DBS Group Holdings Ltd
Annual Report 2011


Shanghai

Believing in ASIA


Singapore


Hong Kong

DBS. Living, Breathing Asia

DBS

Believing in **ASIA**

Asia is not immune to the global economic slowdown, and looking for business growth in this environment is challenging. However, we believe there are good reasons to stay optimistic as the economic fundamentals are strong, and opportunities for market share gains continue to be present.

At DBS, we have strong capital and liquidity positions which will help us to continue to build share, and deliver on our ambition to become the Asian bank of choice for the new Asia.

CONTENTS

DBS is not just in Asia, we are of Asia.

As an Asian bank, we pride ourselves on banking the Asian way. We define this in five pillars. Developing Asian style relationships, having unique Asian insights, providing Asian style service, embracing and leading innovations and providing seamless connectivity across Asia.

ASIAN INSIGHTS

By 2020, Asia's GDP will exceed that of the US. It will at least double its current level of consumption, and consume 80% as much food as the US. It will add another 290 million people, or almost the entire population of the US. These insights are captured in "Imagining Asia 2020", a DBS Research report which looks at Asia of the future.

ASIAN RELATIONSHIPS

As an Asian bank, DBS is a firm believer of nurturing relationships, not just for the here and now, but across multiple generations. That is why we are focused on banking for the long haul. We have helped our customers across the region to turn their dreams into reality, and to seize opportunities in a rising Asia.

ASIAN INNOVATION

An innovative spirit is part of DBS' entrepreneurial roots, and we continue to think out of the box. At DBS Remix branch at *SCAPE in Singapore, a holistic avenue for youth who are hungry to create, explore and showcase their creative energies, banking is carried out using interactive slates, digitablets and self-service stations.

ASIAN CONNECTIVITY

DBS is uniquely placed as we have a growing presence in Asia's three key axes of growth, Greater China, South Asia and Southeast Asia. This allows us to seamlessly serve our customers across the region, including helping them capture opportunities arising from the increasing internationalisation of the RMB. Today, DBS has a leading position in the offshore RMB (CNH) space.

ASIAN SERVICE

In an industry as competitive as ours, where many products are highly commoditised, we can be a bank apart only if the customer is front and centre of all that we do. Efforts to become a bank known for our Asian service are starting to be recognised, as exemplified by our customer centres in Singapore and Hong Kong, which won multiple awards last year.

FINANCIAL HIGHLIGHTS

RECORD RESULTS

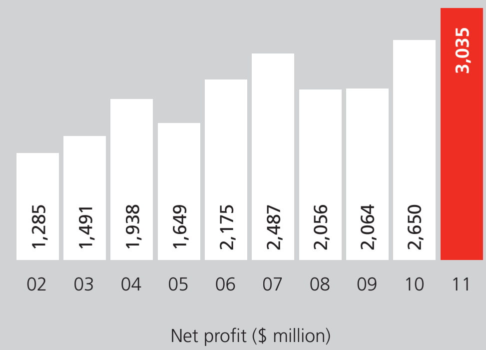
NET PROFIT*

▲ 15%

$3,035 m

2010: $2,650 m

Net profit rose 15% to cross the $3 billion mark for the first time as focused execution of strategic initiatives, prudent risk management and a strong balance sheet enabled DBS to capture opportunities across the region



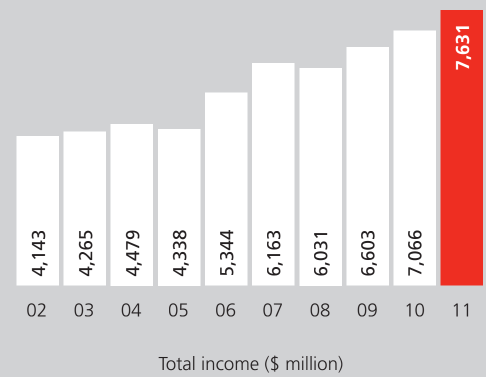
TOTAL INCOME*

▲ 8%

$7,631 m

2010: $7,066 m

Total income reached a record $7.63 billion as both net interest income and non-interest income reached new highs



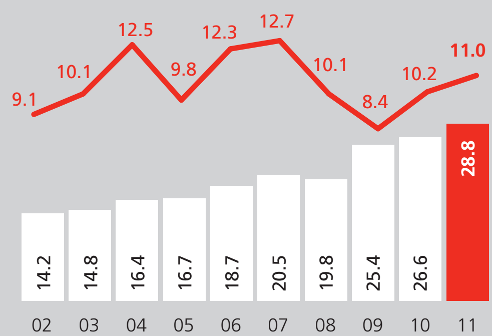
RETURN ON EQUITY*

11.0%

▲ 0.8%pt

Shareholders' return improved as ROE rose from 10.2% to 11.0%

Shareholders' funds ($ billion)
ROE (%)



** Excluding one-time items and goodwill charges*

SUCCESSFULLY CAPTURING OPPORTUNITIES

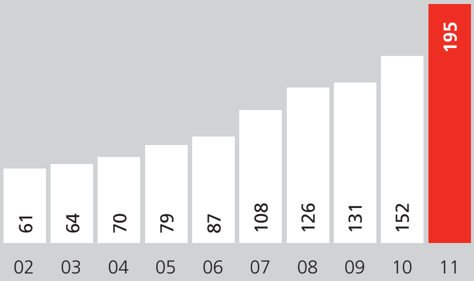
LOANS

▲ 28%

$195 bn

2010: $152 bn

Loans grew 28%, with trade finance accounting for half the growth



Loans ($ billion)

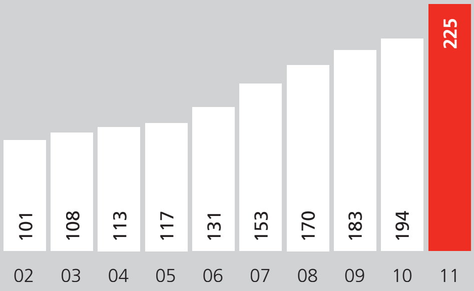
DEPOSITS

▲ 16%

$225 bn

2010: $194 bn

Deposits grew 16%, with Singapore dollar, US dollar and Chinese yuan accounts leading the increase



Deposits ($ billion)

ASSETS BEFORE GOODWILL

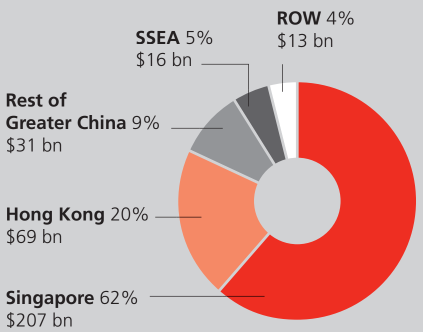
▲ 20%

$336 bn

2010: $279 bn

Asset growth was broad based

Singapore ▲ 15%
Hong Kong ▲ 31%
Rest of Greater China ▲ 49%
South and Southeast Asia (SSEA) ▲ 18%
Rest of World (ROW) ▲ 7%



Assets before goodwill

FINANCIAL HIGHLIGHTS

STRONG BALANCE SHEET

BETTER ASSET QUALITY

1.3%

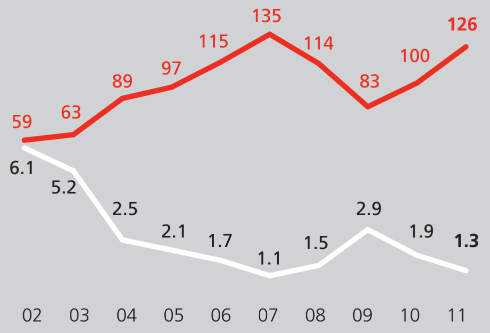
NPL Rate: ▼ 0.6%pt

126%

Allowance Coverage: ▲ 26%pt

The NPL rate declined to 1.3% from 1.9% a year ago as asset quality improved across all geographical segments

Allowance coverage rose from 100% to 126% from a substantial increase in general allowances



WELL-CAPITALISED

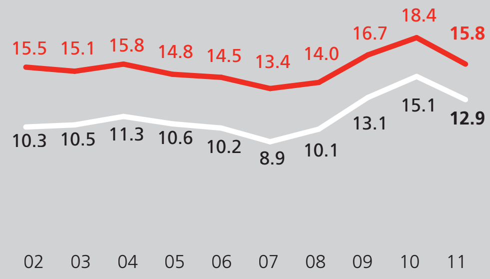
12.9%

Tier 1 CAR

15.8%

Total CAR

The Tier 1 ratio of 12.9% and total capital adequacy ratio of 15.8% are comfortably above regulatory requirements

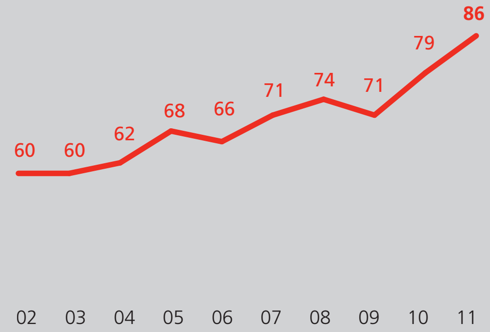


HEALTHY LIQUIDITY

86%

Loan-deposit ratio

DBS' liquidity remained healthy with a loan-deposit ratio of 86%



TEN-YEAR SUMMARY

Group	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Selected Income Statement Items ($ millions)										
Total income	**7,631**	7,066	6,603	6,031	6,163	5,344	4,338	4,479	4,265	4,143
Profit before allowances	**4,328**	4,141	3,999	3,421	3,545	2,975	2,312	2,523	2,473	2,333
Allowances	**722**	911	1,529	784	431	135	203	63	541	544
Profit before tax	**3,733**	3,332	2,536	2,712	3,224	2,910	2,163	2,509	1,992	1,797
Net profit excluding one-time items and goodwill charges	**3,035**	2,650	2,064	2,056	2,487	2,175	1,649	1,938	1,491	1,285
One-time items [1]	**–**	–	(23)	(127)	(209)	94	303	497	–	96
Goodwill charges	**–**	1,018	–	–	–	–	1,128	440	430	278
Net profit	**3,035**	1,632	2,041	1,929	2,278	2,269	824	1,995	1,061	1,103
Selected Balance Sheet Items ($ millions)										
Total assets	**340,847**	283,710	258,644	256,718	232,963	197,372	180,204	175,671	159,479	149,425
Customer loans [2]	**194,720**	152,094	130,583	126,481	108,433	86,630	79,462	69,659	64,330	60,704
Total liabilities	**307,778**	250,608	229,145	232,715	209,805	176,326	161,014	156,796	143,574	133,935
Customer deposits [2]	**225,346**	193,692	183,432	169,858	152,944	131,373	116,884	113,206	108,041	101,315
Ordinary shareholders' funds	**28,178**	25,985	24,759	19,386	20,048	18,242	16,291	16,011	14,259	13,681
Preference shares	**616**	614	614	433	433	433	433	433	559	560
Total shareholders' funds	**28,794**	26,599	25,373	19,819	20,481	18,675	16,724	16,444	14,818	14,241
Per Ordinary Share [3]										
Earnings excluding one-time items and goodwill charges	**1.30**	1.15	0.91	1.14	1.39	1.22	0.94	1.10	0.85	0.74
Earnings	**1.30**	0.70	0.90	1.07	1.27	1.28	0.46	1.13	0.60	0.64
Net tangible assets	**9.95**	9.18	8.29	7.69	7.98	7.22	6.41	5.80	4.87	4.48
Net asset value	**11.99**	11.25	10.85	10.25	10.55	9.79	8.98	8.88	8.18	7.92
Dividends [4]	**0.56**	0.56	0.56	0.65	0.68	0.65	0.49	0.34	0.26	0.26
Selected Financial Ratios (%)										
Dividend cover for ordinary shares (number of times)	**2.28**	1.25	1.57	1.55	2.15	2.46	1.17	4.14	3.03	3.15
Cost-to-income	**43.3**	41.4	39.4	43.3	42.5	44.3	46.7	43.7	42.0	43.7
Return on assets excluding one-time items and goodwill charges	**0.97**	0.98	0.80	0.84	1.15	1.15	0.93	1.16	0.97	0.85
Return on assets	**0.97**	0.60	0.79	0.79	1.06	1.20	0.46	1.19	0.69	0.73
Return on shareholders' funds excluding one-time items and goodwill charges	**11.0**	10.2	8.4	10.1	12.7	12.3	9.8	12.5	10.1	9.1
Return on shareholders' funds	**11.0**	6.3	8.4	9.5	11.7	12.8	5.0	12.8	7.3	7.9
Non-performing loans rate	**1.3**	1.9	2.9	1.5	1.1	1.7	2.1	2.5	5.2	6.1
Loss allowance coverage	**126**	100	83	114	135	115	97	89	63	59
Capital adequacy										
Tier I	**12.9**	15.1	13.1	10.1	8.9	10.2	10.6	11.3	10.5	10.3
Total	**15.8**	18.4	16.7	14.0	13.4	14.5	14.8	15.8	15.1	15.5

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 (exercised in January 2009)

(4) Dividend amounts are on gross basis prior to Fourth Quarter 2007 and on one-tier tax-exempt basis thereafter. 2006 includes special dividend of 4 cents

LETTER TO SHAREHOLDERS

Chairman Peter Seah and CEO Piyush Gupta

While 2011 began with slow growth in the United States and Europe, market sentiment was fairly sanguine amid expectations that policymakers would be on top of mounting global debt problems.

That confidence started to unravel towards the middle of the year. In August, the US sovereign credit rating was downgraded for the first time in 70 years. In Europe, the massive debt burden of the peripheral economies and, for a while, a seeming lack of political will to resolve these issues prompted concerns that the Eurozone might be in danger of breaking up.

Renewed uncertainties in the US and, more importantly, Europe cast a pall over the global economy. This had a ripple effect on Asia, DBS' own backyard. Singapore, our home market, grew 4.9% in 2011, down from 14.8% the previous year, as demand for exports waned. Fears of contagion from a deepening European crisis also sparked fresh worries of a possible hard landing in China.

In addition, markets were in a state of flux. Banks had to grapple with tightening dollar liquidity in the Asian markets, a collapse of Sing-dollar rates (with SOR – a benchmark interest rate – going negative for the first time in history), and extraordinarily high levels of volatility.

EARNINGS AT RECORD HIGH, SURPASS SGD 3 BILLION MARK IN HISTORIC SINGAPORE FIRST

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

In 2011, we made history by being the first Singapore bank ever to report earnings in excess of SGD 3 billion. Our increased strategic clarity, as well as more focused and disciplined execution, have enabled the bank to turn in what is now eight quarters of consistently strong performance.

Full-year earnings hit a record SGD 3.04 billion, up 15% from the previous year, as increased business volumes and customer flows propelled total income to a new high of SGD 7.63 billion.

Net interest income rose 12% to a record SGD 4.83 billion, as our strong balance sheet enabled us to gain customers and wallet share during the year. Non-interest income grew 2% to SGD 2.81 billion, buoyed by higher fee income from wealth management and trade and remittances activities.

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Asset quality improved with allowance coverage at 126% from 100% the previous year, while the non-performing loan rate declined to 1.3% from 1.9%.

Return on equity rose to 11.0% from 10.2%.

DBS remained well-capitalised with a total capital adequacy ratio of 15.8% and Tier 1 ratio of 12.9%, comfortably above regulatory requirements.

STAYING NIMBLE TO CAPTURE MARKET OPPORTUNITIES IN ASIA

Our ability to deliver record earnings and further improve the strength of our balance sheet is especially heartening, given the difficult macroeconomic conditions that defined most of last year. With the choppiness in markets, as well as the unpredictability of global events, we had to stay constantly watchful and nimble in order to navigate the rapid shifts in the operating environment.

DBS responded well to the challenges, both in dodging the bullets, as well as in seizing windows of opportunities that opened up.

As concerns mounted over the US and European economies, risk aversion grew and we saw dollar liquidity starting to tighten in Asian markets. We were able to take mitigating action early on, which enabled the bank to continue growing with our clients unhampered. Our focus on Wealth Management and Global Transaction Services (GTS), both strategic businesses for us, proved prescient. As the growth of these businesses gained momentum, we significantly improved our deposit gathering capability. Last year, deposits rose by SGD 32 billion, or 16%, to SGD 225 billion. About one-third of the growth was in USD deposits.

DBS also expanded our wholesale funding programmes to diversify our sources of liquidity. We established separate USD 5 billion US and Euro-Commercial Paper programmes, and updated our Global Medium Term Note programme to allow us to tap select US onshore investors. With our reputation as the Safest Bank in Asia, an accolade conferred to us by Global Finance magazine for three years running, 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. All in, DBS' focus on improving the bank's

LETTER TO SHAREHOLDERS

1 Transforming our corporate banking franchise by working with more local businesses in China

2 Entrenching our leadership in Singapore, with launch of DBS' regional Wealth Management campaign

liquidity position last year has dramatically altered our dollar funding position and our ability to support business growth going forward.

Last year, we also saw a strategic opportunity to accelerate our China growth strategy.

In trade finance, we were able to seize the opportunity to increase lending as some of the European banks retreated. This helped us to grow our loans by 28% or SGD 43 billion to SGD 195 billion, with trade finance accounting for half of the growth.

Our ability to read trends better and nimbly respond to market opportunities also meant that we built out our offshore RMB (CNH) deposit base ahead of time to fund demand for CNH loans. The benefits of this became apparent in 2011, when a tougher monetary policy encouraged Chinese companies to borrow offshore. This enabled us to put our CNH deposits to good use and build a CNH asset book, cementing our leadership in the CNH space.

In China itself, we are also transforming our corporate banking franchise, shifting strategically to work with a greater number of state-owned companies and high-quality privately-owned enterprises in China. As a result of this, the proportion of local business contribution to the bank's revenue also increased during the year.

DRIVING REGIONAL LINES OF BUSINESS

While we continued to entrench our leadership in Singapore, with DBS Singapore's FY2011 income up 7 per cent, we also made progress in building out our regional franchise and re-balancing the geographic mix of our business.

In Hong Kong, our second-largest market, we delivered a 7% increase in constant-currency profit.

Our markets outside Singapore and Hong Kong also grew strongly, and now account for 19% of group earnings, up from 14% the previous year.

In particular, we have staked a good position in China and India, two of the fastest-growing economies in Asia. In 2011, DBS China more than doubled earnings to over RMB 500 million, a record high, while DBS India continued to build on strong growth momentum and

2

While we continued to entrench our leadership in Singapore, with DBS Singapore's FY2011 income up 7 per cent, we also made progress in building out our regional franchise and re-balancing the geographic mix of our business.

is today a leading foreign bank in India. In Taiwan, we now operate as a wholly-owned subsidiary. We also have the highest credit ratings among Taiwanese banks. In Indonesia, we continue to be recognised for our corporate banking capabilities, and DBS Indonesia has been named the best provider of treasury and working capital solutions to MNCs and large corporates by The Asset.

Over the year, we also made good progress in driving regional lines of business, namely, Wealth Management, GTS, Small and Medium-sized Enterprises and Treasury & Markets.

BEING A RESPONSIBLE CORPORATE CITIZEN

At DBS, we recognise the social responsibility we have as the owner of POSB, the "People's Bank" in Singapore.

Last year, POSB collaborated with the Tote Board and SE Hub, a social enterprise, to launch a new micro business loan scheme to help low-income individuals. With this scheme, Singaporeans who were previously unable to obtain a loan through other mainstream channels can now get an unsecured loan of SGD 5,000 to SGD 50,000. This is expected to help Singaporeans become more self-reliant by starting up or expanding their micro-businesses.

LETTER TO SHAREHOLDERS

14 home

'No frills' POSB branch opens at community club

DBS takes banking back to its post office roots

Basic banking services at all SingPost branches, cash bag deposits for corporates at 4

3

3 DBS partners Singapore Post, and widens distribution network to increase customer convenience

4 DBS celebrates the successful subsidiarisation of our operations in Taiwan

While DBS already had the largest banking network in Singapore, with more than 1,100 ATMs, 250 Cash Acceptance Machines and 730 AXS Stations islandwide, over the year, we further expanded the number of distribution touchpoints, offering even greater convenience to customers.

Specifically, in November 2011, we entered into a strategic alliance with Singapore Post, enabling DBS/POSB customers to transact not only at our 80 branches islandwide, but also conduct select banking transactions such as cash withdrawals and deposits at an additional 60 SingPost outlets. Last year, we also opened smaller branches within the community to increase customer convenience, and as part of an overall effort to lower banking costs and cut down on queue times.

Our efforts to improve customer service are now starting to be evident, and the bank has been winning a number of accolades, including that for our customer centre in Singapore and Hong Kong. We are also very pleased to have scored the best among banks in Singapore for customer satisfaction, according to the Customer Satisfaction Index of Singapore put together by the Singapore Management University.

On the community front, we are also doing more to nurture social entrepreneurs. Last year, we rolled out a series of initiatives in support of this cause, and this will continue this year.

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 dividend. For shareholders electing to receive their dividends in scrip, new shares will be issued at a 5% discount to the average of the last-dealt price on each of 9, 10 and 11 May 2012.

ACKNOWLEDGEMENTS

During the year, two industry veterans Nihal Kaviratne and Ho Tian Yee joined DBS as board members. Nihal is a consumer goods stalwart, having had an illustrious career with the Unilever Group spanning 40 years. Tian Yee is a seasoned banker and investment manager, with over 30 years' experience in managing global financial markets. With their distinguished careers, both men complement and strengthen the overall composition of the DBS Boards.

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We would also like to express our gratitude to Kwa Chong Seng, who is stepping down as board member in April 2012. Chong Seng has been a DBS board member since 2003 and we have benefited from his wise counsel and invaluable contributions over the years.

WELL-POSITIONED FOR THE ASIA CENTURY

DBS' solid 2011 results underline our ability to execute well, and this was done as we deepened our benchstrength, strengthened our technology infrastructure, and standardised processes and controls across the region. Last year, we also continued to deepen customer relationships and harness opportunities in a challenging operating environment. We are heartened that DBS has been recognised by Brand Finance as the top bank brand in Singapore, and one of the leading brands in Asia.

Even so, we recognise that there is much more to be done. This year, we will continue to focus on the agenda we have set out, and against which we still have lots of things to accomplish. In particular, we will continue the effort of getting people aligned by creating a uniquely DBS culture. The DBS culture of old has some wonderful qualities including teamwork and harmony. If we can couple this with a strong sense of empowerment and individual accountability, the organisation will truly be a force to be reckoned with. Changing the culture of an organisation takes time. We have started on the journey, are making good progress, and will need to keep pressing ahead.

In addition, we will continue to drive innovation in our business, recognising the myriad changes driven by technology.

The DBS of today is more agile and nimble. 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 pursue growth in a disciplined and judicious manner, so as to build on our ambition to be a leading Asian bank.

Peter Seah Lim Huat
Chairman,
DBS Group Holdings

Piyush Gupta
Chief Executive Officer,
DBS Group Holdings

BOARD OF DIRECTORS

From left to right

1 **Danny Teoh Leong Kay**
2 **Christopher Cheng Wai Chee**
3 **Bart Joseph Broadman**
4 **Peter Seah Lim Huat**
5 **Piyush Gupta**
6 **Euleen Goh Yiu Kiang**
7 **Kwa Chong Seng**
8 **Nihal Vijaya Devadas Kaviratne CBE**
9 **Ho Tian Yee**

Peter Seah Lim Huat, 65

Chairman
Independent Director

Bachelor of Business Administration (Honours)
National University of Singapore

Mr Seah joined the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 16 November 2009 and assumed the role of Chairman on 1 May 2010. He is Chairman of the Executive Committee and Nominating Committee, as well as a member of the Audit Committee, Board Risk Management Committee and Compensation and Management Development Committee. In addition, he is Chairman of DBS Bank (Hong Kong) Limited and also chairs its Board Risk Management Committee.

Mr Seah is the present Chairman of Singapore Technologies Engineering Ltd, Singapore Health Services Pte Ltd and LaSalle College of the Arts Limited. Mr Seah was a banker for 33 years before retiring as Vice Chairman and CEO of the former Overseas Union Bank in 2001.

Mr Seah is a member of the Temasek Holdings Advisory Panel. He also serves on the boards of CapitaLand Limited, Starhub Ltd, STATS ChipPAC Ltd and Government of Singapore Investment Corporation Private Limited. Amongst other appointments, he is also a board member of the Defence Science and Technology Agency.

Piyush Gupta, 52

Chief Executive Officer
Non-Independent Director

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

Bachelor of Arts, Economics
University of Delhi, India

Mr Gupta was appointed as CEO and to the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 9 November 2009. He is a member of the Executive Committee. In addition, he is also Vice Chairman of DBS' subsidiary companies, DBS Bank (Hong Kong) Limited and The Islamic Bank of Asia Limited.

Prior to joining DBS, Mr Gupta was CEO of Citibank for South East Asia, Australia and New Zealand. Mr Gupta has spent over two-thirds of his 30-year banking career in South East Asia and Hong Kong, including 10 years in Singapore.

Mr Gupta serves on the boards of the Institute of International Finance, Washington, MasterCard Asia/Pacific, Middle East and Africa Regional Advisory Board, The Institute of Banking and Finance, Global Indian Foundation, and Dr Goh Keng Swee Scholarship Fund. He is also a member of the Governing Council of the Human Capital Leadership Institute, an advisory board member of the Sim Kee Boon Institute for Financial Economics, a Managing Council member of the Indian Businessleaders Roundtable under the Singapore Indian Development Association, a council member of the Singapore Business Federation and Chairman of The Association of Banks in Singapore.

BOARD OF DIRECTORS

Bart Joseph Broadman, 51
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

Dr Broadman was appointed to the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 17 December 2008. He is a member of the Board Risk Management Committee and Compensation and Management Development Committee.

Dr Broadman is Managing Director of Alphadyne Asset Management based in Singapore. Prior to forming Alphadyne, Dr Broadman spent 14 years in Asia working for J.P. Morgan, where he held the post of Vice Chairman of Asia and Head of Markets (Credit, Rates and Equities) in Asia.

He is currently a board member of the Central Provident Fund and serves on its Investment Committee. Dr Broadman also sits on the Nanyang Technological University Investment Committee and is a member of the Financial Research Council of the Monetary Authority of Singapore.

Christopher Cheng Wai Chee, 63
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

Dr Cheng was appointed to the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 1 June 2007. He is a member of the Audit Committee and Compensation and Management Development Committee. In addition, he is a Director of DBS Bank (China) Limited and also chairs its Audit Committee.

Dr Cheng is Chairman of Wing Tai Properties Limited and Winsor Properties Holdings Limited. Amongst several other directorships, Dr Cheng is Chairman of Governance Committee of the Hong Kong Monetary Authority's Exchange Fund Advisory Committee, a steward of Hong Kong Jockey Club, a non-executive Director of Temasek Foundation CLG Limited, a member of the Yale University President's Council on International Activities, a member of the Board of Overseers of Columbia Business School, a member of the International Advisory Board of Hong Kong Polytechnic University and a council member of The University of Hong Kong.

Euleen Goh Yiu Kiang, 56
Independent Director

Institute of Chartered Accountants in England and Wales
Institute of Taxation, UK
Institute of Certified Public Accountants of Singapore
Institute of Bankers, UK

Ms Goh was appointed to the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 1 December 2008. She chairs the Board Risk Management Committee and is a member of the Compensation and Management Development Committee, Executive Committee and Nominating Committee.

Ms Goh is currently non-executive Chairman of the Singapore International Foundation. She is a non-executive Director of Aviva PLC, CapitaLand Limited, Singapore Airlines Limited and Singapore Exchange Limited. She is a member of the Management Advisory Board of NUS Business School and was previously the Chairperson of the Accounting Standards Council. Ms Goh was CEO of Standard Chartered Bank, Singapore from 2001 to March 2006. She held various senior management positions in Standard Chartered Bank, retiring in March 2006 after some 21 years.

Ho Tian Yee, 59
Independent Director

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

Mr Ho was appointed to the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 29 April 2011. He is a member of the Board Risk Management Committee and Nominating Committee.

Mr Ho has over 30 years' experience in managing and investing in global financial markets. As principal shareholder and Managing Director of Pacific Asset Management (S) Pte Ltd, he oversees the management of the company and assumes responsibilities for all investment decisions and risks.

Mr Ho spent 19 years with Bankers Trust Company, Singapore where his last position was as General Manager and Regional Head of South East Asian operations. He was responsible for the Singapore branch operations and the strategic direction of the Bankers Trust global trading business in Asia.

He is a non-executive Director of Fraser & Neave Ltd and SP Australia Networks. He also serves on the boards of Singapore Power Ltd and Fullerton Fund Management Co. Ltd, and is the Chairman of Times Publishing Ltd.

Nihal Vijaya Devadas Kaviratne CBE, 68

Independent Director

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

Mr Kaviratne was appointed to the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 29 April 2011. He is a member of the Audit Committee and Board Risk Management Committee.

Mr Kaviratne is currently the non-executive Chairman of Akzo Nobel India Limited, and serves on the board of GlaxoSmithKline Pharmaceuticals Ltd in India. Mr Kaviratne had spent a 40-year career with the Unilever Group during which he held various senior level management positions until his retirement in March 2005.

He currently serves as President Commissioner of PT TVS Motor Company Indonesia and on the boards of Starhub Ltd, SATS Ltd and Wildlife Reserves Singapore. He is also the Chairman of the Indian Cancer Society.

Kwa Chong Seng, 65

Non-Independent Director

Bachelor of Engineering
University of Singapore

Mr Kwa was appointed to the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 29 July 2003. He is Chairman of the Compensation and Management Development Committee and a member of the Nominating Committee.

Mr Kwa was Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd from December 1999 until his retirement at the end of October 2011.

He is Deputy Chairman of Temasek Holdings (Private) Limited and a Director of Neptune Orient Lines Limited and Seatown Holdings Pte Ltd. Mr Kwa also serves as a member of the Public Service Commission.

Danny Teoh Leong Kay, 56

Independent Director

Institute of Chartered Accountants, England & Wales
Associate Member

Newcastle-upon-Tyne Polytechnic, England
Diploma in Accounting

Mr Teoh was appointed to the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 1 October 2010. He is Chairman of the Audit Committee, as well as a member of the Board Risk Management Committee and Nominating Committee.

Mr Teoh spent 27 years in KPMG LLP, Singapore and was the Managing Partner of the firm from 2005 until he retired in September 2010. Mr Teoh is a Chartered Accountant and an associate member of the Institute of Chartered Accountants of England and Wales.

He is currently a board member and Audit Committee Chairman of Changi Airport Group (Singapore) Pte Ltd, JTC Corporation and the Singapore Olympic Foundation. In addition, he is a Director of Keppel Corporation Limited.

GROUP EXECUTIVE COMMITTEE

1 Jeanette Wong
Institutional Banking Group
Jeanette oversees DBS' Corporate 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.

2 Elbert Pattijn
Chief Risk Officer
Elbert joined DBS as Head of Specialised Corporate and Investment Banking in 2007 and has been Chief Risk Officer of DBS since October 2008. Before joining 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. Prior to that, Elbert worked for Barclays and ABN AMRO.

3 David Gledhill
Group Technology & Operations
David is an industry veteran with over 25 years of experience and has spent 18 years in Asia. Prior to joining DBS in 2008, David held key positions with regional responsibilities in JP Morgan where he was most recently the Head of Investment Bank Operations in Asia. David is a Director of Singapore Clearing House Pte Ltd and a Board Advisor to Singapore Management University (SMU) School of Information Systems.

4 Piyush Gupta
Chief Executive Officer
Piyush is CEO and Director of DBS Group, DBS Bank, DBS Bank (Hong Kong) and The Islamic Bank of Asia. Prior to joining DBS, he was Citigroup's CEO for South East Asia, Australia and New Zealand.

5 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.

6 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.

7 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.

GROUP MANAGEMENT COMMITTEE

The Group Management Committee comprises a total of 19 members, including members of the Group Executive Committee.

1 Sebastian Paredes
DBS Hong Kong
Sebastian is the CEO of DBS Bank (Hong Kong) and Non-executive Director of DBS Bank (China). A banker of 25 years, he has a strong track record in building franchises across multiple markets. Sebastian was most recently 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 Citigroup in South America, Middle East, Africa and Europe.

2 Bernard Tan
DBS Indonesia
As the President Commissioner of PT Bank DBS Indonesia, Bernard leads the effort to grow the franchise in Indonesia. Prior to this, he was the Acting Country Head of DBS Taiwan where he led 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.

3 Lim Him Chuan
Group Audit
Him Chuan joined DBS in 2001. Prior to his current internal audit role, he was the Basel II Programme Director for DBS. Him Chuan was previously with JP Morgan, driving various operational risk programmes in Asia, and has worked in the Singapore and New York offices of PricewaterhouseCoopers. He is a member of the National University of Singapore – Risk Management Institute Industry Advisory Panel.

4 Lee Yan Hong
Group Human Resources
Yan Hong is the Head of Group Human Resources of DBS Bank. She has worked in General Motors, Hewlett Packard and Citigroup, gathering experiences in areas of compensation and benefits, talent management, performance management, learning and development, employee relations and organisational design and development. Prior to joining DBS, she was Citigroup's Managing Director of Human Resources, Singapore.

5 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.

6 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 numerous boards including DBS Asia Capital, Hwang-DBS Investment Bank Berhad and The Islamic Bank of Asia.

7 Sanjiv Bhasin
DBS India
Sanjiv is the General Manager and CEO of DBS Bank Ltd, India. He started his banking career with HSBC India in 1979 where he was last Chief Operating Officer. Sanjiv has worked in various capacities spanning corporate, investment banking, credit and risk management divisions. Before joining DBS in 2008, he was the CEO and Managing Director of Rabo India Finance.

8 Jerry Chen
DBS Taiwan
Jerry is the General Manager and Head of DBS Bank Ltd, Taiwan. Prior to joining DBS in 2008, he was the President of Ta Chong Bank for four years where he significantly increased its asset quality to attract foreign investments. Jerry has widespread experience in Corporate Banking, Consumer Banking and Treasury businesses and spent over 25 years in Citibank, Taiwan.

9 Sim S Lim
DBS Singapore
Sim is the first DBS country manager 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 years of 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.

10 Karen Ngui
Group Strategic Marketing & Communications
Karen is responsible for corporate communications, brand management, strategic marketing and corporate social responsibility. She has over 20 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.

11 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 & 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 also a member of the Monetary Authority of Singapore Private Banking Advisory Group.

12 Melvin Teo
DBS China
As Executive Director and CEO of DBS Bank (China), Melvin is responsible for driving the bank's strategic business agenda in China. Prior to this, he was managing DBS' private equity business. Melvin has held senior positions at Standard Chartered Bank in Singapore, Hong Kong and London as well as at Bank of America before joining DBS in 2005.

OPERATIONS REVIEW

DBS has mapped out a strategic roadmap to become "The Asian Bank of Choice for the New Asia" and we have been gaining solid traction in executing against our priorities.

1. ENTRENCH LEADERSHIP IN SINGAPORE

As a bank headquartered in Singapore, it is imperative that we entrench our leadership position in our home market, even as we grow our franchise in the region.

In 2011, we made good progress on this front. Despite the low interest rate environment, DBS Singapore recorded net profit of SGD 1.88 billion, up 11% from the previous year. Strong growth in both consumer and institutional banking bolstered full-year revenues by 7 per cent to SGD 4.72 billion.

While DBS already had the largest banking network in Singapore, with more than 1,100 ATMs, 250 Cash Acceptance Machines and 730 AXS Stations islandwide, over the year, we further expanded the number of distribution touchpoints, offering even greater convenience to customers.

We entered into an alliance with Singapore Post, enabling DBS/POSB customers to conduct banking transactions at 140 outlets, up substantially from the bank's 80 branches.

POSB collaborated with the Tote Board and SE Hub to launch a new micro business loan scheme to help low-income individuals. With this scheme, Singaporeans who were previously unable to obtain a loan through other mainstream channels can now get an unsecured loan of SGD 5,000 to SGD 50,000. This is expected to help Singaporeans become more self-reliant by starting up or expanding their micro-businesses.

We also rolled out a new branch operating model across our 80 DBS/POSB branches. In this new model, branch managers are empowered to generate business in the vicinity through programmes that are relevant for their customers. Fee revenues from our branches are now higher than in the past.

In the payments space, DBS is a leading player with close to 1.7 million Internet banking users and over 400,000 mobile banking customers. DBS processes an average of 26,700 online transactions per hour – one of the highest in retail banking in Asia. This translates to 234 million transactions a year. DBS is also one of the most downloaded mobile banking apps in Singapore.

In Institutional Banking, DBS had an outstanding year as we leveraged our strong balance sheet, Asia insights, connectivity and the strength of our relationships with local corporates to grow the business. In a competitive market, our domestic business loan market share in Singapore grew by 1.7 percentage points. In addition, DBS continued to lead in the syndicated loans space, ranking among the top five mandated arrangers of Asia-Pacific syndicated loans (ex-Australia and Japan). We were also one of the most active loan arrangers for the commodities sector in Asia.

We launched a new banking account for start-ups, an initiative that will give over 50,000 companies set up in Singapore each year greater convenience, better access to more affordable banking services, and a slew of value-added services. The DBS Entrepreneur's Account for Start-ups is the most comprehensive and competitive package for newly established companies in Singapore.

In Treasury & Markets (T&M), DBS has one of the largest SGD trading books and is also the most active market maker for USD/SGD, SGD rates, SGD bonds, SGD money markets and SGD derivatives. Importantly, we were able to leverage this leadership position to cross-sell T&M products to our institutional banking, private banking and mass affluent clients.

