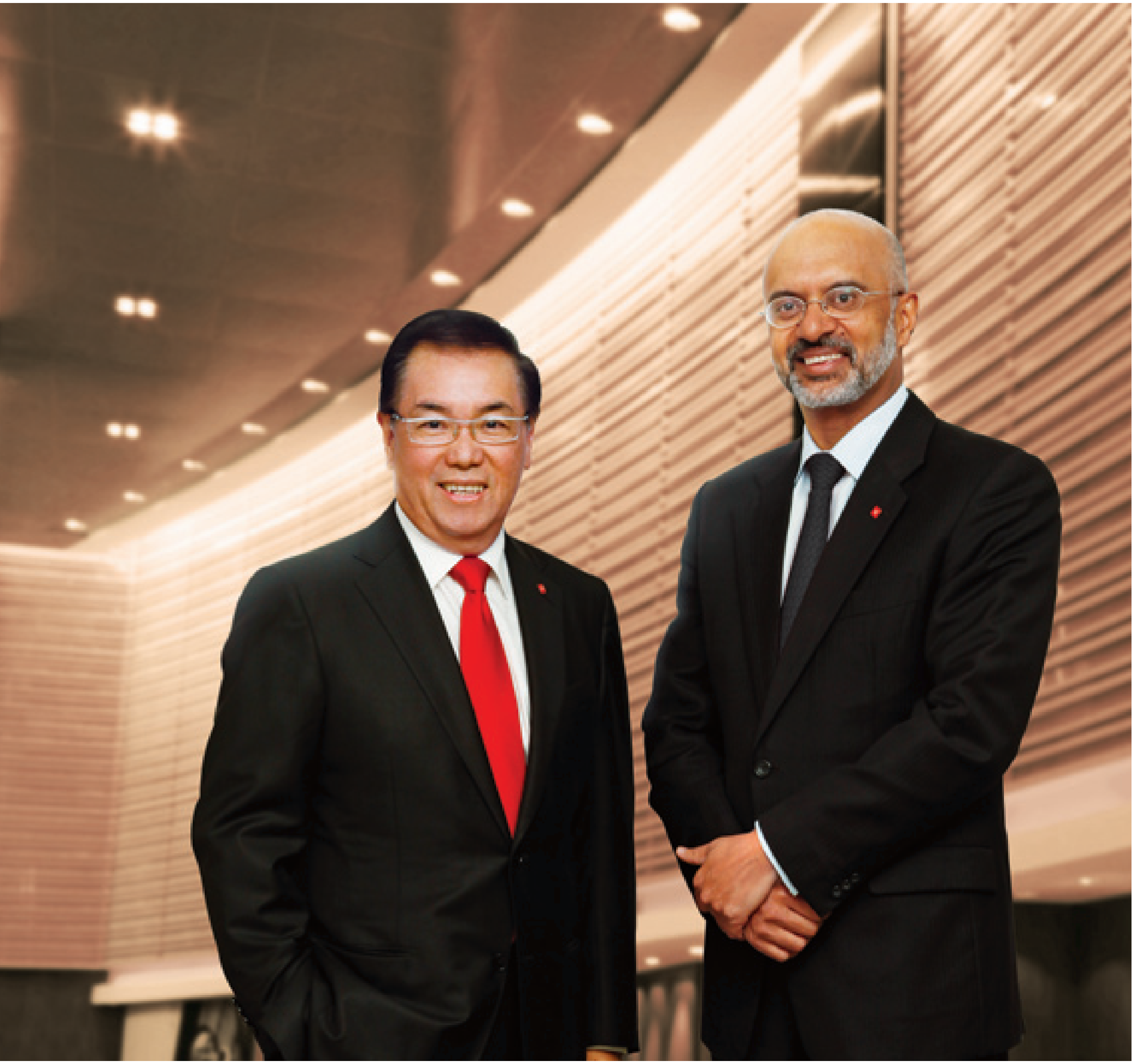
Letter to Shareholders



Chairman Peter Seah and CEO Piyush Gupta

This is Asia's century. With a growing footprint in the three key axes of growth, namely, Southeast Asia, South Asia and Greater China, DBS is uniquely positioned to capture the many opportunities in the region.

Asia is increasingly coming into its own. Not only did the region pull out of the global financial crisis and stage a full "V-shaped" recovery under its own steam, it continues to power ahead.

In 2010, unlike in the United States and parts of Europe, where the economy remained in the doldrums, policymakers in this part of the world faced a different set of concerns. These include worries about the blistering pace of growth, rising inflation and property bubbles.

