of America and United Kingdom
(d) Includes investment in associates, properties and other fixed assets, and investment properties

DBS Bank Ltd

INCOME STATEMENT

for the year ended 31 December 2012

In $ millions	Note	2012	2011
Income			
Interest income		**5,396**	4,763
Interest expense		**1,571**	1,260
Net interest income		**3,825**	3,503
Net fee and commission income		**1,085**	1,068
Net trading income		**716**	456
Net loss from financial instruments designated at fair value		**(26)**	(9)
Net income from financial investments	2	**455**	593
Other income		**291**	144
Total income		**6,346**	5,755
Expenses			
Employee benefits		**1,140**	1,121
Other expenses		**1,116**	1,074
Allowances for credit and other losses		**342**	587
Total expenses		**2,598**	2,782
Profit before tax		**3,748**	2,973
Income tax expense		**450**	325
Net profit for the year		**3,298**	2,648

(see notes on pages 163 to 164, which form part of these financial statements)

DBS Bank Ltd

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

In $ millions	2012	2011
Net profit for the year	**3,298**	2,648
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**2**	(12)
Available-for-sale financial assets and others:		
Net valuation taken to equity	**599**	411
Transferred to income statement	**(327)**	(420)
Tax on items taken directly to or transferred from equity	**(43)**	29
Other comprehensive income for the year, net of tax	**231**	8
Total comprehensive income	**3,529**	2,656

(see notes on pages 163 to 164, which form part of these financial statements)

DBS Bank Ltd

BALANCE SHEET

as at 31 December 2012

In $ millions	Note	2012	2011
Assets			
Cash and balances with central banks		**11,652**	21,728
Singapore Government securities and treasury bills		**12,092**	12,503
Due from banks		**22,063**	19,537
Financial assets at fair value through profit or loss		**10,178**	9,867
Positive fair values for financial derivatives		**16,982**	21,034
Loans and advances to customers		**159,443**	149,600
Financial investments		**31,765**	25,325
Securities pledged and transferred		**1,901**	1,236
Subsidiaries	3	**15,688**	14,435
Due from special purpose entities		**2**	15
Investments in joint ventures		**–**	1
Investments in associates		**649**	1,109
Properties and other fixed assets		**509**	467
Investment properties		**43**	43
Deferred tax assets		**28**	60
Other assets		**5,055**	4,933
Total assets		**288,050**	281,893
Liabilities			
Due to banks		**23,844**	25,846
Due to non-bank customers		**182,228**	176,684
Financial liabilities at fair value through profit or loss		**5,435**	5,890
Negative fair values for financial derivatives		**17,283**	22,009
Bills payable		**240**	204
Current tax liabilities		**769**	742
Other liabilities		**4,170**	4,987
Other debt securities in issue		**8,989**	7,609
Due to holding company		**822**	1,533
Due to subsidiaries	4	**7,129**	2,449
Due to special purpose entities		**–**	112
Subordinated term debts		**5,505**	5,304
Total liabilities		**256,414**	253,369
Net assets		**31,636**	28,524
Equity			
Share capital	5	**17,096**	16,196
Other reserves	6	**2,979**	2,748
Revenue reserves	6	**11,561**	9,580
Shareholders' funds		**31,636**	28,524
Total equity		**31,636**	28,524

(see notes on pages 163 to 164, which form part of these financial statements)

DBS Bank Ltd

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

for the year ended 31 December 2012

The supplementary financial statements of DBS Bank Ltd (the Bank) are extracted from the Audited Statutory Financial Statements of DBS Bank Ltd and its subsidiaries (the Bank Group) for the financial year ended 31 December 2012. The statutory financial statements of the Bank and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank and the Bank Group are consistent with those applied by the Group as disclosed in Note 2 of the "Notes to the Financial Statements" (Notes) in the Group's Consolidated Financial Statements.

2 NET INCOME FROM FINANCIAL INVESTMENTS

Net income from financial investments includes the following:

In $ millions	2012	2011
Dividends from subsidiaries	**7**	123
Dividends from joint ventures/associates	**82**	34
Total	**89**	157

3 SUBSIDIARIES

In $ millions	2012	2011
Unquoted equity shares[a]	**12,434**	11,185
Less: impairment allowances	**736**	813
Sub-total	**11,698**	10,372
Due from subsidiaries	**3,990**	4,063
Total	**15,688**	14,435

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

Movements in impairment allowances during the year are as follows:

In $ millions	2012	2011
Balance at 1 January	**813**	819
Write-back to income statement	**(7)**	(6)
Write-off against investment cost	**(70)**	–
Balance at 31 December	**736**	813

4 DUE TO SUBSIDIARIES

In $ millions	2012	2011
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 4.1)	**1,500**	1,500
Due to subsidiaries	**5,629**	949
Total	**7,129**	2,449

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

5 SHARE CAPITAL

Issued and fully paid up	2012	2011
2,233,102,635 (2011: 2,172,821,322) ordinary shares	**2,233**	2,173
6,800 (2011: 6,800) 4.7% non-cumulative non-convertible perpetual preference shares	**#**	#
8,000,000 (2011: 8,000,000) 4.7% non-cumulative non-convertible perpetual preference shares	**8**	8
Total number of shares (millions)	**2,241**	2,181
Total Share Capital (in $ millions)	**17,096**	16,196

 # Amount under 500,000

6 OTHER RESERVES

6.1 OTHER RESERVES

In $ millions	2012	2011
Available-for-sale revaluation reserves	**630**	416
Cash flow hedge reserves	**(1)**	(16)
General reserves	**2,360**	2,360
Capital reserves	**(10)**	(12)
Total	**2,979**	2,748

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

In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves[a]	Capital reserves[b]	Total
Balance at 1 January 2012	**416**	**(16)**	**2,360**	**(12)**	**2,748**
Net exchange translation adjustments	**–**	**–**	**–**	**2**	**2**
Available-for-sale financial assets and others:					
– net valuation taken to equity	**590**	**9**	**–**	**–**	**599**
– transferred to income statement	**(335)**	**8**	**–**	**–**	**(327)**
– tax on items taken directly to or transferred from equity	**(41)**	**(2)**	**–**	**–**	**(43)**
Balance at 31 December 2012	**630**	**(1)**	**2,360**	**(10)**	**2,979**
Balance at 1 January 2011	380	–	2,360	–	2,740
Net exchange translation adjustments	–	–	–	(12)	(12)
Available-for-sale financial assets and others:					
– net valuation taken to equity	429	(18)	–	–	411
– transferred to income statement	(420)	–	–	–	(420)
– tax on items taken directly to or transferred from equity	27	2	–	–	29
Balance at 31 December 2011	416	(16)	2,360	(12)	2,748

(a) The General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007

(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign branches and the related foreign currency instruments designated as a hedge

6.2 REVENUE RESERVES

In $ millions	2012	2011
Balance at 1 January	**9,580**	8,432
Net profit attributable to shareholders	**3,298**	2,648
Amount available for distribution	**12,878**	11,080
Less: Special dividend	**1,200**	1,350
4.7% tax exempt preference dividends (2011: 4.7% tax exempt)	**117**	117
6% tax exempt preference dividends (2011: 6% tax exempt)	**–**	33
Balance at 31 December	**11,561**	9,580

DBS Group Holdings Ltd and its Subsidiaries

DIRECTORS' REPORT

The Directors are pleased to submit their report to the Members together with the audited consolidated financial statements of DBS Group Holdings Ltd (the Company) and its subsidiaries (the Group) and the balance sheet of the Company for the financial year ended 31 December 2012, which have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

BOARD OF DIRECTORS

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

Peter Seah Lim Huat	–	Chairman
Piyush Gupta	–	Chief Executive Officer
Bart Joseph Broadman		
Christopher Cheng Wai Chee		
Euleen Goh Yiu Kiang		
Ho Tian Yee		
Nihal Vijaya Devadas Kaviratne CBE		
Andre Sekulic	–	(Appointed 26 April 2012)
Danny Teoh Leong Kay		
Woo Foong Pheng (Mrs Ow Foong Pheng)	–	(Appointed 26 April 2012)

Dr Christopher Cheng Wai Chee, Ms Euleen Goh Yiu Kiang and Mr Danny Teoh Leong Kay will retire in accordance with Article 95 of the Company's Articles of Association at the forthcoming annual general meeting (AGM). Ms Euleen Goh and Mr Danny Teoh will offer themselves for re-election. Dr Christopher Cheng shall not be standing for re-election.