In 2011, DBS remained the leader in equity, bond and REIT issuances.

In Equity Capital Markets, we maintained our No. 1 position in Singapore with market share of 25%. In particular, we extended our lead in the REIT and Business Trust space in Singapore with market share of 30%, and lead managed nine out of 13 equity fund-raisings, representing 93% of funds raised. Underscoring our leadership in capital markets in Singapore, we were the only bank to command the most senior role in the three largest IPOs in Singapore last year:

- USD 5.5 billion IPO for Hutchison Port Holdings Trust, the largest-ever IPO in Singapore and Southeast Asia
- SGD 949.5 million IPO for Mapletree Commercial Trust, the largest REIT IPO in Singapore to date
- SGD 776.2 million IPO for Perennial China Retail Trust, the first pure-play PRC retail development trust listed in Singapore

DBS also retained our top position in the Sing-dollar bond market, with a market share of over 30%. One trend to emerge during the year was the issuance of Sing-dollar bonds by blue-chip Hong Kong borrowers such as Cheung Kong, Wheelock, Wharf and Henderson Land. DBS played a key role in all these cross-border deals. DBS was also the sole lead manager for a SGD 400 million perpetual bond for Hyflux in April 2011, marking the first such bond from a corporate issuer in Singapore outside the bank sector.

During the year, the Strategic Advisory team, which renders advice on corporate strategy, restructuring, capital structure design, as well as mergers and acquisitions, harnessed the connectivity of the DBS network to match buyers, sellers and targets. Among the transactions we advised on in Singapore were:

- SGD 351 million leveraged buyout (LBO) of Sinomem Technology, an integrated membrane technology company listed in Singapore, by CDH, a Chinese private equity firm This transaction was Singapore's largest LBO completed by a private equity firm in 2011
- SGD 2.55 billion privatisation of Allgreen Properties by the Kuok Group – the largest completed M&A deal in Singapore
- Delisting of Pacific Shipping Trust, entailing a USD 254 million exit offer, the first privatisation of a Singapore-listed shipping trust

In 2011, DBS was named Best Bank in Singapore by The Asset, The Banker and FinanceAsia magazines. We were also named Singapore Retail Bank of the Year by Asian Banking and Finance. At the AsiaOne People's Choice Awards 2011, customers voted DBS the Best Bank in Singapore for three years running, while the POSB Everyday Card was picked as the Best Credit/Debit Card for the fourth consecutive year. All in, we are pleased with the progress made, and believe that we are operating more nimbly and serving our customers better.

2. RE-ENERGISE HONG KONG

In 2011, DBS Hong Kong continued to successfully capitalise on China megatrends such as strong credit demand in Hong Kong from Chinese borrowers, the growing use of RMB internationally, and the robust appetite for funds from SMEs looking at China expansion, for growth.

In constant currency terms, DBS Hong Kong's full-year profit rose 7%. With the appreciation of the Singapore dollar, earnings were little changed at SGD 571 million.

We continued to deepen the cross-border connectivity between Hong Kong and China, serving the offshore expansion needs of Chinese state-owned enterprises and red-chip companies. Last year, we opened new RMB accounts for 2,750 corporate customers. We also acquired over 50 new Chinese state-owned and privately-owned companies as clients. RMB-related businesses accounted for 15% of DBS Hong Kong's overall revenues and about 50% of its treasury revenues.

By moving quickly to capture opportunities arising from Hong Kong's position as an offshore RMB (CNH) centre, we strengthened our leading position in the CNH space. We have an estimated 15% share of the CNH interbank market, 12% share of CNH trade transactions and 3% share of the CNH deposit market in Hong Kong.

In Consumer Banking, we began to re-position the bank to be more focused on the affluent segment. In the SME space, we further enhanced our services and product offerings, including opening a seventh Enterprise Banking Centre. The Hong Kong General Chamber of Small and Medium Business named DBS Hong Kong "Best SME partner" for the third year in a row, validating the role we play in helping SMEs succeed.

3. REBALANCE GEOGRAPHIC MIX OF OUR BUSINESS

a. Rest of Greater China

One of DBS' unique strengths is our growing presence in the three key axes of growth – Greater China, Southeast Asia and South Asia.

We are the only Singapore bank with a significant footprint in China, Hong Kong and Taiwan, with over 110 branches and 150 ATMs across the three markets. This allows us to offer seamless regional connectivity to our customers, and to intermediate the increasing trade and investment flows in Greater China.

DBS China and DBS Taiwan reported a combined net profit of SGD 178 million and SGD 612 million in revenues.

Notwithstanding the challenging operating environment, DBS China's full-year net profit more than doubled in 2011, to reach a record high.

We grew our franchise at a fast pace, with the number of outlets opened during the year almost equal to that established over the previous three years. In 2011, DBS China opened eight new outlets, including one branch in Hangzhou and seven sub-branches in Beijing, Guangzhou, Shanghai and Shenzhen. Including a new branch in Chongqing that opened in January 2012, DBS China currently has 25 outlets across 10 major cities in China.

OPERATIONS REVIEW

With a wider network, DBS China acquired about 16,000 new clients last year. The bank is also transforming our corporate banking franchise, working more closely with a greater number of state-owned enterprises and high-quality privately-owned enterprises in China. Consequently, the proportion of domestic business contribution to the bank's revenue also increased during the year. We also leveraged our Asian connectivity to service these clients' banking needs in other parts of Asia.

DBS China's deposits grew about 40% and we were one of the first foreign banks to bring the loan-to-deposit ratio below 75%, in line with regulatory requirements.

We also made further progress in growing our cross-border business. Since setting up Singapore and Taiwan desks in China, and a China desk in Singapore, more than 400 cross-border corporate customer relationships have been established through these desks.

We completed a landmark transaction which resulted in the successful migration of close to 6,000 customers and approximately USD 500 million in assets under management from the Royal Bank of Scotland (China).

In Taiwan, where DBS has 40 branches, we now operate there as a wholly owned locally-incorporated subsidiary. The formation of DBS Bank (Taiwan) underscores our commitment to Taiwan.

With the acquisition of Bowa Commercial Bank, DBS Bank (Taiwan)'s total revenues have grown about four times to SGD 199 million since 2007. Total loans rose by three times to SGD 6.6 billion and total deposits expanded by 17 times to SGD 7.0 billion. In 2011, loans and deposits rose by 31% and 43%, respectively.

Today, DBS Taiwan operates out of the Shin Kong Xinyi Financial Center at the heart of Taipei's financial district, having re-located its headquarters there last year. We have a growing corporate banking, SME and DBS Treasures priority banking franchise. In the syndicated loans space, DBS was ranked No. 1 among foreign banks last year. We also have the highest credit ratings among Taiwanese banks.

a. South and Southeast Asia

South and Southeast Asia, which includes our India and Indonesia franchise, recorded net profit of SGD 285 million on revenues of SGD 557 million.

DBS India is a leading foreign bank in India, a testament to the good business momentum we have had.

DBS India added a record number of large corporate customers in 2011. We grew Institutional Banking revenues by 65%, and recorded over 130% growth in local currency customer assets. During the year, we also launched debt capital markets and private equity businesses in India.

The impressive growth of our Institutional Banking business was made possible by an increased focus on cross-sell, especially of Global Transaction Services (GTS) products. Our GTS business in India made record revenues, with significant growth of over 90% in trade revenues.

The consumer banking business trebled revenues over 2010. We focused on enhancing our service delivery via alternative channels including Internet banking, a customer contact centre and a growing ATM network.

In Indonesia, where we have 40 branches, the bank continued to see good growth in wealth management fees, which rose 60%. Our overall franchise also did well, with DBS Indonesia's loans and deposits rising 18% and 10%, respectively. In addition, DBS Indonesia acquired 115 large corporate customers and about 27,000 consumer finance clients last year.

With our strong local insights and Asian service, DBS Indonesia continues to be recognised for our corporate banking capabilities, and we were named the best provider of treasury and working capital solutions to MNCs and large corporates in Indonesia by The Asset. DBS made large inroads into the fast-growing Indonesian SME segment anchored around trade. This growth was broad-based across the country from Medan to Surabaya. Last year, SME revenue rose by 51%, while loans and deposits grew by 52% and 54%, respectively.

DBS also continues to harness our Asia connectivity to add value to our clients. On the M&A front last year, we were the sole financial adviser to Tiga Pilar Sejahtera Food Tbk in securing approximately USD 43 million strategic investment from Bunge, to develop palm oil operations in Indonesia. Our award-winning customised cash management and trade finance solutions also continue to be well appreciated by the market. For example, last year, we structured a solution that enabled one of the largest poultry feed companies in Indonesia to establish a new trading entity in Singapore. With this initiative, the company is able to source for raw materials from around the world to support its growth in Indonesia.

4. BUILD A LEADING SME BUSINESS

At DBS, banking the SME segment in Asia is a key priority, and we believe we have the capabilities to serve these clients well and to become a leading regional SME player.

This confidence is borne by our strong balance sheet, well-honed credit skills and a deep understanding of the region, that comes with being born and bred in Asia.

In line with this, we started to roll out our regional SME model to our six key markets, namely, Singapore, Hong Kong, China, India, Indonesia and Taiwan. We put in place various initiatives, including implementing a more efficient SME-specific credit underwriting approach, improving end-to-end credit processes to shorten turnaround time, standardising sales and service models to better serve our customers, sharpening our target markets and increasing penetration of electronic channels.

In addition, we have built a credit and business organisation, with key hires in Hong Kong, Taiwan and Indonesia, to pave the way for full implementation of our regional model in 2012.

5. STRENGTHEN WEALTH PROPOSITION

Wealth creation in Asia is taking place at an unprecedented pace, and as an Asian bank, DBS is well-positioned to benefit from this.

We announced our intention to invest SGD 250 million over the next five years to take wealth management in Asia to the next level. This is focused on improving our people, product, platform and the privileges we offer, in Singapore and Hong Kong.

In particular, last year, we launched the DBS Treasures Private Client platform in Singapore and Hong Kong for High Net Worth Individuals (HNWIs) with investible assets of SGD 1.5 million and more. We believe we can address a gap in the market with this platform, which caters specifically to HNWIs who want to combine the best of everyday banking and the perks and privileges of priority banking, with a comprehensive private banking product offering. At the same time, we have refocused the private bank, which caters to HNWIs with SGD 5 million and more, to cater to clients with more sophisticated investment needs.

We also enhanced our Internet banking and mobile banking platform for HNWIs. Clients are now able to conveniently view their investment portfolios on the go via mobile banking. In addition, the Internet banking platform offers a consolidated view of investment holdings as well as other details including credit card, savings and fixed deposit accounts at a glance. This online platform, which integrates retail and private banking, is the first of its kind to be launched by a private bank in Asia.

We also continued to leverage our deep Asian knowledge and insights to develop unique financial products and solutions for customers.

After being one of the first private banks to launch CNH structured products in Hong Kong, we extended our leadership by offering a full suite of CNH products in Singapore. In addition, we helped customers benefit from pricing mismatch opportunities in the FX and forward swaps markets. DBS was also the first bank to place SGD hybrid perpetuals with HNWI customers.

With our insights into Asia, we launched the DBS Asia Asset Allocator Fund. The fund taps into global investment opportunities while having up to half of its allocation in Asia. This is premised on our belief that Asia, with its strong fundamentals, will continue to outperform other regions.

As wealth in Asia is relatively new, and will increasingly be transferred to the next generation, last year, we set up a family office and philanthropy advisory team within the private bank. The team helps multi-generational families with long-term family governance needs. It also devises individual philanthropic strategies for clients based on their ultimate goal, whether it is value succession, family cohesion and solidarity, preservation of wealth, or to make a greater impact in the community.

DBS' wealth management business continued to be recognised by the industry. DBS Private Bank was named the "Best Local Private Bank in Singapore" for the fifth consecutive year by the Euromoney Private Banking Poll. For the second year running, we were also named "Best Private Bank in Singapore" by The Banker and Professional Wealth Management, which are part of the Financial Times Group. We were also accorded "Wealth Manager of the Year 2011" by The Asset.

6a. BUILD OUT CROSS-SELL BUSINESS – GTS

As global trade flows and investment in Asia continue to outpace growth in every region of the world, DBS' GTS business delivered industry leading growth in 2011. Our trade assets and liabilities grew 125% and 24%, respectively. The GTS business also won 31 industry accolades, including being named as one of the top five cash management banks in Asia, the best Sub-

Custodian Bank in Singapore, and the best Transaction Bank in Singapore for the fifth year in a row.

2011 was a year of innovation for the GTS business, as we developed and launched a wide range of highly sophisticated products across all our markets in Asia. In November 2011, we announced the launch of our Supply Chain Financing Programme with leading retail group, Dairy Farm Singapore, the first such programme for the retail industry in Singapore. DBS is in the process of launching similar supply chain financing programmes across China, Hong Kong, Indonesia, India and Taiwan.

Leveraging technology to deliver innovation to our customers continues to lead our investment agenda. We launched the pilot of our next generation Internet banking platform, Ideal 3.0. Combining the latest user applications and data management tools from across the entire range of working capital products, DBS is delivering an Internet banking platform that is unmatched in ease of use, flexibility and security. Other technology investments include our e-Advising product, which allows our customers to confirm critical, time-sensitive payment status, balances, and other data via automatic phone messaging and email, delivered 24 by 7, anywhere in the world. Our clients accessed our electronic banking platforms from over 100 different countries, demonstrating the importance of our electronic banking capabilities in allowing them to manage their business "anytime, anywhere".

In addition, we launched a new suite of liquidity management services in North Asia, and will expand this capability to all markets in 2012.

DBS' deep knowledge of Asia, customer focus, and speed to market were a clear advantage to our customers, as we led the industry in new product development. DBS is also one of the few banks to offer a full range of RMB services in multiple markets across Asia. Our clients turned to us for our comprehensive suite of RMB-denominated trade finance and cash management services, and RMB assets and deposits rose 580% and 120%, respectively. In 2011, DBS was the first bank in Singapore to launch CNH accounts, and one of the first to utilise the MAS-PBOC bilateral swap facility on behalf of our customers.

DBS' large range of cash and liquidity management products, and our strong balance sheet, have positioned the bank favourably with MNCs across the world. DBS is increasingly becoming the gateway to Asia for MNCs across all regions, as these companies look to us for both product and advisory services. In 2011, 55 MNCs established new accounts with DBS, leveraging our network, strong balance sheet, and extensive range of services.

6b. BUILD OUT CROSS-SELL BUSINESS – T&M

DBS Treasury & Markets is involved in the trading, sales and market making of foreign exchange, interest rates, equity, credit, fixed income instruments and the provision of investment and risk advisory services. In 2011, T&M recorded revenues of SGD 1.97 billion, up 3% from the previous year, as cross-sell of T&M products to the bank's institutional, private banking and mass affluent clients gained momentum.

As cross-selling efforts gained traction, income from customer flows rose 20% to SGD 822 million, even as other income, principally from balance sheet management, market making and warehousing, fell 7% to SGD 1.15 billion. As at end-2011, customer flows constituted 42% of total treasury income, up from 36% in 2010.

On fixed income and debt capital markets, apart from being the No. 1 player in the SGD bond market, our G3 straight bond and equity linked transactions also continue to grow, as the group executed transactions totalling over USD 1.68 billion. In addition, we were able to capitalise on an active CNH bond market, executing nine CNH bond transactions with a total size of RMB 12.63 billion. The deals include that for Road King Infrastructure, Singamas Container Holdings, ICBC and Baosteel Group Corporation, the first issuance by an onshore China entity, and the biggest corporate bond issuance so far. In 2011, DBS also established fixed income capabilities in India.

DBS' commodities derivatives business, which was set up in 2010, has also seen good growth. In 2011, we have seen significant demand from clients for commodities hedging solutions coupled with credit facilities. The hedging solutions not only help our customers smoothen their cash flows, but also mitigate commodities price risk arising from market volatility. This is mutually beneficial to both the bank and our clients, allowing the bank greater leeway and flexibility in extending credit facilities to clients, who thereby enjoy reduced funding costs.

In 2011, T&M continued to build our asset securitisation capability into a leading structured finance business. This leadership entrenchment in Singapore is recognised in the form of the accolades and awards won by the team. DBS was the Joint Lead Arranger of a USD 645 million commercial mortgage-backed securitisation secured by commercial lease rentals from Raffles City. Outside of Australia and Japan, this was Asia's first such US dollar deal since the onset of the crisis. The deal won

DBS three awards, namely, "Asia Pacific Securitisation Deal of the Year" from IFR, "Securitisation Deal of the Year in Asia" from IFR Asia, and "Best Cross-Border Securitisation in Asia" from The Asset.

DBS is consistently recognised for the strength of our T&M franchise. Accolades won in 2011 include Regional Derivatives House of the Year, House of the Year in Singapore, Best Foreign Treasury and Cash Management Bank in China, Best Foreign Exchange Bank in Singapore and Best Bond House in Singapore.

7. PLACE CUSTOMERS AT THE HEART OF THE BANKING EXPERIENCE

In an industry as competitive as ours, where many products are highly commoditised, we can be a bank apart only if the customer is front and centre of all that we do.

To become a bank renowned for our distinctive brand of Asian Service, we began to systematically train our people on defined Asian service standards that would guide our actions going forward. This is in order that we can be known as a bank that is respectful, easy to deal with, and dependable. The standards are the building blocks of our service strategy and they define all our touchpoints – from how we interact with our customers on the frontline to how we design our branches, processes and systems from a customer point of view.

The official launch of our service standards laid the foundation for a culture of customer service par excellence at DBS. Today, over 18% of our people have been trained in these standards and are equipped to make our customers feel valued, respected and understood.

In addition, our central improvement programme, which is aimed at improving our customers' banking experience, completed over 100 service improvement projects in the last two years. As a result of these initiatives, in all, 157 million hours of customer wait time have been removed.

Some key improvement initiatives around the region included:

- Decreasing our average branch queue times in Singapore by 20%. This follows an already big decrease in queue times the prior year
- Reducing ATM card issuance turnaround time in Hong Kong by 50%
- Reducing end-to-end turnaround time for the processing of consumer auto loans in Taiwan by 80%
- Reducing end-to-end turnaround time for the opening of individual and corporate accounts in DBS China branches by 56% and 47%, respectively
- Reducing the end-to-end turnaround time for the opening of consumer accounts in DBS India by 40%
- Improving the cross-border cheque clearing process between DBS Indonesia and Singapore by 67%

As a result of these efforts, DBS won a number of service awards in 2011. DBS scored the best among banks in Singapore for customer satisfaction, according to the Customer Satisfaction Index of Singapore put together by the Singapore Management University. In Singapore, our Customer Centre won the Best Contact Centre (Over 100 seats) Gold award from the Contact Centre Association of Singapore. In Hong Kong, our Customer Centre also won a Gold award from the Hong Kong Call Centre Association.

In addition, our corporate and consumer banking units also received SPRING Singapore Service Class certification, with our Institutional Banking team being the first standalone Corporate Bank recipient in Singapore.

8. FOCUS ON MANAGEMENT PROCESSES, PEOPLE AND CULTURE

With DBS now operating in many markets across Asia, we need to be governed by a consistent set of rules, policies and processes across our different geographies.

In 2010, the Accounting and Operations Standardisation Team (AOST) and Risk Policy Unit were established under the regional policy framework to drive policies, processes and control standardisation across the region.

Over the course of 2011, the AOST team designed and has started execution of a standard operating model methodology to drive standardisation of operations processes across all our markets. AOST also developed standard operating procedure guidelines for the Group. In addition, it worked with Group Accounting to update and enhance our existing accounting policy manuals to facilitate consistent application of group accounting standards across all our locations. On the Risk front, we rolled out revamped policies to ensure consistency groupwide across our credit risk and risk model policies.

Our corporate treasury function continues to manage our capital, returns and liquidity. This initiative supports our efforts to grow assets and garner liabilities across the group. DBS' "AA-" and "Aa1" credit ratings are among the highest in the world. We have been named Safest Bank in Asia by Global Finance magazine for three years running, from 2009-2011. These strengths have enabled us to expand our wholesale funding programmes, as a complement to our strong deposit base, and diversify our sources of liquidity.

We continue to use a balanced scorecard to track the bank's performance against a series of metrics. We are measured against current year performance as well as progress made in executing against our strategic priorities. Both of these aspects carry roughly equal weight.

In keeping with the spirit of our service and process transformation at DBS, we simplified our performance management processes in 2011, creating a better employee experience. By improving our processes and giving more transparency to employees and more autonomy to managers, we are engendering a meritocratic culture where our employees can contribute their very best each day.

9. STRENGTHEN TECHNOLOGY AND INFRASTRUCTURE PLATFORM

In 2011, Technology & Operations (T&O) continued to execute on the technology blueprint for our major businesses, particularly in building stability and resiliency in our infrastructure.

The regional technology blueprint maps out our technology requirements across the region in the medium-term, in order to support our business growth plans.

In 2011, we established a highly resilient mainframe and mainframe storage platform, implemented high availability, disaster recovery capabilities for our major business applications, strengthened systems and network operations monitoring, and improved connectivity to all countries. We have in place a real-time 24 by 7 regional monitoring setup covering critical systems and components, and we continue to on-board all major applications. We also continue to strengthen our network security and strengthened technology operations through tightened change control.

To improve channel access to our customers in the region, we have improved customer experience on iBanking for unit trust customers in Taiwan, launched iBanking in India, improved the ATM network in Indonesia and diversified the ATM network by introducing new Cash Acceptance Machines and ATM brands in Singapore.

The wealth continuum platform was rolled out to enable the launch of the DBS Treasures Private Client. This will be extended progressively to support our strategic wealth proposition for Asia's growing affluent.

Client on-boarding and credit workflow was improved with the automation of the customer and account creation process in Singapore, Indonesia, India and Taiwan. In addition, our core banking platform Finacle 10.2 now supports 12 locations, and is poised to support Singapore and Hong Kong in the coming years.

Phase 1 of the Integrated Payments Engine, which comprises Incoming Payments, was launched for Singapore and Hong Kong, and continues to extend the capability of the payments engine.

Additionally, we have launched the IMEX Supply Chain Financing Platform to facilitate the launch of the supplier financing programme which is an innovative working capital solution that will deliver efficiencies in the end-to-end process of the supplier to buyer operating model.

In the T&M space, we have implemented an enterprise rates system to capture reference rates for trading and risk management. We have also rolled out a commodity derivatives trading platform and a core system to facilitate FX distribution to Taiwan, China and Indonesia, with plans to extend this through the Internet to our corporate customers subsequently.

To grow and groom our talent pool, we launched a T&O Graduate Executive Programme with a customised programme. This attracted 37 new graduates to the bank.

BUILDING A BETTER FUTURE FOR ASIA

Striking a pose while being rallied by the 5,000 strong crowd at the DBS Singapore Dinner and Dance in November

DBS is focused on building a better future for Asia. We believe that people are at the heart of banking. As a leading Asian bank, DBS is committed to creating value for our staff and the communities we are present in, while continuing to make profits for our shareholders.

In 2011, the bank continued to invest and develop new initiatives to nurture our staff and maintain the high-quality of our office environment to ensure that DBS remains a great place to work.

To build a brighter future for communities in Asia, the bank supported a range of initiatives in the areas of children, learning and social entrepreneurship, championed by staff in Singapore, Hong Kong, China, India, Indonesia and Taiwan.

SINGAPORE

Entrepreneurship has always been part of the DBS DNA, from the time the bank was established to finance the development of Singapore, to developing and shaping new Asia today.

In 2011, DBS Singapore supported the Social Enterprise Association of Singapore's Investing in Businesses with a Difference Conference, to nurture social enterprises in Asia. The bank also organised bazaars at the office featuring social enterprises to raise awareness of social entrepreneurs in Singapore. The bazaars were attended by over 1,000 staff who contributed over SGD 5,000 to the cause.

DBS Singapore also organised SEize the Day @ DBS, a one-day workshop for youth-at-risk from NorthLight School. Co-created by staff and social entrepreneurs, the workshop taught students new skills as well as interview techniques to enhance their employability.

BUILDING A BETTER FUTURE FOR ASIA

1

In recognition of the bank's efforts to champion social entrepreneurship over the years, DBS was presented the Social Enterprise Association Partner Award by the Social Enterprise Association of Singapore. The award recognised DBS' efforts in introducing the DBS Social Enterprise Package, the only banking package in the region specially tailored for social entrepreneurs.

At POSB, more than 7,200 runners, including 3,100 children, participated in the third annual POSB Passion Run for Kids on 18 September. The charity event aimed at strengthening community bonding and nurturing children, raised SGD 380,000 for the POSB PAssion Kids Fund. The Fund supports the development of community programmes for children up to 16 years old.

HONG KONG

In Hong Kong, the bank continued to build on the DBS Social Enterprise Experience programme. Now into its fourth year, the flagship community project attracted over 1,000 local youths and 21 social enterprises. Over 30 staff participated as mentors, guiding the teams throughout the project.

The six training seminars yielded a total of 46 business proposals. Six of these ideas, developed by local youth in partnership with social enterprises, were realised at the Chinese New Year Fair at Victoria Park.

Over 1,200 staff, their families and friends marked the bank's tenth year of participation at the Walk for Millions organised by the Community Chest on 9 January. DBS Hong Kong fielded one of the strongest teams and clinched the "Outstanding Walk Team" award for the fifth consecutive year for raising over HKD 100,000 in support of local children and youth services. The bank was also accorded the "Caring Company" title for the fourth year running.

CHINA

In addition to the SGD 250,000 fund set up in partnership with the Shanghai Charity Foundation in 2010 to support migrant children, DBS China embarked on supporting social entrepreneurship in 2011. The bank engaged Shanghai Puki

2

1 Participants at SEize the Day @ DBS, a workshop co-created by DBS Singapore and social entrepreneurs to train youth-at-risk

2 Over 1,200 staff from DBS Hong Kong with their families and friends at the Walk for Millions

3 Staff from DBS India flying the flag high at the Mumbai Marathon

4 Staff from DBS Indonesia tutoring underprivileged street children in Jakarta

Deaf Coordination Agency, a design house that employs hearing-impaired youths, to produce the DBS China Newsletter on a long-term basis, valued at SGD 22,000.

INDIA

DBS India participated in the Mumbai Marathon, an event which drew 38,000 runners from all over Mumbai. The DBS contingent raised SGD 17,145 by completing the 6 km run. The funds raised will go to the bank's partners, Aseema and Children in Pain (CHIP), for the education and development of underprivileged children.

As part of its corporate social responsibility efforts, DBS India also partnered Aseema to build a primary school in Awalkheda, a small village about a two-hour drive from Mumbai. Twenty staff were on site in February last year to help with the construction. The school opened its doors a month later for its first intake. In recognition of the bank's efforts, the school's multi-purpose hall was named the DBS Hall. As of 2011, 87 children have received assistance from the school.

3

INDONESIA

DBS Indonesia continued to support the Indonesian Street Children Organization (ISCO) through a SGD 59,440 contribution to educate underprivileged street children in Indonesia.

Staff raised an additional SGD 1,590 from selling breakfast packs and singing telegrams in the office. The funds raised will be used to offset the daily operating costs of the ISCO centre.

Working with ISCO, staff also crafted new classroom teaching styles to better engage underprivileged children. These contributions have reached out to 550 needy children in seven areas across three major cities in Indonesia.


4

TAIWAN

DBS Taiwan has been supporting the education and development of children since 2009. The bank donated SGD 316,000 to the Taiwan Fund for Children and Families (TFCF) between 2009 and 2011. Over 2,400 underprivileged school children have since benefited from the Fund.

TFCF aims to inculcate a love for learning among the children, with the long term goal of improving their grades and job prospects.

PROTECTING THE ENVIRONMENT

DBS is also committed to doing its part to conserve energy and resources throughout its operations and supply chain. Since 2008, DBS has been driving a widespread office environmental sustainability programme with key initiatives that include recycling, waste management and energy conservation.

The bank's recycling initiatives across its main offices (Singapore, Hong Kong, China, Indonesia and India) have resulted in more than 460,492 kg of paper recycled. This translates to about 7,830 trees saved (based on the calculation by the Trinity College, Western Australia).

In DBS India, the recycled paper is converted to writing pads which are distributed to the staff for their own use.

Energy saving is another substantial way to contribute to the preservation of the environment. In that regard, DBS raised the temperature of the office air-conditioning by between 0.5 and 1 degree Celsius. This lowered the energy utilisation while still maintaining a comfortable work environment for staff.

In Singapore and Hong Kong, the offices have also started using energy-efficient LED light bulbs in place of halogen light bulbs to further reduce energy consumption. In addition, the offices have adopted the use of timers to ensure that signage lighting, heaters and air-conditioners are turned on only when required.

BUILDING A BETTER FUTURE FOR ASIA

5 Staff from DBS Singapore at Grow with DBS, the bank's inaugural internal career day

These eco-friendly efforts have gained recognition over the years. DBS was accorded several accolades for its green building management practices. In Singapore, the DBS Asia Hub office was conferred the Green Mark Gold Award by Singapore's Building and Construction Authority for meeting requirements that help conserve energy and water, and promoting a healthier work environment.

In Hong Kong, the DBS One Island East office was awarded the Class of Excellence Wastewise Label while the DBS office in Millennium City Phase 6 was awarded the Class of Good Wastewise Label. Both certifications recognise the bank's strong commitment to environmental protection and water reduction.

On the green front, DBS India continued its partnership with Evergreen Recyclekaro. Under this programme, staff conscientiously recycled files, notebooks and other paper materials. In return, DBS receives 310 notepads from Evergreen Recyclekaro in exchange for every one ton of shredded paper produced. This reduced the office stationery expenditure and saves up to 40 trees per year. To date, 2,287 kg of paper has been recycled.

MAKING DBS A GREAT PLACE TO WORK

The DBS family comprises over 18,000 staff (58% women and 42% men), representing over 40 nationalities in 15 markets. Bringing together a diverse group of men and women with broad cultural knowledge and a deep understanding of local insights enables the bank to provide a unique blend of Asian service to meet our customers evolving needs.

In 2011, DBS introduced several people initiatives to create a conducive and nurturing work environment for its staff.

The bank continued to execute a large number of new learning programmes across the franchise. DBS surpassed the annual training targets once again, delivering over 135,000 training days at the bank. This has had a positive impact on staff development and engagement, and improved overall staff retention.

Annually, each staff completes The Gallup Organisation's Q12 Staff Engagement Survey. In 2011, the bank improved its Q12 Grand Mean from 4.00 to 4.11 on a scale of 1 to 5, where 5 represents the highest level of staff engagement. This increase has moved DBS up 10 notches to the 81st percentile in Gallup's Q12 Staff Engagement Survey of global financial institutions.

This enhanced focus on building staff engagement and capabilities has helped sustain our momentum in negotiating a turbulent business environment and given our staff the confidence to excel.

DBS also made progress on internal mobility, launching programmes to help staff grow and develop their careers within the bank. In 2011, the bank hosted Grow with DBS, its first internal career day in Singapore, showcasing the numerous opportunities for staff to pursue their career aspirations within the bank.

These initiatives have built a stronger bond among staff. Notably, DBS moved from 17th to 8th place in the annual ranking of Singapore's 100 Leading Graduate Employers.

STAYING COMMITTED TO NEW ASIA

As Asia continues to grow in a challenging world economy, DBS remains committed to its people and the diverse communities in this region. Staying true to its entrepreneurial spirit and heritage as a development bank, DBS will focus on supporting and developing social entrepreneurs, who create innovative and sustainable entrepreneurial solutions to address social problems in the region. For a better future, for a New Asia.

OVERVIEW

	2011	2010	% chg
Selected income statement items ($m)			
Net interest income	**4,825**	4,318	12
Net fee and commission income	**1,542**	1,397	10
Net trading income	**698**	915	(24)
Net (loss) from financial instruments designated at fair value	**(18)**	(20)	10
Net income from financial investments	**454**	310	46
Other income	**130**	146	(11)
Total income	**7,631**	7,066	8
Less: Expenses	**3,303**	2,925	13
Profit before allowances	**4,328**	4,141	5
Less: Allowances for credit and other losses	**722**	911	(21)
Profit before tax	**3,733**	3,332	12
Net profit	**3,035**	2,650	15
Add: Goodwill charges	**–**	(1,018)	NM
Net profit including goodwill charges	**3,035**	1,632	86
Selected balance sheet items ($m)			
Customer loans [1]	**194,720**	152,094	28
Interbank assets [1]	**27,183**	23,298	17
Total assets	**340,847**	283,710	20
Customer deposits [2]	**225,346**	193,692	16
Total liabilities	**307,778**	250,608	23
Shareholders' funds	**28,794**	26,599	8
Key financial ratios (excluding goodwill charges) (%)			
Net interest margin	**1.77**	1.84	–
Non-interest/total income	**36.8**	38.9	–
Cost/income ratio	**43.3**	41.4	–
Return on assets	**0.97**	0.98	–
Return on equity	**11.0**	10.2	–
Loan/deposit ratio	**86.4**	78.5	–
NPL ratio	**1.3**	1.9	–
Specific allowances (loans)/average loans (bp)	**11**	43	–
Tier 1 capital adequacy ratio	**12.9**	15.1	–
Total capital adequacy ratio	**15.8**	18.4	–
Core Tier 1 ratio [3]			
– with phase in deduction of 0% to end 2013	**12.9**	14.5	–
– with full deduction	**11.0**	11.8	–
Per share data ($)			
Per basic share			
– earnings excluding goodwill charges	**1.30**	1.15	–
– earnings	**1.30**	0.70	–
– net book value	**11.99**	11.25	–
Per diluted share			
– earnings excluding goodwill charges	**1.26**	1.11	–
– earnings	**1.26**	0.68	–
– net book value	**11.75**	11.04	–

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*
3 *In June 2011, the MAS announced the Basel III requirements for Singapore-incorporated banks, which included a progressive phase-in for deductions against common equity starting from an initial 0% in 2013 and reaching 100% by 2018*
NM *Not Meaningful*

MANAGEMENT DISCUSSION AND ANALYSIS

DBS Group Holdings reported net profit of $3.04 billion, a 15% increase from a year ago.

Earnings crossed the $3 billion mark for the first time as increased business volumes and customer flows propelled total income to a new high of $7.63 billion. DBS' focused execution of strategic initiatives, prudent risk management and strong balance sheet enabled it to capture opportunities across the region in a challenging environment. Return on equity rose to 11.0% from 10.2% a year ago. DBS' balance sheet strength was a key differentiating factor enabling it to gain customers and wallet share during the year.

Net interest income grew 12% to $4.83 billion. Total loans rose 28% or $42.6 billion to $194.7 billion. Trade finance, led by customers in Singapore, Hong Kong and China, accounted for half of loan growth. Deposits increased 16% or $31.7 billion during the year to $225.3 billion, with deposit inflows bolstered by DBS' leading domestic deposit franchise and sound fundamentals. With the loan-deposit ratio at 86%, liquidity continued to be healthy. The benefit of higher loan and deposit volumes was partially offset by lower net interest margins, which fell 7 basis points to 1.77% as interest rates in Singapore softened and deposit costs in Hong Kong were higher.

Non-interest income grew 2% to $2.81 billion as higher customer-driven income was offset by a decline in market-related income. Fee income rose 10% to a record $1.54 billion from increases in a wide range of activities, led by wealth management and trade and remittances in line with efforts to develop these businesses. Net trading income (including financial instruments designated at fair value) fell 24% to $680 million as lower trading gains more than offset an increase in income from customer flows. Income from customer flows accounted for 42% of Treasury income, up from 36% in the previous year. Gains from the sale of investment securities rose 46% to $454 million.

Expenses grew 13% to $3.30 billion as headcount and infrastructure investments were made to support higher business volumes and future growth. The cost-income ratio was healthy at 43%. Profit before allowances rose 5% to a record $4.33 billion.

Asset quality improved, with the NPL rate falling from 1.9% in 2010 to 1.3%. Specific allowances of $244 million were one-third the charge taken in 2010 while general allowances of $478 million more than doubled. Allowance coverage was high at 126% and at 165% if collateral was considered.

DBS remained well capitalised. Its Tier 1 of 12.9% and total capital adequacy ratio of 15.8% were comfortably above regulatory requirements, which incorporate Basel 2.5 rules with effect from 31 December 2011. Based on the progressive phase-in of deductions (mainly goodwill) against common equity, the core Tier 1 ratio would be 12.9%. Assuming full deductions which will be effective 1 January 2018, the core Tier 1 ratio would be 11.0%.

There were no significant accounting changes for the year.

NET INTEREST INCOME

Average balance sheet	2011 Average balance ($m)	2011 Interest ($m)	2011 Average rate (%)	2010 Average balance ($m)	2010 Interest ($m)	2010 Average rate (%)
Interest-bearing assets						
Customer loans	**169,397**	**4,571**	**2.70**	141,245	3,937	2.79
Interbank assets	**51,575**	**532**	**1.03**	43,190	358	0.83
Securities	**51,962**	**1,452**	**2.79**	50,272	1,404	2.79
Total	**272,934**	**6,555**	**2.40**	234,707	5,699	2.43
Interest-bearing liabilities						
Customer deposits	**209,196**	**1,267**	**0.61**	184,792	970	0.53
Other borrowings	**42,215**	**463**	**1.10**	30,834	411	1.33
Total	**251,411**	**1,730**	**0.69**	215,626	1,381	0.64
Net interest income/margin		**4,825**	**1.77**		4,318	1.84

Net interest income rose 12% from a year ago to $4.83 billion, representing 63% of total income. The increase was due to higher loan volumes, partially offset by a decline in interest margins.

Average customer loans grew 20% from a year ago from broad-based loan growth across industries and the region. Trade finance loans accounted for half the loan growth.

