DBS Bank Ltd., India
Annual Report 2011 - 2012

Shanghai

Believing in ASIA

Singapore

Mumbai

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 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 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 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 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 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.

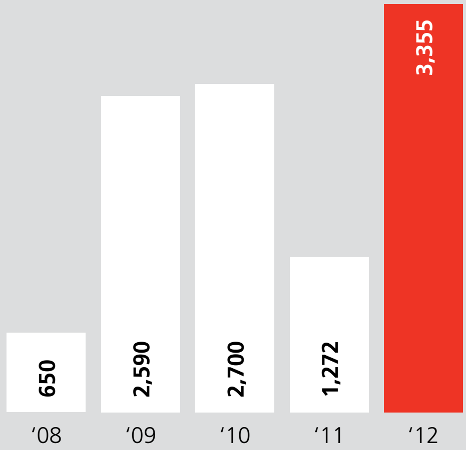
FINANCIAL HIGHLIGHTS

RECORD RESULTS
as at 31 March 2012

NET PROFIT

▲ 164%
₹ 3,355 m
2011: 1,272 m

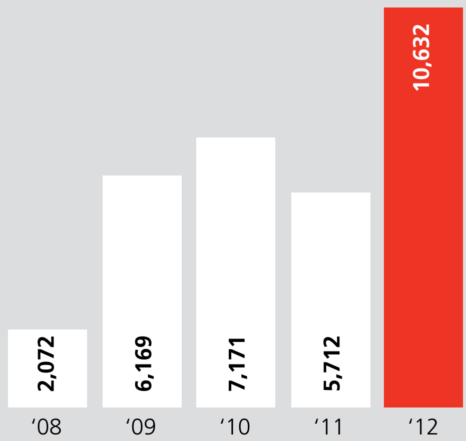
Net profit rose 164% to cross the ₹ 3 billion mark for the first time as focused execution of strategic initiatives, prudent risk management and a strong balance sheet enabled DBS to capture opportunities in India.



TOTAL INCOME

▲ 86%
₹ 10,632 m
2011: 5,712 m

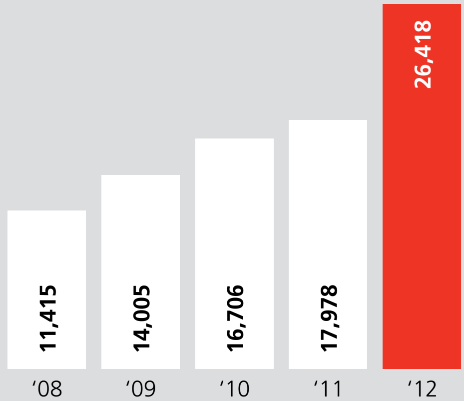
Total income crossed a record of ₹ 10 billion as both net interest income and non-interest income reached new highs.



SHAREHOLDERS' EQUITY

▲ 47%
₹ 26,418 m
2011: 17,978 m

Shareholders' equity increased as there was capital infusion of ₹ 5,085 million in March 2012, coupled with current year's profit of ₹ 3,355 million.

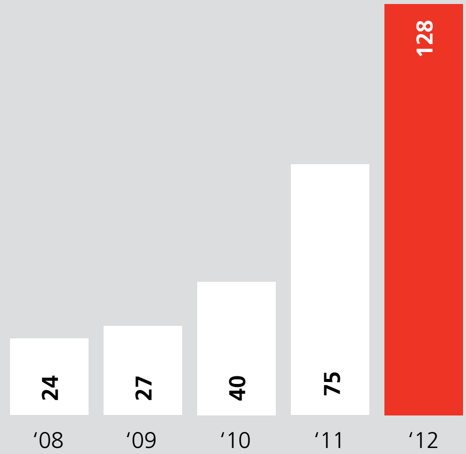


SUCCESSFULLY CAPTURING OPPORTUNITIES

CUSTOMER LOANS

▲71%
₹ 128 b
2011: 75 b

Loans grew 71%, with trade finance accounting for over half the growth.

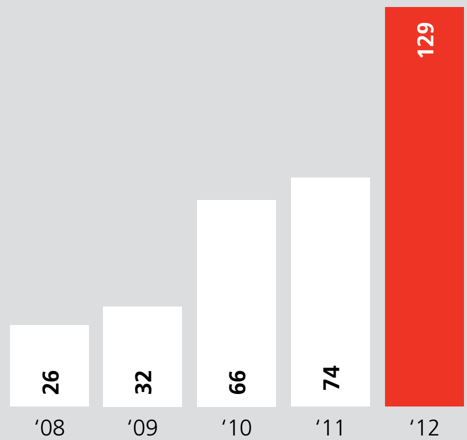


Loans (₹ billion)

CUSTOMER DEPOSITS

▲75%
₹ 129 b
2011: 74 b

Deposits grew 75% with term deposits leading the increase.

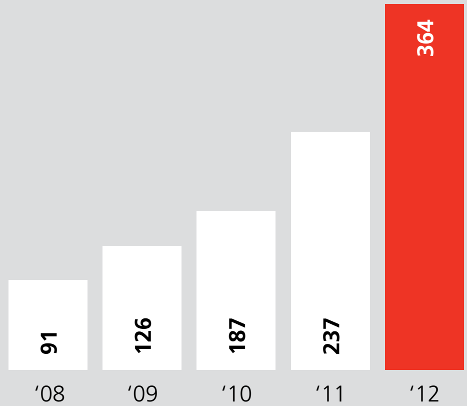


Deposits (₹ billion)

TOTAL ASSETS

▲53%
₹ 364 b
2011: 237 b

Asset growth was broad based
- Customer loans 71% ▲
- Investments 43% ▲



Total Assets (₹ billion)

FIVE YEAR FINANCIALS AT A GLANCE

for the year ended 31 March 2012

Figures In ₹ million	**2012**	2011	2010	2009	2008
Profit and Loss					
Net Interest Income	7,522	4,751	5,622	3,147	2,407
Net Fee and Commission Income	4,487	1,967	1,704	1,949	364
Net Trading Income	(1,414)	(1,013)	(158)	1,067	(731)
Expenses	4,121	2,726	1,676	1,648	882
Net Profit Before Taxes (NPBT)	5,701	2,272	4,620	4,482	1,118
Net Profit After Taxes (NPAT)	3,355	1,272	2,700	2,590	650
Balance Sheet					
Total Assets	363,859	237,439	187,428	125,646	90,864
Total Productive Assets	277,542	186,273	146,015	116,107	84,139
Total Loan	128,443	75,242	40,152	27,228	23,641
Total Deposit	129,220	73,680	66,370	32,450	25,920
Shareholders' Equity	26,418	17,978	16,706	14,005	11,415
Financial Ratios (%)					
Capital Adequacy Ratio (*)	14.38	14.98	16.96	15.70	18.15
Return on Average Assets	1.45	0.77	2.06	2.59	0.92
Return on Average Equity	15.12	7.34	17.59	20.38	5.86
Cost to Income Ratio	38.76	47.72	23.37	26.72	42.54
Net Interest Margin	3.24	2.86	4.29	3.14	3.41
Loan to Deposit	99.40	102.12	60.50	83.91	91.21
Non Performing Loan-net (₹ Million)	774.36	233.46	399.95	149.30	10.89

* The CRAR is calculated as per Basel II norms and includes a capital charge for operational risk except in March 2008 which is calculated as per Basel I norms.

FINANCIAL PERFORMANCE REVIEW

for the year ended 31 March 2012

EXECUTIVE SUMMARY

DBS Bank India continued to demonstrate strong operating performance and broadbased growth in the financial year 2011-12. The Bank's Balance Sheet size grew by 53% to ₹364 billion; Operating Profit grew by 118% to ₹ 6.5 billion.

Despite difficult conditions in the banking industry, India's GDP adjusting to a lower growth trajectory at around 7%, subdued conditions for industrial growth and credit quality affected by the economic slowdown, the Bank registered growth both in size and profitability.

During the year, the Bank consolidated its consumer banking product offerings by launching internet banking and expanding its ATM network from 28 to 39.

The Bank's loan protfolio grew by an impressive 71% with an increase in net interest income of 58% over the previous financial year. The customer base was widened, with the proportion of the largest borrowers to Gross Advances declining by over 4%.

There was an increase in the gross non-performing assets of the Bank to ₹ 2.2 billion. The Bank continued adequately providing for loan losses. As at 31 March 2012, the net NPA ratio stood at 0.6% and the Provisioning Coverage Ratio at 63.93%.

On the liability side, customer deposits of the Bank increased by 75% from ₹ 73.7 billion as of March 2011 to ₹ 129.2 billion.

The Bank has expanded its service delivery network across all its branches in India. Despite the Bank's added expenditure on expanding and reinforcing its network, systems and workforce and the associated incidental overheads, the Cost Income ratio for the year fell to 39% as compared to 48% for the previous financial year, reflecting improved operational efficiency and better cost management. Business per employee increased by about 36% to ₹ 328 million.

FINANCIAL PERFORMANCE REVIEW
for the year ended 31 March 2012

PERFORMANCE FINANCIAL YEARS 2012 AND 2011

a. Profit and Loss

a.1 Net Revenue

Net interest income increased by ₹ 2.771 billion or 58% to ₹ 7.522 billion in the current year.

	2012		2011		2012 vs 2011	
	₹ m	% contribution	₹ m	% contribution	₹ m	% contribution
Placement with Banks, including RBI	49	0.3%	818	20.6%	(768)	(94.0%)
Investment securities	10,333	57.5%	6,302	49.9%	4,031	64.0%
Loan and Advances	7,589	42.2%	3,539	29.5%	4,050	114.4%
Total Interest Income	**17,971**	**100.0%**	**10,659**	**100.0%**	**7,313**	**68.6%**
Interbank Borrowings	4,103	39.3%	2,331	54.7%	1,772	76.0%
Demand Deposit	-	0.0%	-	0.0%	-	0
Savings Account	39	0.4%	14	0.0%	25	177.9%
Fixed Deposits	6,308	60.4%	3,563	45.3%	2,745	77.0%
Total Interest Expense	**10,450**	**100.0%**	**5,908**	**100.0%**	**4,542**	**76.9%**
Net Interest Income	**7,522**		**4,751**		**2,771**	**58.3%**
Other Income	**3,110**		**961**		**2,149**	**223.5%**
Net Revenue	**10,632**		**5,712**		**4,920**	**86.1%**

The Bank's gross interest income rose 68.6% from a year ago to ₹ 17.97 billion. The increase in interest income from loans and advances was due to higher loan margins complemented by an increase in the average portfolio size. Interest income from Investment securities grew proportionate to the higher volumes of investments.

Interest expense rose 76.9% over previous year to ₹ 10.45 billion. The rise in interest expense was on account of higher volume and rate of customer deposits and inter bank borrowings.

The Bank's Other income predominantly comprises fees. Fee income at ₹ 4.5 billion contributed to 69% of the operating profit for the year, originating from diverse business segments including loan processing, trade transactions (on and off balance-sheet), remittance services, and bancassurance business.

The Bank continues to rely on steady growth in business volumes and basic banking business as a part of its strategic focus. Trading profits from the bonds, derivatives and foreign exchange segments have been negligible over the last two financial years.

a.2 Operating Expenses

	2012		2011		2012 vs 2011	
	₹ m	% contribution	₹ m	% contribution	₹ m	% contribution
Staff Expenses	1,943	47.1%	1,252	45.9%	691	55.2%
Occupancy Charges	473	11.5%	404	14.8%	69	17.1%
Others	1,705	41.4%	1,070	39.3%	635	59.3%
Total Operating Expenses	**4,121**	**100.0%**	**2,726**	**100.0%**	**1,395**	**51.2%**

Operating expenses continued to grow in line with business growth. The Bank has expanded its product suite catering to a wider range of customers across various sectors. At the same time, it has kept a tight control over costs. The Cost Income ratio was 39% as compared to 48% for the previous financial year.

b. Balance Sheet

As at 31 March 2012, DBS India's Balance Sheet size stood at ₹ 364 billion, a growth of 53% from the previous year. There was a commensurate increase in the productive (interest earning) assets of the Bank. The loan book grew by 71% predominantly through surge in the trade financing and term loan portfolio. The Bank continued to hold a major portion of its assets in the form of risk-free Government Securities and inter-bank deposits (including tradeable Certificates of Deposits).

During the year, as a result of conscious efforts to broadbase sources of funds, there was a significant increase in the volume of customer deposits by 75% to ₹ 129 billion. With the introduction of additional facilities for its Treasures customers, the Bank expects to increase the volume of low cost deposits going forward.

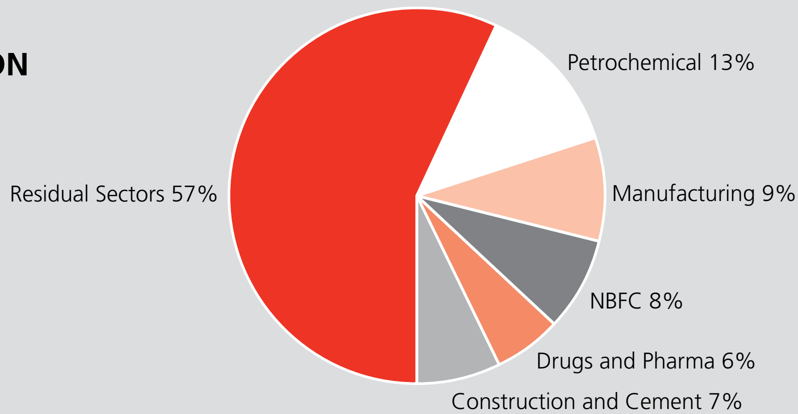
During the year, the Head Office injected fresh capital of US$100 million (₹ 5 billion) in the Indian operation to support the growth in the Balance Sheet.

	2012		2011		2012 vs 2011	
	₹ m	**% contribution**	**₹ m**	**% contribution**	**₹ m**	**% contribution**
Cash and Cash Equivalent	8,075	2.2%	4,704	2.0%	3,370	71.6%
Bank Placement	10,807	3.0%	12,110	5.1%	(1,303)	(10.8%)
Marketable securities	147,806	40.6%	103,131	43.4%	44,675	43.3%
Loan and Advances	128,443	35.3%	75,242	31.7%	53,201	70.7%
Other Assets	68,729	18.9%	42,251	17.8%	26,478	62.7%
Total Asset	**363,859**	**100.0%**	**237,439**	**100.0%**	**126,421**	**53.2%**
Deposits from Customer	129,220	35.5%	73,680	31.0%	55,540	75.4%
Borrowing outside India	63,390	17.4%	31,641	13.3%	31,749	100.3%
Borrowing in India (from Banks/RBI/CCIL)	45,231	12.4%	40,860	17.2%	4,371	10.7%
Other Liability (including sub-debt, capital and reserves)	126,018	34.6%	91,257	38.4%	34,760	38.1%
Total Liabilities	**363,859**	**100.0%**	**237,439**	**100.0%**	**126,421**	**53.2%**

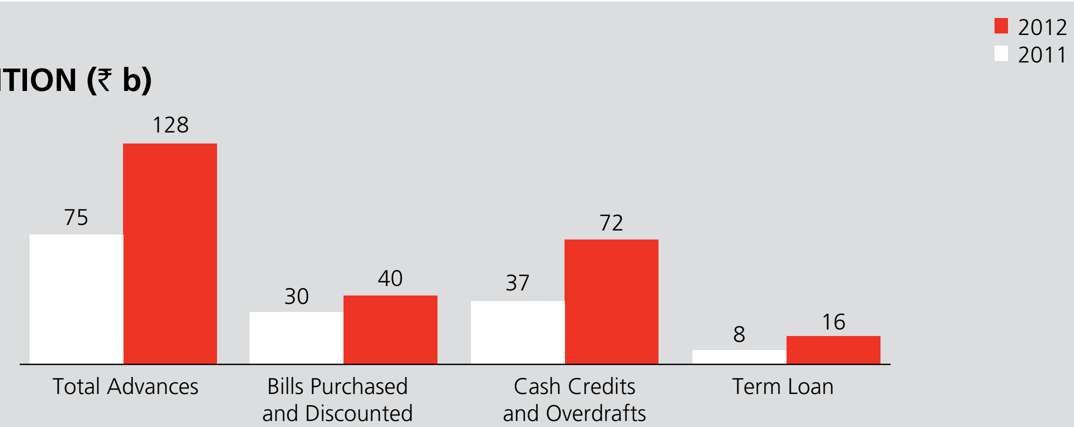
b1. Loans and Advances

In the year of challenging market conditions and sluggish credit growth across the financial sector, the aggregate advances of the Bank have increased by 71% over the previous year. The advances represent corporate credit only, as the Bank has not forayed into consumer lending as part of its strategy. Corporate lending is spread over a wide range of sectors including Construction and Cement, Pharmaceuticals, Petrochemical, Manufacturing and NBFC. The Bank has also been proactive in maintaining the credit quality of its assets.