Mrs Ow Foong Pheng and Mr Andre Sekulic will retire in accordance with Article 101 of the Company's Articles of Association at the forthcoming AGM, and will offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year, was the Company a party to any arrangement, the object of which is to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate, save as disclosed in this report.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2012	As at 31 Dec 2011 (or date of appointment if later)	As at 31 Dec 2012	As at 31 Dec 2011 (or date of appointment if later)
DBS Group Holdings Ltd (DBSH) ordinary shares				
Peter Seah	16,306	15,965	–	–
Piyush Gupta	100,576	39,556	118,000	118,000
Bart Broadman	10,000	10,000	–	–
Christopher Cheng	–	–	–	–
Euleen Goh	4,185	4,185	–	–
Ho Tian Yee	–	–	–	–
Nihal Kaviratne CBE	300	12,000	–	–
Andre Sekulic	–	–	–	–
Danny Teoh	6,000	6,000	18,427	17,705
Ow Foong Pheng	4,120	4,042	–	–

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2012	As at 31 Dec 2011 (or date of appointment if later)	As at 31 Dec 2012	As at 31 Dec 2011 (or date of appointment if later)
Share awards (unvested) granted under the DBSH Share Plan				
Peter Seah(1)	37,736	15,271	–	–
Piyush Gupta(2)	669,629	401,609	–	–
Bart Broadman(1)	9,926	5,085	–	–
Christopher Cheng(1)	10,646	5,078	–	–
Euleen Goh(1)	15,726	7,021	–	–
Ho Tian Yee(1)	2,960	–	–	–
Nihal Kaviratne CBE(1)	4,008	–	–	–
Danny Teoh(1)	7,977	1,343	–	–
DBS Bank 4.7% non-cumulative non-convertible perpetual preference shares				
Euleen Goh	3,000	3,000	–	–
Piyush Gupta	–	–	10,000	10,000
Danny Teoh	2,000	2,000	–	–

(1) These non-executive directors received 30% of their directors' fees for 2011 in the form of time-based share awards
(2) Mr Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 40 of Notes to the 2012 DBS Group Holding's financial statements

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2013.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed by Section 201(8) of the Singapore Companies Act save as disclosed in this report or in the financial statements of the Company and of the Group.

DBSH SHARE OPTION PLAN

Particulars of the share options granted under the Option Plan in 2002, 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 2002, 2003, 2004 and 2005 respectively. No grants were made under the Option Plan since 2006.

The movements of the unissued ordinary shares of the Company in outstanding DBSH options granted under the Option Plan were as follows:

DBSH Options	Number of unissued ordinary shares 1 January 2012	During the year Exercised	During the year Forfeited/ Expired	Number of unissued ordinary shares 31 December 2012	Exercise price per share	Expiry date
March 2002	1,515,624	1,146,144	369,480	–	$12.53	28 March 2012
August 2002	76,164	76,164	–	–	$10.43	16 August 2012
December 2002	11,763	11,763	–	–	$9.75	18 December 2012
February 2003	1,549,646	430,887	352	1,118,407	$8.84	24 February 2013
March 2004	1,778,668	357,795	17,219	1,403,654	$12.53	02 March 2014
March 2005	838,060	81,423	33,286	723,351	$12.81	01 March 2015
	5,769,925	2,104,176	420,337	3,245,412		

The DBSH Share Option Plan has expired on 19 June 2009 and it was not extended or replaced. The termination of DBSH Share Option Plan will not affect the rights of holders of any outstanding existing options. Therefore, no further options were granted by the Company during the financial year.

The persons to whom the DBSH options have been granted do not have any right to participate by virtue of the DBSH options in any share issue of any other company.

DBSH SHARE PLAN

During the financial year, time-based awards in respect of an aggregate of 6,002,356 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the DBSH Group. This included 329,040 ordinary shares comprised in awards granted to director Mr Piyush Gupta, which formed part of his remuneration. During the financial year, non-executive directors received an aggregate of 55,181 ordinary shares comprised in time-based awards, which formed part of their directors' fees. Details are set out below.

Directors of the Company	Share awards granted during the financial year under review	Share awards vested during the financial year under review
Peter Seah[(2)]	22,465	–
Piyush Gupta	329,040[(1)]	61,020
Bart Broadman[(2)]	4,841	–
Christopher Cheng[(2)]	5,568	–
Euleen Goh[(2)]	8,705	–
Ho Tian Yee[(2)]	2,960	–
Nihal Kaviratne CBE[(2)]	4,008	–
Andre Sekulic[(3)]	–	–
Danny Teoh[(2)]	6,634	–
Ow Foong Pheng[(3)]	–	–

(1) Mr Gupta's awards formed part of his remuneration for 2011
(2) The awards of these non-executive directors formed part of their directors' fees for 2011, which had been approved by the shareholders at DBSH's Annual General Meeting held on 25 April 2012
(3) As Mr Sekulic and Mrs Ow were appointed on 26 April 2012, they did not receive directors' fees for 2011

Information on the DBSH Share Plan is as follows:

(i) Awards over DBSH's ordinary shares may be granted to DBSH Group executives who hold such rank as may be determined by the Compensation and Management Development Committee of DBSH from time to time. Awards may also be granted to (inter alia) executives of associated companies of DBSH who hold such rank as may be determined by the Compensation and Management Development Committee from time to time, and non-executive directors of DBSH.

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

(ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee.

(iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary General Meeting held on 8 April 2009, the DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or by reason of the participant, being a non-executive director, ceasing to be a director, or in the event of a take-over, winding up or reconstruction of DBSH.

(v) Subject to the prevailing legislation and the rules of the Singapore Exchange, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares (which may include ordinary shares held by the Company in treasury).

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

AUDIT COMMITTEE

The Audit Committee comprised non-executive directors Mr Danny Teoh (Chairman), Dr Christopher Cheng, Mr Nihal Kaviratne CBE, Mr Peter Seah, Mr Andre Sekulic and Mrs Ow Foong Pheng. As part of its functions, it assists the Board in discharging its responsibilities for the Group's financial announcements, internal control issues and regulatory compliance as well as oversees the objectivity and effectiveness of the internal and external auditors.

In its review of the audited financial statements for the financial year ended 31 December 2012, the Audit Committee has discussed with management and the external auditor the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditor, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from PricewaterhouseCoopers LLP (PwC) and has considered the financial, business and professional relationship between PwC and the Group. It is of the view that such relationship is compatible with maintaining PwC's independence.

The Audit Committee recommends to the Board of Directors the re-appointment of PwC as independent external auditor at the forthcoming Annual General Meeting of the Company on 29 April 2013.