Net interest margins fell 7 basis points to 1.77%. Overall asset yields were 3 basis points lower at 2.40%. This was due to a nine basis point decline in customer loan yields to 2.70%, which was partially offset by a 20 basis point increase in interbank asset yields to 1.03%. Funding costs rose 5 basis points to 0.69%. Customer deposit costs rose 8 basis points to 0.61% as US dollar and Hong Kong dollar deposit costs were higher.

Volume and rate analysis ($m) Increase/(decrease) due to change in	Year 2011 versus 2010 Volume	Rate	Net change
Interest income			
Customer loans	**786**	**(152)**	**634**
Interbank assets	**70**	**104**	**174**
Securities	**46**	**2**	**48**
Total	**902**	**(46)**	**856**
Interest expense			
Customer deposits	**129**	**168**	**297**
Other borrowings	**120**	**(68)**	**52**
Total	**249**	**100**	**349**
Due to change in number of days			**–**
Net interest income	**653**	**(146)**	**507**

NET FEE AND COMMISSION INCOME

($m)	2011	2010	% chg
Stockbroking	**142**	179	(21)
Investment banking	**187**	154	21
Trade and remittances	**284**	227	25
Loan-related	**359**	333	8
Guarantees	**71**	59	20
Deposit-related	**82**	85	(4)
Cards	**154**	149	3
Fund management	**16**	22	(27)
Wealth management	**192**	136	41
Others	**55**	53	4
Total	**1,542**	1,397	10

Net fee and commission income rose 10% to $1.54 billion, and accounted for 20% of total income.

The increase was led by trade and remittances and wealth management, whose contributions rose 25% and 41% respectively. Contributions from investment banking were 21% higher from strong capital market activities, particularly in the first half of the year. Contributions from loan activities rose 8%, helped by strong loan growth.

The improvements were offset by lower contributions from stockbroking and fund management. Stockbroking fees fell 21% to $142 million as regional equity markets were affected by weaker market sentiment. Fund management income was recognised until 30 September 2011, when the transaction to combine DBS Asset Management with Nikko Asset Management was completed.

OTHER NON-INTEREST INCOME

($m)	2011	2010	% chg
Net trading income	**698**	915	(24)
Net (loss) from financial instruments designated at fair value	**(18)**	(20)	10
Net income from financial investments	**454**	310	46
Net gain on fixed assets	**19**	103	(82)
Others	**111**	43	>100
Total	**1,264**	1,351	(6)

Other income fell 6% to $1.26 billion, accounting for 17% of total income.

Trading income (including financial instruments designated at fair value) amounted to $680 million compared to $895 million in 2010. A decline in trading gains more than offset an increase in income from customer flows.

Net income on financial investments rose 46% to $454 million as the investment portfolio was well positioned to profit from market trends during the year. The available-for-sale investment portfolio had unrealised marked-to-market gains of $411 million at end-2011, compared to $387 million at end-2010.

Net gain on fixed assets fell 82% to $19 million, but was offset by an increase in Others, which included a $47 million gain from the transaction to combine DBS Asset Management with Nikko Asset Management.

EXPENSES

($m)	2011	2010	% chg
Staff	**1,712**	1,422	20
Occupancy	**291**	269	8
Computerisation	**640**	569	12
Revenue-related	**170**	136	25
Others	**490**	529	(7)
Total	**3,303**	2,925	13

Expenses were 13% higher at $3.30 billion as the Group made investments to support higher business volumes and build capacity for future growth.

Staff costs rose 20% as headcount expanded by 11% to 17,652. Non-staff expenses rose 6%, led by higher computerisation and revenue-related costs. The cost-to-income ratio was healthy at 43%.

ALLOWANCES FOR CREDIT AND OTHER LOSSES

($m)	2011	2010	% chg
General allowances (GP)	**478**	232	>100
Specific allowances (SP) for loans [1]	**194**	614	(68)
Singapore	**40**	18	>100
Hong Kong	**34**	14	>100
Rest of Greater China	**(12)**	25	NM
South and South-east Asia	**37**	47	(21)
Rest of the World	**95**	510	(81)
Specific allowances (SP) for securities, properties and other assets	**50**	65	(23)
Total	**722**	911	(21)

1 Specific allowances for loans are classified according to where the borrower is incorporated
NM Not Meaningful

Total allowances fell 21% to $722 million in line with improvements in asset quality, as specific allowances for loans fell 68% to $194 million. Specific allowances for loans were equivalent to 11 basis points of loans compared to 43 basis points a year ago, with most of the decline due to Rest of the World.

General allowances more than doubled to $478 million in line with loan growth and a prudent provisioning policy.

PERFORMANCE BY BUSINESS UNITS

($m)	Consumer/ Private Banking	Institutional Banking	Treasury	Others
2011				
Net interest income	**1,446**	**2,317**	**951**	**111**
Non-interest income	**758**	**1,693**	**201**	**154**
Total income	**2,204**	**4,010**	**1,152**	**265**
Less: Expenses	**1,561**	**1,319**	**420**	**3**
Profit before allowances	**643**	**2,691**	**732**	**262**
Less: Allowances for credit and other losses	**71**	**453**	**2**	**196**
Share of profits of associates	**–**	**21**	**–**	**106**
Profit before tax	**572**	**2,259**	**730**	**172**
2010 [1]				
Net interest income	1,398	1,995	840	85
Non-interest income	667	1,518	393	170
Total income	2,065	3,513	1,233	255
Less: Expenses	1,471	1,119	368	(33)
Profit before allowances	594	2,394	865	288
Less: Allowances for credit and other losses	55	812	(2)	46
Share of profits of associates	–	25	–	77
Profit before tax	539	1,607	867	319

1 *Allowances for credit and other losses and profits exclude goodwill charges*

A description of DBS' reported business units can be found in note 48.1 of the financial accounts on page 144.

Consumer/Private Banking (CBG)

CBG's net interest income rose 3% to $1,446 million from higher loan and deposit volumes, partially offset by lower margins. The increase in loans and deposits was accounted for mostly in Singapore. Loans and deposits were little changed in Hong Kong. Non-interest income grew 14% to $758 million from higher wealth management sales. Total income was 7% higher at $2.20 billion.

Expenses rose 6% to $1.56 billion as staff and non-staff costs increased. Total allowances rose from $55 million to $71 million as specific allowances increased.

CBG's pretax profit rose 6% to $572 million.

Institutional Banking (IBG)

IBG's net interest income rose 16% to $2.32 billion from higher loan and deposit volumes, partially offset by lower margins. Loan growth was led by corporate borrowing in Singapore, Hong Kong, China and India. Trade finance accounted for more than half of IBG's loan growth. Deposit growth was enhanced by strengthened cash management capabilities.

Non-interest income increased 12% to $1.69 billion, with higher trade and remittance and investment banking fee income, as well as income from customer flows for treasury products, contributing to the growth. Total income was 14% higher at $4.01 billion.

Expenses rose 18% to $1.32 billion as staff and non-staff costs increased. Total allowances fell 44% to $453 million due to a decline in specific allowances, which was partially offset by higher general allowances in line with loan growth.

IBG's pretax profit rose 41% to $2.26 billion.

Treasury

Treasury's income, derived from managing the Group's excess liquidity in the balance sheet, market-making and managing residual positions arising from customer flows, fell 7% to $1.15 billion.

Expenses rose 14% to $420 million, partly due to higher headcount, while allowances remained low. Pretax profit fell 16% to $730 million.

PERFORMANCE BY GEOGRAPHY

($m)	S'pore	Hong Kong	Rest of Greater China	South and South-east Asia	Rest of the World
2011					
Net interest income	**2,906**	**789**	**550**	**361**	**219**
Non-interest income	**1,813**	**664**	**62**	**196**	**71**
Total income	**4,719**	**1,453**	**612**	**557**	**290**
Less: Expenses	**1,948**	**646**	**397**	**247**	**65**
Profit before allowances	**2,771**	**807**	**215**	**310**	**225**
Less: Allowances for credit and other losses	**492**	**130**	**19**	**39**	**42**
Share of profits of associates	**20**	**–**	**22**	**85**	**–**
Profit before tax	**2,299**	**677**	**218**	**356**	**183**
Net profit	**1,877**	**571**	**178**	**285**	**124**
2010 [1]					
Net interest income	2,683	783	327	283	242
Non-interest income	1,743	682	99	174	50
Total income	4,426	1,465	426	457	292
Less: Expenses	1,611	720	325	207	62
Profit before allowances	2,815	745	101	250	230
Less: Allowances for credit and other losses	652	73	52	79	55
Share of profits of associates	10	–	20	72	–
Profit before tax	2,173	672	69	243	175
Net profit	1,688	579	47	203	133

1 *Allowances for credit and other losses and profits exclude goodwill charges*

A description of DBS' reported geographic segment can be found in Note 48.2 of the financial accounts on page 146.

Singapore

Net profit rose to $1.88 billion from $1.69 billion a year ago.

Net interest income rose 8% to $2.91 billion due to strong loan growth, which was partially offset by lower interest margins. Loans booked in Singapore expanded 29% from higher corporate borrowing and housing loans.

Non-interest income rose 4% to $1.81 billion as higher investment gains and treasury product cross-selling was partially offset by lower trading income. Fee income from a wide range of activities was also higher.

Expenses increased 21% to $1.95 billion due to investments in staff and infrastructure in line with higher business volumes and to support future growth. Allowances fell 25% to $492 million as lower specific allowances were partially offset by an increase in general allowances.

Hong Kong

The results for Hong Kong incorporate the effects of an 8% appreciation of the Singapore dollar against the Hong Kong dollar in the profit and loss account, and a 1% appreciation in the balance sheet.

Hong Kong's total income was 8% higher in local-currency terms as net interest income rose in line with loan and deposit growth and non-interest income increased with better contributions from a range of activities. Net interest income grew 9% in local-currency terms as loans expanded 26%, led by trade finance, while deposits rose 3%. The impact of higher loan and deposit volumes was partially offset by increased deposit costs. Non-interest income was 6% higher in local-currency terms as income from customer flows for treasury products and trading income increased. Fee income from wealth management and investment banking was also higher.

Expenses fell 3% in local-currency terms as the previous year's expenses had included compensation for customers who had bought Constellation notes. Underlying costs were higher as staff and non-staff costs increased. Allowances charges also increased, led by higher general allowances in line with loan growth.

Hong Kong's earnings were little changed at $571 million but rose 7% in local-currency terms.

Other regions

Net profit for Rest of Greater China tripled to $178 million as higher loan and deposit volumes resulted in a 68% increase in net interest income to $550 million. Expenses rose 22% to $397 million from business expansion. Allowances of $19 million were one-third the level of the previous year as there was a net write-back of specific allowances.

Net profit from South and Southeast Asia was at $285 million, 40% higher than a year ago. Net interest income rose 28% to $361 million from higher loan volumes, while non-interest income was 13% higher at $196 million as fee and trading income rose. Expenses rose 19% to $247 million from higher headcount. Lower general and specific allowances resulted in a halving of total allowances to $39 million.

Net profit for the Rest of the World was $124 million, 7% lower than a year ago. Total income was little changed at $290 million as a decline in net interest income due to lower margins was offset by higher trading income. Expenses were little changed at $65 million, while total allowances fell 24% to $42 million as specific allowances declined. The increase in profit before tax was more than offset by higher taxes.

CUSTOMER LOANS [1]

($m)	2011	2010	% chg
By business unit			
Consumer/Private Banking	**54,575**	50,256	9
Institutional Banking	**141,084**	103,219	37
Others	**2,168**	1,247	74
By geography [2]			
Singapore	**89,427**	74,595	20
Hong Kong	**40,369**	36,688	10
Rest of Greater China	**30,147**	13,495	>100
South and South-east Asia	**19,290**	13,976	38
Rest of the World	**18,594**	15,968	16
By currency			
Singapore dollar	**78,756**	67,439	17
Hong Kong dollar	**31,511**	30,478	3
US dollar	**61,007**	38,094	60
Others	**26,553**	18,711	42
Gross total	**197,827**	154,722	28

1 *Includes financial assets at fair value through profit or loss on the balance sheet*
2 *Based on location where borrower is incorporated*

Gross customer loans rose 28% to $197.8 billion.

Half of the growth was for trade finance, led by corporate borrowing in Singapore, Hong Kong, Taiwan and China.

Loans to Singapore borrowers, comprising both Singapore dollar and foreign currency loans, rose 20% to $89.4 billion. Besides corporate borrowing, housing loans also contributed to the increase in Singapore loans.

Loan growth in Hong Kong and Rest of Greater China was driven by corporate borrowing for trade finance. Loans to borrowers in both categories rose 41% to $70.5 billion.

By currency, loan growth was led by borrowing in US dollars, in which most trade finance loans were denominated. US dollar loans rose 60% to $61.0 billion. Singapore dollar loans grew 17% to $78.8 billion from domestic corporate borrowing and housing loans. Loan growth in other currencies was led by borrowing in onshore and offshore Chinese yuan.

NON-PERFORMING ASSETS AND LOSS ALLOWANCE COVERAGE

	2011 NPA ($m)	2011 NPL (% of loans)	2011 (GP+SP)/NPA (%)	2010 NPA ($m)	2010 NPL (% of loans)	2010 (GP+SP)/NPA (%)
By geography						
Singapore	**528**	**0.6**	**177**	594	0.8	136
Hong Kong	**334**	**0.8**	**174**	359	1.0	162
Rest of Greater China	**237**	**0.8**	**192**	250	1.9	124
South and South-east Asia	**180**	**0.9**	**203**	164	1.2	180
Rest of the World	**1,360**	**7.3**	**60**	1,511	9.5	46
Total non-performing loans	**2,639**	**1.3**	**119**	2,878	1.9	93
By business unit						
Consumer/Private Banking	**303**	**0.6**	**208**	317	0.6	192
Institutional Banking	**2,336**	**1.7**	**108**	2,561	2.5	81
Total non-performing loans	**2,639**	**1.3**	**119**	2,878	1.9	93
Debt securities	**10**	**–**	**1,220**	28	–	464
Contingent liabilities	**255**	**–**	**154**	307	–	123
Total non-performing assets	**2,904**	**–**	**126**	3,213	–	100

Non-performing loans (NPLs) fell from $2.88 billion to $2.64 billion, while the NPL rate declined from 1.9% to 1.3%. NPL rates improved for all geographical segments. By business segments, the improvement was from IBG, whose NPL rate fell from 2.5% to 1.7%. CBG's NPL rate was unchanged at 0.6%.

Including debt securities and contingent liabilities, the amount of non-performing assets fell from $3.21 billion to $2.90 billion, of which 40% were still current and were classified for prudential reasons.

With the substantial increase in general allowances during the year, overall loss allowance coverage increased 26 percentage points to 126% of total non-performing assets. If collateral was considered, allowances coverage rose from 127% to 165%.

($m)	2011	2010
Unsecured non-performing assets	**2,217**	2,523
Secured non-performing assets by collateral type		
Properties	**355**	250
Shares and debentures	**78**	85
Fixed deposits	**41**	38
Others	**213**	317
Total	**2,904**	3,213

FUNDING SOURCES

($m)	2011	2010	% chg
Customer deposits by currency and product			
Singapore dollar	**122,992**	112,228	10
Fixed deposits	**17,701**	20,081	(12)
Savings accounts	**86,065**	76,417	13
Current accounts	**18,004**	14,916	21
Others	**1,222**	814	50
Hong Kong dollar	**21,733**	23,220	(6)
Fixed deposits	**12,559**	12,946	(3)
Savings accounts	**5,693**	7,082	(20)
Current accounts	**3,143**	3,081	2
Others	**338**	111	>100
US dollar	**40,336**	30,022	34
Fixed deposits	**20,590**	16,064	28
Savings accounts	**3,206**	3,255	(2)
Current accounts	**13,494**	9,777	38
Others	**3,046**	926	>100
Others	**40,285**	28,222	43
Fixed deposits	**32,072**	22,289	44
Savings accounts	**2,350**	2,035	15
Current accounts	**3,504**	2,341	50
Others	**2,359**	1,557	52
Total customer deposits	**225,346**	193,692	16
Interbank liabilities	**28,087**	18,854	49
Other borrowing and liabilities	**58,620**	44,565	32
Shareholders' funds	**28,794**	26,599	8
Total	**340,847**	338,641	1

Deposits grew 16% to $225.3 billion, with Singapore dollar, US dollar and Chinese yuan accounts leading the increase.

The Group maintained its leading position in Singapore dollar deposits. Its market share was maintained at 26% as they rose 10% to $123.0 billion. Hong Kong dollar deposits fell 6% to $21.7 billion, in line with industry trends. The Group's market share of Hong Kong dollar deposits was stable at 4%. Other currency deposits grew 43% to $40.3 billion led by increases in onshore and offshore Chinese yuan accounts.

The Group supplemented its US dollar funding with other sources. The bank increased its wholesale funding from its commercial paper and medium-term note programmes during the year. Funds from both programmes increased from $1.2 billion to $7.6 billion and are reflected in Other borrowing and liabilities. Interbank liabilities increased 49% to $28.1 billion.

CAPITAL ADEQUACY

$m) 2011	2010	
Tier 1		
Share capital	**9,350**	8,780
Disclosed reserves and others	**23,308**	23,927
Less: Tier 1 Deductions	**(5,123)**	(5,064)
Eligible Tier 1	**27,535**	27,643
Tier 2		
Loan allowances admitted as Tier 2	**1,151**	696
Subordinated debts	**5,305**	5,281
Revaluation surplus from equity securities	**29**	149
Less: Tier 2 Deductions	**(192)**	(142)
Total eligible capital	**33,828**	33,627
Risk-weighted assets	**213,722**	182,694
Capital adequacy ratio (%)		
Tier 1 ratio	**12.9**	15.1
Total (Tier 1 & 2) ratio	**15.8**	18.4
Core Tier 1 ratio[1]		
– with phase in deduction of 0% to end 2013	**12.9**	14.5
– with full deduction	**11.0**	11.8

1 *In June 2011, the MAS announced the Basel III requirements for Singapore-incorporated banks, which included a progressive phase-in for deductions against common equity starting from an initial 0% in 2013 and reaching 100% by 2018*

The Group's Tier 1 and total capital adequacy ratios of 12.9% and 15.8% were above the regulatory requirements and incorporate Basel 2.5 rules with effect from 31 December 2011. Based on the progressive phase-in of deductions (mainly goodwill) against common equity, the core Tier 1 ratio is 12.9%. Assuming full deductions which will be effective 1 January 2018, the core Tier 1 ratio is 11.0%.

Tier 1 capital was little changed as an increase in retained earnings was partially offset by the redemption of preference shares.

Tier 2 capital increased due to higher general allowances admitted as Tier 2. The increase in risk-weighted assets was in line with loan growth.

Additional disclosures made pursuant to Basel II Pillar 3 can be found on pages 70 to 76.

VALUATION SURPLUS

($m)	2011	2010
Properties	**580**	507
Financial investments classified as loans and receivables	**107**	26
Total	**687**	533

The amount of unrealised valuation surplus increased to $687 million from $533 million due to improved valuations of financial investments and properties.

INTRODUCTION

DBS Group Holdings Ltd (the "Group" or "DBSH") considers good corporate governance to be the cornerstone of a well-managed organisation. Good corporate governance goes beyond the output of transparent, timely and full financial disclosures and includes matters such as board composition, decision-making powers, internal governance and corporate culture.

The Group aspires to the highest standards of corporate governance. The promotion of corporate transparency, fairness and accountability is led by a qualified and independent Board aided by a seasoned and experienced management team. The Group considers good corporate governance to be essential to strengthening the foundation of its long-term economic performance and ensuring that the interests of all stakeholders are protected.

As a financial institution, the Group is guided in its corporate governance practices by the Code of Corporate Governance 2005 (the "Code"); the Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers which are incorporated in Singapore 2010 (the "Guidelines"); and the Banking (Corporate Governance) (Amendment) Regulations 2010 (the "MAS Regulations") issued by the Monetary Authority of Singapore. Each of the principles in this report conforms to the Guidelines. For the financial year 2011, the Group complied in all material aspects with the principles laid down by the Code, the Guidelines and the MAS Regulations. Where there is any deviation, appropriate explanation has been provided within this report. Each of the principles referred to below is laid down in the Code and, where appropriate, references are also made to the relevant MAS Regulation.

In step with the increasing focus on corporate governance and risk management by global supervisory bodies and regulatory authorities having an impact on the Group's business, the Group continued to take active measures to enhance and raise its corporate governance standards in the course of 2011. These measures will be highlighted in the course of this report.

BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1

Board Responsibility
The Board directs the Group in the conduct of its affairs, exercising its fiduciary role to ensure that corporate responsibility and ethical standards are met. The Board is responsible for:

(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 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 vet corporate plans and policies as well as major decisions.
(vi) Determining the Group's values and standards (including ethical standards).
(vii) Making succession plans for itself and for the chief executive officer (the "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.

The Board also 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, compensation and management and leadership development. These committees enable the Board to better carry out its stewardship and fiduciary responsibilities. The Board has established an internal framework called the Group Approving Authority (the "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 and annual budget.
- Group business plan.
- Capital expenditures, investments or divestments exceeding certain material limits.
- All capital-related matters including capital issuance and redemption.
- Dividend policy and the amount of dividends to be paid.
- Risk strategy, risk appetite and the Internal Capital Adequacy Assessment Process ("ICAAP") Statement.

Board Committees

The Board committees and the areas delegated to each committee are as follows:

- Executive Committee ("Exco"), which 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 reviews budget and financial plans and weak credit cases.

- Audit Committee ("AC"), which 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 auditor to ensure compliance with regulations governing accounting standards and financial reporting.

- Nominating Committee ("NC"), which searches for Board nominees and assesses their suitability and independence. The NC also ensures that Board members commit appropriate amounts of time to discharge their duties and performs an annual evaluation of the Board's effectiveness in performing its duties.

- Compensation and Management Development Committee ("CMDC"), which oversees compensation policies and management development and ensures that remuneration policies are in line with strategic objectives.

- Board Risk Management Committee ("BRMC"), which reviews issues such as capital adequacy and the effectiveness of risk management practices and policies.

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

Board Meetings And Attendance

During the financial year, there were five Board meetings. At these 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, all non-executive directors met to discuss issues of general importance without the presence of management.

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 less urgent matters are obtained through written resolutions approved by circulation. The Articles of Association of DBSH (the "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 committee and Board meetings, members are updated by management on impending changes in market conditions as well as corporate governance, capital, tax, accounting, listing and other regulations, which would have an impact on the Group's affairs.

In addition to the scheduled Board meetings, all members of the Board and key management met in a two-day closed door offsite meeting to deliberate on the Group's strategy and action plans for future growth.

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

Name of Director	Board Meetings (Board)		Executive Committee Meetings (Exco)		Audit Committee Meetings (AC)		Board Risk Management Committee Meetings (BRMC)		Nominating Committee Meetings (NC)		Compensation and Management Development Committee Meetings (CMDC)	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance
Peter Seah [1]	5	5	15	15	4	4	5	5	3	3	4	4
Piyush Gupta	5	5	15	14	–	–	–	–	–	–	–	–
Ang Kong Hua [2]	1	1	–	–	2	2	–	–	1	1	–	–
Bart Broadman	5	5	–	–	–	–	5	5	–	–	4	2
Andrew Buxton [3]	1	1	–	–	–	–	3	2	–	–	–	–
Christopher Cheng	5	5	–	–	4	4	–	–	–	–	4	4
Euleen Goh [4]	5	5	15	15	1	1	5	5	3	3	4	4
Ho Tian Yee [5]	3	3	–	–	–	–	2	2	2	2	–	–
Nihal Kaviratne CBE [6]	3	3	–	–	2	2	2	2	–	–	–	–
Kwa Chong Seng [7]	5	5	–	–	–	–	–	–	2	2	4	4
Ravi Menon [8]	1	–	–	–	1	1	–	–	1	–	–	–
John Ross [9]	1	1	–	–	–	–	3	3	1	1	–	–
Danny Teoh [10]	5	5	–	–	4	4	5	5	2	2	–	–

@ *the number of meetings held during the period the director was a member of the Board and/or relevant Committee*

1 *Assumed Chairmanship of NC on 28 April 2011*
2 *Stepped down as Chairman of AC on 2 February 2011 but remained as Member of AC, until he subsequently stepped down as Director of DBSH and DBS Bank and as Member of AC and NC on 28 April 2011*
3 *Stepped down as Director of DBSH and DBS Bank and Member of BRMC on 28 April 2011*
4 *Stepped down as Member of AC on 28 February 2011*
5 *Appointed as Director of DBSH and DBS Bank on 29 April 2011 and as Member of BRMC and NC on 23 May 2011 and 8 June 2011 respectively*
6 *Appointed as Director of DBSH and DBS Bank on 29 April 2011 and as Member of AC and BRMC on 23 May 2011*
7 *Appointed as Member of NC on 26 April 2011*
8 *Stepped down as Director of DBSH and DBS Bank and as Member of AC and NC on 31 March 2011*
9 *Stepped down as Director of DBSH and DBS Bank and Chairman of NC and Member of BRMC on 28 April 2011*
10 *Assumed Chairmanship of AC on 2 February 2011 and as Member of NC on 26 April 2011*

Appointment Of New Directors

A well-established process is in place for the NC to carry out the screening and appointment of new directors. A search process will usually commence with candidates being identified from various sources. The NC conducts an initial assessment to review a candidate's qualifications, attributes and past experience. If the initial assessment is positive, the NC will proceed to interview the candidate.

The NC considers the proposed candidate's independence, expertise and background, and determines if he or she possesses the skills required by the Board. A candidate's skills are mapped against a detailed matrix that is reviewed regularly to ensure that the Board has the requisite diversity of skills and backgrounds to perform effectively. The matrix takes into account the dynamic changes occurring within the financial services industry and local, regional and global markets.

Once appointed, a new director receives, together with his or her letter of appointment, 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 orientation program, the new director is given a series of detailed induction briefings by each member of senior management on the Group's various businesses and support functions. During the financial year, this induction was provided to Mr Ho Tian Yee and Mr Nihal Kaviratne CBE, which provided them with the opportunity to become familiar with the Group's management, businesses and governance practices.

Continuous Development Program ("CDP")

Sustainable high quality performance is an important factor in the proper discharge of the duties of directors. During the course of 2011, the NC continued to implement the CDP for directors to ensure that they are continually equipped with the appropriate skills and knowledge to perform their roles on the Board and the committees. These sessions ensured that all directors received regular updates on relevant new legislation, regulations and changing market conditions. The CDP is based on the Guidelines.

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 and professional trainers 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.

During the financial year, the following training programmes were provided to directors:

– An update on international accounting standards.

– A presentation on current regulatory hot topics and risk issues.

– The members of the BRMC attended two internal workshops on the Group's risk appetite framework as well as the approach, implementation plans and timelines for various initiatives within the risk area.

Board members also attended three modules of training delivered by external speakers organised by MAS covering a range of topics as follows:

Module One
Key lessons learnt on board direction and oversight from bank failures and the recent financial crisis. This module focused on areas in which boards should pay greater attention in order to provide better oversight of bank operations. Financial reform proposals were also addressed with a focus on the implication for banks.

Module Two
Issues and challenges faced by bank boards; enhancing the effectiveness and performance of the board; how to strengthen the role of directors, especially independent directors; interaction between board and management, and best practices in board oversight of a bank's operation.

Module Three
Board's role in supervising banks to meet desired outcomes of MAS' supervision of banks; how boards might achieve this and discussion on how bank boards and the regulator can forge a closer working relationship in order to meet supervisory objectives more effectively.

BOARD COMPOSITION AND INDEPENDENCE

Principle 2

Terms of Appointment
The Group has a standing policy that a non-executive director will 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.

The present Board comprises nine members. The Group is of the view that given the current size and geographic footprint of the Group's operations, the current Board is adequately resourced. Nevertheless, the Board through the NC continually reviews its composition, taking into account the scope and nature of the Group's growing operations, the requirements of the business and the resourcing level required at Board committees. It will seek to augment the Board's talent pool in the course of the coming financial year in order to maintain an appropriate balance of expertise, skills and perspectives, thereby enabling management to benefit from the collective breadth of experience of the directors.

Independence of Directors
Of the nine Board members, eight are non-executive, of which seven are independent. The number of non-executive and independent directors exceeds the requirements set out in the Code, the Guidelines and the MAS Regulations.

The seven members considered independent by the NC are Dr Bart Broadman, Dr Christopher Cheng, Ms Euleen Goh, Mr Ho Tian Yee, Mr Nihal Kaviratne CBE, Mr Peter Seah and Mr Danny Teoh.

The independent non-executive directors provide the Board with the knowledge, objectivity and balance that may not be available if the Board were to consist only of full-time executive members. 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 is required to have include: not being a former DBS executive, 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.

Dr Cheng, Ms Goh, 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.

Ms Goh, Mr Kaviratne, Mr Seah and Mr Teoh are also directors of companies linked to 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.

Mr Kwa currently sits on the board of Temasek as a director and Deputy Chairman and is accordingly considered not independent of the substantial shareholder of DBSH.
Mr Kwa is considered independent of management and business relationships.

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 (the "SGX Listing Rules").

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

A clear division of responsibilities between the Chairman of the Board (the "Chairman") and the CEO allows the Chairman to formally assume the role of an independent leader who chairs Board meetings and leads in its oversight of 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 in the board committees.
(iii) Setting the Board agenda and managing discussions at meetings.
(iv) Ensuring effective communication with shareholders.
(v) Encouraging constructive relations within the Board and between Board and management.
(vi) Facilitating effective contribution from non-executive directors.
(vii) Promoting high standards of corporate governance.

On the basis that the present Chairman is independent and is not part of management, the Board does not see it necessary at this point of time to appoint a lead independent director. The Chairman provides clear and distinct leadership to the Board with respect to the Group's strategic growth. The Chairman also acts as a sounding board to management 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 COMMITTEES

Principle 4

Executive Committee
The Exco comprises Mr Seah (Chairman), Ms Goh and Mr Gupta.

The Exco's responsibilities 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 the capital budget, providing an initial review prior to discussion and approval by the Board.

Nominating Committee
The NC comprises Mr Seah (Chairman), Ms Goh, Mr Ho, Mr Kwa and Mr Teoh, the majority of whom are independent directors.

The NC's responsibilities include:

(i) Reviewing the Board's succession plans for directors, in particular, the Chairman and the CEO.
(ii) Reviewing and recommending Board appointments for approval by the Board, taking into account the expertise, skills and knowledge of the candidate and the needs of the Board.
(iii) Determining annually whether each director is independent in accordance with regulatory guidelines.
(iv) Recommending the membership of various Board committees, the appointments of key business and support unit heads, and senior positions in major subsidiaries.
(v) Providing guidance on directors' appropriate time commitments and assessing whether each director can make such a commitment after considering his other obligations.

In the course of the financial year, the NC discharged various aspects of its responsibilities, details of which are set out on pages 47 and 51.

Re-election and Rotation of Directors
The Articles of Association require one-third of Board members who are longest-serving to retire from office every year at the Annual General Meeting (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. A director who reaches the age of 70 is required by law to retire and stand for re-election every year.

In addition, NC members are subject to an annual assessment of their independence as prescribed by the Code, the Guidelines and the MAS Regulations. This independence assessment takes into account the NC members' business relationships with the Group, relationship with members of management and the substantial shareholder of DBSH.

Audit Committee

The AC comprises Mr Teoh (Chairman), Dr Cheng, Mr Kaviratne and Mr Seah, all of whom are independent directors. Mr Teoh possesses an accounting qualification and was the immediate past managing partner of KPMG, Singapore. Please refer to page 17 for further details on Mr Teoh's professional qualifications. All members of the AC have recent and relevant accounting or related financial management expertise or experience.

The AC's responsibilities include:

(i) Reviewing the adequacy of financial, operational, compliance and information technology controls, as well as accounting policies and systems, which are collectively known as internal controls.
(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 scope and results of audits, and effectiveness of the internal audit procedures, including the activities of the internal audit department.
(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 internal and 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 auditor are held without the presence of management after each AC meeting to discuss matters that might have to be raised privately. In addition, 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.

In the course of the financial year, the AC carried out activities within its terms of reference and responsibilities, details of which are set out on page 58.

Board Risk Management Committee

The BRMC comprises Ms Goh (Chairman), Dr Broadman, Mr Ho, Mr Kaviratne, Mr Seah and Mr Teoh.

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 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 ICAAP through stress scenario setting approval and other regular reporting.

In 2011, in addition to its regular activities, the BRMC steered the development of the Risk Appetite Statement. This will act as a compass for management in the allocation of its risk limits and capital to the various risk types, geographies, industries and individual clients. On top of this, the BRMC has instituted the risk dashboard. Discussion of this dashboard forms a standard agenda item of BRMC meetings and contains the most important macro-economic, risk and regulatory developments for the bank.

Compensation and Management Development Committee

The CMDC comprises Mr Kwa (Chairman), Dr Broadman, Dr Cheng, Ms Goh and Mr Seah.

The CMDC's responsibilities include:

(i) Overseeing the 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 MAS Regulations. Details of these are outlined under Principles 7, 8 and 9 of this report.

In addition, 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 Financial Stability Board ("FSB").

In 2011, succession plans for key executive positions were reviewed by the CMDC. The review focused on contingency and "ready now" successors to key roles as well as the pipeline of senior leader talent in DBS. Additionally, the CMDC reviewed the current plans in place to develop the next generation of senior leaders for the DBS Group.

BOARD PERFORMANCE

Principle 5

The NC makes an assessment at least once a year to determine whether the full Board and the various 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 moderated by an external advisor. 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 its various committees.

Currently, each director completes a Board evaluation questionnaire and returns it to the Chairman. The collective performance evaluation is then consolidated and presented to the Board for discussion. The Board considers the current arrangement useful as directors are given the opportunity to debate the Board's workings and processes collectively.

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, the size and complexity of the companies in which he or she is a board member, and the frequency of meetings of those boards. All directors have met the requirements for time commitment under the guidelines. The NC has conducted a review of time commitment guidelines matching against the time expended by each director in performing his duties in 2011. The NC will continue to monitor the time commitment of directors in 2012. 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.

ACCESS TO INFORMATION

Principle 6

Board meeting agenda are set in advance with items proposed by the CEO and management. Management provides the Board 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 works closely with the Chairman on setting the agenda for board meetings. She ensures that Board procedures are followed and that the Board is in compliance with applicable rules and regulations. Under the direction of the Chairman, the Group Secretary's responsibilities include ensuring a good and effective flow of information within the Board and its committees and between senior management and non-executive directors. She also facilitates director on-boarding and assists with their professional development.

The Group Secretary advises the Board on all governance matters. She provides a link between the Group and the Board on the one hand, and shareholders, government and regulatory authorities on the other. She attends all Board meetings and is responsible for the proper maintenance of the records of all Board and committee meetings and records of discussions on key issues and the decisions taken. All directors have independent access to the Group Secretary.

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 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.

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 also 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 and Mr Seah 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. 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, which comprise collective and individual objectives and ensure their alignment with the Group's business strategy and risk appetite. Control functions such as Risk, Audit and Compliance provide inputs on control or audit issues.

Performance measurement

The Group uses a comprehensive performance measurement framework 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.

Performance measures are 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, seniority 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 (also known as "kicker") 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.

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

The Group's variable remuneration pool is expressed as a percentage of profit before tax. In determining the appropriate percentage, the CMDC takes into consideration the Group's financial performance, its performance relative to peers, market benchmarks and market conditions. The results are then refined to take into account the Group's performance against various metrics contained in the balanced scorecard relating to shareholder value, client and employee performance, and the execution of various medium to long-term strategic objectives. The CMDC also ensures that the level of risk undertaken by the various businesses to achieve the Group's financial results remains appropriate. It continues to use economic profit and capital usage measures to ascertain whether the risks taken to generate earnings growth remain prudent.

After the amount of variable remuneration has been approved by the CMDC, management takes inputs from control functions such as Finance and Risk to allocate it across the business and support units according to their financial and non-financial performance. 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.

In determining the variable remuneration payout, the Group has adopted, as policy, the use of discretion to assess the extent to which performance has been achieved rather than applying a formulaic approach which, by its nature, may encourage inappropriate risk taking and cannot cover all scenarios.

LEVEL AND MIX OF REMUNERATION

Principle 8

Remuneration of Non-Executive Director

The compensation for non-executive directors, including the Chairman, reflects the scope of a director's responsibilities. Following a review in 2010 to benchmark non-executive directors' compensation to reflect trends in global, regional and local banking markets, the Group has implemented a new fee structure for the Board and the boards of overseas subsidiaries. Non-executive directors will receive 70% of their compensation in cash and the remaining 30% in share awards. The share awards are subject to a four-year vesting period, similar to the vesting period for employees under the DBS Share Plan (more details of which can be found on page 53). Shareholders are entitled to vote on non-executive directors' remuneration at the forthcoming AGM.

Remuneration of Executive Director

The CMDC has adopted several principles to determine the remuneration of the executive director. In particular, 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. Performance-related criteria therefore play a significant role in determining the executive director's total remuneration. The criteria focus on using a balanced scorecard covering shareholders, customers, employees and risk and compliance objectives. 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. Rewards made under the Share Plan form part of an employee's annual performance remuneration. The portion paid in shares increases with the amount of the performance remuneration.

There are vesting periods for the Share Plan, which operates like restricted share awards and comprises two elements – the main award and the retention (also known as the "kicker") award. The shares given in the retention award constitute 20% of the shares given in the main award. From 2010, the vesting period has been extended from three years to four. Under the current arrangement, 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.