2012 SECTOR WISE LOAN COMPOSITION



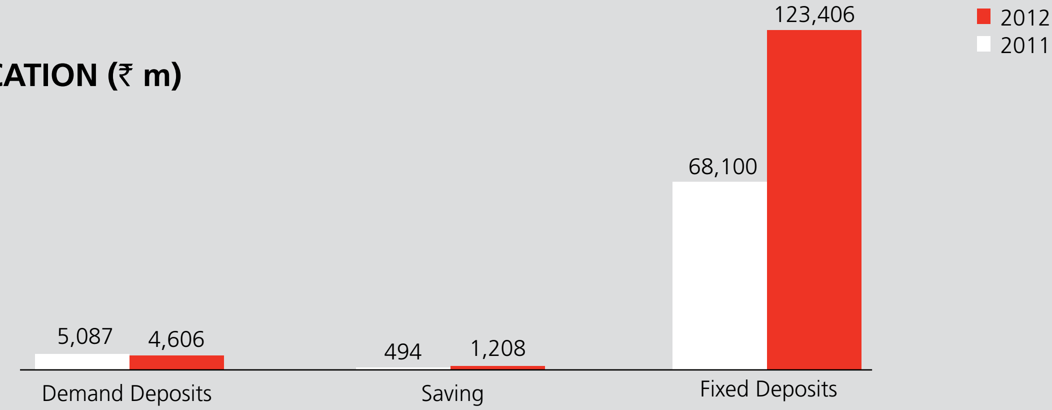
LOAN COMPOSITION (₹ b)



b2. Customer Deposits

Customer Deposits increased 75% to ₹ 129.2 billion as a result of the focused deposit mobilisation initiatives on the back of multiple service delivery channels. Fixed (term) deposits account for 95% of total customer deposits, Demand deposits account for 4% and Savings deposits for the balance. Further during the year, there has been a rise in the percentage of Foreign Currency deposits as a percentage of total deposit.

DEPOSIT DIVERSIFICATION (₹ m)



c. Capital

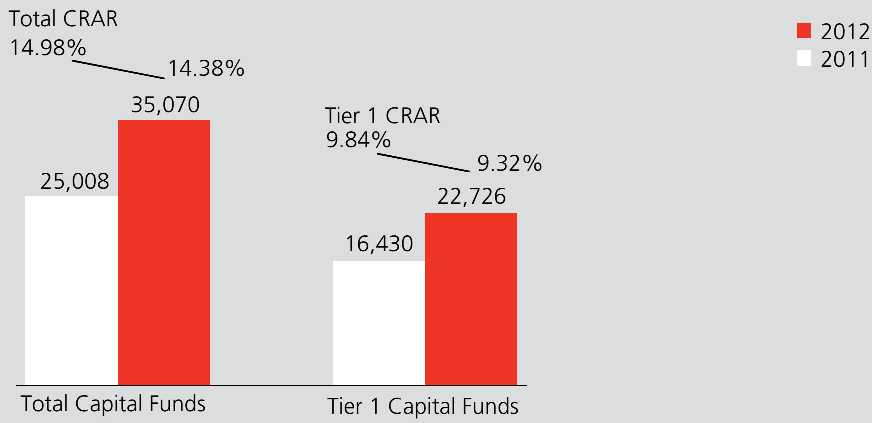
The CRAR for March 2012 was 14.38% as compared to the regulatory minimum requirement of 9%. The Tier-I capital ratio was 9.32%.

The Bank computes and monitors capital adequacy in accordance with the Revised Framework of the International Convergence of Capital Measurement and Capital Standards (i.e. BASEL II). As per RBI guidelines on BASEL-II compliance, capital charge required to be maintained as of 31 March 2012 is subject to a prudential floor being at least 80% of the capital requirement under BASEL-I norms. The Bank has followed this prescription while disclosing its capital adequacy ratios.

During the year, Tier 1 capital of the bank was augmented by infusion of fresh capital of USD 100 million (₹ 5 billion) by the headoffice and by transfer of free reserves of ₹ 840 million to 'Capital Retained in India for CRAR Purposes'.

The Bank's capital management approach is enunciated in its ICAAP policy (Internal Capital Adequacy Assessment Process). It seeks to maintain a strong capital base in order to support its growth plans and business strategies and ensuring compliance with regulatory requirements at all times.

CAPITAL FUNDS AND CRAR



CEO's LETTER

DBS India CEO, Sanjiv Bhasin, shares highlights of 2011-12, the year in which DBS accelerated its growth momentum in India; announced impressive growth in income, earnings and balance sheet; enriched its portfolio of products and services and expanded the India franchise to deliver better connectivity and solutions to clients. New initiatives, enhanced efficiency, and a clearer vision to opportunities that the future beholds, were hallmarks of another successful year for DBS India.

2011-12 saw Asia emerge once again as the silver lining amidst a sanguine macroeconomic environment that had policy makers across the world struggling to be on top of mounting global debt problems.

Renewed uncertainties in US and Europe cast a pall over the global economy. While the US sovereign credit rating was downgraded, the massive debt burden of European economies prompted concerns of Eurozone being in danger of breaking-up. This had a ripple effect on Asia and also sparked fears of a hard landing by China. India with its domestic consumption driven economy continued to attract investments amidst moderating growth.

Committed to making the DBS India footprint richer and more meaningful, we continued to pursue our growth focused strategy, manage risk prudently and execute in a disciplined manner to seize windows of opportunities that opened up in India amidst an unpredictable macroeconomic environment. Backed by a strong balance sheet and Asia connectivity, DBS Bank India turned in another fiscal of strong performance to demonstrate significant and holistic growth across parameters.

For the financial year 2011-12, net profit after tax hit a record ₹ 3.4 billion, up 164% from the previous year, as increased business volumes and customer flows propelled total income to a new high of ₹ 10.6 billion.

Net interest income rose 58% to a record ₹ 7.5 billion, as our strong balance sheet enabled us to gain customers and wallet share during the year. Non-interest income more than doubled to ₹ 3.1 billion, buoyed by higher fee income from wealth management, trade and remittance activities.

The total assets grew 53% to cross the landmark of ₹ 364 billion for the first time. The bank's loan portfolio grew by an impressive 71% and customer deposits by 75%.

Return on equity rose to 15% from 7% and the client base grew by over 50% year-on-year.

DBS Bank India remained well-capitalised with a total capital adequacy ratio of 14.38% and Tier 1 ratio of 9.32%, comfortably above regulatory requirements.

We infused over ₹ 5 billion as additional capital to further accelerate our growth strategy and leveraged our 12 branch, 39 ATM network to launch new products and service offerings making our portfolio more robust and holistic both in the corporate and consumer banking domains. These included Debt Capital Markets (DCM); Parameterised Lending Programme for SMEs; 24X7 Customer Contact Centre and DBS iBanking, our feature rich internet banking platform.

To enhance visibility of brand DBS and emphasise our Asia promise and delivery, we embarked on a regional branding campaign. This campaign, our maiden integrated effort across various media – Newspapers, Magazines, TV, Radio,

1 Best Foreign Bank (Asset Quality) Award, Dun & Bradstreet, 2011

2 India's Best Foreign Bank Award, Financial Express - E&Y, 2010 (presented in 2011)

3 Best Trade Finance Solution in India (Highly Commended), The Asset, 2011

Out of Home and Internet - portrayed DBS' belief in Asia, showcased our presence across the region and articulated the role DBS is well positioned to play in supporting clients as they realise their personal aspirations and business ambitions.

Our differentiated approach, holistic growth and value proposition was well appreciated and DBS received several accolades during the year. This included the distinct honour of being ranked India's Best Foreign Bank by Financial Express – E&Y for 2010 (presented in 2011) in their annual Best Banks Survey and the Best Foreign Bank (Asset Quality) award from Dun & Bradstreet for 2010-11. Our solution providing approach through innovation and structuring gained wider recognition when we were announced the winner of the Best Trade Finance Solution in India (Highly Commended) by The Asset.

Being actively involved in the welfare of the community in which we operate is integral to DBS' culture. We are conscious of our collective ability and responsibility to make a meaningful difference and as an organisation, are committed to support the cause of imparting holistic education to underprivileged children and promote social entrepreneurship. During the year, our enthusiastic staff organised and participated in several activities to raise funds to support this cause in association with our NGO partners.

DBS aspires to be the Asian bank of choice for the New Asia. Our value proposition therefore lies in our ability to provide an Asia-specific focus to products and services. Our growth and success thus far, is largely a result of our customer centric approach, backed by best in class products and quality service.

It is the calibre of TEAM DBS that enables us to provide enriching customer experiences consistently. Every staff member of our organisation is trained in the DBS Asian Service Standards. Customers choose DBS because we are Respectful to them, Easy to deal with and always Dependable.

A good example of this commitment is our 24X7 Customer Care centre that we launched this year. It doesn't have any IVR. When customers call, their calls are always personally answered by trained staff and they don't have to spend any time finding their way through a maze of menu options.

DBS adopts the best people practices and creates a value based culture that is inclusive, fosters new learning, delivers performance and rewards accomplishment. During the year, our staff strength increased by more than 20% and DBS India became an Employer of Choice for 786 talented staff.

This year, several new ideas were initiated to fulfill our objective of insuring Customer Focus in every aspect of our service. "DBS League" our in-house program to recognise deserving staff, who go beyond their call of duty to exemplify the organisation's goals and values, was also made more inclusive and rewarding. Some of our team

4 Launch of DBS iBanking and 24x7 Customer Care centre enhanced our service offerings

5 The DBS Hall at Aseema's Education Centre for tribal children near Nashik

6 Leveraging Asia advantage for India growth

members were seconded or spent an extended stretch of time at the DBS Group Head Office in Singapore to further build on their capabilities, gain a regional outlook with exposure to new geographies, undertake new responsibilities and expand their areas of work.

In the near term, our well established corporate banking business will continue to be the cornerstone of our growth strategy in India even as we build a more meaningful presence in the consumer banking and SME domains. We are doing this by deepening our current levels of engagement with clients and rolling out several new initiatives to increase our market share in all business segments that we operate in.

Going forward, we see further growth in the rising intra Asia trade. India's outbound investment to Singapore grew by over 20% in the second half of 2011 over the previous year. Today, the Indian community is the largest foreign business group in Singapore with a 400% jump in the number of registered businesses to over 4,000 since 2001.

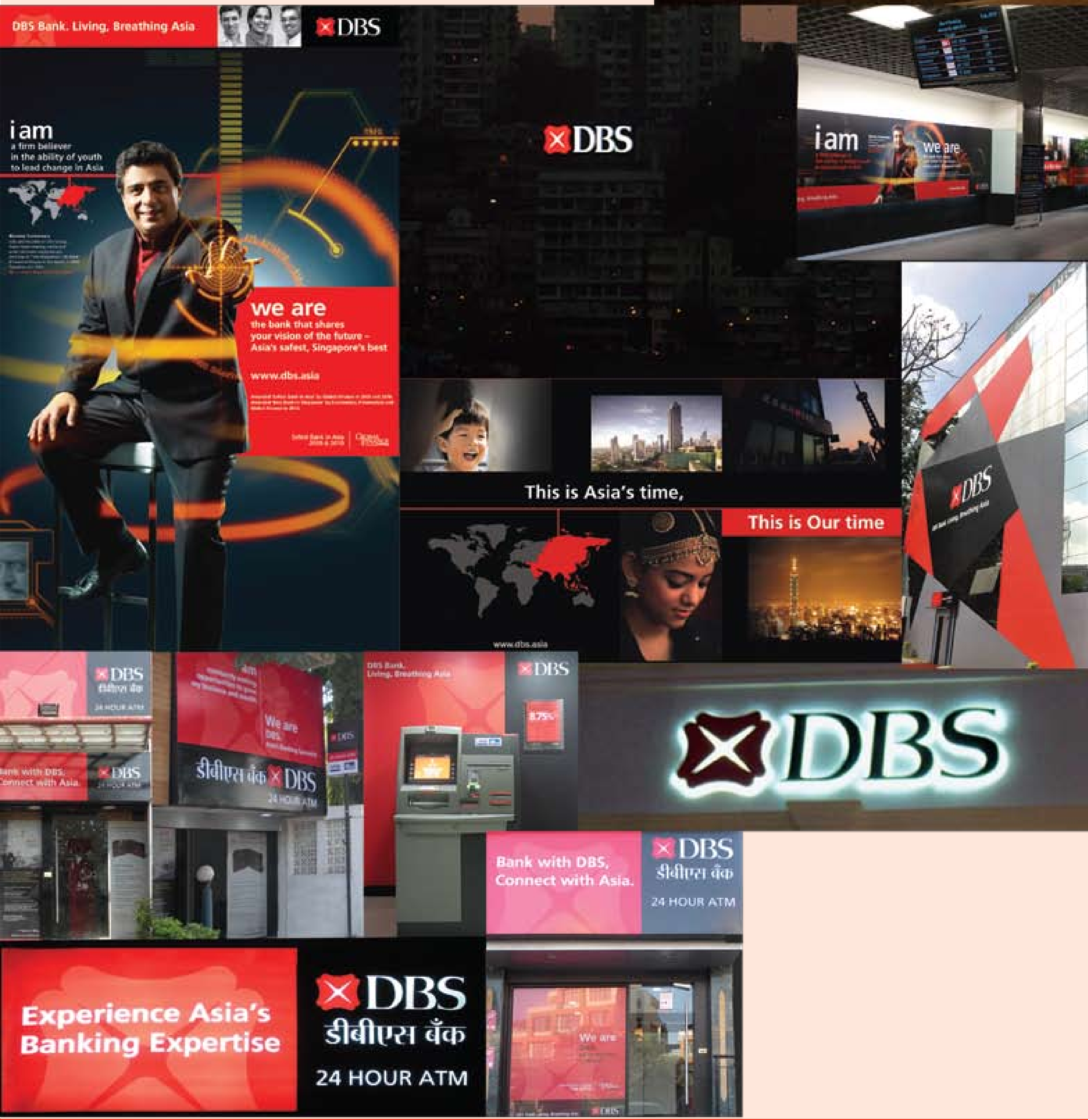
Being a Singapore headquartered Asian bank, we are well positioned to capture the opportunities in the India-Asia corridor. We launched an engagement platform "India Asia: New Horizons" to build intellectual credibility about our Asian insights and offerings. We have successfully partnered customers in fulfilling their growth aspirations and will continue to do so in the future.

We also look forward to the formal guidelines from the Reserve Bank of India (RBI), our regulator on local incorporation via the wholly owned subsidiary (WOS) model. These guidelines have the potential to significantly change the scale and manner in which banks like DBS operate in the country. They can catalyse franchise building and enable us to cater to a significantly larger pool of customers across corporate and retail segments, in a shorter time span.

S Bhasin

Sanjiv Bhasin
General Manager and CEO, DBS Bank Ltd., India

BUILDING BRAND DBS



SENIOR MANAGEMENT COMMITTEE

1. Sanjeev Lall

Head, Branches

Sanjeev joined DBS Bank India in April 2004 and was instrumental in establishing the bank's Enterprise Banking (Middle Market and SME) business in India. In 2009, he moved into his present role as Head, Branches and is responsible for managing and leading the revenue goals of all branches across customer facing businesses in addition to the overall corporate governance, business and service delivery, cost management and growth of the franchise. He is also a member of the India Management Committee, the local governing body of the bank.