It is a happy problem which reflects the extent to which the centre of economic activity has shifted to Asia, with rapid growth bolstered by a growing middle class, rising affluence and consumerism.

Singapore, DBS' home market, grew close to 15% in 2010, a pace unprecedented in its post-independence history. Hong Kong, our second-largest market, enjoyed growth of 6.8%.

While the buoyant Asian economies are a boon for a bank like DBS, which has Asia for its backyard, the year was not without challenges.

Abundant and growing liquidity in Asia led to rising asset prices. To rein in the exuberant real estate market, the Singapore and Hong Kong governments imposed various measures to cool the property market, impacting mortgage demand and fuelling pressures on the lending front.

The high savings rate in Asia, coupled with funds inflows into the region, exerted downward pressure on interest rates. In Singapore, SIBOR – a benchmark interest rate – reached a 23-year low.

EARNINGS AT RECORD HIGH

Despite headwinds caused by the low interest rate environment, DBS had record 2010 core earnings of SGD 2.65 billion, up 28% from the previous year. This was driven by strong loan growth across the region, higher income from cross-selling activities and an improvement in asset quality. Including a one-time goodwill impairment charge for DBS Bank (Hong Kong) Limited, net profit was SGD 1.63 billion.

Over the year, given our strong capital and liquidity position, DBS was able to support customers' financing needs, and we gained market share in Sing-dollar loans.

By taking a more structured approach to balance sheet management, which we did through our newly set-up Corporate Treasury function, the bank was also able to more consciously put our surplus deposits to good use and mitigate the effects of net interest margin compression. In all, net interest income declined just 3% to SGD 4.32 billion. On the other hand, non-interest income rose 28% to SGD 2.75 billion.

Asset quality improved with allowance coverage increasing to 100% from 83% in the previous year, as the non-performing loan rate declined to 1.9% from 2.9%.

Return on equity rose to 10.2% from 8.4%.

DBS remained well-capitalised with a total capital adequacy ratio of 18.4%, Tier 1 ratio of 15.1% and core Tier 1 ratio of 11.8%.

BECOMING THE ASIAN BANK OF CHOICE FOR THE NEW ASIA

This is Asia's century. With a growing footprint in the three key axes of growth, namely, Southeast Asia, South Asia and Greater China, DBS is uniquely positioned to capture the many opportunities in the region.

In February 2010, we laid out a nine-point strategy to become the Asian bank of choice for the New Asia, and to bank the Asian way.

On the strategic agenda are: entrenching our leadership in Singapore, re-energising Hong Kong and re-balancing the geographic mix of our franchise. We are also focused on strengthening our regional wealth management, SME, Treasury & Markets (T&M) and Global Transaction Services (GTS) businesses. Underlying all this is a relentless focus on customers, people, infrastructure and technology.

Letter to Shareholders

As a Singapore-headquartered bank, it is imperative that we be strong in our home base, even as we expand our footprint across the region.

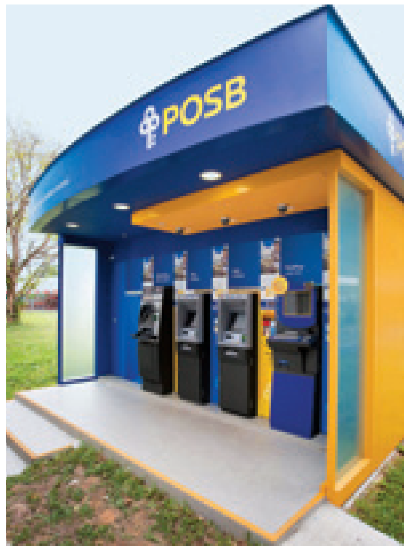
It is still early days, but we have had good traction in executing against strategy, as exemplified by the improved quality of our financials.

ENTRENCH LEADERSHIP POSITION IN SINGAPORE, RE-ENERGISE HONG KONG

As a Singapore-headquartered bank, it is imperative that we be strong in our home base, even as we expand our footprint across the region. To this end, a key priority is to entrench our leadership position in Singapore.

DBS is a leading player in mortgages, auto loans, debit and credit cards. In 2010, we leveraged the strength of our franchise, including our strong deposit base, to widen our lead in a number of businesses. In the mortgage business, for example, DBS continued to innovate and we were the first to introduce a five-year fixed rate home loan.