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 157 to 159 of the Directors' Report.

The ESP caters to employees of the Group who are not eligible to participate in the Share Plan. The allocation of such awards is made selectively and is linked to an individual's contributions. There are vesting periods for the ESP. From 2010, 33% of the shares will vest two years after the date of grant, a further 33% three years after and the remaining 34% four years after.

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 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 2011 is as follows:.

Annual Fees for the Board

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

ADDITIONAL FEES FOR MEMBERSHIP 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 2011. 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 2011 (1 JAN 2011 – 31 DEC 2011) [1]

Name of Director	Salary Remuneration $	Cash Bonus [2] $	Share Plan $	Directors' Fees [3] $	Share-based Remuneration [4] $	Others $	Total $
Peter Seah	–	–	–	639,934	274,258	32,285	946,477
Piyush Gupta	1,200,000	2,985,800	3,866,200 [5]	–	–	32,189	8,084,189 [5]
Ang Kong Hua	–	–	–	62,089	–	–	62,089
Bart Broadman	–	–	–	137,900	59,100	–	197,000
Andrew Buxton	–	–	–	69,411	–	–	69,411
Christopher Cheng	–	–	–	158,620	67,980	–	226,600
Euleen Goh	–	–	–	247,992	106,282	–	354,274
Ho Tian Yee [6]	–	–	–	84,330	36,142	–	120,472
Nihal Kaviratne CBE [6]	–	–	–	114,186	48,937	–	163,123
Kwa Chong Seng	–	–	–	210,199	–	–	210,199
Ravi Menon [7]	–	–	–	38,254	–	–	38,254
John Ross	–	–	–	83,726	–	–	83,726
Danny Teoh	–	–	–	188,990	80,996	–	269,986

1 *Refers to 2011 performance remuneration – includes fixed pay in 2011, cash bonus received in 2012 and shares granted in 2012*
2 *Based on amount accrued in 2011 financial statements. Amount finalised, approved and paid in 2012*
3 *Fees payable in 2012 for being an appointed Director in 2011. This is subject to shareholders' approval at the AGM on 25 April 2012*
4 *This is to be granted after the AGM in the form of DBSH shares over a 4-year vesting period if approved by shareholders at the AGM on 25 April 2012*
5 *For better comparability with other listed companies, these figures exclude the estimated value of retention shares (also known as "kicker" shares, see pg 53 for details), amounting to $773,240 which will only vest in the 4th year if the incumbent is still in the employment of the Group*
6 *Ho Tian Yee and Nihal Kaviratne CBE were appointed as Directors on 29 April 2011*
7 *Ravi Menon's Directors' fees will be paid in cash to a government agency, the Directorship & Consultancy Appointments Council*

Notes:
(1) Messrs Ang Kong Hua, Andrew Buxton and John Ross who have stepped down on 28 April 2011, will receive all of their Directors' fees in cash. Mr Kwa Chong Seng, who is stepping down at the forthcoming AGM on 25 April 2012, will also receive all of his Directors' fees in cash.
(2) Directors are also paid attendance fees for Board and Board Committee meetings attended, as well as for attending the AGM and the annual Board offsite.

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	1
Number of sign-on awards	1	6
Number of severance payments	0	0
Total amounts of above payments made during the Financial Year ($'000)	2,787	

**Due to data confidentiality, the total amount of payments for SM and MRTs have been aggregated for reporting*

Table 2: Breakdown of Remuneration Awarded in Current Financial Year

Category		SM		MRTs	
		Unrestricted %	Deferred %	Unrestricted %	Deferred %
Fixed remuneration	Cash-based	20	–	34	–
	Shares and share-linked instruments	–	–	–	–
	Other forms of remuneration	–	–	–	–
Variable remuneration	Cash–based	37	–	43	–
	Shares and share-linked instruments	–	43	–	23
	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]	25 [3] (12) [4]	11 [3] (6) [4]
Change in amount of outstanding deferred remuneration from previous financial year [2]	-0.2 [3] (-1) [4]	-0.6 [3] (-3) [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)	0	0
Reductions in current year due to ex-post adjustments (implicit) [2]	0.2 [3] (1) [4]	0.6 [3] (3) [4]
Outstanding retained remuneration (performance adjustments):		
Of which exposed to ex-post adjustments	0	0
Reductions in current year due to ex-post adjustments (explicit)	0	0
Reductions in current year due-to ex-post adjustments (implicit)	0	0
Headcount	19	221

1 *Value of shares + retention shares awarded in 2011 vs. value of + retention (also known as "kicker") shares awarded in 2010. Share price taken at date of grant*
2 *[No. of unvested shares as at 31 Dec 11 x share price as at 30 Dec 11] / [No. of unvested shares as at 31 Dec 10 x share price as at 31 Dec 10]*
3 *The increase is due mainly to an increase in the number of staff in this category*
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 2010 and 2011 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, 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 Board meetings every quarter. The CEO and Chief Financial Officer (the "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 AC with detailed financial performance reports each month.

AUDIT COMMITTEE

Principle 11

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 2011 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.

The AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditor including the remuneration and terms of engagement. During the course of 2011, 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 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 process for quarterly affirmation of the sales process for structured products, and recommendation to the Board to approve the attestation.
– 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 auditor and determining its remuneration, and making a recommendation for Board approval.

INTERNAL CONTROLS

Principle 12

The Group has instituted an internal controls framework covering financial, operational, compliance and technology controls, as well as risk management policies and systems. The framework defines the roles and responsibilities of both business and support units. The design and implementation of risk management and internal control systems are managed by Risk Management Group and Group Legal and Compliance. Key documentation, including delegation of authority, control processes and operational procedures are disseminated to all staff.

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 and internal control systems. The AC and BRMC review the overall adequacy and effectiveness of the Group's internal controls framework.

The Board is of the view that the risk management and internal controls systems and processes that are in place up to the date of this report are adequate and effective for the current scope of operations of the Group.

Whistle-blowing policy

The Group has instituted a robust procedure for purposes of escalation and notification of incidents by employees whether on a disclosed or anonymous basis. The procedure is embedded in the Staff Code of Conduct (the "Code of Conduct") to encourage employees to speak up in the event the staff observes any actual or potential breach of the Code of Conduct, irregularity, impropriety, fraud or other inappropriate activity by a fellow employee, customer, vendor or third party. Arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up action to be taken. In the Group's Incident Management Policy, staff who have genuine reasons to fear retribution from escalating an incident may report the incident to the heads of Legal and Compliance, Human Resources or Group Audit in the first instance; or alternatively to the CEO or Chairman.

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 (the "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 2011:

Name of Interested Person	Aggregate value of all Interested Person Transactions during 2011 (excluding transactions less than $100,000)
Transactions for the Purchase of Goods and Services	
CapitaLand Limited Group	12,486,444
Certis CISCO Security Pte Ltd Group *	24,796,017
Mapletree Investments Pte Ltd Group	535,376
Starhub Ltd Group *	2,593,490
Singapore Telecommunications Limited Group	30,528,489
SMRT Corporation Ltd Group	1,864,833
Temasek Capital (Private) Limited Group *	300,000
Total Interested Person Transactions ($)	**73,104,649**

* *Members of the Temasek Group of Companies and for purposes of this report are considered as transactions with the same interested person*

Dealings in securities

The Group has adopted "black-out" policies as prescribed under Rule 1207(18) (C) issued by the SGX Listing Rules. DBS directors and employees are prohibited from trading in DBS securities one month before the release of the full-year results and two weeks before the release of the first, second and third quarter results. In addition, directors and officers are prohibited at all times from trading in DBS securities if they are in possession of material non-public information. Employees with access to price-sensitive information in the course of their duties must obtain prior approval to trade in all listed securities. 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 DBS securities during the black-out period.

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 Institute of Internal Auditors, 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 Institute of Internal Auditors (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 2011, Group Audit participated in Singapore's inaugural Internal Audit Excellence Award, jointly organised by the Securities Investors Association of Singapore, IIA Singapore and Singapore Management University. Group Audit was recognised for its crucial role in the Group's corporate governance framework. DBS was named runner-up and was the only Singapore bank to be recognised.

COMMUNICATION WITH SHAREHOLDERS

Principle 14

The Group maintains an active dialogue with shareholders. It holds briefing sessions and conference calls with media and analysts 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 dialogue with institutional investors. The Group's website also has contact details for investors to address their queries.

During the year, management met more than 400 local and foreign investors at more than 360 meetings. It participated in 11 local and foreign investor conferences and non-deal road shows.

The Group is committed to the practice of fair, transparent and timely disclosures. All price-sensitive information is publicly released prior to sessions with individual investors or analysts.

SHAREHOLDERS' PARTICIPATION

Principle 15

The Group views the AGM as an opportune forum for retail investors to meet the full Board, chairpersons of the AC, NC, CMDC and certain members of senior management. Under the Articles of Association, ordinary shareholders are entitled to attend and vote at the AGMs by person or proxy. A shareholder may appoint up to two proxies, who need not be shareholders of DBSH. Before the AGM begins its formal proceedings, the CFO will present the Group's financial performance for the preceding year to shareholders. The Group's external auditor is also available to answer shareholders' queries.

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

At AGMs, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders and the Board members. Since 2011, the Group has put all resolutions 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. The Group will continue with this practice of electronic polling.

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 function is the central resource for driving such capabilities in DBS, and complements the risk and control activities of other functions including Group Audit and Group Legal & Compliance.

The key components of DBS' risk management approach are: strong risk governance; 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 and external auditors.

Risk Governance

Under the Group's risk management framework, the Board of Directors, through the Board Risk Management Committee, 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 has a direct reporting line 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 risk management systems including processes to identify, 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

Management is accountable to the Board for 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 Group Credit Risk Committee, the Group Market and Liquidity Risk Committee, and the Group Operational Risk Committee.

On a day-to-day basis, business units have primary responsibility for risk management. In partnership with business units, independent control functions provide senior management with a timely assessment of key risk exposures and the associated management responses. These units, reporting to the CRO, also recommend risk appetite and control limits for approval in line with the risk management framework. There are detailed policies and procedures to identify, measure, analyse, and control risk across all locations where the Group has operations.

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.

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 Policies

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 derivative trades to protect its balance sheet in 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.

DBS further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. 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 2011, 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 $10 million and $49 million respectively.

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 Board Risk Management Committee before use.

To ensure the adequacy and robustness of these rating systems on an ongoing basis, Risk Management Group – Credit Portfolio Analytics conducts monthly performance monitoring on these rating systems and reports the results to the Group Credit Risk Committee and the Board Risk Management Committee on a periodic basis. This process will highlight any material deterioration in the credit systems for management attention. In addition, an independent risk unit, Risk Management Group – 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 Exposures

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 Exposures

Wholesale exposures are assessed under the Foundation IRBA. The risk ratings for the wholesale exposures (other than securitisation 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 as well as reviews by designated credit approvers. Credit factors considered in the risk assessment process include the obligor's financial standing and outlook, industry and economic conditions, market position, access to capital and management strength. The counterparty risk rating assigned to smaller business borrowers is primarily based on the borrower's financial position and strength, which are assessed via the use of a validated quantitative tool. This is supplemented by expert judgement of qualitative factors, such as management strength, by credit officers.

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

DBS Probability of Default (PD) Grade (ACRR)	Description of Rating Grade	Internal Classification	Likely Corresponding MAS Classification	Likely Corresponding S&P Rating 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 2.7 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 our credit risk profiles is key to our 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 judgemental 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, master netting agreements, credit support annexes 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. Master netting agreements and credit support annexes are used to mitigate counterparty credit risks. Credit insurance is used for risk sharing in various products such as factoring.

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 are in place 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*

Comprehensive stress tests are conducted for assessing the potential impact to the Group for changes in various specific key risk factors, as well as the potential impact of stress scenarios that are adverse but plausible. Stress tests are also employed in assessing the sensitivity of the portfolio to various risk parameters associated with the IRB Approach.

The stress tests are either directed by senior management (in the assessment of specific key risk factors) or articulated by the credit risk stress testing working group (in the design and performance of specific scenario stress tests). The working group is also responsible for developing and maintaining a robust stress testing model as well as to execute the stress testing process and analysis effectively. Stress test results are also reviewed by the Group Credit Risk Committee and the Group Board Risk Management Committee.

Stress tests form an integral part of the Group's credit risk management process. The results are analysed to assess the capital adequacy of the Group and are used as inputs for capital planning. For each stress test, remedial actions are formulated as risk mitigation plans to be taken in the event of stress. Early warning monitoring is also considered to signal an impending period of stress.

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 his 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.

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 2011, 2010 and 2009 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 close consultations with the businesses and credit management in right-sizing cross-border exposures to take into account not only risks and opportunities, but also 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 rate yields, 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 products for investors and other clients, as well as to benefit from market opportunities. 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. To optimise its income and balance sheet management, the Group deploys funds in debt securities, equities and funds or in the interbank market. All types of foreign exchange risk (including structural foreign exchange risk arising from the Group's investment in strategic investments) are risk managed as part of the trading book.

The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing market risk management within the Group including limit setting and independent model validation, monitoring and valuation.

The Board establishes the Group's risk appetite for market risk. The CEO delegates responsibility to the Risk Executive Committee to allocate risk appetite limits to risk-taking units. The Group Market & Liquidity Risk Committee, which reports into the Risk Executive Committee, oversees the Group's market risk management infrastructure, sets market risk control limits and provides enterprise-wide oversight of all market risks and their management.

The independent market risk management function comprising risk control, risk analytics, production and reporting teams reports to the CRO and is responsible for day-to-day market risk monitoring and analysis.

The principal market risk appetite measures for market risk are Value-at-Risk (VaR) and stress loss. The VaR is supplemented by risk control measures, such as sensitivities to risk factors as well as loss triggers for management action.

The Group's general market risk VaR methodology uses a historical simulation approach to forecast the Group's potential loss from market risk. The methodology is also used to compute stressed VaR and average tail loss metrics. VaR 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 VaR for each business unit and location, and at Group level. Trading book VaR is back-tested against the corresponding profit and loss to monitor its predictive power.

Although VaR provides valuable insights, no single measure can capture all aspects of market risk. Therefore, regular stress testing is carried out to monitor the Group's vulnerability to shocks.

LIQUIDITY RISK

Funding liquidity risk (or liquidity risk) is the current and prospective risk arising from the inability of the Group to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, and extensions of credit and working capital needs. The Group seeks to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The primary tool of monitoring liquidity risk is the maturity mismatch analysis, which presents the profile of future expected cashflows under pre-defined scenarios. This is monitored against available funding and liquid assets across successive time bands and across major currencies under normal and adverse scenarios. In addition, other monitoring metrics (for example, liquidity ratios, deposit concentration ratio, and balance sheet analysis) are used as complementary tools to the maturity mismatch analysis.

On a strategic level, the Board Risk Management Committee is responsible for approving the principles and baseline standards under the Group's liquidity risk management framework, as well as defining the Group's tolerance towards liquidity risk. The Risk Executive Committee, which reports to the Board Risk Management Committee and is supported by the Group Market & Liquidity Risk Committee, provides liquidity risk control across the Group and its management. On a business and tactical level, the Group Asset and Liability Committee (GALCO) and country ALCOs are the primary committees responsible for ensuring the Group's liquidity management profile is in accordance with the Group's liquidity risk management framework and policies.

To manage liquidity risk within the tolerance defined by the Board, limits and triggers are set on maturity mismatches under normal and adverse scenarios and other monitoring metrics. Such limits seek to ensure that adequate funding and liquid assets are available to meet liquidity needs under both normal and stress scenarios.

As part of its management of liquidity risk inherent in its financial liabilities, the Group employs a number of strategies. These include maintaining sufficient liquid assets, maintaining diversified sources of liquidity, and having robust internal control processes and contingency plans.

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. An Operational Risk Management framework (the Framework), approved by the Board Risk Management Committee, has been developed with the objective of ensuring 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, risk event management and key risk indicators monitoring. Risk 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 system that supports multiple operational risk management processes and tools including 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, service or outsourcing initiative is subject to a risk review and sign-off process in which relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service. Variations of existing products, services and outsourcing initiatives are also subject to a similar process. Major operational risk mitigation programmes include business continuity management and a global insurance programme. On an annual basis, the CEO provides an attestation to the Board on the state of business continuity management of the Group, including any residual risks.

The Group Operational Risk Committee oversees the Group's operational risk management infrastructure, including the Framework, policies, processes, information, methodologies and systems. The committee also performs regular reviews of the operational risk profiles of the Group, and endorses and recommends corporate operational risk policies to be approved by senior management.

CAPITAL MANAGEMENT AND PLANNING

The Group's capital management objective is to maintain a strong capital position consistent with the expectations of various stakeholders, i.e., customers, investors, rating agencies and regulators, while delivering returns to shareholders and ensuring adequate capital resources are available for business growth, investment opportunities as well as adverse situations. 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 continually assesses the need and the opportunity to raise capital from the financial markets. The Group manages its capital resources accordingly to achieve its capital management objective under current capital regulations and forthcoming Basel III regulations.

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 management is the annual Internal Capital Adequacy Assessment Process (ICAAP). Through the ICAAP, the Group assesses its forecast capital supply and demand relative to its capital targets, under various scenarios, including stress scenarios of differing scope and severity, over a 3-year horizon. The capital management process is centrally supervised by the Capital and Balance Sheet Committee, which is chaired by the Chief Financial Officer.

The Group seeks to pay sustainable and increasing dividends over time, in line with its long-term growth prospects. For the year ended 31 December 2011, 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.

The Group seeks to optimise the distribution of capital resources across its various entities, subject to compliance with applicable regulations in the jurisdictions in which it operates. The Group's subsidiaries are subject to minimum capital requirements imposed by their respective regulatory agencies. During the course of the year, these subsidiaries did not experience any impediments in the distribution of dividends.

DBS Group Holdings Ltd and its subsidiaries (the Group) have adopted Basel II as set out in the revised Monetary Authority of Singapore Notice to Banks No. 637 (Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore or MAS Notice 637) with effect from 1 January 2008.

The Group views Basel II 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 MAS637 are presented in the Risk Management report on page 61 to page 68, the Capital Management and Planning report on page 69 and the Notes to the Financial Statements as referred to below. Disclosures on remuneration are presented in the Corporate Governance report on page 44 to page 60. 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 2.2 to the Financial Statements, except where deductions from eligible capital are required under MAS Notice 637 or where entities meet separation requirements set by the MAS. Refer to Note 49 to the Financial Statements for the list of consolidated entities.

2 CAPITAL ADEQUACY

The following table sets forth details on the capital resources and capital adequacy ratios for the Group as at 31 December 2011. The Group's Tier 1 and total capital adequacy ratios as at 31 December 2011 were 12.9% and 15.8% respectively, which are above the MAS minimum requirements of 6.0% and 10.0%.

The constituents of total eligible capital are set out in MAS 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 35 and 34 to the Financial Statements for the terms of these capital instruments, and Note 47 on the capital management policies and processes for the group.

In $ millions	2011
Tier 1 capital	
Share capital	9,350
Disclosed reserves	19,033
Paid-up non-cumulative preference shares	2,500
Minority interests	275
Innovative Tier 1 instruments	1,500
Less: Deductions from Tier 1 capital	
Goodwill and deferred tax assets	4,931
Other deductions (50%)	192
Eligible Tier 1 capital	27,535
Tier 2 capital	
Loan allowances admitted as Tier 2	1,151
Subordinated debts	5,305
Revaluation surplus from equity securities	29
Less: Deductions from Tier 2 capital	
Other deductions (50%)	192
Total eligible capital	33,828
Risk-Weighted Assets (RWA)	
Credit	174,833
Market	25,855
Operational	13,034
Total RWA	213,722
Tier 1 Capital Adequacy Ratio (%)	12.9
Total Capital Adequacy Ratio (%)	15.8

Significant Banking Subsidiary

DBS Bank (Hong Kong) Limited and its subsidiaries [a]

Tier 1 Capital Adequacy Ratio (%) [b]	12.2
Total Capital Adequacy Ratio (%)	14.5

(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

In $ millions	2011 RWA
Credit risk:	
IRBA	
Retail exposures	
Residential mortgage exposures	2,648
Qualifying revolving retail exposures	2,418
Other retail exposures	867
Wholesale exposures	
Sovereign exposures	3,711
Bank exposures	17,583
Corporate exposures	75,231
Corporate small business exposures (SME)	2,926
Specialised lending exposures (SL)	23,611
Equity	8,366
Securitisation	165
Total IRBA RWA	137,526
Adjusted IRBA RWA post scaling factor of 1.06	145,778
SA	
Residential mortgage exposures	1,173
Regulatory retail exposures	1,039
Corporate exposures	13,029
Commercial real estate exposures	1,192
Other exposures	
Real estate, premises, equipment and other fixed assets	1,347
Exposures to individuals	7,543
Others	3,732
Total SA RWA	29,055
Total credit risk	174,833
Market risk:	
SA	
Interest rate risk	18,804
Equity position risk	118
Foreign exchange risk	6,925
Commodity risk	8
Total RWA for market risk	25,855
Operational risk (SA)	13,034
Total RWA	213,722

3 CREDIT RISK

3.1 SUMMARY OF CREDIT EXPOSURES[a]

In $ millions	2011 Exposures
Advanced IRBA	
Retail exposures	
Residential mortgage exposures	44,492
Qualifying revolving retail exposures	9,952
Other retail exposures	3,242
Foundation IRBA	
Wholesale exposures	
Sovereign exposures	48,762
Bank exposures	66,428
Corporate exposures	121,280
Corporate small business exposures	4,245
Specialised lending exposures	23,697
IRBA for equity exposures	2,527
IRBA for securitisation exposures	348
Total IRBA	324,973
SA	
Residential mortgage exposures	3,351
Regulatory retail exposures	1,372
Corporate exposures	13,082
Commercial real estate exposures	1,190
Other exposures	
Real estate, premises, equipment and other fixed assets	1,347
Exposures to individuals	7,533
Others	7,262
Total SA	35,137
Total	360,110

(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 MAS Notice 637*

Refer to Notes 19 to 21, 38, 44.1 and 46 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%	42,857	5
> 0.10% to 0.50%	1,266	32
> 0.50%	369	60
Total	44,492	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%	9,467	17
> 5%	485	176
Total	9,952	24

(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%	2,167	17
> 0.30%	1,075	47
Total	3,242	27

(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	7,118	7,118
Qualifying revolving retail exposures	11,465	8,314
Total	18,583	15,432

(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	0.00 – 0.10	46,534	6
PD grade 4A/4B	0.10 – 0.33	10	25
PD grade 5	0.33 – 0.47	1,720	37
PD grade 6A/6B	0.47 – 1.11	477	64
PD grade 7A-9	1.11 – 99.99	21	93
Total		48,762	8

(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	33,179	10
PD grade 4A/4B	0.10 – 0.33	17,017	31
PD grade 5	0.33 – 0.47	7,555	41
PD grade 6A/6B	0.47 – 1.11	5,900	56
PD grade 7A-9	1.11 – 99.99	2,777	86
Total		66,428	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 MAS 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	22,457	18
PD grade 4A/4B	0.10 – 0.33	19,029	45
PD grade 5	0.33 – 0.47	19,008	53
PD grade 6A/6B	0.47 – 1.11	27,741	73
PD grade 7A-9	1.11 – 99.99	31,164	104
PD grade 10	Default	1,881	–
Total		121,280	63 [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 MAS Notice 637
(c) Excludes default exposures

(D) Corporate small business [a] exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight[b] (%)
PD grade 1-3	0.03 [c] – 0.10	–	–
PD grade 4A/4B	0.10 – 0.33	9	35
PD grade 5	0.33 – 0.47	588	9
PD grade 6A/6B	0.47 – 1.11	1,278	49
PD grade 7A-9	1.11 – 99.99	2,317	97
PD grade 10	Default	53	–
Total		4,245	70 [d]

(a) SME refers to corporations with reported annual sales of less than $100 million as defined under MAS Notice 637
(b) Percentages disclosed are before the application of IRBA scaling factor
(c) 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 MAS Notice 637
(d) Excludes default exposures

3.2.3 SPECIALISED LENDING EXPOSURES

2011	RWA (In $ millions)	Exposures (In $ millions)	Exposure-weighted average risk weights[a] (%)
Strong	4,774	8,119	59
Good	7,360	8,837	83
Satisfactory	4,549	3,955	115
Weak	6,928	2,771	250
Default	0	15	0
Total	23,611	23,697	100 [b]

(a) Percentages disclosed are before the application of applicable IRBA scaling factor
(b) Excludes default exposures

3.2.4 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. RWA and deductions incorporate implementation of Basel II.5 per MAS Notice 637 effective 31 Dec 2011.

All banking book assets are held at cost, less impairment allowances while all positions in trading book are fair valued though profit and loss. 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 SPEs 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 such arranged transaction will be subject to independent risk assessment (see below). 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 MAS Notice 637 paragraph 7.1.11, securitisation exposures in the banking book are risk weighted using the Ratings-Based Method or included in deductions from Tier 1 and Tier 2 Capital. 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.

Structured credit trading

Prior to 2008, the Group structured CDO notes. The Group was a credit default swap (CDS) counterparty to the issuing entity of the notes. Positions arising from this role were hedged with tranched credit index CDS with external counterparties. These positions are classified as securitisation exposures under MAS Notice 637. They are held in the trading book and the standardised approach is used to determine the capital requirements. The credit and market risks arising from these transactions are subject to risk limits. A substantial proportion of these exposures matured during 2011.

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

2011 In $ millions	Total Exposures	Exposures Risk-Weighted	RWA	Deductions from Tier 1 capital and Tier 2 capital
Risk weights				
On-balance sheet [(a)]				
0% – 29%				
Asset-Backed Securities (ABS)	85	85	17	–
Residential Mortgage-Backed Securities (RMBS)	9	9	1	–
30% – 100%				
Commercial Mortgage-Backed Securities (CMBS) & Others	165	165	116	–
Deducted				
Asset-Backed Securities (ABS)	4	–	–	4
ABS collateralised debt/loan obligations (CDO) & Others [(b)]	40	–	–	40
Sub-total	303	259	134	44
Off-balance sheet				
30% – 100%				
Interest rate & cross currency swaps with securitisation vehicle	45	45	31	–
Total	348	304	165	44

(a) Includes undrawn commitment
(b) Includes resecuritisation exposures amounting to $40m

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

2011 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%				
Residential Mortgage-Backed Securities (RMBS)	75	75	24	–
30% – 100%				
Asset-Backed Securities (ABS)	5	5	19	–
Sub-total	80	80	43	–
Off-balance sheet				
30% – 100%				
Tranched Credit Index CDS	13	13	80	–
Deducted				
Tranched Credit Index CDS	194	–	–	194
Sub-total	207	13	80	194
Total	287	93	123	194

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.

3.2.5 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.

Notes to the Financial Statements	Financial disclosures
2.8	The Group's accounting policies on the assessment of specific and general allowances on financial assets
44.2	Classified loans and past due loans by geographic and industry distribution
13, 20, 21 and 32	Movements in specific and general allowances during the year for the Group

3.2.6 COMPARISON OF EXPECTED LOSS AGAINST ACTUAL LOSSES

The following table sets out actual loss incurred in 2011 compared with EL reported for certain IRBA asset classes at December 2010. Actual loss refers to specific impairment loss allowance and charge-offs to the Group's income statement during the financial year ended 31 December 2011.

Basel Asset Class	2010 Expected Loss In $ millions	2011 Actual Loss In $ millions
Wholesale Exposures		
Sovereign exposures	6	–
Bank exposures	42	–
Corporate exposures (including SME & SL)	937	170
Retail Exposures		
Residential mortgage exposures	17	#
Qualifying revolving retail exposures	103	21
Other retail exposures	13	2

amount below $0.5m

EL is a Basel II measure of expected future losses based on Internal Ratings-Based models where PD grades are more through-the-cycle and LGD estimates are on a downturn basis, floored by regulatory minimums for retail exposures and based on supervisory estimates for wholesale exposures. Actual Loss is an accounting construct which includes net impairment allowances for non-defaulting accounts at the onset of the financial year and includes write-offs during the year. The two measures of losses are therefore 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%	2,796
20%	321
35%	3,350
50%	1,153
75%	1,358
100%	26,040
>100%	119
Total	35,137

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:

2011 In $ millions	Eligible financial collateral	Other eligible collateral	Amount by which credit exposure have been reduced by eligible credit protection
Foundation IRBA			
Wholesale exposures			
Sovereign exposures	1,044	–	6
Bank exposures	3,338	1	29
Corporate exposures	5,336	5,969	3,855
Corporate SME	1,182	1,330	119
Sub-total	10,900	7,300	4,009
SA			
Residential mortgage exposures	334	–	–
Regulatory retail exposures	134	–	1
Commercial real estate exposures	17	–	–
Corporate/ other exposures	6,416	–	1,375
Sub-total	6,901	–	1,376
Total	17,801	7,300	5,385

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. in the case of legal enforcement uncertainty 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	39,914	38,202
Client Intermediation Activities	8,443	8,197
Total	48,357	46,399
Credit default swaps	48,334	46,399
Total return swaps	23	–
Total	48,357	46,399

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 95% of the notional value of the Group's credit derivative positions as at 31 December 2011 is to 15 large, established names with which the Group maintains collateral agreements.

3.5.2 CREDIT EQUIVALENT AMOUNTS FOR COUNTERPARTY EXPOSURES

In $ millions	2011
Replacement cost	20,797
Potential future exposure	18,093
Gross credit equivalent amount	38,890
Comprising:	
Interest rate contracts	11,808
Credit derivative contracts	6,977
Equity contracts	109
Foreign exchange contracts and gold	19,964
Commodities contracts	32
Gross credit equivalent amount	38,890
Less: Effect of netting arrangement	18,902
Credit equivalent amount after netting	19,988
Less: Collateral amount	
Eligible financial collateral	863
Other eligible collateral	11
Net credit equivalent amount	19,114

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 AFS investments or Investments in Associates. Refer to Notes 2.2 and 2.7 to the Financial Statements for the Group's accounting policies. Entities in which the Group holds significant interests are disclosed in Note 49 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:

2011 In $ millions	Total exposures	Exposures risk-weighted	Deductions from Tier 1 or Tier 2 Capital
Risk weights			
300%	1,195	1,195	–
400%	1,195	1,195	–
Deducted	137	–	137
Total	2,527	2,390	137

2011	Exposures risk-weighted (in $ millions)	Exposure-weighted average risk weight[(a)] (%)
Major stake companies approved under section 32 of the Banking Act	819	326
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	1,539	364
Total	2,390	350

(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 equity that have not been reflected in the Group's income statement, but have been included in Tier 2 Capital is $29 million.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

In $ millions	Note	2011	2010
Income			
Interest income		**6,555**	5,699
Interest expense		**1,730**	1,381
Net interest income	5	**4,825**	4,318
Net fee and commission income	6	**1,542**	1,397
Net trading income	7	**698**	915
Net loss from financial instruments designated at fair value	8	**(18)**	(20)
Net income from financial investments	9	**454**	310
Other income	10	**130**	146
Total income		**7,631**	7,066
Expenses			
Employee benefits	11	**1,712**	1,422
Other expenses	12	**1,591**	1,503
Goodwill charges	26	**–**	1,018
Allowances for credit and other losses	13	**722**	911
Total expenses		**4,025**	4,854
Share of profits of associates		**127**	102
Profit before tax		**3,733**	2,314
Income tax expense	14	**443**	454
Net profit for the year		**3,290**	1,860
Attributable to:			
Shareholders		**3,035**	1,632
Non-controlling interests		**255**	228
		3,290	1,860
Basic earnings per ordinary share ($)	15	**1.30**	0.70
Diluted earnings per ordinary share ($)	15	**1.26**	0.68

(see notes on pages 83 to 150 which form part of these financial statements)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

In $ millions	2011	2010
Net profit for the year	**3,290**	1,860
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**(38)**	(187)
Share of other comprehensive income of associates	**(1)**	12
Available-for-sale financial assets and others		
Net valuation taken to equity	**398**	598
Transferred to income statement on sale	**(425)**	(315)
Tax on items taken directly to or transferred from equity	**31**	(28)
Other comprehensive income for the year, net of tax	**(35)**	80
Total comprehensive income	**3,255**	1,940
Attributable to:		
Shareholders	**3,019**	1,829
Non-controlling interests	**236**	111
	3,255	1,940

(see notes on pages 83 to 150 which form part of these financial statements)

BALANCE SHEETS

at 31 December 2011

In $ millions	Note	Group 2011	Group 2010	Company 2011	Company 2010
Assets					
Cash and balances with central banks	17	**25,304**	31,203		
Singapore Government securities and treasury bills	18	**12,503**	11,546		
Due from banks		**25,571**	20,306		
Financial assets at fair value through profit or loss	19	**11,927**	10,179		
Positive fair values for financial derivatives	39	**21,164**	16,767		
Loans and advances to customers	20	**194,275**	151,698		
Financial investments	21	**30,491**	26,550		
Securities pledged	22	**2,634**	1,982		
Subsidiaries	23	**–**	–	**10,957**	10,438
Investments in associates	25	**949**	813		
Goodwill on consolidation	26	**4,802**	4,802		
Properties and other fixed assets	27	**976**	1,025		
Investment properties	27	**372**	358		
Deferred tax assets	28	**149**	102		
Other assets	29	**9,730**	6,379	**18**	63
Total assets		**340,847**	283,710	**10,975**	10,501
Liabilities					
Due to banks		**27,601**	18,811		
Due to non-bank customers	30	**218,992**	187,695		
Financial liabilities at fair value through profit or loss	31	**11,912**	10,228		
Negative fair values for financial derivatives	39	**22,207**	17,222		
Bills payable		**254**	601		
Current tax liabilities		**837**	879		
Deferred tax liabilities	28	**30**	40		
Other liabilities	32	**10,287**	6,574	**6**	5
Other debt securities in issue	33	**10,354**	2,160		
Subordinated term debts	34	**5,304**	6,398		
Total liabilities		**307,778**	250,608	**6**	5
Net assets		**33,069**	33,102	**10,969**	10,496
Equity					
Share capital	35	**9,350**	8,780	**9,350**	8,780
Treasury shares	35	**(154)**	(84)	**(115)**	–
Other reserves	36	**7,075**	7,084	**86**	79
Revenue reserves	36	**12,523**	10,819	**1,648**	1,637
Shareholders' funds		**28,794**	26,599	**10,969**	10,496
Non-controlling interests	37	**4,275**	6,503		
Total equity		**33,069**	33,102	**10,969**	10,496
Off-balance sheet items					
Contingent liabilities and commitments	38	**138,114**	111,949		
Financial derivatives	39	**1,612,038**	1,347,522		

(see notes on pages 83 to 150 which form part of these financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

In $ millions	Ordinary shares	Convertible preference shares	Treasury shares	Other reserves	Revenue reserves	Total	Non-controlling interests	Total equity
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**
2010								
Balance at 1 January 2010	8,188	247	(114)	6,879	10,173	25,373	4,126	29,499
Issue of shares upon exercise of share options	16					16		16
Cost of share-based payments				40		40		40
Reclassification of reserves upon exercise of share options	2			(2)		–		–
Draw-down of reserves upon vesting of performance shares			30	(30)		–		–
Issue of shares pursuant to Scrip Dividend Scheme	327					327		327
Final dividends paid for previous year					(320)	(320)		(320)
Interim dividends paid for current year					(666)	(666)		(666)
Dividends paid to non-controlling interests						–	(233)	(233)
Preference shares issued by a subsidiary						–	2,499	2,499
Total comprehensive income				197	1,632	1,829	111	1,940
Balance at 31 December 2010	8,533	247	(84)	7,084	10,819	26,599	6,503	33,102

(see notes on pages 83 to 150 which form part of these financial statements)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

In $ millions	2011	2010
Cash flows from operating activities		
Net profit for the year	**3,290**	1,860
Adjustments for non-cash items:		
Allowances for credit and other losses	**722**	911
Depreciation of properties and other fixed assets	**185**	193
Goodwill charges	**–**	1,018
Share of profits of associates	**(127)**	(102)
Net gain on disposal (net of write-off) of properties and other fixed assets	**(6)**	(103)
Net income from financial investments	**(454)**	(310)
Net gain on disposal of subsidiary	**(47)**	–
Income tax expense	**443**	454
Profit before changes in operating assets and liabilities	**4,006**	3,921
Increase/(Decrease) in:		
Due to banks	**8,790**	9,703
Due to non-bank customers	**31,297**	9,247
Financial liabilities at fair value through profit or loss	**1,684**	1,011
Other liabilities including bills payable	**8,522**	708
Debt securities and borrowings	**7,949**	1,405
(Increase)/Decrease in:		
Restricted balances with central banks	**(322)**	(2,857)
Singapore Government securities and treasury bills	**(957)**	4,414
Due from banks	**(5,297)**	1,895
Financial assets at fair value through profit or loss	**(1,748)**	1,078
Loans and advances to customers	**(43,215)**	(22,521)
Financial investments	**(3,509)**	(529)
Other assets	**(8,366)**	(2,246)
Tax paid	**(511)**	(382)
Net cash (used in)/generated from operating activities (1)	**(1,677)**	4,847
Cash flows from investing activities		
Dividends from associates	**46**	57
Purchase of properties and other fixed assets	**(177)**	(176)
Proceeds from disposal of properties and other fixed assets	**47**	192
Acquisition of interest in associates	**(55)**	(75)
Proceeds from disposal of associates/joint ventures	**–**	136
Net cash (used in)/generated from investing activities (2)	**(139)**	134
Cash flows from financing activities		
Increase in share capital	**570**	345
Payment upon maturity of subordinated term debts	**(1,046)**	(705)
Purchase of treasury shares	**(115)**	–
Dividends paid to shareholders of the Company	**(1,331)**	(986)
Dividends paid to non-controlling interests	**(275)**	(233)
Payment upon redemption of preference shares	**(2,112)**	–
Change in non-controlling interests	**(77)**	–
Proceeds from issue of preference shares by a subsidiary	**–**	2,499
Net cash (used in)/generated from financing activities (3)	**(4,386)**	920
Exchange translation adjustments (4)	**(19)**	(70)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(6,221)**	5,831
Cash and cash equivalents at 1 January	**25,112**	19,281
Cash and cash equivalents at 31 December (Note 40)	**18,891**	25,112

(see notes on pages 83 to 150 which form part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2011 were authorised for issue by the directors on 9 February 2012.