Sanjeev brings a rich experience of over 20 years in the industry and has earlier worked with Credit Lyonnais, looking after its corporate banking business in Western India. He is an MBA from XLRI and holds an Economics (Hons.) degree from Delhi University.

2. Rahul Johri

Head, Consumer Banking

Rahul joined DBS Bank India in October 2008 and serves as the Head, Consumer Banking. In his 20 years of professional experience, Rahul has earlier worked in several senior assignments in the consumer banking domain with Standard Chartered Bank (India) and Barclays Bank. At Standard Chartered Bank, he was the Business Head, Global NRI Services, prior to which he performed regional level roles in Branch Banking including as the CEO's Representative for North and East India. At Barclays Bank, he was the Business Head, Retail Liabilities and was involved with the setting-up of the retail business in India.

Rahul is an MBA from XLRI Jamshedpur and holds a B.Tech (Hons) degree in mechanical engineering from IIT, Kharagpur.

3. Rajesh Pai

Head, Treasury & Markets

Rajesh joined DBS Bank India in January 2004 and serves as the Head, Treasury and Markets (T&M). He has played a significant role in establishing the markets business and is responsible for two asset classes (FX & Interest Rates) and businesses - Trading, Sales, ALM , DCM, BMS and Structuring within T&M.

Rajesh is a Member of the India Management Committee and also serves as the Deputy Chairman of the India ALCO of the bank. With an engineering background in Electronics & Communication and an MBA from Mumbai University, Rajesh started his career with Citibank in 1988 and has over 24 years of Indian & overseas treasury experience in leadership roles for international banks such as Banque Indosuez, Standard Chartered Bank and State Bank of Mauritius before joining DBS.

4. Vivek Batra

Head, Institutional Banking

Vivek joined DBS Bank India in New Delhi in June 2005 to head the initiative for establishing the Branch, developing the business strategy and ensuring strong financial performance. He later moved to Mumbai as Head, Corporate Banking and is currently the Head, Institutional Banking Group, India wherein he oversees the Bank's Investment Banking business in India as well. He sits on several committees including the India Management Committee and ALCO.

Vivek has worked in various leadership roles at HSBC across Mumbai, Kolkata and New Delhi and has also had a stint with the Kotak Group in its Capital Markets/Securities team. He brings a rich network of relationships and relevant experience of over 18 years. By qualification, Vivek is an MBA from IIM Calcutta.

5. Sanjiv Bhasin

General Manager & CEO

Sanjiv serves as the General Manager and Chief Executive Officer of the Bank. Before joining DBS in September 2008, he was the Chief Executive Officer & Managing Director of Rabo India Finance, the Indian subsidiary of Rabobank Nederland. He has also worked as the Chief Operating Officer (COO) of HSBC India.

Across a career spanning over 30 years, Sanjiv has donned several key leadership roles mainly in the Corporate Banking, Investment Banking and Credit & Risk Management divisions of HSBC in India and overseas, including stints with the Investment Bank in London and as the Chief Executive Officer of HSBC Mauritius.

Sanjiv is an MBA in Finance from XLRI Jamshedpur and holds a B.Com (Hons) degree from Sriram College of Commerce, New Delhi.

6. Vijit Yadav

Chief Operating Officer & Head, Technology & Operations

Vijit serves as the COO & Head, Technology and Operations. He is also a member of the India Management Committee, ALCO, HR Committee and the Risk and Control Committee. Prior to joining DBS in April 2007, Vijit spent 17 years with HSBC and also a year at Dell's Global Finance Back Office BPO as a Director.

Vijit has held leadership positions with HSBC in the Consumer Bank, Corporate Bank, the Operations Group and as Head of NRI Services and Delivery Channels. With over 23 years of experience, he brings a deep understanding in both, the banking and operations domains.

Vijit is an MBA from International Management Institute, a diploma holder from London School of Foreign Trade and holds a Masters and Bachelors degree from St. Stephens College, Delhi University.

7. Yazad Cooper

Chief Financial Officer

Yazad joined DBS Bank India in August 2004 and serves as the CFO. He is a member of the India Management Committee, ALCO and the Operational Risk Committee. In addition to his core Finance responsibilities, Yazad has been responsible for framing DBS India's growth strategies, corporate planning and analysis and Balance Sheet & capital management. He also holds officiating Finance responsibility over the UAE and UK operations at DBS Bank.

A Chartered Accountant by qualification, Yazad has spent over 18 years in the Banking and Financial Services domain donning key leadership and strategic responsibilities with KPMG, Deutsche Bank and HSBC in the past.

8. Sanjeev Uppal

Head, Global Transaction Services

Sanjeev joined DBS Bank India in July 2008 as Head, Global Transaction Services (GTS). Before heading GTS, he was Director and Head, Technology and Operations, of PT Bank DBS, Indonesia since 2005.

Sanjeev has previously worked with HSBC for about 20 years, handling a variety of roles including Head, Operations & Banking Services; Head, Transaction (Cash Management & Trade) business and has also managed the Consumer Banking business for the Northern Region. By qualification, he is a Chartered Accountant.

9. Rajat Agrawal

Senior Risk Executive

Rajat joined DBS Bank India in April 2009 and serves as Senior Risk Executive overseeing credit, operational, market and liquidity risk for DBS India. Before joining DBS, he was with HSBC Bank, where he was a key member of the credit team, responsible for credit approvals, managing stressed accounts, early warning and interfacing with regulators and auditors.

Over the last 18 years, Rajat has worked across several verticals in the financial domain including as an investment banker with Global Trust Bank (GTB) and as a business development manager with Summit Usha Martin Finance. At Indbank Merchant Banking Services, he was responsible for dealing, market making and setting up the trading terminal for the OTCEI (Over the Counter Exchange of India). By qualification, Rajat is an MBA from IIM Ahmedabad and an Economics (Hons) graduate from St. Stephens College, Delhi University.

10. Vinay Gupta

Head, Legal & Compliance

Vinay joined DBS Bank India in August 2004 and serves as the Head, Legal and Compliance. Earlier, he has worked with DBS Bank India as Head, Technology & Operations and Head, Compliance, South & South East Asia (SSEA) and at the Group Head Office in Singapore.

A seasoned banker, Vinay has 30 years of relevant experience transcending several verticals. Vinay has held several positions with HSBC India including Head, Retail Banking-Western India; Senior Account Manager, Corporate Banking; Head, Trade Finance-Northern India; Branch Operations Manager at Delhi and as Manager, Financial Control in Delhi and Mumbai. He has also worked as Business Head, Retail Banking with Global Trust Bank and as AGM, Retail Banking & Operations, Majan International Bank, Muscat.

Vinay is an MBA from IIM Ahmedabad and holds a M.A (Hons.) degree in Economics from Birla Institute of Science & Technology, Pilani

DBS Bank Ltd.
BRANCHES IN INDIA

1

2

3

4

5

6

1 Mumbai
2 New Delhi
3 Bengaluru
4 Chennai
5 Pune
6 Kolkata
7 Salem
8 Nashik
9 Kolhapur
10 Surat
11 Moradabad
12 Cuddalore

7

8

9

10

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12

FINANCIAL STATEMENTS

AUDITORS' REPORT

on the account of DBS Bank Ltd., India under section 30 of the Banking Regulation Act, 1949.

THE CHIEF EXECUTIVE OFFICER

1. We have audited the attached balance sheet of DBS Bank Ltd., India ('the Bank') as at 31 March 2012 and the related profit and loss account and the cash flow statement of the Bank for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit of the Bank and its branches in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The balance sheet and profit and loss account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with the provisions of sub sections (1), (2) and (5) of section 211 and sub section (5) of section 227 of the Companies Act, 1956.

4. In our opinion, and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   - In the case of balance sheet, of the state of affairs of the Bank at 31 March 2012;
   - In the case of the profit and loss account, of the profit for the year ended on that date; and
   - In the case of the cash flow statement, of the cash flows for the year ended on that date.

5. Further in our opinion the accompanying balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards, referred to in sub section 3(C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

6. We further report that:

(a) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit and found them to be satisfactory;

(b) the financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches;

(c) the transactions which have come to our notice have been within the powers of the Bank;

(d) in our opinion, the Bank has maintained proper books of account as required by law insofar as appears from our examination of the books;

(e) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

(f) in our opinion, and to the best of our information and according to explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and guidelines issued by the Reserve Bank of India from time to time; and

(g) the requirements of section 274 (1) (g) of the Companies Act, 1956 are not applicable considering the Bank is a branch of DBS Bank Ltd. which is incorporated with limited liability in the Republic of Singapore.

For **B S R and Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
16 May 2012

BALANCE SHEET
as at 31 March 2012

In ₹ thousands	Schedules	31 Mar 2012	31 Mar 2011
CAPITAL AND LIABILITIES			
Capital	1	**14,603,321**	9,518,321
Reserves and Surplus	2	**11,814,698**	8,459,458
Deposits	3	**129,220,218**	73,680,126
Borrowings	4	**148,238,631**	107,075,135
Other liabilities and provisions	5	**59,982,355**	38,705,514
Total		**363,859,223**	237,438,554
ASSETS			
Cash and balances with Reserve Bank of India	6	**8,074,518**	4,704,069
Balances with banks and money at call and short notice	7	**10,807,373**	12,110,424
Investments	8	**147,805,589**	103,130,905
Advances	9	**128,442,791**	75,241,895
Fixed Assets	10	**419,779**	378,520
Other Assets	11	**68,309,173**	41,872,741
Total		**363,859,223**	237,438,554
Contingent Liabilities	12	**5,544,122,406**	3,334,994,683
Bills for collection		**40,726,267**	28,422,331
Significant accounting policies and notes to accounts	18		

Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date attached.

For **B S R and Co.**
Chartered Accountants
Firm's Registration No: 101248W

For **DBS Bank Ltd., India**

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
16 May 2012

Sanjiv Bhasin
General Manager and
Chief Executive Officer

Mumbai
16 May 2012

Yazad Cooper
Chief Financial Officer

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2012

In ₹ thousands	Schedules	31 Mar 2012	31 Mar 2011
INCOME			
Interest earned	13	**17,971,242**	10,658,608
Other income	14	**3,110,225**	961,357
Total		**21,081,467**	11,619,965
EXPENDITURE			
Interest expended	15	**10,449,724**	5,907,902
Operating expenses	16	**4,120,672**	2,725,766
Provisions and contingencies	17	**3,155,831**	1,714,035
Total		**17,726,227**	10,347,703
PROFIT			
Net Profit for the year		**3,355,240**	1,272,262
Profit brought forward		**1,166,119**	2,341,923
Total		**4,521,359**	3,614,185
APPROPRIATIONS			
Statutory Reserve		**838,810**	318,066
Appropriation to/(Redemption from) Investment Reserve Account		**182,367**	-
Capital retained in India for CRAR purposes		**840,000**	2,130,000
Balance carried over to Balance Sheet		**2,660,182**	1,166,119
Total		**4,521,359**	3,614,185

Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date attached.

For **B S R and Co.**
Chartered Accountants
Firm's Registration No: 101248W

For **DBS Bank Ltd., India**

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
16 May 2012

Sanjiv Bhasin
General Manager and
Chief Executive Officer

Mumbai
16 May 2012

Yazad Cooper
Chief Financial Officer

CASH FLOW STATEMENT
for the year ended 31 March 2012

In ₹ thousands		31 Mar 2012	31 Mar 2011
Cash flows from operating activities			
Net Profit before taxation and extraordinary items		**5,701,134**	2,272,499
Adjustments for:			
Depreciation on Fixed Assets		**196,094**	135,763
(Profit)/Loss on sale of Fixed assets		**(68)**	474
Provision on Standard Assets/Derivatives		**423,086**	47,841
Provisions for Depreciation on Investments		**(419,408)**	75,915
Bad Debts Written Off		**23,333**	360,926
Other Provisions (including country risk provision)		**11,677**	6,343
Provision for Non Performing Assets		**771,249**	240,570
Provision for Employee Benefits		**50,246**	28,607
Operating profit before working capital changes		**6,757,343**	3,168,938
(Increase) in Investments (excluding HTM investments)		**(45,738,776)**	(5,931,016)
(Increase) in Advances		**(53,995,478)**	(35,971,537)
(Increase) in Other Assets		**(25,822,316)**	(6,733,295)
Increase in Deposits		**55,540,092**	7,309,532
Increase in Other liabilities and provisions		**20,791,832**	5,205,496
		(42,467,303)	(32,951,882)
Income Tax Paid		**(2,960,010)**	(1,170,000)
Net cash from operating activities	**A**	**(45,427,313)**	(34,121,882)
Cash flows from investing activities			
Purchase of Fixed Assets/Capital work in progress		**(237,364)**	(242,820)
Proceeds from sale of Fixed Assets		**79**	612
(Increase)/Decrease in HTM investments		**1,483,500**	3,586,719
Net cash from investing activities	**B**	**1,246,215**	3,344,511
Cash flows from financing activities			
Additional Capital from Head Office		**5,085,000**	-
Increase in Borrowings		**41,163,496**	22,534,936
Subordinated Debt from Head Office		**-**	13,627,799
Net cash from financing activities	**C**	**46,248,496**	36,162,735
Net increase in cash and cash equivalents	**(A+B+C)**	**2,067,398**	5,385,364

CASH FLOW STATEMENT *(continued)*

for the year ended 31 March 2012

In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Cash and cash equivalents at the beginning of the year	**16,814,493**	11,429,129
Cash and cash equivalents at the end of the year	**18,881,891**	16,814,493
Notes: Cash and cash equivalents represent		
Cash and balances with Reserve Bank of India (refer schedule 6)	**8,074,518**	4,704,069
Balances with banks and money at call and short notice (refer schedule 7)	**10,807,373**	12,110,424
Total	**18,881,891**	16,814,493

As per our report of even date attached.

For **B S R and Co.**
Chartered Accountants
Firm's Registration No: 101248W

For **DBS Bank Ltd., India**

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
16 May 2012

Sanjiv Bhasin
General Manager and
Chief Executive Officer

Mumbai
16 May 2012

Yazad Cooper
Chief Financial Officer

SCHEDULES TO FINANCIAL STATEMENTS
as at 31 March 2012

	In ₹ thousands	31 Mar 2012	31 Mar 2011
1.	**CAPITAL**		
	Face value of securities deposited with the RBI under Section 11(2)(b) of the Banking Regulation Act, 1949	**2,150,000**	1,830,000
	Balance as per last Balance Sheet	**9,518,321**	9,518,321
	Add: Additional capital received from Head Office during the year	**5,085,000**	-
	Total	**14,603,321**	9,518,321
2.	**RESERVES AND SURPLUS**		
A	**Statutory Reserve**		
	Balance as per last Balance Sheet	**2,137,612**	1,819,546
	Additions during the year	**838,810**	318,066
		2,976,422	2,137,612
B	**Capital Reserve (refer schedule 18 note [5])**	**5,096**	5,096
C	**Investment Reserve Account (refer schedule 18 note [48])**		
	Balance as per last Balance Sheet	**-**	-
	Additions during the year	**182,367**	-
	Appropriation towards additional Depreciation requirement for the year	**-**	-
		182,367	-
D	**Capital retained in India for CRAR purposes**		
	Balance as per last Balance Sheet	**5,150,095**	3,020,095
	Additions during the year	**840,000**	2,130,000
		5,990,095	5,150,095
E	**Balance in Profit and Loss Account**	**2,660,182**	1,166,119
F	**Deferred Tax Reserve**	**536**	536
	Total	**11,814,698**	8,459,458

SCHEDULES TO FINANCIAL STATEMENTS
as at 31 March 2012

	In ₹ thousands	31 Mar 2012	31 Mar 2011
3.	**DEPOSITS**		
A(i)	**Demand Deposits**		
	From banks	**-**	-
	From others	**4,606,387**	5,086,621
		4,606,387	5,086,621
(ii)	**Saving Bank Deposits**	**1,207,767**	493,998
(iii)	**Certificate of Deposits**	**-**	3,486,494
(iv)	**Term Deposits**		
	From banks	**-**	-
	From others	**123,406,064**	64,613,013
		123,406,064	64,613,013
	Total	**129,220,218**	73,680,126
B	Deposits of branches in India	**129,220,218**	73,680,126
	Deposits of branches outside India	**-**	-
	Total	**129,220,218**	73,680,126
4.	**BORROWINGS**		
A	**Borrowings in India**		
(i)	Reserve Bank of India	**28,500,000**	13,350,000
(ii)	Other banks	**15,450,000**	23,059,500
(iii)	Other institutions and agencies	**1,281,285**	4,450,356
		45,231,285	40,859,856
B	**Borrowings outside India from Banks**	**63,390,107**	31,641,173
C	**Subordinated Debt***	**39,617,239**	34,574,106
	Total	**148,238,631**	107,075,135
	Secured borrowings included in I and II above	**29,781,285**	17,800,356

* Subordinated loan in the nature of long term borrowings in foreign currency from Head Office.