INDEPENDENT AUDITOR

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

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

5 February 2013
Singapore

DBS Group Holdings Ltd and its Subsidiaries

STATEMENT BY THE DIRECTORS

We, Peter Seah Lim Huat and Piyush Gupta, being two of the Directors of DBS Group Holdings Ltd (the Company), state that, in the opinion of the Directors, the consolidated financial statements of the Group, consisting of the Company and its subsidiaries and the balance sheet of the Company, together with the notes thereon, as set out on pages 94 to 159, are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2012, and the results, changes in equity and cash flows of the Group for the financial year ended on that date and there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

5 February 2013
Singapore

DBS Group Holdings Ltd and its Subsidiaries

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DBS GROUP HOLDINGS LTD (INCORPORATED IN SINGAPORE)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 94 to 159, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2012, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

5 February 2013
Singapore

SHARE PRICE

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Share Price ($)[1]										
High	13.18	14.28	14.28	19.21	21.17	17.55	15.40	15.58	15.73	14.99
Low	7.06	11.39	11.82	13.43	16.07	7.68	6.45	13.26	10.81	11.59
Close	12.50	13.69	14.03	19.21	17.60	8.42	15.40	14.32	11.52	14.84
Average	9.82	12.87	13.09	15.50	18.60	14.23	11.48	14.30	13.77	13.98
Per Ordinary Share ($)										
Gross dividend yield[2]	2.6	2.6	3.8	4.2	3.7	4.6	4.9	3.9	4.1	4.0
Price-to-earning ratio[3] (number of times)	11.6	11.7	14.0	12.7	13.4	12.5	12.6	12.4	10.6	10.1
Price-to-book ratio (number of times)	1.2	1.4	1.5	1.6	1.8	1.4	1.1	1.3	1.1	1.1

(1) Figures have been adjusted for a rights issue in 2008 (exercised in January 2009)
(2) Dividend amounts are on gross basis prior to Fourth Quarter 2007 and on one-tier tax-exempt basis thereafter. 2006 includes a special dividend of 4 cents
(3) Earnings exclude one-time items and goodwill charges

SHAREHOLDING STATISTICS

as at 4 March 2013

I. Class of Shares – Ordinary shares
Voting Rights – One vote per share
Total number of issued ordinary shares – 2,440,350,267 (excluding treasury shares)
Treasury Shares – 2,844,000 (representing 0.12% of the total number of issued ordinary shares, excluding treasury shares)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%*
1 – 999	7,330	16.52	1,659,905	0.07
1,000 – 10,000	32,562	73.38	90,718,750	3.72
10,001 – 1,000,000	4,450	10.03	147,641,098	6.05
1,000,001 & above	33	0.07	2,200,330,514	90.16
Total	44,375	100.00	2,440,350,267	100.00
Location of Shareholders				
Singapore	41,748	94.08	2,418,770,067	99.12
Malaysia	1,509	3.40	11,549,421	0.47
Overseas	1,118	2.52	10,030,779	0.41
Total	44,375	100.00	2,440,350,267	100.00

TWENTY LARGEST SHAREHOLDERS (as shown in the Register of Members and Depository Register)

Name of Shareholder	No. of Shares	%*
1 Citibank Nominees Singapore Pte Ltd	468,062,070	19.18
2 Maju Holdings Pte. Ltd.	428,888,448	17.57
3 DBS Nominees Pte Ltd	374,782,964	15.36
4 Temasek Holdings (Private) Ltd	284,145,301	11.64
5 DBSN Services Pte Ltd	237,510,987	9.73
6 HSBC (Singapore) Nominees Pte Ltd	157,973,300	6.47
7 United Overseas Bank Nominees Pte Ltd	87,232,696	3.57
8 Raffles Nominees (Pte) Ltd	45,588,116	1.87
9 DB Nominees (S) Pte Ltd	15,769,909	0.65
10 BNP Paribas Securities Services Singapore Branch	14,049,931	0.58
11 Lee Pineapple Company Pte Ltd	13,412,181	0.55
12 Merrill Lynch (Singapore) Pte Ltd	10,645,563	0.44
13 Lee Foundation	9,892,886	0.41
14 Bank Of Singapore Nominees Pte Ltd	8,102,263	0.33
15 DBS Vickers Securities (S) Pte Ltd	6,721,536	0.28
16 KEP Holdings Limited	4,033,947	0.17
17 BNP Paribas Nominees Singapore Pte Ltd	3,977,611	0.16
18 UOB Kay Hian Pte Ltd	2,768,570	0.11
19 Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,490,682	0.10
20 Lee Seok Chee Mrs Seok Chee Lee Eng	2,467,333	0.10
Total	**2,178,516,294**	**89.27**

* *Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares*

II. Class of Shares – Non-Voting Redeemable Convertible Preference Shares ("NVRCPS")
Voting Rights – Please see Article 6A of the Articles of Association
Sole Shareholder of 30,011,421 NVRCPS: Maju Holdings Pte. Ltd.

SUBSTANTIAL ORDINARY SHAREHOLDERS (as shown in the Register of Substantial Shareholders as at 4 March 2013)

	Direct Interest No. of Shares	%*	Deemed Interest No. of Shares	%*
Maju Holdings Pte. Ltd.	428,888,448	17.57	0	0.00
Temasek Holdings (Private) Limited	284,145,301	11.64	433,338,229	17.76

* *Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares*

1. Maju Holdings Pte. Ltd. ("Maju") is a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek").

2. Temasek, a company wholly-owned by the Minister for Finance, is deemed to be interested in 433,338,229 ordinary shares in which its subsidiaries and associated companies have or are deemed to have interests. The breakdown is as follows:

   a. Maju – 428,888,448 shares (17.57%).
   b. Fullerton Fund Management Company Ltd. – 500,000 shares (0.02%), a subsidiary of Temasek.
   c. Keppel Corporation Limited – 3,949,781 shares (0.16%) held by the Keppel Corporation Limited group of companies which are Temasek associated companies.

As at 4 March 2013, approximately 70.54% of issued ordinary shares of DBS Group Holdings Ltd are held by the public and, therefore, Rule 723 of the SGX Listing Manual is complied with.

FINANCIAL CALENDAR

2012

27 April
Announcement of first quarter results 2012

29 June
Payment date of Final Dividends on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares for the financial year ended 31 December 2011

03 August
Announcement of second quarter results 2012

01 October
Payment date of Interim Dividends on Ordinary Shares and Non-Voting Redeemable Convertible Preference Shares for the six months ended 30 June 2012

01 November
Announcement of third quarter results 2012

31 December
Financial Year End

2013

06 February
Announcement of full year results 2012

29 April
Annual General Meeting

May
Announcement of first quarter results 2013

July
Proposed payment in early July of Final Dividends on Ordinary Shares and Non-Voting Redeemable Convertible Preference Shares for the financial year ended 31 December 2012

August
Announcement of half year results 2013

November
Announcement of third quarter results 2013

2014

February
Announcement of full year results 2013

INTERNATIONAL BANKING OFFICES

GREATER CHINA

CHINA

DBS Bank (China) Limited
18th Floor DBS Bank Tower
1318 Lu Jia Zui Ring Road
Pudong
Shanghai 200120
People's Republic of China
Tel: (8621) 3896 8888
Fax: (8621) 3896 8989

Total of 29 branches and sub-branches across China

HONG KONG

DBS Bank (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222

Total of 55 branches, Enterprise Banking centres and Finance centres across Hong Kong and Macau

DBS Bank Hong Kong Branch
18th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1900
Fax: (852) 2596 0577

TAIWAN

DBS Bank (Taiwan) Limited
17F, No. 36
Songren Road
Xinyi District
Taipei City 110 R.O.C.
Tel: (8862) 6612 9889
Fax: (8862) 6612 9285

Total of 41 branches across Taiwan

INDIA

DBS Bank India
Fort House, 3rd Floor
221, Dr. D.N. Road, Fort
Mumbai 400001, India
Tel: (9122) 6638 8888
Fax: (9122) 6638 8899

Total of 12 branches across India

INDONESIA

PT Bank DBS Indonesia
Plaza Permata
Jl. M H Thamrin Kav.57
Jakarta 10350
Tel: (6221) 390 3366/390 3368
Fax: (6221) 390 8222/390 3383

Total of 43 branches and sub-branches across Indonesia

OTHERS

JAPAN

DBS Bank Tokyo Branch
508 Yurakucho Denki Building
7-1 Yurakucho 1-chome
Chiyoda-ku
Tokyo 1000006, Japan
Tel: (813) 3213 4411
Fax: (813) 3213 4415