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 6 Shenton Way, DBS Building Tower One, Singapore 068809.

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

The consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards (FRS) including 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.

The preparation of financial statements in conformity with FRS requires management to exercise judgement, 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 judgement and complexity, are disclosed in Note 4.

On 1 January 2011, 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.

FRS 24 (Amendments): Related Party Disclosures
The revised standard simplifies the definition of a related party. It clarifies its intended meaning and eliminates inconsistencies from the definition.

The amendment also removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and replaces it with a requirement to disclose information which is considered sufficient for the financial statement users to understand the effects of related party transactions. For example, the nature and amount of each individually significant transaction needs to be disclosed.

The following amendments to FRS and INT FRS are of a technical or clarifying nature and their adoption does not have any material impact on the Group's financial statements.

FRS 32 (Amendments)	Financial Instruments: Presentation
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments

2.2 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 values 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 value on the date of acquisition.

Refer to Note 2.10 for the Group's accounting policy on "Goodwill on consolidation".

Special purpose entities
Entities in which the Group holds little or no equity are consolidated as subsidiaries if the Group is assessed to have control over them. Such control can be demonstrated through predetermination of the entities' activities, exposure to and retention of majority of their residual or ownership risks, and decision-making powers to obtain a majority of benefits from the entities.

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.

Proportionate consolidation involves combining the Group's share of the joint venture's income, expenses, assets and liabilities on a line-by-line basis with similar items in the Group's financial statements.

Associates
Associates are entities over which the Group has significant influence, but not 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 in associate is initially carried at cost. The initial cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities assumed at the date of acquisition, plus costs directly attributable to the acquisition. 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. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The results of the associates are taken from the latest audited accounts or unaudited management accounts of the associates, 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.

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses in the balance sheet of the parent/investor/venturer. On disposal of the investments, the difference between the net proceeds and the carrying amounts of the investments is taken to the income statement.

Intra-group transactions
All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profits resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these companies. Losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

Alignment of accounting policies
Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to ensure consistency with the accounting policies adopted by the Group.

2.3 Foreign currency translation

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 financial statements are presented in Singapore dollars, which is the Company's functional and the Group's presentation currency.

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 Singapore dollars at the exchange rate ruling 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. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into Singapore dollars at the exchange rate ruling at the date the fair value was determined.

Unrealised foreign exchange differences arising from non-monetary financial assets classified as fair value through profit or loss are recognised in the income statement. For non-monetary financial assets 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 operations
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 rate ruling at the balance sheet date;
- Income and expenses in the income statement are translated at an average exchange rate approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the foreign exchange rates at the dates of acquisition were used.

Consolidation adjustments
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.

2.4 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 revenue, segment profits, segment assets and segment liabilities are also measured on a basis that is consistent with internal reporting.

The Group's financial businesses are organised into Consumer/ Private Banking, Institutional Banking, Treasury and Others. In total, the Group has four reportable segments.

2.5 Revenue recognition

Interest income and interest expense
Interest income and interest expense are recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts. No interest expense is accrued on the Group's structured investment deposits which are carried at fair value through profit or loss.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest earned on the recoverable amount is recognised as interest income in the income statement.

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.

Dividend income
Dividend income is recognised when the right to receive payment is established. 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".

Rental income
Rental income from operating leases on properties is recognised on a straight-line basis over the lease term.

2.6 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.

2.7 Financial assets

Financial assets are classified according to the purpose for which the assets were acquired. Management determines the classification at initial recognition.

The classification of financial assets is as follows:

(a) Financial assets at fair value through profit or loss are either acquired for the purpose of short-term selling (held for trading) or designated by management on initial recognition (designated under the fair value option).

Derivatives are classified as held for trading unless they are designated as hedging instruments. The specific Group accounting policy on derivatives is detailed in Note 2.15.

Financial assets designated under the fair value option meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded.

(b) Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the short term, which are classified as held for trading, or those that the entity upon initial recognition designates as at fair value through profit or loss; or
- those that the Group upon initial recognition designates as available-for-sale.

(c) Financial assets classified as available-for-sale are non-derivatives that are either designated in this category or not classified in any other categories. These financial assets are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, credit spreads, exchange rates or equity prices.

Recognition and derecognition
Purchases and sales of financial assets are recognised on the date that the Group commits to purchase or sell the asset. 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.

Reclassification of financial assets
Non-derivative financial assets may be reclassified out of the fair value through profit or loss or available-for- sale categories in particular circumstances:

- financial assets that would meet the definition of loans and receivables may be reclassified out of the fair value through profit or loss and available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity; and
- financial assets (except financial assets that would have met the definition of loans and receivables) may be reclassified out of the fair value through profit or loss category in rare circumstances.

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.

Initial measurement
Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, for which transaction costs are expensed off immediately. The fair value of a financial asset on initial recognition is usually the transaction price.

Subsequent measurement
Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unquoted equity investments classified as available-for-sale for which fair values cannot be reliably determined are carried at cost, less impairment.

Realised or unrealised gains or losses on financial assets held for trading and financial assets designated under the fair value option, except interest income, 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. Unrealised gains or losses arising from changes in fair value of financial assets classified as available-for-sale are recognised in other comprehensive income and accumulated in available-for-sale revaluation reserves. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the available-for-sale revaluation reserves are reclassified to the income statement.

Determination of fair value
The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value.

2.8 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 a letter of guarantee and letter 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 as being counterparty-specific or collectively for a portfolio according to the following principles:

Counterparty-specific: Individual credit exposures are evaluated using the discounted cash flow method and an allowance 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.

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".

Homogenous consumer loans, such as housing loans and credit card receivables, are pooled according to their risk characteristics, and assessed and provided for collectively as a group, taking into account the historical loss experience of such loans.

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). In determining the level of general allowances, the Group considers country and portfolio risks, as well as industry practices. 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.

(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.

2.9 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". 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.

2.10 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.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognised directly in the income statement in the period of acquisition.

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

2.11 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.

The basis of depreciation is as follows:

Properties
Leasehold land, where the balance of the leasehold period is 100 years or less, is depreciated on a straight-line basis over the remaining period of the lease. Leasehold land where the unexpired lease period is more than 100 years is not depreciated.

Buildings are depreciated on a straight-line basis over their useful lives estimated at 50 years or over the remaining lease period, whichever is shorter.

Other fixed assets
Depreciation is calculated using the straight-line method to write down the cost of other fixed assets to their residual values over their estimated useful lives as follows:

Intangible/Computer software	3 – 5 years
Office equipment	5 – 8 years
Furniture and fittings	5 – 8 years

The estimated useful life and residual values of 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.

Upon disposal, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

2.12 Impairment of non-financial assets

Goodwill
An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and its value-in-use.

An impairment loss on goodwill recognised in the income statement cannot be reversed in subsequent periods.

Properties and other fixed assets, and investments in subsidiaries, associates and joint ventures
Properties (including investment properties) and other fixed assets, and investments in subsidiaries, associates and joint ventures are reviewed for impairment at each balance sheet date to determine if events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists, the carrying value of the asset is written down to its recoverable amount (being the higher of the fair value less cost to sell and the value-in-use). The impairment loss is charged to the income statement.

2.13 Financial liabilities

The Group classifies its financial liabilities in the following categories: (a) financial liabilities at fair value through profit or loss; and (b) financial liabilities at amortised cost.

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).

Derivatives are classified as held for trading unless they are designated as hedging instruments. The specific Group accounting policy on derivatives is detailed in Note 2.15.

Financial liabilities designated under the fair value option meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities, or recognising gains or losses on them, using different bases; or
- the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred, except for financial liabilities at fair value through profit or loss, for which transaction costs are expensed off immediately.

Financial liabilities classified as fair value through profit or loss are subsequently carried at fair value. 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. All other financial liabilities are subsequently carried at amortised cost using the effective interest method.

The fair value of financial liabilities 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.

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

2.14 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.

2.15 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All 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 fair value hedges, cash flow hedges or net investments in foreign operations hedges are included in "Net trading income".

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in "Net trading income".

For financial instruments designated as hedging instruments, 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.

Fair value hedge

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
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.

Hedge of net investment in a foreign operation
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".

2.16 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 leave as a result of services rendered by employees up to the balance sheet date.

2.17 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 41.

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.

2.18 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.

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 on investments in subsidiaries, 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.

2.19 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.

2.20 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.

2.21 Dividend payments

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.

2.22 Offsetting financial instruments

Certain financial assets and liabilities offset each other and the net amount is reported in the balance sheet 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.

2.23 Operating leases

Operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment that has to be made to the lessor is recognised as an expense in the period the termination takes place.

2.24 Fiduciary activities

Assets and income belonging to a customer for whom the Group acts in a fiduciary capacity as nominee, trustee or agent, are excluded from the financial statements.

3 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 112 Disclosure of Interests in Other Entities and FRS 113 Fair Value Measurement will create additional disclosure requirements for the Group's financial statements.

FRS 110 Consolidated Financial Statements (effective 1 January 2013)
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 110 also provides guidance on how to apply the control principle, including circumstances involving de facto control and agency relationships, and whether voting rights or rights other than voting are relevant in assessing control.

FRS 111 Joint Arrangements (effective 1 January 2013)
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. It requires that the type of joint arrangement be determined based on the rights and obligations of the parties to the arrangement. Equity accounting is mandatory for participants in joint ventures, while participants in joint operations are to account for its interest in assets, liabilities, revenue and expenses.

FRS 112 Disclosure of Interests in Other Entities (effective 1 January 2013)
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 associate and joint venture. 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.

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 FRSs. 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. FRS 113 defines fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price.

Amendments to FRS 1 Financial Statement Presentation (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.

Amendments to FRS 12 Income Taxes (effective 1 January 2012)
The amendments introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value, where the presumption that the carrying amount of the investment property will be recovered entirely by sale can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendments also incorporate into FRS 12 the remaining guidance previously contained in INT FRS 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets, which is withdrawn.

Amendments to FRS 107 Financial Instruments: Disclosures (effective 1 July 2011)
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 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 transfer a financial asset.

4 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 judgement 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 judgement.

4.1 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.

In determining specific allowances, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. When a loan is impaired, a specific allowance is assessed by using the discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. 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.

In determining general allowances, management considers country and portfolio risks, as well as industry practices. General allowances of at least 1% of credit exposures on and off-balance sheet (against which specific allowances have not been made) are maintained and 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.

4.2 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 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 judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgement 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. Refer to Note 43 for more details about the fair value hierarchy of the Group's financial instruments measured at fair value.

4.3 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. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate. Refer to Note 26 for more details.

4.4 Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.5 Provisions for customer compensation

Judgement is needed to determine, taking into account the requirements in FRS 37 Provisions, Contingent Liabilities and Contingent Assets, the appropriate level of possible compensation payable to certain customers who had bought structured investment products from the Group. In making this judgement, the Group evaluates the likelihood and estimated amount of outflow of resources which will be required to settle the obligation with reference to advice from legal counsel.

5 NET INTEREST INCOME

	The Group	
In $ millions	**2011**	**2010**
Cash and balances with central banks and Due from banks	**532**	358
Loans and advances to customers	**4,571**	3,937
Debt securities	**1,452**	1,404
Total interest income	**6,555**	5,699
Due to banks	**196**	137
Due to non-bank customers	**1,267**	970
Others	**267**	274
Total interest expense	**1,730**	1,381
Net interest income	**4,825**	4,318
Comprising:		
Interest income for financial assets at fair value through profit or loss	**317**	270
Interest income for financial assets not at fair value through profit or loss	**6,238**	5,429
Interest expense for financial liabilities at fair value through profit or loss	**(87)**	(118)
Interest expense for financial liabilities not at fair value through profit or loss	**(1,643)**	(1,263)
Total	**4,825**	4,318

6 NET FEE AND COMMISSION INCOME

	The Group	
In $ millions	**2011**	**2010**
Fee and commission income	**1,911**	1,737
Fee and commission expense	**369**	340
Net fee and commission income	**1,542**	1,397
Comprising:		
Loan-related	**359**	333
Trade and remittances	**284**	227
Stockbroking	**142**	179
Investment banking	**187**	154
Cards	**154**	149
Wealth management	**192**	136
Deposit-related	**82**	85
Guarantees	**71**	59
Others	**55**	53
Fund management	**16**	22
Net fee and commission income [(a)]	**1,542**	1,397

(a) Includes net fee and commission income of $56 million (2010: $47 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 $607 million (2010: $571 million) during the year

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for the year ended 31 December 2011

7 NET TRADING INCOME

In $ millions	The Group 2011	2010
From trading businesses		
– Foreign exchange	**738**	649
– Interest rates, credit and equities [(a)]	**(33)**	220
Other businesses	**(7)**	46
Total	**698**	915

(a) Includes dividend income of $12 million (2010: $9 million)

8 NET LOSS FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

In $ millions	The Group 2011	2010
Financial assets designated at fair value	**(42)**	5
Financial liabilities designated at fair value	**24**	(25)
Total	**(18)**	(20)

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 2011	2010
Debt securities		
– Available-for-sale	**301**	192
– Loans and receivables	**6**	5
Equity securities [(a)] [(b)]	**147**	113
Total [(c)]	**454**	310
Comprising net gains transferred from:		
Available-for-sale revaluation reserves	**425**	315

(a) Includes gain on sale of unquoted equity securities which were stated at cost of $1 million (2010: Nil). Their carrying amounts were $1 at the time of sale
(b) Includes dividend income of $24 million (2010: $22 million)
(c) Includes fair value impact of hedges for the financial investments

10 OTHER INCOME

In $ millions	The Group 2011	2010
Rental income	**19**	19
Net gain on properties and other fixed assets	**19**	103
Others [(a)]	**92**	24
Total	**130**	146

(a) 2011 includes a $47 million gain from disposal of DBS Asset Management

11 EMPLOYEE BENEFITS

In $ millions	The Group 2011	2010
Salary and bonus	**1,434**	1,207
Contributions to defined contribution plans	**83**	69
Share-based expenses	**54**	40
Others	**141**	106
Total	**1,712**	1,422

12 OTHER EXPENSES

In $ millions	The Group 2011	2010
Computerisation expenses [(a)]	**640**	569
Occupancy expenses [(b)]	**291**	269
Revenue-related expenses	**170**	136
Others [(c)]	**490**	529
Total	**1,591**	1,503

(a) Includes hire and maintenance of computer hardware and software
(b) Includes rental expenses of office and branch premises of $148 million (2010: $139 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 2011	2010
Depreciation expenses	**185**	193
Hire and maintenance of fixed assets, including building-related expenses	**277**	267
Expenses on investment properties	**1**	2
Audit fees payable to external auditors [(a)]:		
– Singapore	**3**	3
– Outside Singapore	**3**	3
Non audit fees payable to external auditors [(a)]:		
– Singapore	#	**1**
– Outside Singapore	**1**	2

 # Amount under $500,000
(a) PricewaterhouseCoopers network firms

13 ALLOWANCES FOR CREDIT AND OTHER LOSSES

In $ millions	The Group 2011	2010
Loans and advances to customers (Note 20)	**638**	796
Financial investments		
– Available-for-sale	**4**	(18)
– Loans and receivables (Note 21)	**17**	38
Properties and other fixed assets (Note 27)	**1**	(2)
Off-balance sheet credit exposures (Note 32)	**26**	36
Others (bank loans and sundry debtors)	**36**	61
Total	**722**	911

The table below shows the movements in specific and general allowances during the year for the Group:

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
	The Group				
2011					
Loans and advances to customers (Note 20)	**2,628**	**638**	**(177)**	**18**	**3,107**
Financial investments	**197**	**21**	**(34)**	**1**	**185**
Properties and other fixed assets (Note 27)	**68**	**1**	**(6)**	**(1)**	**62**
Off-balance sheet credit exposures (Note 32)	**218**	**26**	**–**	**6**	**250**
Others (bank loans and sundry debtors)	**176**	**36**	**(80)**	**4**	**136**
Total specific and general allowances	**3,287**	**722**	**(297)**	**28**	**3,740**
2010					
Loans and advances to customers (Note 20)	2,837	796	(899)	(106)	2,628
Financial investments	264	20	(82)	(5)	197
Properties and other fixed assets (Note 27)	74	(2)	–	(4)	68
Off-balance sheet credit exposures (Note 32)	199	36	–	(17)	218
Others (bank loans and sundry debtors)	168	61	(50)	(3)	176
Total specific and general allowances	3,542	911	(1,031)	(135)	3,287

14 INCOME TAX EXPENSE

Income tax expense in respect of profit for the financial year is analysed as follows:

In $ millions	The Group 2011	2010
Current tax expense		
– Current year	**582**	490
– Prior years' provision	**(113)**	(35)
Deferred tax expense		
– Effect of change in tax rate	**1**	–
– Origination of temporary differences	**(27)**	(1)
Total	**443**	454

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

In $ millions	The Group 2011	2010
Accelerated tax depreciation	**(4)**	(9)
Allowances for loan losses	**8**	10
Other temporary differences	**(30)**	1
Available-for-sale investments	**–**	(3)
Deferred tax credit to income statement	**(26)**	(1)

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 2011	2010
Profit	**3,606**	2,212
Prima facie tax calculated at a tax rate of 17% (2010: 17%)	**613**	376
Effect of different tax rates in other countries	**55**	35
Effect of change in tax rate	**1**	–
Net Income not subject to tax	**(62)**	(61)
Net Income taxed at concessionary rate	**(62)**	(54)
Goodwill charges not deductible for tax purpose	**–**	173
Others	**(102)**	(15)
Income tax expense charged to income statement	**443**	454

Refer to Note 28 for further information on deferred tax assets/liabilities.

15 EARNINGS PER ORDINARY SHARE

Number of shares (millions)		The Group 2011	2010
Weighted average number of ordinary shares in issue	(a)	**2,316**	2,287
Dilutive effect of share options		**1**	1
Full conversion of non-voting redeemable CPS		**100**	100
Full conversion of non-voting convertible preference shares		**#**	#
Weighted average number of ordinary shares in issue (diluted)	(aa)	**2,417**	2,388

Amount under 500,000

In $ millions		The Group 2011	2010
Net profit attributable to shareholders (Net Profit)	(b)	**3,035**	1,632
Net profit (less preference dividends)	(c)	**3,005**	1,602
Earnings per ordinary share ($)			
Basic	(c)/(a)	**1.30**	0.70
Diluted	(b)/(aa)	**1.26**	0.68

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

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	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
Other asset items outside the scope of FRS 39 [(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
Other liability items outside the scope of FRS 39 [(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 $ 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 2010					
ASSETS						
Cash and balances with central banks	–	–	31,203	–	–	31,203
Singapore Government securities and treasury bills	1,815	–	–	9,731	–	11,546
Due from banks	–	–	20,074	232	–	20,306
Financial assets at fair value through profit or loss	9,618	561	–	–	–	10,179
Positive fair values for financial derivatives	16,563	–	–	–	204	16,767
Loans and advances to customers	–	–	151,698	–	–	151,698
Financial investments	–	–	7,140	19,410	–	26,550
Securities pledged	992	–	–	990	–	1,982
Other assets	–	–	6,379	–	–	6,379
Total financial assets	28,988	561	216,494	30,363	204	276,610
Other asset items outside the scope of FRS 39 [(a)]						7,100
Total assets						283,710
LIABILITIES						
Due to banks	–	–	18,811	–	–	18,811
Due to non-bank customers	–	–	187,695	–	–	187,695
Financial liabilities at fair value through profit or loss	7,196	3,032	–	–	–	10,228
Negative fair values for financial derivatives	16,907	–	–	–	315	17,222
Bills payable	–	–	601	–	–	601
Other liabilities	–	–	6,356	–	–	6,356
Other debt securities in issue	–	–	2,160	–	–	2,160
Subordinated term debts	–	–	6,398	–	–	6,398
Total financial liabilities	24,103	3,032	222,021	–	315	249,471
Other liability items outside the scope of FRS 39 [(b)]						1,137
Total liabilities						250,608

(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, the Group reclassified certain financial assets which were no longer held for selling in the near term, out of the held for trading category into the available-for-sale category. If the Group had not reclassified the financial assets, fair value gains recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $1 million (2010: gains of $37 million) in the income statement.

In the previous financial years, the Group also reclassified certain financial assets out of the held for trading and available-for-sale categories into the loans and receivables category. The Group has the intention and ability to hold these reclassified assets for the foreseeable future or until maturity. If the Group had not reclassified the available-for-sale assets, fair value losses recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $16 million (2010: losses of $4 million) in the revaluation reserves. If the Group had not reclassified the held for trading assets, fair value gains or losses recognised for the year in respect of the reclassified assets outstanding at year end would have been insignificant.

The fair values and carrying amounts of the reclassified financial assets are as follows:

In $ millions		The Group			
		2011		2010	
Reclassified from	Reclassified to	Fair values	Carrying amounts	Fair values	Carrying amounts
Reclassified in 2009					
Held for trading	Loans and receivables	**17**	**17**	51	51
Reclassified in 2008					
Held for trading	Available-for-sale	**635**	**635**	895	895
Available-for-sale	Loans and receivables	**529**	**531**	741	730
Total		**1,181**	**1,183**	1,687	1,676

17 CASH AND BALANCES WITH CENTRAL BANKS

In $ millions	The Group 2011	2010
Cash on hand	**1,629**	1,369
Balances with central banks		
– Restricted balances [(a)]	**6,413**	6,091
– Non-restricted balances	**17,262**	23,743
Total	**25,304**	31,203

(a) Mandatory balances with central banks

18 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In $ millions	The Group 2011	2010
Held for trading	**2,039**	1,815
Available-for-sale	**10,464**	9,731
Total	**12,503**	11,546
Market value	**12,503**	11,546

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2011	2010
Trading		
Other government securities and treasury bills	**5,662**	2,845
Corporate debt securities	**3,892**	3,435
Equity securities	**229**	346
Other financial assets (due from banks)	**1,611**	2,992
Sub-total	**11,394**	9,618
Fair value designated		
Corporate debt securities	**88**	166
Loans and advances to customers	**445**	395
Sub-total	**533**	561
Total	**11,927**	10,179

Corporate debt, equity and government securities

In $ millions	The Group 2011	2010
Analysed by industry		
Manufacturing	**313**	437
Building and construction	**227**	156
General commerce	**148**	99
Transportation, storage and communications	**340**	361
Financial institutions, investment and holding companies	**2,448**	2,130
Government	**5,662**	2,845
Others	**733**	764
Total	**9,871**	6,792

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19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Corporate debt, equity and government securities

In $ millions	The Group 2011	2010
Analysed by geography [(a)]		
Singapore	**1,173**	551
Hong Kong	**494**	542
Rest of Greater China	**2,029**	559
South and Southeast Asia	**2,910**	2,837
Rest of the world	**3,265**	2,303
Total	**9,871**	6,792

(a) Based on the country in which the issuer is incorporated

In $ millions	The Group 2011	2010
Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	**445**	395
Credit derivatives/enhancements – protection bought	**(445)**	(395)
Cumulative change in fair value arising from changes in credit risk	**(77)**	(14)
Cumulative change in fair value of related credit derivatives /enhancements	**77**	14

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 $63 million (2010: $2 million).

During the year, the amount of change in the fair value of the related credit derivatives/enhancements was $63 million (2010: $2 million).

20 LOANS AND ADVANCES TO CUSTOMERS

In $ millions	The Group 2011	2010
Gross	**197,827**	154,722
Less: Specific allowances	**1,188**	1,152
General allowances	**1,919**	1,476
	194,720	152,094
Of which: loans and advances held at fair value through profit or loss (Note 19)	**445**	395
Total	**194,275**	151,698
Comprising:		
Bills receivable	**24,980**	8,287
Loans	**169,295**	143,411
Total	**194,275**	151,698
Analysed by industry [(a)]		
Manufacturing	**24,872**	19,217
Building and construction	**28,527**	21,385
Housing loans	**41,322**	38,676
General commerce	**34,159**	16,732
Transportation, storage and communications	**16,929**	14,378
Financial institutions, investment and holding companies	**19,743**	18,517
Professionals and private individuals (except housing loans)	**12,800**	11,142
Others	**19,475**	14,675
Gross total	**197,827**	154,722
Analysed by product		
Long-term loans	**87,860**	72,316
Short-term facilities	**40,204**	32,096
Overdrafts	**3,317**	3,261
Housing loans	**41,322**	38,675
Bills receivable	**25,124**	8,374
Gross total	**197,827**	154,722
Analysed by currency		
Singapore dollar	**78,756**	67,439
Hong Kong dollar	**31,511**	30,478
US dollar	**61,007**	38,094
Others	**26,553**	18,711
Gross total	**197,827**	154,722

20 LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

In $ millions	The Group 2011	2010
Analysed by geography [(b)]		
Singapore	**89,427**	74,595
Hong Kong	**40,369**	36,688
Rest of Greater China	**30,147**	13,495
South and Southeast Asia	**19,290**	13,976
Rest of the world	**18,594**	15,968
Gross total	**197,827**	154,722

(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 in which the borrower is incorporated

The table below shows the movements in specific and general allowances during the year for the Group:

	2011				
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
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 (except housing loans)	**69**	**54**	**(61)**	**1**	**63**
Others	**78**	**(22)**	**(5)**	**4**	**55**
Total specific allowances	**1,152**	**194**	**(177)**	**19**	**1,188**
General allowances					
Manufacturing	**230**	**68**	**–**	**–**	**298**
Building and construction	**261**	**84**	**–**	**(1)**	**344**
Housing loans	**48**	**5**	**–**	**–**	**53**
General commerce	**203**	**209**	**–**	**–**	**412**
Transportation, storage and communications	**173**	**28**	**–**	**–**	**201**
Financial institutions, investment and holding companies	**221**	**13**	**–**	**–**	**234**
Professionals and private individuals (except housing loans)	**135**	**19**	**–**	**–**	**154**
Others	**205**	**18**	**–**	**–**	**223**
Total general allowances	**1,476**	**444**	**–**	**(1)**	**1,919**
Total allowances	**2,628**	**638**	**(177)**	**18**	**3,107**

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In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	2010 Net write-off during the year	Exchange and other movements	Balance at 31 December
Specific allowances					
Manufacturing	368	21	(63)	(21)	305
Building and construction	23	6	(2)	(3)	24
Housing loans	28	(11)	(1)	(1)	15
General commerce	228	84	(203)	(8)	101
Transportation, storage and communications	97	100	(10)	(7)	180
Financial institutions, investment and holding companies	589	354	(539)	(24)	380
Professionals and private individuals (except housing loans)	89	48	(63)	(5)	69
Others	90	12	(18)	(6)	78
Total specific allowances	1,512	614	(899)	(75)	1,152
General allowances					
Manufacturing	199	36	–	(5)	230
Building and construction	232	34	–	(5)	261
Housing loans	56	(7)	–	(1)	48
General commerce	165	42	–	(4)	203
Transportation, storage and communications	154	23	–	(4)	173
Financial institutions, investment and holding companies	204	22	–	(5)	221
Professionals and private individuals (except housing loans)	136	2	–	(3)	135
Others	179	30	–	(4)	205
Total general allowances	1,325	182	–	(31)	1,476
Total allowances	2,837	796	(899)	(106)	2,628

21 FINANCIAL INVESTMENTS

In $ millions	The Group 2011	2010
Available-for-sale		
Quoted other government securities and treasury bills	**9,616**	8,345
Quoted corporate debt securities	**10,474**	9,922
Quoted equity securities	**654**	818
Unquoted equity securities	**503**	325
Available-for-sale financial investments	**21,247**	19,410
Loans and receivables		
Other government securities and treasury bills	**107**	128
Corporate debt securities	**9,258**	7,140
Less: Impairment allowances for corporate debt securities	**121**	128
Loans and receivables financial investments	**9,244**	7,140
Total	**30,491**	26,550
Market value of debt securities and quoted equity securities	**30,095**	26,286
Analysed by industry		
Manufacturing	**586**	726
Building and construction	**1,623**	1,257
General commerce	**563**	612
Transportation, storage and communications	**1,963**	1,769
Financial institutions, investment and holding companies	**10,738**	9,698
Government	**9,723**	8,473
Others	**5,295**	4,015
Total carrying value	**30,491**	26,550
Analysed by geography [(a)]		
Singapore	**6,632**	4,584
Hong Kong	**2,823**	2,028
Rest of Greater China	**1,586**	1,306
South and Southeast Asia	**2,378**	2,080
Rest of the World	**17,072**	16,552
Total carrying value	**30,491**	26,550

(a) Based on the country of incorporation of issuer

The table below shows the movements in impairment allowances during the year for the Group:

In $ millions	Balance at 1 January	Charge to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2011					
Loans and receivables					
Corporate debt securities	**128**	**17**	**(25)**	**1**	**121**
2010					
Loans and receivables					
Corporate debt securities	170	38	(76)	(4)	128

22 SECURITIES PLEDGED

In $ millions	The Group 2011	2010
Securities pledged		
Singapore Government securities and treasury bills	**756**	414
Other government securities and treasury bills	**1,856**	1,556
Corporate debt securities	**22**	12
Total securities pledged [(a)]	**2,634**	1,982
Related liabilities	**2,627**	1,981

(a) Includes financial assets at fair value through profit or loss of $1,361 million (2010: $992 million)

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice.

23 SUBSIDIARIES

In $ millions	The Company 2011	2010
Unquoted equity shares, at cost	**9,426**	8,076
Due from subsidiaries	**1,531**	2,362
Total	**10,957**	10,438

Refer to Note 49 for details of main operating subsidiaries.

24 JOINT VENTURES

The Group's share of income and expenses, and assets and liabilities of joint ventures at 31 December are as follows:

In $ millions	The Group 2011	2010
Income statement		
Share of income	**25**	24
Share of expenses	**(19)**	(20)
Balance sheet		
Share of total assets	**205**	190
Share of total liabilities	**156**	146

Refer to Note 49 for details of main joint ventures.

25 INVESTMENTS IN ASSOCIATES

In $ millions	The Group 2011	2010
Unquoted		
Cost	**160**	105
Share of post acquisition reserves	**143**	117
Sub-total	**303**	222
Quoted		
Cost	**1,263**	1,263
Impairment allowances	**(837)**	(837)
Net exchange translation adjustments	**(40)**	(40)
Share of post acquisition reserves	**260**	205
Sub-total	**646**	591
Total	**949**	813
Market value of quoted associates	**1,247**	1,309

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 2011	2010
Income statement		
Share of income	**476**	432
Share of expenses	**(349)**	(330)
Balance sheet		
Share of total assets	**5,807**	5,847
Share of total liabilities	**4,858**	5,034
Off-balance sheet		
Share of contingent liabilities and commitments	**53**	54

Refer to Note 49 for details of main associates.

26 GOODWILL ON CONSOLIDATION

Set out below is the carrying value of the Group's goodwill arising from acquisition of subsidiaries and joint ventures as at 31 December, after an assessment for impairment is performed:

In $ millions	The Group 2011	2010
Balance at 1 January	**4,802**	5,847
Impairment charge	–	(1,018)
Disposal of joint venture	–	(27)
Balance at 31 December	**4,802**	4,802

Goodwill arising from acquisition of subsidiaries and joint ventures is allocated to the Group's cash-generating units or groups of cash-generating units as follows:

In $ millions	The Group 2011	2010
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 2010

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 judgement, the results of which are highly sensitive to the assumptions used. The review of goodwill impairment represents management's best 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 potential impact on the carrying value for these entities are not material. On this basis, the Group concluded that goodwill remains recoverable at 31 December 2011. 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. None of the leases include contingent rentals.