5.	**OTHER LIABILITIES AND PROVISIONS**		
	Bills Payable	**381,167**	133,309
	Interest Accrued	**1,311,891**	697,813
	Contingent Provision against Standard Advances	**557,174**	333,014
	Contingent Provision against Derivatives exposures	**219,498**	20,572
	Others (including provisions)	**57,512,625**	37,520,806
	Total	**59,982,355**	38,705,514

SCHEDULES TO FINANCIAL STATEMENTS
as at 31 March 2012

	In ₹ thousands	31 Mar 2012	31 Mar 2011
6.	**CASH AND BALANCES WITH RESERVE BANK OF INDIA**		
	Cash in hand (including foreign currency notes)	**35,557**	28,527
	Balances with RBI in Current Account	**8,038,961**	4,675,542
	Total	**8,074,518**	4,704,069
7.	**BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**		
A	**In India**		
(i)	Balance with Banks		
	In Current Accounts	**371,973**	48,611
	In Other Deposit Accounts	**-**	7,900,000
		371,973	7,948,611
(ii)	Money at Call and Short Notice	**1,293,330**	-
		1,665,303	7,948,611
B	**Outside India**		
	In Current Accounts	**9,142,070**	4,161,813
	In Other Deposit Accounts	**-**	-
	Money at Call and Short Notice	**-**	-
		9,142,070	4,161,813
	Total	**10,807,373**	12,110,424
8.	**INVESTMENTS**		
	Investments in India in		
	Government securities *	**75,624,821**	41,332,257
	Other approved securities	**-**	-
	Shares	**-**	-
	Debentures and Bonds	**270,000**	270,000
	Subsidiaries and Joint Ventures	**-**	-
	Others (Certificate of Deposits, Commercial Papers and Pass through Certificate)	**71,910,768**	61,528,648
	Total	**147,805,589**	103,130,905
	Gross Investments in India	**147,933,672**	103,678,396
	Less: Provision for depreciation	**128,083**	547,491
	Net Investments in India	**147,805,589**	103,130,905

*** Includes :**

(A) Securities pledged as margin with CCIL ₹ 250,318 thousands (Previous Year ₹ 257,175 thousands)
(B) Securities held u/s 11(2)(b) with RBI ₹ 2,135,772 thousands (Previous Year ₹ 1,853,679 thousands)
(C) Securities pledged as collateral for LAF/MSF ₹ 29,067,293 thousands (Previous Year ₹ 13,950,629 thousands)
(D) Securities held with CCIL for borrowings under CBLO NIL (Previous Year ₹ 3,072,359 thousands)
(E) Securities kept as margin for RTGS ₹ 21,172,180 thousands (Previous Year ₹ 4,017,051 thousands)
(F) Securities pledged as collateral for Repo NIL (Previous Year ₹ 1,451,879 thousands)

SCHEDULES TO FINANCIAL STATEMENTS
as at 31 March 2012

	In ₹ thousands	31 Mar 2012	31 Mar 2011
9.	**ADVANCES**		
A	Bills purchased and discounted	**40,420,621**	29,963,057
	Cash credits, overdrafts and loans repayable on demand	**71,989,707**	37,768,746
	Term Loans	**16,032,463**	7,510,092
	Total	**128,442,791**	75,241,895
B	Secured by tangible assets *	**41,588,878**	31,121,300
	Covered by Bank/Government Guarantees**	**27,384,831**	19,315,200
	Unsecured	**59,469,082**	24,805,395
	Total	**128,442,791**	75,241,895
C	Advances in India		
	Priority Sectors	**62,175,064**	36,814,015
	Public Sectors	**-**	-
	Banks	**-**	-
	Others	**66,267,727**	38,427,880
	Advances Outside India	**-**	-
	Total	**128,442,791**	75,241,895

* includes secured by book debts and stocks
**includes advances covered by LCs issued by banks

10.	**FIXED ASSETS**		
(I)	**Premises**		
	Cost at the beginning of the year	**-**	-
	Additions during the year	**-**	-
	Deductions during the year	**-**	-
		-	-
	Accumulated depreciation	**-**	-
	Net book value of Premises	**-**	-
(II)	**Other Fixed Assets (including furniture and fixtures)**		
	Cost at the beginning of the year	**881,241**	646,132
	Additions during the year	**239,183**	242,820
	Deductions during the year	**(10,787)**	(7,711)
		1,109,637	881,241
	Accumulated depreciation	**(697,221)**	(502,721)
	Net book value of Other Fixed Assets	**412,416**	378,520
(III)	**Capital work-in-process**	**7,363**	-
	Total (I+II+III)	**419,779**	378,520

SCHEDULES TO FINANCIAL STATEMENTS
as at 31 March 2012

	In ₹ thousands	31 Mar 2012	31 Mar 2011
11.	**OTHER ASSETS**		
	Interest accrued	**1,156,271**	1,499,968
	Tax paid in advance/Tax Deducted at Source (net of provisions)	**677,620**	668,393
	Stationery and Stamps	**-**	1
	Deferred Tax Asset (refer schedule 18 note [36])	**848,617**	321,239
	Others	**65,626,665**	39,383,140
	Total	**68,309,173**	41,872,741
12.	**CONTINGENT LIABILITIES**		
	Liability on account of outstanding foreign exchange contracts	**2,325,214,044**	993,058,505
	Liability on account of outstanding Currency and Interest Rate Swap and Option contracts	**3,150,425,670**	2,288,291,850
	Guarantees given on behalf of constituents		
	- in India	**37,833,496**	35,606,812
	- outside India	**13,168,167**	4,526,542
	Acceptances, endorsements and other obligations	**13,269,352**	13,463,672
	Other items for which the Bank is contingently liable	**4,211,677**	47,302
	Total	**5,544,122,406**	3,334,994,683

for the year ended 31 March 2012

	In ₹ thousands	31 Mar 2012	31 Mar 2011
13.	**INTEREST EARNED**		
	Interest/discount on advances/bills	**7,589,125**	3,539,161
	Income on investments	**10,332,707**	6,301,777
	Interest on balances with RBI and other inter-bank funds	**49,410**	817,670
	Total	**17,971,242**	10,658,608
14.	**OTHER INCOME**		
	Commission, exchange and brokerage	**4,487,338**	1,966,500
	Net Profit/(Loss) on sale of investments	**(554,652)**	(1,048,428)
	Net Profit/(Loss) on sale of land, buildings and other assets	**68**	(474)
	Net Profit/(Loss) on Foreign Exchange and Derivative transactions	**(859,840)**	35,720
	Miscellaneous Income	**37,311**	8,039
	Total	**3,110,225**	961,357

SCHEDULES TO FINANCIAL STATEMENTS

for the year ended 31 March 2012

	In ₹ thousands	31 Mar 2012	31 Mar 2011
15.	**INTEREST EXPENDED**		
	Interest on Deposits	**6,346,881**	3,577,042
	Interest on RBI/Inter-bank borrowings *	**4,102,843**	2,330,860
	Total	**10,449,724**	5,907,902
	* including interest on Repos, CBLOs and Subordinated Debt		
16.	**OPERATING EXPENSES**		
	Payments to and provisions for employees	**1,942,887**	1,251,625
	Rent, taxes and lighting	**472,585**	403,645
	Printing and Stationery	**12,859**	10,311
	Advertisement and publicity	**37,369**	37,190
	Depreciation on Bank's property	**196,094**	135,763
	Auditor's fees and expenses	**2,878**	2,500
	Law Charges	**85,052**	26,381
	Postage, Telegram, Telephone, etc.	**36,119**	34,315
	Repairs and maintenance	**80,636**	59,282
	Insurance	**103,841**	69,026
	Brokerage charges	**51,172**	29,001
	Professional Fees	**87,062**	43,984
	Head Office Expenses	**218,876**	103,597
	Computerisation and related expenses	**497,603**	381,405
	Other Expenditure	**295,639**	137,741
	Total	**4,120,672**	2,725,766
17.	**PROVISIONS AND CONTINGENCIES**		
	Provision for Non Performing Assets	**771,249**	240,570
	Bad Debts written off (net)	**23,333**	343,129
	Provision for Standard Asset (including credit exposure in derivatives)	**423,086**	47,841
	Provision/(Write-back) for Depreciation on Investments	**(419,408)**	75,915
	Provision for Current Income-Tax	**2,873,272**	1,193,867
	Provision/(Write-back) for Deferred Income-Tax	**(527,378)**	(193,630)
	Provision for Wealth Tax	**2**	14
	Provision/(Write-back) for Country Risk	**11,675**	6,329
	Total	**3,155,831**	1,714,035

SCHEDULE 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. BACKGROUND

The accompanying financial statements for the year ended 31 March 2012 comprise the accounts of the India branches of DBS Bank Ltd. ('the Bank'), which is incorporated in Singapore. The India branches of the Bank as at 31 March 2012 are located at Mumbai, New Delhi, Bengaluru, Chennai, Pune, Kolkata, Nashik, Surat, Salem, Moradabad, Kolhapur and Cuddalore.

2. BASIS OF PREPARATION

The financial statements have been prepared and presented under the historical cost convention on an accrual basis of accounting, unless otherwise stated and in accordance with Generally Accepted Accounting Principles ('GAAP') in India, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

3. USE OF ESTIMATES

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

(i) Advances

Advances are classified as performing and non-performing based on management's periodic internal assessment and RBI prudential norms. Advances are stated net of specific loan provisions, write offs and interest in suspense for non-performing advances. Provision for loan losses are made in respect of identified advances based on management's assessment of degree of impairment, subject to minimum provisioning levels prescribed by the RBI guidelines.

The Bank also maintains a general loan loss provision on Standard Advances and Derivative Exposures at rates as prescribed by RBI and discloses the same in Schedule 5 ('Other liabilities and Provisions'). In addition, the Bank maintains provision for country risk in accordance with RBI guidelines and the same is included under Schedule 5 ('Other liabilities and Provisions').

(ii) Investments

Classification

Investments, are recognised on settlement date (i.e. value date) basis and are classified as Held for Trading ('HFT'), Available for Sale ('AFS') or Held to Maturity ('HTM') in accordance with RBI guidelines.

In the financial statements, investments are disclosed under six categories as set out in Schedule 8 – Investments.

Acquisition Cost

In determining acquisition cost of an investment:

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to Profit and Loss Account.
- Cost of investments is determined using First in First Out method.
- Broken period interest on debt instruments is accounted for in accordance with RBI guidelines.

Disposal of Investments

Profit/Loss on sale of investments under the HFT and AFS categories are recognised in the Profit and Loss Account.

The profit from sale of investment under HTM category, net of taxes and transfer to statutory reserves is appropriated from Profit and Loss Account to Capital Reserve Account. Loss on sale, if any, is recognised in the Profit and Loss Account.

Valuation

Investments classified under the HFT and AFS categories are valued at lower of acquisition cost or market value in aggregate for each category of investment, in accordance with the guidelines issued by the RBI and based on the rates as published by Primary Dealers Association of India ('PDAI') jointly with the Fixed Income Money Market and Derivatives Association of India ('FIMMDA'). The Non SLR bonds are valued by applying the mark up above the corresponding yield on GOI securities as directed by RBI. Net depreciation is recognised in the Profit and Loss Account and net appreciation, (if any) is ignored per category of investment classification. Consequent to revaluation, the book value of the individual security is not changed. Treasury Bills, Commercial Paper and Certificate of Deposits are held at carrying cost.

In accordance with the RBI's Master Circular DBOD. No.BP.BC.19/21.04.141/2011-12 dated 01 July 2011, the provision on account of depreciation in the HFT and AFS categories in excess of the required amount is credited to the Profit and Loss Account and an equivalent amount (net of taxes if any and net of transfer of Statutory Reserve as applicable to such excess provision) is appropriated to an Investment Reserve Account. The provision required to be created on account of depreciation in the AFS and HFT categories is debited to the Profit and Loss Account and an equivalent amount (net of tax benefit, if any and net of consequent reduction in transfer to Statutory Reserves) is transferred from the Investment Reserve Account to the Profit and Loss Account.

Securities categorised under HTM are carried at acquisition cost, or at amortised cost if acquired at a premium over the face value. Such premium is amortised over the remaining period to maturity of the relevant security on a straight line basis.

Brokerage, commission, etc. paid at the time of sale is charged to the Profit and Loss Account.

Transfer of securities between categories

Reclassification of investments from one category to the other, is done in accordance with RBI guidelines and any such transfer is accounted for at the lower of acquisition cost/book value/market value, as on the date of transfer and depreciation, if any, on such transfer is fully provided for.

Accounting for Repurchase/Reverse-repurchase transactions

In accordance with RBI Circular DBOD.No.BP.BC.19/21.04.141/2011-12 dated 01 July 2011, Repurchase/Reverse-repurchase transactions (other than those under the Liquidity Adjustment Facility 'LAF' with RBI) are accounted as collateralised borrowing and lending. The difference between the clean price of the first leg and the clean price of the second leg is recognised as interest expense/income over the period of the transaction.

(iii) Foreign Exchange

Transactions denominated in foreign currency are recorded at exchange rates prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Profit and Loss Account. Monetary assets and liabilities in foreign currencies are translated at the period end at the rates of exchange notified by the Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant gain or loss is recognised in the Profit and Loss Account. Contingent liabilities denominated in foreign currencies are disclosed at the closing rate of exchange as notified by FEDAI.

(iv) Derivative transactions

Derivatives comprise interest rate swaps, cross currency swaps, forward contracts and options and are held for trading purposes only. These are recognised at the fair values on inception and subsequently marked to market (MTM) on a daily basis. The resultant gain/loss is recorded in the Profit and Loss Account. Unrealised gains or losses on these products are reflected in the Balance Sheet under Other Assets or Other Liabilities respectively.

Option contracts are marked to market using market values after considering the premium received or paid. The profit or loss on revaluation is recorded in the Profit and Loss Account and corresponding asset or liability is shown under Other Assets or Other Liabilities as the case may be. Premium received or premium paid is recognised in the Profit and Loss Account upon expiry or exercise of the option.

(v) Fixed Assets

Fixed Assets are stated at historical cost less accumulated depreciation as adjusted for impairment, if any. Cost includes cost of purchase and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit/functioning capability from/of such assets. Fixed assets individually costing less than ₹ 10,000/- are fully expensed in the year of purchase. Depreciation is provided on a straight line basis over the estimated useful life of the asset at the rates mentioned below:

Assets	**Rate**
Office Equipment	20.00%
Computers (Hardware and Software)	33.33%
Furniture and Fixtures	20.00%
Motor Vehicles	20.00%
Leasehold Improvements	Over the life of the lease or useful life, whichever is lesser

Depreciation for the entire month is charged in the month in which the asset is purchased. Depreciation on assets sold during the year is charged to the Profit and Loss Account on a pro-rata basis up to the month prior to the month of sale.

The Bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

(vi) Employee Benefits

(a) Provident Fund: The Bank has its own trust for Provident Fund for the benefit of its employees. Contributions to the Provident Fund are recognised on an accrual basis and charged to the Profit and Loss Account. The Company's liability provident fund (for interest portion) being a defined benefit plan is accounted for on the basis of an independent actuarial valuation done at the year end and actuarial gains/losses are charged to the Profit and Loss Account as applicable.