We piloted a new retail branch operating model in November, starting with 12 branches. Over time, the intent is to apply the same model to all our 80 DBS/ POSB branches so that we can optimise efficiency for both sales and service distribution.



To enhance the banking experience, we invested in our service and delivery channels, adding over 150 new ATMs to give us a network of more than 1,100 ATMs islandwide. Many other initiatives to improve service levels were also implemented, to good effect. For example, process improvement initiatives have helped to reduce branch queue times, and today, 80% of our POSB customers are served within 15 minutes.

In the payments space, we continued to make huge strides. DBS launched mobile banking last April, and it now has the largest customer base with over 200,000 users as at end-December. Last year, we also added close to 200,000 internet banking customers, taking our total base to more than 1.5 million customers.

During the year, DBS remained the leader in equity, bond and REIT issuances in Singapore.

While our Singapore franchise had a good year, we believe there are opportunities to do more. In 2010, we set up a Singapore country organisation – which we are in the process of optimising – to develop a more acute customer focus and better leverage our home market presence, so as to deliver greater synergy and value.

In Hong Kong, our second-largest market, work done to re-energise the franchise has begun to bear fruit. In 2010, DBS Hong Kong delivered a 33% increase in net profit in local currency terms. We also remained one of the top SME banks, with DBS Hong Kong acknowledged as "Best SME Partner" by the Hong Kong Chamber of Small & Medium Business for the second year in a row.

During the year, the growth of the renminbi (RMB) offshore market gathered pace, and DBS, through our Hong Kong franchise, built a leading position in the RMB business. As at end-2010, we had the equivalent of over HKD 10 billion of RMB deposits. We were among the first to complete an offshore USD/ RMB FX swap and cross-currency swap, as well as to offer CNH yield enhancement deposits.

1. In 2010, DBS added over 150 new ATMs to give us a network of more than 1,100 ATMs islandwide.
2. DBS, through our Hong Kong franchise, is building a leading position in the RMB business.
3. DBS was the first Singapore bank to set up a subsidiary in China in 2007. A landmark agreement with RBS will further boost our China franchise.

Significantly, we also had about 20% share in the offshore RMB interbank market.

In addition, DBS Hong Kong continues to do well in the red chips space, with a doubling of customers, and assets and revenues growing by 80% and 190%, respectively.

GROWING OUR ASIAN FOOTPRINT

As an Asian bank, DBS is committed to leveraging our extensive footprint to intermediate the burgeoning intra-Asia trade and investment flows, as well as the growing regional connectivity, to serve our customers better.

In China, where DBS was the first Singapore bank to set up a locally incorporated subsidiary in 2007, we continued to make headway in growing the business. Today, DBS has 17 outlets in nine major Chinese cities. A landmark agreement with the Royal Bank of Scotland, offering around 25,000 of its retail and commercial banking customers in Shanghai, Beijing and Shenzhen the option of moving over to DBS China, is also progressing well.

In Taiwan, where DBS has 40 branches, we turned profitable in 2009, a year ahead of plan. In 2010, revenues grew 23% and loans and deposits saw double-digit percentage increases. Underlining our commitment to the market, DBS Taiwan is gearing up for local incorporation, and will set up a subsidiary by September this year.

In India, in line with our strategic roadmap, DBS is focused on banking corporates, high net-worth individuals and emerging affluent customers. Given this, in 2010, we divested our 37.5% stake in Cholamandalam DBS Finance to the Murugappa Group. DBS' sharper focus in India has positioned us well, and we continued to turn in a strong performance, with institutional banking revenues growing by 22%. In 2010, DBS India was named "India's Best Small Bank" and "India's Fastest Growing Small Bank" (Business Today – KPMG Survey India's Best Banks) for the second year running. In addition, DBS India was also recognised as "India's Fastest Growing Small Bank" in the Businessworld – PwC Survey of India's Best Banks.

In Indonesia, we continue to see good growth in wealth management and have launched a programme to fast-track the

Letter to Shareholders

4. In India, where DBS has 12 branches, we are focused on banking corporates, high net-worth individuals and emerging affluent customers.

5. DBS Indonesia management thanking clients for their support at a golf event.

6. DBS Treasury & Markets donating SGD118,000 to The Straits Times School Pocket Money Fund, which provides needy children with pocket money to defray meal expenses, bus fares and meet other schooling needs.

4

6

5

growth of our SME business. Our Global Transaction Services (GTS) capabilities in Indonesia are also being recognised and we clinched a number of awards from The Asset. These include "Rising Star Cash Management Bank" for the second year running, "Best Foreign Trade Finance Bank" for the fourth year running and "Best Structured Trade Solution".