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

In $ millions	The Group 2011	2010
Minimum lease receivable		
Not later than 1 year	**7**	13
Later than 1 year but not later than 5 years	**4**	6
Total	**11**	19

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		The Group			
		Non-investment property			
In $ millions	Investment property	Owner-occupied property	Other fixed assets[a]	Subtotal of non-investment property	Total
	(1)	**(2)**	**(3)**	**(4)=(2+3)**	**(5)=(1+4)**
2011					
Cost					
Balance at 1 January 2011	**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 2011	**491**	**760**	**1,027**	**1,787**	**2,278**
Less: Accumulated depreciation					
Balance at 1 January 2011	**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 2011	**119**	**124**	**625**	**749**	**868**
Less: Impairment allowances	**–**	**62**	**–**	**62**	**62**
Net book value at 31 December 2011	**372**	**574**	**402**	**976**	**1,348**
Market value at 31 December 2011	**532**	**994**	**–**	**–**	**–**
2010					
Cost					
Balance at 1 January 2010	502	944	919	1,863	2,365
Additions	–	21	155	176	176
Disposals	(71)	(45)	(126)	(171)	(242)
Transfers	31	(31)	–	(31)	–
Exchange differences	3	(64)	(37)	(101)	(98)
Balance at 31 December 2010	465	825	911	1,736	2,201
Less: Accumulated depreciation					
Balance at 1 January 2010	104	164	491	655	759
Depreciation charge	6	23	164	187	193
Disposals	(16)	(24)	(113)	(137)	(153)
Transfers	3	(3)	–	(3)	–
Exchange differences	10	(34)	(25)	(59)	(49)
Balance at 31 December 2010	107	126	517	643	750
Less: Impairment allowances	–	68	–	68	68
Net book value at 31 December 2010	358	631	394	1,025	1,383
Market value at 31 December 2010	497	999	–	–	–

(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets

Movements in impairment allowances of properties during the year are as follows:

In $ millions	The Group 2011	2010
Balance at 1 January	**68**	74
Charge/(Write-back) to income statement	**1**	(2)
Net write-off	**(6)**	–
Exchange and other movements	**(1)**	(4)
Balance at 31 December	**62**	68

27.1 The net book value of PWC Building, being property held both for the purpose of generating rental income and for owner occupancy, was $410 million as at 31 December 2011 (2010: $416 million). Its fair value was independently appraised at $578 million (2010: $560 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 2011	2010
Deferred tax assets	**149**	102
Deferred tax liabilities	**(30)**	(40)
Total	**119**	62

The movement in deferred tax (prior to offsetting of balances within the same tax jurisdiction) is as follows:

In $ millions Deferred income tax assets	The Group 2011 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)**

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In $ millions	The Group 2010		
Deferred income tax assets	**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January	173	44	217
Disposal of joint venture	(13)	–	(13)
Charge to income statement	(10)	(5)	(15)
Balance at 31 December	150	39	189

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments and others	Other temporary differences	Total
Balance at 1 January	(107)	(9)	(11)	(127)
Credit to income statement	9	3	4	16
Credit/(Charge) to equity	12	(28)	–	(16)
Balance at 31 December	(86)	(34)	(7)	(127)

29 OTHER ASSETS

In $ millions	The Group 2011	2010
Accrued interest receivable	**847**	713
Deposits and prepayments	**263**	277
Clients' monies receivable from securities business	**435**	798
Sundry debtors and others	**8,185**	4,591
Total	**9,730**	6,379

30 DUE TO NON-BANK CUSTOMERS

In $ millions	The Group 2011	2010
Due to non-bank customers	**218,992**	187,695
Due to non-bank customers which are at fair value through profit or loss (Note 31)	**6,354**	5,997
Total Due to non-bank customers	**225,346**	193,692
Analysed by currency		
Singapore dollar	**122,992**	112,228
US dollar	**40,336**	30,022
Hong Kong dollar	**21,733**	23,220
Others	**40,285**	28,222
Total	**225,346**	193,692
Analysed by product		
Savings accounts	**97,314**	88,789
Current accounts	**38,145**	30,115
Fixed deposits	**82,922**	71,380
Other deposits	**6,965**	3,408
Total	**225,346**	193,692

31 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2011	2010
Trading		
Other debt securities in issue (Note 31.1)	**2,443**	1,909
Due to non-bank customers		
– structured investments	**1,531**	3,387
– others	**235**	151
Payable in respect of short sale of securities	**2,068**	1,706
Other financial liabilities	**487**	43
Sub-total	**6,764**	7,196
Fair value designated [(a)]		
Due to non-bank customers		
– structured investments	**4,588**	2,459
Other debt securities in issue (Note 31.2)	**560**	573
Sub-total	**5,148**	3,032
Total	**11,912**	10,228

(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 $73 million at 31 December 2011 (2010: $13 million)

31.1 OTHER DEBT SECURITIES IN ISSUE (TRADING)

Details of other debt securities issued and outstanding at 31 December are as follows:

In $ millions Type	Issue Date	Maturity Date	The Group 2011	2010
Issued by the Bank and other subsidiaries				
Equity linked notes	11 Jan 2007 to 30 Dec 2011	3 Jan 2012 to 20 Jan 2015	**363**	694
Credit linked notes	27 Mar 2006 to 23 Dec 2011	8 Jun 2012 to 20 Mar 2017	**412**	596
Interest linked notes	19 Sep 2008 to 14 Dec 2011	30 Jan 2012 to 4 Mar 2041	**1,592**	569
Foreign exchange linked notes	18 Mar 2011 to 22 Dec 2011	6 Jan 2012 to 17 Sep 2012	**76**	50
Total			**2,443**	1,909
Due within 1 year			**1,185**	998
Due after 1 year			**1,258**	911
Total			**2,443**	1,909

31.2 OTHER DEBT SECURITIES IN ISSUE (FAIR VALUE DESIGNATED)

In $ millions	The Group 2011	2010
Negotiable certificates of deposit	**27**	54
Other debt securities	**533**	519
Total	**560**	573
Due within 1 year	**140**	423
Due after 1 year	**420**	150
Total	**560**	573

Details of negotiable certificates of deposit issued and outstanding at 31 December are as follows:

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2011	2010
Issued by other subsidiaries					
HK$7.5m	3M HIBOR* + 0.7%, payable quarterly	12 Apr 2010	12 Apr 2013	**1**	51
HK$150m	3.58%, payable yearly	25 Nov 2011	25 Nov 2021	**26**	3
Total				**27**	54

** HIBOR: Hong Kong Interbank Offer Rate*

Details of other debt securities issued and outstanding at 31 December are as follows:

In $ millions Type	Issue Date	Maturity Date	The Group 2011	2010
Issued by the Bank				
Credit linked notes	28 Feb 2008 to 23 Dec 2011	9 Jan 2012 to 17 Jun 2016	**444**	386
Issued by other subsidiaries				
Equity linked notes	10 Nov 2006	10 Nov 2011	**–**	21
Credit linked notes	28 Sep 2006 to 5 Sep 2007	28 Mar 2012 to 5 Sep 2014	**89**	112
Total			**533**	519

32 OTHER LIABILITIES

In $ millions	The Group 2011	2010
Sundry creditors	**7,039**	3,985
Cash collaterals received in respect of derivative portfolios	**821**	483
Interest payable	**382**	229
Provision for loss in respect of off-balance sheet credit exposures	**250**	218
Clients' monies payable in respect of securities business	**372**	708
Other payable	**1,423**	951
Total	**10,287**	6,574

The table below shows the movements in provision for loss in respect of off-balance sheet credit exposures during the year for the Group:

In $ millions	Balance at 1 January	Charge to income statement	Exchange and other movements	Balance at 31 December
2011				
Contingent liabilities and commitments	**218**	**26**	**6**	**250**
2010				
Contingent liabilities and commitments	199	36	(17)	218

The industry breakdown of provision for loss in respect of off-balance sheet credit exposures during the year are as follows:

		2011		
In $ millions	**Balance at 1 January**	**Charge/ (Write-back) to income statement**	**Exchange and other movements**	**Balance at 31 December**
Off-balance sheet credit exposures				
Manufacturing	**40**	**7**	**1**	**48**
Building and construction	**15**	**2**	**1**	**18**
Housing loans	**1**	**–**	**–**	**1**
General commerce	**30**	**12**	**1**	**43**
Transportation, storage and communications	**13**	**(1)**	**–**	**12**
Financial institutions, investment and holding companies	**31**	**7**	**1**	**39**
Professionals and private individuals (except housing loans)	**50**	**6**	**1**	**57**
Others	**38**	**(7)**	**1**	**32**
Total	**218**	**26**	**6**	**250**

		2010		
In $ millions	**Balance at 1 January**	**Charge/ (Write-back) to income statement**	**Exchange and other movements**	**Balance at 31 December**
Off-balance sheet credit exposures				
Manufacturing	34	9	(3)	40
Building and construction	12	4	(1)	15
Housing loans	1	–	–	1
General commerce	24	8	(2)	30
Transportation, storage and communications	10	4	(1)	13
Financial institutions, investment and holding companies	32	1	(2)	31
Professionals and private individuals (except housing loans)	57	(3)	(4)	50
Others	29	13	(4)	38
Total	199	36	(17)	218

33 OTHER DEBT SECURITIES IN ISSUE

In $ millions	The Group 2011	2010
Negotiable certificates of deposit	**2,740**	964
Other debt securities	**7,614**	1,196
Total	**10,354**	2,160
Due within 1 year	**7,945**	505
Due after 1 year	**2,409**	1,655
Total	**10,354**	2,160

Details of negotiable certificates of deposit issued and outstanding at 31 December are as follows:

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2011	2010
Issued by other subsidiaries					
CNH50m	1.95%, payable quarterly	15 Dec 2011	15 Mar 2012	**10**	–
CNH164m	1.6%, payable semi-annually	21 Nov 2011	21 Nov 2012	**34**	–
HK$5,383m	0.4% to 4.22%, payable quarterly	22 Aug 2008 to 10 Nov 2011	10 Feb 2012 to 21 Jan 2020	**931**	386
HK$1,540m	3M HIBOR + 0.3% to 0.9%, payable quarterly	1 Apr 2010 to 14 Jul 2011	2 Apr 2013 to 14 Jul 2014	**257**	212
HK$2,281m	1.6% to 4.2%, payable yearly	21 Aug 2008 to 8 Dec 2011	12 Sep 2012 to 16 Mar 2021	**396**	320
HK$3,933m	Zero Coupon Certificate of Deposit, payable on maturity	20 Oct 2011 to 20 Dec 2011	18 Jan 2012 to 20 Mar 2012	**657**	46
US$127.5m	Zero Coupon Certificate of Deposit, payable on maturity	20 Jul 2011 to 12 Dec 2011	20 Jan 2012 to 20 Jul 2012	**165**	–
JPY10,000m	Zero Coupon Certificate of Deposit, payable on maturity	19 Oct 2011	19 Jan 2012	**168**	–
GBP61m	Zero Coupon Certificate of Deposit, payable on maturity	6 Dec 2011	6 Mar 2012	**122**	–
Total				**2,740**	964

Details of other debt securities issued and outstanding at 31 December are as follows:

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2011	2010
Issued by the Bank					
US$996m Medium term notes	2.375%, payable half yearly	14 Sep 2010	14 Sep 2015	**1,318**	1,194
IDR 449,000m Medium term notes	6.89% to 7.25%, payable yearly	4 Mar 2011 to 23 Dec 2011	23 Dec 2013 to 4 Mar 2014	**63**	–
AUD 364m Commercial Paper	Zero Coupon, payable on maturity	12 Oct 2011 to 8 Dec 2011	12 Jan 2012 to 9 Mar 2012	**480**	–
CAD 13m Commercial Paper	Zero Coupon, payable on maturity	16 Dec 2011	16 Mar 2012	**17**	–
GBP 1,693m Commercial Paper	Zero Coupon, payable on maturity	7 Sep 2011 to 22 Dec 2011	9 Jan 2012 to 7 Jun 2012	**3,396**	–
NZD 45m Commercial Paper	Zero Coupon, payable on maturity	1 Dec 2011	1 Mar 2012	**45**	–
US$1,762m Commercial Paper	Zero Coupon, payable on maturity	19 Aug 2011 to 28 Dec 2011	6 Jan 2012 to 29 Nov 2012	**2,290**	–
Issued by other subsidiaries					
Notes issued		25 Nov 2011 to 30 Dec 2011	4 Jan 2012 to 2 Feb 2012	**5**	2
Total				**7,614**	1,196

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 2011	2010
Issued by the Bank					
US$850m	7.13% Subordinated Notes (Note 34.1)	15 May 2001	15 May 2011	**–**	1,116
US$750m	5.00% Subordinated Notes callable with step-up in 2014 (Note 34.2)	1 Oct 2004	15 Nov 2019	**1,025**	1,014
US$900m	Floating Rate Subordinated Notes callable with step-up in 2016 (Note 34.3)	16 Jun 2006	15 Jul 2021	**1,170**	1,158
S$500m	4.47% Subordinated Notes callable with step-up in 2016 (Note 34.4)	11 Jul 2006	15 Jul 2021	**500**	500
US$500m	5.13% Subordinated Notes callable with step-up in 2012 (Note 34.5)	15 May 2007	16 May 2017	**660**	680
US$1,500m	Floating Rate Subordinated Notes callable with step-up in 2012 (Note 34.6)	15 May 2007	16 May 2017	**1,949**	1,930
Total				**5,304**	6,398
Due within 1 year				**–**	1,116
Due after 1 year				**5,304**	5,282
Total				**5,304**	6,398

34.1 Interest is payable semi-annually on 15 May and 15 November commencing 15 November 2001. The fixed rate funding has been converted to floating rate at three-month London Interbank Offer Rate (LIBOR) + 1.25% via interest rate swaps. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules. The notes expired in 2011.

34.2 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.

34.3 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.

34.4 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 Swap Offer Rate + 1.58% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.5 Interest is payable semi-annually on 16 May and 16 November commencing 16 November 2007. The fixed rate funding has been converted to floating rate at three-month LIBOR + 0.22% via interest rate swaps. If the notes are not called at the fifth year, the interest rate steps up and will be set at three-month LIBOR + 1.22% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.6 Interest is payable quarterly on 16 February, 16 May, 16 August and 16 November commencing 16 August 2007. Interest on the notes will be paid initially at three-month LIBOR + 0.22%. If the notes are not called at the fifth year, the interest rate steps up and will be set at three-month LIBOR + 1.22% on the call date. 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 1,667,402 (2010: 1,362,039) ordinary shares, fully paid in cash upon the exercise of the options granted. 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)	**2011**	**2010**
Balance at 1 January	**2,409**	2,382
Issue of shares pursuant to Scrip Dividend Scheme	**39**	25
Issue of shares upon exercise of share options	**2**	2
Balance at 31 December	**2,450**	2,409
The balance includes the following:		
2,350,317,632 (2010: 2,308,790,261) ordinary shares [(a)]	**2,350**	2,309
180,915 (2010: 180,654) non-voting CPS	**#**	#
99,857,155 (2010: 99,713,061) non-voting redeemable CPS	**100**	100
Total	**2,450**	2,409

(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). 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	
In $ millions	Issued share capital	Treasury shares
2011		
Balance at 1 January 2011	**8,780**	**(84)**
Issue of shares pursuant to Scrip Dividend Scheme	**549**	**–**
Draw-down of reserves upon vesting of performance shares	**–**	**45**
Issue of shares upon exercise of share options	**19**	**–**
Reclassification of reserves upon exercise of share options	**2**	**–**
Purchase of treasury shares	**–**	**(115)**
Balance at 31 December 2011	**9,350**	**(154)**
2010		
Balance at 1 January 2010	8,435	(114)
Issue of shares pursuant to Scrip Dividend Scheme	327	–
Draw-down of reserves upon vesting of performance shares	–	30
Issue of shares upon exercise of share options	16	–
Reclassification of reserves upon exercise of share options	2	–
Balance at 31 December 2010	8,780	(84)

As at 31 December 2011, the number of treasury shares held by the Group is 11,320,681 (2010: 5,762,894), which is 0.46% (2010: 0.24%) of the total number of issued shares excluding treasury shares.

Movements in the number of treasury shares are as follows:

	The Group	
Number of shares	2011	2010
Balance at 1 January	**5,762,894**	7,784,454
Purchase of treasury shares	**8,644,000**	–
Vesting of performance shares	**(3,086,213)**	(2,021,560)
Balance at 31 December	**11,320,681**	5,762,894

36 OTHER RESERVES AND REVENUE RESERVES

36.1 Other reserves

	The Group		The Company	
In $ millions	2011	2010	2011	2010
Available-for-sale revaluation reserves	**411**	387	**–**	–
Cash flow hedge reserves	**(16)**	–	**–**	–
General reserves	**2,453**	2,453	**–**	–
Capital reserves	**(130)**	(106)	**–**	–
Share option and share plan reserves	**86**	79	**86**	79
Others	**4,271**	4,271	**–**	–
Total	**7,075**	7,084	**86**	79

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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
2011							
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 on sale	**(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**
2010							
Balance at 1 January 2010	132	–	2,453	(48)	71	4,271	6,879
Net exchange translation adjustments	–	–	–	(70)	–	–	(70)
Share of associates' reserves	–	–	–	12	–	–	12
Cost of share-based payments	–	–	–	–	40	–	40
Reclassification of reserves upon exercise of share options	–	–	–	–	(2)	–	(2)
Draw-down of reserves upon vesting of performance shares	–	–	–	–	(30)	–	(30)
Available-for-sale financial assets:							
– net valuation taken to equity	598	–	–	–	–	–	598
– transferred to income statement on sale	(315)	–	–	–	–	–	(315)
– tax on items taken directly to or transferred from equity	(28)	–	–	–	–	–	(28)
Balance at 31 December 2010	387	–	2,453	(106)	79	4,271	7,084

(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

In $ millions	The Company Share option and share plan reserves
2011	
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**
2010	
Balance at 1 January 2010	71
Cost of share-based payments	40
Reclassification of reserves upon exercise of share options	(2)
Draw-down of reserves upon vesting of performance shares	(30)
Balance at 31 December 2010	79

36.2 Revenue reserves

In $ millions	The Group 2011	2010
Balance at 1 January	**10,819**	10,173
Net profit attributable to shareholders	**3,035**	1,632
Amount available for distribution	**13,854**	11,805
Less: Final dividend on ordinary shares of $0.28 (one-tier tax-exempt) paid for the previous financial year (2010: $0.14 one-tier tax-exempt)	**643**	320
Final dividends on non-voting CPS and non-voting redeemable CPS of $0.02 (one-tier tax-exempt) paid for the previous financial year (2010: nil)	**2**	–
Interim dividends on ordinary shares of $0.28 (one-tier tax-exempt) paid for the current financial year (2010: $0.28 one-tier tax-exempt)	**658**	638
Interim dividends on non-voting CPS and non-voting redeemable CPS of $0.28 (one-tier tax-exempt) paid for the current financial year (2010: $0.28 one-tier tax-exempt)	**28**	28
Balance at 31 December	**12,523**	10,819

36.3 Proposed dividend

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.28 per share and on DBSH non-voting convertible preference share ("CPS") 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 2011 until they are approved at the Annual General Meeting on 25 April 2012.

37 NON-CONTROLLING INTERESTS

In $ millions	The Group 2011	2010
Preference shares issued by the Bank (Note 37.1)	**–**	1,100
Preference shares issued by the Bank (Note 37.2)	**1,700**	1,700
Preference shares issued by the Bank (Note 37.3)	**800**	800
Preference shares issued by DBS Capital Funding Corporation (Note 37.4)	**–**	1,033
Preference shares issued by DBS Capital Funding II Corporation (Note 37.5)	**1,500**	1,500
Other subsidiaries	**275**	370
Total	**4,275**	6,503

37.1 $1,100 million 6% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $100 each, was issued on 28 May 2001 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 15 May and 15 November at a fixed rate of 6% of the liquidation preference per annum, ending on or prior to 15 May 2011, and thereafter on 15 February, 15 May, 15 August and 15 November in each year at a floating rate per annum equal to the three-month Singapore Swap Offer Rate + 2.28%. The issue was redeemed on 16 May 2011.

37.2 $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.

37.3 $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.

37.4 US$725 million 7.66% non-cumulative guaranteed preference shares, Series A, each with a liquidation preference of US$1,000 and $100 million 5.35% non-cumulative guaranteed preference shares, Series B, each with a liquidation preference of $10,000 were issued on 21 March 2001 by DBS Capital Funding Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding Corporation, are payable in arrears on 15 March and 15 September each year at a fixed rate of 7.66% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011 and quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month LIBOR + 3.20% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). In computing the Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital. The issue was redeemed on 15 March 2011.

37.5 $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 Swap Offer Rate + 3.415% per annum. In computing the Group's capital adequacy ratio, 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.

	The Group	
In $ millions	**2011**	**2010**
Guarantees on account of customers	**11,246**	9,876
Endorsements and other obligations on account of customers		
– Letters of credit	**7,324**	5,343
– Others	**2,198**	777
Other contingent items (Note 38.2)	**21**	35
Undrawn loan commitments [a]	**116,278**	94,752
Undisbursed commitments in securities	**133**	204
Sub-total	**137,200**	110,987
Operating lease commitments (Note 38.3)	**881**	921
Capital commitments	**33**	41
Total	**138,114**	111,949
Analysed by industry (except for operating lease commitments and capital commitments)		
Manufacturing	**24,428**	19,605
Building and construction	**9,291**	7,163
Housing loans	**8,779**	5,207
General commerce	**22,083**	14,743
Transportation, storage and communications	**6,232**	6,396
Government	**340**	372
Financial institutions, investment and holding companies	**19,902**	15,271
Professionals and private individuals (except housing loans)	**29,534**	24,515
Others	**16,611**	17,715
Total	**137,200**	110,987
Analysed by geography (except for operating lease commitments and capital commitments) [b]		
Singapore	**57,301**	53,041
Hong Kong	**27,542**	22,666
Rest of Greater China	**14,855**	9,560
South and Southeast Asia	**17,833**	12,002
Rest of the World	**19,669**	13,718
Total	**137,200**	110,987

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group
(b) Based on country of incorporation of counterparties

38.1 The Bank 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, is an amount of $21 million (2010: $35 million), 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 is expected to be extinguished during the course of 2012.

38.3 The Group has existing significant operating lease commitments including the leasing of office premises in DBS Towers One and Two, 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 contracts

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.

Exchange rate contracts

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-related contracts

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-related contracts

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-related contracts

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

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 2011, the gain on hedging instruments was $44 million (2010: loss of $96 million). The total loss on hedged items attributable to the hedged risk amounted to $43 million (2010: gain of $102 million).

Cash flow hedges
The Group's cash flow hedges consist principally of currency forwards transacted to hedge highly probable forecast transactions expected to occur at various future dates against variability in exchange rates. The currency forwards have maturity dates that coincide within the expected occurrence of these transactions. The hedged cash flows are expected to occur over 12 months 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 net investments in foreign operations through financial derivatives and borrowings. The ineffectiveness arising from hedges of net investments in foreign operations is insignificant.

In $ millions	Net investments in foreign operations[(a)]	Financial instruments which hedge the net investments[(b)]	Remaining unhedged currency exposures
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**
2010			
Hong Kong dollar	4,442	4,351	91
US dollar	770	597	173
Others	3,545	2,040	1,505
Total	8,757	6,988	1,769

(a) Refer to net tangible assets of subsidiaries, joint ventures and associates, and capital funds/retained earnings of overseas branches operations
(b) Include 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 2011 and 2010.

In $ millions	2011 Underlying notional	2011 Year-end positive fair values	2011 Year-end negative fair values	2010 Underlying notional	2010 Year-end positive fair values	2010 Year-end negative fair values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	**428**	**–**	**1**	6,453	–	13
Forward rate agreements sold	**1,681**	**1**	**–**	3,108	7	–
Interest rate swaps	**711,406**	**9,123**	**9,166**	671,379	7,022	7,608
Financial futures bought	**13,267**	**1**	**3**	7,587	1	2
Financial futures sold	**9,458**	**1**	**1**	3,310	6	1
Interest rate options bought	**3,776**	**73**	**–**	3,845	37	–
Interest rate options sold	**3,879**	**–**	**83**	4,541	–	50
Interest rate futures options bought	**–**	**–**	**–**	2,484	1	–
Interest rate futures options sold	**780**	**–**	**#**	1,737	–	2
Interest rate caps/floors bought	**9,072**	**334**	**–**	7,301	168	–
Interest rate caps/floors sold	**12,737**	**–**	**575**	10,137	–	246
Sub-total	**766,484**	**9,533**	**9,829**	721,882	7,242	7,922
Foreign exchange (FX) derivatives						
FX contracts	**485,450**	**5,927**	**5,736**	315,484	3,238	3,051
Currency swaps	**98,537**	**2,515**	**3,479**	79,190	3,907	3,603
Currency options bought	**73,663**	**1,275**	**–**	65,952	1,449	–
Currency options sold	**77,050**	**–**	**927**	73,467	–	1,384
Sub-total	**734,700**	**9,717**	**10,142**	534,093	8,594	8,038
Equity derivatives						
Equity options bought	**1,423**	**163**	**–**	1,599	135	–
Equity options sold	**1,386**	**–**	**166**	1,513	–	101
Equity swaps	**994**	**6**	**15**	2,280	18	21
Sub-total	**3,803**	**169**	**181**	5,392	153	122
Credit derivatives						
Credit default swaps and others	**94,902**	**1,544**	**1,635**	75,327	572	822
Sub-total	**94,902**	**1,544**	**1,635**	75,327	572	822
Commodity derivatives						
Commodity contracts	**737**	**11**	**8**	181	–	3
Commodity options bought	**322**	**15**	**–**	67	2	–
Commodity options sold	**227**	**–**	**11**	42	–	–
Sub-total	**1,286**	**26**	**19**	290	2	3
Total derivatives held for trading	**1,601,175**	**20,989**	**21,806**	1,336,984	16,563	16,907
Derivatives held for hedging						
Interest rate swaps held for fair value hedges	**5,526**	**154**	**265**	6,651	150	270
FX contracts held for fair value hedges	**65**	**–**	**6**	348	10	3
FX contracts held for cash flow hedges	**605**	**–**	**18**	–	–	–
FX contracts held for hedges of net investment	**2,830**	**17**	**81**	1,815	44	13
Currency swaps held for fair value hedges	**97**	**1**	**1**	–	–	–
Currency swaps held for hedges of net investment	**1,740**	**3**	**30**	1,724	–	29
Total derivatives held for hedging	**10,863**	**175**	**401**	10,538	204	315
Total derivatives	**1,612,038**	**21,164**	**22,207**	1,347,522	16,767	17,222
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)		**(11,812)**	**(11,812)**		(8,496)	(8,496)
		9,352	**10,395**		8,271	8,726

Amounts less than $500,000

Year-end positive fair values Analysed by geography [(a)]	2011	2010
Singapore	**2,496**	3,200
Hong Kong	**1,788**	2,302
Rest of Greater China	**720**	778
South and Southeast Asia	**1,082**	649
Rest of the World	**15,078**	9,838
Total	**21,164**	16,767

(a) Based on the country in which the counterparty is incorporated

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,277 billion (2010: $1,142 billion) and $335 billion (2010: $206 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.

40 CASH AND CASH EQUIVALENTS

In $ millions	The Group 2011	2010
Cash on hand (Note 17)	**1,629**	1,369
Non-restricted balances with central banks (Note 17)	**17,262**	23,743
Total	**18,891**	25,112

41 SHARE-BASED COMPENSATION PLANS

41.1 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 are not participating in the DBSH Share Option Plan or DBSH Share Plan 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)	
	2011	2010	2011	2010
Balance at 1 January	**5,473,697**	5,355,157	**78**	82
Balance at 31 December	**5,933,584**	5,473,697	**68**	78

41.2 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 movement of the unissued ordinary shares of the Company under outstanding options, the weighted average exercise prices and expiration dates.

	2011		2010	
	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	**11,417,819**	**12.58**	14,920,398	13.26
Movements during the year:				
– Exercised	**(1,667,402)**	**11.38**	(1,362,039)	11.66
– Forfeited/ Expired	**(4,021,897)**	**14.53**	(2,140,540)	17.91
Balance at 31 December	**5,728,520**	**11.56**	11,417,819	12.58
Additional information:				
Weighted average remaining contractual life of options outstanding at 31 December	**1.51 years**		1.77 years	
Range of exercise price of options outstanding at 31 December	**$8.84 to $12.81**		$8.84 to $15.05	

In 2011, 1,667,402 options (2010: 1,362,039) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the Company's shares was $14.10 (2010: $14.36).

DBSH Options	Number of unissued ordinary shares	During the year		Number of unissued ordinary shares	Exercise price per share	Expiry date
	1 January 2011	Exercised	Forfeited/ Expired	31 December 2011		
March 2001	**3,266,807**	**10,000**	**3,256,807**	**–**	**$15.05**	**15 March 2011**
August 2001	**119,987**	**112,929**	**7,058**	**–**	**$11.00**	**01 August 2011**
March 2002	**2,468,690**	**621,759**	**331,307**	**1,515,624**	**$12.53**	**28 March 2012**
August 2002	**136,333**	**56,640**	**7,058**	**72,635**	**$10.43**	**16 August 2012**
December 2002	**11,763**	**–**	**–**	**11,763**	**$9.75**	**18 December 2012**
February 2003	**2,030,364**	**458,723**	**51,402**	**1,520,239**	**$8.84**	**24 February 2013**
March 2004	**2,264,918**	**252,339**	**242,263**	**1,770,316**	**$12.53**	**02 March 2014**
March 2005	**1,118,957**	**155,012**	**126,002**	**837,943**	**$12.81**	**01 March 2015**
	11,417,819	**1,667,402**	**4,021,897**	**5,728,520**		

41.3 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 (also known as "kicker") award. The shares comprised in the retention award constitute twenty percent of the shares comprised in the main award. Effective 2010, the deferral period for unvested shares was extended from a 3-year period to a 4-year period showing a more prudent risk management arrangement. Under the new 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. 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 movement of time-based awards granted in the current and previous financial years pursuant to the Share Plan and their fair values at grant date.

Number of shares	2011 grant	2010 grant
Balance at 1 January 2011	**Not applicable**	**4,131,647**
Granted in 2011	**5,319,354**	**Not applicable**
Vested in 2011	**–**	**(31,469)**
Forfeited in 2011	**(95,259)**	**(95,345)**
Balance at 31 December 2011	**5,224,095**	**4,004,833**
Weighted average fair value per share at grant date	**$14.40**	**$14.28**

Since the inception of the Share Plan, no awards have been cash-settled under the Share Plan.

41.4 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 (at the discretion of the Committee), when time-based conditions are met. The ESP awards are granted at the absolute discretion of the Compensation and Management Development Committee.

Time-based awards were granted in the current and previous financial years. The time-based awards will only vest after the satisfactory completion of time-based service conditions. Similar to the DBSH Share Plan, effective from the 2010 grant, shares will vest at thirty-three percent two years after the date of grant. A further thirty-three percent will vest three years after the date of grant and the remainder thirty-four percent four years after the date of grant. 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 movement of time-based awards granted in the current and previous financial years pursuant to the ESP and their fair values at grant date.

Number of shares	2011 grant	2010 grant
Balance at 1 January 2011	**Not applicable**	**342,200**
Granted in 2011	**526,400**	**Not applicable**
Forfeited in 2011	**(57,800)**	**(35,200)**
Balance at 31 December 2011	**468,600**	**307,000**
Weighted average fair value per share at grant date	**$14.48**	**$14.26**

Since the inception of the ESP, no awards have been cash-settled under the ESP.

42 RELATED PARTY TRANSACTIONS

42.1 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.

42.2 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.

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

In $ millions	The Group 2011	The Group 2010
Short-term benefits [(b)]	**40**	37
Share-based payments [(c)]	**14**	11
Total	**54**	48
Of which: Company Directors' remuneration and fees	**9**	8

(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 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

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as-is prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	The Group			
In $ millions	**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 assets				
– 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	**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**

	The Group			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
2010				
Assets				
Singapore Government securities and treasury bills	11,546	–	–	11,546
Financial assets at fair value through profit or loss [(a)]				
– Debt securities	5,578	379	489	6,446
– Equity securities	346	–	–	346
– Other financial assets	–	3,387	–	3,387
Available-for-sale financial assets				
– Debt securities	15,599	2,438	230	18,267
– Equity securities [(b)]	713	168	137	1,018
– Other financial assets	–	232	–	232
Securities pledged	1,982	–	–	1,982
Positive fair values for financial derivatives	12	16,730	25	16,767
Liabilities				
Financial liabilities at fair value through profit or loss [(c)]				
– Other debt securities in issue	–	2,306	176	2,482
– Other financial liabilities	1,706	5,958	82	7,746
Negative fair values for financial derivatives	7	17,180	35	17,222

(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 $134 million (2010: $125 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

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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 then determines fair value based upon valuation techniques that use as inputs, market parameters 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 over-the-counter (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. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

Securities traded over the counter can be valued using broker, dealer quotes or any other approved sources. The Group may also use valuation models or discounted cash flow technique to determine the fair value.

Most of the OTC derivatives are priced using valuation models. Where derivative products have been established in the markets for some time, the Group uses models that are widely accepted by the industry.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models. OTC derivatives which are valued using unobservable inputs that are supported by little or no market activity which are significant to the fair value of the assets or liabilities are classified as Level 3. For private equities or funds, fair value is reviewed utilising available and relevant market information, e.g. financial statements of the underlying company or funds. This often requires significant management judgement or estimation. These instruments are classified as Level 3.

The following table presents the changes in Level 3 instruments for the financial year ended:

In $ millions	Opening balance	Fair value gains or losses		Purchases	Issues	Settlements	Transfers in	Transfers out	Closing balance
		Profit or loss	Other comprehensive income						
2011									
Assets									
Financial assets at fair value through profit or loss									
– Debt securities	**489**	**19**	**–**	**4**	**–**	**(190)**	**–**	**(112)** [c]	**210**
Available-for-sale financial assets									
– Debt securities	**230**	**–**	**(23)**	**107**	**–**	**(26)**	**104** [b]	**(106)** [c]	**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)** [d]	**28**
– Other financial liabilities	**82** [a]	**–**	**–**	**–**	**–**	**–**	**–**	**(82)** [e]	**–**
Negative fair values for financial derivatives	**35**	**(2)**	**–**	**–**	**–**	**(2)**	**14**	**(27)**	**18**

(a) Principal amounts totalling $82 million are included within the fair value figures for structured investments
(b) Principally reflects transfers from Level 1 & 2 within the fair value hierarchy due to reduced transparency for selected bonds
(c) 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
(d) 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
(e) 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

In $ millions	Opening balance	Fair value gains or losses		Purchases	Issues	Settlements	Transfers in	Transfers out	Closing balance
		Profit or loss	Other comprehensive income						
2010									
Assets									
Financial assets at fair value through profit or loss									
– Debt securities	763	(44)	–	96	–	(326)	50	(50)	489
– Equity securities	2	–	–	3	–	(5)	–	–	–
Available-for-sale financial assets									
– Debt securities	589	1	2	3	–	(165)	68	(268)	230
– Equity securities	141	(12)	–	19	–	(13)	2	–	137
Positive fair values for financial derivatives	68	6	–	–	–	(1)	18	(66)	25
Liabilities									
Financial liabilities at fair value through profit or loss									
– Other debt securities in issue	241	16	–	–	59	(145)	5	–	176
– Other financial liabilities	2,340	(7)	–	–	11	(135)	19	(2,146)	82
Negative fair values for financial derivatives	85	–	–	–	–	(1)	28	(77)	35

Total fair value gains for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2011	29
Total fair value losses for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2010	(51)

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 2011, 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 its 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.

By applying a sensitivity percentage for the Level 3 financial instruments, movement in fair value arising from sensitivity adjustments is assessed as not significant.

43.2 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 debt 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 $134 million as at 31 December 2011 (2010: $125 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.

44 CREDIT RISK

44.1 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 2011**	**Average 2010**	**2011**	**2010**
Cash and balances with central banks (excludes cash on hand)	**26,754**	25,480	**23,675**	29,834
Singapore Government securities and treasury bills	**12,024**	13,753	**12,503**	11,546
Due from banks	**22,939**	21,254	**25,571**	20,306
Financial assets at fair value through profit or loss (excludes equity securities)				
– Other government securities and treasury bills	**4,254**	3,381	**5,662**	2,845
– Corporate debt securities	**3,791**	4,030	**3,980**	3,601
– Loans and advances to customers	**420**	503	**445**	395
– Other financial assets	**2,301**	2,489	**1,611**	2,992
Positive fair values for financial derivatives	**18,965**	16,391	**21,164**	16,767
Loans and advances to customers	**172,986**	140,835	**194,275**	151,698
Financial investments (excludes equity securities)				
– Other government securities and treasury bills	**9,098**	8,079	**9,723**	8,473
– Corporate debt securities	**18,273**	16,982	**19,611**	16,934
Securities pledged				
– Singapore Government securities and treasury bills	**585**	235	**756**	414
– Other government securities and treasury bills	**1,706**	1,129	**1,856**	1,556
– Corporate debt securities	**17**	20	**22**	12
Other assets	**8,055**	6,195	**9,730**	6,379
Credit exposure	**302,168**	260,756	**330,584**	273,752
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**124,094**	104,113	**137,200**	110,987
Total credit exposure	**426,262**	364,869	**467,784**	384,739

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.

44.2 Loans and advances to customers

Loans and advances to customers are summarised as follows:

In $ millions	The Group 2011	2010
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	**194,594**	151,376
– Past due but not impaired (ii)	**633**	528
Non-Performing Loans		
– Impaired (iii)	**2,600**	2,818
Total gross loans (Note 20)	**197,827**	154,722

(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:

	The Group		
In $ millions	**Pass**	**Special mention**	**Total**
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 (except housing loans)	**12,485**	**52**	**12,537**
Others	**19,033**	**284**	**19,317**
Total	**190,734**	**3,860**	**194,594**

	The Group		
In $ millions	**Pass**	**Special mention**	**Total**
2010			
Manufacturing	16,932	1,748	18,680
Building and construction	20,608	581	21,189
Housing loans	38,088	335	38,423
General commerce	15,088	1,347	16,435
Transportation, storage and communications	13,122	553	13,675
Financial institutions, investments and holding companies	17,246	327	17,573
Professionals and private individuals (except housing loans)	10,855	43	10,898
Others	13,898	605	14,503
Total	145,837	5,539	151,376

(ii) Loans and advances past due but not impaired, analysed by past due period and industry

	The Group			
In $ millions	**Up to 30 days past due**	**30-59 days past due**	**60-90 days past due**	**Total**
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 (except housing loans)	**80**	**5**	**4**	**89**
Others	**34**	**5**	**–**	**39**
Total	**577**	**44**	**12**	**633**

	The Group			
In $ millions	Up to 30 days past due	30-59 days past due	60-90 days past due	Total
2010				
Manufacturing	48	5	2	55
Building and construction	97	3	5	105
Housing loans	126	8	2	136
General commerce	51	5	–	56
Transportation, storage and communications	61	1	–	62
Financial institutions, investment and holding companies	3	–	–	3
Professionals and private individuals (except housing loans)	65	10	3	78
Others	30	2	1	33
Total	481	34	13	528

(iii) Non-performing assets

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
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 (except 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**

In $ millions	The Group NPAs [a] Sub-standard	Doubtful	Loss	Total	Specific allowances [a] Sub-standard	Doubtful	Loss	Total
2010								
Customer loans								
Manufacturing	190	166	146	502	18	161	146	325
Building and construction	74	7	9	90	9	7	9	25
Housing loans	104	–	14	118	2	–	15	17
General commerce	139	61	48	248	5	53	49	107
Transportation, storage and communications	554	75	17	646	109	57	17	183
Financial institutions, investment and holding companies	635	299	26	960	175	198	26	399
Professional and private individuals (except housing loans)	123	10	40	173	25	8	41	74
Others	54	32	55	141	2	27	53	82
Total customer loans	1,873	650	355	2,878	345	511	356	1,212
Debt securities	17	5	6	28	–	1	5	6
Contingent items and others	196	82	29	307	29	68	30	127
Total	2,086	737	390	3,213	374	580	391	1,345

(a) NPAs and specific allowances for customer loans each includes $39 million (2010: $60 million) in interest receivables

Non-performing assets by region

In $ millions	NPAs	The Group Specific allowances	General allowances
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**
2010			
Singapore	675	223	774
Hong Kong	362	214	398
Rest of Greater China	252	166	161
South and Southeast Asia	336	164	220
Rest of the World	1,588	578	299
Total	3,213	1,345	1,852

Non-performing assets by past due period

In $ millions	The Group 2011	2010
Not overdue	**1,161**	1,294
< 90 days past due	**169**	225
91-180 days past due	**607**	124
> 180 days past due	**967**	1,570
Total past due assets	**1,743**	1,919
Total	**2,904**	3,213

Collateral value for non-performing assets

In $ millions	The Group 2011	2010
Properties	**355**	250
Shares and debentures	**78**	85
Fixed deposits	**41**	38
Others	**213**	317
Total	**687**	690

Past due non-performing assets by industry

In $ millions	The Group 2011	The Group 2010
Manufacturing	**318**	328
Building and construction	**74**	84
Housing loans	**98**	114
General commerce	**161**	147
Transportation, storage and communications	**365**	18
Financial institutions, investment and holding companies	**400**	861
Professional and private individuals (except housing loans)	**136**	126
Others	**93**	105
Sub-total	**1,645**	1,783
Debt securities, contingent items and others	**98**	136
Total	**1,743**	1,919

Past due non-performing assets by region

In $ millions	The Group 2011	The Group 2010
Singapore	**315**	345
Hong Kong	**273**	282
Rest of Greater China	**147**	149
South and Southeast Asia	**151**	99
Rest of the World	**759**	908
Sub-total	**1,645**	1,783
Debt securities, contingent items and others	**98**	136
Total	**1,743**	1,919

Restructured non-performing assets

In $ millions	The Group NPAs	The Group Specific allowances
2011		
Substandard	**835**	**199**
Doubtful	**120**	**97**
Loss	**35**	**35**
Total	**990**	**331**
2010		
Substandard	443	47
Doubtful	145	128
Loss	28	28
Total	616	203

44.3 Credit quality of Singapore Government securities and treasury bills, financial assets at fair value through profit or loss, financial investments and securities pledged [(a)]

The table below presents an analysis of Singapore Government securities and treasury bills, financial assets at fair value through profit or loss, financial investments and securities pledged for the Group by rating agency designation at 31 December:

		Financial assets at fair value through profit or loss					Financial investments			
In $ millions External rating	**Singapore Government securities and treasury bills**	**Other government securities and treasury bills**	**Corporate debt securities**	**Loans and advances to customer**	**Other financial assets (due from banks) [(b)]**	**Total**	**Other government securities and treasury bills**	**Corporate debt securities**	**Total**	**Securities pledged**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)=(2+3+4+5)**	**(7)**	**(8)**	**(9)=(7+8)**	**(10)**
2011										
AAA	**12,503**	**863**	**625**	**–**	**–**	**1,488**	**1,250**	**2,885**	**4,135**	**756**
AA- to AA+	**–**	**1,050**	**158**	**–**	**–**	**1,208**	**6,062**	**2,272**	**8,334**	**1,398**
A- to A+	**–**	**1,514**	**1,322**	**–**	**–**	**2,836**	**1,386**	**5,563**	**6,949**	**9**
Lower than A-	**–**	**2,235**	**952**	**–**	**–**	**3,187**	**1,025**	**1,905**	**2,930**	**471**
Unrated	**–**	**–**	**923**	**445**	**1,611**	**2,979**	**–**	**6,986**	**6,986**	**–**
Total	**12,503**	**5,662**	**3,980**	**445**	**1,611**	**11,698**	**9,723**	**19,611**	**29,334**	**2,634**
2010										
AAA	11,546	341	285	–	–	626	4,448	3,002	7,450	414
AA- to AA+	–	37	165	–	–	202	1,350	2,023	3,373	1,270
A- to A+	–	384	1,362	–	–	1,746	1,899	6,024	7,923	12
Lower than A-	–	2,083	1,175	–	–	3,258	776	1,748	2,524	286
Unrated	–	–	614	395	2,992	4,001	–	4,137	4,137	–
Total	11,546	2,845	3,601	395	2,992	9,833	8,473	16,934	25,407	1,982

(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"

Credit exposures by Country of Incorporation

At 31 December 2011, the Group had exposures to various countries where net exposure exceeded 1% of the Group's total assets. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

The Group's exposures exceeding 1% of the Group's total assets as at 31 December are as follows:

	Loans and debt securities				Total exposure	
In $ millions **Assets in**	**Banks**	**Central banks and government securities**	**Non-banks**[a]	**Investments**	**Amount**	**As a % of Total assets**
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2011						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong SAR	**1,955**	**3,584**	**41,689**	**75**	**47,303**	**13.9**
China	**6,067**	**2,157**	**23,226**	**192**	**31,642** [b]	**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**
2010						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong SAR	3,554	2,288	37,631	79	43,552	15.4
China	3,947	1,346	8,023	291	13,607	4.8
India	3,944	1,047	6,911	46	11,948	4.2
South Korea	2,133	1,965	4,491	–	8,589	3.0
Taiwan	217	1,982	5,108	20	7,327	2.6
Indonesia	191	1,700	4,394	15	6,300	2.2
United States	995	2,862	1,727	106	5,690	2.0
United Kingdom	1,479	375	2,612	9	4,475	1.6
Malaysia	1,148	143	2,837	101	4,229	1.5
Japan	1,156	1	2,375	1	3,533	1.2
Total	18,764	13,709	76,109	668	109,250	38.5

(a) Non-bank loans include loans to government and quasi-government entities
(b) The increase in China exposure was largely driven by trade finance

45 MARKET RISK

45.1 Market risk

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 1 Jan 2011 to 31 Dec 2011		
In $ millions	**As at 31 Dec 2011**	**Average**	**High**	**Low**
Total	**37**	**27**	**42**	**14**

		The Group 1 Jan 2010 to 31 Dec 2010		
In $ millions	**As at 31 Dec 2010**	**Average**	**High**	**Low**
Total	31	27	39	15

Although VaR provides valuable insights, no single measure can capture all aspects of market risk. Therefore, regular stress testing is carried out to monitor the Group's vulnerability to shocks.