(b) Gratuity: The Bank has a Gratuity Fund for its employees under the Group Gratuity cum Life Assurance Scheme of the Life Insurance Corporation of India ('LIC'). The Bank's contribution towards the Fund is charged to the Profit and Loss Account. In terms of the revised Accounting Standard 15, provision is made towards Gratuity based on an actuarial valuation done by an independent actuary as at the year end, using the Projected Unit Credit Method. The fair value of the Fund's assets is compared with the gratuity liability, as actuarially determined and the shortfall if any is provided for. Actuarial gains/losses are recognised in the Profit and Loss Account.

(c) Compensated Absences: The Bank makes a provision for accrued compensated absences as at 31 March each year on the basis of actuarial valuation, as carried out by an independent actuary and the same is charged to the Profit and Loss Account.

(d) Employee share based payment: The eligible employees of the Bank have been granted stock awards under various plans of equity shares of the ultimate holding company, DBS Bank Ltd, Singapore. As per the various plans, these stock awards vest in a graded manner over an average period of three to four years. In accordance with the Guidance note on 'Share based payments' issued by the Institute of Chartered Accountants of India ('ICAI'), all the schemes are classified as equity settled schemes. The Bank has adopted fair value method of accounting for the shares whereby the fair value is computed based on the market value of the shares at the date of grant. The fair value of the shares awarded is amortised to the Profit and Loss Account in a graded manner over the vesting period of the shares.

(vii) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as Operating Leases. Operating Lease payments are recognised as an expense in the Profit and Loss Account over the lease term in accordance with the AS - 19, Leases.

(viii) Revenue Recognition

Income is recognised on an accrual basis in accordance with contractual arrangements except in case of interest on non-performing assets which is recognised on receipt basis as per RBI norms.

Income on non-coupon bearing discounted instruments and instruments which carry a premia on redemption is recognised over the tenor of the instrument on a straight line basis.

During the current year, fee income from issue of guarantees, buyer's credit and letter of credit is recognised over the life of the instrument instead of recognising the same at the inception of the transaction.

Had the Bank continued recognising the fee income from issue of guarantees, buyer's credit and letter of credit at the inception of the transaction, Fees and Commission Income for the current year would have been higher by ₹104,053 thousands. Consequently, profit after tax would have been higher by ₹60,326 thousands.

(ix) Taxation

Provision for tax comprises current tax and net change in deferred tax assets and liability during the year. Current tax provisions represent the estimated liability on income tax as determined in accordance with the provisions of the Income Tax Act, 1961. Wealth Tax liability is determined in accordance with the provisions under the Wealth Tax Act, 1957. Deferred tax adjustments reflect the changes in the deferred tax assets or liabilities during the year. Deferred taxation is provided on timing differences between the accounting and tax statement on income and expenses. In case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets\liabilities are reviewed at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realised. Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantially enacted by the Balance Sheet date.

(x) Net Profit

Net profit is computed after:

- Provision for loan losses/write offs, country risk provision, general loan loss provision on standard assets and derivatives
- Provision for diminution in the value of investments
- Provision for income tax and wealth tax
- Provision for deferred taxation
- Charge for head office administrative expenses for the year
- Other usual and necessary provisions.

(xi) Provisions, Contingent Liabilities and Contingent Assets

In accordance with AS 29, Provisions, Contingent Liabilities and Contingent Assets, provision is recognised when the Bank has a present obligation as a result of past events where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non occurrence of one or more uncertain future events not within the control of the Bank; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent liabilities on account of foreign exchange contracts, derivative transactions, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

(xii) Securitisation

The Bank enters into securitisation transactions wherein corporate loans are sold to a Special Purpose Vehicle ('SPV'). These securitisation transactions are accounted for in accordance with the RBI guidelines on "Securitisation of Standard Assets" and other relevant guidelines/notifications issued by the RBI from time to time and the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India ('ICAI').

Securitised assets are derecognised upon sale if the Bank surrenders control over the contractual rights that comprise the financial asset. In respect of credit enhancements provided or recourse obligations accepted by the Bank, appropriate provision/disclosure is made at the time of sale in accordance with AS 29 – 'Provisions, contingent liabilities and contingent assets'.

Gains on securitisations, being the excess of the consideration received over book value of the assets and provisions towards expected costs including servicing costs and expected delinquencies are amortised over the life of the securities issued by the SPV.

Losses are recognised immediately. Sales and transfers that do not meet the criteria for surrender of control are accounted for as secured borrowings.

5. CAPITAL RESERVE

Capital Reserves disclosed in Schedule 2 includes bank balances and fixed assets transferred by the erstwhile Development Bank of Singapore Ltd., Mumbai Representative Office to the Bank upon closure of the Representative Office.

In ₹ thousands

6. CAPITAL

The Bank follows RBI guidelines for calculation of capital adequacy under BASEL II requirements. Credit Risk is calculated using the Standardised Approach, Operational Risk is calculated using the Basic Indicator Approach and Market Risk is computed in accordance with RBI guidelines with minimum capital requirement being expressed in terms of two specific charges – Specific Market Risk and General Market Risk. The capital adequacy ratio of the bank, calculated as per Basel II requirement as well as under the earlier method (BASEL I) is set out below:

Per BASEL II

Particulars	**31 Mar 2012**	31 Mar 2011
CRAR (%)	14.38%	14.98%
CRAR - Tier I Capital (%)	9.32%	9.84%
CRAR - Tier II Capital (%)	5.06%	5.14%
Amount of eligible Subordinated Debt in Tier-II	11,363,158	8,214,929

Per BASEL I

Particulars	**31 Mar 2012**	31 Mar 2011
CRAR (%)	13.01%	12.11%
CRAR - Tier I Capital (%)	8.43%	7.96%
CRAR - Tier II Capital (%)	4.58%	4.15%
Amount of eligible Subordinated Debt in Tier-II	11,363,158	8,224,942

7. INVESTMENTS

Particulars	**31 Mar 2012**	31 Mar 2011
Value of Investments *		
Gross Value of Investments	147,933,672	103,678,396
Less: Provision for Depreciation	128,083	547,491
Net Value of Investments	**147,805,589**	103,130,905
Movement in Provisions Held towards Depreciation on Investments		
Opening Balance	547,491	471,576
Add: Provisions Made During the Year	-	75,915
Less: Write off/Write back of Excess provisions during the Year	419,408	-
Closing Balance	**128,083**	547,491

* All investments are held in India.

8. REPO/REVERSE REPO TRANSACTIONS

In ₹ thousands	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	As at 31 Mar
Securities sold under Repos				
(i) Government securities	-	39,038,579	11,493,226	28,500,000
	(-)	(34,020,367)	(5,660,329)	(1,453,374)
(ii) Corporate debt securities	-	-	-	-
	(-)	(-)	(-)	(-)
Securities purchased under Reverse Repos				
(i) Government securities	-	1,450,000	12,842	-
	(-)	(5,700,000)	(70,814)	(-)
(ii) Corporate debt securities	-	-	-	-
	(-)	(-)	(-)	(-)

Figures in brackets indicate previous year figures
Note: The above includes LAF deals done with the RBI

9. NON – STATUTORY LIQUIDITY RATIO (SLR) INVESTMENT PORTFOLIO

Issuer composition of Non – SLR Investments as at 31 March 2012 is stated below:

In ₹ thousands No. (1)	Issuer (2)	Amount (3)	Extent of "private placement" (4)	Extent of "below investment grade" securities (5)	Extent of "unrated" Securities (6)	Extent of "unlisted" securities (7)
(i)	Public Sector Undertakings	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)
(ii)	Financial Institutions	3,494,106	116,500	-	116,500	116,500
		(4,129,757)	(-)	(-)	(-)	(-)
(iii)	Banks	56,638,346	-	-	-	-
		(57,398,891)	(-)	(-)	(-)	(-)
(iv)	Private Corporates	748,150	-	-	-	-
		(-)	(-)	(-)	(-)	(-)
(v)	Subsidiaries/Joint ventures	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)
(vi)	Others *	11,365,687	7,637,567	-	-	7,557,567
		(270,000)	(80,000)	(-)	(-)	(-)
(vii)	Provision held towards depreciation	-65,521	-65,521	-	-	-
		(-)	(-)	(-)	(-)	(-)
	Total	**72,180,768**	**7,688,546**	**-**	**116,500**	**7,674,067**
		(61,798,648)	**(80,000)**	**(-)**	**(-)**	**(-)**

Note: Other investments include investment in Pass Through Certificate ('PTCs') of ₹ 7,557,567 thousands. (Previous Year: Nil)
Figures in brackets indicate previous year figures
* includes investments in NBFC issuances

10. NON PERFORMING NON – SLR INVESTMENTS

Non performing Non – SLR Investments as at 31 March 2012 were Nil (Previous Year: Nil).

11. DERIVATIVES – INTEREST RATE SWAP/FORWARD RATE AGREEMENTS

The Bank deals in Interest Rate Swaps/Forward Rate Agreements (FRAs).

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Notional principal of Interest Rate Swaps	**2,825,810,785**	2,065,082,001
Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	**15,361,734**	15,954,914
Collateral required by the bank upon entering into swaps	**-**	-
Concentration of credit risk arising from the swaps (exposure to banking industry)	**93%**	97%
The fair value of the swap book [asset/(liability)]	**2,357,880**	1,134,806

In terms of the guidelines issued by RBI, the following additional information is disclosed in respect of outstanding Interest Rate Swaps/FRAs as at year end:

In ₹ thousands		**31 Mar 2012**		31 Mar 2011	
Benchmark	**Terms**	**Nos.**	**Notional Principal**	**Nos.**	**Notional Principal**
3 Month MIFOR	Pay Fixed Receive Floating	**1**	**250,000**	-	-
3 Month MIFOR	Receive Fixed Pay Floating	**1**	**250,000**	-	-
6 Month MIFOR	Pay Fixed Receive Floating	**238**	**109,548,000**	179	70,011,500
6 Month MIFOR	Receive Fixed Pay Floating	**179**	**118,689,960**	82	56,315,500
6 Month EURIBOR	Pay Fixed Receive Floating	**15**	**591,416**	15	552,333
6 Month EURIBOR	Receive Fixed Pay Floating	**15**	**591,416**	15	552,333
OIS 1 year	Pay Fixed Receive Floating	**784**	**950,740,000**	432	482,560,000
OIS 1 year	Receive Fixed Pay Floating	**730**	**886,060,000**	374	430,310,000
OIS 6 months	Pay Fixed Receive Floating	**607**	**273,315,972**	1,076	459,660,089
OIS 6 months	Receive Fixed Pay Floating	**598**	**281,907,192**	1,087	469,076,598
JPY Libor 6 months	Pay Fixed Receive Fixed	**2**	**111,506**	4	795,901
JPY Libor 6 months	Pay Fixed Receive Floating	**3**	**822,041**	4	1,105,978
JPY Libor 6 months	Receive Fixed Pay Floating	**2**	**808,409**	4	1,137,195
JPY Libor 6 months	Pay Floating Receive Floating	**-**	**-**	1	979,785
USD Libor 1 month	Pay Fixed Receive Floating	**6**	**2,685,691**	2	445,950
USD Libor 1 month	Receive Fixed Pay Floating	**5**	**2,628,711**	2	445,950
USD BS Libor 3 months	Pay Floating Receive Floating	**16**	**6,405,262**	2	780,412
USD BS Libor 1 month 6 months	Receive Floating Pay Floating	**3**	**724,969**	-	-
USD Libor 3 months	Pay Fixed Receive Floating	**71**	**26,806,779**	33	8,901,916
USD Libor 3 months	Receive Fixed Pay Floating	**72**	**27,197,881**	30	8,489,412
USD Libor 3 months	Pay Floating Receive Floating	**13**	**3,508,554**	9	2,186,203
USD BS Libor 1 month 3 months	Receive Floating Pay Floating	**2**	**4,070,000**	-	-

continued on next page

In ₹ thousands		31 Mar 2012		31 Mar 2011	
		Nos.	Notional Principal	Nos.	Notional Principal
USD Libor 6 months	Pay Fixed Receive Floating	**97**	**55,299,362**	68	30,426,026
USD Libor 6 months	Receive Fixed Pay Floating	**90**	**68,808,955**	76	37,902,810
USD Libor 6 months	Receive Floating Pay Floating	**18**	**3,988,709**	12	2,446,110
Total		**3,568**	**2,825,810,785**	**3,507**	**2,065,082,001**

All interest rate swaps have been entered into with reputed counter parties under approved credit lines and are in the nature of trading. Management believes that these transactions carry negligible credit risk and no collateral is insisted upon from the counterparty as per market practice.

These interest rate swaps/FRAs are accounted for as per the accounting policy set out in schedule 18 note 4 (iv).

12. EXCHANGE TRADED DERIVATIVES

The Bank does not deal in Exchange Traded Derivatives during the year ended 31 March 2012. (Previous Year: Nil).

13. DISCLOSURE ON RISK EXPOSURE IN DERIVATIVES

Qualitative Disclosures

The Bank undertakes transactions in derivative contracts either in the role of a user or as a market maker. The Bank ensures that by undertaking such transactions, additional risk assumed (if any) is within the limits governed by the relevant policies and guidance under the Integrated Risk Framework and as approved by the Risk Committee.

Derivative exposures are subject to Market Risk Control and Risk Appetite Limits separately calibrated for the Trading and Banking books. These entity level limits are administered at Head Office and monitored by Head Office as well as locally. Appetite Limit is for VaR. Control Limits are for sensitivities to interest rates and FX rates, as well as Risk Class Contribution grids, which measure first order, as well as higher order risks for interest rate and FX products, including options. The setting of the Risk Appetite Limit takes into consideration the Bank’s risk bearing capacity, level of business activity, operational considerations, market volatility and utilisation. The limit calibration process is dynamic and aims to consistently maintain and enhance the relevance of the various applicable limits as risk capacity, risk consumption and market behaviour changes. Carved out of the control limits at entity level are granular business level sensitivity limits for interest rates at product, desk/trader book and tenor levels for each currency and for FX at desk/trader book level for each currency.

All derivative trades entered by the Bank are undertaken in the trading book (there is no hedging book maintained by the Bank) and valued in line with the accounting policy (schedule 18 note 4[iv]) covering the trading transactions. Additionally, these trades may be on account of proprietary positions or for covering customer transactions.

The Bank has a Credit Risk Management unit which is responsible for setting up counter party limits for all transactions including derivatives on the basis of the counter party’s control structure. While setting up these limits, the Bank follows rigorous appraisal principles and procedures similar to those for loan limits. Typically these exposures remain unsecured in line with market, wherein customers do not make available collateral against derivative or foreign exchange limits. Additionally, the Bank independently evaluates the Potential Credit Exposure (‘PCE’) on account of all derivative transactions, wherein limits are separately specified by product and tenor.

The Bank applies the Current Exposure method to assess credit risk associated with Derivatives and Foreign Exchange contracts. Credit risk on a contract is computed as the sum of its mark to market value if positive and its potential future exposure which is calculated based on its notional value and its residual maturity. The Bank has made a provision on such credit exposures in accordance with RBI Circular DBOD.No.BP.BC.12/21.04.048/2011-12 dated 01 July 2011.

Quantitative Disclosures

Sr No	Particulars In ₹ thousands	Currency Derivatives #	Interest Rate Derivatives
1.	**Derivatives (Notional Principal Amount)**		
(a)	- For Hedging	-	-
(b)	- For Trading	2,648,067,382	2,827,572,332
2.	**Marked to Market Positions**		
(a)	- Asset	-	2,357,880
(b)	- Liability	504,808	-
3.	**Credit Exposure**	113,216,371	34,926,304
4.	**Likely impact of 1% change in interest rates (100*PV01)**		
(a)	- On Hedging Derivatives	-	-
(b)	- On Trading Derivatives	700,540	(376,759)
5.	**Maximum and Minimum of 100*PV01 observed during the year**		
(a)	- On Hedging : Maximum	-	-
	Minimum	-	-
(b)	- On Trading : Maximum	1,544,921	450,908
	Minimum	(31,603)	(1,084,466)

Currency Derivatives includes Foreign Exchange contracts.