BUILDING A CUSTOMER-DRIVEN ASIAN PLATFORM

The rise of the Asian entrepreneur and growing affluence in this part of the world, coupled with an increasing customer need for regional connectivity, present huge opportunities for a bank like DBS.

To position ourselves to lead in the wealth and SME space, in 2010, DBS strengthened the regional management teams for both segments. The development of strategic blueprints for both businesses is also well underway, and will be finalised and rolled out in 2011.

During the year, DBS Asset Management and Nikko Asset Management agreed to join forces to create a leading pan-Asian asset manager. The strategic alliance is another step toward executing against our strategy to build a top-notch Asian wealth management franchise.

We are also committed to building our GTS and T&M cross-sell business across the region. In 2010, with the rising cross-border trade, DBS' trade assets grew 54%. We also moved quickly to introduce the RMB trade settlement programme in Singapore and Hong Kong, booking USD 1.3 billion of RMB-related trade assets over the course of the year.

In the T&M space, we had a hugely successful year, with revenues up 12% at SGD 1.9 billion as cross-sell of T&M products to the bank's institutional, private banking and mass affluent clients gained momentum.

Over the year, we also focused on de-risking the T&M business. As cross-selling efforts gained momentum, income from customer flows rose 48% to SGD 687 million, even as other income, principally from balance sheet management, market-making and warehousing stayed nearly flat, being down just 1% at SGD 1.23 billion.

LAYING STRONG FOUNDATIONS TO GROW OUR BUSINESS

We are cognizant that as an organisation, we need strong foundations to undergird our business ambitions.

In 2010, we worked on standardising our management processes, embedding fair dealing best practices

and developing an even stronger performance culture across geographies and businesses. We also put in place a talent management framework to groom and grow our own talent. Today, we have a DBS Academy spanning Singapore, Hong Kong and Shanghai, offering a comprehensive suite of training and development programmes.

On the technology and infrastructure front, we have developed a technology blueprint and rolled out significant software applications groupwide. In addition, in mid-2009, DBS commenced a two-year programme to improve our system reliability and resiliency, so as to enhance the availability of our services. This programme was accelerated in 2010, and we are now more than halfway through the process. We have completed initiatives to improve the availability of our services and disaster recovery capabilities for major applications. Efforts to enhance the resiliency of our mainframes are progressing well.

DIVIDENDS AND CAPITAL

The Board is proposing 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. New shares will be issued to shareholders electing to receive their dividends in scrip, at a price that is at a 5% discount to the average of the last-dealt price on each of 12, 13 and 16 May 2011.

In 2010, DBS raised SGD 2.5 billion through two preference share issues, net proceeds of which will go towards redeeming similar instruments callable this year, subject to regulatory approval. Both issues – including one which was launched to cater to demand from individual investors – attracted strong interest, reflecting investors' confidence in DBS.

ACKNOWLEDGEMENTS

Our record 2010 financial results would not have been possible without the concerted effort of all our 15,000 staff. We would like to thank our colleagues, customers, partners and shareholders for supporting us throughout the year.

We would also like to express our gratitude to our fellow board members for their wise counsel and invaluable contributions. Special thanks go to Koh Boon Hwee, who provided leadership during a difficult period for the bank. Boon Hwee stepped down as Chairman of the Board in 2010, after more than four years in the role. We also want to express our gratitude to Andrew Buxton, John Ross and Ang Kong Hua, who are stepping down as board directors in April 2011. Their insights and acumen have helped DBS navigate successfully through the global financial crisis, and more recently, to raise our game amid intensifying competition.

We welcome Danny Teoh, who joined the DBS Boards, in October. Danny is a very seasoned financial professional, and prior to his retirement, was Managing Partner of KPMG LLP in Singapore.

CAPTURING OPPORTUNITIES IN THE ASIA CENTURY

For the better part of the year, DBS has been laying the groundwork on our strategic priorities across the region. We have had good momentum so far, and are encouraged by the results achieved in 2010. Going forward, we will continue to embrace the spirit of New Asia as we single-mindedly execute against strategy. With this being Asia's time, we believe that DBS is in a good position to capture opportunities ahead as we strengthen our franchise in the region and fortify our position as a leading Asian bank.

Peter Seah Lim Huat
Chairman,
DBS Group Holdings

Piyush Gupta
Chief Executive Officer,
DBS Group Holdings