The Group has a comprehensive capital-linked risk appetite framework for all types of market risk, including interest rate risk in the banking book, in line with its internal capital adequacy assessment process. The Group level total VaR associated with this framework is tabulated below, showing the period-end, average, high and low VaR (at a 99% confidence level over a one-day holding period).

		The Group 1 Jan 2011 to 31 Dec 2011		
In $ millions	**As at 31 Dec 2011**	**Average**	**High**	**Low**
Total	**61**	**57**	**70**	**45**

		The Group 1 Jan 2010 to 31 Dec 2010		
In $ millions	**As at 31 Dec 2010**	**Average**	**High**	**Low**
Total	65	56	74	38

The economic value impact of changes in interest rates is simulated under various assumptions for the banking book. Based on a 200 basis point upward parallel shock to all yield curves, the simulated economic value change is negative $433 million (2010: negative $465 million). The corresponding simulated economic value change for a 200 basis point downward shock is positive $573 million (2010: positive $499 million).

45.2 Interest rate repricing gaps

The following tables summarise the Group's assets and liabilities across the banking and trading books at their carrying amounts as at 31 December, categorised by the earlier of contractual repricing or maturity dates. Actual dates may differ from contractual dates owing to prepayments and the exercise of options. It should also be noted that any representation of interest rate risk at a specific date offers only a snapshot of the risks taken by the Group, since the position is actively managed.

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
2011								
Cash and balances with central banks	**4,697**	**5,901**	**7,242**	**1,459**	**–**	**–**	**6,005**	**25,304**
Due from banks	**7,631**	**3,180**	**4,836**	**6,225**	**1,189**	**–**	**2,510**	**25,571**
Financial assets at fair value through profit or loss	**421**	**1,359**	**1,821**	**3,614**	**2,734**	**1,749**	**229**	**11,927**
Other securities [(a)]	**302**	**3,860**	**8,296**	**8,999**	**7,226**	**15,787**	**1,158**	**45,628**
Loans and advances to customers	**30,960**	**62,793**	**44,034**	**31,343**	**18,317**	**5,531**	**1,297**	**194,275**
Other assets [(b)]	**–**	**–**	**–**	**–**	**–**	**–**	**38,142**	**38,142**
Total assets	**44,011**	**77,093**	**66,229**	**51,640**	**29,466**	**23,067**	**49,341**	**340,847**
Due to banks	**11,606**	**7,686**	**6,920**	**793**	**–**	**65**	**531**	**27,601**
Due to non-bank customers	**146,836**	**25,730**	**25,336**	**19,173**	**1,680**	**237**	**–**	**218,992**
Financial liabilities at fair value through profit or loss	**1,562**	**1,753**	**2,005**	**3,573**	**1,368**	**1,591**	**60**	**11,912**
Other liabilities [(c)]	**3,803**	**3,633**	**4,046**	**1,142**	**369**	**1,940**	**29,036**	**43,969**
Subordinated term debts	**–**	**1,170**	**1,949**	**660**	**1,025**	**500**	**–**	**5,304**
Total liabilities	**163,807**	**39,972**	**40,256**	**25,341**	**4,442**	**4,333**	**29,627**	**307,778**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**4,275**	**4,275**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**28,794**	**28,794**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**33,069**	**33,069**
On-balance sheet interest rate gap	**(119,796)**	**37,121**	**25,973**	**26,299**	**25,024**	**18,734**	**(13,355)**	**–**
Off-balance sheet interest rate gap – Financial derivatives [(d)]	**2,206**	**7,617**	**4,957**	**(8,083)**	**(4,278)**	**(2,419)**	**–**	**–**
2010								
Cash and balances with central banks	3,624	7,064	12,818	1,168	–	–	6,529	31,203
Due from banks	3,460	5,583	4,509	3,572	–	–	3,182	20,306
Financial assets at fair value through profit or loss	500	1,920	1,627	2,894	1,171	1,721	346	10,179
Other securities [(a)]	372	1,776	7,895	5,146	9,170	14,577	1,142	40,078
Loans and advances to customers	25,538	47,572	35,957	19,575	14,440	6,995	1,621	151,698
Other assets [(b)]	–	–	–	–	–	–	30,246	30,246
Total assets	33,494	63,915	62,806	32,355	24,781	23,293	43,066	283,710
Due to banks	5,208	9,377	2,981	753	–	–	492	18,811
Due to non-bank customers	129,670	21,085	19,201	14,486	1,497	1,756	–	187,695
Financial liabilities at fair value through profit or loss	788	1,119	1,510	2,969	2,177	1,648	17	10,228
Other liabilities [(c)]	1,509	251	244	531	388	1,541	23,012	27,476
Subordinated term debts	–	1,158	1,930	1,116	680	1,514	–	6,398
Total liabilities	137,175	32,990	25,866	19,855	4,742	6,459	23,521	250,608
Non-controlling interests	–	–	–	–	–	–	6,503	6,503
Shareholders' funds	–	–	–	–	–	–	26,599	26,599
Total equity	–	–	–	–	–	–	33,102	33,102
On-balance sheet interest rate gap	(103,681)	30,925	36,940	12,500	20,039	16,834	(13,557)	–
Off-balance sheet interest rate gap – Financial derivatives [(d)]	8,326	9,522	(5,684)	(4,670)	(4,205)	(3,289)	–	–

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged

(b) Other assets include positive fair values for financial derivatives, investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets

(c) Other liabilities include negative fair values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue and other liabilities

(d) Off-balance sheet items are represented at notional values

46 LIQUIDITY RISK

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

In $ millions	2011 Up to 1 year	2011 More than 1 year	2011 Total	2010 Up to 1 year	2010 More than 1 year	2010 Total
Cash and balances with central banks	**25,304**	**–**	**25,304**	31,203	–	31,203
Singapore Government securities and treasury bills	**6,209**	**6,294**	**12,503**	3,329	8,217	11,546
Due from banks	**24,383**	**1,188**	**25,571**	18,362	1,944	20,306
Financial assets at fair value through profit or loss	**6,633**	**5,294**	**11,927**	6,615	3,564	10,179
Positive fair values for financial derivatives	**21,164**	**–**	**21,164**	16,767	–	16,767
Loans and advances to customers	**86,134**	**108,141**	**194,275**	55,955	95,743	151,698
Financial investments	**9,509**	**20,982**	**30,491**	7,655	18,895	26,550
Securities pledged	**1,423**	**1,211**	**2,634**	940	1,042	1,982
Investments in associates	**–**	**949**	**949**	–	813	813
Goodwill on consolidation	**–**	**4,802**	**4,802**	–	4,802	4,802
Properties and other fixed assets	**–**	**976**	**976**	–	1,025	1,025
Investment properties	**–**	**372**	**372**	–	358	358
Deferred tax assets	**–**	**149**	**149**	–	102	102
Other assets	**7,595**	**2,135**	**9,730**	5,465	914	6,379
Total assets	**188,354**	**152,493**	**340,847**	146,291	137,419	283,710
Due to banks	**26,124**	**1,477**	**27,601**	18,425	386	18,811
Due to non-bank customers	**217,075**	**1,917**	**218,992**	184,442	3,253	187,695
Financial liabilities at fair value through profit or loss	**7,624**	**4,288**	**11,912**	5,677	4,551	10,228
Negative fair values for financial derivatives	**22,207**	**–**	**22,207**	17,222	–	17,222
Bills payable	**254**	**–**	**254**	601	–	601
Current tax liabilities	**837**	**–**	**837**	879	–	879
Deferred tax liabilities	**–**	**30**	**30**	–	40	40
Other liabilities	**8,330**	**1,957**	**10,287**	5,392	1,182	6,574
Other debt securities in issue	**7,945**	**2,409**	**10,354**	505	1,655	2,160
Subordinated term debts	**–**	**5,304**	**5,304**	1,116	5,282	6,398
Total liabilities	**290,396**	**17,382**	**307,778**	234,259	16,349	250,608
Non-controlling interests	**–**	**4,275**	**4,275**	–	6,503	6,503
Shareholders' funds	**–**	**28,794**	**28,794**	–	26,599	26,599
Total equity	**–**	**33,069**	**33,069**	–	33,102	33,102

The table below shows the assets and liabilities of the Group 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
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**
2010							
Cash and balances with central banks	10,154	7,069	12,832	1,168	–	–	31,223
Due from banks	6,018	5,552	4,110	2,694	1,982	–	20,356
Financial assets at fair value through profit or loss	381	1,850	1,147	3,118	4,106	346	10,948
Other securities [(a)]	179	529	4,193	6,700	31,931	1,143	44,675
Loans and advances to customers	10,850	12,226	13,758	21,146	104,635	–	162,615
Other assets [(b)]	1,435	115	319	89	914	10,141	13,013
Total assets	29,017	27,341	36,359	34,915	143,568	11,630	282,830
Due to banks	5,701	9,380	2,599	755	386	–	18,821
Due to non-bank customers	129,678	21,112	19,239	14,569	3,332	–	187,930
Financial liabilities at fair value through profit or loss	754	797	1,059	3,091	4,538	17	10,256
Other liabilities [(c)]	3,277	876	363	1,021	3,042	1,812	10,391
Subordinated term debts	–	14	2	1,238	5,651	–	6,905
Total liabilities	139,410	32,179	23,262	20,674	16,949	1,829	234,303
Non-controlling interests	–	–	–	–	–	6,503	6,503
Shareholders' funds	–	–	–	–	–	26,599	26,599
Total equity	–	–	–	–	–	33,102	33,102
Derivatives settled on a net basis [(d)]	(284)	1	(66)	26	(485)	–	(808)
Net liquidity gap	(110,677)	(4,837)	13,031	14,267	126,134	(23,301)	14,617

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged
(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, related 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 behavioral basis for liquidity risk analysis, the assets and liabilities cash flows may differ from contractual basis.

46.1 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
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**
2010						
Foreign exchange derivatives						
– outflow	37,345	47,079	64,501	98,369	50,635	297,929
– inflow	37,356	47,244	64,632	98,767	50,249	298,248

46.2 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
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**
2010					
Guarantees, endorsements and other contingent items	16,031	–	–	–	16,031
Undrawn loan commitments [(a)] and other facilities	90,044	2,410	1,949	553	94,956
Operating lease commitments	132	312	185	292	921
Capital commitments	40	1	–	–	41
Total	106,247	2,723	2,134	845	111,949

(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.

46.3 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.

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
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**
2010					
Net liquidity mismatch	15,969	6,844	16,810	(2,297)	3,328
Cumulative mismatch	15,969	22,813	39,623	37,326	40,654

(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. Notwithstanding this, the change from the previous year reflects the strong loan growth relative to deposits increase over 2011.

47 CAPITAL MANAGEMENT

The Group's capital management policies 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 capital adequacy ratios prescribed by the regulators.

The capital management process, which is under the oversight of the Capital and Balance Sheet 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 applicable jurisdiction and industry they operate in. Available capital is allocated across competing demands, guided by the policies outlined above, and to ensure regulatory compliance. Quarterly updates are provided to the Board of Directors.

The Group has adopted the capital adequacy requirements of Basel II as set out in the revised Monetary Authority of Singapore Notice to Banks No. 637 (Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore) with effect from 1 January 2008.

The following table sets forth details of capital resources and capital adequacy ratios for the Group. MAS Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore" sets out the current requirements relating to the minimum capital adequacy ratios for a bank incorporated in Singapore and the methodology a bank incorporated in Singapore shall use for calculating these ratios.

In $ millions	2011	2010
Tier 1 Capital		
Share capital	**9,350**	8,780
Disclosed reserves and others	**23,308**	23,927
Less: Tier 1 Deductions	**5,123**	5,064
Eligible Tier 1 Capital	**27,535**	27,643
Tier 2 Capital		
Loan allowances admitted as Tier 2	**1,151**	696
Subordinated debts	**5,305**	5,281
Revaluation surplus from equity securities	**29**	149
Less: Tier 2 Deductions	**192**	142
Total eligible capital	**33,828**	33,627
Risk-weighted assets	**213,722**	182,694
Capital Adequacy Ratio (%)		
Tier 1 ratio	**12.9**	15.1
Total (Tier 1 and 2) ratio	**15.8**	18.4
Core Tier 1 ratio [a]		
– with phase in deduction of 0% to end 2013	**12.9**	14.5
– with full deduction	**11.0**	11.8

(a) In June 2011, the MAS announced the Basel III requirements for Singapore-incorporated banks, which included a progressive phase-in for deductions against common equity starting from an initial 0% in 2013 and reaching 100% by 2018. If the 2013 deduction requirements were to be applied to the Group's December 2011 position, and without taking into account any other changes required by Basel III, the equivalent Core Tier 1 would be 12.9

48 SEGMENT REPORTING

48.1 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/Private Banking
Consumer/Private Banking 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 its customer relationships. The products and services available to customers include a full range of credit facilities ranging 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. Institutional Banking also provides brokerage services for equities and derivatives products through DBS Vickers Securities (DBSV). DBSV itself offers a wide range of services to retail and corporate customers including research, sales and trading, share placement, nominees and securities custodian services and the distribution of primary and secondary share issues.

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/Private Banking and Institutional Banking, is reflected in the respective segments. Treasury is also responsible for facilitating the execution of the Group's asset and liability interest rate positions and management of the investment of the Group's excess liquidity and shareholders' funds.

Others
Others encompasses a range of activities from corporate decisions and income and expenses not attributed to the business segments described above.

During the year, no one group of related customers 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/ Private Banking	Institutional Banking	Treasury	Others	Total
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**
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 expenses [(a)]	**43**	**26**	**13**	**103**	**185**
2010					
Net interest income	1,398	1,995	840	85	4,318
Non-interest income	667	1,518	393	170	2,748
Total income	2,065	3,513	1,233	255	7,066
Expenses	1,471	1,119	368	(33)	2,925
Goodwill charges	–	–	–	1,018	1,018
Allowances for credit and other losses	55	812	(2)	46	911
Share of profits of associates	–	25	–	77	102
Profit before tax	539	1,607	867	(699)	2,314
Total assets before goodwill	51,328	118,572	98,735	10,273	278,908
Goodwill on consolidation					4,802
Total assets					283,710
Total liabilities	117,529	80,559	42,584	9,936	250,608
Capital expenditure	45	28	10	93	176
Depreciation expenses [(a)]	46	20	10	117	193

(a) Amounts for each business segment are shown before allocation of centralised cost

48.2 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[(b)]	South and Southeast Asia[(c)]	Rest of the World[(d)]	Total
2011						
Total income	**4,719**	**1,453**	**612**	**557**	**290**	**7,631**
Net profit	**1,877**	**571**	**178**	**285**	**124**	**3,035**
Total assets before goodwill	**207,370**	**68,501**	**31,281**	**16,224**	**12,669**	**336,045**
Goodwill on consolidation	**4,802**	**–**	**–**	**–**	**–**	**4,802**
Total assets	**212,172**	**68,501**	**31,281**	**16,224**	**12,669**	**340,847**
Non-current assets [(e)]	**1,759**	**376**	**133**	**27**	**2**	**2,297**
2010						
Total income	4,426	1,465	426	457	292	7,066
Net profit	670 [(a)]	579	47	203	133	1,632
Total assets before goodwill	179,813	52,489	21,033	13,710	11,863	278,908
Goodwill on consolidation	4,802	–	–	–	–	4,802
Total assets	184,615	52,489	21,033	13,710	11,863	283,710
Non-current assets [(e)]	1,623	406	129	36	2	2,196

(a) Includes goodwill charges of $1,018 million in 2010
(b) Rest of Greater China includes branch, subsidiary and associate operations in Mainland China and Taiwan
(c) South and Southeast Asia includes branch, subsidiary and associate operations in India, Indonesia, Malaysia, Vietnam and the Philippines
(d) Rest of the World includes branch operations in South Korea, Japan, Dubai, United States of America and United Kingdom
(e) Includes investment in associates, properties and other fixed assets, and investment properties

49 LIST OF SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND SPECIAL PURPOSE ENTITIES

The main operating subsidiaries in the Group are listed below:

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2011	Effective shareholding % 2010
	Held by the Company						
1.	DBS Bank Ltd	Retail, corporate and investment banking services	Singapore	SGD	16,196	**100**	100
	Held by the Bank						
2.	DBS China Square Ltd	Property investment holding	Singapore	SGD	229	**70**	70
3.	DBS Trustee Ltd	Trustee services	Singapore	SGD	3	**100**	100
4.	DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	403	**100**	100
5.	The Islamic Bank of Asia Limited	Provision of Shariah compliant direct investment and capital market services	Singapore	USD	265	**50**	50
6.	DBS Nominees Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
7.	DBSN Services Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
8.	Primefield Company Pte Ltd	Investment holding	Singapore	SGD	12	**100**	100
9.	DBS Capital Investments Ltd	Venture capital investment holding	Singapore	SGD	2	**100**	100
10.	DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	3,694	**100**	100
11.	DBS Group Holdings (Hong Kong) Ltd	Investment holding	Bermuda	HKD	2,619	**100**	100
12.	DBS Capital Funding Corporation**	Capital funding	Cayman Islands	USD	#	**100**	100
13.	DBS Capital Funding II Corporation**	Capital funding	Cayman Islands	USD	#	**100**	100
14.	DBS Bank (China) Limited*	Retail, small and medium-sized enterprise and corporate banking services	China	CNY	4,000	**100**	100
15.	DBS Private Equity Enterprise [(a)] *	Investment holding	China	CNY	102	**99**	99
16.	DBS Asia Capital Limited*	Corporate finance and advisory services	Hong Kong	HKD	92	**100**	100
17.	PT Bank DBS Indonesia*	Commercial banking and financial services	Indonesia	IDR	2,225,000	**99**	99
18.	DBSAM Funds*	Collective investment scheme	Luxembourg	USD	10	**99.7**	100
19.	DBS Insurance Agency (Taiwan) Limited*	Provision of insurance agency services	Taiwan	TWD	3	**100**	100
20.	DBS Bank (Taiwan) Limited*	Retail, small and medium-sized enterprise and corporate banking services	Taiwan	TWD	10,000	**100**	–
	Held by other subsidiaries						
21.	AXS Pte Ltd [(b)]	Development and operation of multimedia transactional pay phone kiosks	Singapore	SGD	19	**86.2**	86.2
22.	DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	**100**	100
23.	DBS Vickers Research (Singapore) Pte Ltd	Market research consultants	Singapore	SGD	1	**100**	100
24.	DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2011	Effective shareholding % 2010
25.	DBS Bank (Hong Kong) Limited*	Retail, corporate and investment banking services	Hong Kong	HKD	7,000	**100**	100
26.	DBS Corporate Services (Hong Kong) Limited*	Investment holding and corporate services	Hong Kong	HKD	1	**100**	100
27.	DHB Limited*	Investment holding	Hong Kong	HKD	2,300	**100**	100
28.	DBS Vickers (Hong Kong) Limited*	Securities and futures broker	Hong Kong	HKD	150	**100**	100
29.	DBS Vickers Securities Nominees (Hong Kong) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
30.	DBS Vickers Securities (Hong Kong) Limited*	Investment holding	Hong Kong	HKD	8	**100**	100
31.	Kenson Asia Limited*	Corporate services	Hong Kong	HKD	#	**100**	100
32.	Kingly Management Limited*	Corporate services	Hong Kong	HKD	#	**100**	100
33.	Ting Hong Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
34.	Hang Lung Bank (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
35.	DBS Kwong On (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
36.	Overseas Trust Bank Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
37.	Worldson Services Limited*	Corporate services	Hong Kong	HKD	#	**100**	100
38.	DBS Trustee (Hong Kong) Limited*	Trustee services	Hong Kong	HKD	3	**100**	100
39.	PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	**99**	99
40.	DBS Vickers Securities (Thailand) Co. Ltd*	Securities broker	Thailand	THB	795	**100**	100
41.	DHJ Management Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
42.	JT Administration Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
43.	Market Success Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
44.	Kendrick Services Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
45.	Lushington Investment Limited**	Corporate shareholding services	British Virgin Islands	USD	#	**100**	100
46.	Quickway Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
47.	DBS Group (HK) Limited*	Investment holding	Bermuda	USD	588	**100**	100
48.	DBS Vickers Securities (UK) Ltd*	Securities broker	United Kingdom	GBP	#	**100**	100
49.	DBS Vickers Securities (USA), Inc***	Securities broker	United States	USD	3	**100**	100
50.	DBS Trustee H.K. (Jersey) Limited*	Trustee services	Jersey	GBP	#	**100**	100
51.	DBS Trustee H.K. (New Zealand) Limited*	Trustee services	New Zealand	NZD	#	**100**	100
52.	DNZ Limited**	Nominee services	Samoa	USD	#	**100**	100
53.	DBS Investment & Financial Advisory Co. Ltd*	Corporate finance and advisory services	China	USD	1	**100**	100

 # Amount under $500,000
** Audited by PricewaterhouseCoopers network firms outside Singapore*
*** No statutory audit was performed for these companies as it is not mandatory under local laws and regulations*
**** Audited by other auditors*
(a) In addition to the shareholding of 99%, there is a direct shareholding of 1% (2010: 1%) held through DBS Capital Investments Ltd
(b) Shareholding includes 26.4% (2010: 26.4%) held through the Bank. In addition, there is an indirect shareholding of 10.6% (2010: 10.6%) held through Network for Electronic Transfers (Singapore) Pte Ltd

The main joint ventures in the Group are listed below:

	Name of joint venture	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2011	Effective shareholding % 2010
	Held by the Bank						
1.	Ayala DBS Holdings Inc.***	Investment holding	The Philippines	PHP	3,340	**40.0**	40.0
	Held by other subsidiaries						
2.	Hutchinson DBS Card Limited*	Provision of credit card services	British Virgin Islands	HKD	1	**50.0**	50.0

* *Audited by PricewaterhouseCoopers network firms outside Singapore*
*** *Audited by other auditors*

The main associates in the Group are listed below:

	Name of associate	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2011	Effective shareholding % 2010
	Quoted – Held by the Bank						
1.	Bank of the Philippine Islands***	Commercial banking and financial services	The Philippines	PHP	35,562	**20.3**	20.3
	Quoted – Held by other subsidiaries						
2.	Hwang – DBS (Malaysia) Bhd [(a)] *	Investment holding	Malaysia	RM	266	**27.7**	27.7
	Unquoted – Held by the Bank						
3.	Century Horse Group Limited***	Financial services	British Virgin Islands	USD	#	**20.0**	20.0
4.	Clearing and Payment Services Pte Ltd	Provides service infrastructure for clearing payment and settlement of financial transactions	Singapore	SGD	#	**33.3**	33.3
5.	Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	SGD	7	**33.3**	33.3
6.	Orix Leasing Singapore Ltd***	Leasing and hire-purchase financing of equipment, provision of installment loans and working capital financing	Singapore	SGD	3	**30.0**	30.0
7.	Raffles Fund 1 Limited***	Investment management services	Cayman Islands	USD	13	**24.2**	24.2
8.	Investment and Capital Corporation of the Philippines***	Financial services	The Philippines	PHP	300	**20.0**	20.0
9.	The Asian Entrepreneur Legacy One, L.P.***	Investment holding	Cayman Islands	USD	477	**20.0**	12.0
10.	Changsheng Fund Management Company***	Establishment and management of investment	China	CNY	150	**33.0**	33.0
	Unquoted – Held by other subsidiaries						
11.	Hwang-DBS Vickers Research Sdn Bhd [(b)]*	Investment management	Malaysia	RM	3	**49.0**	49.0

\# *Amount under $500,000*
* *Audited by PricewaterhouseCoopers network firms outside Singapore*
*** *Audited by other auditors*
(a) *Shareholding includes 4.15% held through the Bank*
(b) *In addition to the effective shareholding of 49%, there is an indirect shareholding of 14.1% (2010: 14.1%) held through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied*

Disposal of interests in subsidiaries/associates

During the year, DBS Bank Ltd ("DBS") and Nikko Asset Management Group ("Nikko AM") completed the agreement to combine DBS Asset Management Ltd ("DBSAM") and Nikko AM under the new legal identity as Nikko Asset Management Asia Limited. Under the terms of the agreement with DBS, Nikko AM acquired 100% of DBSAM, a 30% stake in Hwang-DBS Investment Management Berhad, a 51% stake in Asian Islamic Investment Management Sdn. Bhd and 100% of DBSAM's Hong Kong and US subsidiaries. DBSAM's 33% stake in Changsheng Fund Management Company was not part of the transaction and had been transferred to DBS.

A $47 million gain was recognised from the transaction to combine DBSAM and Nikko AM (Note 10).

Appointment of auditors

The Group has complied with Rule 712 and Rule 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

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
1. Zenesis SPC	Issuance of structured products	Cayman Islands
2. Constellation Investment Ltd	Issuance of structured notes	Cayman Islands

INCOME STATEMENT

for the year ended 31 December 2011

In $ millions	Note	2011	2010
Income			
Interest income		**4,763**	4,256
Interest expense		**1,260**	1,126
Net interest income		**3,503**	3,130
Net fee and commission income		**1,068**	910
Net trading income		**456**	1,022
Net loss from financial instruments designated at fair value		**(9)**	(1)
Net income from financial investments	2	**593**	386
Other income		**144**	23
Total income		**5,755**	5,470
Expenses			
Employee benefits		**1,121**	906
Other expenses		**1,074**	904
Allowances for credit and other losses		**587**	757
Total expenses		**2,782**	2,567
Profit before tax		**2,973**	2,903
Income tax expense		**325**	357
Net profit for the year		**2,648**	2,546

(see notes on pages 154 to 155, which form part of these financial statements)

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

In $ millions	2011	2010
Net profit for the year	**2,648**	2,546
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**(12)**	–
Available-for-sale financial assets and others		
Net valuation taken to equity	**411**	577
Transferred to income statement on sale	**(420)**	(292)
Tax on items taken directly to or transferred from equity	**29**	(30)
Other comprehensive income for the year, net of tax	**8**	255
Total comprehensive income	**2,656**	2,801

(see notes on pages 154 to 155, which form part of these financial statements)

BALANCE SHEET

as at 31 December 2011

In $ millions	Note	2011	2010
Assets			
Cash and balances with central banks		**21,728**	29,217
Singapore Government securities and treasury bills		**12,503**	11,546
Due from banks		**19,537**	14,200
Financial assets at fair value through profit or loss		**9,867**	9,304
Positive fair values for financial derivatives		**21,034**	16,632
Loans and advances to customers		**149,600**	117,747
Financial investments		**25,325**	21,633
Securities pledged		**1,236**	712
Subsidiaries	3	**14,435**	11,880
Due from special purpose entities		**15**	–
Investments in joint ventures		**1**	1
Investments in associates		**1,109**	988
Properties and other fixed assets		**467**	451
Investment properties		**43**	54
Deferred tax assets		**60**	50
Other assets		**4,933**	4,057
Total assets		**281,893**	238,472
Liabilities			
Due to banks		**25,846**	17,548
Due to non-bank customers		**176,684**	147,763
Financial liabilities at fair value through profit or loss		**5,890**	6,612
Negative fair values for financial derivatives		**22,009**	16,903
Bills payable		**204**	560
Current tax liabilities		**742**	782
Other liabilities		**4,987**	3,554
Other debt securities in issue		**7,609**	1,194
Due to holding company		**1,533**	2,362
Due to subsidiaries	4	**2,449**	7,549
Due to special purpose entities		**112**	130
Subordinated term debts		**5,304**	6,398
Total liabilities		**253,369**	211,355
Net assets		**28,524**	27,117
Equity			
Share capital	5	**16,196**	15,945
Other reserves	6	**2,748**	2,740
Revenue reserves	6	**9,580**	8,432
Shareholders' funds		**28,524**	27,117
Total equity		**28,524**	27,117
Off-balance sheet items			
Contingent liabilities and commitments		**105,534**	87,762
Financial derivatives		**1,575,825**	1,322,421

(see notes on pages 154 to 155, which form part of these financial statements)

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

for the year ended 31 December 2011

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 2011. 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	2011	2010
Dividends from subsidiaries	**123**	81
Dividends from joint ventures/associates	**34**	37
Total	**157**	118

3 SUBSIDIARIES

In $ millions	2011	2010
Unquoted equity shares [(a)]	**11,185**	10,786
Less: impairment allowances	**813**	819
Sub-total	**10,372**	9,967
Due from subsidiaries	**4,063**	1,913
Total	**14,435**	11,880

(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	2011	2010
Balance at 1 January	**819**	806
(Write-back)/charge to income statement	**(6)**	13
Balance at 31 December	**813**	819

4 DUE TO SUBSIDIARIES

In $ millions	2011	2010
Subordinated term debts issued to DBS Capital Funding Corporation (Note 4.1)	**–**	1,033
Subordinated term debts issued to DBS Capital Funding II Corporation (Note 4.2)	**1,500**	1,500
Due to subsidiaries	**949**	5,016
Total	**2,449**	7,549

4.1 The subordinated term debts were issued by the Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of the Group, on 21 March 2001. The notes comprised Series A Subordinated Note of US$725 million and Series B Subordinated Note of S$100 million. Interest is payable in arrears on 15 March and 15 September each year at a fixed rate of 7.66% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011. 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 LIBOR + 3.20% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). The issue was redeemed on 15 March 2011.

4.2 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 the Group. 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	2011	2010
2,172,821,322 (2010: 2,056,642,320) ordinary shares	**2,173**	2,057
Nil (2010: 11,000,000) 6% non-cumulative non-convertible perpetual preference shares	**–**	11
6,800 (2010: 6,800) 4.7% non-cumulative non-convertible perpetual preference shares	**#**	#
8,000,000 (2010: 8,000,000) 4.7% non-cumulative non-convertible perpetual preference shares	**8**	8
Total number of shares (millions)	**2,181**	2,076
Total Share Capital (in $ millions)	**16,196**	15,945

 # Amount under 500,000

6 OTHER RESERVES

6.1 Other reserves

In $ millions	2011	2010
Available-for-sale revaluation reserves	**416**	380
Cash flow hedge reserves	**(16)**	–
General reserves	**2,360**	2,360
Capital reserves	**(12)**	–
Total	**2,748**	2,740

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
2011					
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 on sale	**(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**
2010					
Balance at 1 January 2010	125	–	2,360	–	2,485
Available-for-sale financial assets:					
– net valuation taken to equity	577	–	–	–	577
– transferred to income statement on sale	(292)	–	–	–	(292)
– tax on items taken directly to or transferred from equity	(30)	–	–	–	(30)
Balance at 31 December 2010	380	–	2,360	–	2,740

(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	2011	2010
Balance at 1 January	**8,432**	7,302
Net profit attributable to shareholders	**2,648**	2,546
Amount available for distribution	**11,080**	9,848
Less: Special dividend	**1,350**	1,350
4.7% tax exempt preference dividends (2010: nil)	**117**	–
6% tax exempt preference dividends (2010: 6% tax exempt)	**33**	66
Balance at 31 December	**9,580**	8,432

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 2011, 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	–	(Appointed 29 April 2011)
Nihal Vijaya Devadas Kaviratne CBE	–	(Appointed 29 April 2011)
Kwa Chong Seng		
Danny Teoh Leong Kay		

Messrs Piyush Gupta, Kwa Chong Seng and Peter Seah will retire in accordance with article 95 of the Company's Articles of Association at the forthcoming annual general meeting (AGM). Messrs Piyush Gupta and Peter Seah will offer themselves for re-election. Mr Kwa Chong Seng will not be standing for re-election.

Mr Ho Tian Yee and Mr Nihal Kaviratne CBE will retire in accordance with article 101 of the Company's Articles of Association at the forthcoming AGM. Mr Ho and Mr Kaviratne 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 2011	As at 31 Dec 2010 (or date of appointment if later)	As at 31 Dec 2011	As at 31 Dec 2010 (or date of appointment if later)
DBS Group Holdings Ltd (DBSH) ordinary shares				
Peter Seah	15,965	15,322	–	–
Piyush Gupta	39,556	–	118,000	–
Bart Broadman	10,000	10,000	–	–
Christopher Cheng	–	–	–	–
Euleen Goh	4,185	4,185	–	–
Ho Tian Yee	–	–	–	–
Nihal Kaviratne CBE	12,000	–	–	–
Kwa Chong Seng	69,916	67,102	161,354	154,856
Danny Teoh	6,000	6,000	17,705	–

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2011	As at 31 Dec 2010 (or date of appointment if later)	As at 31 Dec 2011	As at 31 Dec 2010 (or date of appointment if later)
DBSH share awards granted under the DBSH Share Plan				
Peter Seah (1)	15,271	–	–	–
Piyush Gupta (2)	401,609	157,161	–	–
Bart Broadman (1)	5,085	–	–	–
Christopher Cheng (1)	5,078	–	–	–
Euleen Goh (1)	7,021	–	–	–
Kwa Chong Seng (1)	4,585	–	–	–
Danny Teoh (1)	1,343	–	–	–
DBS Bank 4.7% non–cumulative non–convertible perpetual preference shares				
Euleen Goh	3,000	3,000	–	–
Piyush Gupta	–	–	10,000	–
Danny Teoh	2,000	2,000	–	–
DBS Capital Funding II Corporation 5.75% non–cumulative non–convertible non–voting guaranteed preference shares				
Kwa Chong Seng	2	2	–	–

(1) Non-executive directors receive 30% of their directors' fees in the form of time-based restricted share awards. The release of the shares is staggered over a period of 4 years

(2) Mr Piyush Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 41 of Notes to the 2011 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 2012.

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 2001, 2002, 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 2001, 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 2011	During the year Exercised	Forfeited/ Expired	Number of unissued ordinary shares 31 December 2011	Exercise price per share	Expiry date
March 2001	3,266,807	10,000	3,256,807	–	$15.05	15 March 2011
August 2001	119,987	112,929	7,058	–	$11.00	01 August 2011
March 2002	2,468,690	621,759	331,307	1,515,624	$12.53	28 March 2012
August 2002	136,333	56,640	7,058	72,635	$10.43	16 August 2012
December 2002	11,763	–	–	11,763	$9.75	18 December 2012
February 2003	2,030,364	458,723	51,402	1,520,239	$8.84	24 February 2013
March 2004	2,264,918	252,339	242,263	1,770,316	$12.53	02 March 2014
March 2005	1,118,957	155,012	126,002	837,943	$12.81	01 March 2015
	11,417,819	1,667,402	4,021,897	5,728,520		

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 5,319,354 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the DBSH Group. This included 284,004 ordinary shares comprised in awards granted to director Mr Piyush Gupta.