14. NON PERFORMING ASSETS (FUNDED)

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
(i) Net NPA to Net Advances (%)	**0.60%**	0.31%
(ii) Movement in Gross NPAs		
(a) Opening Balance	**834,480**	760,399
(b) Additions during the year	**1,394,084**	582,778
Sub Total (A)	**2,228,564**	1,343,177
(a) Up gradations	**-**	-
(b) Recoveries	**58,608**	147,771
(c) Write-offs	**23,333**	360,926
Sub Total (B)	**81,941**	508,697
Gross NPAs as on 31 Mar (A-B)	**2,146,623**	834,480
(iii) Movement in provisions for NPAs		
(a) Opening Balance	**601,017**	360,447
(b) Provisions made during the year	**842,270**	638,412
(c) Write off/Write back of excess provisions	**71,021**	397,842
(d) Closing Balance	**1,372,266**	601,017
(iv) Movement in Net NPAs		
(a) Opening Balance	**233,463**	399,952
(b) Additions during the year	**551,814**	(55,634)
(c) Reductions during the year	**10,920**	110,855
(d) Closing Balance	**774,357**	233,463

15. NON PERFORMING ASSETS (NPA) PROVISIONING COVERAGE RATIO

The NPA provisioning coverage ratio of the Bank was 63.93% as on 31 March 2012 (Previous Year 72.02%).

16. NON PERFORMING ASSETS (MARK TO MARKET ON DERIVATIVE DEALS)

Basis the guidelines issued by RBI vide notification DBOD.No.BP.BC.28/21.04.157/2011-12 dated 11 August 2011, Crystallised Receivables – Positive MTM on terminated derivative deals overdue for more than 90 days have been reported under "Schedule 11- Other Assets" after netting of the "Suspense crystallised receivables". The Gross value of crystallised receivables as on 31 March 2012 is ₹ 83,812 thousands and the Net value is Nil.

17. CONCENTRATION OF GROSS NPA'S

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Total Exposure to top four NPA accounts	**1,712,149**	753,147

18. SECTOR-WISE GROSS NPA'S

Sector	**Percentage to Total Advances**	
	31 Mar 2012	31 Mar 2011
Agriculture and allied activities	**3.48%**	44.24%
Industry (Micro and small, Medium and Large)	**0.87%**	0.72%
Services	**4.07%**	-
Personal Loans	**-**	-

19. CONCENTRATION OF DEPOSITS

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Total Deposits of twenty largest depositors	**60,441,241**	51,382,846
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	**46.77%**	69.74%

20. CONCENTRATION OF ADVANCES

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Total Advances to twenty largest borrowers	**63,972,933**	60,343,922
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	**24.48%**	36.32%

Advances have been computed as per the definition of Credit Exposure including derivatives as prescribed in RBI's Master Circular DBOD.No.Dir.BC.7/13.03.00/2011-12 dated 01 July 2011.

21. CONCENTRATION OF EXPOSURES

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Total Exposure to twenty largest borrowers/customers	**64,422,933**	60,343,922
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	**24.24%**	22.37%

Exposures are computed based on Credit and Investment exposure as prescribed in RBI's Master Circular DBOD.No.Dir. BC.7/13.03.00/2011-12 dated 01July 2011.

22. OVERSEAS ASSETS, NPAs AND REVENUE

As the Bank is a branch of a foreign bank, this disclosure is not considered applicable.

23. OFF BALANCE SHEET SPONSORED SPECIAL PURPOSE VEHICLES

The Bank does not have any off balance sheet sponsored Special Purpose Vehicle as at 31 March 2012 (Previous Year: Nil).

24. LOAN RESTRUCTURING

Particulars of Accounts Restructured In ₹ thousands		**CDR Mechanism**	**SME Debt Restructuring**	**Others**
Standard Advances	No. of Borrowers	-	-	-
		(-)	(-)	(-)
	Amount outstanding	-	-	-
		(-)	(-)	(-)
	Sacrifice (diminution in the fair value)	-	-	-
		(-)	(-)	(-)
Sub-standard Advances	No. of Borrowers	-	-	-
		(-)	(-)	(-)
	Amount outstanding	-	-	-
		(-)	(-)	(-)
	Sacrifice (diminution in the fair value)	-	-	-
		(-)	(-)	(-)
Doubtful Advances	No. of Borrowers	-	-	-
		(-)	(-)	(1)
	Amount outstanding	-	-	-
		(-)	(-)	(75,000)
	Sacrifice (diminution in the fair value)	-	-	-
		(-)	(-)	(-)

Figures in brackets indicate previous year figures

25. FINANCIAL ASSETS SOLD TO SECURITISATION/RECONSTRUCTION COMPANIES FOR ASSET RECONSTRUCTION

There were no sales of financial assets to Securitisation/Reconstruction companies for Asset Reconstruction during the year ended 31 March 2012 (Previous Year: Nil).

26. DETAILS OF NON-PERFORMING FINANCIAL ASSETS PURCHASED/SOLD

There were no purchases or sales of non-performing financial assets from/to other banks during the year ended 31 March 2012 (Previous Year: Nil).

27. PROVISION FOR STANDARD ASSETS AND DERIVATIVES

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
General Loan Loss Provision on Standard Assets	**557,174**	333,014
General Provision on Credit Exposures on Derivatives	**219,498**	20,572

28. BUSINESS RATIOS

	Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
(i)	Interest Income to working funds	**5.99%**	6.66%
(ii)	Non-interest income to working funds	**1.04%**	0.60%
(iii)	Operating profits to working funds	**2.17%**	1.86%
(iv)	Return on Assets	**1.12%**	0.79%
(v)	Business (deposits plus advances) per employee	**327,816**	240,649
(vi)	Net Profit per employee	**4,269**	2,052
(vii)	Percentage of Net NPA to Net Advances	**0.60%**	0.31%

Note :

1. Working funds are reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

2. Return on Assets is with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

3. Business volume has been computed based on advances and deposits (excluding interbank deposits) outstanding as at the year-end.

4. Employee numbers are those as at the year-end.

29. EXPOSURE TO CAPITAL MARKET

Sr. No	**Particulars** In ₹ thousands	**31 Mar 2012**	31 Mar 2011
(i)	Investments made in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	**-**	-
(ii)	Advances against shares, bonds, debentures or other securities or on clean basis to individuals for investment in shares (including IPO's/ESOPS), convertible bonds, convertible debentures and units of equity oriented mutual funds	**-**	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	**-**	-
(iv)	Advances for any other purposes to the extent secured by collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	**-**	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	**650,000**	850,000
(vi)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	**-**	-
(vii)	Bridge loans to companies against expected equity flows/issues	**-**	-
(viii)	Underwriting commitments taken up in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	**-**	-
(ix)	Financing to stockbrokers for margin trading	**-**	-
(x)	All exposures to venture capital funds (both registered and unregistered)	**-**	-
	Total Exposure to Capital Market	**650,000**	850,000

30. EXPOSURE TO REAL ESTATE SECTOR

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
(a) Direct Exposure	**8,298,413**	6,724,034
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans eligible for inclusion in priority sector advances may be shown separately)	**1,081**	1,227
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	**8,297,332**	6,722,807
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures – a. Residential, b. Commercial Real Estate.	**-**	-
(b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	**-**	-
Total Exposure to Real Estate Sector	**8,298,413**	6,724,034

31. RISK CATEGORY WISE COUNTRY RISK EXPOSURE

Provision for Country Risk Exposure in terms of RBI master circular DBOD.No.BP.BC.12/21.04.048/2011-12 dated 01 July 2011 is as follows:

In ₹ thousands **Risk Category**	**Exposure as at 31 Mar 2012**	**Provision held as at 31 Mar 2012**	Exposure as at 31 Mar 2011	Provision held as at 31 Mar 2011
Insignificant	**34,700,884**	**20,243**	13,016,854	4,274
Low	**3,226,749**	**-**	11,428,685	4,294
Moderate	**344,509**	**-**	185,343	-
High	**3,652**	**-**	9,235	-
Very high	**7,994**	**-**	1,160,218	-
Restricted	**-**	**-**	-	-
Off-credit	**-**	**-**	-	-
Total	**38,283,788**	**20,243**	25,800,335	8,568

Country risk provisions are held in addition to the provisions required to be held as per the asset classification status. In terms of the RBI circular, the provision is made for only those countries where the net funded exposure is not less than 1 percent of total assets. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirements are held.

32. SINGLE BORROWER AND GROUP BORROWER EXPOSURE

During the year, the Bank's credit exposures ceiling to individual borrowers has exceeded in Thermal Powertech Corporation Limited, Bharat Oman Refinery Ltd. and Reliance Industries Limited. Prior approval of the India Management Committee has been obtained for exceeding the exposure ceiling in the above accounts.

33. UNSECURED ADVANCES

There are unsecured Advances of ₹ 100,000 thousands for which Bank has taken charge over brand (intangible securities). The estimated value of the collateral is ₹ 216,410 thousands.

34. PENALTIES IMPOSED BY RBI

During the financial year under review, penalty of ₹ 500 thousands has been levied by RBI on 26 April 2011 in exercise of powers under section 46(4) of the Banking Regulation Act, 1949 for contraventions under section 47A(1)(b).
(Previous Year : Nil).

35. INCOME TAX

The amount of provision for Income Tax made during the year is:

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Provision for Current Tax	2,873,272	1,193,867
Provision for/(Write back off) Deferred Tax	(527,378)	(193,630)

36. DEFERRED TAXES

The composition of Deferred Tax Asset/(Liability) is:

Particulars In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Deferred tax assets (A):	**1,034,838**	323,107
- Depreciation on fixed assets	**11,010**	13,412
- Provision on advances	**903,070**	250,912
- Disallowance u/s 43B of Income Tax Act 1961	**54,037**	44,259
- Provision for employee benefits	**21,926**	14,524
- Amortisation of fee income	**43,727**	-
- Other Provisions	**1,068**	-
Deferred tax liabilities (B):	**186,221**	1,868
- Amortisation of club membership fees	**954**	1,868
- Allowance u/s 36 (1) (VIIA) of Income Tax Act 1961	**185,267**	-
Net Deferred tax assets (A-B)	**848,617**	321,239

37. SUBORDINATED DEBT

The Bank has not raised any Subordinated Debt during the year ended 31 March 2012. (Previous Year USD 400 million).

38. MATURITY PROFILE OF ASSETS AND LIABILITIES

	1 DAY	2-7 DAYS	8 – 14 DAYS	15 – 28 DAYS	29 DAYS – 3 MONTHS	3 – 6 MONTHS	6 MONTHS –1 YEAR	1 – 3 YEARS	3 – 5 YEARS	OVER 5 YEARS	TOTAL
Deposits	890,232	12,506,176	30,934,242	13,845,260	17,777,711	9,930,037	28,410,867	10,932,432	2,770,945	1,222,316	129,220,218
	(804,084)	(15,399,981)	(12,436,443)	(11,625,905)	(11,926,269)	(7,293,653)	(3,588,428)	(9,269,375)	(1,329,993)	(5,995)	(73,680,126)
Advances	1,879,666	11,881,078	5,927,887	27,290,614	28,098,932	20,400,071	11,671,579	12,917,558	5,220,906	3,154,500	128,442,791
	(3,658,730)	(5,869,883)	(8,938,835)	(7,871,953)	(12,813,483)	(13,957,578)	(7,875,983)	(6,873,254)	(4,260,553)	(3,121,643)	(75,241,895)
Investments	2,637,068	34,183,236	11,316,094	7,610,940	8,749,127	2,205,150	56,013,393	10,209,025	700,485	14,181,071	147,805,589
	(13,337,758)	(10,709,309)	(3,351,540)	(12,121,017)	(4,836,713)	(1,177,609)	(47,905,084)	(1,989,419)	(211,324)	(7,491,132)	(103,130,905)
Borrowings	32,987	40,884,108	17,645,150	20,697,679	18,457,435	3,309,426	7,366,700	19,495,146	20,350,000	-	148,238,631
	(324,376)	(31,114,403)	(5,262,138)	(13,308,953)	(3,790,465)	(11,959,048)	(6,243,300)	(17,234,452)	(17,838,000)	(-)	(107,075,135)
Foreign Currency Assets *	28,036,347	6,888,591	5,222,385	19,417,117	13,879,968	12,768,776	244,205	-	-	600,961	87,058,350
	(18,408,620)	(1,188,963)	(3,895,731)	(5,738,686)	(5,772,187)	(10,083,280)	(2,144)	(86,392)	(-)	(526,778)	(45,702,781)
Foreign Currency Liabilities *	2,430,323	7,230,728	6,199,174	20,884,926	19,264,695	5,591,157	31,563,097	20,538,512	20,350,000	-	134,052,612
	(2,023,938)	(2,623,412)	(5,253,430)	(5,386,918)	(3,926,082)	(12,102,076)	(6,827,459)	(16,974,198)	(17,838,000)	(-)	(72,955,513)

Figures in brackets indicate previous year figures

*Foreign currency assets and liabilities exclude off-balance sheet assets and liabilities and consequent unrealized profit/loss on the same.

The classification of assets and liabilities under the different maturity buckets are compiled by management on the same estimates and assumptions as used by the Bank for compiling the returns submitted to RBI.

39. SEGMENTAL REPORTING

As per the guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007, the classification of exposures to the respective segments is being followed. The Bank has identified "Treasury", "Retail Banking", and "Corporate/Wholesale Banking" as the primary reporting segments. The business segments have been identified and reported based on the organisation structure, the nature of products and services, the internal business reporting system and the guidelines prescribed by RBI.

Treasury undertakes trading operations, derivatives trading and foreign exchange operations, on the proprietary account and for customers. Revenues under this section primarily comprise fees, gains/losses from trading and interest income from the investment portfolio.

Retail Banking segment constitutes the business with individuals through the branch network and other delivery channels like ATM, Internet banking etc. This segment raises deposits from customers and provides fee based services to such customers

Corporate/Wholesale Banking caters to the Corporate and Institutional customers. This segment includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under "Retail Banking". These also include custody operations, payment and settlement operations and factoring advances. Small and medium enterprises are also included in Corporate/Wholesale Banking.

Segment revenues stated below are aggregate of Schedule 13- Interest income and Schedule 14- Other income.

The segment expenses comprise funding costs, personnel costs and other direct and allocated overheads.

Segment results are determined basis the segment revenue, segment cost and inter-unit notional charges/recoveries for cost of funds.

In ₹ thousands	Treasury & Markets	Corporate/ Wholesale Banking	Retail Banking	Total
Segmental Revenue	8,970,075	11,967,453	143,939	21,081,467
	(6,131,656)	(5,400,687)	(87,622)	(11,619,965)
Total Revenue				21,081,467
				(11,619,965)
Results	2,772,248	3,517,176	(588,290)	5,701,134
	(2,085,540)	(625,346)	(-438,387)	(2,272,499)
Unallocated charges				-
				(-)
Operating Profit				5,701,134
				(2,272,499)
Tax				2,345,894
				(1,000,237)
Extraordinary				-
profit/loss				(-)
Net Profit after Tax				**3,355,240**
				(1,272,262)

Figures in brackets indicate previous year figures

In ₹ thousands	Treasury & Markets	Corporate/ Wholesale Banking	Retail Banking	Total
Segment Assets	231,875,086	129,156,720	50,805	361,082,611
	(159,725,933)	(75,617,298)	(29,546)	(235,372,777)
Unallocated assets				2,776,612
				(2,065,802)
Total Assets				**363,859,223**
				(237,438,579)
Segment Liabilities	203,390,911	92,823,772	40,538,610	336,753,293
	(144,891,953)	(70,937,436)	(3,182,711)	(219,012,100)
Unallocated Liabilities				687,911
				(448,700)
Capital and Reserves				26,418,019
				(17,977,779)
Total Liabilities				**363,859,223**
				(237,438,579)

Figures in brackets indicate previous year figures
The Bank does not have overseas operations and operates only in the domestic segment.