KOREA

DBS Bank Seoul Branch
18th Floor, Seoul Finance Center
84 Taepyungro 1-ka Chung-ku
Seoul Republic of Korea
Tel: (822) 6322 2660
Fax: (822) 6322 2670

MALAYSIA

DBS Bank Kuala Lumpur Representative Office
#08-01, Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Tel: (603) 2148 8338
Fax: (603) 2148 7338

DBS Bank Labuan Branch
Level 10 (A) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 W.P. Labuan, Malaysia
Tel: (6087) 595 500
Fax: (6087) 423 376

THAILAND

DBS Bank Bangkok Representative Office
Level 33 Interchange 21
399 Sukhumvit Road, North Klongtoey
Wattana Bangkok 10110, Thailand
Tel: (662) 660 3781
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THE PHILIPPINES

DBS Bank Manila Representative Office
18th Floor, BPI Building
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Makati City, The Philippines
Tel: (632) 845 5112
Fax: (632) 750 2144

UNITED ARAB EMIRATES

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Suite 5, 3rd Floor, Building 3
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Dubai, UAE
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Fax: (971) 4364 1801

UNITED KINGDOM

DBS Bank London Branch
4th Floor, Paternoster House
65 St Paul's Churchyard
London EC4M 8AB, UK
Tel: (44 207) 489 6550
Fax: (44 207) 489 5850

UNITED STATES OF AMERICA

DBS Bank Los Angeles Agency
725 South Figueroa Street
Suite 2000, Los Angeles
CA 90017, USA
Tel: (1 213) 627 0222
Fax: (1 213) 627 0228

VIETNAM

DBS Bank Hanoi Representative Office
Room 1404
14th Floor, Pacific Place
83B Ly Thuong Kiet Street
Hanoi, Vietnam
Tel: (844) 3946 1688
Fax: (844) 3946 1689

DBS Bank Ho Chi Minh City Branch
11th floor, Saigon Centre
65 Le Loi Boulevard, District 1
Ho Chi Minh City, Vietnam
Tel: (84 8) 3914 7888
Fax: (84 8) 3914 4488

MAIN SUBSIDIARIES & ASSOCIATED COMPANIES

DBS BANK LTD ("DBS BANK")
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
100% owned by DBS Group Holdings Ltd

AXS PTE LTD
61 Mohamed Sultan Road
#01-11 Sultan Link
Singapore 239001
Tel: (65) 6560 2727
Fax: (65) 6636 4550
26.41% owned by DBS Bank and 59.77% owned by Primefield Company Pte Ltd, a wholly-owned subsidiary of DBS Bank

CENTRAL BOULEVARD DEVELOPMENT PTE. LTD.
8 Marina Boulevard #04-01
Marina Bay Financial Centre Tower 1
Singapore 018981
30% owned by Heedum Pte. Ltd., a wholly-owned subsidiary of DBS Bank

CHANGSHENG FUND MANAGEMENT COMPANY LIMITED
21F Building A, Chengjian Plaza
18 Beitaipingzhuang Road
Haidian District, Beijing 100088
People's Republic of China
Tel : (86 10) 8201 9988
Fax : (86 10) 8225 5988
33% owned by DBS Bank

DBS ASIA CAPITAL LIMITED
22nd Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1148
Fax: (852) 2868 0250
100% owned by DBS Bank

DBS BANK (CHINA) LIMITED
18th Floor DBS Bank Tower
1318 Lu Jia Zui Ring Road
Pudong, Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8989
100% owned by DBS Bank

DBS BANK (HONG KONG) LIMITED
11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222
100% owned by DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBS Bank

DBS BANK (TAIWAN) LTD
15th, 16th & 17th Floor
No. 15, 16 & 17 Songren Road
Xinyi District, Taipei 110
Taiwan, R.O.C.
Tel: (886 2) 6612 9889
Fax: (886 2) 6612 9285
100% owned by DBS Bank

DBS NOMINEES (PRIVATE) LIMITED
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
Fax: (65) 6338 8936
100% owned by DBS Bank

DBS TRUSTEE LIMITED
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
Fax: (65) 6878 3977
100% owned by DBS Bank

DBS VICKERS SECURITIES (SINGAPORE) PTE LTD
12 Marina Boulevard Level 3
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6327 2288
100% owned by DBS Vickers Securities Holdings Pte Ltd, a wholly-owned subsidiary of DBS Bank

DBS Vickers Securities (Singapore) Pte Ltd is the main operating entity in Singapore of the DBS Vickers Group, which has operations of varying scope and complexity in other jurisdictions including Hong Kong, Indonesia, Thailand, Malaysia and the US.

DBSN SERVICES PTE. LTD.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
Fax: (65) 6338 8936
100% owned by DBS Bank

HUTCHISON DBS CARD LIMITED
22nd Floor, Hutchison House
10 Harcourt Road
Hong Kong
Tel: (852) 2128 1188
Fax: (852) 2128 1705
50% owned by DBS Bank (Hong Kong) Limited

HWANG-DBS (MALAYSIA) BHD
Level 2,3,4,7 & 8, Wisma Sri Pinang
60 Green Hall
10200 Penang
Malaysia
Tel: (604) 263 6996
Fax: (604) 263 9597
4.15% owned by DBS Bank and 23.51% owned by DBS Vickers Securities (Malaysia) Pte Ltd, an indirect wholly-owned subsidiary of DBS Bank

NETWORK FOR ELECTRONIC TRANSFERS (SINGAPORE) PTE LTD
298 Tiong Bahru Road, #04-01/06
Central Plaza
Singapore 168730
Tel: (65) 6272 0533
Fax: (65) 6272 2334
33.33% owned by DBS Bank

PT BANK DBS INDONESIA
Plaza Permata
Jalan M. H. Thamrin Kav.57
Jakarta 10350
Indonesia
Tel: (62 21) 390 3366/3368
Fax: (62 21) 390 8222/3383
99% owned by DBS Bank

THE ISLAMIC BANK OF ASIA LIMITED
12 Marina Boulevard #15-03
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 5522
Fax: (65) 6878 5500
50% owned by DBS Bank

AWARDS AND ACCOLADES

ALPHA SOUTHEAST ASIA BEST FINANCIAL INSTITUTION AWARDS 2012

- Best Bank in Singapore
- Best Bond House in Singapore
- Best Equity House in Singapore
- Best FX Bank for Corporates & FIs in Singapore
- Best Investment Bank in Singapore
- Best Retail Broker in Singapore (DBS Vickers)
- Best SME Bank in Singapore
- Best Trade Finance Bank in Singapore
- Best Broker in Southeast Asia (DBS Vickers)

ALPHA SOUTHEAST ASIA DEAL & SOLUTION AWARDS 2012

- Best REIT House of the Year in Southeast Asia
- Best Structured & Commodity Trade Solution of the Year in Southeast Asia – USD 355 million (SGD 433 million) account receivable purchase solution for Huawei
- Best Equity Deal of the Year in Southeast Asia – MYR 6.7 billion (SGD 2.7 billion) IHH equity offering
- Best IPO for Retail Investors in Southeast Asia – USD194 million (SGD 244 million) Bumitama Agri IPO
- Best REIT Deal of the Year in Southeast Asia – USD 275.3 million (MYR 837.5 million) IGB REIT
- Most Innovative Deal of the Year in Southeast Asia – USD 275.3 million (MYR 837.5 million) IGB REIT
- Best Local Currency Bond Deal of the Year in Southeast Asia – USD 1.4 billion (SGD 1.8 billion) Genting Singapore PLC sub perpetual securities
- Best Dual-Listed IPO of the Year in Southeast Asia – MYR 6.7 billion (SGD 2.7 billion) IHH equity offering

ASIAMONEY BEST DOMESTIC BANKS AWARDS 2012

- Best Domestic Bank in Singapore
- Best Domestic Debt House in Singapore
- Best Domestic Equity House in Singapore