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 may be eligible to participate in the DBSH Share Option Plan or other equivalent plans, but 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 ("the EGM") held on 8 April 2009, 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) At the EGM held on 8 April 2009, the shareholders of the Company have also approved the reduction of total number of new ordinary shares of DBSH which may be issued pursuant to awards granted under the DBSH Share Plan, when added to the total number of new ordinary shares issued and issuable in respect of all awards granted under the DBSH Share Plan, and all options granted under the DBSH Share Option Plan, from 15% to 7.5% of the total number of issued shares in the capital of DBSH (excluding treasury shares).

(vi) Subject to the prevailing legislation and SGX-ST guidelines, 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).

(vii) 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), Mr Christopher Cheng, Mr Nihal Kaviratne CBE and Mr Peter Seah. 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 to oversee the objectivity and effectiveness of the internal and external auditors.

The Board, with the concurrence of the Audit Committee, is of the opinion that internal controls addressing financial, operational and compliance risks are adequate.

In its review of the audited financial statements for the financial year ended 31 December 2011, 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 25 April 2012.

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

9 February 2012
Singapore

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 78 to 150, 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 2011, 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

9 February 2012
Singapore

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 78 to 150, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2011, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the 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 2011, 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

9 February 2012
Singapore

FURTHER INFORMATION ON DIRECTORS

MR PETER SEAH LIM HUAT

Date of Last Re-election as a Director of DBS Group Holdings Ltd	30 April 2010

Current Appointments

Listed Company Directorships

1. DBS Group Holdings Ltd	Chairman
2. CapitaLand Limited	Deputy Chairman
3. Level 3 Communications Inc	Director
4. Singapore Technologies Engineering Ltd	Chairman
5. Starhub Ltd	Director
6. STATS ChipPAC Ltd	Director

Other Directorships/Major Appointments

1. DBS Bank Ltd	Chairman
2. DBS Bank (Hong Kong) Limited	Chairman
3. Defence Science & Technology Agency	Board Member
4. Government of Singapore Investment Corporation Private Limited	Director
5. LaSalle College of the Arts Limited	Chairman
6. Singapore Health Services Pte Ltd	Chairman
7. Temasek Holdings (Private) Limited	Member, Advisory Panel

Directorships/Major Appointments in the past 3 years

1. Alliance Bank Malaysia Berhad	Director
2. Bank of China Limited	Director
3. Chartered Semiconductor Manufacturing Ltd	Director
4. Chinese Chamber Realty Private Limited	Director
5. SembCorp Industries Ltd	Chairman
6. Siam Commercial Bank Public Company Limited	Director
7. Singapore Technologies Telemedia Pte Ltd	Deputy Chairman

MR PIYUSH GUPTA

Date of Last Re-election as a Director of DBS Group Holdings Ltd	30 April 2010

Current Appointments

Listed Company Directorships

1. DBS Group Holdings Ltd	Chief Executive Officer & Director
2. MasterCard Asia/Pacific, Middle East and Africa Regional Advisory Board	Director

Other Directorships/Major Appointments

1. DBS Bank Ltd	Chief Executive Officer & Director
2. DBS Bank (Hong Kong) Limited	Vice Chairman
3. The Islamic Bank of Asia Limited	Vice Chairman
4. Dr Goh Keng Swee Scholarship Fund	Director
5. Global Indian Foundation	Member, Governing Board
6. Human Capital Leadership Institute	Member, Governing Council
7. Indian Businessleaders Roundtable under Singapore Indian Development Association	Member, Managing Council
8. Institute of International Finance – Emerging Markets Advisory Council	Member
9. Institute of International Finance, Washington	Board Member
10. Sim Kee Boon Institute for Financial Economics	Member, Advisory Board
11. Singapore Business Federation	Council Member
12. The Association of Banks in Singapore	Chairman
13. The Institute of Banking & Finance	Council Member

Directorships/Major Appointments in the past 3 years

1. The American Chamber of Commerce in Singapore	Member, Board of Governors

DR BART JOSEPH BROADMAN

Date of Last Re-election as a Director of DBS Group Holdings Ltd	28 April 2011

Current Appointments

Listed Company Directorships

1. DBS Group Holdings Ltd	Director

Other Directorships/Major Appointments

1. DBS Bank Ltd	Director
2. Alphadyne Asset Management Pte Ltd	Director
3. Central Provident Fund Board	Director
4. Monetary Authority of Singapore	Member, Financial Research Council
5. Nanyang Technological University	Member, Investment Committee

Directorships/Major Appointments in the past 3 years

1. Singapore American School	Director

DR CHRISTOPHER CHENG WAI CHEE

Date of Last Re-election as a Director of DBS Group Holdings Ltd	28 April 2011

Current Appointments

Listed Company Directorships

1.	DBS Group Holdings Ltd	Director
2.	Kingboard Chemical Holdings Ltd	Director
3.	New World China Land Ltd	Director
4.	NWS Holdings Ltd	Director
5.	Wing Tai Properties Limited	Chairman
6.	Winsor Properties Holdings Limited	Chairman

Other Directorships/Major Appointments

1.	DBS Bank Ltd	Director
2.	DBS Bank (China) Limited	Director
3.	Columbia Business School	Member, Board of Overseers
4.	Hong Kong Jockey Club	Steward
5.	Hong Kong Monetary Authority's Exchange Fund Advisory Committee	Chairman, Governance Committee
6.	Hong Kong Polytechnic University	Member, International Advisory Board
7.	Temasek Foundation CLG Ltd.	Director
8.	University of Hong Kong	Council Member
9.	Yale University	Member, President's Council on International Activities

Directorships/Major Appointments in the past 3 years

1.	DBS Bank (Hong Kong) Ltd	Director
2.	PICC Property and Casualty Company Ltd.	Director
3.	Securities and Futures Commission	Director
4.	Standing Committee on Judicial Salaries & Conditions of Services	Chairman

MS EULEEN GOH YIU KIANG

Date of Last Re-election as a Director of DBS Group Holdings Ltd	28 April 2011

Current Appointments

Listed Company Directorships

1.	DBS Group Holdings Ltd	Director
2.	Aviva PLC	Director
3.	CapitaLand Limited	Director
4.	Singapore Airlines Limited	Director
5.	Singapore Exchange Limited	Director

Other Directorships/Major Appointments

1.	DBS Bank Ltd	Director
2.	NUS Business School	Member, Management Advisory Board
3.	Singapore International Foundation	Chairperson, Board of Governors

Directorships/Major Appointments in the past 3 years

1.	Accounting Standards Council	Chairperson
2.	MediaCorp Pte Ltd	Director

MR HO TIAN YEE

Date of Last Re-election as a Director of DBS Group Holdings Ltd	Not applicable

Current Appointments

Listed Company Directorships

1.	DBS Group Holdings Ltd	Director
2.	Fraser & Neave Ltd	Director
3.	SP AusNet(#)	Director

Other Directorships/Major Appointments

1.	DBS Bank Ltd	Director
2.	Fullerton Fund Management Co. Ltd	Director
3.	Hexa-Team Planners Pte Ltd	Director
4.	Pacific Asset Management (S) Pte Ltd	Managing Director
5.	Singapore Power Ltd	Director
6.	Times Publishing Ltd	Chairman

Directorships/Major Appointments in the past 3 years

1.	Government of Singapore Investment Corporation Pte Ltd	Member, Risk Committee
2.	Singapore Exchange Limited	Director

(#) SP AusNet comprises SP Australia Networks (Distribution) Ltd, SP Australia Networks (RE) Ltd and SP Australia Networks (Transmission) Ltd.

FURTHER INFORMATION ON DIRECTORS

MR NIHAL VIJAYA DEVADAS KAVIRATNE CBE

Date of Last Re-election as a Director of DBS Group Holdings Ltd	Not applicable

Current Appointments

Listed Company Directorships

1. DBS Group Holdings Ltd	Director
2. Akzo Nobel India Limited	Chairman
3. GlaxoSmithKline Pharmaceuticals Ltd	Director
4. SATS Ltd	Director
5. Starhub Ltd	Director

Other Directorships/Major Appointments

1. DBS Bank Ltd	Director
2. Indian Cancer Society	Chairman
3. PT TVS Motor Company	President Commissioner
4. TVS Motor Company (Europe) BV	Director
5. Wildlife Reserves Singapore Pte Ltd	Director

Directorships/Major Appointments in the past 3 years

1. Agro Tech Foods Ltd	Director
2. Fullerton Financial Holdings Pte Ltd	Advisor
3. Fullerton India Credit Company Ltd	Director
4. Fullerton Securities and Wealth Advisors Ltd	Director
5. Titan Industries Ltd	Director

MR KWA CHONG SENG

Date of Last Re-election as a Director of DBS Group Holdings Ltd	30 April 2010

Current Appointments

Listed Company Directorships

1. DBS Group Holdings Ltd	Director
2. Neptune Orient Lines Limited	Director

Other Directorships/Major Appointments

1. DBS Bank Ltd	Director
2. Public Service Commission	Member
3. Seatown Holdings Pte Ltd	Director
4. Temasek Holdings (Private) Limited	Deputy Chairman

Directorships/Major Appointments in the past 3 years

1. DBS Bank (Hong Kong) Limited	Chairman
2. Esso China Inc.	Chairman
3. ExxonMobil Asia Pacific Pte Ltd	Chairman
4. Sinopec SenMei (Fujian) Petroleum Company Limited	Director

MR DANNY TEOH LEONG KAY

Date of Last Re-election as a Director of DBS Group Holdings Ltd	28 April 2011

Current Appointments

Listed Company Directorships

1. DBS Group Holdings Ltd	Director
2. Keppel Corporation Limited	Director

Other Directorships/Major Appointments

1. DBS Bank Ltd	Director
2. Changi Airport Group (Singapore) Pte Ltd	Director
3. JTC Corporation	Director
4. Pro-Tem Singapore Accountancy Council	Council Member
5. Singapore Academy of Law	Member, Audit Committee
6. Singapore Olympic Foundation	Director

Directorships/Major Appointments in the past 3 years

1. KPMG Advisory Services Pte. Ltd.	Director
2. KPMG Corporate Finance Pte Ltd	Director
3. KPMG Tax Services Pte. Ltd.	Director
4. Singapore Dance Theatre Limited	Director

SHARE PRICE

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Share Price ($) (1)											
High	18.02	12.67	13.18	14.28	14.28	19.21	21.17	17.55	15.40	15.58	15.73
Low	8.08	9.10	7.06	11.39	11.82	13.43	16.07	7.68	6.45	13.26	10.81
Close	11.73	9.35	12.50	13.69	14.03	19.21	17.60	8.42	15.40	14.32	11.52
Average	12.32	11.02	9.82	12.87	13.09	15.50	18.60	14.23	11.48	14.30	13.77
Per Ordinary Share ($)											
Gross dividend yield (2)	2.1	2.3	2.6	2.6	3.8	4.2	3.7	4.6	4.9	3.9	4.1
Price-to-earning ratio (number of times) (3)	20.4	15.0	11.6	11.7	14.0	12.7	13.4	12.5	12.6	12.4	10.6
Price-to-book ratio (number of times)	1.6	1.4	1.2	1.4	1.5	1.6	1.8	1.4	1.1	1.3	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 5 March 2012

I. Class of Shares – Ordinary Shares
Voting Rights – One vote per share
Treasury Shares – 5,344,000 (representing 0.22% of the total number of issued ordinary shares, excluding treasury shares)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%*
1 – 999	6,272	13.47	1,461,083	0.06
1,000 – 10,000	35,637	76.50	97,873,000	4.05
10,001 – 1,000,000	4,637	9.95	147,704,106	6.12
1,000,001 & above	36	0.08	2,168,559,864	89.77
Total	46,582	100.00	2,415,598,053	100.00
Location of Shareholders				
Singapore	43,918	94.28	2,393,803,213	99.10
Malaysia	1,499	3.22	11,448,258	0.47
Overseas	1,165	2.50	10,346,582	0.43
Total	46,582	100.00	2,415,598,053	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	451,023,206	18.67
2	Maju Holdings Pte Ltd	428,888,448	17.75
3	DBS Nominees Pte Ltd	357,696,685	14.81
4	Temasek Holdings (Private) Limited	284,145,301	11.76
5	DBSN Services Pte Ltd	234,809,239	9.72
6	HSBC (Singapore) Nominees Pte Ltd	170,483,335	7.06
7	United Overseas Bank Nominees Pte Ltd	78,088,207	3.23
8	Raffles Nominees (Pte) Ltd	42,756,298	1.77
9	DB Nominees (S) Pte Ltd	13,522,993	0.56
10	Lee Pineapple Company Pte Ltd	13,160,982	0.54
11	BNP Paribas Securities Services Singapore Branch	12,595,254	0.52
12	Merrill Lynch (Singapore) Pte Ltd	10,399,556	0.43
13	Lee Foundation	9,505,057	0.39
14	Bank Of Singapore Nominees Pte Ltd	8,395,322	0.35
15	DBS Vickers Securities (S) Pte Ltd	6,885,849	0.29
16	BNP Paribas Nominees Singapore Pte Ltd	6,016,181	0.25
17	KEP Holdings Limited	3,949,781	0.16
18	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,155,168	0.13
19	Western Properties Pte Ltd	2,945,176	0.12
20	OCBC Nominees Singapore Pte Ltd	2,505,556	0.10
	TOTAL	**2,140,927,594**	**88.61**

** 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 5 March 2012)

	Direct Interest No. of Shares	%*	Deemed Interest No. of Shares	%*
Maju Holdings Pte. Ltd.	428,888,448	17.75	0	0.00
Temasek Holdings (Private) Limited	284,145,301	11.76	433,338,229	17.94

* *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 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 (17.75%).
   b. Fullerton Fund Management Company Ltd., a subsidiary of Temasek – 500,000 shares (0.02%).
   c. Keppel Corporation Limited group of companies, which are Temasek associated companies – 3,949,781 shares (0.16%).

As at 5 March 2012, approximately 70.44% of DBSH's issued ordinary shares are held by the public and, therefore, Rule 723 of the SGX Listing Manual is complied with.

FINANCIAL CALENDAR

5 July 2011	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 2010
30 September 2011	Payment date of Interim Dividends on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares for the six months ended 30 June 2011
June 2012	Proposed payment of Final Dividends on Ordinary Shares and Non-Voting Redeemable Convertible Preference Shares for the financial year ended 31 December 2011
31 December 2011	Financial Year End
29 April 2011	Announcement of first quarter results for 2011
28 July 2011	Announcement of second quarter results for 2011
2 November 2011	Announcement of third quarter results 2011
10 February 2012	Announcement of full year results 2011
25 April 2012	Annual General Meeting
April 2012	Announcement of first quarter results for 2012
August 2012	Announcement of half year results 2012
November 2012	Announcement of third quarter results for 2012
February 2013	Announcement of full year results 2012

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 10 branches and 15 sub-branches across China

HONG KONG

DBS Bank (Hong Kong) Limited
11/F, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222

Total of 47 branches, 7 Enterprise Banking centres and 7 Finance centres across Hong Kong

TAIWAN

DBS Bank (Taiwan) Headquarters
17F, No. 36
Songren Road
Xinyi District
Taipei City 110 R.O.C.
Tel: (8862) 6612 9888
Fax: (8862) 6612 9285

Total of 40 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 40 branches & sub-branches and 5 loan centres across Indonesia

OTHERS

HONG KONG

DBS Bank Hong Kong Branch
18th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1900
Fax: (852) 2596 0577

JAPAN

DBS Bank Tokyo Branch
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 Building 84-1
1-ka Taepyungro Chung-ku
Seoul Republic of Korea
Tel: (822) 6322 2660
Fax: (822) 732 7953

INTERNATIONAL BANKING OFFICES

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
Fax: (662) 660 3718

THE PHILIPPINES

DBS Bank Manila Representative Office
18th Floor, BPI Building
Ayala Avenue corner
Paseo de Roxas
Makati City, The Philippines
Tel: (632) 845 5112
Fax: (632) 750 2144

UNITED ARAB EMIRATES

DBS Bank Dubai Branch
Suite 5, 3rd Floor, Building 3
Gate Precinct, DIFC
P.O. Box 506538
Dubai, UAE
Tel: (971) 4364 1800
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")
6 Shenton Way
DBS Building Tower One
Singapore 068809
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

Bank of the Philippine Islands
6768 Ayala Avenue
Makati City 0720
Philippines
Tel: (632) 818 5541-48
Fax: (632) 845 5409
20.32% owned by 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
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
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
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6338 8936
100% owned by DBS Bank

DBS Trustee Limited
6 Shenton Way, #14-01
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6878 3977
100% owned by DBS Bank

DBS Vickers Securities (Singapore) Pte Ltd
8 Cross Street
PWC Building #02-01
Singapore 048424
Tel: (65) 6533 9688
Fax: (65) 6538 6276
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, the US and the UK.

DBSN Services Pte. Ltd.
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6338 8936
100% owned by DBS Bank

Hutchison DBS Card Limited
22/F, 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 2,3,4,5,7 & 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
6 Shenton Way
DBS Building Tower One #01-01/02
Singapore 068809
Tel: (65) 6878 5522
Fax: (65) 6878 5500
50% owned by DBS Bank

AWARDS & ACCOLADES

Alpha Southeast Asia

- Best Broker in Southeast Asia: DBS Vickers
- Best Bond House in Singapore
- Best Cash Management Bank in Singapore
- Best Equity House in Singapore
- Best FX Bank for Corporates & FIs in Singapore
- Best Institutional Broker in Singapore: DBS Vickers
- Best Investment Bank in Singapore
- Best Retail Broker in Singapore: DBS Vickers
- Best Trade Finance Bank in Singapore
- Best Structured Trade Solution of the Year in Southeast Asia
- Best Deal of the Year in Singapore: Beijing Enterprise Water Group's RMB 1 billion & RMB 450 million Notes

American Express

- Outstanding Loyalty & Engagement Programme in Hong Kong: DBS Black Card
- Outstanding Premium Card Launch in Singapore: DBS Altitude Card

AsiaOne

- Best Bank in Singapore
- Best Credit/Debit Card in Singapore: POSB Everyday Card

Asia Pacific Loan Market Association

- Syndicated Loan House of the Year in Singapore
- Syndicated Deal of the Year in Asia-Pacific: Noble Group Ltd USD 3.2 billion 1-3 year revolver
- Syndicated Project Finance Deal of the Year in Asia-Pacific: SA Health Partnership Securitisation Pty Ltd AUD 2.5 billion 7-year project finance facility

Asia Risk

- Regional Derivatives House of the Year
- House of the Year in Singapore
- Best Currency Products in Asia: Ranked 4th
- Best Interest Rate and Currency in Asia: Ranked 4th
- Best Interest Rate Products in Asia: Ranked 3rd

Asiamoney

- Best Domestic Debt House in Singapore
- Best Domestic Equity House in Singapore
- Large-Cap Corporate of the Year in Singapore
- Best Local Currency Bond in Asia: ICBC (Asia) RMB 1.5 billion (USD 235.3 million) 6% Tier 2 subordinated bonds due 2021
- China Deal of the Year: ICBC (Asia) RMB 1.5 billion 6% Tier 2 subordinated bonds
- Singapore Deal of the Year: Resorts World at Sentosa's SGD 4.2 billion credit facility
- Best Global Cash Management Services in Asia-Pacific: Ranked 5th by medium corporates and 8th by large corporates
- Best Local Brokerage in Singapore
- Best Overall Domestic SGD Bookrunner
- Best Overall Domestic SGD Credit Research & Market Coverage in Singapore
- Best Domestic Providers of FX Services in Singapore: Ranked 1st by financial institutions and corporates
- Best Local Cash Management Bank in Singapore: Ranked 1st by medium and large corporates
- Best Foreign Cash Management Bank in China: Ranked 1st by small corporates and 3rd by medium corporates
- Best Foreign Cash Management Bank in Hong Kong: Ranked 3rd by small and medium corporates
- Best Foreign Cash Management Bank in Taiwan: Ranked 2nd by small corporates and 3rd by large corporates
- Best for Overall FX services in Taiwan: Ranked 5th by corporates

Asian Banking & Finance

- Singapore Retail Bank of the Year
- Best Advertising Campaign in Asia-Pacific: Silver
- Best Self-Service Initiative in Asia-Pacific: Silver

The Asian Banker

- Best Automobile Lending in Asia-Pacific
- The Asian Banker Talent and Leadership Development Award

The Asset

- Rising Star FX Derivatives House in Asia-Pacific
- Best Transaction Bank for Emerging Corporates in Asia-Pacific
- Best Cash Management Bank in Singapore
- Best Derivatives House in Singapore
- Best Domestic Bank in Singapore
- Best Domestic Bond House in Singapore
- Best Domestic Custodian in Singapore
- Best E-Commerce for Transaction Banking in Singapore
- Best Treasury & Working Capital Bank for MNC/Large Corporates in Singapore
- Best Investment Bank in Singapore
- Best Sub-Custodian Bank in Singapore
- Best Trade Finance Bank in Singapore
- Best Transaction Bank in Singapore
- Wealth Manager of the Year in Singapore

- Best Derivatives House in China
- Rising Star Treasury & Working Capital Bank for MNC/Large Corporates in China
- Rising Star Cash Management Bank in India
- Best Treasury & Working Capital Bank for MNC/Large Corporates in Indonesia
- Best Cash Management Solution in China: Host to host and entrustment loan solution for Family Mart
- Best Corporate Sukuk in Asia-Pacific: Khazanah
- Nasional SGD 1.5 billion dual trust certificates
- Best Islamic Loan Syndication in Asia-Pacific: Parkway Holdings SGD 750 million syndicated *murabaha* facility
- Best Bank Capital Bond in Asia: ICBC (Asia) RMB 1.5 billion Basel III-compliant Tier 2 notes
- Best Cash Management Deals in Asia: Comprehensive Cash Management and Receivables Solution for Resorts World Sentosa
- Best Cross-Border Securitisation in Asia: Silver Oak USD 1 billion CMBS
- Best Local Currency Bond in Asia: Cheung Kong (Holdings) SGD 500 million senior perpetual securities
- Best Electronic Banking Solution in Singapore: Bill collections, lockbox and migration of direct debit authorisations for Diners Club International
- Best Trade Finance Solution in Singapore: Supplier Financing Programme for Dairy Farm Group
- Best Structured Trade Deal in Australia: Australian International School SGD 150 million structured term loan
- 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 Trade Finance Solution in India (Highly Commended): Uttam Galva Steel USD 60 million pre-export structured trade advance facility
- Best Cash Management Solution in Indonesia: Payments integration and workflow management for GM Autoworld Indonesia
- Best Trade Finance Solution in Indonesia: Pertamina (Persero) USD 100 million financing facility
- Best Structured Trade Deal in Indonesia: Triputra Agro Persada Indonesia USD 250 million structured term loan

The Banker

- Bank of the Year in Singapore
- Top World Banks: Ranked 1st in Singapore, 5th in Asia (ex China, Japan)
- Infrastructure and Project Finance Deal of the Year in Asia-Pacific: SGD 1.115 billion Singapore Sports Hub
- Islamic Finance Deal of the Year in Asia-Pacific: Khazanah Nasional SGD 1.5 billion sukuk
- Loans Deal of the Year in Asia-Pacific: Bharti Airtel's USD 7.5 billion acquisition-term loan facilities

Brand Finance/The Banker

- Top Bank Brands: Ranked 1st in Singapore

Capital Entrepreneur

- Best SME Partner: DBS Hong Kong

China Foreign Exchange Trade System

- Outstanding Member of the Year, Derivatives Trading
- The Highest Market Making Potential Award of the Year

Contact Centre Association of Singapore

- Best Contact Centre (over 100 seats): DBS Customer Centre, Gold Award
- Best Contact Centre (20-100 seats): DBS Corporate Call Centre, Silver Award
- Best Use of IVR in a Contact Centre: Gold award

Corporate Governance Asia

- Best Investor Relations by a Singapore Company

Customer Satisfaction Index of Singapore

- Top in Commercial Bank Category

Dun & Bradstreet

- Best Foreign Bank in India by Asset Quality: DBS India

Euromoney

- Best Investment Bank in Singapore
- Best Local Private Bank in Singapore
- Best for Net-worth-specific Services – for Super Affluent (USD 500,000 to USD 1 million) in Singapore
- Most Convincing and Coherent Strategy in Singapore: Ranked 2nd

European CEO

- Best FX & Treasury Management Provider in Asia-Pacific
- Best FX & Treasury Management Provider in Southeast Asia

AWARDS & ACCOLADES

Euroweek

- Best Advice Across All Markets in Asia-Pacific: Ranked 3rd
- Best Arranger of Loans in Asia-Pacific: Ranked 2nd
- Best Arranger of Loans for Corporations in Asia-Pacific: Ranked 2nd
- Best Arranger of Loans for Financial Institutions in Asia-Pacific: Ranked 3rd
- Best Bank for Execution Across All Markets in Asia-Pacific: Ranked 3rd
- Best Bank for Secondary Loan Trading in Asia-Pacific: Ranked 3rd
- Best Bank to Work With Across Markets in Asia-Pacific: Ranked 2nd
- Best Bank to Work With (Loans) in Asia-Pacific: Ranked 2nd
- Best Bookrunner of Asia-Pacific Bonds: Ranked 2nd
- Best Bookrunner of Asian local Currency Bonds in Asia-Pacific: Ranked 3rd
- Most Competitive Bank on Loan Pricing in Asia-Pacific: Ranked 2nd
- Best for Fixed Income Research in Asia-Pacific: Ranked 3rd
- Best Arranger of Loans for Singaporean Borrowers
- Best Arranger of Loans for Indonesian Borrowers
- Best Arranger of Loans for Philippine Borrowers
- Best Arranger of Loans for Hong Kong Borrowers: Ranked 2nd
- Best Bookrunner of Singapore Dollar Bonds
- Most Impressive Local Currency Bond in Asia-Pacific: for Cheung Kong SGD 730 million 5.125% perpetual)
- Most Impressive Offshore Renminbi Bond in Asia-Pacific: for ICBC Asia RMB 1.5 billion 6% November 2021 Subordinated: Ranked 2nd
- Best Project Finance Deal in Asia Pacific: Singapore Sports Hub SGD 1.78 billion PPP
- Best Syndicated Loan in Asia Pacific: Noble USD 2.54 billion credit facilities
- Most Impressive Syndicated Loan in Asia-Pacific for Resorts World at Sentosa SGD 4.194 billion financing due February 2016, February 2018: Ranked 2nd
- Most Impressive Loan in Southeast Asia for Resorts World at Sentosa SGD 4.194 billion financing due February 2016, February 2018

FinanceAsia

- Best Bank in Singapore
- Best Bond House in Singapore
- Best Broker in Singapore: DBS Vickers
- Best Cash Management Bank in Singapore
- Best Equity House in Singapore
- Best FX House in Singapore
- Best Investment Bank in Singapore
- Best Offshore RMB Offering in Southeast Asia: ICBC Asia's RMB 1.5 billion 10-year non-call-five bond
- Best Singapore Deal: Cheung Kong Holdings' SGD 500 million senior perpetual

Financial Express

- Best Foreign Bank in India: DBS India

Global Finance

- Safest Bank in Asia
- Best FX Bank in Southeast Asia
- Best Foreign Treasury & Cash Management Bank in China
- Best FX Bank in Singapore
- Best Sub-Custodian Bank in Singapore
- Best Trade Finance Bank in Singapore

Hong Kong Association for Customer Service Excellence

- Individual: Field & Special Service Gold Award
- Team: Internal Support Service Bronze Award

Hong Kong Call Centre Association Award

- Mystery Caller Assessment: Gold Award

Hong Kong General Chamber of Small and Medium Business

- Best SME Partner: DBS Hong Kong

IFR

- Asia-Pacific Securitisation Deal of the Year: Silver Oak's USD 645 million CMBS

IFR Asia

- Singapore Bond House of the Year
- Singapore Equity House of the Year
- Singapore Loan House of the Year
- Domestic Bond of the Year in Asia: Cheung Kong (Holdings) SGD 500 million perpetual
- Investment Grade Bond of the Year in Asia: ICBC Asia's RMB 1.5 billion Lower Tier 2
- Securitisation Deal of the Year in Asia: Silver Oak's USD 645 million CMBS

IR Magazine

- Best Investor Relations by Sector (Banks & Financial Services) in Southeast Asia

MasterCard

- Best Digital Marketing in Singapore: DBS Cards Digital Marketing
- Most Effective Card Marketing Programme in Singapore: POSB 3% Super Saver Saturday

Ministry of Economic Affairs (Taiwan)

- Employment Contribution Award

Metro Daily

- Best SME Bank: DBS Hong Kong

Professional Wealth Management/The Banker

- Best Private Bank in Singapore

Project Finance International

- Indian Deal of the Year: Sasan
- Infrastructural Deal of the Year in Asia-Pacific: Wiggins
- PPP Deal of the Year in Asia-Pacific: Adelaide Hospital

Reader's Digest

- Bank Category Gold Award in Singapore: POSB

Securities Investors Association (Singapore)

- Internal Audit Excellence Award: Runner-up
- Most Transparent Company Award (Finance): Runner-up
- Singapore Corporate Governance Award: Runner-up

Yazhou Zhoukan

- Asia Brand Excellence Award: DBS MySavings in Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

DBS Group Holdings Ltd (Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

Informal Briefing on DBS 2011 Results
Chief Financial Officer Chng Sok Hui will present the DBS 2011 Results at 9.30 am, immediately preceding the formal commencement of the Annual General Meeting

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the shareholders of DBS Group Holdings Ltd (the "Company") will be held in the Auditorium, 3rd Storey, DBS Building Tower One, 6 Shenton Way, Singapore 068809 on Wednesday, 25 April 2012 at 10.00 am to transact the following business:

ORDINARY BUSINESS

1 To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 2011 and the Auditors' Report thereon.

2A To declare a one-tier tax exempt Final Dividend of 28 cents per ordinary share, for the year ended 31 December 2011. [2010: Final Dividend of 28 cents per ordinary share, one-tier tax exempt]

2B 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 2011. [2010: 2 cents per Non-Voting Redeemable Convertible Preference Share, one-tier tax exempt]

3 To sanction the amount of SGD 2,709,326 proposed as Directors' Fees for 2011. [2010: SGD 2,842,442]

4 To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

5 To re-elect the following Directors, who are retiring under Article 95 of the Company's Articles of Association:

(a) Mr Piyush Gupta
(b) Mr Peter Seah

Further information on Mr Gupta and Mr Seah can be found on page 162 of the 2011 Annual Report.

6 To re-elect the following Directors, who are retiring under Article 101 of the Company's Articles of Association:

(a) Mr Ho Tian Yee
(b) Mr Nihal Kaviratne CBE

Further information on Mr Ho and Mr Kaviratne can be found on pages 163 to 164 of the 2011 Annual Report.

SPECIAL BUSINESS

As Special Business
To consider and, if thought fit, to pass the following Resolutions as ORDINARY RESOLUTIONS:

ORDINARY RESOLUTIONS

7A That the Board of Directors of the Company be and is hereby authorised 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.

7B 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,

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.

7C 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 2011.

7D 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 2012 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.

By Order of The Board

Linda Hoon (Ms)
Group Secretary
DBS Group Holdings Ltd
2 April 2012
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 6 Shenton Way, DBS Building Tower One #39-02, Singapore 068809, at least 48 hours before the time for holding the Meeting.

EXPLANATORY NOTES

Ordinary Business

Ordinary Business Item 3: Directors' Fees for 2011
Ordinary business item 3 is to sanction the payment of an aggregate amount of SGD 2,709,326 as Directors' fees for the non-executive Directors of the Company for 2011. 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 time-based restricted share awards pursuant to the DBSH Share Plan. The release of the restricted shares will be staggered over a period of 4 years. 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. Each of Mr Ang Kong Hua, Mr Andrew Buxton and Mr John Ross, who stepped down on 28 April 2011, and

NOTICE OF ANNUAL GENERAL MEETING

DBS Group Holdings Ltd (Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

Mr Kwa Chong Seng, who is stepping down at the forthcoming Annual General Meeting, will receive all of their Directors' fees in cash. Mr Ravi Menon, who stepped down on 31 March 2011, will also be paid his Directors' fees fully in cash, and as he is from the public sector, payment will be made to a government agency, the Directorship & Consultancy Appointments Council.

Ordinary Business Item 5: Re-election of Directors retiring under Article 95

(a) Mr Gupta, upon re-election as a Director of the Company, will remain as a member of the Executive Committee, and is non-independent.
(b) Mr Seah, upon re-election as a Director of the Company, will remain as the Chairman of the Board of Directors, Nominating Committee and Executive Committee, and member of the Audit Committee, Board Risk Management Committee and Compensation and Management Development Committee, and will be considered independent.
(c) Mr Kwa Chong Seng is also retiring under Article 95 of the Company's Articles of Association, but is not standing for re-election.

Ordinary Business Item 6: Re-election of Directors retiring under Article 101

(a) Mr Ho, upon re-election as a Director of the Company, will remain as a member of the Board Risk Management Committee and Nominating Committee, and will be considered independent.
(b) Mr Kaviratne, upon re-election as a Director of the Company, will remain as a member of the Board Risk Management Committee and Audit Committee, and will be considered independent.

Special Business

Special Business Item 7A: DBSH Share Option Plan and DBSH Share Plan

Resolution 7A 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.

Special Business Item 7B: Share Issue Mandate

Resolution 7B 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 7B 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 7B is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

Special Business Item 7C: DBSH Scrip Dividend Scheme

Resolution 7C 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 2011 ("FY2011").

In the announcement dated 9 February 2012, the Company proposed that the Scheme would be applied to the final dividends for FY2011, subject to shareholder approval being obtained for the said final dividends for FY2011.

Special Business Item 7D: DBSH Scrip Dividend Scheme

Resolution 7D is to authorise the Directors to apply the Scheme to any dividend(s) which may be declared for the year ending 31 December 2012 ("FY2012"), 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 7D is passed at the Annual General Meeting, and if the Directors should decide to apply the Scheme to a dividend declared in respect of FY2012, 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 FY2012, 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 hereby appoint *Mr/Mrs/Ms

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

*and/or

or failing *him/her, the Chairman of the Meeting or such person 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 Thirteenth Annual General Meeting of the Company, to be held at the Auditorium, 3rd Storey, DBS Building Tower One, 6 Shenton Way, Singapore 068809 on Wednesday, 25 April 2012 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		
2A	Declaration of Final Dividend on Ordinary Shares		
2B	Declaration of Final Dividend on Non-Voting Redeemable Convertible Preference Shares		
3	Sanction of proposed Directors' Fees of SGD 2,709,326 for 2011		
4	Re-appointment of PricewaterhouseCoopers LLP as Auditors		
5	Re-election of the following Directors retiring under Article 95:		
	(a) Mr Piyush Gupta		
	(b) Mr Peter Seah		
6	Re-election of the following Directors retiring under Article 101:		
	(a) Mr Ho Tian Yee		
	(b) Mr Nihal Kaviratne CBE		
	Special Business		
7A	Authority to issue shares under the DBSH Share Option Plan, and to grant awards and issue shares under the DBSH Share Plan		
7B	General authority to issue shares subject to limits		
7C	Authority to issue shares pursuant to the DBSH Scrip Dividend Scheme for the FY2011 Final Dividends		
7D	Authority to apply the DBSH Scrip Dividend Scheme to dividends for FY2012, 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 2012

No. of Ordinary Shares held	

IMPORTANT PLEASE READ NOTES OVERLEAF.
** delete as appropriate*

....
Signature or Common Seal of Shareholder

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 one 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 office of the Company at **6 Shenton Way, DBS Building Tower One, #39-02, Singapore 068809**, not less than 48 hours before the time appointed for the Annual General 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

Ang Kong Hua
(stepped down 28 April 2011)

Bart Broadman

Andrew Buxton
(stepped down 28 April 2011)

Christopher Cheng

Euleen Goh

Ho Tian Yee
(appointed 29 April 2011)

Nihal Kaviratne CBE
(appointed 29 April 2011)

Kwa Chong Seng

Ravi Menon
(stepped down 31 March 2011)

John Ross
(stepped down 28 April 2011)

Danny Teoh

AUDIT COMMITTEE
Danny Teoh
– Chairman

Christopher Cheng

Nihal Kaviratne CBE

Peter Seah

NOMINATING COMMITTEE
Peter Seah
– Chairman

Euleen Goh

Ho Tian Yee

Kwa Chong Seng

Danny Teoh

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
Kwa Chong Seng
– Chairman

Bart Broadman

Christopher Cheng

Euleen Goh

Peter Seah

GROUP SECRETARY
Linda Hoon

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

Lee Yan Hong
– Group Human Resources

Lim Him Chuan
– Group Audit

Sim S Lim
– DBS Singapore

Karen Ngui
– Group Strategic Marketing & Communications

Sebastian Paredes
– DBS Hong Kong

Bernard Tan
– DBS Indonesia

Tan Su Shan
– Wealth Management

Melvin Teo
– DBS China

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
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
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INVESTOR RELATIONS
Email: investor@dbs.com
Fax: (65) 6226 3702

China
Hong Kong
India
Indonesia
Japan
Korea
Malaysia
Singapore
Taiwan
Thailand
The Philippines
United Arab Emirates
United Kingdom
United States of America
Vietnam


Taipei


Mumbai


Jakarta

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Co. Reg. No. 199901152M