40. RELATED PARTIES

Related parties disclosures under AS 18 include:

Parent

- DBS Bank Ltd., Singapore

Branches of Parent/Subsidiaries of Parent

- DBS Bank (Hong Kong) Limited
- DBS Bank Ltd., London
- DBS Bank Ltd., Tokyo
- DBS Bank Ltd., Los Angeles

Associate of Parent

- Cholamandalam DBS Finance Limited

Entity over which the Bank exercises control

- DBS Bank Employees' Provident Fund Trust

Key Management Personnel

- Sanjiv Bhasin: General Manager and Chief Executive Officer

With regard to RBI Circular No. DBOD.BP.BC.No.16/21.04.018/2011-12 dated 01 July 2011, the Bank has not disclosed details pertaining to related parties where under a category, there is only one entity. Accordingly disclosures have only been made for transactions with "Branches of Parent/Subsidiaries of Parent".

Items/Related Party In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Deposit	**68**	68
	(68)	(68)
Placement of Deposits	**12,970**	30,397
	(3,677,577)	(1,847,993)
Borrowings	**-**	190,148
	(3,052,500)	(3,790,575)
Derivatives/Forward Contracts	**-**	-
	(1,202,241)	(1,659,898)
Interest paid	**414**	285
Interest received	**58**	65

Figures in brackets indicate maximum outstanding during the year

Material related party transactions are given below:

A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category. Following were the material transactions between the Bank and its related parties.

Placement of Deposits:

Nostro deposit was placed with DBS Bank Ltd., Tokyo ₹ 11,054 thousands (Previous Year: ₹ 29,024 thousands)

Interest received:

Interest on money market lending received from DBS Bank Ltd., London ₹ 58 thousands (Previous Year: ₹ 65 thousands)

41. OPERATING LEASES

Operating Leases are entered into for office premises and staff accommodation. The total of future minimum lease payments under non-cancellable operating leases as determined by the lease agreements for each of the following periods are as follows:

In ₹ thousands	**31 Mar 2012**	31 Mar 2011
Not later than one year	**42,835**	210,990
Later than one year and not later than 5 years	**63,062**	Nil
Later than five years	**Nil**	Nil

The lease payments for the year ended 31 March 2012 charged to the Profit and Loss Account amount to ₹ 401,040 thousand (Previous Year ₹ 381,177 thousands).

42. EMPLOYEE BENEFITS

Provident Fund: The Bank's contribution to the Employees' Provident Fund was ₹ 56,644 thousands (Previous Year ₹ 35,793 thousands).

In ₹ thousands

The defined benefit obligation of interest rate guarantee on exempt Provident Fund in respect of the employees of the Company has been determined for the year ended 31 March 2012 based on the Guidance Note (GN 29) on Valuation of Interest Rate Guarantees on Exempt Provident Funds under AS 15 (Revised) issued by The Institute of Actuaries of India. The defined benefit obligation of interest rate guarantee as at 31 March 2012 based on actuarial valuation is ₹ 7,655 thousands.

Compensated Absences: The Bank has charged to the Profit and Loss Account an amount of ₹ 2,983 thousands as liability for compensated absences during the year ended 31 March 2012. (Previous Year: Credit to Profit and Loss Account an amount of ₹ 8,218 thousand as reversal of excess liability for compensated absences).

Principal Actuarial Assumptions	**31 Mar 2012**	31 Mar 2011
Discount Rate (per annum)	**8.8%**	8.3%
Salary Escalation Rate (per annum)	**7%**	7%
Mortality	**LIC 1994-96 (Ultimate)**	LIC 1994-96 (Ultimate)
Withdrawal rate (per annum)	**20%**	25%

Gratuity: The Bank's contribution to Life Insurance Corporation of India ('LIC') towards the Gratuity Fund for the year ended 31 March 2012 was ₹ 799 thousand (Previous Year ₹ 8,846 thousand).

The following table gives the disclosures regarding the Gratuity Scheme in accordance with AS 15 (Revised) as notified by the Companies (Accounting Standards) Rules 2006.

(I)	**Summary**	**31 Mar 2012**	31 Mar 2011
	Defined Benefit Obligation	**56,187**	46,350
	Fair value of plan assets	**25,692**	24,675
	Deficit/(surplus)	**30,495**	21,675
	Effect of limit on plan surplus	**-**	-
	Unrecognised Past service Costs	**-**	-
	Net deficit/(surplus)	**30,495**	21,675

(II)	**Changes in Defined Benefit Obligation during the Year**	**31 Mar 2012**	31 Mar 2011
	Opening Defined Benefit Obligation	**46,350**	28,393
	Interest cost	**3,847**	2,385
	Current Service Cost	**12,633**	14,392
	Past Service Cost	**-**	-
	Actuarial (Gain)/Losses	**(4,595)**	2,487
	Benefits Paid	**(2,048)**	(1,307)
	Closing Defined Benefit Obligation	**56,187**	46,350

(III)	**Changes in fair value of Plan Assets**	**31 Mar 2012**	31 Mar 2011
	Opening Fair Value of Plan Assets	**24,675**	15,317
	Expected Return on Plan Assets	**1,960**	1,564
	Actuarial Gain/(Losses)	**306**	255
	Contributions by employer	**799**	8,846
	Benefits Paid	**(2,048)**	(1,307)
	Closing Fair Value of Plan Assets	**25,692**	24,675

In ₹ thousands

(IV)	Net Asset/(Liability) recognised in the Balance Sheet	31 Mar 2012	31 Mar 2011
	Present Value of obligations as at year end	**56,187**	46,350
	Fair Value of plan assets as at year end	**25,692**	24,675
	Net Asset/(Liability) recognised in the Balance Sheet	**(30,495)**	(21,675)

(V)	Amount recognised in the Profit and Loss Account	31 Mar 2012	31 Mar 2011
	Current Service Cost	**12,633**	14,392
	Interest on Defined Benefit Obligation	**3,847**	2,385
	Past service cost	**-**	-
	Expected Return on Plan Assets	**(1,960)**	(1,564)
	Effect of limit on plan surplus	**-**	-
	Net Actuarial Losses/(Gains) for the current year	**(4,901)**	2,232
	Amount recognised in the Profit and Loss Account	**9,619**	17,445

(VI)	Asset Information	31 Mar 2012	31 Mar 2011
	Insurer Managed Funds	**25,692**	24,675

(VII)	Experience adjustment	31 Mar 2012	31 Mar 2011	31 Mar 2010	31 Mar 2009	31 Mar 2008
	Experience adjustment on Plan Liabilities : (Gain)/Loss	**(4,899)**	(960)	4,653	(1,635)	-
	Experience adjustment on Plan Asset : Gain/(Loss)	**306**	255	263	191	-

Data in respect of experience adjustment for the year ended 31 March 2008 is not available on account of very small employee count.

(VIII)	Principal Actuarial Assumptions	31 Mar 2012	31 Mar 2011
	Discount Rate (per annum)	**8.8%**	8.3%
	Expected rate of return on assets (per annum)	**8%**	8%
	Salary Escalation Rate (per annum)	**7%**	7%
	Attrition Rate	**20%**	25%

43. EMPLOYEE SHARE BASED PAYMENTS

The Bank grants shares in its ultimate parent, DBS Bank Ltd., Singapore to certain eligible employees. Upon settlement the shares are transferred to its employees. The shares are awarded to the eligible employees as per the current schemes which are set out below:

(a) Restricted share plan - The shares awarded under the said plan to the eligible employees 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. A time-based award comprises two elements, namely, the main award and the retention (also known as "kicker") award.

Shares awarded vest in a graded manner whereby, 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.

(b) Chairman Recognition award – Eligible employees of the Bank are awarded ordinary shares of the DBS Bank Ltd., Singapore for their excellent performance during the year. Shares awarded vest in a graded manner whereby thirty-three percent of the shares 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 and the remainder thirty-four percent of the shares will vest four years after the date of grant.
A reconciliation of employee share based payment movements in no. of shares during the year ended 31 March 2012 is shown below:

	Restricted Share Plan				Chairman's Recognition Award			
No. of Shares	**2009**	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012**
Outstanding as at 1 April 2011	40,616	97,978	97,397	-	2,325	16,450	32,100	-
Granted	-	-	-	66,747	-	-	-	51,400
Additional shares for rights issue	-	-	-	-	-	-	-	-
Vested	40,426	25,979	-	-	2,025	5,095	-	-
Lapsed	190	3,492	335	-	300	1,000	3,050	400
No. of unvested shares as at 31 March 2012	-	68,507	97,062	66,747	-	10,355	29,050	51,000

The weighted average fair value of shares awarded as shown above were in the range of SGD 8.05 – SGD 14.48.

The charge to Profit and Loss Account for the year ended 31 March 2012 was ₹ 129,635 thousands (Previous Year: ₹ 62,048 thousands).

Liability on account of share based payment as at 31 March 2012 is ₹ 52,285 thousands (Previous Year: ₹ 21,497 thousands).

44. COMPLAINTS

In terms of RBI Circular DBOD.BP.BC.No.16/21.04.018/2011-12 dated 01 July 2011; the details of customer complaints and ombudsman awards during the year are as under:

Particulars	**31 Mar 2012**	31 Mar 2011
No. of complaints pending at the beginning of the year	**1**	0
No. of complaints received during the year	**140**	62
No. of complaints redressed during the year	**137**	61
No. of complaints pending at the end of the year	**4**	1

Particulars	**31 Mar 12**	31 Mar 11
No. of unimplemented awards at the beginning of the year	-	-
No. of awards passed by the Banking Ombudsmen during the year	-	-
No. of awards implemented during the year	-	-
No. of unimplemented awards at the end of the year	-	-

45. IMPAIRMENT OF ASSETS

There is no impairment of assets and as such there is no provision required in terms of Accounting Standard 28 'Impairment of Assets'.

46. CONTINGENT LIABILITIES

(a) Liability on account of forward exchange contracts/Liability on account of outstanding Currency and Interest Rate Swap and Option contracts

The Bank enters into foreign exchange contracts, currency options/swaps, interest rate options/swaps and forward rate agreements on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Forward Rate Agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. A foreign currency option is an agreement between two parties in which one grants to the other the right, but not the obligation, to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. The notional principal amounts of foreign exchange and derivatives contracts have been recorded as contingent liabilities.

(b) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers. Generally, guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

(c) Acceptances, endorsements and other obligations

These include documentary credits issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

(d) Other items for which the bank is contingently liable

Other items represent estimated amount of contracts remaining to be executed on capital account and value of investment traded on or before the Balance Sheet date with a settlement post Balance Sheet date.

47. DISCLOSURE UNDER MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

The Bank has a policy of payment to its vendors based on the agreed credit terms. Consequently, as per Bank's policy there have been no reported cases of delays in payments in excess of 45 days to Micro, Small and Medium Enterprises or of interest payments due to delays in such payments, during the year ended 31 March 2012 (Previous Year: Nil).

48. OTHER DISCLOSURES

- The Bank did not hold any floating provision in its books as at 31 March 2012 (Previous Year: Nil).
- Deposits as reported in Schedule 3 include deposits kept by customers as margin against credit facilities ₹ 5,843,764 thousands (Previous Year: ₹ 548,367 thousands).
- The Bank has transferred ₹ 182,367 thousands (Previous Year: Nil) to Investment Reserve account from Balance in Profit and Loss Account. There was no draw down on Reserves during the year ended 31 March 2012 (Previous Year: Nil).
- The Bank did not issue any Letters of Comfort (LoC) during the year ended 31 March 2012 (Previous Year: Nil).
- The current year Profit and Loss Account includes a credit of ₹ 107,240 thousands on account of deferred tax asset pertaining to prior period, which are required to be disclosed as per Accounting Standard 5, read with RBI guidelines (Previous Year: Nil).
- The Bank has not financed any margin trading activities nor securitised any assets during the current year (Previous Year: Nil).
- The Bank has earned an amount of ₹ 33,594 thousands in respect of Bancassurance business undertaken during the year ended 31 March 2012 (Previous Year: ₹ 16,925 thousands).
- Previous year's figures have been regrouped/rearranged, wherever necessary to conform to the current year's presentation.

As per our report of even date attached.

For **B S R and Co.**
Chartered Accountants
Firm's Registration No: 101248W

For **DBS Bank Ltd., India**

N Sampath Ganesh
Partner
Membership No: 042554

Mumbai
16 May 2012

Sanjiv Bhasin
General Manager and
Chief Executive Officer

Yazad Cooper
Chief Financial Officer

Mumbai
16 May 2012

BASEL II: PILLAR 3 DISCLOSURES

as at 31 March 2012

1. SCOPE OF APPLICATION

Qualitative Disclosures

DBS Bank Ltd., India ('the Bank') operates in India as a branch of DBS Bank Ltd., Singapore a banking entity incorporated in Singapore with limited liability. As at 31 March 2012, the Bank has a presence of 12 branches across 12 cities. The Bank does not have any subsidiaries in India and the disclosures contained herein only pertains to the Bank.

Quantitative Disclosures

Capital Deficiencies: The Bank does not have any subsidiaries in India and is accordingly not required to prepare Consolidated Financial Statements. Also, it does not have any interest in Insurance Entities.

2. CAPITAL STRUCTURE

Qualitative Disclosures

Composition of **Tier 1** Capital

- Interest free Capital funds injected by Head office
- Statutory Reserves calculated at 25% net profits of each year
- Capital retained in India for CRAR purposes and
- Capital Reserves

Composition of **Tier 2** Capital

- Subordinated Debt
- Investment Reserve Account
- Provisions on Standard Assets/Derivatives,
- Provision for Country Risk and
- Excess Provision on sale of NPA

Capital Funds

	Particulars In ₹ thousands	**31 Mar 2012**
A.	**Tier 1 Capital**	**22,726,316**
	Of which	
	- Capital (Funds from Head Office)	**14,603,321**
	- Reserves and Surplus	**8,971,613**
	- Amounts deducted from Tier 1 capital	
	- Deferred Tax Asset	**848,618**
B.	**Tier 2 Capital (net of deductions)**	**12,343,440**
	Of which	
B.1	Subordinated debt eligible for inclusion in Tier 2 capital	
	- Total amount outstanding	**39,617,239**
	- Of which amount raised during the period	**-**
	- Amount eligible as capital funds	**11,363,158**
B.2	Other Tier 2 Capital	
	- Investment reserve account	**182,367**
	- Provision for Standard Assets/Derivatives	**776,672**
	- Provision for Country Risk	**20,243**
	- Excess Provision on sale of NPA	**1,000**
C.	**Total Eligible Capital**	**35,069,756**

Particulars In ₹ thousands	**31 Mar 2012**
Tier 1 Capital	**22,726,316**
Total Capital	**35,069,756**
Total Capital Required	**21,952,253**
Tier 1 Capital ratio	**9.32%**
Total Capital Adequacy ratio	**14.38%**

3. CAPITAL ADEQUACY

Qualitative disclosures

The CRAR of the Bank is 14.38 % as computed under Basel II norms. Under the earlier Basel I norms, the CRAR would have been 13.01%. The ratio under both frameworks is higher than the minimum regulatory CRAR requirement of 9%.

The Bank's capital management framework is guided by the existing capital position, proposed growth and strategic direction. Growth opportunities have resulted in an increasing and continuing need to focus on the effective management of risk and commensurate capital to bear that risk. The Bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in the light of the economic environment and capital requirements under Basel II. The Bank maintains a strong discipline over capital allocation and ensuring that returns on investment cover capital costs.

Quantitative disclosures

	Particulars In ₹ thousands	**31 Mar 2012**
A	*Capital requirements for Credit Risk (Standardised Approach)*	**16,385,778**
B	*Capital requirements for Market Risk (Standardised Duration Approach)*	
	- Interest rate risk	**4,298,877**
	- Foreign exchange risk	**315,000**
	- Equity risk	**-**
C	*Capital requirements for Operational risk (Basic Indicator Approach)*	**952,598**
D	Adjustment for Prudential Floor	**-**
E	Capital Adequacy Ratio of the Bank (%)	**14.38%**
F	Tier 1 CRAR (%)	**9.32%**

4. GENERAL DISCLOSURES

As part of overall corporate governance, the Group Board has approved a comprehensive Integrated Risk Framework covering risk governance for all risk types and for all entities within the Group, including India. This framework defines authority levels, oversight responsibilities, policy structures and risk appetite limits to manage the risks that arise in connection with the use of financial instruments. On a day-to-day basis, business units have primary responsibility for managing specific risk exposures while Group Risk exercises independent risk oversight on the Group as a whole. Group Risk Management is the central resource for quantifying and managing the portfolio of risks taken by the Group as a whole.