ASIAMONEY BROKERS POLL 2012

- Ranked 1st for Local Brokerage in Singapore – DBS Vickers
- Ranked 1st for Best Execution in Singapore – DBS Vickers
- Ranked 1st for Best for Overall Country Research in Singapore – DBS Vickers
- Ranked 1st for Best Overall Sales Services in Singapore – DBS Vickers
- Ranked 1st for Best Research Coverage in Singapore – Food, Beverages & Tobacco and Telecommunication Services sectors
- Ranked 2nd Best in Sales Trading in Singapore – DBS Vickers

ASIAMONEY PRIVATE BANKING POLL 2012

- Best Domestic Private Bank in Singapore (as voted by HNWIs with > USD 1 million AUM)

ASIAMONEY CASH MANAGEMENT POLL 2012

- Best Global Cash Management Banks in Asia Pacific
  - *Ranked 3rd by small and medium corporates*
  - *Ranked 5th by large corporates*

- Best Foreign Cash Management Bank in China
  - *Ranked 3rd by small and large corporates*
  - *Ranked 4th by medium corporates*

- Best Foreign Cash Management Bank in Hong Kong
  - *Ranked 1st by small corporates*
  - *Ranked 2nd by medium corporates*
  - *Ranked 3rd by large corporates*

- Best Foreign Cash Management Bank in India
  - *Ranked 3rd by small and medium corporates*
  - *Ranked 5th by large corporates*

- Best Foreign Cash Management Bank in Indonesia
  - *Ranked 1st by small corporates*
  - *Ranked 4th by medium corporates*
  - *Ranked 3rd by large corporates*

- Best Local Cash Management Bank in Singapore
  - *Ranked 1st by small, medium and large corporates*

- Best Foreign Cash Management Bank in Taiwan
  - *Ranked 3rd by small and medium corporates*
  - *Ranked 4th by large corporates*

ASIAMONEY COUNTRY DEALS OF THE YEAR 2012

- Best Country Deal in Malaysia – IHH Healthcare MYR 6.73 billion (USD 2.1 billion) IPO
- Best Country Deal in China – Alibaba Group Holding USD 3 billion senior loan facilities

ASIAMONEY REGIONAL DEALS OF THE YEAR 2012

- Best IPO in Asia – IHH Healthcare's MYR 6.73 billion (USD 2.1 billion) IPO
- Best Local Currency Bond – Genting's SGD 1.8 billion perpetual
- Best Syndicated Loan – Alibaba USD 3 billion senior loan facilities
- Best Leveraged Financing – CVC Asia Pacific HKD 2.95 billion (USD 380.6 million) leverage buyout financing

ASIA PACIFIC LOAN MARKET ASSOCIATION ASIA PACIFIC SYNDICATED LOAN AWARDS 2012

- Singapore Loan House of the Year
- Overall Deal of the Year in Asia Pacific – Alibaba Group

- Acquisition Finance Deal of the Year in Asia Pacific – Alibaba Group
- Corporate Deal of the Year in Asia Pacific – Noble Group
- Project Finance Deal of the Year in Asia Pacific – Australia Pacific LNG

ASIA RISK AWARDS 2012
- Derivatives House of the Year in Asia ex-Japan
- House of the Year in Singapore
- House of the Year in Hong Kong

THE ASIAN BANKER 500 STRONGEST BANK RANKINGS 2012
- Strongest Bank in Singapore

THE ASIAN BANKER TRANSACTION BANKING AWARDS 2012
- Best Trade Finance Bank in Singapore

ASIAN BANKING & FINANCE RETAIL BANKING AWARDS 2012
- Domestic Retail Bank of the Year in Singapore
- Best Branch Innovation in Singapore – Silver

THE ASSET TRANSACTION BANKING AWARDS 2012
- Best Transaction Bank in Singapore
- Specialist Awards: Best for Emerging Corporates in Asia Pacific

THE ASSET BEST IN TREASURY & WORKING CAPITAL 2012
- Best Treasury & Working Capital Bank for MNCs/Large Corporates in Indonesia
- Best Treasury & Working Capital Bank for MNCs/Large Corporates in Singapore
- Rising Star Treasury & Working Capital Bank for MNCs/Large Corporates in China
- Best Cash Management Solution in China – Host to host and entrustment loan solution for Family Mart
- Best Cash Management Solution in Indonesia – Payments integration and workflow management for GM Autoworld Indonesia
- Best Electronic Banking Solution in Singapore – Bill collections, lockbox and migration of direct debit authorisations for Diners Club International
- Best Structured Trade Deal in Hong Kong – China West Mining (HK) USD 100 million back-to-back and front-to-back trade credit issuance structure
- Best Structured Trade Deal in Indonesia – Triputra Agro Persada Indonesia USD 250 million structured term loan
- Best Structured Trade Deal in Singapore – Australian International School SGD 150 million structured term loan
- Best Trade Finance Solution in India (Highly Commended) – Uttam Galva Steel USD 60 million pre-export structured trade advance facility
- Best Trade Finance Solution in Indonesia – Pertamina (Persero) USD 100 million financing facility
- Best Trade Finance Solution in Singapore – Supplier Financing Programme for Dairy Farm Group

THE ASSET SECURITIES AND FUND SERVICES AWARDS 2012
- Best Subcustodian Bank in Singapore

THE ASSET TRIPLE A COUNTRY AWARDS 2012
- Best Domestic Bank in Singapore
- Best Domestic Investment Bank in Singapore
- Best Domestic Bond House in Singapore
- Best Brokerage House in Singapore – DBS Vickers
- Best Deal in Singapore – Genting Singapore SGD 1.8 billion perpetual subordinated capital securities
- Best Deal in Malaysia – IHH Healthcare USD 2.15 billion IPO

THE ASSET TRIPLE A INVESTMENT AWARDS 2012
- Best Rates Derivatives House for Corporates in Asia
- Best Derivatives House in Singapore

THE ASSET TRIPLE A REGIONAL AWARDS 2012
- Best REIT House in Asia
- Best Equity/Best IPO in Asia – IHH Healthcare's USD 2.1 billion IPO
- Best Mid-Cap Equity/Best REIT in Asia – Far East Hospitality Trust SGD 718 million IPO
- Best Loan Syndication in Asia – Reliance Industries USD 1.5 billion dual tranche syndicated term loan facility
- Best Privatisation/Most Innovative Deal in Asia – Alibaba Group's privatisation of Alibaba.com, acquisition of shares held by Yahoo and related financing
- Best Leveraged Financing in Asia – CVC Asia Pacific USD 658 million acquisition of Hong Kong Broadband Network and IDD business from City Telecom

THE BANKER BANK OF THE YEAR AWARDS 2012
- Bank of the Year in Asia

THE BANKER TOP 1000 WORLD BANKS 2012
- Ranked 1st in ASEAN
- Ranked 1st in Singapore
- Ranked 6th in Hong Kong

BEST PRACTICE MANAGEMENT AWARD 2012
- Grand Award in Hong Kong
- Corporate Wellness Award in Hong Kong

BISNIS INDONESIA AWARDS 2012
- Best Foreign Bank in Indonesia

BISNIS INDONESIA BANKING EFFICIENCY AWARDS 2012
- DBS Indonesia

BUSINESS INDIA BEST BANKS IN INDIA 2012
- Ranked 1st for Business/Employee in India
- Ranked 2nd for Profit/Employee in India

BUSINESS TODAY-KPMG BEST BANK RANKINGS 2012
- Ranked 1st for Productivity & Efficiency (Mid-sized banks) in India
- Ranked 3rd for Best Mid-sized Bank in India

CAPITAL MONTHLY CAPITAL MERITS OF ACHIEVEMENTS IN BANKING & FINANCE AWARDS 2012
- Wealth Management – DBS Treasures Private Client

CAPITAL WEEKLY THE BEST PERFORMANCE COMPANY AWARDS 2012
- Enterprise Bank in Hong Kong