A General Disclosures for Credit Risk

Qualitative Disclosures

Credit Risk Management Policy

The credit policies and basic procedures of the Bank relating to its lending activities are contained in the Local Credit/Loan Policy of the Bank, Core Credit Policy at Singapore and the Credit Manual. These are based on the general credit principles, directives/guidelines issued by the RBI from time to time as well as instructions and guidelines of DBS Bank Ltd, Singapore (hereinafter referred to as 'the Head Office'). In the unlikely event of any conflict amongst the RBI guidelines and Head Office Guidelines, the more conservative policy/guideline is followed.

The Core Credit Policy and the Credit/Loan policy outlines the Bank's approach to Credit Risk Management and sets out the rules and guidelines under which the Bank would develop and grows its lending business. These policies provide guidance to the Bank's Corporate Banking, Enterprise/Mid-Market Banking and Financial Institutions Group to manage the growth of their portfolio of customer assets in line with the Bank's credit culture and profitability objectives, taking into account the capital needed to support the growth.

Supplementary policies to the main Core Credit Policy and the Credit/Loan policy have also been laid out, for certain types of lending and credit-related operations. These include subject-specific policies relating to risk ratings, Default policy, Specialised Lending etc., as well as guidelines for real-estate lending, NBFC lending, hedging of FX exposures, credit risk mitigation, sectoral and individual/group borrower limits, bridge loans, bill discounting, etc.

Responsibility for monitoring post-approval conditions and risk reporting resides with the Credit Control Unit (CCU), which reports in to Head of CCU in Singapore, with local oversight of the Head of Credit in India. The Risk Based Supervision (RBS) submission to RBI contains further details on the same.

Advances are classified into performing and non-performing advances (NPAs) as per RBI guidelines as well as MAS Guidelines. NPA's are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI as well as MAS, using the more conservative approach wherever there is a difference.

Quantitative Disclosures

Credit Exposure

Particulars In ₹ thousands	31 Mar 2012
Fund Based (Gross Advances)	**129,815,057**
Non Fund Based *	**201,922,284**

* The amount includes trade exposures and FX/derivative exposures.

The Bank does not have overseas operations and hence exposures are restricted to the domestic segment.

Industry wise Exposures (Fund Based Advances)

Industry In ₹ thousands	31 Mar 2012
Petrochemicals	**16,884,645**
Manufacturing	**11,124,816**
NBFC's	**10,690,686**
Construction	**8,881,155**
Drugs and Pharmaceuticals	**8,270,345**
Real Estate	**7,750,042**
Telecommunications	**6,992,525**
Engineering	**4,548,206**
Power	**3,965,166**
Mining	**3,957,989**
Metal and Metal Products	**3,765,981**
Iron and Steel	**3,706,724**
Automobiles including trucks	**2,279,158**
Textiles	**2,258,252**
Other Chemicals, Dyes, Paints, etc	**1,949,704**
Paper and Paper Products	**1,721,861**
Computer Software	**1,641,692**
Electronics	**1,410,565**
Other Infrastructure	**1,299,608**
Commodities	**590,150**
Cement	**147,538**
Food Processing	**37,179**
Residual advances	**1,081**
Other industries	**25,939,989**
Total Credit Exposure	**129,815,057**

Industry wise Exposures (Non - Fund Based)*

Industry In ₹ thousands	31 Mar 2012
Bank	**129,784,197**
Metal and Metal Products	**3,160,958**
Petrochemicals	**3,159,594**
Manufacturing	**3,152,491**
Construction	**2,510,094**
Other Chemicals, Dyes, Paints, etc	**2,220,840**
Telecommunications	**1,907,571**
Computer Software	**1,578,572**
Iron and Steel	**1,500,810**
NBFC's	**1,465,677**
Petroleum	**1,400,940**
Drugs and Pharmaceuticals	**1,370,069**
Textiles	**905,568**
Power	**817,811**
Engineering	**822,839**
Automobiles including trucks	**451,772**
Food Processing	**448,799**
Cement	**403,012**
Shipping	**231,264**
Paper and Paper Products	**221,761**
Real Estate	**100,700**
Mining	**36,297**
Electronics	**45,621**
Trading	**7,010**
Other industries	**44,218,017**
Total Credit Exposure	**201,922,284**

* The amount includes trade exposures and Foreign exchange and derivative exposures.

Maturity of Assets as at 31 March 2012

Particulars In ₹ thousands	Cash	Balance with RBI	Balance with Banks	Investments	Loans and Advances	Fixed Assets	Other Assets
1 day	35,557	62,816	9,514,043	2,637,068	2,030,266	-	19,453
2–7 days	-	1,238,869	1,293,329	34,183,236	12,764,778	-	200,824
8–14 days	-	351,599	-	11,316,094	6,564,887	-	98,051
15–28 days	-	552,055	-	7,610,940	27,523,114	-	156,641
29 days–3 months	-	1,335,507	-	8,749,127	28,411,732	-	234,795
3–6 months	-	270,056	-	2,205,150	20,121,171	-	137,702
6 months – 1 year	-	246,788	-	56,013,393	11,156,379	-	450,741
1–3 years	-	456,150	-	10,209,025	11,495,058	-	136,688
3–5 years	-	102,975	-	700,485	5,220,906	-	35,178
Over 5 years	-	3,422,146	-	14,181,071	3,154,500	419,779	66,839,100
Total	**35,557**	**8,038,961**	**10,807,373**	**147,805,589**	**128,442,791**	**419,779**	**68,309,173**

Classification of NPAs

Particulars In ₹ thousands	**31 Mar 2012**
Amount of NPAs (Gross)	**2,146,623**
Substandard	**1,173,960**
Doubtful 1	**749,993**
Doubtful 2	**147,670**
Doubtful 3	**75,000**
Loss	**-**

Movement of NPAs and Provision for NPAs

	Particulars In ₹ thousands	**31 Mar 2012**
A	Amount of NPAs (Gross)	**2,146,623**
B	Net NPAs	**774,357**
C	NPA Ratios	
	- Gross NPAs to gross advances (%)	**1.65%**
	- Net NPAs to net advances (%)	**0.60%**
D	Movement of NPAs (Gross)	
	- Opening balance as of the beginning of the financial year	**834,480**
	- Additions	**1,394,084**
	- Reductions on account of recoveries/Write-offs	**81,941**
	- Closing balance	**2,146,623**
E	Movement of Provision for NPAs	
	- Opening balance as of the beginning of the financial year	**601,017**
	- Provision made during the year	**842,270**

Particulars In ₹ thousands	**31 Mar 2012**
- Write offs/Write back of excess provision	**71,021**
- Closing balance	**1,372,266**

Amount of Non-Performing Investments and amount of provisions held for non-performing investments: Nil

Movement in Provisions Held towards Depreciation on Investments

Particulars In ₹ thousands	**31 Mar 2012**
Opening Balance	**547,491**
Add: Provisions Made During the Year	**-**
Less: Write off/Write back of Excess provisions during the Year	**419,708**
Closing Balance	**128,083**

5. DISCLOSURES FOR CREDIT RISK: PORTFOLIOS SUBJECT TO STANDARDISED APPROACH

Qualitative Disclosures

Currently based on our clientele, ratings of the following agencies have been used i.e. CARE, CRISIL, Fitch and ICRA for all exposures. The Bank assigns Long term credit ratings accorded by the chosen credit rating agencies for assets which have a contractual maturity of more than one year. However, in accordance with the guidelines of RBI the Bank classifies all cash credit exposures as long term exposures and accordingly the long term ratings accorded by the chosen credit rating agencies are assigned. Currently the Bank uses issuer ratings. In accordance with RBI guidelines, for risk-weighting purposes, short-term ratings are deemed to be issue-specific.

Quantitative Disclosures

Categorisation of Advances (outstanding) classified on the basis of Risk Weightage is provided below:

Particulars In ₹ thousands	**31 Mar 2012**
< 100 % Risk Weight	**73,303,663**
100 % Risk Weight	**50,002,061**
> 100 % Risk Weight	**5,137,067**
Total	**128,442,791**

6. DISCLOSURES FOR CREDIT RISK MITIGATION ON STANDARDISED APPROACH

Qualitative Disclosures

This is detailed in our policy on Credit Risk Mitigation techniques and Collateral Management.

Quantitative Disclosures

As of 31 March 2012, the Bank has not availed of Credit Mitigation techniques.

7. DISCLOSURE ON SECURITISATION FOR STANDARDISED APPROACH

The Bank has not securitised any assets in the year under review.

8. DISCLOSURE ON MARKET RISK IN TRADING BOOK

Qualitative disclosures

Market Risk arises from changes in value from changes in interest rates yields, foreign exchange rates, equity prices, commodity prices, credit spreads and the impact of changes in the correlations and volatilities of these risk factors. The Banks market risk appetite is determined by the Group Board of Directors, with detailed limit frameworks recommended by the appropriate risk committees. The Group Market & Liquidity Risk Committee, which reports into the Group Risk Executive Committee, oversees the market risk management infrastructure, sets market risk control limits and provides enterprise-wide oversight of all market risks and their management.

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 the management of market risk within the Group including the limit setting and independent model validation, monitoring and valuation.

The principal market risk appetite measure is Value at Risk (VaR). The VaR is supplemented by risk control measures, such as sensitivities to risk factors, including their volatilities, as well as P&L loss triggers (Management Stress Triggers) for management action.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence. The VaR methodology uses a historical simulation approach to forecast the Group's market risk. The methodology is also used to compute average tail loss metrics. VaR risk factor scenarios are aligned to parameters and market data used for valuation. The VaR is calculated for T&M trading, T&M banking and ALCO book (T&M banking and ALCO book constitute banking VaR).

On a daily basis, the Bank computes trading VaR for each business unit and location and at the Group level. Banking VaR is computed on a weekly basis for each business unit and location. The trading VaR forecasts are back-tested against the profit and loss of the trading book to monitor its predictive power.

To complement the VaR framework, regular stress testing is carried out to monitor the Banks vulnerability to shocks.

Quantitative Disclosures

Capital Requirement for Market Risk

Particulars In ₹ thousands	**31 Mar 2012**
Interest rate risk	4,298,877
Foreign exchange risk (including gold)	315,000
Equity position risk	-

9. OPERATIONAL RISK

Qualitative Disclosures

Overview

The Bank's Operational Risk Management (ORM) framework:
- "Defines" operational risk and the scope of its application;
- "Establishes" the dimensions of operational risk;
- "Provides" a framework for managing operational risk

Operational Risk is defined as "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 reputation risk".

There are three dimensions of operational risk:
- Risk Cause
- Risk Event
- Risk Effect

The Core Operational Risk Standards ('CORS') are a set of minimum operating control standards that apply to all Business Units/Support Units (BU/SU) to manage Operational Risk. Business specific policies and procedures are developed in line with these minimum control standards. The effective implementation of these standards in conjunction with corporate and business-specific policies provides the Bank with reasonable assurance that it is proactively managing its Operational Risk.

The policy covers guidelines for:

- Management Oversight
- People Management
- Transaction Initiation, Execution and Maintenance
- Financial and Accounting Control
- Legal, Regulatory and Market Practice Compliance
- Software, Systems Development and Infrastructure Management
- Information Security
- Physical Security
- Business Continuity Management

Risk Mitigation Programs

Internal Controls

The day-to-day management of Operational Risk is through maintenance of a comprehensive system of internal controls. An effective internal control system is a combination of a strong control environment and appropriate internal control procedures. These internal controls comprise – preventive, detective, escalation and corrective controls.

Insurance Programme

The key objectives of the Insurance Programme are to:

- Reduce financial loss of risk events via transfer of loss to external funding sources (insurers)
- Prepare the Bank to qualify for any potential reduction in Operational Risk Capital under Basel II

The Programme provides cover for low-frequency high-impact loss incidents, while the high frequency low impact operational losses are managed through strong internal controls.

Business Continuity Management (BCM) is a key Operational Risk program to minimise the impact of a business disruption, irrespective of cause and to provide an acceptable level of continuity until normal business operations are resumed. The BCM includes the following:

- Establishing ownership, roles and responsibilities
- Risk analysis
- Business impact analysis
- Recovery strategies
- Familiarisation of emergency response and crisis management plans
- Regular review and maintenance
- Regular, complete and meaningful testing

Risk Tools and Mechanisms

Control Self Assessment: The process of Control Self Assessment comprises:

- Assessment of the effectiveness of internal controls so as to provide reasonable assurance that business objectives can be met
- Promoting awareness of operational risk and control throughout the Bank
- Identifying issues requiring corrective action.

Risk Event Management (REM) and reporting is for:

– Fostering a consistent and robust risk event management and reporting culture
– Building a risk event database that will be in line with Basel II requirements to progress towards a more sophisticated capital quantification approach for Operational Risk
– Providing management with regular reports on Operational Risk exposures at a granular level

Key Risk Indicators (KRI) tracking and reporting:

– Serves as a pre-warning signal of the changes in the level of risks and the effectiveness of controls.
– Prompts corrective action to be taken to prevent or reduce potential loss exposures through proper tracking and trend analysis of KRIs.

New Product Approval (NPA) is a review/approval process to ensure that:

– New business initiatives and changes to existing businesses are introduced in a controlled manner.
– Risks inherent in the new proposals are properly addressed
– Appropriate due diligence is conducted prior to the commencement of new business.

Approach for operational risk capital assessment

– The Bank currently follows the Basic Indicator Approach for Operational Risk capital assessment. Migration to advanced approaches will be as per the guidance from the Bank's Head Office in Singapore.

10. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Qualitative Disclosures

The Asset and Liability Committee ("India ALCO") oversees the structural interest rate risk and funding liquidity risk in the Bank. The ALCO ensures that the exposures are within prudent levels. Structural interest rate risk arises from mismatches in the interest rate profile of customer loans and deposits. This interest rate risk has several aspects: basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. To monitor the structural interest rate risk, the tools used by DBS include re-pricing gap reports based on traditional as well as duration gap approach, sensitivity analysis and income simulations under various scenarios.

Quantitative Disclosures

The Bank uses the Duration Gap approach to measure the impact of Market Value of Equity (MVE) for upward and downward rate shocks. This measures the potential change in MVE of the Bank for a 200 bps change in interest rates. The change in MVE due to a 200 bps change in interest rates are:-

Change in MVE due to a 200 bps change in interest rates	₹ million
31 March 2012	(878.45)

The impact on Earnings is computed as per the definition laid down in the ALM Policy of the Bank. As per the policy, Earnings-at-Risk (EaR) measures the interest rate risk from the earnings perspective. It is computed as an impact (over a 1-year horizon) of a 1% parallel shift in the yield curve on the Bank's earning. This is computed using the net IRS gaps for each bucket up to 1 year and the mark-to-market impact of 1% rise in interest rates on the AFS and HFT portfolio is to this. The aggregate of these approximates the net revenue impact of a 1% parallel shift (increase in interest rates) in the yield curve over a 1 year horizon and acts as a useful tool in the hands of the ALCO to monitor and assess the impact of Interest rate risk exposure of the Bank on its revenue.

EaR is computed at a Bank-wide level. It is not computed individually for trading and banking books. Hence the impact on Earnings for the Banking book alone cannot be assessed. The EAR (trading and banking) is:

EaR on the ₹ book (trading and banking)	₹ million
31 March 2012	(1,091.25)

DBS INDIA FOOTPRINT

BRANCHES IN INDIA:

Bengaluru
Chennai
Cuddalore
Kolhapur
Kolkata
Nashik
New Delhi
Moradabad
Mumbai
Pune
Salem
Surat

China
Hong Kong
India
Indonesia
Japan
Korea
Malaysia
Singapore
Taiwan
Thailand
The Philippines
United Arab Emirates
United Kingdom
United States of America
Vietnam

Taipei

Hong Kong

Jakarta

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