CAPITAL WEEKLY SERVICE AWARDS 2012
- Wealth management services award in Hong Kong
- Foreign exchange services award in Hong Kong

HONG KONG COUNCIL OF SOCIAL SERVICES
- Caring Company Award

CHINA ASSOCIATION OF SMALL AND MEDIUM ENTERPRISES
- Best SME Product in China – Equipment Financing

CHINA BUSINESS JOURNAL
- 2012 SME Banking Competitive Excellence Award (Foreign Bank) in China

CHINA FOREIGN EXCHANGE TRADE SYSTEM
- Best Compliant Trading Member in China
- Best Foreign Currency Trading Member in China
- Best FOREX Member in China
- Best Potential Market Maker in China
- Excellent SPOT Trading Member in China
- Excellent Derivative Trading Member in China
- Top 100 Bank in Interbank CNY market in China

CHINA BUSINESS NEWS ANNUAL FINANCIAL VALUE RANKING AWARD 2012
- Best Wealth Management Innovation Bank in China

COMMERCIAL TIMES TAIWAN SERVICE INDUSTRY NATIONAL SURVEY 2012
- Best Group Service Award in Taiwan

COMMUNITY INVESTMENT & INCLUSION FUND / LABOUR AND WELFARE BUREAU SOCIAL CAPITAL BUILDERS AWARD 2012
- DBS Hong Kong

CONTACT CENTRE ASSOCIATION OF SINGAPORE INTERNATIONAL CONTACT CENTRE AWARDS 2012
- Best In-House Contact Centre (over 100 seats) – Gold
- Best Customer Experience – Gold
- Best Innovative Productivity Solution – Gold

CORPORATE GOVERNANCE ASIA 3RD ASIAN EXCELLENCE RECOGNITION AWARDS
- Asia's Best CEO (Investor Relations) in Singapore
- Asia's Best CFO (Investor Relations) in Singapore
- Best Investor Relations by a Singapore company

CORPORATE TREASURER ALLIANCE AWARDS 2012
- Best Cash Management Bank in Singapore

BANKING & PAYMENTS ASIA TRAILBLAZER AWARDS 2012
- Channel Excellence in Mobile Banking in Asia
- Channel Excellence in Social Media in Asia

DUN & BRADSTREET BANKING AWARDS 2012
- Best Foreign Bank for Priority Sector Lending in India

EUROMONEY AWARDS FOR EXCELLENCE 2012
- Best Bank in Singapore
- Best Investment Bank in Singapore

EUROMONEY PRIVATE BANKING SURVEY 2012
- Best Local Private Bank in Singapore

EUROWEEK ASIA AWARDS 2012
- Best Arranger of Loans for Indonesian Institutional Borrowers

FINANCEASIA ACHIEVEMENT AWARDS 2012
- Best China Deal – Alibaba Group's privatisation of Alibaba.com, acquisition of shares held by Yahoo and related financing
- Best IPO – IHH Healthcare's USD 2.1 billion IPO
- Best Malaysia Deal – IHH Healthcare's USD 2.1 billion IPO
- Best Singapore Deal – Genting's SGD 1.8 billion perpetual

FINANCEASIA COUNTRY AWARDS 2012
- Best Bank in Singapore
- Best Bond House in Singapore
- Best Broker in Singapore
- Best Equity House in Singapore
- Best Foreign Exchange Bank in Singapore
- Best Investment Bank in Singapore

GLOBAL ENTREPRENEUR MAGAZINE BANKING INDUSTRY INNOVATION AND SUBDIVISION BUSINESS AWARD 2012
- Best Retail Banking Services (Foreign Bank) in China
- Top 3 Wealth Management Brands (Foreign Bank) in China

GLOBAL FINANCE STARS OF CHINA 2012
- Best Foreign Treasury & Cash Management Bank in China

GLOBAL FINANCE WORLD'S SAFEST BANKS 2012
- Safest Bank in Asia

GLOBAL FINANCE WORLD'S BEST DEVELOPED MARKET BANKS 2012
- Best Bank in Singapore

GLOBAL FINANCE WORLD'S BEST FOREIGN EXCHANGE PROVIDERS 2012
- Best FX Bank in Southeast Asia
- Best FX Bank in Indonesia
- Best FX Bank in Singapore

GLOBAL FINANCE WORLD'S BEST SUB-CUSTODIAN BANKS 2012
- Best Sub-custodian Bank in Singapore

GLOBAL FINANCE WORLD'S BEST TRADE FINANCE BANK PROVIDERS 2012
- Best Trade Finance Bank in Singapore

GLOBAL VIEW MAGAZINE SERVICE SURVEY 2012
- Ranked 2nd for the Financial Industry in Taiwan

HONG KONG CALL CENTRE ASSOCIATION AWARD 2012
- Mystery Callers Assessment – Gold
- Best Contact Centre in Training and People Development – Silver

HONG KONG CHAMBER OF SMALL AND MEDIUM BUSINESS BEST SME'S PARTNER 2012
- 2009 – 2012 Best SME's Partner in Hong Kong

HRM AWARDS SINGAPORE 2012
- Centre for Creative Leadership Award for Best Leadership Development

IDC FINANCIAL INSIGHTS INNOVATION AWARDS 2012
- Innovation in Customer Engagement in Singapore – DBS Remix

IFR ASIA AWARDS 2012
- Singapore Bond House of the Year
- Singapore Loan House of the Year
- Domestic Bond of the Year in Asia – Genting Singapore's SGD 1.8 billion perpetual securities
- Loan of the Year in Asia – Alibaba Group's USD 3 billion dual-tranche loan
- Malaysia Capital Markets Deal of the Year – IHH Healthcare's MYR 6.73 billion IPO
- India Capital Markets Deal of the Year – Indian Oil Corp's SGD 400 million 10-year bond
- Singapore Capital Markets Deal of the Year – Genting Singapore's SGD 1.8 billion perpetual securities

METROBOX (METRO DAILY) PRIME AWARDS FOR BANKING AND FINANCE CORPORATIONS 2012
- Best SME Bank in Hong Kong

MONEY WEEK
- 2012 Best Product Design and Creation Team in China
- Top 10 Bank Wealth Management Products in China

PRIVATE BANKER INTERNATIONAL AWARDS 2012
- Outstanding Private Bank in Southeast Asia

PROFESSIONAL WEALTH MANAGEMENT/THE BANKER GLOBAL PRIVATE BANKING AWARDS 2012
- Best Private Bank in Singapore

READER'S DIGEST TRUSTED BRANDS AWARDS 2012
- Bank Category Gold Award in Singapore – POSB

RETAIL BANKER INTERNATIONAL AWARDS 2012
- Best Retail Bank in Asia

SECURITIES INVESTORS ASSOCIATION (SINGAPORE) INVESTORS' CHOICE AWARDS 2012
- Most Transparent Company (Finance) in Singapore
- Singapore Corporate Governance Award (Big cap) – 1st runner up
- Internal Audit Excellence Award in Singapore

SINGAPORE MANAGEMENT UNIVERSITY INSTITUTE OF SERVICE EXCELLENCE CUSTOMER SATISFACTION INDEX OF SINGAPORE 2012
- Top Bank for Customer Satisfaction in Singapore

SOCIAL ENTERPRISE ASSOCIATION OF SINGAPORE 2012
- Corporate Award – Gold

SOCIAL WELFARE DEPARTMENT VOLUNTEER MOVEMENT AWARD 2012
- Organisation Volunteer Movement Gold Certificate in Hong Kong
- Volunteer Group Volunteer Movement Gold Certificate: DBS Volunteer Action Team
- Volunteer Group Volunteer Movement Gold Certificate: DBS Social Enterprise Experience

TRENDENCE SINGAPORE'S 100 LEADING GRADUATE EMPLOYERS 2012
- Ranked 1st for Insurance and Financial Services Category
- Ranked 6th overall

21ST CENTURY BUSINESS HERALD GOLD SHELL ASSET MANAGEMENT AWARD
- 2011–2012 Best Service Bank in China

NOTICE OF ANNUAL GENERAL MEETING

DBS GROUP HOLDINGS LTD (Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the shareholders of DBS Group Holdings Ltd (the "Company") will be held at **NTUC Auditorium, One Marina Boulevard, Level 7, Singapore 018989** on Monday, 29 April 2013 at 10.00 am to transact the following business:

ORDINARY BUSINESS	ORDINARY RESOLUTION NO.
To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 2012 and the Auditors' Report thereon.	Resolution 1
To declare a one-tier tax exempt Final Dividend of 28 cents per ordinary share, for the year ended 31 December 2012. [2011: Final Dividend of 28 cents per ordinary share, one-tier tax exempt]	Resolution 2
To declare a one-tier tax exempt Final Dividend of 2 cents per Non-Voting Redeemable Convertible Preference Share, for the year ended 31 December 2012. [2011: 2 cents per Non-Voting Redeemable Convertible Preference Share, one-tier tax exempt]	Resolution 3
To sanction the amount of $2,923,438 proposed as Directors' Remuneration for 2012. [2011: $2,709,326]	Resolution 4
To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 5
To re-elect the following Directors, who are retiring under Article 95 of the Company's Articles of Association ("the Articles") and who, being eligible, offer themselves for re-election:	
(a) Mr Danny Teoh Leong Kay	Resolution 6
(b) Ms Euleen Goh Yiu Kiang	Resolution 7
Key information on Mr Teoh and Ms Goh can be found on pages 20 and 18, respectively of the 2012 Annual Report. Dr Christopher Cheng Wai Chee is also retiring by rotation at the Fourteenth Annual General Meeting, but shall not be offering himself for re-election.	
To re-elect the following Directors, who are retiring under Article 101 of the Articles and who, being eligible, offer themselves for re-election:	
(a) Mr Andre Sekulic	Resolution 8
(b) Ms Woo Foong Pheng (Mrs Ow)	Resolution 9
Key information on Mr Sekulic and Mrs Ow can be found on pages 20 and 19, respectively of the 2012 Annual Report.	

SPECIAL BUSINESS	ORDINARY RESOLUTION NO.
To consider and, if thought fit, to pass the following Resolutions as ORDINARY RESOLUTIONS:	
That authority be and is hereby given to the Directors of the Company to: (a) allot and issue from time to time such number of ordinary shares in the capital of the Company ("DBSH Ordinary Shares") as may be required to be issued pursuant to the exercise of options under the DBSH Share Option Plan; and (b) offer and grant awards in accordance with the provisions of the DBSH Share Plan and to allot and issue from time to time such number of DBSH Ordinary Shares as may be required to be issued pursuant to the vesting of awards under the DBSH Share Plan, PROVIDED ALWAYS THAT: (1) the aggregate number of new DBSH Ordinary Shares to be issued pursuant to the exercise of options granted under the DBSH Share Option Plan and the vesting of awards granted or to be granted under the DBSH Share Plan shall not exceed 7.5 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time; and (2) the aggregate number of new DBSH Ordinary Shares under awards to be granted pursuant to the DBSH Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 2 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.	Resolution 10
That authority be and is hereby given to the Directors of the Company to: (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,	Resolution 11

SPECIAL BUSINESS	ORDINARY RESOLUTION NO.
provided that: (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall be less than 10 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below); (2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")), for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for: (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and (ii) any subsequent bonus issue, consolidation or subdivision of shares; (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.	
That authority be and is hereby given to the Directors of the Company to allot and issue such number of new ordinary shares and new Non-Voting Redeemable Convertible Preference Shares in the capital of the Company as may be required to be allotted and issued pursuant to the application of the DBSH Scrip Dividend Scheme to the final dividends of 28 cents per ordinary share and 2 cents per Non-Voting Redeemable Convertible Preference Share, for the year ended 31 December 2012.	Resolution 12

SPECIAL BUSINESS	ORDINARY RESOLUTION NO.
That authority be and is hereby given to the Directors of the Company to apply the DBSH Scrip Dividend Scheme to any dividend(s) which may be declared for the year ending 31 December 2013 and to allot and issue such number of new ordinary shares and new Non-Voting Redeemable Convertible Preference Shares in the capital of the Company as may be required to be allotted and issued pursuant thereto.	Resolution 13

By Order of The Board

Goh Peng Fong (Mr)
Group Secretary
DBS Group Holdings Ltd

1 April 2013
Singapore

NOTES: A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and to vote in his stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

*The instrument appointing a proxy must be deposited at the Company's office at **12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Level 12, Singapore 018982 (Attention to: Group Secretariat)** at least 48 hours before the time for holding the Meeting.*

EXPLANATORY NOTES

ORDINARY BUSINESS

Ordinary Resolution 4: Directors' Remuneration for 2012
Resolution 4 is to sanction the payment of an aggregate amount of $2,923,438 as Directors' remuneration for the non-executive Directors of the Company for 2012. If approved, each of the non-executive Directors (with the exception of those named below) will receive 70% of his Directors' fees in cash and 30% of his Directors' fees in the form of share awards granted pursuant to the DBSH Share Plan. The share awards will not be subject to a vesting period, but will be subject to a selling moratorium whereby each non-executive director will be required to hold the equivalent of one year's basic retainer for the duration of his or her tenure as a director, and for one year after the date he or she steps down as a director. The number of shares to be awarded will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 10 trading days immediately following the date of the forthcoming Annual General Meeting. Mr Kwa Chong Seng, who stepped down as Director of the Company on 25 April 2012, will receive all of his Director's fees (calculated on a pro-rated basis) in cash. Dr Cheng, who will be stepping down at the conclusion of the 2013 AGM, will receive all of his Director's fees in cash. The Director's fees for Mrs Ow will be paid in cash to a government agency, the Directorship & Consultancy Appointments Council.

Ordinary Resolutions 6 and 7: Re-election of Directors retiring under Article 95
(a) Mr Teoh, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee and member of the Board Risk Management Committee and Nominating Committee, and will be considered independent.

(b) Ms Goh, upon re-election as a Director of the Company, will remain as the Chairman of the Board Risk Management Committee and member of the Executive Committee, Compensation and Management Development Committee and Nominating Committee, and will be considered independent.

Ordinary Resolutions 8 and 9: Re-election of Directors retiring under Article 101
(a) Mr Sekulic, upon re-election as a Director of the Company, will remain as a member of the Audit Committee and Compensation and Management Development Committee, and will be considered independent.

(b) Mrs Ow, upon re-election as a Director of the Company, will remain as a member of the Audit Committee and Nominating Committee. Mrs Ow is considered non-independent of the substantial shareholder as she is a senior civil servant. Mrs Ow is a non-executive Director and has no management or business relationships with the Company.

SPECIAL BUSINESS

Ordinary Resolution 10: DBSH Share Option Plan and DBSH Share Plan

Resolution 10 is to empower the Directors to issue ordinary shares in the capital of the Company pursuant to the exercise of options under the DBSH Share Option Plan and to offer and grant awards and to issue ordinary shares in the capital of the Company pursuant to the DBSH Share Plan, provided that: (a) the maximum number of ordinary shares which may be issued under the DBSH Share Option Plan and the DBSH Share Plan is limited to 7.5 per cent of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time and (b) the aggregate number of new ordinary shares under awards which may be granted pursuant to the DBSH Share Plan from this Annual General Meeting to the next Annual General Meeting shall not exceed 2 per cent of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time.

Ordinary Resolution 11: Share Issue Mandate

Resolution 11 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the number of shares that may be issued other than on a pro rata basis to shareholders must be less than 10 per cent of the total number of issued shares (excluding treasury shares). For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution 11 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 11 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

Ordinary Resolution 12: DBSH Scrip Dividend Scheme

Resolution 12 is to empower the Directors to issue such number of new ordinary shares and new Non-Voting Redeemable Convertible Preference Shares in the capital of the Company as may be required to be issued pursuant to the application of the DBSH Scrip Dividend Scheme (the "Scheme") to the final dividends of 28 cents per ordinary share and 2 cents per Non-Voting Redeemable Convertible Preference Share, for the year ended 31 December 2012 ("FY2012").

In the announcement dated 6 February 2013, the Company proposed that the Scheme would be applied to the final dividends for FY2012, subject to shareholder approval being obtained for the said final dividends for FY2012.

Ordinary Resolution 13: DBSH Scrip Dividend Scheme

Resolution 13 is to authorise the Directors to apply the Scheme to any dividend(s) which may be declared for the year ending 31 December 2013 ("FY2013"), and to empower the Directors to issue such number of new ordinary shares and new Non-Voting Redeemable Convertible Preference Shares in the capital of the Company as may be required to be issued pursuant thereto. The authority conferred by this Resolution will lapse at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

If Resolution 13 is passed at the Annual General Meeting, and if the Directors should decide to apply the Scheme to a dividend declared in respect of FY2013, the current intention is that no discount will be given for the scrip shares. If the Directors decide not to apply the Scheme to a dividend for FY2013, such dividend will be paid in cash to shareholders in the usual way.

PROXY FORM

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)
Company Registration Number: 199901152M

IMPORTANT:
1. For investors who have used their CPF monies to buy DBS Group Holdings Ltd shares, the annual report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. For holders of Non-Voting Redeemable Convertible Preference Shares (NVRCPS), the annual report is forwarded to them solely FOR INFORMATION ONLY.
3. This Proxy form is not valid for use by CPF Investors and NVRCPS holders and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We .... (NRIC/Passport No. ....)

of ....

being an Ordinary Shareholder(s) of DBS Group Holdings Ltd (the "Company") hereby appoint

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

*and/or

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

or failing *him/her, the Chairman of the Meeting or such person(s) as he may nominate, as *my/our proxy/proxies, to vote for *me/us and on *my/our behalf and, if necessary, to demand a poll, at the Fourteenth Annual General Meeting of the Company, to be held at **NTUC Auditorium, One Marina Boulevard, Level 7, Singapore 018989** on Monday, 29 April 2013 at 10.00 am and at any adjournment thereof in the following manner:

NO.	RESOLUTIONS	FOR	AGAINST
	Ordinary Business		
1	Adoption of Report and Accounts		
2	Declaration of Final Dividend on Ordinary Shares		
3	Declaration of Final Dividend on Non-Voting Redeemable Convertible Preference Shares		
4	Sanction of proposed Directors' Remuneration of SGD 2,923,438 for 2012		
5	Re-appointment of PricewaterhouseCoopers LLP as Auditors		
6	Re-election of Mr Danny Teoh Leong Kay as a Director retiring under Article 95		
7	Re-election of Ms Euleen Goh Yiu Kiang as a Director retiring under Article 95		
8	Re-election of Mr Andre Sekulic as a Director retiring under Article 101		
9	Re-election of Ms Woo Foong Pheng (Mrs Ow) as a Director retiring under Article 101		
	Special Business		
10	Authority to issue shares under the DBSH Share Option Plan, and to grant awards and issue shares under the DBSH Share Plan		
11	General authority to issue shares subject to limits		
12	Authority to issue shares pursuant to the DBSH Scrip Dividend Scheme for the FY2012 Final Dividends		
13	Authority to apply DBSH Scrip Dividend Scheme to dividends for FY2013, and to issue shares pursuant thereto		

If you wish to exercise all your votes **For** or **Against**, please tick with "✓". Alternatively, please indicate the number of votes **For** or **Against** each resolution.

The proxy may vote or abstain as the proxy deems fit on any of the above resolutions if no voting instruction is specified, and on any other matter arising at the Annual General Meeting.

As witness *my/our hand(s) this .... day of .... 2013.

No. of Ordinary Shares held	

....
Signature or Common Seal of Shareholder

IMPORTANT PLEASE READ NOTES OVERLEAF.
** delete as appropriate*

NOTES:

1 *Please insert the total number of Ordinary Shares held by you. If you have Ordinary Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members, you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares entered against your name in the Depository Register and registered in your name in the Register of Members.*

2 *A Member entitled to attend and vote at a Meeting of the Company is entitled to appoint a proxy or two proxies to attend and vote instead of him.*

3 *Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.*

4 *The Instrument appointing a proxy must be deposited at the Company's office at* ***12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Level 12, Singapore 018982 (Attention to: Group Secretariat)*** *at least 48 hours before the time for holding the Meeting.*

5 *The Instrument appointing the proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.*

6 *A corporation which is a Member may, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting.*

7 *The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the Instrument appointing a proxy or proxies. In addition, in the case of members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Peter Seah
Chairman
Piyush Gupta
Chief Executive Officer
Bart Broadman
Christopher Cheng
Euleen Goh
Ho Tian Yee
Nihal Kaviratne CBE
Andre Sekulic
(appointed on 26 April 2012)
Danny Teoh
Ow Foong Pheng
(appointed on 26 April 2012)

AUDIT COMMITTEE

Danny Teoh
Chairman
Christopher Cheng
Nihal Kaviratne CBE
Peter Seah
Andre Sekulic
(appointed on 1 May 2012)
Ow Foong Pheng
(appointed on 1 May 2012)

NOMINATING COMMITTEE

Peter Seah
Chairman
Euleen Goh
Ho Tian Yee
Danny Teoh
Ow Foong Pheng
(appointed on 1 June 2012)

BOARD RISK MANAGEMENT COMMITTEE

Euleen Goh
Chairman
Bart Broadman
Ho Tian Yee
Nihal Kaviratne CBE
Peter Seah
Danny Teoh

BOARD EXECUTIVE COMMITTEE

Peter Seah
Chairman
Euleen Goh
Piyush Gupta

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Peter Seah
Chairman
(appointed on 26 April 2012)
Bart Broadman
Christopher Cheng
Euleen Goh
Andre Sekulic
(appointed on 1 May 2012)

GROUP SECRETARY

Goh Peng Fong
(appointed on 3 August 2012)

GROUP EXECUTIVE COMMITTEE

Piyush Gupta
Chief Executive Officer
Chng Sok Hui
Chief Financial Officer
David Gledhill
Group Technology & Operations
Andrew Ng
Treasury and Markets
Elbert Pattijn
Chief Risk Officer
Tan Kong Khoon
Consumer Banking Group
Jeanette Wong
Institutional Banking Group

GROUP MANAGEMENT COMMITTEE

Includes the Group Executive Committee and the following:
Eric Ang Teik Lim
Capital Markets
Sanjiv Bhasin
DBS India
Jerry Chen
DBS Taiwan
Kenneth Fagan
Group Legal, Compliance & Secretariat
Neil Ge
DBS China
Lee Yan Hong
Group Human Resources
Sim S Lim
DBS Singapore
Jimmy Ng
Group Audit
Karen Ngui
Group Strategic Marketing & Communications
Sebastian Paredes
DBS Hong Kong
Bernard Tan
Strategic Projects
Tan Su Shan
Wealth Management
Melvin Teo
DBS Indonesia

REGISTRAR

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road, #02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399

AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants
8 Cross Street #17-00
PwC Building
Singapore 048424

PARTNER IN CHARGE OF THE AUDIT

Dominic Nixon
Appointed on 2 April 2008 (DBS Group Holdings Ltd) and 1 April 2008 (DBS Bank Ltd.)

REGISTERED OFFICE

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: (65) 6878 8888
Website: www.dbs.com

INVESTOR RELATIONS

Email: investor@dbs.com

Asia's Safest, Asia's Best.

Safest Bank in Asia 2009 - 2013
Global Finance

Bank of the Year, Asia 2012
The Banker

Scan this to read the Annual Report.

www.dbs.com
Co. Reg. No. 199901152M

DBS. Living, Breathing Asia

DBS